

UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT

**UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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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 2024, 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 2024;
- the consolidated statement of financial position as at 31 December 2024;
- 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, comprising material accounting policy information 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 risks 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 among 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)

Overview (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
<i>Expected credit loss allowance against investment in Islamic financing contracts</i> As at 31 December 2024, the Group's net investment in Islamic financing contracts was Saudi Riyals 2.5 billion against which an expected credit loss ("ECL") allowance of Saudi Riyals 72.6 million was maintained. The determination of ECL involves significant management judgement. The key areas of judgement used by management to calculate the ECL include: • Categorisation of receivables into stages 1, 2 or 3 based on the identification of: (i) exposures with a significant increase in credit risk ("SICR") since their origination; and (ii) individually impaired / defaulted exposures. • Determining assumptions used in the ECL model for probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD") including but not limited to the expected future cash flows, based on historic data as well as developing and incorporating forward looking information (such as macroeconomic factors, the associated scenarios and probability scenario weightings) in line with the requirements of International Financial Reporting Standard 9 'Financial Instruments' ("IFRS 9").	Our audit procedures included the following: • Assessed the accounting policies adopted and the underlying methodology and assumptions 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. • Evaluated and tested the design, implementation and the operating effectiveness of key controls over the ECL model including: (i) governance and approval of key assumptions used; (ii) classification of exposures into stages 1, 2 or 3, criteria for identification of SICR and the determination of individually impaired / defaulted exposures; and (iii) integrity of data inputs into the ECL model. • We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2024.

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

Our audit approach (continued)

Overview (continued)

Key audit matter	How our audit addressed the Key audit matter
We considered ECL against investment in Islamic financing contracts as of 31 December 2024 as a key audit matter in view of the significant judgements and estimates involved around the ECL calculations. Refer to the material accounting policies in Note 2.16 for the impairment of financing contracts; Note 3 which contains the disclosure of critical accounting judgements, estimates and assumptions relating to impairment losses; and Note 6 and 20 which contain the disclosures of impairment losses, impairment allowance assessment methodology, credit quality analysis, key assumptions and factors considered in determination of ECL.	- Assessed, for a selected sample of Islamic financing contracts, the appropriateness of the staging classification and management's computation of the ECL allowance. - Involved our experts 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, changes from assumptions used in the prior year, macroeconomic variables, associated scenarios and probability scenario weightings. - Assessed the adequacy of disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2024 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 Group's 2024 Annual Report, 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)

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.

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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

12 February 2025



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)

		Year ended 31 December	
	Note	2024	2023
Sales and services		6,156,633	5,675,352
Income from Islamic financing contracts		624,567	525,336
Total revenue	4	6,781,200	6,200,688
Cost of revenue		(5,222,227)	(4,838,808)
Gross profit		1,558,973	1,361,880
Selling and distribution expenses	5	(634,661)	(557,148)
General and administrative expenses	6	(221,892)	(253,865)
Net impairment losses on financial assets	14, 15	(93,180)	(70,228)
Other expenses		(2,992)	(5,584)
Other income	7	33,008	6,231
Finance charges	8	(60,024)	(62,103)
Profit before zakat and income tax		579,232	419,183
Zakat expense	26	(42,794)	(26,872)
Income tax expense	26	(1,998)	(1,849)
Net profit for the year		534,440	390,462
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations	24	3,145	276
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		3,373	(3,530)
Other comprehensive income (loss) for the year		6,518	(3,254)
Total comprehensive income for the year		540,958	387,208
Net profit for the year is attributable to:			
Owners of United Electronics Company		527,895	390,462
Non-controlling interests	1, 20	6,545	-
		534,440	390,462
Total comprehensive income is attributable to:			
Owners of United Electronics Company		534,536	387,208
Non-controlling interests	1, 20	6,422	-
		540,958	387,208
Earnings per share (Saudi Riyals)			
Basic earnings per share	29	6.99	5.12
Diluted earnings per share	29	6.68	4.88

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

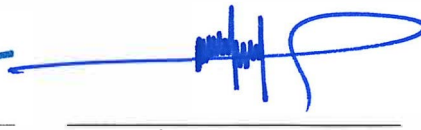
The consolidated financial statements including notes and other explanatory information were authorised for issue by the Board of Directors on 12 February 2025 and were signed on its behalf by:



Waer Mohammed
Mohammed Khalil
Chief Financial Officer



Mohammed Galal Ali
Fahmy
Chief Executive Officer



Yousef Ali Zaid Al Quraishi
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	
		2024	2023
Assets			
Non-current assets			
Property and equipment	9	486,483	485,931
Right-of-use assets	10	462,693	451,306
Net investment in finance leases	11	43,902	44,147
Intangible assets	12	57,304	60,749
Goodwill	13	529	529
Trade and other receivables	14	9,611	8,698
Investment in Islamic financing contracts	15	1,212,167	1,028,152
Total non-current assets		2,272,689	2,079,512
Current assets			
Inventories	16	1,288,430	1,187,427
Net investment in finance leases	11	3,115	3,311
Trade and other receivables	14	166,843	173,687
Investment in Islamic financing contracts	15	1,194,976	839,233
Cash and cash equivalents	17	475,569	151,272
Total current assets		3,128,933	2,354,930
Assets held for sale	18	-	7,069
Total assets		5,401,622	4,441,511
Equity and liabilities			
Equity			
Share capital	19	800,000	800,000
Other reserves		48,159	14,713
Retained earnings		903,263	515,113
Treasury shares	30	(41,766)	(45,461)
Equity attributable to the Owners of United Electronics Company		1,709,656	1,284,365
Non-controlling interests	1, 20	333,794	-
Net equity		2,043,450	1,284,365
Liabilities			
Non-current liabilities			
Deferred revenue	22	162,121	139,478
Lease liabilities	23	596,864	588,699
Borrowings	21	849,056	664,739
Employee benefit obligations	24	88,604	84,925
Total non-current liabilities		1,696,645	1,477,841

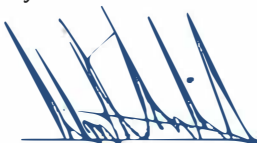
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UNITED ELECTRONICS COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position (continued)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December	
		2024	2023
Current liabilities			
Trade and other payables	25	987,059	776,600
Deferred revenue	22	165,663	140,471
Lease liabilities	23	32,378	30,080
Borrowings	21	426,613	688,620
Zakat and income tax payable	26	49,814	38,505
		<u>1,661,527</u>	<u>1,674,276</u>
Liabilities directly associated with assets classified as held for sale	18	-	5,029
Total current liabilities		<u>1,661,527</u>	<u>1,679,305</u>
Total liabilities		<u>3,358,172</u>	<u>3,157,146</u>
Total equity and liabilities		<u>5,401,622</u>	<u>4,441,511</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 12 February 2025 and were signed on its behalf by:


 Wael Mohammed
 Mohammed Khalil

Chief Financial Officer


 Mohammed Galal Ali
 Fahmy

Chief Executive Officer


 Yousef Ali Zaid Al Quraishi

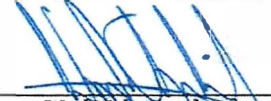
Chairman of the Board of
 Directors

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			Retained earnings	Treasury shares	Equity attributable to the Owners of United Electronics Company	Non-controlling interests (See Note 1)	Net equity
				Foreign currency translation reserve	Actuarial reserve	Total other reserves					
At 1 January 2023	800,000	64,158	9,968	(212)	(6,099)	3,657	327,136	(55,651)	1,139,300	-	1,139,300
Profit for the year	-	-	-	-	-	-	390,462	-	390,462	-	390,462
Other comprehensive loss for the year	-	-	-	(3,530)	276	(3,254)	-	-	(3,254)	-	(3,254)
Total comprehensive income for the year	-	-	-	(3,530)	276	(3,254)	390,462	-	387,208	-	387,208
Transfer from statutory reserve to retained earnings	-	(64,158)	-	-	-	-	64,158	-	-	-	-
Dividends	-	-	-	-	-	-	(266,643)	-	(266,643)	-	(266,643)
Employee share schemes - value of employee services	-	-	24,500	-	-	24,500	-	-	24,500	-	24,500
Issue of treasury shares to employees	-	-	(10,190)	-	-	(10,190)	-	10,190	-	-	-
At 31 December 2023	800,000	-	24,278	(3,742)	(5,823)	14,713	515,113	(45,461)	1,284,365	-	1,284,365
At 1 January 2024	800,000	-	24,278	(3,742)	(5,823)	14,713	515,113	(45,461)	1,284,365	-	1,284,365
Profit for the year	-	-	-	-	-	-	527,895	-	527,895	6,545	534,440
Other comprehensive income for the year	-	-	-	3,373	3,268	6,641	-	-	6,641	(123)	6,518
Total comprehensive income for the year	-	-	-	3,373	3,268	6,641	527,895	-	534,536	6,422	540,958
Transactions with non-controlling interests	-	-	-	-	-	-	548,558	-	548,558	327,372	875,930
Dividends	-	-	-	-	-	-	(688,303)	-	(688,303)	-	(688,303)
Employee share schemes - value of employee services	-	-	30,500	-	-	30,500	-	-	30,500	-	30,500
Issue of treasury shares to employees	-	-	(3,695)	-	-	(3,695)	-	3,695	-	-	-
At 31 December 2024	800,000	-	51,083	(369)	(2,555)	48,159	903,263	(41,766)	1,709,656	333,794	2,043,450

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 12 February 2025 and were signed on its behalf by:


Wael Mohammed Mohammed Khalil
Chief Financial Officer


Mohammed Galal Ali Fahmy
Chief Executive Officer


Yousef Ali Zaid Al Quraishi
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)

		Year ended 31 December	
	Note	2024	2023
Cash flows from operating activities			
Profit before zakat and income tax		579,232	419,183
<u>Adjustments for:</u>			
Depreciation of property and equipment	9	47,744	49,633
Property and equipment written-off	9	62	48
Loss (gain) on disposal of property and equipment		182	(93)
Depreciation of right-of-use assets	10	54,173	50,143
Amortization of intangible assets	12	16,507	14,794
Employee share schemes - value of employee services		30,500	24,500
Amortization of deferred revenue	22	(203,278)	(149,454)
Net impairment losses on financial assets	15	93,180	70,228
Gain on termination of a lease	7	(1,655)	(146)
Finance income from net investment in finance leases		(2,829)	(2,862)
Finance charges	21	139,913	125,346
Provision for employee benefit obligations	24	12,449	12,345
<u>Changes in operating assets and liabilities:</u>			
Decrease (increase) in trade and other receivables		11,668	(56,706)
Increase in investment in Islamic financing contracts		(632,938)	(370,419)
Increase in inventories		(101,003)	(107,795)
Increase in trade and other payables		157,526	86,042
Increase in deferred revenue		251,113	189,673
Cash generated from operations		452,546	354,460
Finance income received		3,270	4,407
Employee benefit obligations paid	24	(5,625)	(6,234)
Finance charges paid		(138,728)	(125,398)
Zakat and income tax paid	26	(33,483)	(31,416)
Net cash inflow from operating activities		277,980	195,819
Cash flows from investing activities			
Payments for purchases of property and equipment	9	(48,800)	(43,775)
Payments for additions to intangible assets	12	(13,062)	(20,978)
Proceeds from disposal of property and equipment		260	309
Net cash outflow from investing activities		(61,602)	(64,444)
Cash flows from financing activities			
Proceeds from long-term borrowings		923,101	774,500
Repayment of long-term borrowings		(595,188)	(416,897)
Proceeds from short-term borrowings		1,776,218	1,893,922
Repayment of short-term borrowings		(2,183,006)	(2,077,165)
Transactions with non-controlling interests	1	990,000	-
Transaction cost relating to initial public offering		(62,793)	-
Dividends paid	33	(688,303)	(266,643)
Principal elements of lease payments		(53,442)	(33,157)
Net cash inflow (outflow) from financing activities		106,587	(125,440)

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

		Year ended 31 December	
	Note	2024	2023
Net increase in cash and cash equivalents		322,965	5,935
Cash and cash equivalents at beginning of year		152,604	146,669
Cash and cash equivalents at end of year	17	475,569	152,604
Non-cash investing and financing activities:			
Reversal of lease liabilities on termination of a lease	23	3,086	414
Reversal of right-of-use assets on termination of a lease	10	1,431	268
Right-of-use assets recorded against lease liabilities	10, 23	66,991	61,163
Depreciation of right-of-use assets capitalized to property and equipment	9, 10	-	549
Transfer of property and equipment to assets held for sale	18	-	3,616
Transfer of trade and other receivables to assets held for sale	18	-	2,121
Transfer of trade and other payables to assets held for sale	18	-	5,029

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 12 February 2025 and were signed on its behalf by:


Wael Mohammed
Mohammed Khalil

Chief Financial Officer


Mohammed Galal Ali
Fahmy

Chief Executive
Officer


Yousef Ali Zaid Al
Quraishi

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 2024**

(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 (“KSA”).

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 direct and indirect subsidiaries:

Subsidiaries	Country of incorporation	Effective ownership percentage	
		2024	2023
United Company for Maintenance Services (“UCMS”)	Kingdom of Saudi Arabia	100%	100%
United Electronics Company Extra W.L.L. (“eXtra Bahrain”)	Kingdom of Bahrain	100%	100%
United Electronics Company Extra L.L.C. (“eXtra Oman”)	Sultanate of Oman	100%	100%
Extra Electronics Company (“eXtra Egypt”)	Arab Republic of Egypt	100%	100%
Extra for Import (“eXtra Import”)	Arab Republic of Egypt	100%	100%
United International Holding Company (“UIHC”)	Kingdom of Saudi Arabia	70%	100%
United Company for Financial Services (“UCFS”)	Kingdom of Saudi Arabia	70%	100%
Procco Financial Services W.L.L. (“Procco”)	Kingdom of Bahrain	70%	100%

As at 31 December 2024, the Group had a total of 55 branches (31 December 2023: 53 branches) out of which 50 branches are in the Kingdom of Saudi Arabia (31 December 2023: 48 branches in the Kingdom of Saudi Arabia).

Initial Public Offering (IPO) of UIHC

During the year ended 31 December 2024, the Group disposed 30% of its shareholding in UIHC by means of an initial public offer (“IPO”) of shares of UIHC on the Saudi Stock Exchange (“Tadawul”) against a total consideration of Saudi Riyals 990.0 million. As the Group continues to control UIHC, the carrying amount of the non-controlling interest has been adjusted to reflect the change in the ownership interest in UIHC. The difference between the amount by which non-controlling interest has been adjusted and the fair value of the consideration received, net of IPO expenses amounting to Saudi Riyals 114.1 million, has been recognised in equity under “Retained earnings”. Also see Note 19.

The accompanying consolidated financial statements were authorized for issue by the Group’s Board of Directors on 12 February 2025.

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

Notes to the consolidated financial statements for the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Material accounting policies

Material 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

A number of new and amended standards became applicable for the current reporting period.

- Amendment to IFRS 16 'Leases' ("IFRS 16") - Leases on sale and leaseback;
- Amendments to IAS 1, Presentation of financial statements' - Non-current liabilities with covenants; and
- Amendment to IAS 7 'Cash flow statements' ("IAS 7") and IFRS 7 'Financial instruments: Disclosures' ("IFRS 7") - Supplier finance.

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(iv) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group.

- Amendments to IAS 21 - Lack of Exchangeability;
- Amendment to IFRS 9 and IFRS 7 'Classification and Measurement of Financial Instruments';
- IFRS 18, 'Presentation and Disclosure in Financial Statements'; and
- IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'.

Management is in the process of assessing the impact of such new standards and interpretations on its consolidated financial statements.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Material accounting policies (continued)

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.

(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 recognised 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 recognised 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 recognised 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.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Material accounting policies (continued)

2.3 Basis of consolidation (continued)

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.

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.

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.

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2 Material accounting policies (continued)

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.

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.

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 derecognised 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.

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2 Material accounting policies (continued)

2.5 Leases (continued)

(i) The Group as a lessee (continued)

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.

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.

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2 Material accounting policies (continued)

2.5 Leases (continued)

(i) The Group as a lessee (continued)

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.

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 2.18.

(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 recognised 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 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. Subsequent expenditures are capitalised only if future economic benefits that are attributable to the asset are expected to flow to the entity and the costs can be measured reliably.

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2 Material accounting policies (continued)

2.6 Intangible assets (continued)

Intangible assets with finite lives are amortised 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 recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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 recognised in the profit or loss when the asset is derecognised.

2.7 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.

2.8 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 amortised cost using the effective interest rate method.

2.9 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.

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2 Material accounting policies (continued)

2.10 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 recognised 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 recognised 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 recognised immediately in profit or loss as past service costs. The Group has no further payment obligations once the contributions have been paid.

2.11 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.

2.12 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 recognised 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.

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 recognised 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 recognised at a point in time since the associated performance obligation is satisfied either instantly or within a short span of time.

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2 Material accounting policies (continued)

2.12 Revenue recognition (continued)

(ii) Wholesale

The Group also sells its products to other resellers. Revenue is recognised 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 recognised 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 recognised 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 amortised over the period of warranty.

(v) Customer loyalty program

The Group provides customers with an option to opt into customer loyalty program. 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 loyalty program. The Group recognizes the consideration received as a liability, which is later amortised over the period of the loyalty program.

(vi) Gift cards

The Group sells gift cards to customers which can be redeemed for goods. The consideration received from such sales are recognised as a contract liability being a performance obligation and recognised 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 recognised in full upon their expiry.

(vii) Income from Islamic financing activities

Income from Islamic financing contracts including installment sales, Murabaha, Tawarruq and credit card financing is recognised 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.

2.13 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 costs associated with Islamic financing contracts.

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2 Material accounting policies (continued)

2.14 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.

2.15 Borrowings

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

2.16 Zakat and taxes

Zakat is provided for in accordance with the 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.

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Additional amounts, if any, are accounted for when determined to be required for payment.

2.17 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 Material accounting policies (continued)

2.18 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.

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.

2.19 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.

2.20 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 Material accounting policies (continued)

2.20 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 recognised for the award is recognised 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.

2.21 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
- whose settlement the entity does not have the right at the end of the reporting period to defer for at least 12 months after the reporting period

All other liabilities are classified as non-current.

2.22 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company. Interim dividends are recorded when approved by the Board of Directors in accordance with the authorization obtained from the shareholders of the Company.

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2 Material accounting policies (continued)

2.23 Financial instruments

2.23.1 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 31.

(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.

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2 Material accounting policies (continued)

2.23 Financial instruments (continued)

2.23.1 Financial assets (continued)

(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 30 or more 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.

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 recognised 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 31.

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2 Material accounting policies (continued)

2.23 Financial instruments (continued)

2.23.1 Financial assets (continued)

(d) Impairment (continued)

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 recognised 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 31.

2.23.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised 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 recognised in profit or loss.

2.23.3 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.

2.24.1 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.

2.24.2 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.

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2 Material accounting policies (continued)

2.24 Investment in Islamic financing contracts

2.24.3 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.

2.24.4 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.

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 on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. During the year ended 31 December 2024, there were certain changes made to the underlying dataset of collection patterns, default trends, macroeconomic factors and expected probability scenario weightings used for computation of such ECL allowance on investment in Islamic financing contracts. A detailed analysis of the assumptions used in computation of ECL allowance, including updates made during the year has been included in Note 31. Also see Note 15.

(ii) Markdown and provision for slow moving inventories

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 amount 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 4.6 million (31 December 2023: Saudi Riyals 3.2 million).

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3 Critical accounting estimates and judgments (continued)

(b) Critical accounting judgements

(i) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management has exercised judgement in determining that its lease agreements for office space and other kiosks etc. are short term in nature considering expected expansion of workforce, insignificant leasehold improvements, analysis of utility of the kiosks and expectation of no significant business disruption. Accordingly, all rental expenses for such short-term leases have been charged to statement of profit or loss and other comprehensive income.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(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.

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

	2024	2023
Recognised at a point in time		
Retail	4,480,543	4,371,865
E-commerce	1,429,264	1,094,766
Wholesale	41,244	56,996
	5,951,051	5,523,627
Recognised over time		
Extended warranty program	172,528	149,454
Others	33,054	2,271
	205,582	151,725
Total sales and services	6,156,633	5,675,352
Income from Islamic financing contracts	624,567	525,336
	6,781,200	6,200,688

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5 Selling and distribution expenses

	Note	2024	2023
Salaries and benefits		274,161	257,917
Depreciation	9,10	95,630	90,702
Advertising		78,331	52,274
Bank charges on electronic receipts		50,377	38,849
Delivery charges		32,988	24,913
Utilities, printing and stationery		29,568	25,414
Fees and subscription		27,890	17,844
Repairs and maintenance		12,675	12,809
Security services		9,776	9,584
Amortisation	12	2,722	5,149
Others		20,543	21,693
		634,661	557,148

6 General and administrative expenses

	Note	2024	2023
Salaries and benefits		140,288	175,732
Information technology support		19,236	6,747
Amortisation	12	13,785	9,645
Repairs and maintenance		11,792	6,930
Professional fees		9,192	7,170
Depreciation	9,10	6,287	9,074
Utilities		4,131	6,557
Travel and accommodation		1,590	2,498
Rent		1,143	7,895
Others		14,448	21,617
		221,892	253,865

Auditor's remuneration for the statutory audits and review services for the year ended 31 December 2024 amounted to Saudi Riyals 1.5 million (2023: Saudi Riyals 1.4 million). Auditor's fee for other statutory services amounting to Saudi Riyals 4.6 (2023: Saudi Riyals 4.1) which principally represent special purpose audits, interim reviews and other services related to United International Holding Company's Initial Public Offering application, zakat and tax compliance and certain other services.

7 Other income

	2024	2023
Value added tax ("VAT") refund	16,300	-
Reversal of ECL on installment sales receivable	8,635	-
Income from net investment in finance leases	2,829	2,862
Breakage income	1,292	1,601
Others	3,952	1,768
	33,008	6,231

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8 Finance charges

	Note	2024	2023
Finance costs on lease liabilities	23	43,803	41,983
Finance costs on borrowings		16,221	20,120
		60,024	62,103

Finance charges amounting to Saudi Riyals 79.9 million (31 December 2023: Saudi Riyals 63.2 million) related to the consumer financing activities have been presented under 'Cost of revenue'.

9 Property and equipment

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Vehicles	Capital work-in-progress	Total
2024						
Cost						
1 January	110,889	470,850	377,297	17,178	35,166	1,011,380
Additions	-	7,440	23,078	835	17,447	48,800
Disposals	-	(2,520)	(612)	(925)	-	(4,057)
Transfers	-	27,916	2,274	-	(30,190)	-
Written off	-	(28)	(4,987)	-	-	(5,015)
31 December	110,889	503,658	397,050	17,088	22,423	1,051,108
Accumulated depreciation						
1 January	-	(206,407)	(304,231)	(14,811)	-	(525,449)
Additions	-	(21,913)	(25,571)	(260)	-	(47,744)
Disposals	-	2,226	606	783	-	3,615
Written-off	-	19	4,934	-	-	4,953
31 December	-	(226,075)	(324,262)	(14,288)	-	(564,625)
Net book value	110,889	277,583	72,788	2,800	22,423	486,483

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9 Property and equipment (continued)

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Vehicles	Capital work-in- progress	Total
2023						
Cost						
1 January	110,889	457,624	357,449	18,069	29,313	973,344
Additions	-	1,952	19,053	97	23,222	44,324
Transfers	-	11,315	2,793	-	(14,108)	-
Assets classified as held for sale and other disposals	-	(41)	(1,271)	(988)	(3,261)	(5,561)
Written-off	-	-	(727)	-	-	(727)
31 December	110,889	470,850	377,297	17,178	35,166	1,011,380
Accumulated depreciation						
1 January	-	(185,044)	(277,854)	(15,312)	-	(478,210)
Additions	-	(21,383)	(27,921)	(329)	-	(49,633)
Assets classified as held for sale and other disposals	-	20	865	830	-	1,715
Written-off	-	-	679	-	-	679
31 December	-	(206,407)	(304,231)	(14,811)	-	(525,449)
Net book value	110,889	264,443	73,066	2,367	35,166	485,931

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.

The Group's capital-work-in-progress as at 31 December 2024 principally comprises, among other items, the costs incurred related to leasehold improvements on store in Riyadh and civil work on warehouse in Khobar which is expected to be completed by June 2025 with a total estimated costs of Saudi Riyals 2.5 million.

The estimated useful lives of assets are as follows:

	Number of years
• Buildings 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:

	Note	2024	2023
Selling and distribution expenses	5	42,358	41,504
General and administrative expenses	6	5,386	8,129
		47,744	49,633

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10 Right-of-use assets

	Land	Stores	Warehouses	Office building	Total
2024					
Cost					
1 January	393,757	240,445	42,084	3,104	679,390
Additions	-	64,834	-	2,157	66,991
Termination	-	(4,292)	-	-	(4,292)
31 December	<u>393,757</u>	<u>300,987</u>	<u>42,084</u>	<u>5,261</u>	<u>742,089</u>
Accumulated depreciation					
1 January	(104,032)	(108,589)	(12,373)	(3,090)	(228,084)
Additions	(22,339)	(23,369)	(7,950)	(515)	(54,173)
Termination	-	2,861	-	-	2,861
31 December	<u>(126,371)</u>	<u>(129,097)</u>	<u>(20,323)</u>	<u>(3,605)</u>	<u>(279,396)</u>
Net book value	<u>267,386</u>	<u>171,890</u>	<u>21,761</u>	<u>1,656</u>	<u>462,693</u>
	Land	Stores	Warehouses	Office building	Total
2023					
Cost					
1 January	393,757	186,115	36,442	14,622	630,936
Additions	-	55,521	5,642	-	61,163
Termination	-	(1,191)	-	(11,518)	(12,709)
31 December	<u>393,757</u>	<u>240,445</u>	<u>42,084</u>	<u>3,104</u>	<u>679,390</u>
Accumulated depreciation					
1 January	(83,430)	(88,145)	(4,570)	(3,606)	(179,751)
Additions	(20,602)	(20,818)	(7,803)	(920)	(50,143)
Termination	-	923	-	1,436	2,359
Right-of-use assets capitalised	-	(549)	-	-	(549)
31 December	<u>(104,032)</u>	<u>(108,589)</u>	<u>(12,373)</u>	<u>(3,090)</u>	<u>(228,084)</u>
Net book value	<u>289,725</u>	<u>131,856</u>	<u>29,711</u>	<u>14</u>	<u>451,306</u>

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

	Note	2024	2023
Selling and distribution expenses	5	53,272	49,198
General and administrative expenses	6	901	945
		<u>54,173</u>	<u>50,143</u>

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11 Net investment in finance lease

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

	2024	2023
Gross investment in finance leases	73,833	75,897
Unearned finance income	(26,816)	(28,439)
Net investment in finance leases	47,017	47,458
Non-current portion	(43,902)	(44,147)
Current portion	3,115	3,311

11.2 Maturity profile of gross investment in finance leases and present value of minimum lease payments receivables is as follows:

	2024	2023
Gross investment in finance leases		
Within one year	4,076	4,076
From one to two years	4,326	4,076
From two to three years	4,326	4,326
From three to four years	4,326	4,326
From four to five years	4,326	4,326
Five years and above	52,453	54,767
	73,833	75,897
	2024	2023
Present value of minimum lease payments receivable		
Within one year	3,115	3,861
From one to two years	3,061	3,115
From two to three years	2,879	3,061
From three to four years	2,707	2,879
From four to five years	2,546	2,707
Five years and above	32,709	31,835
	47,017	47,458

Also see Note 31.

12 Intangible assets

	Computer software	Capital work-in-progress	Total
<u>2024</u>			
Cost			
1 January	162,640	3,113	165,753
Additions	9,842	3,220	13,062
Transfers	5,361	(5,361)	-
31 December	177,843	972	178,815
Accumulated amortization			
1 January	(105,004)	-	(105,004)
Additions	(16,507)	-	(16,507)
31 December	(121,511)	-	(121,511)
Net book value	56,332	972	57,304

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12 Intangible assets (continued)

	Computer software	Capital work-in- progress	Total
2023			
Cost			
1 January	139,249	5,526	144,775
Additions	8,929	12,049	20,978
Transfers	14,462	(14,462)	-
31 December	162,640	3,113	165,753
Accumulated amortization			
1 January	(90,210)	-	(90,210)
Additions	(14,794)	-	(14,794)
31 December	(105,004)	-	(105,004)
Net book value	57,636	3,113	60,749

Intangible assets, with finite useful lives, are amortised 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 2024 principally comprises the costs incurred related to computer software which is expected to be completed by March 2025 with a total additional estimated cost of Saudi Riyals 0.3 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.

14 Trade and other receivables

	Note	2024	2023
Trade receivables		80,433	103,491
Less: allowance for expected credit losses (ECL)	31	(12,507)	(12,507)
Net trade receivables		67,926	90,984
Prepaid expenses		43,280	39,330
Advances to suppliers		24,454	10,404
Advances to employees		14,002	13,192
Claim receivable and refundable deposits		8,420	12,391
Due from related parties	28	2,415	1,783
Other assets		15,957	14,301
		176,454	182,385
Non-current portion			
Prepaid expenses and advances to employees		(9,611)	(8,698)
Current portion		166,843	173,687

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14 Trade and other receivables (continued)

Movement in allowance for ECL is as follows:

	2024	2023
Opening balance	12,507	2,507
Provision for the year	-	10,000
Closing balance	12,507	12,507

Also see Note 31.

15 Investment in Islamic financing contracts

	2024	2023
Investment in Tawarruq financing contracts, net	1,883,590	1,531,316
Investment in Murabaha financing contracts, net	65,871	272,873
Investment in Islamic credit cards, net	457,682	63,196
	2,407,143	1,867,385
Non-current portion	(1,212,167)	(1,028,152)
Current portion	1,194,976	839,233

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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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Gross investment in Islamic financing contracts	29,912	32,473	2,863,543	2,317,298	80,771	362,169	551,924	65,726	3,526,150	2,777,666
Unearned finance and processing fee income	(6,214)	(7,048)	(924,498)	(736,619)	(12,173)	(77,646)	(79,843)	-	(1,022,728)	(821,313)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	23,698	25,425	1,939,045	1,580,679	68,598	284,523	472,081	65,726	2,503,422	1,956,353
Allowance for ECL	(23,698)	(25,425)	(55,455)	(49,363)	(2,727)	(11,650)	(14,399)	(2,530)	(96,279)	(88,968)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	-	-	1,883,590	1,531,316	65,871	272,873	457,682	63,196	2,407,143	1,867,385
Net investment in I.F.C. - Non-current portion	-	-	(1,202,280)	(957,963)	(9,887)	(70,189)	-	-	(1,212,167)	(1,028,152)
Net investment in I.F.C. - Current portion	-	-	681,310	573,353	55,984	202,684	457,682	63,196	1,194,976	839,233

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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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Opening balance	25,425	25,790	49,363	40,064	11,650	6,326	2,530	365	88,968	72,545
Charge for the year	(1,727)	(365)	85,784	52,655	17,536	16,584	17,350	2,720	118,943	71,594
Amounts written-off	-	-	(79,692)	(43,356)	(26,459)	(11,260)	(5,481)	(555)	(111,632)	(55,171)
Closing balance	23,698	25,425	55,455	49,363	2,727	11,650	14,399	2,530	96,279	88,968

15.2.1 Net impairment losses on financial assets:

	Installment sales		Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Charge for the year	(1,727)	(365)	85,784	52,655	17,536	16,584	17,350	2,720	118,943	71,594
Recoveries of amounts previously written-off	-	-	(18,797)	(7,742)	(6,816)	(3,624)	(150)	-	(25,763)	(11,366)
Net impairment losses on financial assets	(1,727)	(365)	66,987	44,913	10,720	12,960	17,200	2,720	93,180	60,228

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			
31 December 2024	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	
Performing (Stage 1)	-	-	-	1,723,985	(14,387)	1,709,598	54,789	(200)	54,589	431,110	(4,578)	426,532	2,209,884	(19,165)	2,190,719
Under-performing (Stage 2)	-	-	-	59,231	(9,115)	50,116	2,902	(249)	2,653	13,256	(2,947)	10,309	75,389	(12,311)	63,078
Non-performing (Stage 3)	23,698	(23,698)	-	155,829	(31,953)	123,876	10,907	(2,278)	8,629	27,715	(6,874)	20,841	218,149	(64,803)	153,346
	23,698	(23,698)	-	1,939,045	(55,455)	1,883,590	68,598	(2,727)	65,871	472,081	(14,399)	457,682	2,503,422	(96,279)	2,407,143

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15 Investment in Islamic financing contracts (continued)
15.3 Stage-wise analysis of Islamic financing contracts and the respective allowance for ECL/impairment are as follows: (continued)

31 December 2023	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	-	-	-	1,363,519	(12,796)	1,350,723	231,559	(1,146)	230,413	56,654	(735)	55,919	1,651,732	(14,677)	1,637,055
Under- performing (Stage 2)	-	-	-	94,489	(7,282)	87,207	13,124	(813)	12,311	3,111	(300)	2,811	110,724	(8,395)	102,329
Non-performing (Stage 3)	25,425	(25,425)	-	122,671	(29,285)	93,386	39,840	(9,691)	30,149	5,961	(1,495)	4,466	193,897	(65,896)	128,001
	25,425	(25,425)	-	1,580,679	(49,363)	1,531,316	284,523	(11,650)	272,873	65,726	(2,530)	63,196	1,956,353	(88,968)	1,867,385

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

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
2024				
1 January 2024	14,677	8,395	65,896	88,968
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(4,677)	11,236	(3,574)	2,985
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(8,971)	(3,374)	34,345	22,000
Individual financial assets transferred to performing (12-month expected credit losses)	648	(2,615)	(1,922)	(3,889)
New financial assets originated	24,878	-	-	24,878
Amounts written-off	-	-	(111,632)	(111,632)
Other changes	(7,390)	(1,331)	81,690	72,969
31 December 2024	19,165	12,311	64,803	96,279

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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: (continued)

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
2023				
1 January 2023	11,992	3,264	57,289	72,545
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(5,270)	8,236	(633)	2,333
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(16,974)	(1,928)	38,213	19,311
Individual financial assets transferred to performing (12-month expected credit losses)	42	(475)	(2,299)	(2,732)
New financial assets originated	28,620	-	-	28,620
Amounts written-off	(1,500)	(267)	(53,405)	(55,172)
Other changes	(2,233)	(435)	26,731	24,063
31 December 2023	<u>14,677</u>	<u>8,395</u>	<u>65,896</u>	<u>88,968</u>

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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:

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2024															
At 1 January	-	-	25,425	12,796	7,282	29,285	1,146	813	9,691	735	300	1,495	14,677	8,395	65,896
Individual financial assets transferred to															
- Stage 1	-	-	-	625	(2,375)	(1,778)	14	(187)	(124)	9	(53)	(20)	648	(2,615)	(1,922)
- Stage 2	-	-	-	(4,625)	7,866	(619)	(37)	217	(49)	(15)	3,154	(2,905)	(4,677)	11,237	(3,573)
- Stage 3	-	-	-	(8,345)	(2,985)	29,758	(80)	(300)	1,897	(546)	(89)	2,690	(8,971)	(3,374)	34,345
New financial assets originated	-	-	-	20,167	-	-	79	-	-	4,632	-	-	24,878	-	-
Amounts written-off	-	-	-	-	-	(79,692)	-	-	(26,458)	-	-	(5,481)	-	-	(111,631)
Other changes	-	-	(1,727)	(6,231)	(673)	54,999	(922)	(294)	17,321	(237)	(365)	11,095	(7,390)	(1,332)	81,688
At 31 December	-	-	23,698	14,387	9,115	31,953	200	249	2,278	4,578	2,947	6,874	19,165	12,311	64,803

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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)

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023															
At 1 January	37	82	25,671	10,500	2,890	26,674	1,408	196	4,722	47	96	222	11,992	3,264	57,289
Individual financial assets transferred to															
-Stage 1	-	-	-	39	(446)	(2,186)	2	(25)	(87)	1	(4)	(26)	42	(475)	(2,299)
-Stage 2	-	-	-	(4,473)	7,133	(583)	(508)	802	(50)	(289)	298	-	(5,270)	8,233	(633)
-Stage 3	-	-	-	(11,370)	(1,742)	27,349	(4,476)	(109)	9,369	(1,128)	(77)	1,496	(16,974)	(1,928)	38,214
New financial assets originated	-	-	-	21,149	-	-	5,383	-	-	2,088	-	-	28,620	-	-
Amounts written-off	-	-	-	(1,372)	(250)	(41,733)	(127)	(16)	(11,117)	-	-	(555)	(1,499)	(266)	(53,405)
Other changes	(37)	(82)	(246)	(1,677)	(303)	19,764	(536)	(35)	6,854	16	(13)	358	(2,234)	(433)	26,730
At 31 December	-	-	25,425	12,796	7,282	29,285	1,146	813	9,691	735	300	1,495	14,677	8,395	65,896

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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 2024:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases on account of impact of enhanced collection strategies and efforts) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- During the year ended 31 December 2024, as part of an annual exercise, management has updated the underlying dataset of collection patterns, default trends, macroeconomic factors and expected probability scenario weightings for computation of such ECL allowance. A detailed analysis of the assumptions used in computation of ECL allowance, including updates made during the year has been included in Note 31;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- 'Other changes' in Stage 3 principally represent net impact of additional allowance for ECL recognised upon write-offs.

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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:

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2024															
At 1 January	-	-	25,425	1,363,519	94,489	122,671	231,559	13,124	39,840	56,654	3,111	5,961	1,651,732	110,724	193,897
Individual financial assets transferred to															
- Stage 1	-	-	-	37,965	(30,278)	(7,687)	15,046	(2,983)	(12,062)	5,407	(754)	(4,653)	58,418	(34,015)	(24,402)
- Stage 2	-	-	-	(52,288)	54,942	(2,654)	(3,859)	4,068	(209)	(12,909)	12,940	(31)	(69,056)	71,950	(2,894)
- Stage 3	-	-	-	(100,805)	(39,336)	140,141	(5,826)	(4,639)	10,464	(20,594)	(1,867)	22,461	(127,225)	(45,842)	173,066
New financial assets originated	-	-	-	1,085,187	-	-	5,157	-	-	412,644	-	-	1,502,988	-	-
Amounts written-off	-	-	-	-	-	(79,692)	-	-	(26,458)	-	-	(5,481)	-	-	(111,631)
Collections and other changes	-	-	(1,727)	(609,593)	(20,586)	(16,950)	(187,288)	(6,668)	(668)	(10,092)	(174)	9,458	(806,973)	(27,428)	(9,887)
At 31 December	-	-	23,698	1,723,985	59,231	155,829	54,789	2,902	10,907	431,110	13,256	27,715	2,209,884	75,389	218,149

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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)

	Instalment sales			Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023															
At 1 January	53	118	36,717	1,102,246	18,730	68,926	378,862	4,759	21,023	5,840	496	496	1,487,001	24,103	127,162
Individual financial assets transferred to															
- Stage 1	-	-	-	8,259	(2,977)	(5,281)	6,484	(517)	(5,967)	560	(82)	(478)	15,303	(3,576)	(11,726)
- Stage 2	-	-	-	(105,940)	107,378	(1,438)	(19,287)	19,498	(211)	(3,277)	3,277	-	(128,504)	130,153	(1,649)
- Stage 3	-	-	-	(104,820)	(10,515)	115,335	(37,908)	(2,177)	40,086	(4,664)	(372)	5,036	(147,392)	(13,064)	160,457
New financial assets originated	-	-	-	887,521	-	-	164,444	-	-	64,414	-	-	1,116,379	-	-
Amounts written-off	-	-	-	(1,373)	(251)	(41,733)	(127)	(17)	(11,117)	-	-	(555)	(1,500)	(268)	(53,405)
Collections and other changes	(53)	(118)	(11,292)	(422,374)	(17,876)	(13,138)	(260,909)	(8,422)	(3,974)	(6,219)	(208)	1,462	(689,555)	(26,624)	(26,942)
At 31 December	-	-	25,425	1,363,519	94,489	122,671	231,559	13,124	39,840	56,654	3,111	5,961	1,651,732	110,724	193,897

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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:

	2024	2023
Gross investment in Islamic financing contracts		
Within one year	1,507,452	1,066,838
From one to two years	922,557	808,228
From two to three years	557,563	479,715
From three to four years	376,033	295,256
Four to five years	162,545	127,629
	3,526,150	2,777,666
Present value of investment in Islamic financing contracts		
Within one year	1,263,995	895,792
From one to two years	588,174	550,793
From two to three years	353,346	301,094
From three to four years	213,495	150,008
Four to five years	84,412	58,666
	2,503,422	1,956,353

16 Inventories

	2024	2023
Inventories	1,255,345	1,161,214
Goods-in-transit	36,591	27,922
	1,291,936	1,189,136
Provision for slow moving inventories	(3,506)	(1,709)
	1,288,430	1,187,427

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

	2024	2023
At 1 January	1,709	5,656
Additions	9,653	10,167
Write-offs	(7,856)	(14,114)
At 31 December	3,506	1,709

At 31 December 2024, inventories amounting to Saudi Riyals 98.6 million (31 December 2023: Saudi Riyals 104.5 million) were carried at their net realizable value. The cost of inventories recognised as expense amounted to Saudi Riyals 5,142.3 million (31 December 2023: Saudi Riyals 4,775.6 million) including inventory markdowns amounting to Saudi Riyals 25.1 million (31 December 2023: Saudi Riyals 12.9 million). During the year ended 31 December 2024, transportation costs required to bring inventories to their present location and condition amounting to Saudi Riyals 28.8 million (31 December 2023: Saudi Riyals 21.8 million) have been charged to cost of revenue.

As at 31 December 2024, inventories amounting to Saudi Riyals 105.7 million (2023: Saudi Riyals Nil) were held by Panda Retail Company.

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17 Cash and cash equivalents

	2024	2023
Time deposits	319,444	-
Cash at banks	146,460	141,675
Cash in hand	9,665	9,597
	475,569	151,272

Time deposits (conventional), are held with commercial banks for a maturity of one month. Such deposits yield finance income at rates ranging from 3.10% to 5.75% per anum.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Note	2024	2023
Time deposits		319,444	-
Cash at banks		146,460	141,675
Cash in hand		9,665	9,597
Cash and cash equivalents attributable to discontinued operations	18	-	1,332
		475,569	152,604

18 Assets and liabilities held for sale

On 30 April 2023, the Board of Directors of the Group resolved to discontinue the Group's plans to expand in Egypt. The following assets and liabilities were reclassified as held for sale in relation to the Egypt operation:

	2024	2023
Assets classified as held for sale		
Property and equipment	-	3,616
Trade and other receivables	-	2,121
Cash and cash equivalents	-	1,332
	-	7,069

Liabilities directly associated with assets classified as held for sale

Trade and other payables	-	5,029
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During the year-ended 31 December 2024, the Group has disposed off the underlying assets and settled associated liabilities.

The impact on the consolidated profit or loss associated with the decision of discontinuation of Group's expansion plan in Egypt is summarized below:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Impairment on property and equipment	-	4,231
Loss on termination of leases	-	8,104
Salaries and related benefits	-	16,121
	-	28,456

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19 Share capital

The share capital of the Company as of 31 December 2024 consisted of 80.0 million shares (2023: 80.0 million shares) stated at Saudi Riyals 10 per share.

Reconciliation of number of shares outstanding as at 31 December:

	2024	2023
At 1 January	76,205,885	75,184,219
Net movement in treasury shares	272,340	1,021,666
At 31 December	<u>76,478,225</u>	<u>76,205,885</u>

Also see Note 29 and 30.

On 18 December 2024, the Board of Directors of the Company recommended to the Extraordinary General Assembly of the Company to purchase up to 3 million of Company's own shares to hold as treasury shares. The purchase of such shares is planned to be financed through internal resources of the Company and proceeds from the IPO of UIHC. The proposed purchase of the Company's own shares is subject to approval of the shareholders and the regulatory authorities in KSA and completion of related procedural formalities in accordance with the applicable regulations.

20 Subsidiaries with Non-Controlling Interest ("NCI")

Summarised financial information of UIHC, which is a material subsidiary with NCI, before intercompany eliminations, is as follows:

	2024
As at 31 December	
Current assets	1,220,175
Current liabilities	(519,174)
Net current liabilities	<u>701,001</u>
Non-current assets	1,272,374
Non-current liabilities	(860,727)
Net non-current assets	<u>411,647</u>
Net assets	1,112,648
Accumulated NCI	<u>333,794</u>
Asset attributable to the equity holders	<u>778,854</u>

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20 Subsidiaries with Non-Controlling Interest ("NCI") (continued)

	2024
For the year ended 31 December	
Revenue	623,672
Profit for the year	222,384
Other comprehensive income for the year	(426)
Total comprehensive income for the year	221,958
Profit for the year allocated to NCI	6,545
Other comprehensive income allocated to NCI	(123)

21 Borrowings

	2024	2023
Long-term borrowings		
Murabaha facilities	1,267,450	939,537
Short-term borrowings		
Murabaha facilities	-	406,788
	1,267,450	1,346,325
Accrued finance costs	8,219	7,034
	1,275,669	1,353,359
Classification of borrowings is presented below:		
Current portion (including short-term borrowings)	426,613	688,620
Non-current portion	849,056	664,739
	1,275,669	1,353,359

21.1 The movement in the Group's borrowings is as follows:

	2024	2023
As at 1 January	1,353,359	1,179,051
Proceeds from long-term borrowings	923,101	774,500
Proceeds from short-term borrowings	1,776,218	1,893,922
Repayment of long-term borrowings	(595,188)	(416,897)
Repayment of short-term borrowings	(2,183,006)	(2,077,165)
Finance costs accrued	139,913	125,346
Finance costs paid	(138,728)	(125,398)
As at 31 December	1,275,669	1,353,359

21.2 The maturities of the Group's borrowings are as follows:

	2024	2023
Less than 6 months	209,198	546,712
Between 6 to 12 months	209,197	134,875
Between 1 and 2 years	368,394	269,750
Between 2 and 5 years	480,661	394,988
	1,267,450	1,346,325

Maturity profile of borrowings, including finance costs component, is disclosed in Note 31.

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21 Borrowings (continued)

21.3 The Group has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia. All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") plus certain margins. The Group's borrowings are carried at amortised cost and are periodically contractually repriced after every three months, in line with the terms of the borrowing arrangements.

The facility-wise breakdown of the outstanding loan balance is as follows:

	Note	2024	2023
Long-term borrowings			
Murabaha IV	21.3.1	350,000	249,999
Murabaha VI	21.3.2	234,575	356,350
Murabaha VII	21.3.3	487,250	333,188
Murabaha VIII	21.3.4	195,625	-
Short-term borrowings			
Murabaha V	21.3.5	-	406,788
		1,267,450	1,346,325
Accrued finance costs		8,219	7,034
		1,275,669	1,353,359

The financial charges incurred during the period increased on account of increase in amount of borrowings. 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 2024.

Details of the type of borrowings facilities as allocated to and availed by the Group are as follows:

*Long term borrowings***21.3.1 Murabaha IV**

Total amount available to Group under such facility is Saudi Riyals 875.0 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 2024, UCFS has an outstanding loan balance of Saudi Riyals 350.0 million against this facility (31 December 2023: Saudi Riyals 250.0 million).

Under the terms of this borrowing facility, UCFS is required to maintain a minimum ratio of 1.2 to 1 of earnings before interest, tax, depreciation and amortization ("EBITDA") to Debt Service. As at 31 December 2024, the ratio of EBITDA to debt service was 4.2 (31 December 2023: 4.8), in compliance with the requirements of the minimum ratio as set out in such facility agreement. UCFS is also required to monitor the aggregate amount of financing offered by UCFS in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of three times, which is calculated by dividing net investment in Islamic financing contracts by total equity. As at 31 December 2024, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2023: 2.2), in compliance with the requirements of SAMA.

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21 Borrowings (continued)

21.3.2 Murabaha VI

Total amount available to Group under such facility is Saudi Riyals 430.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 December 2024, UCFS has an outstanding loan balance of Saudi Riyals 234.6 million against this facility (31 December 2023: Saudi Riyals 356.4 million).

Under the terms of this borrowing facility, UCFS is required to maintain a minimum current ratio of 1.05. As at 31 December 2024, the current ratio was 2.4 (31 December 2023: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement.

21.3.3 Murabaha VII

Total amount available to UCFS under such facility is Saudi Riyals 500.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 December 2024, UCFS has an outstanding loan balance of Saudi Riyals 487.3 million against this facility (31 December 2023: Saudi Riyals 333.2 million).

Under the terms of this borrowing facility, UCFS is required to maintain a minimum current ratio of 1.1. As at 31 December 2024, the current ratio was 2.4 (31 December 2023: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement. UCFS is also required to maintain a minimum net equity balance of Saudi Riyals 480.0 million. As at 31 December 2024, the net equity for UCFS was Saudi Riyals 1,110.0 million (31 December 2023: Saudi Riyals 887.2 million), in compliance with the requirements of the minimum balance as set out in such facility agreement.

21.3.4 Murabaha VIII

Total amount available to UCFS under such facility is Saudi Riyals 200.0 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing one month after receipt of the borrowed amount. As at 31 December 2024, UCFS has an outstanding loan balance of Saudi Riyals 195.6 million against this facility (31 December 2023: Saudi Riyals Nil).

Under the terms of this borrowing facility, UCFS is required to comply with certain financial covenants which are as follows:

- UCFS' borrowings to total equity ratio is required to not exceed the ratio of 3 to 1. As at 31 December 2024, the ratio of borrowings to total equity was 1.2;
- UCFS' borrowings to not exceed 80% of net investment in Islamic financing contracts for both stage 1 and stage 2. As at 31 December 2024, such ratio of borrowings to Islamic financing contracts for both stage 1 and stage 2 was 56.6%;
- UCFS' non-performing (stage 3) balance of net investment in Islamic financing contracts to not exceed 10% of the net investment in Islamic financing contracts. As at 31 December 2024, the ratio of non-performing balance to Islamic financing contracts was 6.4%; and
- The Company's shareholding (direct or indirect) in UCFS to not go below 51%. As at 31 December 2024, the Company's shareholding indirectly held was 70%.

Accordingly, UCFS is in compliance with the afore-mentioned requirements as set out in such facility agreement.

Short term borrowings

21.3.5 Murabaha V

During the year ended 31 December 2024, the Group has availed short-term borrowing facilities with certain local commercial banks for working capital management. The total amount available to the Group under such facilities is Saudi Riyals 1,745 million. Each tranche of such borrowings was repayable between 30 to 90 days from receipt of the borrowed amount. As at 31 December 2024, the Group had an outstanding balance of Saudi Riyals Nil against this facility (31 December 2023: Saudi Riyals 406.8 million).

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22 Deferred revenue

As at 31 December, deferred revenue represents the following:

	Note	2024	2023
Extended warranty program	22.1	307,895	269,591
Others		19,889	10,358
		327,784	279,949

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

	2024	2023
Non-current portion	162,121	139,478
Current portion	165,663	140,471
	327,784	279,949

22.1 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.

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

	2024	2023
At January	269,591	239,730
Contracts issued	210,832	179,315
Revenue recognised	(172,528)	(149,454)
At 31 December	307,895	269,591

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 130.1 million (31 December 2023: Saudi Riyals 113.3 million).

23 Lease liabilities

	Note	2024	2023
At 1 January		618,779	601,574
Additions		66,991	61,163
Finance costs	8	43,803	41,983
Repayments		(97,245)	(75,140)
Termination		(3,086)	(10,801)
At 31 December		629,242	618,779

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

	2024	2023
Non-current portion	596,864	588,699
Current portion	32,378	30,080
	629,242	618,779

Maturity profile of lease liabilities is disclosed in Note 31.

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23 Lease liabilities (continued)

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

	2024	2023
Expense relating to short-term leases (included in selling and marketing and general and administrative expenses)	1,698	15,503

The total cash outflow for leases in 2024 was Saudi Riyals 98.9 million (2023: Saudi Riyals 90.6 million).

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

The Group has leases for lands, stores, 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.

24 Employee benefit obligations

24.1 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 2024.

24.2 Movement in net liability recognised in the consolidated statement of financial position

	2024	2023
1 January	84,925	79,090
Current service cost	9,032	9,233
Interest expense	3,417	3,112
Remeasurements	(3,145)	(276)
Payments	(5,625)	(6,234)
31 December	88,604	84,925

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24 Employee benefit obligations (continued)

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

	2024	2023
Current service cost	9,032	9,233
Interest expense	3,417	3,112
Total amount recognised in profit or loss	12,449	12,345
<u>Remeasurements</u>		
(Gain) loss due to change in financial assumptions	(6,542)	10
Loss due to change in demographic assumptions	339	-
Loss (gain) due to change in experience adjustments	3,058	(286)
Total amount recognised in other comprehensive income	(3,145)	(276)

24.4 Key actuarial assumptions

	2024	2023
Discount rate	3.50% - 6.50%	4.65% - 6.20%
Salary growth rate	2.00%	2.00%
Retirement age	60 years	60 years
Withdrawal rate	22.4% to 47.3%	22.4% to 47.3%

24.5 Sensitivity analysis for significant actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2024				
Discount rate	0.50%	0.50%	(916)	1,840
Salary growth rate	0.50%	0.50%	1,993	(976)
	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2023				
Discount rate	0.50%	0.50%	(1,271)	1,315
Salary growth rate	0.50%	0.50%	1,412	(1,092)

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 2024 and 2023 presented above are consistent.

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24 Employee benefit obligations (continued)

24.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 3.3 years (2023: 3.0 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	1 - 2 years	2 - 5 years	5 -10 years	Total
31 December 2024	26,381	24,548	50,561	40,641	142,131
31 December 2023	22,833	21,933	44,882	35,865	125,513

25 Trade and other payables

	Note	2024	2023
Trade payables		735,397	547,975
Accrued expenses		79,475	51,758
Salaries and benefits		48,023	47,797
Advance from customers		49,261	64,970
VAT payable		28,399	26,528
Gift cards		20,451	20,016
Due to related parties	28	5,522	865
Others		20,531	16,691
		987,059	776,600

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.

26 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. The Group, along with its wholly owned subsidiaries files a consolidated zakat return. UIHC will file a consolidated zakat return alongwith Procco whereas UCFS 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.

26.1 Components of approximate zakat base

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

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26 Zakat and income tax matters (continued)

26.2 Provision for zakat and income tax

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

	Zakat	Income tax	Total
<u>2024</u>			
1 January 2024	37,286	1,219	38,505
Provision	42,794	1,998	44,792
Payments	(31,414)	(2,069)	(33,483)
31 December 2024	48,666	1,148	49,814
<u>2023</u>			
1 January 2023	40,227	973	41,200
Provision	26,872	1,849	28,721
Payments	(29,813)	(1,603)	(31,416)
31 December 2023	37,286	1,219	38,505

26.3 Status of final assessments

The Group has obtained zakat certificates from the ZATCA for the years through 2023. The ZATCA has finalized the Group's zakat assessments for the years through 2020.

During 2021, UEC received assessments from ZATCA for the years 2019 and 2020, which included additional zakat liabilities amounting to Saudi Riyal 9.1 million. Subsequently, during the year ended 31 December 2022, the Group filed an appeal against these assessments with the General Secretariat of Zakat, Tax, and Customs Committees. During 2024, the Company reached an agreement with the Dispute Resolution Committee ("DRC") on the final assessments and settled the agreed additional zakat liability of Saudi Riyals 0.7 million. Accordingly, the assessments for both 2019 and 2020 are finalized.

Assessments for the years 2021 to 2023 are currently under review by the ZATCA. Zakat and income tax assessments for UIHC, UCFS and eXtra Oman respectively for years since inception are currently under review by the relevant tax authorities.

27 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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27 Segmental information (continued)

a) Operating segments (continued)

The following summary describes the operations of each reportable segment.

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

The segmental information was as follows:

As at and for the year ended 31 December 2024

	Sales and services	Consumer finance	Others	Intersegment eliminations	Total from external customers
Revenue					
- Point in time	5,981,801	-	-	-	5,981,801
- Over time	179,753	623,672	23,342	(27,368)	799,399
	6,161,554	623,672	23,342	(27,368)	6,781,200
Net profit	312,060	223,088	(708)	-	534,440
Total assets	3,123,711	2,484,995	13,948	(221,032)	5,401,622
Total liabilities	1,991,894	1,375,157	212,153	(221,032)	3,358,172

As at and for the year ended 31 December 2023
(As conformed to 2024 presentation)

	Sales and services	Consumer finance	Others	Intersegment eliminations	Total from external customers
Revenue					
- Point in time	5,523,622	-	-	-	5,523,622
- Over time	157,142	523,855	22,057	(25,988)	677,066
	5,680,764	523,855	22,057	(25,988)	6,200,688
Net profit	178,294	212,355	(187)	-	390,462
Total assets	2,734,442	1,926,190	14,270	(233,391)	4,441,511
Total liabilities	2,139,923	1,038,991	211,623	(233,391)	3,157,146

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

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27 Segmental information (continued)

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 2024

	Kingdom of Saudi Arabia	Others	Intersegment eliminations	Total
Revenue				
- Point in time	5,536,945	444,856	-	5,981,801
- Over time	793,866	32,901	(27,368)	799,399
	6,330,811	477,757	(27,368)	6,781,200
Net profit	516,566	17,874	-	534,440
Total assets	5,369,619	253,035	(221,032)	5,401,622
Total liabilities	3,342,742	236,462	(221,032)	3,358,172

As at and for the year ended 31 December 2023

	Kingdom of Saudi Arabia	Others	Intersegment eliminations	Total
Revenue				
- Point in time	5,074,720	448,902	-	5,523,622
- Over time	672,732	30,322	(25,988)	677,066
	5,747,452	479,224	(25,988)	6,200,688
Net profit	410,249	(19,787)	-	390,462
Total assets	4,391,457	283,445	(233,391)	4,441,511
Total liabilities	3,153,212	237,325	(233,391)	3,157,146

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28 Related party transactions and balances

Related party comprise the shareholders, affiliated companies and key management personnel (including directors) and business over which they exercise control or significant influence. Related parties also include business entities in which certain directors or senior management have control or joint control.

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

Nature of transactions	Relationship	2024	2023
Sales	Major shareholder	223	308
	Affiliated companies	9	114
Purchases	Affiliated companies	4,684	1,323
Rental income	Affiliated companies	1,566	1,566
Rent expense	Affiliated companies	2,059	2,021
Other expenses charged by the Company	Affiliated companies	122	344
Other expenses charged to the Company	Affiliated companies	398	25
Shared services provided	Affiliated companies	1,506	1,694

The transactions are based on terms agreed as per signed agreements between the Company and the related parties.

(b) *Key management personnel compensation*

	2024	2023
Salaries and other employee benefits	35,644	21,015
Board of Directors' fees	3,367	3,589
	39,011	24,604

Salaries and other employee benefits for the year ended 31 December 2024 also include special bonuses, amounting to Saudi Riyals 14.5 million.

As at 31 December 2024, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.7 million (31 December 2023: Saudi Riyals 0.6 million). Also see Note 14.

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

	2024	2023
United Homeware Company	2,407	1,746
Retal Urban Development Company	8	-
Al Fozan Holding Company	-	37
	2,415	1,783

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28 Related party transactions and balances (continued)*(d) Due to related parties - affiliated companies*

	2024	2023
Distributing and Marketing Company Limited	3,982	-
Madar Hardware Company	888	834
Abdullatif And Mohammed Al Fozan Holding Company	496	-
Al Quraishi Marketing Company Limited	125	-
Al Yassra Trading Company	31	31
	5,522	865

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.

29 Earnings per share

	2024	2023
Profit for the year attributable to the shareholders of the Company	534,440	390,462

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

	2024	2023
Weighted average number of ordinary shares used in calculating basic earnings per share	76,478,225	76,205,885
Adjustment for treasury shares	3,521,775	3,794,115
Weighted average number of ordinary shares used in calculating diluted earnings per share	80,000,000	80,000,000

Earnings per share (Saudi Riyals)

Basic earnings per share	6.99	5.12
Diluted earnings per share	6.68	4.88

30 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 2028. Only employees that remain in service until the vesting dates of their respective Options, will become entitled to exercise the Options.

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30 Employees' Stock Option Program (continued)

The ESOP is under the supervision of the Nomination and Remuneration Committee ("NRC") of the Board of Directors.

Under the ESOP, Options were granted on 19 September 2018 ("ESOP 2018), 1 January 2020 ("ESOP 2020), 1 January 2021 ("ESOP 2021") and 1 January 2023 ("ESOP 2023").

The total expense related to the program for the year ended 31 December 2024 amounting to Saudi Riyals 30.5 million (2023: Saudi Riyals 24.5 million) was charged to the employees' benefit expenses with a corresponding increase in the consolidated statement of changes in equity. During the year ended 31 December 2023, NRC approved an exercise price modification to prior ESOP 2018 and ESOP 2020 plans, as result of which an additional 466,724 options were exercised and settled during the year ended 31 December 2023. The NRC also approved the ESOP 2023 under which 5.4 million options have been granted to the Eligible Employees.

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

	Average exercise price per share option	2024	Average exercise price per share option	2023
At 1 January	66.39	6,387	32.27	827
Granted during the year	86.70	146	63.51	6,582
Forfeited during the year	-	-	-	-
Exercised during the year	10.20	(272)	0.88	(1,022)
Adjustment for capital increase	-	-	-	-
At 31 December		6,261		6,387

	Average exercise price per share option	2024	Average exercise price per share option	2023
Exercisable at the end of the year	-	-	54.62	52

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

Grant date	Expiry date	Exercise price	Share options 2024	Share options 2023
19 September 2018	December 2027	30.03	-	183
1 January 2020	June 2028	46.69	-	54
1 January 2021	December 2028	63.75	-	35
1 January 2023	December 2032	69.00	6,115	6,115
1 January 2024	December 2033	86.70	146	-
Total			6,261	6,387

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.

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30 Employees' Stock Option Program (continued)

	ESOP 2024	ESOP 2023	ESOP 2021	ESOP 2020	ESOP 2018
Inputs to the model:					
Dividend Yield (%)	5	5	5	5	5
Expected Volatility (%)	27.3	27.3	37	32.05	31.9
Risk Free Interest Rate (%)	4.2	4.2	1.9	2.13	3.23
Contractual Life of Share Options (Years)	5.0	5.0	8.0	8.5	9.3
Share Price (Saudi Riyals) at Grant Date	90.0	69.4	85.0	74.7	48.05
Share Price (Saudi Riyals) at Grant Date (Adjusted for Capital increase during 2020)	N/A	N/A	N/A	62.25	40.04
Share Price (Saudi Riyals) at Grant Date (Adjusted for Capital increase during 2022)	N/A	N/A	63.75	46.69	30.03
Exercise Price (Saudi Riyals) at Grant Date	86.7	69.0	85.0	74.7	48.05
Exercise Price (Saudi Riyals) at Grant Date (Adjusted for Capital increase during 2020)	N/A	N/A	N/A	62.25	40.04
Exercise Price (Saudi Riyals) at Grant Date (Adjusted for Capital increase during 2022)	N/A	N/A	63.75	46.69	30.03
Exercise Price (Saudi Riyals) at Grant Date (if additional performance target met)	N/A	N/A	N/A	-	-
Fair Value per Option	11.5	11.5	18.1	13.7	9.6
Fair Value per Option (Adjusted for Capital increase)	N/A	N/A	N/A	11.4	8
Fair Value per Option (Adjusted for Capital increase and modified grant terms)	N/A	N/A	N/A	13.4	9.4
Maximum remaining Contractual Life (Years)	8.0	8.0	4.0	3.5	3

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 is indicative of future trends, which may also not necessarily be the actual outcome.

31 Financial risk management

31.1 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 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. Management is responsible for developing and monitoring the Group's risk management policies.

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31 Financial risk management (continued)**31.1 Financial risk factors** (continued)

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.

(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:

	AED	EGP	EUR
31 December 2024			
Trade and other payables	225	-	545
Total	225	-	545
	AED	EGP	EUR
31 December 2023			
Trade and other payables	-	42,504	-
Total	-	42,504	-

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.

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(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 2,407.1 million (31 December 2023: Saudi Riyals 1,872.0 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 1,275.7 million (31 December 2023: Saudi Riyals 1,353.4 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 25.6 million (31 December 2023: Saudi Riyals 3.7 million) higher / lower, as a result of lower / higher finance costs 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.

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

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.

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) *Credit risk* (continued)

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

The Group does not have any significant concentration of credit risk for Investment in Islamic Financing Contracts since it enters into 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 on a quarterly basis. Furthermore, the Group has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

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

(a) Stage-wise analysis of gross 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.

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2024				
<i>Internal credit risk ratings</i>				
Low risk	1,147,540	22,553	50,738	1,220,831
Medium risk	995,000	35,240	84,700	1,114,940
High risk	993,157	45,740	151,482	1,190,379
	3,135,697	103,533	286,920	3,526,150
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2023				
<i>Internal credit risk ratings</i>				
Low risk	888,086	32,479	43,996	964,561
Medium risk	725,724	51,530	78,638	855,892
High risk	769,873	74,475	112,865	957,213
	2,383,683	158,484	235,499	2,777,666

Subsequent to initial recognition, the Group monitors the credit quality of its exposures based on staging criteria and past due ageing of the exposures.

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

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

	Installment sales receivable		Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Not past due	-	-	1,645,459	1,362,201	52,293	229,950	419,860	56,561	2,117,612	1,648,712
Past due 1-30 days	-	-	78,526	66,417	2,496	8,811	11,250	1,504	92,272	76,732
Past due 31-90 days	-	-	59,231	27,432	2,902	4,793	13,256	1,763	75,389	33,988
Past due 91-180 days	-	-	38,846	44,212	1,907	10,487	10,417	3,348	51,170	58,047
Past due 181-364 days	-	-	96,896	65,842	6,787	26,368	14,014	1,561	117,697	93,771
Over 365 days	23,698	25,425	20,087	14,575	2,213	4,114	3,284	989	49,282	45,103
	23,698	25,425	1,939,045	1,580,679	68,598	284,523	472,081	65,726	2,503,422	1,956,353
Less: Impairment for Islamic financing contracts	(23,698)	(25,425)	(55,455)	(49,363)	(2,727)	(11,650)	(14,399)	(2,530)	(96,279)	(88,968)
Net investment in Islamic financing contracts	-	-	1,883,590	1,531,316	65,871	272,873	457,682	63,196	2,407,143	1,867,385

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

Measurement of ECL

The Group applies three-stage model for impairment of Investment in Islamic financing contracts, in line with the requirements of IFRS 9 'Financial Instruments', based on changes in credit quality since initial recognition. 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. EAD represents the 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 90 days past due in the next 12 months or over the remaining lifetime of the obligation. Refer Section (d) below for further details regarding the methodology and changes made during the year.

(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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31 Financial risk management (continued)

31.1 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. Refer Section (d) below for further details regarding the methodology and changes made during the year.

(d) Changes in estimates and underlying judgements, including forward-looking information

During the year ended 31 December 2024, there have been no significant changes to the underlying methodology used for determination of ECL from those that were used for the purpose of determining the ECL allowance as at the year ended 31 December 2023, however, management, as part of an annual exercise, have updated the data interval used to assess the historical collection, default and recovery trends for computation of PD and LGD, to cover the contracts entered from 1 September 2019 to 30 June 2023 (31 December 2023: 1 September 2019 to 30 June 2022), for which the performance was observed until 30 June 2024. Furthermore, the macroeconomic factors and scenario weightings, used to convert 'Through-the-Cycle' PD/LGD estimates to 'Point-in-time' PD/LGD rates, have been updated in line with latest available information. The summary of key changes made, along with their impact as at 31 December 2024, is as follows:

- *Probability of default (PD):*

PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months or over the remaining lifetime of the obligation. 'Through-the-Cycle' estimates were calculated based on collection and default trends. Such "Through-the-Cycle" PD rates are later converted to 'Point-in-time' PD rates by incorporating the forward-looking information (see below) using the Vasicek framework.

During the year ended 31 December 2024, 'Through-the-Cycle' estimates were recalculated based on updated collection and default trends for contracts entered from 1 September 2019 to 30 June 2023 (31 December 2023: 1 September 2019 to 30 June 2022).

Such change in PD inputs resulted in an increase of Saudi Riyals 5.4 million, in the ECL allowance as at 31 December 2024. The stage-wise analysis is as follows:

Impact of change in PD	
Performing (Stage 1)	(1,593)
Under-performing (Stage 2)	7,031
Non-performing (Stage 3)	-
	5,438

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

Measurement of ECL (continued)

(d) Changes in estimates and underlying judgements (continued)

- *Loss given default (LGD):*

LGD inputs have been calculated using the 'Through-the-Cycle' estimates based on historical collection and default trends of both Murabaha, Tawarruq and credit card portfolios, which are later converted to 'Point-in-time' LGD rates using the Jacob-Frye methodology.

During the year ended 31 December 2024, LGD inputs have been recalculated based on historical collection and default trends of both Murabaha and Tawarruq portfolios for contracts entered from 1 September 2019 to 30 June 2023 (31 December 2023: 1 September 2019 to 30 June 2022).

Accordingly, the updated overall LGD rate was determined to be 22.78% (2023: 28.1%), based on updated cure rate for both Murabaha and Tawarruq financing contracts which share similar customer characteristics. Management believes the historical information is insufficient to compute the credit card specific cure rates as this business has just started growing this year.

The recovery rate used to compute the LGD continues to be in accordance with the Basel guidelines considering that the Group has insufficient historical information in relation to the subsequent recovery trends and hence, this will be reassessed in the future reporting periods. Basel prescribed floor of LGD for credit cards is different, causing the overall LGD for such portfolio to be 25.31%.

Such change in LGD inputs resulted in a decrease of Saudi Riyals 16.5 million in the ECL allowance as at 31 December 2024. The stage-wise analysis is as follows:

	Impact of change in LGD
Performing (Stage 1)	(5,725)
Under-performing (Stage 2)	(1,223)
Non-performing (Stage 3)	(9,579)
	<u>(16,527)</u>

- *Macroeconomic factors:*

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. During the year ended 31 December 2024, macroeconomic data containing 300 macroeconomic variables (including previously used 'Real gross domestic product' and 'Government consumption') were analysed from Economic Intelligence Unit (EIU) and weighted average default rates were calculated from the historical data to determine appropriate predictive variables.

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

Measurement of ECL (continued)

(d) Changes in estimates and underlying judgements (continued)

- Macroeconomic factors: (continued)

Based on such analysis carried out by the management and as a result of more experience with the portfolio, the following were identified as the most appropriate macroeconomic factors with the highest correlation to the historical collection and default trends.

- Exports of goods and services (% change per annum): Annual percentage change in a country's exports of goods and services, adjusted for inflation;
- Crude petroleum (% change per annum): Annual percentage change in production, export, and global price of unrefined oil.
- Foreign-exchange reserves (% change per annum): Annual percentage change in a country's reserves of foreign currencies.

A drop in the aforementioned macroeconomic factors can lead to financial stress, thereby leading to increase in default rates.

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 15%, 70% and 15% for “upturn”, “baseline” and “downturn” scenarios respectively (31 December 2023: 32.95%, 34.1% and 32.95% respectively) which are computed through statistical methodologies.

As at 31 December 2024, the afore-mentioned macroeconomic factors incorporated in the upturn, baseline and downturn scenarios were as follows:

	Upturn	Baseline	Downturn
Exports of Goods and Services (% change per annum)	11.9%	2.7%	(6.5%)
Crude petroleum (% change per annum)	55.7%	48.8%	41.8%
Foreign-exchange reserves (% change per annum)	0.019%	0.001%	(0.016%)

As at 31 December 2023, the macroeconomic factors used were the real gross domestic product (% change per annum) and government consumption (% change per annum) which when incorporated in the upturn, baseline and downturn scenarios were as follows:

	Upturn	Baseline	Downturn
Real gross domestic product (% change per annum)	10.6%	7.2%	3.8%
Government consumption (% change per annum)	10.1%	3.1%	(3.9%)

Such changes in macroeconomic factors, scenario weightings and certain other factors resulted in an increase of Saudi Riyals 1.3 million, in the ECL allowance as at 31 December 2024.

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

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

Measurement of ECL (continued)

(e) *Sensitivity analysis:*

The table below illustrates the sensitivity of ECL to key factors, with all other variables held constant, noting that the macroeconomic factors present dynamic relationships between them:

	Impact on statement of profit or loss and other comprehensive income for the year ended 31 December 2024 (in millions)
Key assumptions	
Macroeconomic factors (Exports of Goods and Services, Crude petroleum and Foreign-exchange reserves)	
Increase by 10%	(1.8)
Decrease by 10%	1.8
PD and LGD	
Increase by 10%	(11.0)
Decrease by 10%	9.9
Scenario weightings	
100% weightage assigned to base scenarios	1.4
100% weightage assigned to downside scenarios	(26.1)

(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:

	2024	2023
Current	46,254	65,075
0-90 days past due	21,314	35,636
91-180 days past due	832	549
181-365 days past due	65	112
Above 365 days past due	11,968	2,119
	80,433	103,491

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Trade and other receivables (continued)

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 2024, 77% of trade receivables were due from 2 customers (2023: 48% from 2 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 2024 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, the Group has not recognised any ECL provision during the year ended 31 December 2024.

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.

(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 2024 and 2023, the ECL allowance on net investment in finance lease was immaterial.

(iv) Cash and cash equivalents

The Group uses "lower 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 2024 and 2023, the ECL allowance on cash at bank was immaterial.

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(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 2024 were approximately Saudi Riyals 2,714.0 million (2023: Saudi Riyals 1,178.7 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.

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.

	Less than one year	1-2 Years	3-5 years	Above 5 years	Total
31 December 2024					
Trade and other payables	987,059	-	-	-	987,059
Borrowings	426,614	368,394	480,661	-	1,275,669
Lease liabilities	83,456	81,206	236,761	547,783	949,206
Total	1,497,129	449,600	717,422	547,783	3,211,934
31 December 2023					
Trade and other payables	776,600	-	-	-	776,600
Borrowings	688,621	269,750	394,988	-	1,353,359
Lease liabilities	84,206	80,332	222,932	512,957	900,427
Total	1,549,427	350,082	617,920	512,957	3,030,386

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31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(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:

	2024	2023
Total equity	2,043,450	1,284,365
Borrowings	1,275,669	1,353,359
Total	3,319,119	2,637,724
Gearing ratio	38.43%	51.31%

The gearing ratio of the Group as at 31 December 2024, has improved on account of increase in total equity resulting from successful completion of UIHC's IPO and repayment of short-term borrowings. See Note 1.

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, in addition to compliance with SAMA's requirements, UCFS is required to comply with certain financial covenants, which are disclosed in detail in Note 21.

(e) Fair value estimation

As at 31 December 2024 and 2023, all financial assets and financial liabilities of the Group are categorized as held at amortised cost. Management believes that the fair values of the Group's financial assets and liabilities as at 31 December 2024 and 2023 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 estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates. During the year ended 31 December 2024, there have been no significant market developments which might indicate towards a potential change in fair value of the Group's financial instruments.

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31 Financial risk management (Continued)

31.1 Financial risk factors (continued)

(f) Net debt reconciliation

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

	2024	2023
Cash and cash equivalents	(475,569)	(151,272)
Lease liabilities	629,242	618,779
Borrowings	1,275,669	1,353,359
Total	1,429,342	1,820,866

The Group's net debt reconciliation is as follows:

	1 January	Cash flows	Others	31 December
2024				
Cash and cash equivalents	(151,272)	(324,297)	-	(475,569)
Lease liabilities	618,779	(97,245)	107,708	629,242
Borrowings	1,353,359	(78,912)	1,222	1,275,669
Net debt	1,820,866			1,429,342
	1 January	Cash flows	Others	31 December
2023				
Cash and cash equivalents	(146,669)	(5,933)	1,330	(151,272)
Lease liabilities	601,574	(75,140)	92,345	618,779
Borrowings	1,179,051	174,360	(52)	1,353,359
Net debt	1,633,956			1,820,866

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32 Financial instruments

As at 31 December 2024 and 2023, all financial assets and financial liabilities of the Group are categorized as held at amortised cost.

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

	2024	2023
Assets carried at amortised cost as per statement of financial position		
Investment in Islamic financing contracts	2,407,143	1,867,385
Trade and other receivables	97,313	122,033
Cash and cash equivalents	475,569	151,272
Total	2,980,025	2,140,690
	2024	2023
Liabilities carried at amortised cost as per statement of financial position		
Trade and other payables	898,457	674,171
Borrowings	1,275,669	1,353,359
Lease liabilities	629,242	618,779
Total	2,803,368	2,646,309

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 79.1 million and Saudi Riyals 88.6 million, respectively (2023: Saudi Riyals 62.8 million and Saudi Riyals 107.9 million, respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

33 Dividends

The Company's Board of Directors, in their meeting held on 6 March 2024, resolved to distribute cash dividends of Saudi Riyal 2.0 per share, amounting to Saudi Riyal 160.0 million, for the second half of the year ended 31 December 2023 (2022: Saudi Riyals 160.0 million for the second half of the year ended 31 December 2022) which was fully paid during the year ended 31 December 2024.

The Company's Board of Directors, in their meeting held on 29 July 2024, resolved to distribute cash dividends of Saudi Riyal 2.0 per share, amounting to Saudi Riyal 160.0 million, for the first half of the year ended 31 December 2024 (2023: Saudi Riyals 120.0 million for the first half of the year ended 31 December 2023) which was fully paid during the year ended 31 December 2024.

The Company's Board of Directors, in their meeting held on 18 December 2024, resolved to distribute exceptional cash dividends of Saudi Riyal 5.0 per share, amounting to Saudi Riyal 400.0 million for the fourth quarter of 2024 which was fully paid during the year ended 31 December 2024. The decision for distribution of exceptional cash dividends was based on the returns achieved by the Company following the successful completion of UIHC's IPO.

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

UNITED ELECTRONICS COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 Contingencies and commitments

- (i) At 31 December 2024, the Group was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 683.3 million (2023: Saudi Riyals 691.8 million).
- (ii) As at 31 December 2024 and 2023, there were no significant capital expenditure or other commitments.

35 Events after the reporting period

Subsequent to the year ended 31 December 2024, the Group signed a memorandum of understanding with Nowpay Corp Fintech Company, a Company incorporated in Cayman Islands, to establish a new entity with an initial investment up to Saudi Riyals 75.0 million after obtaining the required regulatory approvals. Such entity will be engaged in providing payroll administration and processing services in the Kingdom of Saudi Arabia.

No other subsequent events occurred between 31 December 2024 and the date of authorization of issue of these consolidated financial statements which may have a material impact on these consolidated financial statements.