

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2020
WITH INDEPENDENT AUDITOR'S REVIEW REPORT
ON INTERIM CONDENSED FINANCIAL STATEMENTS

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
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STATEMENTS

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

The Shareholder of United Company for Financial Services
 (A Saudi Closed Joint Stock Company)
 Al-Khobar, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim statement of financial position of United Company for Financial Services (A Saudi Closed Joint Stock Company) (the "Company") as at June 30, 2020, the related interim statements of profit or loss and other comprehensive income for the three month and six month periods ended June 30, 2020, interim statements of changes in shareholder's equity and cash flows for six month period then ended, and explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

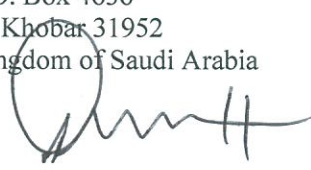
We conducted our review in accordance with International Standard on Review Engagement 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements is not presented fairly, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

P.O. Box 4636
 Al Khobar 31952
 Kingdom of Saudi Arabia



Ahmed Abdul Majeed Mohandis
 Certified Public Accountant
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 July 27, 2020



UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
	Note		
ASSETS			
Cash and cash equivalents	4	90,380,723	19,888,725
Investment in Islamic financing contracts, net	5	377,177,075	143,899,072
Prepayment and other receivables	6	6,962,826	2,091,418
Property and equipment, net		5,151,724	2,182,434
Intangible asset		8,381,972	8,873,806
TOTAL ASSETS		488,054,320	176,935,455
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	10	150,000,000	150,000,000
Actuarial reserve		(184,305)	(184,305)
Accumulated losses		(18,569,036)	(18,792,820)
TOTAL SHAREHOLDER'S EQUITY		131,246,659	131,022,875
LIABILITIES			
Borrowings	7	220,000,000	-
Accounts payable and other liabilities	9	132,901,224	44,433,830
End of service indemnities		3,906,437	1,478,750
TOTAL LIABILITIES		356,807,661	45,912,580
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		488,054,320	176,935,455

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2020

		For the three month period ended June 30, 2020 SR (Unaudited)	For the three month period ended June 30, 2019 SR (Unaudited)	For the six month period ended June 30, 2020 SR (Unaudited)	For the period from January 21, 2019 to June 30, 2019 SR (Unaudited)
	Note				
Income from Islamic financing activities	11	25,914,882	601,085	44,662,721	601,085
Finance cost	11	<u>(1,165,795)</u>	-	<u>(2,723,891)</u>	-
INCOME FROM ISLAMIC FINANCING ACTIVITIES, NET		24,749,087	601,085	41,938,830	601,085
OPERATING EXPENSES					
General and administration expenses		(4,764,923)	(3,667,194)	(11,997,011)	(7,046,437)
Selling and marketing expenses		(10,584,200)	(3,497,236)	(21,721,175)	(3,545,536)
Allowance for credit loss	5.2	(5,506,278)	(222,947)	(8,072,674)	(222,947)
Other income		<u>102,167</u>	<u>191,401</u>	<u>150,663</u>	<u>191,401</u>
NET INCOME / (LOSS) BEFORE ZAKAT		3,995,853	(6,594,891)	298,633	(10,022,434)
Zakat		<u>232,930</u>	<u>(12,022)</u>	<u>(74,849)</u>	<u>(12,022)</u>
NET INCOME / (LOSS) FOR THE PERIOD		4,228,783	(6,606,913)	223,784	(10,034,456)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss		-	-	-	-
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		<u>4,228,783</u>	<u>(6,606,913)</u>	<u>223,784</u>	<u>(10,034,456)</u>
Earnings / (loss) per share					
Basic earnings / (loss) per share	13	<u>0.28</u>	<u>(0.44)</u>	<u>0.01</u>	<u>(0.67)</u>
Diluted earnings / (loss) per share	13	<u>0.28</u>	<u>(0.44)</u>	<u>0.01</u>	<u>(0.67)</u>

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

	Share capital SR	Accumulated loss SR	Actuarial reserve SR	Total Shareholder's equity SR
Capital issued	150,000,000	-	-	150,000,000
Net loss for the period	-	(10,034,456)	-	(10,034,456)
Balance as at June 30, 2019 (Unaudited)	150,000,000	(10,034,456)	-	139,965,544
Balance as at January 1, 2020 (Audited)	150,000,000	(18,792,820)	(184,305)	131,022,875
Net income for the period	-	223,784	-	223,784
Balance as at June 30, 2020 (Unaudited)	150,000,000	(18,569,036)	(184,305)	131,246,659

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

	For the six month period ended June 30, 2020 SR (Unaudited)	For the period from January 21, 2019 to June 30, 2019 SR (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income / (loss) before zakat	298,633	(10,022,434)
Adjustments for:		
Depreciation and amortization	912,627	181,032
Allowance for credit loss	8,072,674	222,947
Finance cost	2,723,891	-
End of service indemnities	687,147	436,859
Changes in operating assets and liabilities:		
Investment in Islamic financing contracts, net	(241,350,677)	(33,344,403)
Prepayment and other receivables	(4,871,408)	(1,417,583)
Accounts payable and other liabilities	90,120,101	46,942,282
Cash (used in) generated from operating activities	(143,407,012)	2,998,700
Finance charges paid	(2,330,739)	-
Zakat paid	(303,695)	-
End of service indemnities paid	(76,473)	-
Net cash (used in) generated from operating activities	(146,117,919)	2,998,700
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to property and equipment	(3,390,083)	(711,468)
Addition to intangible assets	-	(8,798,836)
Net cash used in investing activities	(3,390,083)	(9,510,304)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings during the period	220,000,000	-
Proceeds from issue of share capital	-	150,000,000
Net cash generated from financing activities	220,000,000	150,000,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	70,491,998	143,488,396
Cash and cash equivalents at the beginning of the period	19,888,725	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	90,380,723	143,488,396

Significant non-cash transactions (Note 4.1)

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

1. LEGAL STATUS AND ACTIVITIES

United Company for Financials Services ("the Company") is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia having the Commercial Registration No. 2051224103 issued in Al-Khobar on Jumada Al Awwal 15, 1440 H (corresponding to January 21, 2019).

The principal activity of the Company is consumer financing under the license number 201905/Ash/52 dated Shaban 26, 1440 H (corresponding to May 1, 2019) granted by Saudi Arabia Monetary Authority (SAMA).

The Company's Head Office is located in Al-Khobar, Kingdom of Saudi Arabia.

The results of six-month period ended June 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ended December 31, 2020.

Assets and liabilities in the interim statement of financial position are presented in order of liquidity.

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Interim condensed financial statements do not include all information and disclosures required in the annual financial statements. IAS 34 states that interim condensed financial statement is intended to provide an update on the latest complete set of financial statements. Hence, IAS 34 requires less disclosures than International Financial Reporting Standards ("IFRSs") for annual financial statements. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and hence should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2019.

Basis of measurement

These interim condensed financial statements have been prepared under the historical cost concept except where IFRS require other measurement basis.

Functional and presentational currency

These interim condensed financial statements have been presented in Saudi Riyals (SAR) which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

Significant accounting estimates and judgments

The preparation of interim condensed financial statements in conformity with approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the interim condensed financial statements:

COVID-19

The pandemic corona virus (COVID-19) has spread across multiple jurisdictions causing disruption to businesses and economies of the world. The outbreak has also affected GCC region including Kingdom of Saudi Arabia. Under the current situation, the scale and duration of this outbreak and its impact on credit, market and operational risks remains uncertain, however, the board of directors and management of the Company are continuously evaluating the evolving situation in liaison with the regulatory authorities and the related quantification of impact cannot be ascertained at this point of time. Further, the Company has appointed an external consultant to perform a detailed study for evaluating the impact of recent changes in economic environment on current expected credit loss model.

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

2. BASIS OF PREPARATION (Continued)

Significant accounting estimates and judgments (Continued)

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the interim condensed financial statements have been prepared on a going concern basis.

Actuarial valuation of employee benefits liabilities

The cost of the end of service ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

Economic useful lives of property and equipment and intangible assets

The Company periodically reviews estimated useful lives and the depreciation / amortization method to ensure that the method and period of depreciation / amortization are consistent with the expected pattern of economic benefits from these assets.

3. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, issued but not yet effective: -

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2020, however, management anticipates that these amendments will not have any material effect on the Company's interim condensed financial statements.

4. CASH AND CASH EQUIVALENTS

	June 30, 2020 SR	December 31, 2019 SR
	(Unaudited)	(Audited)
Cash in hand	21,125	5,000
Cash at bank	60,359,598	19,883,725
Time deposits	30,000,000	-
	90,380,723	19,888,725

4.1 Significant non-cash transactions

	For the six month period ended June 30, 2020 SR	For the period from January 21, 2019 to June 30, 2019 SR
	(Unaudited)	(Unaudited)
End of service indemnities transferred from a related party	1,817,013	475,478

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

5. INVESTMENT IN ISLAMIC FINANCING CONTRACTS, NET

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

	June 30, 2020 (unaudited)			
	Current portion SR	Non-current portion SR	Allowance for credit loss SR	Total SR
Tawaruq contracts receivables, net	50,848,030	204,230,079	(6,836,536)	248,241,573
Murabaha contracts receivables, net	82,100,420	50,715,473	(3,880,391)	128,935,502
	132,948,450	254,945,552	(10,716,927)	377,177,075

	December 31, 2019 (Audited)			
	Current portion SR	Non-current portion SR	Allowance for credit loss SR	Total SR
Tawaruq contracts receivables, net	18,698,043	91,351,938	(1,312,502)	108,737,479
Murabaha contracts receivables, net	24,975,146	11,518,198	(1,331,751)	35,161,593
	43,673,189	102,870,136	(2,644,253)	143,899,072

Tawaruq contracts receivables, net

	June 30, 2020 (unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Tawaruq contracts receivables, gross	113,559,222	296,832,328	410,391,550
Less: Deferred Islamic financing income	(62,453,348)	(91,928,272)	(154,381,620)
	51,105,874	204,904,056	256,009,930
Unearned origination fees	(585,093)	(1,529,374)	(2,114,467)
Deferred transaction costs	327,249	855,397	1,182,646
	50,848,030	204,230,079	255,078,109
Less: Allowance for credit loss	(1,891,734)	(4,944,802)	(6,836,536)
Tawaruq contracts receivables, net	48,956,296	199,285,277	248,241,573

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

5. INVESTMENT IN ISLAMIC FINANCING CONTRACTS, NET (Continued)

Tawaruq contracts receivables, net (Continued)

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Tawaruq contracts receivables, gross	44,698,384	137,984,759	182,683,143
Less: Deferred Islamic financing income	(25,822,944)	(46,314,651)	(72,137,595)
	18,875,440	91,670,108	110,545,548
Unearned origination fees	(331,802)	(595,105)	(926,907)
Deferred transaction costs	154,405	276,935	431,340
	18,698,043	91,351,938	110,049,981
Less: Allowance for credit loss	(321,133)	(991,369)	(1,312,502)
Tawaruq contracts receivables, net	18,376,910	90,360,569	108,737,479

Murabaha contracts receivables, net

	June 30, 2020 (unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	117,834,156	64,341,843	182,175,999
Less: Deferred Islamic financing income	(35,527,363)	(13,513,683)	(49,041,046)
	82,306,793	50,828,160	133,134,953
Unearned origination fees	(583,542)	(318,636)	(902,178)
Deferred transaction costs	377,169	205,949	583,118
	82,100,420	50,715,473	132,815,893
Less: Allowance for credit loss	(2,509,895)	(1,370,496)	(3,880,391)
Murabaha contracts receivables, net	79,590,525	49,344,977	128,935,502

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	33,922,658	13,947,289	47,869,947
Less: Deferred Islamic financing income	(8,765,830)	(2,432,485)	(11,198,315)
	25,156,828	11,514,804	36,671,632
Unearned origination fees	(208,777)	(3,530)	(212,307)
Deferred transaction costs	27,095	6,924	34,019
	24,975,146	11,518,198	36,493,344
Less: Allowance for credit loss	(939,345)	(392,406)	(1,331,751)
Murabaha contracts receivables, net	24,035,801	11,125,792	35,161,593

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

5. INVESTMENT IN ISLAMIC FINANCING CONTRACTS, NET (Continued)

5.1 As at June 30, 2020 and December 31, 2019, stage-wise investment in financing contract receivable balances and the respective ECL are as follows:

June 30, 2020

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investment in finance receivable	370,170,913	9,069,936	8,653,153	387,894,002
Less: Allowance for credit loss	(3,543,491)	(2,473,932)	(4,699,504)	(10,716,927)
	<u>366,627,422</u>	<u>6,596,004</u>	<u>3,953,649</u>	<u>377,177,075</u>

December 31, 2019

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investment in finance receivable	142,607,547	2,613,890	1,995,743	147,217,180
Less: Allowance for credit loss	(1,350,703)	(384,654)	(908,896)	(2,644,253)
	<u>141,256,844</u>	<u>2,229,236</u>	<u>1,086,847</u>	<u>144,572,927</u>

5.2 Movement in allowance for credit losses during the period is as follows:

	June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
Opening balance	2,644,253	-
Charge for the period	8,072,674	2,644,253
	<u>10,716,927</u>	<u>2,644,253</u>

6. PREPAYMENT AND OTHER RECEIVABLES

	June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
Prepaid expenses	4,080,756	959,206
Employees receivable (Note 6.1 and 8)	2,776,428	1,125,939
Other receivables	105,642	6,273
	<u>6,962,826</u>	<u>2,091,418</u>

6.1 During the period, in response to COVID-19 pandemic certain employees (including Key Management Employees) of the Company have waived their right to receive basic salary for three months i.e. April to June 2020 amounting to SR 2.48 million (Key Management Employees SR 1.1 million) and the Company has provided them with interest free loans of equivalent amount to be repaid in 12 monthly installments commencing from April 2020.

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

7. BORROWINGS

	June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
<u>Medium term loan</u>		
Murabaha I	100,000,000	-
<u>Short term loans</u>		
Murabaha II	50,000,000	-
Tawaruq I	70,000,000	-
	220,000,000	-

Classification of borrowings in current and non-current portion is presented below:

	June 30, 2020 SR (Unaudited)
Non-current portion	85,000,000
Current portion	135,000,000
	220,000,000

Murabaha I

In March 2020, the Company has obtained Murabaha financing of SR 100 million by utilizing the facilities of its shareholder. Total facilities allocated to the Company amounts to SR 250 million. The loan is repayable in 20 quarterly installment commencing from December 2020. The annual facilities fees payable as per the terms of contract amounts to SR 1 million which is charged to interim statement of profit or loss.

Murabaha II

In March 2020, the Company has obtained Murabaha financing of SR 50 million by utilizing the facilities of its shareholder. The tenure of the facilities is less than one year.

Tawaruq I

In March 2020, the Company has obtained Tawaruq financing of SR 70 million by utilizing the facilities of its shareholder. Total facilities allocated to the Company amounts to SR 70 million. The tenure of the facilities is less than one year.

Further other facilities allocated to the Company by the shareholder amounts to SR 500 million which was not utilized till June 30, 2020. The borrowing is repayable in 54 monthly installments. The annual facilities fees payable as per the terms of contract amounts to SR 0.5 million which is charged to interim statement of profit or loss.

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

8. RELATED PARTY BALANCES AND TRANSACTIONS

In the normal course of business, the Company purchases products from Parent Company to be financed to consumers under Murabaha contracts. Details of significant transactions with related parties during the period and related balances are as follows:

Name	Relation
United Electronics Company	Parent
Procco Financial Services W.L.L	Affiliate

Significant Transactions:

Related party	Nature of transactions	For the six month period ended June 30, 2020 SR	For the period from January 21, to June 30, 2019 SR
United Electronics Company	Purchase from Parent Company to be financed to consumers under Murabaha contracts	(117,498,943)	(27,199,997)
	Payment to Parent Company	70,070,258	-
	Collection made by Company on behalf of Parent Company	(40,279,925)	-
	Expenses incurred on behalf of Company	(1,557,699)	(15,806,337)
	Collection made by Parent Company on behalf of the Company	18,301,268	412,571
	End of service indemnity liabilities transferred from a related party	1,817,013	475,478
	Rent paid	(310,000)	(325,500)
	IT services charges	-	(458,320)

Balance due to a related party is as follows:

	June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
United Electronics Company	102,439,369	33,440,987

Key management compensation

	For the six month period ended June 30, 2020 SR (Unaudited)	For the period from January 21, to June 30, 2019 SR (Unaudited)
Short term benefits	2,701,787	4,269,738
Long term benefits	161,058	189,228
	2,862,845	4,458,966

As at the period end, employees' receivable includes outstanding loans and advances to Key Management Employees amounting to SR 1.24 million (As at December 31, 2019 SR 0.26 million). (Note 6)

Board of Directors compensation

	For the six month period ended June 30, 2020 SR (Unaudited)	For the period from January 21, to June 30, 2019 SR (Unaudited)
Remuneration for attending meetings	282,500	-
	282,500	-

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020

8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

During the period, in response to COVID-19 pandemic board of directors have waived its right to receive certain remuneration for the year 2020.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
Due to related parties (Note 8)	102,439,369	33,440,987
Accrued and other liabilities	28,214,601	6,871,737
Accrued performance bonus	203,586	2,119,375
Accrued board remuneration (Note 8)	1,956,617	1,680,000
VAT payable	27,372	33,206
Zakat provision	59,679	288,525
	132,901,224	44,433,830

10. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR 150,000,000 is divided into 15,000,000 equity shares of SR 10 each fully subscribed and paid by a shareholder.

As of June 30, 2020 and December 31, 2019, the Company's shareholder and its respective shareholding are as follows:

Shareholders	Amount SR	Ownership %
United Electronics Company ("Parent Company")	150,000,000	100%
	150,000,000	100%

11. INCOME FROM ISLAMIC FINANCING ACTIVITIES, NET

	For the six month period ended June 30, 2020 SR (Unaudited)	For the period from January 21, to June 30, 2019 SR (Unaudited)
Income from Islamic financing activities		
Tawaruq contracts income	26,877,631	114,915
Murabaha contracts income	17,332,229	201,343
Origination fee net of related expenses	452,861	284,827
Income from Islamic financing activities	44,662,721	601,085
Facility fee on borrowings (Note 7)	(1,500,000)	-
Finance charges on Tawaruq financing (Note 7)	(367,624)	-
Finance charges on Murabaha financing (Note 7)	(856,267)	-
Total finance cost	(2,723,891)	-
Net income from Islamic financing activities	41,938,830	601,085

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12. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise accounts payable and other liabilities. The Company's principal financial assets comprise cash and cash equivalents, investment in financing contracts and other receivables.

<u>Financial instruments by category</u>	June 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
Financial assets at amortized cost:		
Cash and cash equivalents	90,380,723	19,888,725
Investment in Islamic financing contracts, net	377,177,075	143,899,072
Other receivables	2,882,070	1,132,212
Total financial assets	470,439,868	164,920,009
Financial liabilities at amortized cost:		
Borrowings	220,000,000	-
Accounts payable and other liabilities	132,814,173	44,112,099
Total financial liabilities	352,814,173	44,112,099

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

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

Liquidity risk

The Company maintains sufficient cash. Management review cash flow forecasts on a regular basis to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The average creditor payment period is 30 days.

Contractual maturity analysis for financial liabilities

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

June 30, 2020	Interest rate	More than 1		Total
		Within 1 year	year	
		SR	SR	SR
Borrowings	SIBOR +1.1% – 1.4%	135,000,000	85,000,000	220,000,000
Accounts payable and other liabilities	Interest-free	132,814,173	-	132,814,173
December 31, 2019	Interest rate	More than 1		Total
		Within 1 year	year	SR
		SR	SR	SR
Accounts payable and other liabilities	Interest-free	44,112,099	-	44,112,099

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its short term cash investments, Investment in financing contracts and other receivables. Short term cash investments are placed with banks with sound credit ratings of BBB+ and A-.

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12. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

The maximum exposure to credit risk at the reporting dates were:

Description	June 30, 2020 SR	December 31, 2019 SR
Cash and cash equivalents	90,380,723	19,888,725
Investment in Islamic financing contracts, net *	377,177,075	143,899,072
Other receivables	2,882,070	1,132,212
	470,439,868	164,920,009

*For investment in Islamic financing contracts impairment has been measured based on Expected Credit Loss (ECL) method. The class-wise categorization of murabaha and tawaruq receivable ECL are included in Note 5.

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

13. EARNINGS / (LOSS) PER SHARE

	For the six month period ended June 30, 2020 SR	For the period from January 21, to June 30, 2019 SR
Net income / (loss) for the period attributable to the shareholder of the Company	223,784	(10,034,456)
Weighted average number of ordinary shares for the purposes of basic earnings	15,000,000	15,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings	15,000,000	15,000,000
Earnings / (loss) per share:		
Basic earnings / (loss) per share	0.01	(0.67)
Diluted earnings / (loss) per share	0.01	(0.67)

14. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 5 Dhul Hijjah 1441H (corresponding to July 26, 2020) by the Board of Directors of the Company.