

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

**CONDENSED INTERIM FINANCIAL  
INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH AND SIX-MONTH  
PERIODS ENDED 30 JUNE 2021  
AND REPORT ON REVIEW OF INTERIM  
FINANCIAL INFORMATION**

**UNITED COMPANY FOR FINANCIAL SERVICES  
(A Saudi Closed Joint Stock Company)  
Condensed interim financial information (Unaudited)  
For the three-month and six-month periods ended 30 June 2021**

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## Report on review of Condensed Interim Financial Information

To the shareholders of United Company for Financial Services  
(A Saudi Closed Joint Stock Company)

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Company for Financial Services as of 30 June 2021 and the related condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed interim statements of changes in equity and cash flows for the six-month period ended 30 June 2021 and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

### PricewaterhouseCoopers

Ali A. Alotaibi  
License Number 379

2 August 2021



**UNITED COMPANY FOR FINANCIAL SERVICES**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
<b>Assets</b>			
Cash and cash equivalents	3	24,709,725	57,003,181
Investment in Islamic financing contracts	4	975,095,620	703,166,901
Prepayments and other receivables	5	12,891,298	3,490,877
Intangible assets		15,228,330	13,007,888
Property and equipment		5,664,910	4,601,029
<b>Total assets</b>		<b><u>1,033,589,883</u></b>	<b><u>781,269,876</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	10	350,000,000	350,000,000
Statutory reserve		4,819,457	254,989
Retained earnings		43,375,117	2,294,905
Actuarial reserve		<u>(782,772)</u>	<u>(782,772)</u>
<b>Net equity</b>		<b><u>397,411,802</u></b>	<b><u>351,767,122</u></b>
<b>Liabilities</b>			
Borrowings	6, 18	542,034,436	340,681,964
Trade and other payables	8, 18	81,137,164	78,975,638
Employee benefit obligations		5,263,024	4,524,643
Zakat payable	9, 18	<u>7,743,457</u>	<u>5,320,509</u>
<b>Total liabilities</b>		<b><u>636,178,081</u></b>	<b><u>429,502,754</u></b>
<b>Total equity and liabilities</b>		<b><u>1,033,589,883</u></b>	<b><u>781,269,876</u></b>

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

**UNITED COMPANY FOR FINANCIAL SERVICES**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of profit or loss and other comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Income from Islamic financing activities	11	<b>71,695,635</b>	25,914,882	<b>133,072,628</b>	44,662,721
Finance costs	6	<b>(3,432,975)</b>	(1,165,795)	<b>(6,782,531)</b>	(2,723,891)
<b>Net income from Islamic financing activities</b>		<b>68,262,660</b>	24,749,087	<b>126,290,097</b>	41,938,830
General and administrative expenses	12	<b>(10,601,366)</b>	(4,764,923)	<b>(20,286,192)</b>	(11,997,011)
Selling and marketing expenses	13	<b>(20,477,809)</b>	(10,584,200)	<b>(40,268,730)</b>	(21,721,175)
Net impairment losses on financial assets	3, 4	<b>(8,322,592)</b>	(5,506,278)	<b>(14,223,923)</b>	(8,072,674)
Other income - net		<b>402,109</b>	102,167	<b>761,492</b>	150,663
<b>Profit before zakat</b>		<b>29,263,002</b>	3,995,853	<b>52,272,744</b>	298,633
Zakat expense	9	<b>(3,871,639)</b>	232,930	<b>(6,628,064)</b>	(74,849)
<b>Profit for the period</b>		<b>25,391,363</b>	4,228,783	<b>45,644,680</b>	223,784
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>25,391,363</b>	4,228,783	<b>45,644,680</b>	223,784
<b>Earnings per share</b>					
Basic and diluted	14	<b>0.73</b>	0.28	<b>1.30</b>	0.01

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

**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**Condensed interim statement of changes in equity**  
(All amounts in Saudi Riyals unless otherwise stated)

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Actuarial reserve</b>	<b>Total</b>
<b>At 1 January 2020</b> <b>(Audited)</b>	150,000,000	-	(18,792,820)	(184,305)	131,022,875
Profit for the period	-	-	223,784	-	223,784
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	223,784	-	223,784
<b>At 30 June 2020</b> <b>(Unaudited)</b>	<b>150,000,000</b>	<b>-</b>	<b>(18,569,036)</b>	<b>(184,305)</b>	<b>131,246,659</b>
<b>At 1 January 2021</b> <b>(Audited)</b>	350,000,000	254,989	2,294,905	(782,772)	351,767,122
Profit for the period	-	-	45,644,680	-	<b>45,644,680</b>
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	45,644,680	-	<b>45,644,680</b>
Transfer to statutory reserve	-	4,564,468	(4,564,468)	-	-
<b>At 30 June 2021</b> <b>(Unaudited)</b>	<b>350,000,000</b>	<b>4,819,457</b>	<b>43,375,117</b>	<b>(782,772)</b>	<b>397,411,802</b>

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

**UNITED COMPANY FOR FINANCIAL SERVICES**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before zakat		52,272,744	298,633
<u>Adjustments for:</u>			
Depreciation and amortization		1,187,190	912,627
Finance costs		6,782,531	2,723,891
Net impairment losses on financial assets	3, 4	14,223,923	8,072,674
Employee benefit obligations		922,980	687,147
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(286,152,642)	(241,350,677)
Increase in prepayments and other receivables		(9,400,421)	(4,871,408)
Increase in trade and other payables		15,240,466	21,121,719
(Decrease) increase in due to related parties		(13,078,940)	68,998,382
Cash utilized in operations		(218,002,169)	(143,407,012)
Finance costs paid		(3,763,392)	(2,330,739)
Zakat paid	9	(4,205,116)	(303,695)
Employee benefit obligations paid		(184,599)	(76,473)
<b>Net cash outflow from operating activities</b>		<b>(226,155,276)</b>	<b>(146,117,919)</b>
<b>Cash flows from investing activities</b>			
Payments for purchases of property and equipment		(1,675,426)	(3,390,083)
Payments for purchases of intangible assets		(2,796,087)	-
<b>Net cash outflow from investing activities</b>		<b>(4,471,513)</b>	<b>(3,390,083)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	6	330,000,000	220,000,000
Repayment of short-term borrowings	6	(120,000,000)	-
Repayment of long-term borrowings	6	(11,666,667)	-
<b>Net cash inflow from financing activities</b>		<b>198,333,333</b>	<b>220,000,000</b>
<b>Net change in cash and cash equivalents</b>		<b>(32,293,456)</b>	<b>70,491,998</b>
Cash and cash equivalents at beginning of the period		57,003,181	19,888,725
<b>Cash and cash equivalents at end of the period</b>	3	<b>24,709,725</b>	<b>90,380,723</b>
<b>Non-cash operating, investing and financing activities:</b>			
Employee benefit obligations transferred from shareholder		-	1,817,013

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

**UNITED COMPANY FOR FINANCIAL SERVICES  
(A Saudi Closed Joint Stock Company)  
Notes to the condensed interim financial information  
For the three-month and six-month periods ended 30 June 2021 (Unaudited)  
(All amounts in Saudi Riyals unless otherwise stated)**

**1 Legal status and activities**

United Company for Financial Services (“the Company”) is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration (“CR”) number 2051224103 issued in Al-Khobar on 15 Jumada Al Awwal 1440 H (21 January 2019). The principal business activities of the Company include various types of consumer and product finance services under the license number 201905/Ash/52 obtained from Saudi Central Bank (“SAMA”), on 26 Shaban 1440 H (1 May 2019).

The Company’s head office is located in Al-Khobar, Kingdom of Saudi Arabia. The Company is a wholly owned subsidiary of United Electronics Company, a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia, which is also the ultimate controlling party.

During the period ended 30 June 2021, the Company has obtained license from SAMA to engage in credit card financing activities. Management expects to commence such activities during the second half of 2021.

**2 Basis of preparation**

The condensed interim financial information of the Company as at 30 June 2021 and for the three-month and six-month periods ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

The condensed interim financial information does not include all information and disclosures required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2020.

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

**2.1 Historical cost convention**

The condensed interim financial information is prepared under the historical cost convention, except as explained in the relevant accounting policies in the annual financial statements for the year ended 31 December 2020.

**2.2 Functional and presentation currency**

This condensed interim financial information is presented in Saudi Riyals which is the Company’s functional and presentation currency.

**2.3 New and amended standards**

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.



**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**2.4 Critical accounting estimates and judgements**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgment made by management in applying the accounting policies and the key sources of estimation uncertainty pertain to computation of ECL allowance on its financial assets. Also see Note 15.

**3 Cash and cash equivalents**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	<b>48,370</b>	19,175
Cash at bank	<b>24,661,355</b>	56,984,006
	<b>24,709,725</b>	57,003,181

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**4 Investment in Islamic financing contracts**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Investment in tawarruq financing contracts, net	<b>655,395,078</b>	451,175,950
Investment in murabaha financing contracts, net	<b>319,700,542</b>	251,990,951
	<b>975,095,620</b>	703,166,901
Less: non- current portion	<b>(610,309,570)</b>	(448,321,843)
Current portion	<b>364,786,050</b>	254,845,058

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

	<b>Tawarruq finance</b>		<b>Murabaha finance</b>		<b>Total</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in Islamic financing contracts	<b>1,072,151,956</b>	753,833,231	<b>452,598,367</b>	356,473,902	<b>1,524,750,323</b>	1,110,307,133
Unearned finance and processing fee income	<b>(392,025,817)</b>	(287,922,472)	<b>(122,792,556)</b>	(98,600,769)	<b>(514,818,373)</b>	(386,523,241)
Present value of Islamic financing contracts' receivables ("P.V of I.F.C")	<b>680,126,139</b>	465,910,759	<b>329,805,811</b>	257,873,133	<b>1,009,931,950</b>	723,783,892
Allowance for ECL	<b>(24,731,061)</b>	(14,734,809)	<b>(10,105,269)</b>	(5,882,182)	<b>(34,836,330)</b>	(20,616,991)
Net investment in Islamic financing contracts ("Net investment in I.F.C")	<b>655,395,078</b>	451,175,950	<b>319,700,542</b>	251,990,951	<b>975,095,620</b>	703,166,901
Net investment in Islamic financing contracts - non-current portion	<b>(487,606,424)</b>	(347,324,668)	<b>(122,703,146)</b>	(100,997,175)	<b>(610,309,570)</b>	(448,321,843)
Net investment in Islamic financing contracts - current portion	<b>167,788,654</b>	103,851,282	<b>196,997,396</b>	150,993,776	<b>364,786,050</b>	254,845,058

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**For the three-month and six-month periods ended 30 June 2021 (Unaudited)**  
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The movement in allowance for ECL on Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Total	
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Opening balance	14,734,809	1,312,502	5,882,182	1,331,751	20,616,991	2,644,253
Charge for the period / year	9,996,252	13,422,307	4,223,087	4,550,431	14,219,339	17,972,738
Closing balance	24,731,061	14,734,809	10,105,269	5,882,182	34,836,330	20,616,991

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

30 June 2021 (Unaudited)	Tawarruq finance			Murabaha finance			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
Performing (Stage 1)	647,024,611	(6,702,787)	640,321,825	312,144,201	(1,975,206)	310,168,995	959,168,813	(8,677,993)	950,490,820
Under-performing (Stage 2)	10,234,997	(3,375,973)	6,859,024	6,423,286	(1,181,727)	5,241,559	16,658,283	(4,557,700)	12,100,583
Non-performing (Stage 3)	22,866,531	(14,652,301)	8,214,229	11,238,324	(6,948,336)	4,289,988	34,104,854	(21,600,637)	12,504,217
	680,126,139	(24,731,061)	655,395,078	329,805,811	(10,105,269)	319,700,542	1,009,931,950	(34,836,330)	975,095,620

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<b>31 December 2020(Audited)</b>	<b>Tawarruq finance</b>			<b>Murabaha finance</b>			<b>Total</b>		
	<b>P.V of I.F.C</b>	<b>Allowance for ECL</b>	<b>Net investment in I.F.C</b>	<b>P.V of I.F.C</b>	<b>Allowance for ECL</b>	<b>Net investment in I.F.C</b>	<b>P.V of I.F.C</b>	<b>Allowance for ECL</b>	<b>Net investment in I.F.C</b>
Performing (Stage 1)	445,805,392	(4,424,601)	442,739,165	247,880,856	(1,832,768)	244,397,603	693,686,248	(6,257,369)	687,136,768
Under-performing (Stage 2)	4,516,818	(1,071,306)	3,459,275	2,790,931	(310,276)	2,462,072	7,307,749	(1,381,582)	5,921,347
Non-performing (Stage 3)	15,588,549	(9,238,902)	6,397,145	7,201,346	(3,739,138)	3,414,259	22,789,895	(12,978,040)	9,811,404
	<u>465,910,759</u>	<u>(14,734,809)</u>	<u>452,595,585</u>	<u>257,873,133</u>	<u>(5,882,182)</u>	<u>250,273,934</u>	<u>723,783,892</u>	<u>(20,616,991)</u>	<u>702,869,519</u>

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**5 Prepayments and other receivables**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Prepaid expenses	<b>9,003,050</b>	1,718,519
Advances to employees	<b>632,486</b>	1,716,568
Advances to suppliers	<b>1,430,107</b>	55,790
Other receivables	<b>1,825,655</b>	-
	<b>12,891,298</b>	<b>3,490,877</b>

Classification of prepayments and other receivables is presented below:

Current portion	<b>8,186,489</b>	3,490,877
Non-current portion	<b>4,704,809</b>	-
	<b>12,891,298</b>	<b>3,490,877</b>

Also see Note 7.2.

**6 Borrowings**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Long-term borrowings</b>		
Murabaha facilities	<b>538,333,333</b>	220,000,000
<b>Short-term borrowings</b>		
Murabaha facilities	-	50,000,000
Tawarruq facilities	-	70,000,000
	<b>538,333,333</b>	<b>340,000,000</b>
Accrued finance cost	<b>3,701,103</b>	681,964
	<b>542,034,436</b>	<b>340,681,964</b>

Classification of borrowings is presented below:

Current portion (including short term borrowings)	<b>109,485,825</b>	157,265,297
Non-current portion	<b>432,548,611</b>	183,416,667
	<b>542,034,436</b>	<b>340,681,964</b>

The Company has been allocated amounts under borrowings facilities available to its shareholder, United Electronics Company. Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:

**Murabaha I**

Total amount allocated to the Company under such facility is Saudi Riyals 250.0 million. Each tranche of facility utilisation is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 30 June 2021, the Company has utilized Saudi Riyals 175.0 million from such facility.

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**Murabaha II**

Total amount allocated to the Company under such facility is Saudi Riyals 50.0 million. The tenure of the borrowing facility was less than one year, and the amount was settled during the period ended 30 June 2021.

**Murabaha III**

Total amount allocated to the Company under such facility is Saudi Riyals 500.0 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. As at 30 June 2021, the Company has utilized Saudi Riyals 375.0 million from such facility.

**Tawarruq I**

Total amount allocated to the Company under such facility is Saudi Riyals 70.0 million. The tenure of the borrowing facility was less than one year, and the amount was settled during the period ended 30 June 2021.

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate (SAIBOR) ranging between SAIBOR plus 1.1% to 1.4%. There are no financial covenants applicable to the Company under such agreements with the bank.

The contractual maturities of the Company's borrowings are as follows:

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Less than 6 months	<b>43,354,167</b>	132,083,333
Between 6 to 12 months	<b>62,430,556</b>	24,500,000
Between 1 and 2 years	<b>130,416,666</b>	49,000,000
Between 2 and 5 years	<b>292,381,944</b>	131,416,667
Above 5 years	<b>9,750,000</b>	3,000,000
	<b>538,333,333</b>	340,000,000

Maturity profile of borrowings, including finance cost component, is disclosed in Note 17.

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**7 Related party transactions and balances**

Related parties comprise the shareholders, directors, associated companies, key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

**7.1 Significant transactions with related parties in the ordinary course of business during the period were as follows:**

Nature of transaction	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Related party</b>			<b>Relationship</b>	
United Electronics Company			Shareholder	
Procco Financial Services W.L.L			Affiliate	
<b>United Electronics Company</b>				
Purchases from shareholder to be financed to consumers under Murabaha contracts	<b>85,539,527</b>	49,729,786	<b>183,369,432</b>	117,498,943
Payment to shareholder	<b>(112,036,099)</b>	(18,709)	<b>(228,130,071)</b>	(70,070,258)
Collection made by shareholder on behalf of the Company	<b>(2,454,416)</b>	(6,914,762)	<b>(5,798,153)</b>	(18,301,268)
Collection made by Company on behalf of shareholder	<b>13,598,167</b>	40,279,925	<b>32,894,370</b>	40,279,925
Employee benefit obligations transferred from shareholder	-	-	-	(1,817,013)
Expenses incurred on behalf of the shareholder	<b>(555,649)</b>		<b>(555,649)</b>	
Expenses incurred on behalf of the Company	<b>1,960,574</b>	(18,439)	<b>3,536,906</b>	1,557,699
<b>Procco Financial Services W.L.L</b>				
Service charges	<b>1,299,536</b>	-	<b>4,612,249</b>	-
Payments during the year	<b>(2,415,343)</b>	-	<b>(4,623,049)</b>	-

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**7.2 Key management compensation**

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
Short-term employee benefits	<b>3,142,059</b>	638,983	<b>4,771,463</b>	2,701,787
Long-term employee benefits	<b>91,242</b>	73,840	<b>243,169</b>	161,058
Board of Directors' fees	<b>463,500</b>	141,250	<b>1,062,000</b>	282,500
	<b>3,696,801</b>	854,073	<b>6,076,632</b>	3,145,345

As at the period ended 30 June 2021, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.4 million (31 December 2020: Saudi Riyals 0.8 million). Refer Note 5.

**7.3 Due to related parties**

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
United Electronics Company	<b>30,092,995</b>	44,781,044
Procco Financial Services W.L.L	<b>1,652,309</b>	43,200
	<b>31,745,304</b>	44,824,244

Related party balances as at 30 June 2021 and 31 December 2020 are unsecured, settled in the ordinary course of business and bear no financial charges.

**8 Trade and other payables**

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Trade payables		<b>11,985,479</b>	9,504,673
Due to related parties	7	<b>31,745,304</b>	44,824,244
Accrued expenses		<b>34,326,710</b>	20,558,396
Accrued salaries and other benefits		<b>1,947,320</b>	2,200,000
Accrued board of directors' fee		<b>1,059,677</b>	1,778,000
Value added tax payable		<b>72,674</b>	110,325
		<b>81,137,164</b>	78,975,638



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**9 Zakat payable**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>5,320,509</b>	288,525
Provisions		
-For current period/year	<b>7,743,457</b>	5,335,647
-Adjustments related to prior years	<b>(1,115,393)</b>	-
	<b>6,628,064</b>	5,335,647
Payments	<b>(4,205,116)</b>	(303,663)
Closing balance	<b>7,743,457</b>	5,320,509

The company's zakat assessment since inception are currently under review by the Zakat, Tax and Customs Authority ("ZATCA"). The company has obtained zakat certificates from ZATCA for the years through 2020.

**10 Share capital**

The share capital of the Company as of 30 June 2021 and 31 December 2020 comprised 35,000,000 shares stated at Saudi Riyals 10 per share and wholly owned by United Electronics Company.

**11 Income from Islamic financing activities**

	<b>For the three-month period ended 30 June</b>		<b>For the six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Income from tawarruq finance activities	<b>42,250,959</b>	15,220,272	<b>77,463,369</b>	26,877,631
Income from murabaha finance activities	<b>30,942,548</b>	10,415,096	<b>57,767,634</b>	17,332,229
Processing fee net of related expenses	<b>(1,497,872)</b>	279,514	<b>(2,158,375)</b>	452,861
	<b>71,695,635</b>	25,914,882	<b>133,072,628</b>	44,662,721

**12 General and administrative expenses**

	<b>For the three-month period ended 30 June</b>		<b>For the six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and other benefits	<b>6,875,741</b>	2,073,100	<b>13,406,011</b>	6,431,949
Information technology support	<b>1,851,791</b>	819,226	<b>3,256,936</b>	1,834,531
Professional fees	<b>587,456</b>	1,026,609	<b>1,232,745</b>	1,652,610
Amortisation	<b>305,695</b>	245,916	<b>575,645</b>	491,832
Depreciation	<b>178,436</b>	131,359	<b>309,691</b>	262,718
Rent	<b>169,091</b>	158,232	<b>326,250</b>	313,233
Other	<b>633,156</b>	310,481	<b>1,178,914</b>	1,010,138
	<b>10,601,366</b>	4,764,923	<b>20,286,192</b>	11,997,011

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**13 Selling and marketing expenses**

	<b>For the three-month period ended 30 June</b>		<b>For the six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and other benefits	<b>11,293,786</b>	5,479,678	<b>22,542,565</b>	11,575,922
Fee and subscription	<b>3,766,810</b>	2,026,638	<b>6,748,683</b>	3,221,943
Advertising	<b>2,776,424</b>	1,600,436	<b>6,006,669</b>	3,997,462
Collection charges	<b>1,326,142</b>	301,398	<b>2,377,916</b>	540,439
Depreciation	<b>157,701</b>	115,207	<b>301,854</b>	191,617
Rent	<b>727,142</b>	582,221	<b>1,425,893</b>	1,375,220
Other	<b>429,804</b>	478,622	<b>865,150</b>	818,572
	<b>20,477,809</b>	10,584,200	<b>40,268,730</b>	21,721,175

**14 Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	<b>For the three-month period ended 30 June</b>		<b>For the six-month period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to the shareholders of the company	<b>25,391,363</b>	4,228,783	<b>45,644,680</b>	223,784
Weighted average number of ordinary shares for basic and diluted earnings per share	<b>35,000,000</b>	15,000,000	<b>35,000,000</b>	15,000,000
Basic and diluted earnings per share	<b>0.73</b>	0.28	<b>1.30</b>	0.01

**15 Impact of COVID-19 on ECL**

The coronavirus (“COVID-19”) pandemic continues to disrupt the global and local markets due to multiple waves and variants of the virus. The Government of Kingdom of Saudi Arabia (the “Government”) has taken effective measures to control the outbreak and mitigate its potential impact on the social and economic activities.

Management continues to evaluate the current situation and its impact on the Company’s key performance indicators in order to take necessary steps, as needed, to mitigate any possible disruptions to operational and financial performance of the Company. Management, based on its evaluation of the current situation and changes in multiple macroeconomic factors i.e. expected movements of oil prices and unemployment scenario weightings, has recognised the corresponding impact on the calculation of expected credit loss allowance as at 30 June 2021. The Company’s ECL model continues to be sensitive to such macroeconomic variables and the Company continues to reassess its position.

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**16 Fair values of financial assets and financial liabilities**

As at 30 June 2021 and 31 December 2020, all financial assets and financial liabilities of the Company are categorized as held at amortised cost. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	<b>24,709,725</b>	57,003,181
Investment in Islamic financing contracts	<b>975,095,620</b>	703,166,901
Prepayments and other receivables	<b>2,458,141</b>	1,716,568
<b>Total</b>	<b><u>1,002,263,486</u></b>	<u>761,886,650</u>
<b>Financial liabilities at amortised cost</b>		
Borrowings	<b>542,034,436</b>	340,681,964
Trade and other payables	<b>81,064,490</b>	78,915,313
<b>Total</b>	<b><u>623,098,926</u></b>	<u>419,547,277</u>

At 30 June 2021, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 10.4 million and Saudi Riyals 0.07 million (31 December 2020: Saudi Riyals 1.8 million and Saudi Riyals 0.1 million) have been excluded from prepayments and other receivables and trade and other payables, respectively.

**17 Financial instruments and risk management**

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

**17.1 Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 30 June 2021, the Company has maintained an ECL allowance of Saudi Riyals 34.8 million (31 December 2020: Saudi Riyals 20.6 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

**Investment in Islamic financing contracts**

Investment in tawarruq and murabaha finance contracts is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals and assigning credit limits. The Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the tawarruq and murabaha portfolio and grades the individual customers based on both subjectivity and payment history taking into consideration factors such as customer credit standing, financial strength, security and quality of management.

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**Cash and cash equivalents and other receivables**

These are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. Other receivables are also not exposed to significant credit risk.

**17.2 Profit rate risk**

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Company's financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 975.1 million (31 December 2020: Saudi Riyals 703.2 million). However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 542.0 million (31 December 2020: Saudi Riyals 340.7 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 1.4 million (30 June 2020: Saudi Riyals 0.57 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

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

**17.3 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

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

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company'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 Company does not breach borrowing limits on any of its borrowing facilities allocated by the shareholder.

The table below analyses the Company'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 one year equal their carrying balances, as the impact of discounting is not significant.

<b>30 June 2021 (Unaudited)</b>	<b>Nature</b>	<b>Up to 3 months</b>	<b>More than 3 months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
Borrowings	Profit bearing	<b>25,890,273</b>	<b>92,769,090</b>	<b>446,391,970</b>	<b>565,051,333</b>
Trade and other payables	Non-profit bearing	<b>81,064,490</b>	-	-	<b>81,064,490</b>
		<b>106,954,763</b>	<b>92,769,090</b>	<b>446,391,970</b>	<b>646,115,823</b>

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<b>31 December 2020 (Audited)</b>	<b>Nature</b>	<b>Up to 3 months</b>	<b>More than 3 months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
Borrowings	Profit bearing	126,983,207	30,921,478	193,242,715	351,147,400
Trade and other payables	Non-profit bearing	78,865,313	-	-	78,865,313
		<u>205,848,520</u>	<u>30,921,478</u>	<u>193,242,715</u>	<u>430,012,713</u>

**18 Comparative figures**

Certain amounts in the comparative condensed statement of financial position as at 31 December 2020 have been appropriately presented to conform to the presentation as at 30 June 2021. These include presentation of accrued finance cost, amounting to Saudi Riyals 0.7 million, from "Trade and other payables" to "Borrowings" and presentation of "Zakat payable", amounting to Saudi Riyals 5.3 million, from "Trade and other payables" to a separate line item. These reclassification restatements have had no impact on the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020, condensed interim statements of changes in equity and cash flows for the six-month periods ended 30 June 2020 or any financial performance indicators including basic and diluted earnings per share.

**19 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 2 August 2021.