

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

**CONDENSED INTERIM FINANCIAL  
INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022  
AND REPORT ON REVIEW OF CONDENSED INTERIM  
FINANCIAL INFORMATION**

**UNITED COMPANY FOR FINANCIAL SERVICES  
(A Saudi Closed Joint Stock Company)  
Condensed interim financial information (Unaudited)  
For the three-month period ended 31 March 2022**

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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 31 March 2022 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended 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**

A handwritten signature in blue ink, appearing to read 'Ali A. Alotaibi', is written over a faint, light blue circular stamp or watermark.

Ali A. Alotaibi  
License number 379

25 April 2022

**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 31 March 2022 (Unaudited)	As at 31 December 2021 (Audited)
<b>Assets</b>			
Cash and cash equivalents	3	28,196,947	34,278,848
Prepayments and other receivables	4	11,530,441	14,847,526
Investment in Islamic financing contracts	5	1,252,622,655	1,186,060,140
Property and equipment		5,190,932	5,464,958
Intangible assets		16,727,385	16,933,534
<b>Total assets</b>		<b>1,314,268,360</b>	<b>1,257,585,006</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	10	350,000,000	350,000,000
Statutory reserve		18,508,358	13,132,432
Retained earnings		166,575,222	118,191,890
Actuarial reserve		(582,709)	(582,709)
<b>Net equity</b>		<b>534,500,871</b>	<b>480,741,613</b>
<b>Liabilities</b>			
Trade and other payables	6	74,245,045	80,305,069
Zakat payable	7	20,652,470	15,423,663
Borrowings	8	679,694,020	675,743,904
Employee benefit obligations		5,175,954	5,370,757
<b>Total liabilities</b>		<b>779,767,489</b>	<b>776,843,393</b>
<b>Total equity and liabilities</b>		<b>1,314,268,360</b>	<b>1,257,585,006</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 31 March	
		2022 <u>(Unaudited)</u>	2021 <u>(Unaudited)</u>
Income from Islamic financing activities	11	94,603,769	61,376,993
Finance costs	8	<u>(3,682,707)</u>	<u>(3,349,556)</u>
<b>Net income from Islamic financing activities</b>		<b>90,921,062</b>	<b>58,027,437</b>
General and administrative expenses	12	(10,062,481)	(9,684,826)
Selling and marketing expenses	13	(19,442,191)	(19,790,921)
Net impairment losses on financial assets	3, 5	(3,624,791)	(5,901,331)
Other income - net		<u>1,196,466</u>	<u>359,383</u>
<b>Profit before zakat</b>		<b>58,988,065</b>	<b>23,009,742</b>
Zakat expense	7	<u>(5,228,807)</u>	<u>(2,756,425)</u>
<b>Profit for the period</b>		<b>53,759,258</b>	<b>20,253,317</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>53,759,258</b>	<b>20,253,317</b>
<b>Earnings per share</b>			
Basic and diluted	14	<u>1.54</u>	<u>0.58</u>

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 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 2021 (Audited)</b>	350,000,000	254,989	2,294,905	(782,772)	351,767,122
Profit for the period	-	-	20,253,317	-	20,253,317
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	20,253,317	-	20,253,317
Transfer to statutory reserve	-	2,025,332	(2,025,332)	-	-
<b>At 31 March 2021 (Unaudited)</b>	<b>350,000,000</b>	<b>2,280,321</b>	<b>20,522,890</b>	<b>(782,772)</b>	<b>372,020,439</b>
<b>At 1 January 2022 (Audited)</b>	350,000,000	13,132,432	118,191,890	(582,709)	480,741,613
Profit for the period	-	-	53,759,258	-	<b>53,759,258</b>
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	53,759,258	-	<b>53,759,258</b>
Transfer to statutory reserve	-	5,375,926	(5,375,926)	-	-
<b>At 31 March 2022 (Unaudited)</b>	<b>350,000,000</b>	<b>18,508,358</b>	<b>166,575,222</b>	<b>(582,709)</b>	<b>534,500,871</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 three-month period ended 31 March	
		2022 (Unaudited)	2021 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before zakat		58,988,065	23,009,742
<u>Adjustments for:</u>			
Depreciation and amortization		929,816	545,359
Finance costs		3,682,707	3,349,556
Net impairment losses on financial assets	3, 5	3,624,791	5,901,331
Employee benefit obligations		242,057	511,356
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(70,187,306)	(138,594,526)
Decrease (increase) in prepayments and other receivables		3,317,085	(8,321,486)
(Decrease) increase in trade and other payables		(6,060,024)	2,764,121
Cash utilized in operations		(5,462,809)	(110,834,547)
Finance costs paid		(3,795,090)	(1,257,430)
Employee benefit obligations paid		(436,860)	(9,760)
<b>Net cash outflow from operating activities</b>		<b>(9,694,759)</b>	<b>(112,101,737)</b>
<b>Cash flows from investing activities</b>			
Payments for purchases of property and equipment		(120,162)	(724,098)
Payments for purchases of intangible assets		(329,479)	(820,983)
<b>Net cash outflow from investing activities</b>		<b>(449,641)</b>	<b>(1,545,081)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	8	35,000,000	275,000,000
Repayment of short-term borrowings	8	-	(120,000,000)
Repayment of long-term borrowings	8	(30,937,501)	(5,000,000)
<b>Net cash inflow from financing activities</b>		<b>4,062,499</b>	<b>150,000,000</b>
<b>Net change in cash and cash equivalents</b>		<b>(6,081,901)</b>	<b>36,353,182</b>
Cash and cash equivalents at beginning of the period		34,278,848	57,003,181
<b>Cash and cash equivalents at end of the period</b>	3	<b>28,196,947</b>	<b>93,356,363</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)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2022 (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”), issued 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 subsidiary of United International Holding Company (“UIHC”), a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia which is ultimately controlled by United Electronics Company (“UEC”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia. Also see Note 10.

During the year ended 31 December 2021, the Company obtained a license from SAMA to engage in credit card financing activities. Management expects to commence such activities during the second quarter of 2022.

**2 Basis of preparation**

The condensed interim financial information of the Company as at 31 March 2021 and for the three-month period ended 31 March 2022 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 Organization 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 2021.

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 2021.

**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 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 31 March 2022 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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**For the three-month period ended 31 March 2022 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**2 Basis of preparation (continued)**

**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.

**3 Cash and cash equivalents**

	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	7,000	13,050
Cash at bank	<b>28,189,947</b>	<b>34,265,798</b>
	<b>28,196,947</b>	<b>34,278,848</b>

**4 Prepayments and other receivables**

	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Prepaid expenses	<b>9,672,320</b>	12,587,255
Advances to suppliers	<b>625,602</b>	722,831
Advances to employees	<b>507,022</b>	742,745
Other receivables	<b>725,497</b>	794,695
	<b>11,530,441</b>	<b>14,847,526</b>

Classification of prepayments and other receivables is presented below:

Current portion	<b>9,500,484</b>	11,617,622
Non-current portion	<b>2,029,957</b>	3,229,904
	<b>11,530,441</b>	<b>14,847,526</b>

Also see Note 9.2.

**5 Investment in Islamic financing contracts**

	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Investment in Tawarruq financing contracts, net	<b>885,786,500</b>	832,643,696
Investment in Murabaha financing contracts, net	<b>366,836,155</b>	353,416,444
	<b>1,252,622,655</b>	1,186,060,140
Less: non- current portion	<b>(771,103,698)</b>	(748,432,280)
Current portion	<b>481,518,957</b>	437,627,860

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

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

	Tawarruq finance		Murabaha finance		Total	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	1,378,155,167	1,314,158,451	504,562,423	490,019,644	1,882,717,590	1,804,178,095
Unearned finance and processing fee income	(469,475,817)	(457,581,869)	(129,194,866)	(127,172,415)	(598,670,683)	(584,754,284)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	908,679,350	856,576,582	375,367,557	362,847,229	1,284,046,907	1,219,423,811
Allowance for ECL	(22,892,850)	(23,932,886)	(8,531,402)	(9,430,785)	(31,424,252)	(33,363,671)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	885,786,500	832,643,696	366,836,155	353,416,444	1,252,622,655	1,186,060,140
Net investment in Islamic financing contracts - non-current portion	(641,302,550)	(616,068,175)	(129,801,148)	(132,364,105)	(771,103,698)	(748,432,280)
Net investment in Islamic financing contracts - current portion	244,483,950	216,575,521	237,035,007	221,052,339	481,518,957	437,627,860

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

	Tawarruq finance		Murabaha finance		Total	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Opening balance	23,932,886	14,734,809	9,430,785	5,882,182	33,363,671	20,616,991
Charge for the period/year	3,651,450	19,374,646	1,029,511	6,920,310	4,680,961	26,294,956
Recoveries of amounts previously written-off	(642,731)	-	(420,616)	-	(1,063,347)	-
Net charge for the period/year	3,008,719	19,374,646	608,895	6,920,310	3,617,614	26,294,956
Amounts written-off	(4,048,755)	(10,176,569)	(1,508,278)	(3,371,707)	(5,557,033)	(13,548,276)
Closing balance	22,892,850	23,932,886	8,531,402	9,430,785	31,424,252	33,363,671

**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**For the three-month period ended 31 March 2022 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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

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

<b>31 March 2022 (Unaudited)</b>	<b>Tawarruq finance</b>		<b>Murabaha finance</b>		<b>Total</b>				
	<b>P.V of I.F.C. for ECL</b>	<b>Allowance investment in I.F.C.</b>	<b>P.V of I.F.C. for ECL</b>	<b>Allowance investment in I.F.C.</b>	<b>P.V of I.F.C. for ECL</b>	<b>Allowance investment in I.F.C.</b>			
Performing (Stage 1)	860,034,945	(6,191,569)	853,843,376	352,564,911	(1,742,448)	350,822,463	1,212,599,856	(7,934,017)	1,204,665,839
Under-performing (Stage 2)	16,924,268	(4,728,153)	12,196,115	8,164,767	(1,395,061)	6,769,706	25,089,035	(6,123,214)	18,965,821
Non-performing (Stage 3)	31,720,137	(11,973,128)	19,747,009	14,637,879	(5,393,893)	9,243,986	46,358,016	(17,367,021)	28,990,995
	<b>908,679,350</b>	<b>(22,892,850)</b>	<b>885,786,500</b>	<b>375,367,557</b>	<b>(8,531,402)</b>	<b>366,836,155</b>	<b>1,284,046,907</b>	<b>(31,424,252)</b>	<b>1,252,622,655</b>
<b>31 December 2021 (Audited)</b>	<b>Tawarruq finance</b>		<b>Murabaha finance</b>		<b>Total</b>				
	<b>P.V of I.F.C. for ECL</b>	<b>Allowance investment in I.F.C.</b>	<b>P.V of I.F.C. for ECL</b>	<b>Allowance investment in I.F.C.</b>	<b>P.V of I.F.C. for ECL</b>	<b>Allowance investment in I.F.C.</b>			
Performing (Stage 1)	812,453,495	(6,019,104)	806,434,391	341,693,147	(1,719,015)	339,974,132	1,154,146,642	(7,738,119)	1,146,408,523
Under-performing (Stage 2)	9,813,848	(2,067,066)	7,746,782	5,149,276	(574,371)	4,574,905	14,963,124	(2,641,437)	12,321,687
Non-performing (Stage 3)	34,309,239	(15,846,716)	18,462,523	16,004,806	(7,137,399)	8,867,407	50,314,045	(22,984,115)	27,329,930
	<b>856,576,582</b>	<b>(23,932,886)</b>	<b>832,643,696</b>	<b>362,847,229</b>	<b>(9,430,785)</b>	<b>353,416,444</b>	<b>1,219,423,811</b>	<b>(33,363,671)</b>	<b>1,186,060,140</b>

**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**Notes to the condensed interim financial information**  
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(All amounts in Saudi Riyals unless otherwise stated)

**6 Trade and other payables**

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Due to related parties	9	38,584,115	41,046,239
Trade payables		12,801,993	13,454,566
Accrued expenses		8,216,428	8,922,883
Accrued salaries and other benefits		7,920,574	8,213,313
Advances from customers		4,057,448	6,585,782
Accrued Board of Directors' fee		2,482,608	1,983,850
Value added tax payable		181,879	98,436
		<b>74,245,045</b>	<b>80,305,069</b>

**7 Zakat payable**

	For the three- month period ended 31 March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Opening balance	15,423,663	5,320,509
Provisions		
-For current period/year	5,228,807	15,423,663
-Adjustments related to prior years	-	(1,115,393)
	<b>5,228,807</b>	<b>14,308,270</b>
Payments	-	(4,205,116)
Closing balance	<b>20,652,470</b>	<b>15,423,663</b>

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.

**8 Borrowings**

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
<b>Long-term borrowings</b>		
Murabaha facilities	679,041,665	674,979,166
Accrued finance cost	652,355	764,738
	<b>679,694,020</b>	<b>675,743,904</b>

Classification of borrowings is presented below:

Current portion	178,666,244	158,111,960
Non-current portion	501,027,776	517,631,944
	<b>679,694,020</b>	<b>675,743,904</b>

**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**For the three-month period ended 31 March 2022 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**8 Borrowings (continued)**

The Company has been allocated amounts under borrowings facilities available to UEC. 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 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 March 2022, the Company had an outstanding loan balance of Saudi Riyals 224.3 million against this facility (31 December 2021: Saudi Riyals 233.0 million).

**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 in February 2021.

**Murabaha III**

Total amount allocated to the Company under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. As at 31 March 2022, the Company had an outstanding loan balance of 369.8 million against this facility (31 December 2021: Saudi Riyals 392.0 million).

**Murabaha IV**

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months from receipt of the borrowed amount. As at 31 December 2021, the Company had an outstanding loan balance of Saudi Riyals 85.0 million against this facility (31 December 2021: Saudi Riyals 50.0 million).

**Tawarruq I**

Total amount allocated to the Company under such facility is Saudi Riyals 70 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 1.1% to 1.4%. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Company was in compliance with at 31 March 2022.

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

	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Less than 6 months	<b>87,930,556</b>	71,638,889
Between 6 to 12 months	<b>90,083,333</b>	85,708,333
Between 1 and 2 years	<b>180,166,667</b>	171,416,667
Between 2 and 5 years	<b>320,861,110</b>	342,215,277
Above 5 years	-	4,000,000
	<b>679,041,666</b>	<b>674,979,166</b>

Maturity profile of borrowings, including finance cost component, is disclosed in Note 16.

**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**For the three-month period ended 31 March 2022 (Unaudited)**  
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**9 Related party transactions and balances**

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's shareholder and Ultimate Parent Company), and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

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

<b>Related party</b>	<b>Relationship</b>	<b>For the three-month period ended 31 March</b>	
		<b>2022</b>	<b>2021</b>
<b>Nature of transaction</b>		<b>(Unaudited)</b>	<b>(Unaudited)</b>
United Electronics Company ("UEC")	Ultimate Parent Company		
Procco Financial Services W.L.L	Associated Company		
<b>United Electronics Company</b>			
Purchases from UEC to be financed to consumers under Murabaha contracts		<b>91,030,217</b>	97,829,905
Payments to UEC		<b>(98,036,118)</b>	(116,093,972)
Collections made by UEC on behalf of the Company		<b>(118,665)</b>	(3,343,737)
Collections made by Company on behalf of UEC		<b>5,150,752</b>	19,296,203
Expenses incurred by UEC on behalf of the Company		<b>2,052,410</b>	1,576,332
<b>Procco Financial Services W.L.L</b>			
Outsourced personnel expenses		<b>3,532,079</b>	3,312,713
Payments during the period		<b>(3,469,868)</b>	(2,207,706)

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

**9.2 Key management compensation**

	<b>For the three-month period ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term employee benefits	<b>1,998,424</b>	1,629,404
Employee benefit obligations	<b>88,052</b>	151,927
Board of Directors' fees	<b>514,453</b>	598,500
	<b>2,600,929</b>	2,379,831

As at the period ended 31 March 2022, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.2 million (31 December 2021: Saudi Riyals 0.3 million). Refer Note 4.

**9.3 Due to related parties**

	<b>31 March</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
United Electronics Company	<b>38,584,115</b>	38,505,520
Procco Financial Services W.L.L	-	2,540,719
	<b>38,584,115</b>	41,046,239

Related party balances as at 31 March 2022 and 31 December 2021 are based on the terms agreed as per the signed agreements between the Company and the related parties and bear no financial charges.

**10 Share capital**

The share capital of the Company as of 31 March 2022 and 31 December 2021 comprised 35,000,000 shares stated at Saudi Riyals 10 per share.

During the year ended 31 December 2021, UEC transferred its shareholding in the Company to UIHC, a wholly owned subsidiary of UEC. The legal formalities including update to underlying shareholder's register and By-laws were completed during January 2022.

**11 Income from Islamic financing activities**

	<b>For the three-month period ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Income from tawarruq finance activities	<b>60,549,285</b>	35,212,410
Income from murabaha finance activities	<b>35,530,603</b>	26,825,086
Processing fee net of related expenses	<b>(1,476,119)</b>	(660,503)
	<b>94,603,769</b>	61,376,993

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**12 General and administrative expenses**

	<b>For the three-month period ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and other benefits	<b>6,528,947</b>	6,530,270
Information technology support	<b>779,599</b>	1,493,311
Professional fees	<b>767,936</b>	645,289
Amortisation	<b>535,628</b>	269,951
Utilities, printing and stationery	<b>338,540</b>	65,324
Depreciation	<b>236,988</b>	131,255
Rent	<b>218,917</b>	157,159
Other	<b>655,926</b>	392,267
	<b>10,062,481</b>	9,684,826

**13 Selling and marketing expenses**

	<b>For the three-month period ended 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and other benefits	<b>11,210,766</b>	11,248,779
Fee and subscription	<b>3,053,482</b>	2,981,873
Advertising	<b>1,861,444</b>	3,230,244
Collection charges	<b>1,797,947</b>	1,051,774
Rent	<b>800,931</b>	698,751
Depreciation	<b>157,200</b>	144,153
Other	<b>560,421</b>	435,347
	<b>19,442,191</b>	19,790,921

**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 31 March</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit attributable to the shareholders of the company	<b>53,759,258</b>	20,253,317
Weighted average number of ordinary shares for basic and diluted earnings per share	<b>35,000,000</b>	35,000,000
Basic and diluted earnings per share	<b>1.54</b>	0.58



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

As at 31 March 2022 and 31 December 2021, all financial assets and financial liabilities of the Company are categorized as held at amortized 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>31 March 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Financial assets at amortized cost</b>		
Cash and cash equivalents	<b>28,196,947</b>	34,278,848
Investment in Islamic financing contracts	<b>1,252,622,655</b>	1,186,060,140
Prepayments and other receivables	<b>1,232,519</b>	1,537,440
<b>Total</b>	<b>1,282,052,121</b>	1,221,876,428
<b>Financial liabilities at amortized cost</b>		
Borrowings	<b>679,694,020</b>	675,743,904
Trade and other payables	<b>70,005,718</b>	73,620,852
<b>Total</b>	<b>749,699,738</b>	749,364,756

At 31 March 2022, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 10.3 million and Saudi Riyals 4.2 million (31 December 2021: Saudi Riyals 13.3 million and Saudi Riyals 6.7 million) have been excluded from prepayments and other receivables and trade and other payables, respectively.

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**16 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 the shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below:

**16.1 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 31 March 2022, the Company has maintained an ECL allowance of Saudi Riyals 31.4 million (31 December 2021: Saudi Riyals 33.4 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 to avoid undue concentration of risks. 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. The Company also has an effective installment monitoring system which allows it to identify potential problem accounts. 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.

**Cash and cash equivalents and other receivables**

Cash and cash equivalents are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. Other receivables do not contain any impaired assets and are also not exposed to significant credit risk.

**16.2 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 1,252.6 million (31 December 2021: Saudi Riyals 1,186.1 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 679.7 million (31 December 2021: Saudi Riyals 675.7 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 1.6 million (31 March 2021: Saudi Riyals 0.9 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

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

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**16 Financial instruments and risk management (continued)**

**16.3 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 as made available by the Ultimate Parent Company.

Total unused credit facilities available to the Company as at 31 March 2022 were approximately Saudi Riyals 591.0 million (2020: Saudi Riyals 594.3 million).

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 Ultimate Parent Company.

The tables below analyse the Company's financial assets and financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances, as the impact of discounting is not significant.

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	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than 3 years	Total
<b>31 March 2022 (Unaudited)</b>						
<b>Financial assets</b>						
Gross investment in Islamic financing contracts	Profit bearing	226,215,002	578,033,088	844,087,918	234,381,582	1,882,717,590
Prepayments and other receivables	Non-profit bearing	374,485	182,538	-	675,496	1,232,519
Cash and cash equivalents	Non-profit bearing	28,196,947	-	-	-	28,196,947
		<b>254,786,434</b>	<b>578,215,626</b>	<b>844,087,918</b>	<b>235,057,078</b>	<b>1,912,147,056</b>
<b>Financial liabilities</b>						
Borrowings	Profit bearing	47,582,939	143,542,077	374,027,284	142,287,669	707,439,969
Trade and other payables	Non-profit bearing	70,005,718	-	-	-	70,005,718
		<b>117,588,657</b>	<b>143,542,077</b>	<b>374,027,284</b>	<b>142,287,669</b>	<b>777,445,687</b>
<b>Net financial assets</b>		<b>137,197,777</b>	<b>434,673,549</b>	<b>470,060,634</b>	<b>92,769,409</b>	<b>1,134,701,369</b>
<b>31 December 2021 (Audited)</b>						
<b>Financial assets</b>						
Gross investment in Islamic financing contracts	Profit bearing	206,951,736	537,868,765	813,088,126	246,269,468	1,804,178,095
Prepayments and other receivables	Non-profit bearing	616,141	245,803	-	675,496	1,537,440
Cash and cash equivalents	Non-profit bearing	34,278,848	-	-	-	34,278,848
		<b>241,846,725</b>	<b>538,114,568</b>	<b>813,088,126</b>	<b>246,944,964</b>	<b>1,839,994,383</b>
<b>Financial liabilities</b>						
Borrowings	Profit bearing	39,757,435	131,576,327	357,275,703	177,520,747	706,130,212
Trade and other payables	Non-profit bearing	73,620,852	-	-	-	73,620,852
		<b>113,378,287</b>	<b>131,576,327</b>	<b>357,275,703</b>	<b>177,520,747</b>	<b>779,751,064</b>
<b>Net financial assets</b>		<b>128,468,438</b>	<b>406,538,241</b>	<b>455,812,423</b>	<b>69,424,217</b>	<b>1,060,243,320</b>

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**17 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 25 April 2022.