

**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 2023
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 and six-month periods ended 30 June 2023**

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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 2023 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 2023 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

27 July 2023



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 2023 <u>(Unaudited)</u>	As at 31 December 2022 <u>(Audited)</u>
Assets			
Cash and cash equivalents	3	68,124,220	21,132,397
Prepayments and other receivables	4	16,638,853	14,875,130
Investment in Islamic financing contracts	5	1,742,061,162	1,554,622,774
Property and equipment		4,353,033	4,668,650
Intangible assets		17,993,760	17,361,941
Total assets		<u>1,849,171,028</u>	<u>1,612,660,892</u>
Equity and liabilities			
Equity			
Share capital	10	350,000,000	350,000,000
Statutory reserve		42,872,931	32,494,661
Retained earnings		385,856,386	292,451,955
Actuarial reserve		(379,476)	(379,476)
Net equity		<u>778,349,841</u>	<u>674,567,140</u>
Liabilities			
Trade and other payables	6, 9	85,352,328	72,931,317
Zakat payable	7	11,931,571	22,183,669
Borrowings	8	967,241,425	837,473,437
Employee benefit obligations		6,295,863	5,505,329
Total liabilities		<u>1,070,821,187</u>	<u>938,093,752</u>
Total equity and liabilities		<u>1,849,171,028</u>	<u>1,612,660,892</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 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	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Income from Islamic financing activities	11	127,961,070	96,756,738	250,953,451	191,360,507
Finance costs	8	(15,686,589)	(4,761,858)	(29,053,629)	(8,444,565)
Net income from Islamic financing activities		112,274,481	91,994,880	221,899,822	182,915,942
General and administrative expenses	12	(10,945,535)	(13,160,058)	(24,775,322)	(23,222,539)
Selling and marketing expenses	13	(24,721,539)	(22,725,488)	(52,431,795)	(42,167,679)
Net impairment losses on financial assets	5	(21,516,775)	(7,235,839)	(29,707,546)	(10,860,630)
Other income - net		339,057	1,257,262	729,113	2,453,728
Profit before zakat		55,429,689	50,130,757	115,714,272	109,118,822
Zakat expense	7	(5,716,231)	(5,013,295)	(11,931,571)	(10,242,102)
Profit for the period		49,713,458	45,117,462	103,782,701	98,876,720
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		49,713,458	45,117,462	103,782,701	98,876,720
Earnings per share					
Basic and diluted	14	1.42	1.29	2.97	2.83

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)

	Share capital	Statutory reserve	Retained earnings	Actuarial reserve	Total
At 1 January 2022 (Audited)	350,000,000	13,132,432	118,191,890	(582,709)	480,741,613
Profit for the period	-	-	98,876,720	-	98,876,720
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	98,876,720	-	98,876,720
Transfer to statutory reserve	-	9,887,672	(9,887,672)	-	-
At 30 June 2022 (Unaudited)	350,000,000	23,020,104	207,180,938	(582,709)	579,618,333
At 1 January 2023 (Audited)	350,000,000	32,494,661	292,451,955	(379,476)	674,567,140
Profit for the period	-	-	103,782,701	-	103,782,701
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	103,782,701	-	103,782,701
Transfer to statutory reserve	-	10,378,270	(10,378,270)	-	-
At 30 June 2023 (Unaudited)	350,000,000	42,872,931	385,856,386	(379,476)	778,349,841

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	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat		115,714,272	109,118,822
<u>Adjustments for:</u>			
Depreciation and amortization		2,267,333	1,870,073
Finance costs		29,053,629	8,444,565
Property and equipment written off		-	36,426
Net impairment losses on financial assets	5	29,707,546	10,860,630
Employee benefit obligations		902,190	895,024
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(217,145,934)	(153,732,671)
(Increase) decrease in prepayments and other receivables		(1,725,592)	5,409,860
Increase (decrease) in trade and other payables		12,382,880	(4,192,809)
Cash utilized in operations		(28,843,676)	(21,290,080)
Finance costs paid		(28,852,307)	(7,459,705)
Zakat paid		(22,183,669)	(14,752,877)
Employee benefit obligations paid		(111,656)	(1,031,674)
Net cash outflow from operating activities		(79,991,308)	(44,534,336)
Cash flows from investing activities			
Payments for purchases of property and equipment		(565,086)	(230,003)
Payments for purchases of intangible assets		(2,018,449)	(727,346)
Net cash outflow from investing activities		(2,583,535)	(957,349)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	679,500,000	339,000,000
Proceeds from short-term borrowings	8	5,000,000	-
Repayment of short-term borrowings	8	(255,000,000)	-
Repayment of long-term borrowings	8	(299,933,334)	(306,916,666)
Net cash inflow from financing activities		129,566,666	32,083,334
Net change in cash and cash equivalents		46,991,823	(13,408,351)
Cash and cash equivalents at beginning of the period		21,132,397	34,278,848
Cash and cash equivalents at end of the period	3	68,124,220	20,870,497

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 2023 (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 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 controlled by United Electronics Company (“UEC”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and principally engaged in the retail of electric appliances and electronic gadgets etc.

The principal business activities of the Company include various types of Islamic consumer finance services under license number 201905/Ash/52 and 42075295, obtained from the Saudi Central Bank (“SAMA”) issued on 26 Shaban 1440 H (1 May 2019) and 8 Shawwal 1442 H (20 May 2021) respectively. The Company offers Murabaha (product finance), Tawarruq (personal finance) and credit card finance services to individual customers in the Kingdom of Saudi Arabia. Such financing arrangements are unsecured and the profit rates for Murabaha and Tawarruq financing services are agreed at the inception of the contract with the customers. Collections are thereafter made in the form of monthly installments generally received from the customers through variable channels such as SADAD and bank transfers. The Company’s investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, the Company does not have any significant concentration of credit risk. Murabaha financing arrangements are principally entered into with the customers of UEC but also include transactions with other retailers. Also see Notes 5 and 16.

During the three-month and six-month periods ended 30 June 2023, there were no significant changes in the terms of the financing arrangements offered by the Company such as profit rates, tenures of the financing contracts, criterion for finance amounts disbursed etc.

2 Basis of preparation

The condensed interim financial information of the Company as at 30 June 2023 and for the three-month and six-month periods ended 30 June 2023 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”).

This condensed interim financial information does not include all information and disclosures required for a complete set of financial statements and should be read in conjunction with the Company’s last annual audited financial statements as at and for the year ended 31 December 2022.

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 2022.

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.

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Notes to the condensed interim financial information
For the three-month and six month periods ended 30 June 2023 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.3 New standards and amendment to standards and interpretations

A number of new and 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.

IFRS 17 – Insurance contracts (“IFRS 17”)

Pursuant to the regulations in Kingdom of Saudi Arabia, the Company is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Management believes that the impact of such insurance risk on this condensed interim financial information is immaterial considering limited history of deceased customers. Upon adoption of IFRS 17 effective from 1 January 2023, the Company continues to account for such exposures under IFRS 9 ‘Financial Instruments’ instead of IFRS 17, in accordance with the policy choice available under the applicable reporting financial framework. Accordingly, based on management’s assessment, there was no impact upon adoption of IFRS 17.

2.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Company. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

2.5 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. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed interim financial information from those that were applied and disclosed in the annual financial statements for the year ended 31 December 2022. Also see Note 5 and Note 16.

3 Cash and cash equivalents

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Cash in hand	44,400	5,000
Cash at bank	68,079,820	21,127,397
	68,124,220	21,132,397

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(A Saudi Closed Joint Stock Company)
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For the three-month and six month periods ended 30 June 2023 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

4 Prepayments and other receivables

	Note	30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Prepaid expenses		7,868,274	12,900,034
Advances to suppliers		5,100,866	193,067
Advances to employees		441,942	678,699
Due from related parties	9	58,225	-
Other receivables		3,169,546	1,103,330
		16,638,853	14,875,130

Classification of prepayments and other receivables is presented below:

Due within 12 months	14,131,711	13,544,639
Due after 12 months	2,507,142	1,330,491
	16,638,853	14,875,130

Also see Note 9.1.

5 Investment in Islamic financing contracts

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Investment in Tawarruq financing contracts, net	1,358,339,246	1,149,837,518
Investment in Murabaha financing contracts, net	360,957,094	398,318,567
Investment in Islamic credit cards, net	22,764,822	6,466,689
	1,742,061,162	1,554,622,774
Less: Due after 12 months	(992,406,510)	(894,027,755)
Due within 12 months	749,654,652	660,595,019

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(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	2,066,875,216	1,756,429,044	480,996,059	531,814,471	23,907,846	6,831,628	2,571,779,121	2,295,075,143
Unearned finance and processing fee income	(659,534,062)	(566,527,502)	(110,502,127)	(127,169,940)	-	-	(770,036,189)	(693,697,442)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	1,407,341,154	1,189,901,542	370,493,932	404,644,531	23,907,846	6,831,628	1,801,742,932	1,601,377,701
Allowance for ECL/net impairment on financial assets	(49,001,908)	(40,064,024)	(9,536,838)	(6,325,964)	(1,143,024)	(364,939)	(59,681,770)	(46,754,927)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	1,358,339,246	1,149,837,518	360,957,094	398,318,567	22,764,822	6,466,689	1,742,061,162	1,554,622,774
Net investment in I.F.C. - Due after 12 months	(889,846,066)	(773,390,465)	(102,560,444)	(120,637,290)	-	-	(992,406,510)	(894,027,755)
Net investment in I.F.C. - Due within 12 months	468,493,180	376,447,053	258,396,650	277,681,277	22,764,822	6,466,689	749,654,652	660,595,019

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Opening balance	40,064,024	23,932,886	6,325,964	9,430,785	364,939	-	46,754,927	33,363,671
Charge for the period / year	23,382,331	42,044,281	9,468,727	5,449,115	778,085	364,939	33,629,143	47,858,335
Recoveries of amounts previously written-off	(2,538,450)	(4,691,718)	(1,383,147)	(2,413,029)	-	-	(3,921,597)	(7,104,747)
Net charge for the period / year	20,843,881	37,352,563	8,085,580	3,036,086	778,085	364,939	29,707,546	40,753,588
Amounts written-off	(11,905,997)	(21,221,425)	(4,874,706)	(6,140,907)	-	-	(16,780,703)	(27,362,332)
Closing balance	49,001,908	40,064,024	9,536,838	6,325,964	1,143,024	364,939	59,681,770	46,754,927

The ECL allowance on undrawn commitments for credit cards issued was immaterial as at 30 June 2023 and 31 December 2022.

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(A Saudi Closed Joint Stock Company)
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(All amounts in Saudi Riyals unless otherwise stated)

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

30 June 2023 (Unaudited)	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	1,283,955,230	(9,712,758)	1,274,242,472	327,116,595	(859,387)	326,257,208	21,633,994	(272,126)	21,361,868	1,632,705,819	(10,844,271)	1,621,861,548
Under-performing (Stage 2)	38,479,756	(2,860,564)	35,619,192	12,698,624	(395,949)	12,302,675	337,303	(24,429)	312,874	51,515,683	(3,280,942)	48,234,741
Non-performing (Stage 3)	84,906,168	(36,428,586)	48,477,582	30,678,713	(8,281,502)	22,397,211	1,936,549	(846,469)	1,090,080	117,521,430	(45,556,557)	71,964,873
	1,407,341,154	(49,001,908)	1,358,339,246	370,493,932	(9,536,838)	360,957,094	23,907,846	(1,143,024)	22,764,822	1,801,742,932	(59,681,770)	1,742,061,162

31 December 2022 (Audited)	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	1,102,246,076	(10,499,979)	1,091,746,097	378,862,108	(1,407,515)	377,454,593	5,839,977	(46,764)	5,793,213	1,486,948,161	(11,954,258)	1,474,993,903
Under-performing (Stage 2)	18,729,566	(2,889,861)	15,839,705	4,759,049	(196,462)	4,562,587	496,110	(96,229)	399,881	23,984,725	(3,182,552)	20,802,173
Non-performing (Stage 3)	68,925,900	(26,674,184)	42,251,716	21,023,374	(4,721,987)	16,301,387	495,541	(221,946)	273,595	90,444,815	(31,618,117)	58,826,698
	1,189,901,542	(40,064,024)	1,149,837,518	404,644,531	(6,325,964)	398,318,567	6,831,628	(364,939)	6,466,689	1,601,377,701	(46,754,927)	1,554,622,774

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)

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

	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
<u>2023</u>				
1 January 2023	11,954,258	3,182,552	31,618,117	46,754,927
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,629,417)	3,037,855	(807,967)	600,471
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(3,842,390)	(1,855,712)	23,381,778	17,683,676
Individual financial assets to performing (12-month expected credit losses)	102,032	(567,105)	(713,555)	(1,178,628)
New financial assets originated	7,585,664	-	-	7,585,664
Amounts written-off	-	-	(16,780,663)	(16,780,663)
Other changes	(3,325,875)	(516,648)	8,858,846	5,016,323
30 June 2023	10,844,272	3,280,942	45,556,556	59,681,770
	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
<u>2022</u>				
1 January 2022	7,738,119	2,641,437	22,984,115	33,363,671
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,865,745)	3,134,989	(145,754)	1,123,490
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(10,966,142)	(1,600,307)	30,266,609	17,700,160
Individual financial assets transferred to performing (12-month expected credit losses)	39,698	(361,128)	(328,977)	(650,407)
New financial assets originated	19,074,178	-	-	19,074,178
Amounts written-off	(63,444)	(127,666)	(27,171,222)	(27,362,332)
Other changes	(2,002,406)	(504,773)	6,013,346	3,506,167
31 December 2022	11,954,258	3,182,552	31,618,117	46,754,927

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(A Saudi Closed Joint Stock Company)
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(All amounts in Saudi Riyals unless otherwise stated)

5.4 Category-wise movement in stage-wise ECL allowance/impairment is as follows:

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023												
At 1 January	10,499,979	2,889,861	26,674,184	1,407,515	196,462	4,721,987	46,764	96,229	221,946	11,954,258	3,182,552	31,618,117
Individual financial assets transferred to												
- under-performing (lifetime expected credit losses)	(1,323,721)	2,628,895	(690,690)	(285,984)	384,724	(117,277)	(19,712)	24,236	-	(1,629,417)	3,037,855	(807,967)
- non-performing (credit-impaired financial assets)	(2,384,120)	(1,666,752)	17,526,488	(1,339,156)	(114,706)	5,256,300	(119,114)	(74,254)	598,990	(3,842,390)	(1,855,712)	23,381,778
- performing (12-month expected credit losses)	96,488	(526,184)	(616,948)	5,444	(36,936)	(84,591)	100	(3,985)	(12,017)	102,032	(567,105)	(713,555)
New financial assets originated	5,588,469	-	-	1,740,176	-	-	257,019	-	-	7,585,664	-	-
Amounts written-off	-	-	(11,906,037)	-	-	(4,874,625)	-	-	-	-	-	(16,780,662)
Other changes	(2,764,337)	(465,256)	5,441,588	(668,608)	(33,595)	3,379,707	107,069	(17,797)	37,550	(3,325,876)	(516,648)	8,858,845
At 30 June	9,712,758	2,860,564	36,428,585	859,387	395,949	8,281,501	272,126	24,429	846,469	10,844,271	3,280,942	45,556,555

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2022												
At 1 January	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	-	-	-	7,738,119	2,641,437	22,984,115
Individual financial assets transferred to												
- under-performing (lifetime expected credit losses)	(1,596,879)	2,837,283	(136,205)	(172,637)	201,477	(9,549)	(96,229)	96,229	-	(1,865,745)	3,134,989	(145,754)
- non-performing (credit-impaired financial assets)	(8,827,555)	(1,312,838)	26,781,022	(1,916,641)	(287,469)	3,263,641	(221,946)	-	221,946	(10,966,142)	(1,600,307)	30,266,609
- performing (12-month expected credit losses)	36,518	(273,720)	(222,316)	3,180	(87,408)	(106,661)	-	-	-	39,698	(361,128)	(328,977)
New financial assets originated	15,753,053	-	-	2,979,368	-	-	341,757	-	-	19,074,178	-	-
Amounts written-off	(53,355)	(80,777)	(21,087,293)	(10,089)	(46,889)	(6,083,929)	-	-	-	(63,444)	(127,666)	(27,171,222)
Other changes	(830,907)	(347,153)	5,492,260	(1,194,681)	(157,620)	521,086	23,182	-	-	(2,002,406)	(504,773)	6,013,346
At 31 December	10,499,979	2,889,861	26,674,184	1,407,515	196,462	4,721,987	46,764	96,229	221,946	11,954,258	3,182,552	31,618,117

Following factors contributed to the change in the ECL allowance during the three-month and six month periods ended 30 June 2023:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information, which contributes to determination of the overall scalar factor used. The scalar factors, including unemployment statistics, are incorporated as forward-looking information to determine the loss rates (also refer to Note 16.1.2 (a) for further details relating to the macroeconomic factors). During the period, there was an overall improvement in those forward looking factors compared to prior year, which resulted in lower ECL on Stage 1 and Stage 2 balances. However, the increase in Stage 3 balances and ECL thereon offset the impact of a lower ECL on stage 1 and stage 2 balances. There were no other changes made to the underlying methodology and significant judgments used by management in preparation of the ECL model during such period;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- 'Other changes' principally represent net impact of additional allowance for ECL recognized upon write-offs amounting to Saudi Riyals 15.5 million which has been partially offset by recoveries from previously written-off exposures amounting to Saudi Riyals 7.6 million.

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5.5 Category-wise movement in stage-wise gross carrying amounts of net investment in Islamic financing contracts is as follows:

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023												
At 1 January	1,102,246,076	18,729,566	68,925,900	378,862,108	4,759,049	21,023,374	5,839,977	496,110	495,541	1,486,948,161	23,984,725	90,444,815
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(33,648,708)	35,449,486	(1,800,778)	(12,332,666)	12,850,924	(518,258)	(427,728)	427,728	-	(46,409,102)	48,728,138	(2,319,036)
non-performing (credit-impaired financial assets)	(28,916,870)	(10,169,649)	39,086,519	(15,828,784)	(2,369,471)	18,198,255	(628,219)	(489,360)	1,117,579	(45,373,873)	(13,028,480)	58,402,353
performing (12-month expected credit losses)	5,748,318	(4,070,832)	(1,677,486)	1,219,437	(816,692)	(402,745)	219,048	(219,048)	-	7,186,803	(5,106,572)	(2,080,231)
New financial assets originated	474,937,005	-	-	139,873,112	-	-	15,430,160	-	-	630,240,277	-	-
Amounts written-off Collections and other changes	-	-	(11,906,037)	-	-	(4,874,625)	-	-	-	-	-	(16,780,662)
	(236,410,591)	(1,458,815)	(7,721,950)	(164,676,612)	(1,725,186)	(2,747,289)	1,200,756	121,873	323,429	(399,886,447)	(3,062,128)	(10,145,810)
At 30 June	1,283,955,230	38,479,756	84,906,168	327,116,595	12,698,624	30,678,712	21,633,994	337,303	1,936,549	1,632,705,819	51,515,683	117,521,428

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5.5 Category-wise movement in stage-wise gross carrying amounts of net investment in Islamic financing contracts is as follows:
(continued)

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non-performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2022												
At 1 January	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	-	-	-	1,154,146,642	14,963,124	50,314,045
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(19,832,054)	20,129,833	(297,779)	(5,498,757)	5,519,945	(21,188)	(496,110)	496,110	-	(25,826,921)	26,145,888	(318,967)
non-performing (credit-impaired financial assets)	(61,526,276)	(6,106,964)	67,633,240	(18,880,295)	(2,379,872)	21,260,167	(495,541)	-	495,541	(80,902,112)	(8,486,836)	89,388,948
performing (12-month expected credit losses)	1,783,037	(1,299,984)	(483,053)	929,621	(691,363)	(238,258)	-	-	-	2,712,658	(1,991,347)	(721,311)
New financial assets originated	666,016,546	-	-	283,447,479	-	-	6,831,628	-	-	956,295,653	-	-
Amounts written-off	(53,355)	(80,777)	(21,087,293)	(10,089)	(46,889)	(6,083,929)	-	-	-	(63,444)	(127,666)	(27,171,222)
Collections and other changes	(296,595,317)	(3,726,390)	(11,148,454)	(222,818,998)	(2,792,048)	(9,898,224)	-	-	-	(519,414,315)	(6,518,438)	(21,046,678)
At 31 December	<u>1,102,246,076</u>	<u>18,729,566</u>	<u>68,925,900</u>	<u>378,862,108</u>	<u>4,759,049</u>	<u>21,023,374</u>	<u>5,839,977</u>	<u>496,110</u>	<u>495,541</u>	<u>1,486,948,161</u>	<u>23,984,725</u>	<u>90,444,815</u>

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

	30 June 2023	31 December 2022
Gross investment in Islamic financing contracts		
Within one year	1,038,175,215	891,198,952
From one to two years	768,499,285	715,448,610
From two to three years	423,138,504	407,361,700
From three to four years	236,230,721	205,335,564
Four to five years	105,735,396	75,730,317
	2,571,779,121	2,295,075,143
Present value of investment in Islamic financing contracts		
Within one year	750,011,085	673,915,155
From one to two years	572,629,782	492,312,721
From two to three years	284,402,287	263,912,900
From three to four years	142,529,074	126,930,843
Four to five years	52,170,704	44,306,082
	1,801,742,932	1,601,377,701

6 Trade and other payables

	Note	30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Due to related parties	9	51,208,918	39,907,489
Accrued expenses		16,255,958	7,958,569
Trade payables		10,731,746	14,897,843
Accrued salaries and other benefits		5,822,109	5,996,627
Accrued Board of Directors' fee		634,153	2,102,978
Value added tax payable		360,000	301,698
Advances from customers		339,444	1,766,113
		85,352,328	72,931,317

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7 Zakat payable

	For the six-month period ended 30 June 2023^r	For the year ended 31 December 2022
	(Unaudited)	(Audited)
Opening balance	22,183,669	15,423,663
Provisions		
-For current period/year	11,931,571	22,183,669
-Adjustments related to prior years	-	(670,787)
	11,931,571	21,512,882
Payments	(22,183,669)	(14,752,876)
Closing balance	11,931,571	22,183,669

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 2022.

8 Borrowings

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	961,500,000	581,933,334
Short-term borrowings		
Murabaha facilities	-	250,000,000
	961,500,000	831,933,334
Accrued finance cost	5,741,425	5,540,103
	967,241,425	837,473,437

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	251,741,425	435,806,777
Due after 12 months	715,500,000	401,666,660
	967,241,425	837,473,437

The Company has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia and has utilized facilities allocated to it from the facilities available to United Electronics Company. During the six-month period ended 30 June 2023, the Company made early repayments of borrowings under certain facilities and entered into a new facility agreement (Murabaha VI and Murabaha VII) with another commercial bank on favorable terms agreed under a separate agreement. There was no gain or loss on the extinguishment of the borrowings upon early repayment. Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:

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8 Borrowings (continued)

Murabaha I

Total amount allocated to the Company under such facility is Saudi Riyals 300 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 216.9 million (As at 31 December 2022, the Company had an outstanding loan balance of Saudi Riyals 206.9 million against this facility).

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. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 33 million (31 December 2022: early repayment amounting to Saudi Riyals 360.8 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 after receipt of the borrowed amount. As at 30 June 2023, the Company has an outstanding loan balance of Saudi Riyals 300 million against this facility (31 December 2022: Saudi Riyals 350.0 million).

Murabaha VI

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 30 June 2023, the Company has an outstanding loan balance of Saudi Riyals 387.5 million against this facility (31 December 2022: Nil).

Murabaha VII

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 30 June 2023, the Company has an outstanding loan balance of Saudi Riyals 274.0 million against this facility (31 December 2022: Nil).

Short-term borrowings:

Murabaha V

Total amount allocated to the Company under such facility is Saudi Riyals 250 million. The tenure of the borrowing facility is less than one year. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 255 million (31 December 2022: Saudi Riyals 250 million).

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 0.85% to 1.4%. The financial charges incurred during the period increased on account of increase in amount of borrowings and increase in SAIBOR since the second half of 2022. 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 30 June 2023.

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8 Borrowings (continued)

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

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Less than 6 months	123,000,000	327,633,342
Between 6 to 12 months	123,000,000	81,799,999
Between 1 and 2 years	246,000,000	163,599,997
Between 2 and 5 years	469,500,000	258,899,996
	961,500,000	831,933,334

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

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).

Information about the related parties' balances and transactions in the ordinary course of business during the year were as follows :

Related party	Relationship
United Electronics Company ("UEC")	Ultimate Parent Company
United International Holding Company ("UIHC")	Parent Company
Procco Financial Services W.L.L - Fellow subsidiary of UIHC ("Procco")	Associated Company

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9 Related party transactions and balances (continued)

Nature of transaction	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
United Electronics Company				
Purchases from UEC to be financed to consumers under Murabaha contracts	66,934,955	95,660,285	160,417,048	186,690,502
Payments to UEC	(53,844,176)	(103,386,825)	(153,495,496)	(201,422,943)
Collections made by UEC on behalf of the Company	-	(120,078)	-	(238,743)
Collections made by Company on behalf of UEC	15,343	3,745,266	48,985	8,896,018
Expenses incurred by UEC on behalf of the Company	1,468,682	1,958,971	4,185,845	4,011,380
Procco Financial Services W.L.L				
Outsourced personnel expenses	5,734,785	5,314,830	11,766,818	8,846,909
Payments during the period	(6,382,679)	(3,632,761)	(11,621,771)	(7,102,629)
United International Holding Company				
Expenses incurred by the Company on behalf of UIHC	-	-	58,225	-

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9 Related party transactions and balances (continued)

Due to related parties

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
UEC	47,954,608	36,798,226
Procco	3,254,310	3,109,263
	51,208,918	39,907,489

Due from related parties

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
UIHC	58,225	-

Nature of transactions:

The transactions are based on terms agreed as per signed agreements between the Company and the related parties. A summary of nature of key transactions has been disclosed below:

- Customer purchases financed under Murabaha contracts are carried out at prevailing retail prices.
- Expenses incurred by UEC on behalf of the Company include office rent, utilities and other expenses.
- Collections made by the Company on behalf of UEC represents collections for UEC's legacy financing portfolio.

During the three-month and six-month periods ended 30 June 2023, there were no changes in the terms of the agreement with such related parties and the nature of related party transactions are consistent with the year ended 31 December 2022.

Related party balances as at 30 June 2023 and 31 December 2022 bear no financial charges.

9.1 Key management compensation

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term employee benefits	1,395,970	2,833,501	3,833,631	4,831,925
Employee benefit obligations	16,585	131,399	111,260	219,451
Board of Directors' fees	556,484	414,878	727,924	929,331
	1,969,039	3,379,778	4,672,815	5,980,707

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9 Related party transactions and balances (continued)

9.1 Key management compensation (continued)

Key management personnel include Chief Executive Officer and other department heads.

As at the period ended 30 June 2023, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.1 million (31 December 2022: Saudi Riyals 0.2 million). Refer Note 4.

10 Share capital

The share capital of the Company as of 30 June 2023 and 31 December 2022 comprised 35,000,000 shares stated at Saudi Riyals 10 per share.

11 Income from Islamic financing activities

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Income from tawarruq finance activities	92,019,317	60,703,263	175,650,005	120,307,991
Income from murabaha finance activities	35,718,729	36,053,475	74,540,705	71,052,516
Income from Islamic credit card activities	223,024	-	762,741	-
	127,961,070	96,756,738	250,953,451	191,360,507

12 General and administrative expenses

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Salaries and other benefits	6,203,940	8,397,858	15,881,927	14,926,805
Information technology support	1,404,434	1,684,972	2,614,075	2,464,571
Amortisation	700,941	552,215	1,386,630	1,087,843
Professional fees	887,179	795,064	1,412,554	1,563,000
Utilities, printing and stationery	164,755	484,547	456,034	823,087
Rent	262,681	262,701	525,401	481,618
Depreciation	269,461	236,255	525,731	473,243
Other	1,052,144	746,446	1,972,970	1,402,372
	10,945,535	13,160,058	24,775,322	23,222,539

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13 Selling and marketing expenses

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Salaries and other benefits	14,656,355	12,327,224	30,864,689	23,537,990
Advertising	3,400,837	3,421,430	7,296,481	5,282,874
Fee and subscription	2,978,821	3,896,554	6,124,095	6,950,036
Collection charges	2,256,560	1,854,631	4,610,393	3,652,578
Rent	773,091	853,689	1,590,916	1,654,620
Depreciation	179,983	151,787	354,972	308,987
Other	475,892	220,173	1,590,249	780,594
	24,721,539	22,725,488	52,431,795	42,167,679

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.

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to the shareholders of the Company	49,713,458	45,117,462	103,782,701	98,876,720
Weighted average number of ordinary shares for basic and diluted earnings per share	35,000,000	35,000,000	35,000,000	35,000,000
Basic and diluted earnings per share	1.42	1.29	2.97	2.83

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15 Fair values of financial assets and financial liabilities

As at 30 June 2023 and 31 December 2022, 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 as at 30 June 2023 and 31 December 2022 are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates. During the three-month and six-month periods ended 30 June 2023, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

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

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Financial assets at amortized cost		
Cash and cash equivalents	68,124,220	21,132,397
Investment in Islamic financing contracts	1,742,061,162	1,554,622,774
Other receivables	3,669,713	1,782,029
Total	1,813,855,095	1,577,537,200
Financial liabilities at amortized cost		
Borrowings	967,241,425	837,473,437
Trade and other payables	84,652,884	70,863,506
Total	1,051,894,309	908,336,943

At 30 June 2023, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 5.4 million and Saudi Riyals 0.7 million (31 December 2022: Saudi Riyals 13.1 million and Saudi Riyals 2.1 million), respectively, have been excluded from prepayments and other receivables and trade and other payables, respectively.

16 Financial 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 reviewed by the Risk and Credit Management Committee and 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 Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risk and Credit Management Committee and the Board of Directors are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The risks faced by the Company and their respective mitigating strategies are summarized below:

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16 Financial risk management (continued)

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 30 June 2023, the Company has maintained an ECL allowance of Saudi Riyals 59.7 (31 December 2022: Saudi Riyals 46.8 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:

16.1.1 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 overall decision to lend to a particular customer is based on the following key parameters:

- Dual credit score i.e. SIMAH and internal application scoring system;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH.

The Company does not have any significant concentration of credit risk since it enters into Islamic Financing Contracts with individual customers only. At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc.

A significant number of customers are Government sector employees. The Company generally receives repayments through variable channels such as SADAD and bank transfers. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the Risk and Credit Management Committee and the Board of Directors on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.1 Investment in Islamic financing contracts (continued)

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

- a. *Stage-wise analysis of gross investment in Islamic financing contracts, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.*

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
30 June 2023				
<i>Internal credit risk ratings</i>				
Low risk	886,375,807	14,770,069	34,061,672	935,207,548
Medium risk	730,306,080	24,375,901	55,010,028	809,692,009
High risk	717,890,955	33,111,728	75,876,881	826,879,564
	2,334,572,842	72,257,698	164,948,581	2,571,779,121
31 December 2022				
<i>Internal credit risk ratings</i>				
Low risk	829,197,623	8,414,280	28,442,063	866,053,966
Medium risk	677,160,378	10,989,334	43,467,101	731,616,813
High risk	627,691,255	14,290,488	55,422,621	697,404,364
	2,134,049,256	33,694,102	127,331,785	2,295,075,143

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.1 Investment in Islamic financing contracts (continued)

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

	Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Not past due	1,222,032,678	1,067,030,105	317,325,138	368,275,414	19,848,250	5,650,607	1,559,206,066	1,440,956,126
Past due 1-30 days	66,041,716	35,759,594	11,131,136	11,019,678	650,933	189,370	77,823,785	46,968,642
Past due 31-90 days	38,236,757	19,074,046	12,251,488	4,496,158	1,705,309	496,110	52,193,554	24,066,314
Past due 91-180 days	31,902,457	34,893,005	16,106,298	9,421,114	1,703,354	495,541	49,712,109	44,809,660
Past due 181-364 days	41,002,022	24,579,623	11,453,759	8,350,489	-	-	52,455,781	32,930,112
Over 365 days	8,125,525	8,565,169	2,226,112	3,081,678	-	-	10,351,637	11,646,847
	1,407,341,155	1,189,901,542	370,493,931	404,644,531	23,907,846	6,831,628	1,801,742,932	1,601,377,701
Less: Impairment for Islamic financing contracts	(49,001,909)	(40,064,024)	(9,536,837)	(6,325,964)	(1,143,024)	(364,939)	(59,681,770)	(46,754,927)
Net investment in Islamic financing contracts	1,358,339,246	1,149,837,518	360,957,094	398,318,567	22,764,822	6,466,689	1,742,061,162	1,554,622,774

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 Measurement of ECL

a) Changes in assumptions including incorporation of forward-looking information

During the three-month and six-month periods ended 30 June 2023, there have been no significant changes to the underlying methodology used for determination of ECL, including the weight assigned to each scenario i.e. upturn, baseline and downturn scenarios.

Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information, which contributes to determination of the overall scalar factor used. As at 30 June 2023, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars (“USD”) 86.2, USD 78.0 and USD 61.4 per barrel respectively (As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars (“USD”) 97.5, USD 88.2 and USD 69.7 per barrel respectively), which contributed to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation. As at 30 June 2023, the unemployment factor incorporated in the calculation of changes in unemployment statistics was 5.1% (31 December 2022: 5.8%).

b) Sensitivity analysis:

An increase or decrease of 10% in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 0.3 million, in the ECL allowance (31 December 2022: Saudi Riyals 0.1 million).

An increase or decrease of 10% in the unemployment scenario weightings with all other variables held constant will result in an increase of Saudi Riyals 3.2 million, in the ECL allowance (31 December 2022: Saudi Riyals 1.7 million).

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 10.0 million or a decrease of Saudi Riyals 9.7 million respectively, in the ECL allowance (31 December 2022: an increase of Saudi Riyals 8.2 million or a decrease of Saudi Riyals 7.9 million, respectively in the ECL allowance).

16.1.3 Cash and cash equivalents and other receivables

The Company uses “low credit risk” practical expedient for the cash and cash equivalents with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months. 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. The stated rating is as per the global bank ratings by Moody’s Investors Service. Management does not expect any losses from non-performance by these counterparties. At 30 June 2023 and 31 December 2022, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At 30 June 2023 and 31 December 2022, the ECL allowance on other financial assets was immaterial.

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16 Financial risk management (continued)

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 Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 1,742 million (31 December 2022: Saudi Riyals 1,554.6 million). However, since the financing contracts are relatively short-term in nature, there is no significant profit risk associated with such contracts. Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 967.2 million (31 December 2022: Saudi Riyals 837.5 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 13.2 million (31 December 2022: Saudi Riyals 9.7 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.

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 shareholder.

Total unused credit facilities available to the Company as at 30 June 2023 were approximately Saudi Riyals 1,294 million (31 December 2022: Saudi Riyals 618.1 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 shareholder. Such cash flow forecasts consider, among other items, that the Company has pre-agreed fixed profit rates from its customers under Murabaha and Tawarruq financing contracts, whereas its borrowings from commercial banks are based on SAIBOR based variable finance costs. The maturity profile of financial assets and financial liabilities are set out in the table below which demonstrates a significant head room of financial assets over financial liabilities. Management also believes that any change in the variable finance costs of their borrowings would not result in the entity facing any liquidity issues. The cash flows of the Company, during the three-month and six-month periods ended 30 June 2023, have been principally consistent with the underlying budgeted forecasts and there are no developments which might indicate towards any potential liquidity concerns in the near future.

The tables below summarises 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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16 Financial risk management (continued)

16.3 Liquidity risk (continued)

30 June 2023 (Unaudited)	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than 3 years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	358,416,658	803,869,807	1,117,628,240	291,864,416	2,571,779,121
Prepayments and other receivables	Non-profit bearing	1,640,759	393,058	1,577,671	-	3,611,488
Cash and cash equivalents	Non-profit bearing	68,124,220	-	-	-	68,124,220
		428,181,637	804,262,865	1,119,205,911	291,864,416	2,643,514,829
Financial liabilities						
Borrowings	Profit bearing	143,837,060	141,565,729	551,713,116	231,990,307	1,069,106,212
Trade and other payables	Non-profit bearing	84,652,884	-	-	-	84,652,884
		228,489,944	141,565,729	551,713,116	231,990,307	1,153,759,096
Net financial assets		199,691,693	662,697,136	567,492,795	59,874,109	1,489,755,733

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16 Financial risk management (continued)

16.3 Liquidity risk (continued)

31 December 2022 (Audited)	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than 3 years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	278,406,728	744,972,668	1,017,093,320	254,602,427	2,295,075,143
Prepayments and other receivables	Non-profit bearing	798,745	257,789	725,495	-	1,782,029
Cash and cash equivalents	Non-profit bearing	21,132,397	-	-	-	21,132,397
		<u>300,337,870</u>	<u>745,230,457</u>	<u>1,017,818,815</u>	<u>254,602,427</u>	<u>2,317,989,569</u>
Financial liabilities						
Borrowings	Profit bearing	171,401,480	261,205,392	345,175,852	96,774,965	874,557,689
Trade and other payables	Non-profit bearing	70,863,506	-	-	-	70,863,506
		<u>242,264,986</u>	<u>261,205,392</u>	<u>345,175,852</u>	<u>96,774,965</u>	<u>945,421,195</u>
Net financial assets		<u>58,072,884</u>	<u>484,025,065</u>	<u>672,642,963</u>	<u>157,827,462</u>	<u>1,372,568,374</u>

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17 Date of approval of condensed interim financial information

The accompanying condensed interim financial information was approved by the Company's Board of Directors on 26 July 2023.