

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

**CONDENSED INTERIM FINANCIAL  
INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH AND NINE-MONTH  
PERIODS ENDED 30 SEPTEMBER 2021  
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 nine-month periods ended 30 September 2021**

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## Report on review of Condensed Interim Financial Information

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

### Introduction

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

### Scope of review

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

### Conclusion

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

### PricewaterhouseCoopers

Ali A. Alotaibi  
License number 379

26 October 2021



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

	Note	As at 30 September 2021 (Unaudited)	As at 31 December 2020 (Audited)
<b>Assets</b>			
Cash and cash equivalents	3	36,446,317	57,003,181
Investment in Islamic financing contracts	4	1,069,629,780	703,166,901
Prepayments and other receivables	5	23,186,866	3,490,877
Intangible assets		16,108,508	13,007,888
Property and equipment		6,031,595	4,601,029
<b>Total assets</b>		<b>1,151,403,066</b>	<b>781,269,876</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	10	350,000,000	350,000,000
Statutory reserve		8,374,052	254,989
Retained earnings		75,366,468	2,294,905
Actuarial reserve		(782,772)	(782,772)
<b>Net equity</b>		<b>432,957,748</b>	<b>351,767,122</b>
<b>Liabilities</b>			
Borrowings	6,18	605,508,846	340,681,964
Trade and other payables	8,18	96,366,994	78,975,638
Employee benefit obligations		5,331,670	4,524,643
Zakat payable	9,18	11,237,808	5,320,509
<b>Total liabilities</b>		<b>718,445,318</b>	<b>429,502,754</b>
<b>Total equity and liabilities</b>		<b>1,151,403,066</b>	<b>781,269,876</b>

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

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

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2021	2020	2021	2020
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income from Islamic financing activities	11	<b>80,446,834</b>	36,328,645	<b>213,519,462</b>	80,991,366
Finance costs	6	<b>(2,738,613)</b>	(1,251,064)	<b>(9,521,144)</b>	(3,974,955)
<b>Net income from Islamic financing activities</b>		<b>77,708,221</b>	35,077,581	<b>203,998,318</b>	77,016,411
General and administrative expenses	12	<b>(10,043,724)</b>	(6,949,904)	<b>(30,329,916)</b>	(18,946,915)
Selling and marketing expenses	13	<b>(20,057,899)</b>	(13,871,232)	<b>(60,326,629)</b>	(35,592,407)
Net impairment losses on financial assets	3, 4	<b>(8,814,142)</b>	(5,334,080)	<b>(23,038,065)</b>	(13,406,754)
Other income - net		<b>247,841</b>	51,556	<b>1,009,333</b>	202,219
<b>Profit before zakat</b>		<b>39,040,297</b>	8,973,921	<b>91,313,041</b>	9,272,554
Zakat expense	9	<b>(3,494,351)</b>	(2,955,249)	<b>(10,122,415)</b>	(3,030,098)
<b>Profit for the period</b>		<b>35,545,946</b>	6,018,672	<b>81,190,626</b>	6,242,456
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>35,545,946</b>	6,018,672	<b>81,190,626</b>	6,242,456
<b>Earnings per share</b>					
Basic and diluted	14	<b>1.02</b>	0.17	<b>2.32</b>	0.18

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

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

	Share capital	Statutory reserve	(Accumulated losses) retained earnings	Actuarial reserve	Total
<b>At 1 January 2020</b> <b>(Audited)</b>	150,000,000	-	(18,792,820)	(184,305)	131,022,875
Additional share capital issued	200,000,000	-	-	-	200,000,000
Profit for the period	-	-	6,242,456	-	6,242,456
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	6,242,456	-	6,242,456
<b>At 30 September 2020</b> <b>(Unaudited)</b>	<b>350,000,000</b>	<b>-</b>	<b>(12,550,364)</b>	<b>(184,305)</b>	<b>337,265,331</b>
<b>At 1 January 2021</b> <b>(Audited)</b>	350,000,000	254,989	2,294,905	(782,772)	351,767,122
Profit for the period	-	-	81,190,626	-	<b>81,190,626</b>
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	81,190,626	-	<b>81,190,626</b>
Transfer to statutory reserve	-	8,119,063	(8,119,063)	-	-
<b>At 30 September 2021</b> <b>(Unaudited)</b>	<b>350,000,000</b>	<b>8,374,052</b>	<b>75,366,468</b>	<b>(782,772)</b>	<b>432,957,748</b>

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

	Note	For the nine-month period ended 30 September	
		2021 (Unaudited)	2020 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before zakat		91,313,041	9,272,554
<u>Adjustments for:</u>			
Depreciation and amortization		1,842,943	1,393,809
Finance costs		9,521,144	3,974,955
Intangible assets written off		71,682	-
Property and equipment written off		380	-
Net impairment losses on financial assets	3, 4	23,038,065	13,406,754
Employee benefit obligations		1,186,239	1,008,635
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(389,500,944)	(386,991,036)
Increase in prepayments and other receivables		(19,695,989)	(4,757,345)
Increase in trade and other payables		29,911,432	24,502,758
(Decrease) increase in due to related parties		(12,520,076)	138,081,554
Cash utilized in operations		(264,832,083)	(200,107,362)
Finance costs paid		(7,860,929)	(3,565,959)
Zakat paid	9	(4,205,116)	(303,695)
Employee benefit obligations paid		(379,212)	(150,438)
<b>Net cash outflow from operating activities</b>		<b>(277,277,340)</b>	<b>(204,127,454)</b>
<b>Cash flows from investing activities</b>			
Payments for purchases of property and equipment		(2,383,520)	(2,963,463)
Payments for purchases of intangible assets		(4,062,671)	(2,731,694)
<b>Net cash outflow from investing activities</b>		<b>(6,446,191)</b>	<b>(5,695,157)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	200,000,000
Proceeds from long-term borrowings	6	410,000,000	220,000,000
Repayment of short-term borrowings	6	(120,000,000)	-
Repayment of long-term borrowings	6	(26,833,333)	-
<b>Net cash inflow from financing activities</b>		<b>263,166,667</b>	<b>420,000,000</b>
<b>Net change in cash and cash equivalents</b>		<b>(20,556,864)</b>	<b>210,177,389</b>
Cash and cash equivalents at beginning of the period		57,003,181	19,888,725
<b>Cash and cash equivalents at end of the period</b>	3	<b>36,446,317</b>	<b>230,066,114</b>
<b>Non-cash operating activity:</b>			
Employee benefit obligations transferred from the shareholder		-	1,817,013

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

**UNITED COMPANY FOR FINANCIAL SERVICES**  
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**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended 30 September 2021 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 Legal status and activities**

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

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

During the period ended 30 September 2021, the Company has obtained a license from SAMA to engage in credit card financing activities. Management expects to commence such activities during the first half of 2022.

**2 Basis of preparation**

The condensed interim financial information of the Company as at 30 September 2021 and for the three-month and nine-month periods ended 30 September 2021 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi 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 2020.

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

**2.1 Historical cost convention**

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

**2.2 Functional and presentation currency**

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

**2.3 New and amended standards**

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

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



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**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. Also see Note 15.

**3 Cash and cash equivalents**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	105,916	19,175
Cash at bank	<b>36,340,401</b>	56,984,006
	<b>36,446,317</b>	57,003,181

**4 Investment in Islamic financing contracts**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Investment in tawarruq financing contracts, net	739,486,871	451,175,950
Investment in murabaha financing contracts, net	<b>330,142,909</b>	251,990,951
	<b>1,069,629,780</b>	703,166,901
Less: non- current portion	<b>(659,058,241)</b>	<b>(448,321,843)</b>
Current portion	<b>410,571,539</b>	254,845,058

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

	Tawarruq finance		Murabaha finance		Total	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	1,196,444,692	753,833,231	466,613,017	356,473,902	1,663,057,709	1,110,307,133
Unearned finance and processing fee income	(426,138,876)	(287,922,472)	(123,643,618)	(98,600,769)	(549,782,494)	(386,523,241)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	770,305,816	465,910,759	342,969,399	257,873,133	1,113,275,215	723,783,892
Allowance for ECL	(30,818,945)	(14,734,809)	(12,826,490)	(5,882,182)	(43,645,435)	(20,616,991)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	739,486,871	451,175,950	330,142,909	251,990,951	1,069,629,780	703,166,901
Net investment in Islamic financing contracts - non-current portion	(537,810,032)	(347,324,668)	(121,248,208)	(100,997,175)	(659,058,240)	(448,321,843)
Net investment in Islamic financing contracts - current portion	201,676,839	103,851,282	208,894,701	150,993,776	410,571,540	254,845,058

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

	Tawarruq finance		Murabaha finance		Total	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Opening balance	14,734,809	1,312,502	5,882,182	1,331,751	20,616,991	2,644,253
Charge for the period / year	16,084,136	13,422,307	6,944,308	4,550,431	23,028,444	17,972,738
Closing balance	30,818,945	14,734,809	12,826,490	5,882,182	43,645,435	20,616,991

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

30 September 2021 (Unaudited)	Tawarruq finance		Murabaha finance		Total	
	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	725,745,024	(7,126,378)	718,618,646	322,642,368	(2,152,914)	320,489,454
Under-performing (Stage 2)	9,467,413	(2,188,636)	7,278,777	4,420,683	(606,293)	3,814,390
Non-performing (Stage 3)	35,093,379	(21,503,931)	13,589,448	15,906,348	(10,067,283)	5,839,065
	<u>770,305,816</u>	<u>(30,818,945)</u>	<u>739,486,871</u>	<u>342,969,399</u>	<u>(12,826,490)</u>	<u>330,142,909</u>
						<u>1,113,275,215</u>
						<u>(43,645,435)</u>
						<u>1,069,629,780</u>
31 December 2020 (Audited)	Tawarruq finance		Murabaha finance		Total	
	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	445,805,392	(4,424,601)	441,380,791	247,880,856	(1,832,768)	246,048,088
Under-performing (Stage 2)	4,516,818	(1,071,306)	3,445,512	2,790,931	(310,276)	2,480,655
Non-performing (Stage 3)	15,588,549	(9,238,902)	6,349,647	7,201,346	(3,739,138)	3,462,208
	<u>465,910,759</u>	<u>(14,734,809)</u>	<u>451,175,950</u>	<u>257,873,133</u>	<u>(5,882,182)</u>	<u>251,990,951</u>
						<u>723,783,892</u>
						<u>(20,616,991)</u>
						<u>703,166,901</u>
						<u>687,428,879</u>
						<u>(1,381,582)</u>
						<u>5,926,167</u>

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**5 Prepayments and other receivables**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Prepaid expenses	17,153,435	1,718,519
Advances to employees	956,496	1,716,568
Advances to suppliers	2,372,593	55,790
Other receivables	2,704,342	-
	<b>23,186,866</b>	<b>3,490,877</b>

Classification of prepayments and other receivables is presented below:

Current portion	19,312,318	3,490,877
Non-current portion	3,874,548	-
	<b>23,186,866</b>	<b>3,490,877</b>

Also see Note 7.2.

**6 Borrowings**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Long-term borrowings</b>		
Murabaha facilities	603,166,667	220,000,000
<b>Short-term borrowings</b>		
Murabaha facilities	-	50,000,000
Tawarruq facilities	-	70,000,000
	<b>603,166,667</b>	<b>340,000,000</b>
Accrued finance cost	2,342,179	681,964
	<b>605,508,846</b>	<b>340,681,964</b>

Classification of borrowings is presented below:

Current portion (including short term borrowings)	133,564,401	157,265,297
Non-current portion	471,944,445	183,416,667
	<b>605,508,846</b>	<b>340,681,964</b>

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

**Murabaha I**

Total amount allocated to the Company under such facility is Saudi Riyals 250.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 30 September 2021, the Company has an outstanding loan balance of Saudi Riyals 239.0 million against this facility (31 December 2020: Saudi Riyals 120.0 million).

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**Murabaha II**

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

**Murabaha III**

Total amount allocated to the Company under such facility is Saudi Riyals 500.0 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. As at 30 September 2021, the Company has an outstanding loan balance of Saudi Riyals 364.2 million against this facility (31 December 2020: Saudi Riyals 100.0 million).

**Tawarruq I**

Total amount allocated to the Company under such facility is Saudi Riyals 70.0 million. The tenure of the borrowing facility was less than one year, and the amount was settled 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%. There are no financial covenants applicable to the Company under such agreements with the bank.

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

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Less than 6 months	<b>59,125,000</b>	132,083,333
Between 6 to 12 months	<b>72,097,222</b>	24,500,000
Between 1 and 2 years	<b>146,416,667</b>	49,000,000
Between 2 and 5 years	<b>314,777,778</b>	131,416,667
Above 5 years	<b>10,750,000</b>	3,000,000
	<b>603,166,667</b>	<b>340,000,000</b>

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

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**7 Related party transactions and balances**

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

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

Nature of transaction	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Related party</b>			<b>Relationship</b>	
United Electronics Company			Shareholder	
Procco Financial Services W.L.L			Affiliate	
<b>United Electronics Company</b>				
Purchases from the shareholder to be financed to consumers under Murabaha contracts	77,841,824	72,341,947	261,211,256	189,840,890
Payments to the shareholder	(89,087,228)	(32,038,797)	(317,217,298)	(102,109,055)
Collections made by the shareholder on behalf of the Company	(909,065)	(6,971,447)	(6,707,218)	(25,272,715)
Collections made by Company on behalf of the shareholder	10,131,606	33,891,977	43,025,976	74,171,902
Employee benefit obligations transferred from the shareholder	-	-	-	(1,817,013)
Expenses incurred by the Company on behalf of the shareholder	-	-	(555,649)	-
Expenses incurred by the shareholder on behalf of the Company	864,055	1,228,119	4,400,961	2,785,818
<b>Procco Financial Services W.L.L</b>				
Service charges	4,393,555	631,375	9,005,804	631,375
Payments during the period	(2,675,882)	-	(7,298,931)	-

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**7.2 Key management compensation**

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Audited)
Short-term employee benefits	2,071,615	1,791,072	6,843,078	4,492,859
Long-term employee benefits	86,989	26,005	330,158	187,063
Board of Directors' fees	463,500	154,250	1,525,500	436,750
	<b>2,622,104</b>	<b>1,971,327</b>	<b>8,698,736</b>	<b>5,116,672</b>

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

**7.3 Due to related parties**

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
United Electronics Company	28,934,187	44,781,044
Procco Financial Services W.L.L	3,369,981	43,200
	<b>32,304,168</b>	<b>44,824,244</b>

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

**8 Trade and other payables**

	Note	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Trade payables		13,012,613	9,504,673
Due to related parties	7	32,304,168	44,824,244
Accrued expenses		42,518,951	17,044,573
Advances from customers		4,032,114	3,513,823
Accrued salaries and other benefits		2,870,997	2,200,000
Accrued board of directors' fee		1,558,897	1,778,000
Value added tax payable		69,254	110,325
		<b>96,366,994</b>	<b>78,975,638</b>

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**9 Zakat payable**

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	5,320,509	288,525
Provisions		
-For current period/year	<b>11,237,808</b>	5,335,647
-Adjustments related to prior years	<b>(1,115,393)</b>	-
	<b>10,122,415</b>	5,335,647
Payments	<b>(4,205,116)</b>	(303,663)
Closing balance	<b>11,237,808</b>	5,320,509

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

**10 Share capital**

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

**11 Income from Islamic financing activities**

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Income from tawarruq finance activities	49,092,938	21,017,731	126,556,307	47,895,362
Income from murabaha finance activities	32,836,490	15,153,556	90,604,124	32,485,785
Processing fee net of related expenses	<b>(1,482,594)</b>	157,358	<b>(3,640,969)</b>	610,219
	<b>80,446,834</b>	36,328,645	<b>213,519,462</b>	80,991,366

**12 General and administrative expenses**

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and other benefits	6,307,632	4,193,040	19,713,643	10,624,989
Information technology support	1,844,764	756,696	5,101,700	2,591,227
Professional fees	770,232	261,695	2,002,977	1,914,305
Amortisation	314,724	245,917	890,369	737,749
Rent	231,498	151,768	557,748	465,001
Depreciation	189,435	67,544	499,126	330,262
Other	<b>385,439</b>	1,273,245	<b>1,564,353</b>	2,283,382
	<b>10,043,724</b>	6,949,904	<b>30,329,916</b>	18,946,915



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**13 Selling and marketing expenses**

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Salaries and other benefits	11,262,655	7,886,134	33,805,220	19,462,056
Fee and subscription	2,969,891	1,475,982	9,718,574	4,697,925
Advertising	2,866,701	2,768,448	8,873,370	6,765,910
Collection charges	1,450,007	419,199	3,827,923	959,638
Rent	741,375	697,950	2,167,268	2,073,170
Depreciation	151,594	134,182	453,448	325,799
Other	615,676	489,337	1,480,826	1,307,909
	<b>20,057,899</b>	<b>13,871,232</b>	<b>60,326,629</b>	<b>35,592,407</b>

**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 September		For the nine-month period ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the shareholders of the company	35,545,946	6,018,672	81,190,626	6,242,456
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	1.02	0.17	2.32	0.18

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

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

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

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

As at 30 September 2021 and 31 December 2020, 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>30 September 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Financial assets at amortized cost</b>		
Cash and cash equivalents	<b>36,446,317</b>	57,003,181
Investment in Islamic financing contracts	<b>1,069,629,780</b>	703,166,901
Prepayments and other receivables	<b>3,660,838</b>	1,716,568
<b>Total</b>	<b>1,109,736,935</b>	761,886,650
<b>Financial liabilities at amortized cost</b>		
Borrowings	<b>605,508,846</b>	340,681,964
Trade and other payables	<b>92,265,626</b>	75,351,490
<b>Total</b>	<b>697,774,472</b>	416,033,454

At 30 September 2021, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 19.5 million and Saudi Riyals 4.1 million (31 December 2020: Saudi Riyals 1.8 million and Saudi Riyals 3.6 million) have been excluded from prepayments and other receivables and trade and other payables, respectively.

**17 Financial instruments and risk management**

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

**17.1 Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 30 September 2021, the Company has maintained an ECL allowance of Saudi Riyals 43.6 million (31 December 2020: Saudi Riyals 20.6 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

**Investment in Islamic financing contracts**

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

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**Cash and cash equivalents and other receivables**

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

**17.2 Profit rate risk**

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Company's financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 1,069.6 million (31 December 2020: Saudi Riyals 703.2 million). However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 605.5 million (31 December 2020: Saudi Riyals 340.7 million), and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 3.6 million (30 September 2020: Saudi Riyals 0.86 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.

**17.3 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits on any of its borrowing facilities allocated by the shareholder.

The 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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<b>30 September 2021 (Unaudited)</b>	<b>Nature</b>	<b>Up to 3 months</b>	<b>More than 3 months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
<b>Financial assets</b>					
Gross investment in Islamic financing contracts	Profit bearing	198,606,452	487,020,072	977,431,185	1,663,057,709
Prepayments and other receivables	Non-profit bearing	3,380,101	280,737	-	3,660,838
Cash and cash equivalents	Non-profit bearing	36,446,317	-	-	36,446,317
		<u>238,432,870</u>	<u>487,300,809</u>	<u>977,431,185</u>	<u>1,703,164,864</u>
<b>Financial liabilities</b>					
Borrowings	Profit bearing	32,871,204	109,927,404	487,018,538	629,817,146
Trade and other payables	Non-profit bearing	92,265,626	-	-	92,265,626
		<u>125,136,830</u>	<u>109,927,404</u>	<u>487,018,538</u>	<u>722,082,772</u>
<b>Net financial assets</b>		<u>113,296,040</u>	<u>377,373,405</u>	<u>490,412,647</u>	<u>981,082,092</u>
<b>31 December 2020 (Audited)</b>					
<b>31 December 2020 (Audited)</b>	<b>Nature</b>	<b>Up to 3 months</b>	<b>More than 3 months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
<b>Financial assets</b>					
Gross investment in Islamic financing contracts	Profit bearing	121,895,406	312,768,694	675,643,033	1,110,307,133
Prepayments and other receivables	Non-profit bearing	1,206,581	509,987	-	1,716,568
Cash and cash equivalents	Non-profit bearing	57,003,181	-	-	57,003,181
		<u>180,105,168</u>	<u>313,278,681</u>	<u>675,643,033</u>	<u>1,169,026,882</u>
<b>Financial liabilities</b>					
Borrowings	Profit bearing	126,983,207	30,921,478	193,242,715	351,147,400
Trade and other payables	Non-profit bearing	75,351,490	-	-	75,351,490
		<u>202,334,697</u>	<u>30,921,478</u>	<u>193,242,715</u>	<u>426,498,890</u>
<b>Net financial (liabilities) assets</b>		<u>(22,229,529)</u>	<u>282,357,203</u>	<u>482,400,318</u>	<u>742,527,992</u>

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**18 Comparative figures**

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

**19 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 26 October 2021.