

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
WITH INDEPENDENT AUDITOR'S REVIEW REPORT
ON INTERIM CONDENSED FINANCIAL STATEMENTS

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED
MARCH 31, 2021
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STATEMENTS

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

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

Introduction

We have reviewed the accompanying interim statement of financial position of United Company for Financial Services (A Saudi Closed Joint Stock Company) (the "Company") as at March 31, 2021, the related interim statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for three month period then ended, and explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

For Al-Bassam & Co.
 P.O. Box 4636
 Al Khobar 31952
 Kingdom of Saudi Arabia



Ahmed Abdul Majeed Mohandis
 Certified Public Accountant
 License No. 477
 16 Ramadan 1442H
 April 28, 2021



UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

		March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
	Note		
ASSETS			
Cash and cash equivalents	4	93,356,363	57,003,181
Investment in Islamic financing contracts, net	5	835,860,096	703,166,901
Prepayment and other receivables	6	11,812,363	3,490,877
Property and equipment, net		5,049,718	4,601,029
Intangible asset, net		13,558,921	13,007,888
TOTAL ASSETS		959,637,461	781,269,876
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	10	350,000,000	350,000,000
Statutory reserve		2,280,321	254,989
Retained earnings		20,522,890	2,294,905
Actuarial reserve		(782,772)	(782,772)
TOTAL SHAREHOLDER'S EQUITY		372,020,439	351,767,122
LIABILITIES			
Borrowings	7	490,000,000	340,000,000
Accounts payable and other liabilities	9	92,590,783	84,978,111
End of service indemnities		5,026,239	4,524,643
TOTAL LIABILITIES		587,617,022	429,502,754
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		959,637,461	781,269,876

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

		For the three month period ended March 31, 2021 SR (Unaudited)	For the three month period ended March 31, 2020 SR (Unaudited)
	Note		
Income from Islamic financing activities	11	61,376,993	18,747,839
Finance cost	11	(3,349,556)	(1,558,096)
INCOME FROM ISLAMIC FINANCING ACTIVITIES, NET		58,027,437	17,189,743
OPERATING (EXPENSES) / INCOME			
General and administration expenses		(9,684,826)	(7,232,088)
Selling and marketing expenses		(19,790,921)	(11,136,975)
Allowance for expected credit loss	4, 5.2	(5,901,331)	(2,566,396)
Other income		359,383	48,496
NET INCOME / (LOSS) BEFORE ZAKAT		23,009,742	(3,697,220)
Zakat		(2,756,425)	(307,779)
NET INCOME / (LOSS) FOR THE PERIOD		20,253,317	(4,004,999)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		20,253,317	(4,004,999)
Earnings / (loss) per share			
Basic earnings / (loss) per share	13	0.58	(0.27)
Diluted earnings / (loss) per share	13	0.58	(0.27)

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

	Share capital SR	Statutory reserve SR	(Accumulated losses) / retained earnings SR	Actuarial reserve SR	Total Shareholder's equity SR
Balance as at January 1, 2020 (Audited)	150,000,000	-	(18,792,820)	(184,305)	131,022,875
Net income for the period	-	-	(4,004,999)	-	(4,004,999)
Balance as at March 31, 2020 (Unaudited)	150,000,000	-	(22,797,819)	(184,305)	127,017,876
Balance as at January 1, 2021 (Audited)	350,000,000	254,989	2,294,905	(782,772)	351,767,122
Net income for the period	-	-	20,253,317	-	20,253,317
Transfer to statutory reserve	-	2,025,332	(2,025,332)	-	-
Balance as at March 31, 2021 (Unaudited)	350,000,000	2,280,321	20,522,890	(782,772)	372,020,439

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

	For the three month period ended March 31,2021 SR (Unaudited)	For the three month period ended March 31,2020 SR (Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
Net income / (loss) before zakat	23,009,742	(3,697,220)
Adjustments for:		
Depreciation and amortization	545,359	453,686
Allowance for expected credit loss	5,901,331	2,566,396
Finance cost	3,349,556	1,558,096
End of service indemnities	511,356	327,574
Changes in operating assets and liabilities:		
Investment in Islamic financing contracts, net	(138,594,526)	(156,027,299)
Prepayment and other receivables	(8,321,486)	(362,142)
Accounts payable and other liabilities	2,764,121	(6,556,811)
Cash used in operating activities	(110,834,547)	(161,737,720)
Finance charges paid	(1,257,430)	-
End of service indemnities paid	(9,760)	(61,541)
Net cash used in operating activities	(112,101,737)	(161,799,261)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment	(724,098)	(1,837,507)
Additions to intangible assets	(820,983)	-
Net cash used in investing activities	(1,545,081)	(1,837,507)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	275,000,000	100,000,000
(Repayment) / proceeds from short term borrowings	(120,000,000)	120,000,000
Repayment of long term borrowings	(5,000,000)	-
Net cash generated from financing activities	150,000,000	220,000,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	36,353,182	56,363,232
Cash and cash equivalents at the beginning of the period	57,003,181	19,888,725
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	93,356,363	76,251,957

Significant non-cash transactions (Note 4.1)

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

1. LEGAL STATUS AND ACTIVITIES

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

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

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

The results of three-month period ended March 31, 2021 are not necessarily indicative of the results that may be expected for the financial year ended December 31, 2021.

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

2. BASIS OF PREPARATION

Statement of compliance

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

Interim condensed financial statements do not include all information and disclosures required in the annual financial statements. IAS 34 states that interim condensed financial statement is intended to provide an update on the latest complete set of financial statements. Hence, IAS 34 requires less disclosures than International Financial Reporting Standards ("IFRSs") for annual financial statements. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and hence should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

Basis of measurement

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

Functional and presentational currency

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

Significant accounting estimates and judgments

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

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

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

2. BASIS OF PREPARATION (Continued)

Significant accounting estimates and judgments (Continued)

COVID-19

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

Going concern

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

Actuarial valuation of employee benefits liabilities

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

Economic useful lives of property and equipment and intangible assets

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

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

There are no new standards issued, however there are a number of amendments to standards which are effective from January 1, 2021, however, management anticipates that these amendments will not have any material effect on the Company's interim condensed financial statements.

4. CASH AND CASH EQUIVALENTS

	March 31, 2021 SR	December 31, 2020 SR
	(Unaudited)	(Audited)
Cash in hand	49,682	19,175
Cash at bank	93,332,456	56,984,006
Less: Allowance for expected credit loss	(25,775)	-
	93,306,681	56,984,006
	93,356,363	57,003,181

4.1 Significant non-cash transactions

	For the three month period ended March 31, 2021 SR	For the three month period ended March 31, 2020 SR
	(Unaudited)	(Unaudited)
End of service indemnities transferred from a related party	-	1,817,013

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

5. INVESTMENT IN ISLAMIC FINANCING CONTRACTS, NET

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

	March 31, 2021 (unaudited)			
	Current portion SR	Non-current portion SR	Allowance for expected credit loss SR	Total SR
Tawaruq contracts receivables, net	137,172,428	423,258,431	(18,925,811)	541,505,048
Murabaha contracts receivables, net	183,040,957	118,880,827	(7,566,736)	294,355,048
	320,213,385	542,139,258	(26,492,547)	835,860,096

	December 31, 2020 (Audited)			
	Current portion SR	Non-current portion SR	Allowance for expected credit loss SR	Total SR
Tawaruq contracts receivables, net	108,063,640	357,847,119	(14,734,809)	451,175,950
Murabaha contracts receivables, net	154,611,129	103,262,004	(5,882,182)	251,990,951
	262,674,769	461,109,123	(20,616,991)	703,166,901

Tawaruq contracts receivables, net

	March 31, 2021 (unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Tawaruq contracts receivables, gross	265,699,199	628,077,125	893,776,324
Less: Deferred Islamic financing income	<u>(128,485,630)</u>	<u>(204,753,132)</u>	<u>(333,238,762)</u>
	137,213,569	423,323,993	560,537,562
Unearned origination fees	(1,775,322)	(2,829,131)	(4,604,453)
Deferred transaction costs	<u>1,734,181</u>	<u>2,763,569</u>	<u>4,497,750</u>
	137,172,428	423,258,431	560,430,859
Less: Allowance for expected credit loss	<u>(5,626,209)</u>	<u>(13,299,602)</u>	<u>(18,925,811)</u>
Tawaruq contracts receivables, net	<u>131,546,219</u>	<u>409,958,829</u>	<u>541,505,048</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

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

Tawaruq contracts receivables, net (Continued)

	December 31, 2020 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Tawaruq contracts receivables, gross	214,811,037	536,596,997	751,408,034
Less: Deferred Islamic financing income	(106,216,596)	(177,861,044)	(284,077,640)
	108,594,441	358,735,953	467,330,394
Unearned origination fees	(1,437,582)	(2,407,250)	(3,844,832)
Deferred transaction costs	906,781	1,518,416	2,425,197
	108,063,640	357,847,119	465,910,759
Less: Allowance for expected credit loss	(4,212,358)	(10,522,451)	(14,734,809)
Tawaruq contracts receivables, net	103,851,282	347,324,668	451,175,950

Murabaha contracts receivables, net

	March 31, 2021 (unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	257,567,978	156,047,846	413,615,824
Less: Deferred Islamic financing income	(75,694,852)	(37,749,423)	(113,444,275)
	181,873,126	118,298,423	300,171,549
Unearned origination fees	(1,438,714)	(717,494)	(2,156,208)
Deferred transaction costs	2,606,545	1,299,898	3,906,443
	183,040,957	118,880,827	301,921,784
Less: Allowance for expected credit loss	(4,711,979)	(2,854,757)	(7,566,736)
Murabaha contracts receivables, net	178,328,978	116,026,070	294,355,048

	December 31, 2020 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	217,022,524	135,878,081	352,900,605
Less: Deferred Islamic financing income	(63,539,084)	(33,205,405)	(96,744,489)
	153,483,440	102,672,676	256,156,116
Unearned origination fees	(1,219,153)	(637,127)	(1,856,280)
Deferred transaction costs	2,346,842	1,226,455	3,573,297
	154,611,129	103,262,004	257,873,133
Less: Allowance for expected credit loss	(3,617,353)	(2,264,829)	(5,882,182)
Murabaha contracts receivables, net	150,993,776	100,997,175	251,990,951

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

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

5.1 As at March 31, 2021 and December 31, 2020, stage-wise investment in financing contract receivable balances and the respective ECL are as follows:

March 31, 2021

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investment in Islamic finance receivable	821,129,723	14,479,212	25,100,176	860,709,111
Less: Allowance for expected credit loss	(6,942,790)	(3,768,249)	(15,781,508)	(26,492,547)
	<u>814,186,933</u>	<u>10,710,963</u>	<u>9,318,668</u>	<u>834,216,564</u>

December 31, 2020

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Investment in Islamic finance receivable	693,394,137	7,302,929	22,789,444	723,486,510
Less: Allowance for expected credit loss	(6,257,369)	(1,381,582)	(12,978,040)	(20,616,991)
	<u>687,136,768</u>	<u>5,921,347</u>	<u>9,811,404</u>	<u>702,869,519</u>

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

	March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
Opening balance	20,616,991	2,644,253
Charge for the period / year	5,875,556	17,972,738
	<u>26,492,547</u>	<u>20,616,991</u>

5.3 The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has used Oil Price OPEC as their key macroeconomic factor. The macro-economic factors have been updated based on the latest available information. Further, the Company has incorporated additional risk factor to address the risk arise from COVID-19 and that resulted in additional provision SR 5.3 million as at March 31, 2021.

6. PREPAYMENT AND OTHER RECEIVABLES

	March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
Prepaid expenses	9,790,380	1,718,519
Employees receivable	879,647	1,716,568
Advance to suppliers	547,147	55,790
Other receivables	595,189	-
	<u>11,812,363</u>	<u>3,490,877</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

7. BORROWINGS

	March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
<u>Medium term loans</u>		
Murabaha I	115,000,000	120,000,000
Murabaha III	375,000,000	100,000,000
<u>Short term loans</u>		
Murabaha II	-	50,000,000
Tawaruq I	-	70,000,000
	490,000,000	340,000,000

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

	March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
Non-current portion	407,625,000	183,416,667
Current portion	82,375,000	156,583,333
	490,000,000	340,000,000

Murabaha I

Total facilities allocated to the Company amounts to SR 250 million. The annual facilities fees payable as per the terms of contract is charged to statement of profit or loss.

In April 2020, the Company has obtained Murabaha financing of SR 100 million by utilizing the facilities of its shareholder. The loan is repayable in 20 quarterly installment commencing from January 2021.

In November 2020, the Company has obtained Murabaha financing of SR 20 million by utilizing the facilities of its shareholder. The loan is repayable in 20 quarterly installment commencing from August 2021.

Murabaha II

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

Tawaruq I

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

Murabaha III

Total facilities allocated to the Company by the shareholder amounts to SR 500 million. The borrowing is repayable in 48 monthly installments commencing 6 months from initial obtaining of the borrowings. The annual facilities fees payable as per the terms of contract is charged to statement of profit or loss.

In October 2020, the Company has obtained Murabaha financing of SR 50 million by utilizing the facilities of its shareholder. The loan is repayable in 48 monthly installment commencing from May 2021.

In December 2020, the Company has obtained Murabaha financing of SR 50 million by utilizing the facilities of its shareholder. The loan is repayable in 48 monthly installment commencing from July 2021.

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

7. BORROWINGS (Continued)

Murabaha III (Continued)

In January 2021, the Company has obtained Murabaha financing of SR 50 million by utilizing the facilities of its shareholder. The loan is repayable in 48 monthly installment commencing from August 2021.

In February 2021, the Company has obtained Murabaha financing of SR 100 million by utilizing the facilities of its shareholder. The loan is repayable in 48 monthly installment commencing from September 2021.

In March 2021, the Company has obtained Murabaha financing of SR 125 million by utilizing the facilities of its shareholder. The loan is repayable in 48 monthly installment commencing from October 2021.

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

Significant Transactions:

Related party	Nature of transactions	For the three month period ended March 31, 2021 SR	For the three month period ended March 31, 2020 SR
United Electronics Company	Purchase from Parent Company to be financed to consumers under Murabaha contracts	97,829,905	67,769,157
	Payment to Parent Company	(116,093,972)	(70,051,549)
	Expenses incurred on behalf of Company	1,576,332	1,576,138
	Collection made by Parent Company on behalf of the Company	(3,343,737)	(11,386,506)
	Collection made by Company on behalf of Parent Company	19,296,203	-
	End of service indemnity liabilities transferred from a related party	-	(1,817,013)
Procco Financial Services W.L.L	Payment made by the Company on behalf of a related party	(2,207,706)	-
	Service charges	3,312,713	-

Balance due to related parties is as follows:

	March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
United Electronics Company	44,040,891	44,781,044
Procco Financial Services W.L.L	1,115,807	43,200
	45,156,698	44,824,244

UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Key management compensation

	For the three month period ended March 31, 2021	For the three month period ended March 31, 2020
	SR	SR
Short term benefits	1,629,404	2,062,804
Long term benefits	151,927	87,218
	1,781,331	2,150,022

As at the period end, employees' receivable includes outstanding loans and advances to Key Management Employees amounting to SR 0.42 million (As at December 31, 2020 SR 0.78 million). (Note 6)

Board of Directors compensation

	For the three month period ended March 31, 2021	For the three month period ended March 31, 2020
	SR	SR
Remuneration for attending meetings	598,500	141,250
	598,500	141,250

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	March 31, 2021	December 31, 2020
	SR	SR
	(Unaudited)	(Audited)
Due to related parties (Note 8)	45,156,698	44,824,244
Accrued and other liabilities	30,923,134	30,063,069
Accrued performance bonus	3,006,255	2,200,000
Accrued board remuneration (Note 8)	2,376,500	1,778,000
Accrued finance charges	2,774,090	681,964
VAT payable	277,172	110,325
Zakat provision	8,076,934	5,320,509
	92,590,783	84,978,111

10. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR 350,000,000 (2020: SR 350,000,000) is divided into 35,000,000 (2020: 35,000,000) equity shares of SR 10 each fully subscribed and paid by a shareholder.

As of March 31, 2021 and December 31, 2020, the Company's shareholder and its respective shareholding is as follows:

	March 31, 2021		December 31, 2020	
	Amount SR	Ownership %	Amount SR	Ownership %
United Electronics Company ("Parent Company")	350,000,000	100%	350,000,000	100%
	350,000,000	100%	350,000,000	100%

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11. INCOME FROM ISLAMIC FINANCING ACTIVITIES, NET

	For the three month period ended March 31, 2021 SR (Unaudited)	For the three month period ended March 31, 2020 SR (Unaudited)
Income from Islamic financing activities		
Tawaruq contracts income	35,212,410	11,657,359
Murabaha contracts income	26,825,086	6,917,133
Origination fee net of related expenses	(660,503)	173,347
Income from Islamic financing activities	61,376,993	18,747,839
Facility fee on borrowings (Note 7)	(1,350,000)	(1,500,000)
Finance charges on Tawaruq financing (Note 7)	(167,218)	(28,557)
Finance charges on Murabaha financing (Note 7)	(1,832,338)	(29,539)
Total finance cost	(3,349,556)	(1,558,096)
Net income from Islamic financing activities	58,027,437	17,189,743

12. FINANCIAL RISK MANAGEMENT

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

Financial instruments by category

	March 31, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
<i>Financial assets at amortized cost:</i>		
Cash and cash equivalents	93,356,363	57,003,181
Investment in Islamic financing contracts, net	835,860,096	703,166,901
Other receivables	1,474,656	1,716,568
Total financial assets	930,691,115	761,886,650
<i>Financial liabilities at amortized cost:</i>		
Borrowings	490,000,000	340,000,000
Due to related parties	45,156,698	44,824,244
Other payable and liabilities	43,285,095	34,723,033
Total financial liabilities	578,441,793	419,547,277

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

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

Liquidity risk

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

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12. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

Contractual maturity analysis for financial liabilities

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

March 31, 2021	Interest rate	Upto 3 months	More than 3 months and upto one year	More than one year	Total
		SR	SR	SR	
Borrowings	SIBOR +1.1% to 1.4%	7,083,333	75,291,667	407,625,000	490,000,000
Due to related parties	Interest-free	45,156,698	-	-	45,156,698
Accrued and other liabilities	Interest-free	43,285,095	-	-	43,285,095
December 31, 2020	Interest rate	Upto 3 months	More than 3 months and upto one year	More than one year	Total
		SR	SR	SR	SR
Borrowing	SIBOR +1.1% to 1.4%	125,000,000	31,583,333	183,416,667	340,000,000
Due to related parties	Interest-free	44,824,244	-	-	44,824,244
Accrued and other liabilities	Interest-free	34,723,033	-	-	34,723,033

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its short term cash investments, Investment in financing contracts and other receivables. Short term cash investments are placed with banks with sound credit ratings of A1 to A3.

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

Description	March 31, 2021	December 31, 2020
	SR	SR
Bank balances	93,306,681	56,984,006
Investment in Islamic financing contracts, net *	835,860,096	703,166,901
Other receivables	1,474,656	1,716,568
	930,641,433	761,867,475

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

The Company seeks to manage its credit risk with respect to banks by only dealing with reputable A1 to A3 rated banks. With respect to credit risk arising from the financial assets of the Company, including other receivables and bank balances, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the financial position.

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13. EARNINGS / (LOSS) PER SHARE

	For the three month period ended March 31, 2021 SR (Unaudited)	For the three month period ended March 31, 2020 SR (Unaudited)
Net income / (loss) for the period attributable to the shareholder of the Company	20,253,317	(4,004,999)
Weighted average number of ordinary shares for the purposes of basic earnings	35,000,000	15,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings	35,000,000	15,000,000
Earnings / (loss) per share:		
Basic earnings / (loss) per share	0.58	(0.27)
Diluted earnings / (loss) per share	0.58	(0.27)

14. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 16 Ramadan 1442H (corresponding to April 28, 2021) by the Board of Directors of the Company.