

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**  
**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 AND NINE MONTH**  
**PERIODS ENDED SEPTEMBER 30, 2020**  
**WITH INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED FINANCIAL**  
**STATEMENTS**

---

<b>INDEX</b>	<b>PAGE</b>
Independent auditors' review report on interim condensed financial statements	1
Interim statement of financial position	2
Interim statement of profit or loss and other comprehensive income	3
Interim statement of changes in Shareholder's equity	4
Interim statement of cash flows	5
Notes to the interim condensed financial statements	6-15

## 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 September 30, 2020, the related interim statements of profit or loss and other comprehensive income for the three month and nine month periods ended September 30, 2020, interim statements of changes in shareholder's equity and cash flows for nine 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  
10 Rabi I, 1442H  
October 27, 2020



**UNITED COMPANY FOR FINANCIAL SERVICES**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020**

		<b>September 30,</b>	December 31,
		<b>2020</b>	2019
		<b>SR</b>	SR
	Note	<b>(Unaudited)</b>	(Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	<b>230,066,114</b>	19,888,725
Investment in Islamic financing contracts, net	5	<b>517,483,354</b>	143,899,072
Prepayment and other receivables	6	<b>6,848,763</b>	2,091,418
Property and equipment, net		<b>4,489,837</b>	2,182,434
Intangible asset		<b>10,867,751</b>	8,873,806
<b>TOTAL ASSETS</b>		<b>769,755,819</b>	176,935,455
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	10	<b>350,000,000</b>	150,000,000
Actuarial reserve		<b>(184,305)</b>	(184,305)
Accumulated losses		<b>(12,550,364)</b>	(18,792,820)
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>337,265,331</b>	131,022,875
<b>LIABILITIES</b>			
Borrowings	7	<b>220,000,000</b>	-
Accounts payable and other liabilities	9	<b>208,336,528</b>	44,433,830
End of service indemnities		<b>4,153,960</b>	1,478,750
<b>TOTAL LIABILITIES</b>		<b>432,490,488</b>	45,912,580
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<b>769,755,819</b>	176,935,455

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 AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

		<b>For the three month period ended September 30, 2020 SR (Unaudited)</b>	<b>For the three month period ended September 30, 2019 SR (Unaudited)</b>	<b>For the nine month period ended September 30, 2020 SR (Unaudited)</b>	<b>For the period from January 21, 2019 to September 30, 2019 SR (Unaudited)</b>
	<b>Note</b>				
Income from Islamic financing activities	11	<b>36,328,645</b>	5,410,355	<b>80,991,366</b>	6,011,440
Finance cost	11	<b>(1,251,064)</b>	-	<b>(3,974,955)</b>	-
<b>INCOME FROM ISLAMIC FINANCING ACTIVITIES, NET</b>		<b>35,077,581</b>	5,410,355	<b>77,016,411</b>	6,011,440
<b>OPERATING EXPENSES</b>					
General and administration expenses		<b>(6,949,904)</b>	(5,759,129)	<b>(18,946,915)</b>	(12,805,566)
Selling and marketing expenses		<b>(13,871,232)</b>	(5,184,272)	<b>(35,592,407)</b>	(8,729,808)
Allowance for credit loss	5.2	<b>(5,334,080)</b>	(696,036)	<b>(13,406,754)</b>	(918,983)
Other income		<b>51,556</b>	637,339	<b>202,219</b>	828,740
<b>NET INCOME / (LOSS) BEFORE ZAKAT</b>		<b>8,973,921</b>	(5,591,743)	<b>9,272,554</b>	(15,614,177)
Zakat		<b>(2,955,249)</b>	(106,625)	<b>(3,030,098)</b>	(118,647)
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>		<b>6,018,672</b>	(5,698,368)	<b>6,242,456</b>	(15,732,824)
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will not be reclassified to profit or loss		-	-	-	-
<b>Other comprehensive income for the period</b>		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>6,018,672</b>	(5,698,368)	<b>6,242,456</b>	(15,732,824)
<b>Earnings / (loss) per share</b>					
Basic earnings / (loss) per share	13	<b>0.30</b>	(0.38)	<b>0.37</b>	(1.05)
Diluted earnings / (loss) per share	13	<b>0.30</b>	(0.38)	<b>0.37</b>	(1.05)

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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

	Share capital SR	Accumulated loss SR	Actuarial reserve SR	Total Shareholder's equity SR
Capital issued	150,000,000	-	-	150,000,000
Net loss for the period	-	(15,732,824)	-	(15,732,824)
Balance as at September 30, 2019 (Unaudited)	150,000,000	(15,732,824)	-	134,267,176
Balance as at January 1, 2020 (Audited)	150,000,000	(18,792,820)	(184,305)	131,022,875
Additional capital issued	<b>200,000,000</b>	-	-	<b>200,000,000</b>
Net income for the period	-	<b>6,242,456</b>	-	<b>6,242,456</b>
Balance as at September 30, 2020 (Unaudited)	<b>350,000,000</b>	<b>(12,550,364)</b>	<b>(184,305)</b>	<b>337,265,331</b>

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 NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

	<b>For the nine month period ended September 30,2020 SR (Unaudited)</b>	<b>For the period from January 21, 2019 to September 30, 2019 SR (Unaudited)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income / (loss) before zakat	9,272,554	(15,614,177)
Adjustments for:		
Depreciation and amortization	1,393,809	477,197
Allowance for credit loss	13,406,754	918,983
Finance cost	3,974,955	-
End of service indemnities	1,008,635	354,780
Gain on disposal of property and equipment	-	(173)
Changes in operating assets and liabilities:		
Investment in Islamic financing contracts, net	(386,991,036)	(74,392,428)
Prepayment and other receivables	(4,757,345)	(2,443,343)
Accounts payable and other liabilities	162,584,312	48,809,008
<b>Cash used in operating activities</b>	<b>(200,107,362)</b>	<b>(41,890,153)</b>
Finance charges paid	(3,565,959)	-
Zakat paid	(303,695)	-
End of service indemnities paid	(150,438)	(15,454)
<b>Net cash used in operating activities</b>	<b>(204,127,454)</b>	<b>(41,905,607)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(2,963,463)	(1,372,588)
Additions to intangible assets	(2,731,694)	(9,439,320)
Proceeds from disposal of property and equipment	-	5,196
<b>Net cash used in investing activities</b>	<b>(5,695,157)</b>	<b>(10,806,712)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Borrowings during the period	220,000,000	-
Proceeds from issue of share capital	200,000,000	150,000,000
<b>Net cash generated from financing activities</b>	<b>420,000,000</b>	<b>150,000,000</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>210,177,389</b>	<b>97,287,681</b>
Cash and cash equivalents at the beginning of the period	19,888,725	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>230,066,114</b>	<b>97,287,681</b>

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 AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

---

**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 Arabia Monetary Authority (SAMA).

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

The results of nine-month period ended September 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ended December 31, 2020.

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, 2019.

**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 AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**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, 2020, 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**

	<b>September 30, 2020 SR</b>	December 31, 2019 SR
	<b>(Unaudited)</b>	(Audited)
Cash in hand	21,125	5,000
Cash at bank	<b>230,044,989</b>	19,883,725
	<b>230,066,114</b>	19,888,725

**4.1 Significant non-cash transactions**

	<b>For the nine month period ended September 30, 2020 SR</b>	For the period from January 21, 2019 to September 30, 2019 SR
	<b>(Unaudited)</b>	(Unaudited)
End of service indemnities transferred from a related party	<b>1,817,013</b>	905,666

**UNITED COMPANY FOR FINANCIAL SERVICES**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**5. INVESTMENT IN ISLAMIC FINANCING CONTRACTS, NET**

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

	<b>September 30, 2020 (unaudited)</b>			
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Allowance for credit loss SR</b>	<b>Total SR</b>
Tawaruq contracts receivables, net	78,163,854	273,559,789	(10,682,623)	341,041,020
Murabaha contracts receivables, net	111,048,729	70,761,989	(5,368,384)	176,442,334
	<b>189,212,583</b>	<b>344,321,778</b>	<b>(16,051,007)</b>	<b>517,483,354</b>

	<b>December 31, 2019 (Audited)</b>			
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Allowance for credit loss SR</b>	<b>Total SR</b>
Tawaruq contracts receivables, net	18,698,043	91,351,938	(1,312,502)	108,737,479
Murabaha contracts receivables, net	24,975,146	11,518,198	(1,331,751)	35,161,593
	<b>43,673,189</b>	<b>102,870,136</b>	<b>(2,644,253)</b>	<b>143,899,072</b>

**Tawaruq contracts receivables, net**

	<b>September 30, 2020 (unaudited)</b>		
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Total SR</b>
Tawaruq contracts receivables, gross	159,052,554	409,310,281	568,362,835
Less: Deferred Islamic financing income	<u>(80,410,074)</u>	<u>(134,947,244)</u>	<u>(215,357,318)</u>
	78,642,480	274,363,037	353,005,517
Unearned origination fees	(1,090,062)	(1,829,383)	(2,919,445)
Deferred transaction costs	611,436	1,026,135	1,637,571
	<u>78,163,854</u>	<u>273,559,789</u>	<u>351,723,643</u>
Less: Allowance for credit loss	<u>(2,989,461)</u>	<u>(7,693,162)</u>	<u>(10,682,623)</u>
Tawaruq contracts receivables, net	<b><u>75,174,393</u></b>	<b><u>265,866,627</u></b>	<b><u>341,041,020</u></b>

**UNITED COMPANY FOR FINANCIAL SERVICES**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

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

**Tawaruq contracts receivables, net (Continued)**

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Tawaruq contracts receivables, gross	44,698,384	137,984,759	182,683,143
Less: Deferred Islamic financing income	<u>(25,822,944)</u>	<u>(46,314,651)</u>	<u>(72,137,595)</u>
	18,875,440	91,670,108	110,545,548
Unearned origination fees	(331,802)	(595,105)	(926,907)
Deferred transaction costs	154,405	276,935	431,340
	<u>18,698,043</u>	<u>91,351,938</u>	<u>110,049,981</u>
Less: Allowance for credit loss	<u>(321,133)</u>	<u>(991,369)</u>	<u>(1,312,502)</u>
Tawaruq contracts receivables, net	<u><u>18,376,910</u></u>	<u><u>90,360,569</u></u>	<u><u>108,737,479</u></u>

**Murabaha contracts receivables, net**

	September 30, 2020 (unaudited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	<b>154,334,900</b>	<b>91,877,374</b>	<b>246,212,274</b>
Less: Deferred Islamic financing income	<u>(43,332,645)</u>	<u>(21,138,056)</u>	<u>(64,470,701)</u>
	<b>111,002,255</b>	<b>70,739,318</b>	<b>181,741,573</b>
Unearned origination fees	<b>(832,291)</b>	<b>(405,999)</b>	<b>(1,238,290)</b>
Deferred transaction costs	<b>878,765</b>	<b>428,670</b>	<b>1,307,435</b>
	<u><b>111,048,729</b></u>	<u><b>70,761,989</b></u>	<u><b>181,810,718</b></u>
Less: Allowance for credit loss	<u><b>(3,365,100)</b></u>	<u><b>(2,003,284)</b></u>	<u><b>(5,368,384)</b></u>
Murabaha contracts receivables, net	<u><u><b>107,683,629</b></u></u>	<u><u><b>68,758,705</b></u></u>	<u><u><b>176,442,334</b></u></u>

	December 31, 2019 (Audited)		
	Current portion SR	Non-current portion SR	Total SR
Murabaha contracts receivables, gross	33,922,658	13,947,289	47,869,947
Less: Deferred Islamic financing income	<u>(8,765,830)</u>	<u>(2,432,485)</u>	<u>(11,198,315)</u>
	25,156,828	11,514,804	36,671,632
Unearned origination fees	(208,777)	(3,530)	(212,307)
Deferred transaction costs	27,095	6,924	34,019
	<u>24,975,146</u>	<u>11,518,198</u>	<u>36,493,344</u>
Less: Allowance for credit loss	<u>(939,345)</u>	<u>(392,406)</u>	<u>(1,331,751)</u>
Murabaha contracts receivables, net	<u><u>24,035,801</u></u>	<u><u>11,125,792</u></u>	<u><u>35,161,593</u></u>

**UNITED COMPANY FOR FINANCIAL SERVICES**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

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

5.1 As at September 30, 2020 and December 31, 2019, stage-wise investment in financing contract receivable balances and the respective ECL are as follows:

**September 30, 2020**

	Stage 1	Stage 2	Stage 3	Total
Investment in finance receivable	510,500,964	7,857,900	16,388,226	534,747,090
Less: Allowance for credit loss	(5,308,580)	(1,468,119)	(9,274,308)	(16,051,007)
	<u>505,192,384</u>	<u>6,389,781</u>	<u>7,113,918</u>	<u>518,696,083</u>

**December 31, 2019**

	Stage 1	Stage 2	Stage 3	Total
Investment in finance receivable	142,607,547	2,613,890	1,995,743	147,217,180
Less: Allowance for credit loss	(1,350,703)	(384,654)	(908,896)	(2,644,253)
	<u>141,256,844</u>	<u>2,229,236</u>	<u>1,086,847</u>	<u>144,572,927</u>

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

	September 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
Opening balance	2,644,253	-
Charge for the period	13,406,754	2,644,253
	<u>16,051,007</u>	<u>2,644,253</u>

**6. PREPAYMENT AND OTHER RECEIVABLES**

	September 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
Prepaid expenses	3,110,244	959,206
Employees receivable (Note 6.1 and 8)	2,289,669	1,125,939
Advance to suppliers	439,097	-
Other receivables	1,009,753	6,273
	<u>6,848,763</u>	<u>2,091,418</u>

6.1 During the period, in response to COVID-19 pandemic certain employees (including Key Management Employees) of the Company have waived their right to receive basic salary for three months i.e. April to June 2020 amounting to SR 2.48 million (Key Management Employees SR 1.1 million) and the Company has provided them with interest free loans of equivalent amount to be repaid in 12 monthly installments commencing from April 2020.

**UNITED COMPANY FOR FINANCIAL SERVICES**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**7. BORROWINGS**

	<b>September 30, 2020 SR (Unaudited)</b>	December 31, 2019 SR (Audited)
<b><u>Medium term loan</u></b>		
Murabaha I	100,000,000	-
<b><u>Short term loans</u></b>		
Murabaha II	50,000,000	-
Tawaruq I	70,000,000	-
	<b>220,000,000</b>	<b>-</b>

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

	<b>September 30, 2020 SR (Unaudited)</b>
Non-current portion	80,000,000
Current portion	140,000,000
	<b>220,000,000</b>

**Murabaha I**

In March 2020, the Company has obtained Murabaha financing of SR 100 million by utilizing the facilities of its shareholder. Total facilities allocated to the Company amounts to SR 250 million. The loan is repayable in 20 quarterly installment commencing from December 2020. The annual facilities fees payable as per the terms of contract amounts to SR 1 million which is charged to interim statement of profit or loss.

**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.

**Tawaruq I**

In March 2020, the Company has obtained Tawaruq financing of SR 70 million by 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.

Further other facilities allocated to the Company by the shareholder amounts to SR 500 million which was not utilized till June 30, 2020. The borrowing is repayable in 54 monthly installments. The annual facilities fees payable as per the terms of contract amounts to SR 0.5 million which is charged to interim statement of profit or loss.

**UNITED COMPANY FOR FINANCIAL SERVICES**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**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:

<b>Name</b>	<b>Relation</b>
United Electronics Company	Parent
Procco Financial Services W.L.L	Affiliate

**Significant Transactions:**

<b>Related party</b>	<b>Nature of transactions</b>	<b>For the nine month period ended September 30, 2020</b> SR	<b>For the period from January 21, to September 30, 2019</b> SR
United Electronics Company	Purchase from Parent Company to be financed to consumers under Murabaha contracts	(189,840,890)	(45,073,570)
	Payment to Parent Company	102,109,055	-
	Collection made by Company on behalf of Parent Company	(74,171,902)	-
	Expenses incurred on behalf of Company	(2,785,818)	(5,253,621)
	Collection made by Parent Company on behalf of the Company	25,272,715	9,100,719
	End of service indemnity liabilities transferred from a related party	1,817,013	905,666
	Employee advances paid on behalf of the Company	459,648	(439,647)
	Provision for air tickets and leave vacations transferred from a related party	-	553,147
	Rent paid	(310,000)	(743,540)
	IT services charges	-	(770,615)
Procco Financial Services W.L.L	Payment made by the Company on behalf of a related party	-	93,881
	Service charges	631,375	-

**Balance due to a related party is as follows:**

	<b>September 30, 2020</b> SR <b>(Unaudited)</b>	<b>December 31, 2019</b> SR <b>(Audited)</b>
United Electronics Company	170,891,166	33,440,987
Procco Financial Services W.L.L	631,375	-
	<b>171,522,541</b>	<b>33,440,987</b>

**Key management compensation**

	<b>For the nine month period ended September 30, 2020</b> SR <b>(Unaudited)</b>	<b>For the period from January 21, to September 30, 2019</b> SR <b>(Unaudited)</b>
Short term benefits	4,492,859	6,641,702
Long term benefits	187,063	269,013
	<b>4,679,922</b>	<b>6,910,715</b>

As at the period end, employees' receivable includes outstanding loans and advances to Key Management Employees amounting to SR 0.82 million (As at December 31, 2019 SR 0.26 million). (Note 6)

**UNITED COMPANY FOR FINANCIAL SERVICES**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

**Board of Directors compensation**

	<b>For the nine month period ended September 30, 2020 SR (Unaudited)</b>	<b>For the period from January 21, to September 30, 2019 SR (Unaudited)</b>
Remuneration for attending meetings	<b>436,750</b>	929,000
	<b>436,750</b>	929,000

During the period, in response to COVID-19 pandemic board of directors have waived its right to receive certain remuneration for the year 2020.

**9. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	<b>September 30, 2020 SR (Unaudited)</b>	<b>December 31, 2019 SR (Audited)</b>
Due to related parties (Note 8)	<b>171,522,541</b>	33,440,987
Accrued and other liabilities	<b>32,979,153</b>	6,871,737
Accrued performance bonus	<b>203,586</b>	2,119,375
Accrued board remuneration (Note 8)	<b>456,867</b>	1,680,000
VAT payable	<b>159,453</b>	33,206
Zakat provision	<b>3,014,928</b>	288,525
	<b>208,336,528</b>	44,433,830

**10. SHARE CAPITAL**

The Company's subscribed and paid-up share capital of SR 350,000,000 (2019: SR 150,000,000) is divided into 35,000,000 (2019: 15,000,000) equity shares of SR 10 each fully subscribed and paid by a shareholder.

On September 7, 2020 corresponding to Muharram 19, 1442, the Shareholder of the Company in its Extra Ordinary General Meeting resolved to increase Company's share capital from SR 150 million to SR 350 million by issuance of 20 million shares of SR 10 each. As at period end, the Company is in process of completing its legal formalities.

As of September 30, 2020 and December 31, 2019, the Company's shareholder and its respective shareholding are as follows:

<b>Shareholders</b>	<b>September 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Amount SR</b>	<b>Ownership %</b>	<b>Amount SR</b>	<b>Ownership %</b>
United Electronics Company ("Parent Company")	<b>350,000,000</b>	<b>100%</b>	150,000,000	100%
	<b>350,000,000</b>	<b>100%</b>	150,000,000	100%

**UNITED COMPANY FOR FINANCIAL SERVICES**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**11. INCOME FROM ISLAMIC FINANCING ACTIVITIES, NET**

	For the nine month period ended September 30, 2020 SR (Unaudited)	For the period from January 21, to September 30, 2019 SR (Unaudited)
<b>Income from Islamic financing activities</b>		
Tawaruq contracts income	47,895,362	1,813,193
Murabaha contracts income	32,485,785	4,198,247
Origination fee net of related expenses	610,219	-
<b>Income from Islamic financing activities</b>	<b>80,991,366</b>	<b>6,011,440</b>
Facility fee on borrowings (Note 7)	(1,500,000)	-
Finance charges on Tawaruq financing (Note 7)	(1,235,276)	-
Finance charges on Murabaha financing (Note 7)	(1,239,679)	-
<b>Total finance cost</b>	<b>(3,974,955)</b>	<b>-</b>
<b>Net income from Islamic financing activities</b>	<b>77,016,411</b>	<b>6,011,440</b>

**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**

	September 30, 2020 SR (Unaudited)	December 31, 2019 SR (Audited)
<b><i>Financial assets at amortized cost:</i></b>		
Cash and cash equivalents	230,066,114	19,888,725
Investment in Islamic financing contracts, net	517,483,354	143,899,072
Other receivables	3,299,422	1,132,212
<b>Total financial assets</b>	<b>750,848,890</b>	<b>164,920,009</b>
<b><i>Financial liabilities at amortized cost:</i></b>		
Borrowings	220,000,000	-
Accounts payable and other liabilities	205,162,147	44,112,099
<b>Total financial liabilities</b>	<b>425,162,147</b>	<b>44,112,099</b>

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.

**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:

September 30, 2020	Interest rate	Within 1 year SR	More than 1 year SR	Total SR
Borrowings	SIBOR +1.1% – 1.4%	140,000,000	80,000,000	220,000,000
Accounts payable and other liabilities	Interest-free	205,162,147	-	205,162,147



**UNITED COMPANY FOR FINANCIAL SERVICES**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020**

**12. FINANCIAL RISK MANAGEMENT (Continued)**

**Credit risk (Continued)**

December 31, 2019	Interest rate	Within 1 year SR	More than 1 year SR	Total SR
Accounts payable and other liabilities	Interest-free	44,112,099	-	44,112,099

**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 BBB+ and A3.

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

Description	September 30, 2020 SR	December 31, 2019 SR
Cash and cash equivalents	230,066,114	19,888,725
Investment in Islamic financing contracts, net *	517,483,354	143,899,072
Other receivables	3,299,422	1,132,212
	<b>750,848,890</b>	<b>164,920,009</b>

\*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 BBB+ and 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.

**13. EARNINGS / (LOSS) PER SHARE**

	For the three month period ended September 30, 2020 SR (Unaudited)	For the three month period ended September 30, 2019 SR (Unaudited)	For the nine month period ended September 30, 2020 SR (Unaudited)	For the period from January 21, to September 30, 2019 SR (Unaudited)
Net income / (loss) for the period attributable to the shareholder of the Company	6,018,672	(5,698,368)	6,242,456	(15,732,824)
Weighted average number of ordinary shares for the purposes of basic earnings	20,217,391	15,000,000	16,751,825	15,000,000
Weighted average number of ordinary shares for the purposes of diluted earnings	20,217,391	15,000,000	16,751,825	15,000,000
<b>Earnings / (loss) per share:</b>				
Basic earnings / (loss) per share	<b>0.30</b>	(0.38)	<b>0.37</b>	(1.05)
Diluted earnings / (loss) per share	<b>0.30</b>	(0.38)	<b>0.37</b>	(1.05)

**14. DATE OF AUTHORISATION FOR ISSUE**

These interim condensed financial statements were authorized for issue on 10 Rabi I 1442H (corresponding to October 27, 2020) by the Board of Directors of the Company.