

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

**CONDENSED INTERIM FINANCIAL
INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2024
AND REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL INFORMATION**

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Condensed interim financial information (Unaudited)
For the three-month period ended 31 March 2024**

	Page
Report on review of condensed interim financial information	2
Condensed interim statement of financial position	3
Condensed interim statement of profit or loss and other comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 34



Report on review of Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of United Company for Financial Services as of 31 March 2024 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Ali A. Alotaibi
License number 379

2 May 2024



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

	Note	As at 31 March 2024 (Unaudited)	As at 31 December 2023 (Audited)
Assets			
Cash and cash equivalents	3	42,984,036	22,122,497
Prepayments and other receivables	4	17,131,456	14,459,616
Investment in Islamic financing contracts	5	1,980,431,607	1,867,385,357
Property and equipment		3,879,930	4,005,781
Intangible assets		17,386,397	18,135,066
Total assets		2,061,813,426	1,926,108,317
Equity and liabilities			
Equity			
Share capital	10	350,000,000	350,000,000
Statutory reserve		59,011,692	53,730,044
Retained earnings		531,105,233	483,570,401
Actuarial reserve		(101,862)	(101,862)
Net equity		940,015,063	887,198,583
Liabilities			
Trade and other payables	6, 9	55,495,939	62,513,210
Zakat payable	7	30,494,711	24,423,377
Borrowings	8	1,028,676,682	945,351,417
Employee benefit obligations		7,131,031	6,621,730
Total liabilities		1,121,798,363	1,038,909,734
Total equity and liabilities		2,061,813,426	1,926,108,317

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

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

	Note	For the three-month period ended 31 March	
		2024 (Unaudited)	2023 (Unaudited)
Income from Islamic financing contracts	11	139,434,654	122,992,381
Finance costs	8	(18,392,521)	(13,367,040)
Net income from Islamic financing contracts		121,042,133	109,625,341
General and administrative expenses	12	(16,182,055)	(13,829,787)
Selling and marketing expenses	13	(28,582,054)	(27,710,256)
Net impairment losses on financial assets	5	(17,818,585)	(8,190,771)
Other income - net		428,375	390,056
Profit before zakat		58,887,814	60,284,583
Zakat expense	7	(6,071,334)	(6,215,340)
Profit for the period		52,816,480	54,069,243
Other comprehensive income		-	-
Total comprehensive income for the period		52,816,480	54,069,243
Earnings per share			
Basic and diluted	14	1.51	1.54

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

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

	Share capital	Statutory reserve	Retained earnings	Actuarial reserve	Total
At 1 January 2023 (Audited)	350,000,000	32,494,661	292,451,955	(379,476)	674,567,140
Profit for the period	-	-	54,069,243	-	54,069,243
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	54,069,243	-	54,069,243
Transfer to statutory reserve	-	5,406,924	(5,406,924)	-	-
At 31 March 2023 (Unaudited)	350,000,000	37,901,585	341,114,274	(379,476)	728,636,383
At 1 January 2024 (Audited)	350,000,000	53,730,044	483,570,401	(101,862)	887,198,583
Profit for the period	-	-	52,816,480	-	52,816,480
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	52,816,480	-	52,816,480
Transfer to statutory reserve	-	5,281,648	(5,281,648)	-	-
At 31 March 2024 (Unaudited)	350,000,000	59,011,692	531,105,233	(101,862)	940,015,063

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

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

	Note	For the three-month period ended 31 March	
		2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities			
Profit before zakat		58,887,814	60,284,583
<u>Adjustments for:</u>			
Depreciation and amortization		1,278,867	1,116,950
Finance costs		18,392,521	13,367,040
Net impairment losses on financial assets	5	17,818,585	8,190,771
Employee benefit obligations		641,723	423,452
<u>Changes in working capital:</u>			
Increase in investment in Islamic financing contracts		(130,864,835)	(132,053,023)
(Increase) decrease in prepayments and other receivables		(2,671,840)	1,129,521
(Decrease) increase in trade and other payables		(7,017,271)	3,363,705
Cash utilized in operations		(43,534,436)	(44,177,001)
Finance costs paid		(17,004,756)	(14,494,625)
Employee benefit obligations paid		(132,422)	(66,795)
Net cash outflow from operating activities		(60,671,614)	(58,738,421)
Cash flows from investing activities			
Payments for purchases of property and equipment		(384,367)	(407,772)
Payments for additions to intangible assets		(19,980)	(1,714,832)
Net cash outflow from investing activities		(404,347)	(2,122,604)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	304,100,000	405,500,000
Repayment of long-term borrowings	8	(222,162,500)	(232,934,671)
Proceeds from short-term borrowings	8	-	5,000,000
Repayment of short-term borrowings	8	-	(110,000,000)
Net cash inflow from financing activities		81,937,500	67,565,329
Net increase in cash and cash equivalents		20,861,539	6,704,304
Cash and cash equivalents at beginning of the period		22,122,497	21,132,397
Cash and cash equivalents at end of the period	3	42,984,036	27,836,701

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

1 Legal status and activities

United Company for Financial Services (“the Company”) is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration (“CR”) number 2051224103 issued in Al-Khobar on 15 Jumada Al Awwal 1440 H (21 January 2019).

The Company’s head office is located in Al-Khobar, Kingdom of Saudi Arabia. The Company is a subsidiary of United International Holding Company (“UIHC”), a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia which is ultimately controlled by United Electronics Company (“UEC”), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and principally engaged in the retail of electric appliances and electronic gadgets etc.

The principal business activities of the Company include various types of Islamic consumer finance services under license number 201905/Ash/52 and 42075295, obtained from Saudi Central Bank (“SAMA”) issued on 26 Shaban 1440 H (1 May 2019) and 8 Shawwal 1442 H (20 May 2021) respectively. The Company offers Murabaha (product finance), Tawarruq (personal finance) and credit card finance services to individual customers in the Kingdom of Saudi Arabia. Such financing arrangements are unsecured and the profit rates for Murabaha and Tawarruq financing services are agreed at the inception of the contract with the customers. Collections are thereafter made in the form of monthly installments generally received from the customers through variable channels such as SADAD and bank transfers. The Company’s investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, the Company does not have any significant concentration of credit risk. Murabaha financing arrangements are principally entered into with the customers of UEC but also include transactions with other retailers. The Company plans to further scale up its credit card financing activity during 2024. Also see Note 5 and 16.

During the three-month period ended 31 March 2024, there were no significant changes in the terms of the financing arrangements offered by the Company such as profit rates, tenures of the financing contracts, criterion for finance amounts disbursed etc.

2 Basis of preparation

The condensed interim financial information of the Company as at 31 March 2024 and for the three-month period ended 31 March 2024 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

This condensed interim financial information does not include all information and disclosures required for a complete set of financial statements and should be read in conjunction with the Company’s last annual audited financial statements as at and for the year ended 31 December 2023.

The material 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.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

2.1 New standards and amendment to standards and interpretations

A number of new and amended standards became applicable for the current reporting period.

- Amendment to IFRS 16 ‘Leases’ (“IFRS 16”) – Leases on sale and leaseback;
- Amendments to IAS 1, ‘Presentation of financial statements’ - Non-current liabilities with covenants;
- Amendment to IAS 7 ‘Cash flow statements’ (“IAS 7”) and IFRS 7 ‘Financial instruments: Disclosures’ (“IFRS 7”) – Supplier finance; and
- Amendments to IAS 21 ‘Foreign currencies’ (“IAS 21”) - Lack of Exchangeability

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.2 Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Company. The new standard on presentation and disclosure in financial statements i.e. IFRS 18, ‘Presentation and Disclosure in Financial Statements’, will apply for reporting periods beginning on or after 1 January 2027. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

2.3 Critical accounting estimates and judgements

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed interim financial information from those that were applied and disclosed in the annual financial statements for the year ended 31 December 2023. Also see Note 5 and Note 16.

3 Cash and cash equivalents

	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
Cash in hand	43,600	9,360
Cash at bank	42,940,436	22,113,137
	42,984,036	22,122,497

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

4 Prepayments and other receivables

	Note	31 March 2024	31 December 2023
		(Unaudited)	(Audited)
Prepaid expenses		8,085,273	10,996,193
Advances to suppliers		5,938,632	917,178
Due from related parties	9	1,400,205	290,886
Advances to employees		526,153	763,489
Other receivables		1,181,193	1,491,870
		17,131,456	14,459,616

Classification of prepayments and other receivables is presented below:

Due within 12 months	15,741,512	12,965,243
Due after 12 months	1,389,944	1,494,373
	17,131,456	14,459,616

Also see Note 9.2.

5 Investment in Islamic financing contracts

	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
Investment in Tawarruq financing contracts, net	1,618,840,325	1,531,316,342
Investment in Murabaha financing contracts, net	205,847,737	272,873,307
Investment in Islamic credit cards, net	155,743,545	63,195,708
	1,980,431,607	1,867,385,357
Less: Due after 12 months	(1,068,646,356)	(1,028,152,040)
Due within 12 months	911,785,251	839,233,317

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

5.1 Investment in Islamic financing contracts

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	2,454,072,269	2,317,297,899	269,287,710	362,169,051	186,732,510	65,726,549	2,910,092,489	2,745,193,499
Unearned finance and processing fee income	(785,866,153)	(736,619,032)	(53,964,846)	(77,646,235)	(26,121,340)	-	(865,952,339)	(814,265,267)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	1,668,206,116	1,580,678,867	215,322,864	284,522,816	160,611,170	65,726,549	2,044,140,150	1,930,928,232
Allowance for ECL/net impairment on financial assets	(49,365,791)	(49,362,525)	(9,475,127)	(11,649,509)	(4,867,625)	(2,530,841)	(63,708,543)	(63,542,875)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	1,618,840,325	1,531,316,342	205,847,737	272,873,307	155,743,545	63,195,708	1,980,431,607	1,867,385,357
Net investment in I.F.C. - Due after 12 months	(1,019,415,573)	(957,962,987)	(49,230,783)	(70,189,053)	-	-	(1,068,646,356)	(1,028,152,040)
Net investment in I.F.C. - Due within 12 months	599,424,752	573,353,355	156,616,954	202,684,254	155,743,545	63,195,708	911,785,251	839,233,317

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Opening balance	49,362,525	40,064,024	11,649,509	6,325,964	2,530,841	364,939	63,542,875	46,754,927
Charge for the period / year	18,054,886	52,655,193	3,875,979	16,583,715	2,670,874	2,721,177	24,601,739	71,960,085
Amounts written-off	(18,051,620)	(43,356,692)	(6,050,361)	(11,260,170)	(334,090)	(555,275)	(24,436,071)	(55,172,137)
Closing balance	49,365,791	49,362,525	9,475,127	11,649,509	4,867,625	2,530,841	63,708,543	63,542,875

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

5.1.1 Net impairment losses on financial assets:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Charge for the period	18,054,886	8,563,564	3,875,979	2,386,358	2,670,874	175,099	24,601,739	11,125,021
Recoveries amount of previously written off	(4,854,987)	(2,146,600)	(1,928,167)	(787,650)	-	-	(6,783,154)	(2,934,250)
Net impairment losses on financial assets	13,199,899	6,416,964	1,947,812	1,598,708	2,670,874	175,099	17,818,585	8,190,771

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

5.2 Investment in Islamic financing contracts

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

31 March 2024 (Unaudited)	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	1,511,021,574	(18,697,493)	1,492,324,081	177,119,428	(1,180,792)	175,938,636	151,315,629	(2,106,603)	149,137,464	1,839,456,631	(21,984,888)	1,817,400,181
Under-performing (Stage 2)	46,067,335	(3,520,523)	42,546,812	5,965,758	(381,643)	5,584,115	1,788,683	(466,550)	1,401,074	53,821,776	(4,368,716)	49,532,001
Non-performing (Stage 3)	111,117,207	(27,147,775)	83,969,432	32,237,678	(7,912,692)	24,324,986	7,506,858	(2,294,472)	5,205,007	150,861,743	(37,354,939)	113,499,425
	1,668,206,116	(49,365,791)	1,618,840,325	215,322,864	(9,475,127)	205,847,737	160,611,170	(4,867,625)	155,743,545	2,044,140,150	(63,708,543)	1,980,431,607
31 December 2023 (Audited)	Tawarruq finance			Murabaha finance			Islamic credit card			Total		
	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.	P.V. of I.F.C.	Allowance for ECL	Net investment in I.F.C.
Performing (Stage 1)	1,363,519,192	(12,795,904)	1,351,369,656	231,558,510	(1,145,853)	229,766,290	56,654,129	(734,894)	55,919,235	1,651,731,831	(14,676,651)	1,637,055,181
Under-performing (Stage 2)	94,488,537	(7,281,868)	87,206,669	13,124,454	(812,779)	12,311,675	3,111,317	(299,851)	2,811,466	110,724,308	(8,394,498)	102,329,810
Non-performing (Stage 3)	122,671,138	(29,284,753)	92,740,017	39,839,852	(9,690,877)	30,795,342	5,961,103	(1,496,096)	4,465,007	168,472,093	(40,471,726)	128,000,366
	1,580,678,867	(49,362,525)	1,531,316,342	284,522,816	(11,649,509)	272,873,307	65,726,549	(2,530,841)	63,195,708	1,930,928,232	(63,542,875)	1,867,385,357

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
2024				
1 January 2024	14,676,651	8,394,498	40,471,726	63,542,875
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(365,547)	2,587,783	(906,633)	1,315,603
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(13,826)	(2,069,614)	7,169,184	5,085,744
Individual financial assets transferred to performing (12-month expected credit losses)	2,022,356	(4,144,507)	(3,633,255)	(5,755,406)
New financial assets originated	4,896,381	-	-	4,896,381
Amounts written-off	-	-	(24,436,071)	(24,436,071)
Other changes	768,873	(399,444)	18,689,988	19,059,417
31 March 2024	21,984,888	4,368,716	37,354,939	63,708,543
	Performing (Stage 1)	Under- performing (Stage 2)	Non- Performing (Stage 3)	Total
2023				
1 January 2023	11,954,258	3,182,552	31,618,117	46,754,927
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(5,269,553)	8,233,965	(633,024)	2,331,388
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(16,973,642)	(1,927,646)	38,214,127	19,312,839
Individual financial assets transferred to performing (12-month expected credit losses)	41,654	(475,552)	(2,299,296)	(2,733,194)
New financial assets originated	28,620,255	-	-	28,620,255
Amounts written-off	(1,499,529)	(267,396)	(53,405,212)	(55,172,137)
Other changes	(2,196,792)	(351,425)	26,977,014	24,428,797
31 December 2023	14,676,651	8,394,498	40,471,726	63,542,875

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2024												
At 1 January	12,795,904	7,281,868	29,284,753	1,145,853	812,779	9,690,877	734,894	299,851	1,496,096	14,676,651	8,394,498	40,471,726
Individual financial assets transferred to												
- Stage 1	1,895,092	(3,721,598)	(1,993,436)	119,337	(361,626)	(1,600,981)	7,927	(61,283)	(38,838)	2,022,356	(4,144,507)	(3,633,255)
- Stage 2	(253,430)	1,954,591	(753,034)	(14,003)	187,911	(122,069)	(98,114)	445,281	(31,530)	(365,547)	2,587,783	(906,633)
- Stage 3	(61)	(1,682,664)	5,475,183	(11)	(183,864)	689,296	(13,754)	(203,086)	1,004,705	(13,826)	(2,069,614)	7,169,184
New financial assets originated	3,328,848	-	-	42,774	-	-	1,524,759	-	-	4,896,381	-	-
Amounts written-off	-	-	(18,051,620)	-	-	(6,050,361)	-	-	(334,090)	-	-	(24,436,071)
Other changes	931,140	(311,674)	13,185,929	(113,158)	(73,557)	5,305,930	(49,109)	(14,213)	198,129	768,873	(399,444)	18,689,988
At 31 March	18,697,493	3,520,523	27,147,775	1,180,792	381,643	7,912,692	2,106,603	466,550	2,294,472	21,984,888	4,368,716	37,354,939

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023												
At 1 January	10,499,979	2,889,861	26,674,184	1,407,515	196,462	4,721,987	46,764	96,229	221,946	11,954,258	3,182,552	31,618,117
Individual financial assets transferred to												
- Stage 1	39,352	(445,905)	(2,185,825)	1,614	(25,155)	(87,381)	688	(4,492)	(26,090)	41,654	(475,552)	(2,299,296)
- Stage 2	(4,472,683)	7,133,158	(583,276)	(508,040)	802,392	(49,748)	(288,830)	298,415	-	(5,269,553)	8,233,965	(633,024)
- Stage 3	(11,369,903)	(1,741,561)	27,348,710	(4,476,191)	(109,322)	9,369,321	(1,127,548)	(76,763)	1,496,096	(16,973,642)	(1,927,646)	38,214,127
New financial assets originated	21,149,451	-	-	5,383,182	-	-	2,087,622	-	-	28,620,255	-	-
Amounts written-off	(1,372,988)	(250,833)	(41,732,873)	(126,542)	(16,563)	(11,117,066)	-	-	(555,274)	(1,499,529)	(267,396)	(53,405,212)
Other changes	(1,677,304)	(302,852)	19,763,833	(535,685)	(35,035)	6,853,764	16,198	(13,538)	359,418	(2,196,792)	(351,425)	26,977,014
At 31 December	<u>12,795,904</u>	<u>7,281,868</u>	<u>29,284,753</u>	<u>1,145,853</u>	<u>812,779</u>	<u>9,690,877</u>	<u>734,894</u>	<u>299,851</u>	<u>1,496,096</u>	<u>14,676,651</u>	<u>8,394,498</u>	<u>40,471,726</u>

Following factors contributed to the change in the ECL allowance during the three-month period ended 31 March 2024:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases on account of impact of enhanced collection strategies and efforts) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL.
- Additional allowances for new financial assets recognised during the period;
- Financial assets written off; and
- 'Other changes' in Stage 3 principally represent net impact of additional allowance for ECL recognized upon write-offs.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2024												
At 1 January	1,363,519,192	94,488,537	122,671,138	231,558,510	13,124,454	39,839,852	56,654,129	3,111,317	5,961,103	1,651,731,831	110,724,308	168,472,093
Individual financial assets transferred to:												
- Stage 1	57,488,319	(48,911,262)	(8,577,057)	7,068,728	(6,008,972)	(1,059,756)	812,921	(681,765)	(131,156)	65,369,968	(55,601,999)	(9,767,969)
- Stage 2	(21,148,169)	24,368,324	(3,220,155)	(2,567,815)	3,102,622	(534,807)	(3,680,124)	3,794,900	(114,776)	(27,396,108)	31,265,846	(3,869,738)
- Stage 3	(13,199)	(22,364,248)	22,377,447	(6,969)	(2,964,797)	2,971,766	(1,383,985)	(2,268,055)	3,652,040	(1,404,153)	(27,597,100)	29,001,253
New financial assets originated	287,962,745	-	-	3,896,315	-	-	112,997,709	-	-	404,856,769	-	-
Amounts written-off	-	-	(18,051,620)	-	-	(6,050,361)	-	-	(334,090)	-	-	(24,436,071)
Collections and other changes	(176,787,314)	(1,514,016)	(4,082,546)	(62,829,341)	(1,287,549)	(2,929,016)	(14,085,021)	(2,167,714)	(1,526,263)	(253,701,676)	(4,969,279)	(8,537,825)
At 31 March	1,511,021,574	46,067,335	111,117,207	177,119,428	5,965,758	32,237,678	151,315,629	1,788,683	7,506,858	1,839,456,631	53,821,776	150,861,743

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)
2023												
At 1 January	1,102,246,076	18,729,566	68,925,900	378,862,108	4,759,049	21,023,374	5,839,977	496,110	495,541	1,486,948,161	23,984,725	90,444,815
Individual financial assets transferred to:												
- Stage 1	8,258,699	(2,977,463)	(5,281,236)	6,483,793	(516,755)	(5,967,038)	560,237	(82,174)	(478,063)	15,302,729	(3,576,392)	(11,726,337)
- Stage 2	(105,939,794)	107,377,995	(1,438,201)	(19,287,063)	19,498,243	(211,180)	(3,277,445)	3,277,445	-	(128,504,302)	130,153,683	(1,649,381)
- Stage 3	(104,820,476)	(10,514,776)	115,335,252	(37,908,327)	(2,177,175)	40,085,502	(4,664,061)	(371,584)	5,035,645	(147,392,864)	(13,063,535)	160,456,399
New financial assets originated	887,520,986	-	-	164,443,855	-	-	64,413,772	-	-	1,116,378,613	-	-
Amounts written- off	(1,372,988)	(250,833)	(41,732,873)	(126,542)	(16,563)	(11,117,066)	-	-	(555,274)	(1,499,529)	(267,396)	(53,405,212)
Collections and other changes	(422,373,311)	(17,875,952)	(13,137,704)	(260,909,314)	(8,422,345)	(3,973,740)	(6,218,351)	(208,480)	1,463,254	(689,500,977)	(26,506,777)	(15,648,191)
At 31 December	<u>1,363,519,192</u>	<u>94,488,537</u>	<u>122,671,138</u>	<u>231,558,510</u>	<u>13,124,454</u>	<u>39,839,852</u>	<u>56,654,129</u>	<u>3,111,317</u>	<u>5,961,103</u>	<u>1,651,731,831</u>	<u>110,724,308</u>	<u>168,472,093</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
 (All amounts in Saudi Riyals unless otherwise stated)

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

	31 March 2024	31 December 2023
Gross investment in Islamic financing contracts		
Within one year	1,097,499,448	1,034,366,835
From one to two years	856,776,325	808,227,507
From two to three years	508,530,345	479,714,718
From three to four years	312,991,028	295,255,542
Four to five years	134,295,343	127,628,897
	<u>2,910,092,489</u>	<u>2,745,193,499</u>
Present value of investment in Islamic financing contracts		
Within one year	922,397,305	870,366,971
From one to two years	583,086,326	550,792,884
From two to three years	318,747,725	301,094,317
From three to four years	158,803,294	150,008,190
Four to five years	61,105,500	58,665,870
	<u>2,044,140,150</u>	<u>1,930,928,232</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

6 Trade and other payables

	Note	31 March 2024	31 December 2023
		(Unaudited)	(Audited)
Accrued expenses		24,967,287	9,213,172
Trade payables		12,682,036	15,249,186
Due to related parties	9	8,493,858	25,561,785
Accrued salaries and other benefits		7,719,232	8,997,816
Value added tax payable		648,921	541,309
Accrued Board of Directors' fee		581,045	2,479,778
Others		403,560	470,164
		55,495,939	62,513,210

7 Zakat payable

	For the three-month period ended 31 March 2024	For the year ended 31 December 2023
	(Unaudited)	(Audited)
Opening balance	24,423,377	22,183,669
Provision for the period/year	6,071,334	24,423,377
Payments	-	(22,183,669)
Closing balance	30,494,711	24,423,377

The Company's zakat assessment since inception are currently under review by the Zakat, Tax and Customs Authority ("ZATCA"). As at 31 March 2024, the Company has obtained zakat certificates from ZATCA for the years through 2022 and subsequent to the three-month period ended 31 March 2024, has also obtained the zakat certificates for the year 2023.

8 Borrowings

	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	1,021,473,750	939,536,250
Accrued finance cost	7,202,932	5,815,167
	1,028,676,682	945,351,417

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	265,107,182	280,613,917
Due after 12 months	763,569,500	664,737,500
	1,028,676,682	945,351,417

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

8.1 The movement in the Company's borrowings is as follows:

	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
Opening balance	945,351,417	837,473,437
Proceeds from long-term borrowings	304,100,000	774,500,000
Repayment of long-term borrowings	(222,162,500)	(416,897,083)
Proceeds from short-term borrowings	-	5,000,000
Repayment of short-term borrowings	-	(255,000,000)
Finance cost accrued	18,392,521	63,243,271
Finance cost paid	(17,004,756)	(62,968,208)
Closing balance	1,028,676,682	945,351,417

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

	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
Less than 6 months	139,358,750	139,923,750
Between 6 to 12 months	146,735,000	134,875,000
Between 1 and 2 years	304,470,000	269,750,000
Between 2 and 5 years	430,910,000	394,987,500
	1,021,473,750	939,536,250

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

8.3 The Company has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia. 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 certain margins. The Company's borrowings are carried at amortised cost and are periodically contractually repriced after every three months, in line with the terms of the borrowing arrangements.

The facility-wise breakdown of the outstanding loan balance is as follows:

	Note	31 March 2024	31 December 2023
		(Unaudited)	(Audited)
Long-term borrowings			
Murabaha IV	8.3.1	312,998,750	249,998,750
Murabaha VI	8.3.2	318,350,000	356,350,000
Murabaha VII	8.3.3	390,125,000	333,187,500
		1,021,473,750	939,536,250
Accrued finance cost		7,202,932	5,815,167
		1,028,676,682	945,351,417

The financial charges incurred during the period increased on account of increase in amount of borrowings. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Company was in compliance with at 31 March 2024.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:
Long-term borrowings:

8.3.1 Murabaha IV

Total amount allocated to the Company under such facility is Saudi Riyals 450.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 March 2024, the Company has an outstanding loan balance of Saudi Riyals 313.0 million against this facility (31 December 2023: Saudi Riyals 250.0 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum ratio of 1.2 to 1 of earnings before interest, tax, depreciation and amortization (“EBITDA”) to Debt Service. As at 31 March 2024, the ratio of EBITDA to debt service was 4.3 (31 December 2023: 4.8), in compliance with the requirements of the minimum ratio as set out in such facility agreement. The Company is also required to monitor the aggregate amount of financing offered by the Company in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of three times, which is calculated by dividing net investment in Islamic financing contracts by total equity. As at 31 March 2024, such ratio of investment in Islamic financing contracts to net equity was 2.1 (31 December 2023: 2.2), in compliance with the requirements of SAMA.

8.3.2 Murabaha VI

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 March 2024, the Company has an outstanding loan balance of Saudi Riyals 318.4 million against this facility (31 December 2023: 356.4 million).

Under the terms of this new borrowing facility availed since 2023, the Company is required to maintain a minimum current ratio of 1.05. As at 31 March 2024, the current ratio was 2.8, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

8.3.3 Murabaha VII

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 March 2024, the Company has an outstanding loan balance of Saudi Riyals 390.1 million against this facility (31 December 2023: 333.1 million).

Under the terms of this new borrowing facility availed since 2023, the Company is required to maintain a minimum current ratio of 1.1. As at 31 March 2024, the current ratio was 2.8, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

9 Related party transactions and balances

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

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

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

Nature of transaction	For the three-month period ended 31 March	
	2024 (Unaudited)	2023 (Unaudited)
United Electronics Company		
Purchases from UEC to be financed to consumers under Murabaha contracts	7,849,795	93,482,092
Payments to UEC	(25,952,494)	(99,651,320)
Collections made by UEC on behalf of the Company	(67,926)	-
Collections made by Company on behalf of UEC	-	33,641
Expenses incurred by UEC on behalf of the Company	4,320,287	2,717,162
Procco Financial Services W.L.L		
Outsourced personnel expenses	4,979,133	6,032,033
Payments during the period	(5,296,826)	(5,239,092)
United International Holding Company		
Expenses incurred by the Company on behalf of UIHC	(1,400,205)	(69,262)
Due to related parties		
	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
UEC	4,644,138	20,058,297
Procco	3,849,720	5,503,488
	8,493,858	25,561,785
Due from related parties		
	31 March 2024	31 December 2023
	(Unaudited)	(Audited)
UIHC	1,400,205	290,886

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

Nature of transactions:

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

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

During the three-month period ended 31 March 2024, there were no changes in the terms of the agreement with such related parties and the nature of related party transactions are consistent with the year ended 31 December 2023.

Related party balances as at 31 March 2024 and 31 December 2023 bear no financial charges.

9.2 Key management compensation

	For the three-month period ended 31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,191,729	2,437,661
Employee benefit obligations	93,931	94,675
Board of Directors' fees	613,000	664,750
	<u>2,898,660</u>	<u>3,197,086</u>

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

As at the period ended 31 March 2024, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.2 million (31 December 2023: Saudi Riyals 0.3 million). Refer Note 4.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

10 Share capital

The share capital of the Company as of 31 March 2024 and 31 December 2023 comprised 35,000,000 shares stated at Saudi Riyals 10 per share, wholly owned by UIHC.

11 Income from Islamic financing contracts

	For the three-month period ended 31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Income from tawarruq finance activities	110,396,269	83,630,688
Income from murabaha finance activities	21,302,133	38,821,976
Income from Islamic credit card activities	7,736,252	539,717
	139,434,654	122,992,381

12 General and administrative expenses

	For the three-month period ended 31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Salaries and other benefits	10,645,092	9,677,988
Information technology support	2,833,691	1,209,641
Amortisation	768,649	685,690
Professional fees	728,735	525,376
Depreciation	305,931	256,271
Rent	262,701	262,721
Utilities, printing and stationery	194,005	291,279
Other	443,251	920,821
	16,182,055	13,829,787

13 Selling and marketing expenses

	For the three-month period ended 31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Salaries and other benefits	13,706,634	16,208,334
Fee and subscription	6,116,420	3,145,274
Advertising	5,525,108	3,895,644
Collection charges	1,150,815	2,353,833
Rent	876,712	817,825
Depreciation	204,287	174,989
Other	1,002,078	1,114,357
	28,582,054	27,710,256

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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 31 March	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to the shareholders of the Company	52,816,480	54,069,241
Weighted average number of ordinary shares for basic and diluted earnings per share	35,000,000	35,000,000
Basic and diluted earnings per share	1.51	1.54

15 Fair values of financial assets and financial liabilities

As at 31 March 2024 and 31 December 2023, all financial assets and financial liabilities of the Company are categorized as held at amortized cost. Management believes that the fair values of the Company's financial assets and liabilities as at 31 March 2024 and 31 December 2023 are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates. During the three-month period ended 31 March 2024, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)**

16 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, profit rate risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management under policies reviewed by the Risk and Credit Management Committee and approved by the Board of Directors, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to the shareholders.

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

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

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

16.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 March 2024, the Company has maintained an ECL allowance of Saudi Riyals 63.7 million (31 December 2023: Saudi Riyals 63.5 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

16.1.1 Investment in Islamic financing contracts

Investment in Tawarruq and Murabaha finance contracts is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals and assigning credit limits.

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

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

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

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

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

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

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 March 2024				
<i>Internal credit risk ratings</i>				
Low risk	990,679,067	15,469,957	38,383,917	1,044,532,941
Medium risk	808,277,359	22,542,082	67,557,398	898,376,839
High risk	830,698,772	39,660,589	96,823,348	967,182,709
	2,629,655,198	77,672,628	202,764,663	2,910,092,489
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2023				
<i>Internal credit risk ratings</i>				
Low risk	888,086,845	32,479,258	43,996,434	964,562,537
Medium risk	725,723,756	51,529,863	78,637,899	855,891,518
High risk	737,399,490	74,474,932	112,865,022	924,739,444
	2,351,210,091	158,484,053	235,499,355	2,745,193,499

Subsequent to initial recognition, the Company monitors the credit quality of its exposures based on staging criteria and past due ageing of the exposures.

UNITED COMPANY FOR FINANCIAL SERVICES

(A Saudi Closed Joint Stock Company)

Notes to the condensed interim financial information

For the three-month period ended 31 March 2024 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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

	Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Not past due	1,437,825,306	1,366,065,772	170,151,041	231,442,987	149,049,559	56,562,085	1,757,025,906	1,654,070,844
Past due 1-30 days	73,196,268	65,242,345	6,968,387	8,654,776	188,307	1,504,307	80,352,962	75,401,428
Past due 31-90 days	46,067,335	26,946,879	5,965,758	4,707,969	3,818,634	1,763,127	55,851,727	33,417,975
Past due 91-180 days	28,552,210	43,430,069	3,625,909	10,167,007	3,459,584	3,348,127	35,637,703	56,945,203
Past due 181-364 days	59,757,541	64,677,283	14,674,095	25,562,003	3,582,320	1,561,416	78,013,956	91,800,702
Over 365 days	22,807,456	14,316,519	13,937,674	3,988,074	512,766	987,487	37,257,896	19,292,080
	1,668,206,116	1,580,678,867	215,322,864	284,522,816	160,611,170	65,726,549	2,044,140,150	1,930,928,232
Less: Impairment for Islamic financing contracts	(49,365,791)	(49,362,525)	(9,475,127)	(11,649,509)	(4,867,625)	(2,530,841)	(63,708,543)	(63,542,875)
Net investment in Islamic financing contracts	1,618,840,325	1,531,316,342	205,847,737	272,873,307	155,743,545	63,195,708	1,980,431,607	1,867,385,357

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

16.1.1 Measurement of ECL

The Company applies three-stage model for impairment of Investment in Islamic financing contracts, in line with the requirements of IFRS 9 'Financial Instruments', based on changes in credit quality since initial recognition. The assessment of credit risk in the net investment in Islamic financing receivables requires further estimations of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD, LGD and discount rates. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company uses present value of recoveries for loss accounts adjusted by the forward-looking information. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. Such financing contracts are not collateralised. For discounting, the Company has used each contract's effective profit rate.

PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months or over the remaining lifetime of the obligation. 'Through-the-Cycle' estimates were calculated based on collection and default trends.

LGD inputs have been calculated using the 'Through-the-Cycle' estimates based historical collection and default trends of both Murabaha and Tawarruq portfolios from 2019 through 2022, which are later converted to 'Point-in-time' LGD rates using the Jacob-Frye methodology. Accordingly, the updated LGD rate was determined to be 29.2% which has been used for determination of ECL for both Murabaha and Tawarruq portfolios considering similar customer characteristics.

The Company measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings of 32.95%, 34.1% and 32.95% for "upturn", "baseline" and "downturn" scenarios respectively which are computed through statistical methodologies.

As at 31 March 2024, the real gross domestic product (% change per annum) and government consumption (% change per annum) incorporated in the upturn, baseline and downturn scenarios were as follows:

	Upturn	Baseline	Downturn
Real gross domestic product (% change per annum)	10.6%	7.2%	3.8%
Government consumption (% change per annum)	10.1%	3.1%	(3.9%)

During the three-month period ended 31 March 2024, there have been no significant changes to the underlying methodology used for determination of ECL from those that were used for the purpose of determining the ECL allowance as at the year ended 31 December 2023, including the weight assigned to each scenario i.e. upturn, baseline and downturn scenarios.

The Company's management believes that adequate ECL allowance has been made, where required to address the credit risk.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

a) Sensitivity analysis:

**Impact on statement of
profit or loss and other
comprehensive income
for the three-month
period ended 31 March
2024**
(in millions)

Key assumptions

Macroeconomic factors (real gross domestic product and government consumption factors)

Increase by 10%	(0.4)
Decrease by 10%	0.4

PD and LGD

Increase by 10%	(7.7)
Decrease by 10%	7.9

Scenario weightings

100% weightage assigned to base scenarios	4.1
100% weightage assigned to downside scenarios	(25.0)

16.1.2 Cash and cash equivalents and other receivables

The Company uses “lower credit risk” practical expedient for the cash and cash equivalents with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months. Cash and cash equivalents are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody’s Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 March 2024 and 31 December 2023, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to carry lower credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At 31 March 2024 and 31 December 2023, the ECL allowance on other financial assets was immaterial.

16.2 Profit rate risk

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Company’s Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 1,980.0 million (31 December 2023: Saudi Riyals 1,867.3 million). Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 1,028.7 million (31 December 2023: Saudi Riyals 945.3 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 19.1 million (31 December 2023: Saudi Riyals 18.2 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.

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)**

16.3 Liquidity risk

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

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. In addition, the Company has access to credit facilities as made available by the shareholder.

Total unused credit facilities available to the Company as at 31 March 2024 were approximately Saudi Riyals 1,650 million (31 December 2023: Saudi Riyals 1,311 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits on any of its borrowing facilities allocated by the ultimate shareholder. Such cash flow forecasts consider, among other items, that the Company has pre-agreed fixed profit rates from its customers under Murabaha and Tawarruq financing contracts, whereas, its borrowings from commercial banks are based on SAIBOR based variable finance costs. The maturity profile of financial assets and financial liabilities are set out in the table below which demonstrates a significant head room of financial assets over financial liabilities. Management also believes that any change in the variable finance costs of their borrowings would not result in the entity facing any liquidity issues. The cash flows of the Company, during the three-month period ended 31 March 2024, have been principally consistent with the underlying budgeted forecasts and there are no developments which might indicate towards any potential liquidity concerns in the near future.

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

31 March 2024 (Unaudited)	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than 3 years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	424,101,683	890,763,136	1,225,888,351	369,339,319	2,910,092,489
Prepayments and other receivables	Non-profit bearing	1,014,901	1,286,324	-	-	2,301,225
Cash and cash equivalents	Non-profit bearing	42,984,036	-	-	-	42,984,036
		468,100,620	892,049,460	1,225,888,351	369,339,319	2,955,377,750
Financial liabilities						
Borrowings	Profit bearing	163,943,242	171,461,095	589,737,967	213,105,115	1,138,247,419
Trade and other payables	Non-profit bearing	54,443,458	-	-	-	54,443,458
		218,386,700	171,461,095	589,737,967	213,105,115	1,192,690,877
Net financial assets		249,713,920	720,588,365	636,150,384	156,234,204	1,762,686,873

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

31 December 2023 (Audited)	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than 3 years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	400,070,165	840,288,472	1,156,423,978	348,410,884	2,745,193,499
Prepayments and other receivables	Non-profit bearing	2,266,308	279,937	-	-	2,546,245
Cash and cash equivalents	Non-profit bearing	22,122,497	-	-	-	22,122,497
		<u>424,458,970</u>	<u>840,568,409</u>	<u>1,156,423,978</u>	<u>348,410,884</u>	<u>2,769,862,241</u>
Financial liabilities						
Borrowings	Profit bearing	163,487,642	154,472,732	543,224,444	181,739,604	1,042,924,422
Trade and other payables	Non-profit bearing	61,501,737	-	-	-	61,501,737
		<u>224,989,379</u>	<u>154,472,732</u>	<u>543,224,444</u>	<u>181,739,604</u>	<u>1,104,426,159</u>
Net financial assets		<u>199,469,591</u>	<u>686,095,677</u>	<u>613,199,534</u>	<u>166,671,280</u>	<u>1,665,436,082</u>

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2024 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

17 Date of approval of condensed interim financial information

The accompanying condensed interim financial information was approved by the Company's Board of Directors on 1 May 2024.