

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

**CONDENSED INTERIM FINANCIAL
INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH
PERIODS ENDED 30 JUNE 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 and six-month periods ended 30 June 2024**

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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 30 June 2024 and the related condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed interim statements of changes in equity and cash flows for the six-month period ended 30 June 2024 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

28 July 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 30 June 2024 <u>(Unaudited)</u>	As at 31 December 2023 <u>(Audited)</u>
Assets			
Cash and cash equivalents	3	45,831,529	22,122,497
Prepayments and other receivables	4	16,334,251	14,459,616
Investment in Islamic financing contracts	5	2,095,136,637	1,867,385,357
Property and equipment		3,902,042	4,005,781
Intangible assets		17,854,489	18,135,066
Total assets		<u>2,179,058,948</u>	<u>1,926,108,317</u>
Equity and liabilities			
Equity			
Share capital	10	350,000,000	350,000,000
Statutory reserve		63,599,675	53,730,044
Retained earnings		572,397,080	483,570,401
Actuarial reserve		(101,862)	(101,862)
Net equity		<u>985,894,893</u>	<u>887,198,583</u>
Liabilities			
Trade and other payables	6, 9	56,265,174	62,513,210
Zakat payable	7	11,355,197	24,423,377
Borrowings	8	1,118,040,098	945,351,417
Employee benefit obligations		7,503,586	6,621,730
Total liabilities		<u>1,193,164,055</u>	<u>1,038,909,734</u>
Total equity and liabilities		<u>2,179,058,948</u>	<u>1,926,108,317</u>

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

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

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2024	2023	2024	2023
		(Unaudited)		(Unaudited)	
Income from Islamic financing contracts	11	149,824,134	127,961,070	289,258,788	250,953,451
Finance costs	8	(19,286,405)	(15,686,589)	(37,678,926)	(29,053,629)
Net income from Islamic financing contracts		130,537,729	112,274,481	251,579,862	221,899,822
General and administrative expenses	12	(17,003,702)	(10,945,535)	(33,185,757)	(24,775,322)
Selling and marketing expenses	13	(30,539,352)	(24,721,539)	(59,121,406)	(52,431,795)
Net impairment losses on financial assets	5	(31,454,573)	(21,516,775)	(49,273,158)	(29,707,546)
Other (expenses) income - net		(386,317)	339,057	42,058	729,113
Profit before zakat		51,153,785	55,429,689	110,041,599	115,714,272
Zakat	7	(5,273,955)	(5,716,231)	(11,345,289)	(11,931,571)
Profit for the period		45,879,830	49,713,458	98,696,310	103,782,701
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		45,879,830	49,713,458	98,696,310	103,782,701
Earnings per share					
Basic and diluted	14	1.31	1.42	2.82	2.97

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

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

	Share capital	Statutory reserve	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	-	-	103,782,701	-	103,782,701
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	103,782,701	-	103,782,701
Transfer to statutory reserve	-	10,378,270	(10,378,270)	-	-
At 30 June 2023 (Unaudited)	350,000,000	42,872,931	385,856,386	(379,476)	778,349,841
At 1 January 2024 (Audited)	350,000,000	53,730,044	483,570,401	(101,862)	887,198,583
Profit for the period	-	-	98,696,310	-	98,696,310
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	98,696,310	-	98,696,310
Transfer to statutory reserve	-	9,869,631	(9,869,631)	-	-
At 30 June 2024 (Unaudited)	350,000,000	63,599,675	572,397,080	(101,862)	985,894,893

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)

		For the six-month period ended 30 June	
Note	2024	2023	
	(Unaudited)	(Unaudited)	
Cash flows from operating activities			
	110,041,599	115,714,272	
	<u>Profit before zakat</u>		
	<u>Adjustments for:</u>		
	2,766,182	2,267,333	
	Depreciation and amortization		
	37,678,926	29,053,629	
	Finance costs		
5	49,273,158	29,707,546	
	Net impairment losses on financial assets		
	1,096,159	902,190	
	Employee benefit obligations		
	<u>Changes in working capital:</u>		
	(277,024,438)	(217,145,934)	
	Increase in investment in Islamic financing contracts		
	(1,874,635)	(1,725,592)	
	Increase in prepayments and other receivables		
	(6,248,036)	12,382,880	
	(Decrease) increase in trade and other payables		
	(84,291,085)	(28,843,676)	
	Cash utilized in operations		
	(35,478,995)	(28,852,307)	
	Finance costs paid		
	(24,413,469)	(22,183,669)	
	Zakat paid		
	(214,303)	(111,656)	
	Employee benefit obligations paid		
	(144,397,852)	(79,991,308)	
	Net cash outflow from operating activities		
Cash flows from investing activities			
	(905,004)	(565,086)	
	Payments for purchases of property and equipment		
	(1,476,862)	(2,018,449)	
	Payments for additions to intangible assets		
	(2,381,866)	(2,583,535)	
	Net cash outflow from investing activities		
Cash flows from financing activities			
8	471,101,250	679,500,000	
	Proceeds from long-term borrowings		
8	(300,612,500)	(299,933,334)	
	Repayment of long-term borrowings		
8	-	5,000,000	
	Proceeds from short-term borrowings		
8	-	(255,000,000)	
	Repayment of short-term borrowings		
	170,488,750	129,566,666	
	Net cash inflow from financing activities		
	23,709,032	46,991,823	
	Net increase in cash and cash equivalents		
	22,122,497	21,132,397	
	Cash and cash equivalents at beginning of the period		
3	45,831,529	68,124,220	
	Cash and cash equivalents at end of the period		

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

**UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month and six-month periods ended 30 June 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 regular and virtual bank transfers and SADAD. 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 and six-month periods ended 30 June 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 30 June 2024 and for the three-month and six-month periods ended 30 June 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.

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.

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(All amounts in Saudi Riyals unless otherwise stated)

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 30 June 2024 reporting periods and have not been early adopted by the Company. Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

2.3 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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Cash in hand	5,000	9,360
Cash at banks	45,826,529	22,113,137
	45,831,529	22,122,497

4 Prepayments and other receivables

	Note	30 June 2024	31 December 2023
		(Unaudited)	(Audited)
Advances to suppliers		6,615,625	917,178
Prepaid expenses		6,169,769	10,996,193
Due from related parties	9	1,417,510	290,886
Advances to employees		535,100	763,489
Other receivables		1,596,247	1,491,870
		16,334,251	14,459,616

Classification of prepayments and other receivables is presented below:

Due within 12 months	15,051,802	12,965,243
Due after 12 months	1,282,449	1,494,373
	16,334,251	14,459,616

Also see Note 9.2.

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(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Investment in Tawarruq financing contracts, net	1,687,990,474	1,531,316,342
Investment in Murabaha financing contracts, net	145,411,377	272,873,307
Investment in Islamic credit cards, net	261,734,786	63,195,708
	2,095,136,637	1,867,385,357
Less: Due after 12 months	(1,087,535,041)	(1,028,152,040)
Due within 12 months	1,007,601,596	839,233,317

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

5 Investment in Islamic financing contracts (continued)

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts	2,560,387,992	2,317,297,899	186,752,904	362,169,051	309,889,649	65,726,549	3,057,030,545	2,745,193,499
Unearned finance and processing fee income	(816,098,438)	(736,619,032)	(34,580,822)	(77,646,235)	(39,996,123)	-	(890,675,383)	(814,265,267)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	1,744,289,554	1,580,678,867	152,172,082	284,522,816	269,893,526	65,726,549	2,166,355,162	1,930,928,232
Allowance for ECL/net impairment on financial assets	(56,299,080)	(49,362,525)	(6,760,705)	(11,649,509)	(8,158,740)	(2,530,841)	(71,218,525)	(63,542,875)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	1,687,990,474	1,531,316,342	145,411,377	272,873,307	261,734,786	63,195,708	2,095,136,637	1,867,385,357
Net investment in I.F.C. - Due after 12 months	(1,057,130,900)	(957,962,987)	(30,404,141)	(70,189,053)	-	-	(1,087,535,041)	(1,028,152,040)
Net investment in I.F.C. - Due within 12 months	630,859,574	573,353,355	115,007,236	202,684,254	261,734,786	63,195,708	1,007,601,596	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	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 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	43,006,166	52,655,193	11,253,962	16,583,715	6,446,174	2,721,177	60,706,302	71,960,085
Amounts written-off	(36,069,611)	(43,356,692)	(16,142,766)	(11,260,170)	(818,275)	(555,275)	(53,030,652)	(55,172,137)
Closing balance	56,299,080	49,362,525	6,760,705	11,649,509	8,158,740	2,530,841	71,218,525	63,542,875

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(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	
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Charge for the period	43,006,166	23,382,331	11,253,962	9,468,727	6,446,174	778,085	60,706,302	33,629,143
Recoveries amount of previously written off	(8,001,680)	(2,538,450)	(3,431,464)	(1,383,147)	-	-	(11,433,144)	(3,921,597)
Net impairment losses on financial assets	35,004,486	20,843,881	7,822,498	8,085,580	6,446,174	778,085	49,273,158	29,707,546

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(All amounts in Saudi Riyals unless otherwise stated)

5 Investment in Islamic financing contracts (continued)

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

30 June 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)	1,548,164,051	(20,186,743)	1,527,977,308	122,719,037	(991,332)	121,727,705	252,421,433	(4,085,092)	248,336,341	1,923,304,521	(25,263,167)	1,898,041,354
Under- performing (Stage 2)	66,234,552	(4,975,822)	61,258,730	5,953,683	(326,960)	5,626,723	4,165,107	(358,657)	3,806,450	76,353,342	(5,661,439)	70,691,903
Non- performing (Stage 3)	129,890,951	(31,136,515)	98,754,436	23,499,362	(5,442,413)	18,056,949	13,306,986	(3,714,991)	9,591,995	166,697,299	(40,293,919)	126,403,380
	1,744,289,554	(56,299,080)	1,687,990,474	152,172,082	(6,760,705)	145,411,377	269,893,526	(8,158,740)	261,734,786	2,166,355,162	(71,218,525)	2,095,136,637
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

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5 Investment in Islamic financing contracts (continued)

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 (Unaudited)				
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)	(1,534,915)	4,212,580	(680,788)	1,996,877
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(1,582,781)	(3,043,493)	19,163,009	14,536,735
Individual financial assets transferred to performing (12-month expected credit losses)	1,270,861	(3,043,178)	(2,162,223)	(3,934,540)
New financial assets originated	12,082,185	-	-	12,082,185
Amounts written-off	-	-	(53,030,652)	(53,030,652)
Other changes	351,166	(858,968)	36,532,847	36,025,045
30 June 2024	25,263,167	5,661,439	40,293,919	71,218,525
2023 (Audited)				
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

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5 Investment in Islamic financing contracts (continued)

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 (Unaudited)												
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	1,196,100	(2,713,791)	(1,927,850)	61,512	(266,706)	(203,749)	13,249	(62,681)	(30,624)	1,270,861	(3,043,178)	(2,162,223)
-Stage 2	(1,223,297)	3,616,802	(591,668)	(33,195)	224,933	(77,699)	(278,423)	370,845	(11,421)	(1,534,915)	4,212,580	(680,788)
-Stage 3	(829,599)	(2,553,777)	14,799,816	(20,606)	(289,989)	1,633,439	(732,576)	(199,727)	2,729,754	(1,582,781)	(3,043,493)	19,163,009
New financial assets originated	7,993,352	-	-	71,833	-	-	4,017,000	-	-	12,082,185	-	-
Amounts written-off	-	-	(36,069,611)	-	-	(16,142,766)	-	-	(818,275)	-	-	(53,030,652)
Other changes	254,283	(655,280)	25,641,075	(234,065)	(154,057)	10,542,311	330,948	(49,631)	349,461	351,166	(858,968)	36,532,847
At 30 June	20,186,743	4,975,822	31,136,515	991,332	326,960	5,442,413	4,085,092	358,657	3,714,991	25,263,167	5,661,439	40,293,919

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5 Investment in Islamic financing contracts (continued)

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

2023 (Audited)	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)
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 originate	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	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

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

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5 Investment in Islamic financing contracts (continued)

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

2024 (Unaudited)	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)
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	43,382,608	(35,306,138)	(8,076,470)	10,067,385	(4,299,146)	(5,768,239)	866,115	(583,340)	(282,775)	54,316,108	(40,188,624)	(14,127,484)
- Stage 2	(45,505,231)	48,054,051	(2,548,820)	(4,367,012)	4,700,963	(333,951)	(3,762,592)	3,767,692	(5,100)	(53,634,835)	56,522,706	(2,887,871)
- Stage 3	(25,250,651)	(34,037,713)	59,288,364	(2,565,479)	(4,784,859)	7,350,338	(7,106,298)	(2,093,359)	9,199,657	(34,922,428)	(40,915,931)	75,838,359
New financial assets originated	547,467,799	-	-	8,071,068	-	-	211,955,467	-	-	767,494,334	-	-
Amounts written-off	-	-	(36,069,611)	-	-	(16,142,766)	-	-	(818,275)	-	-	(53,030,652)
Collections and other changes	(335,449,666)	(6,964,185)	(5,373,650)	(120,045,435)	(2,787,729)	(1,445,872)	(6,185,388)	(37,203)	(747,624)	(461,680,489)	(9,789,117)	(7,567,146)
At 30 June	1,548,164,051	66,234,552	129,890,951	122,719,037	5,953,683	23,499,362	252,421,433	4,165,107	13,306,986	1,923,304,521	76,353,342	166,697,299

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5 Investment in Islamic financing contracts (continued)

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

2023 (Audited)	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)
At 1 January Individual financial assets transferred to	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
- 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)	(1,499,530)	(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	(689,500,976)	(26,506,777)	(15,648,191)
At 31 December	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

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5 Investment in Islamic financing contracts (continued)

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Gross investment in Islamic financing contracts		
Within one year	1,148,169,086	1,034,366,835
From one to two years	901,782,963	808,227,507
From two to three years	535,243,550	479,714,718
From three to four years	329,432,512	295,255,542
Four to five years	142,402,434	127,628,897
	<u>3,057,030,545</u>	<u>2,745,193,499</u>
Present value of investment in Islamic financing contracts		
Within one year	1,016,670,506	870,366,971
From one to two years	589,198,616	550,792,884
From two to three years	318,741,252	301,094,317
From three to four years	171,532,442	150,008,190
Four to five years	70,212,346	58,665,870
	<u>2,166,355,162</u>	<u>1,930,928,232</u>

6 Trade and other payables

	Note	30 June 2024	31 December 2023
		(Unaudited)	(Audited)
Due to related parties	9	17,268,684	25,561,785
Trade payables		14,465,472	15,249,186
Accrued expenses		15,053,623	9,213,172
Accrued salaries and other benefits		6,526,697	8,997,816
Accrued Board of Directors' fee		1,115,230	2,479,778
Value added tax payable		930,997	541,309
Others		904,471	470,164
		<u>56,265,174</u>	<u>62,513,210</u>

7 Zakat payable

	For the six- month period ended 30 June 2024	For the year ended 31 December 2023
	(Unaudited)	(Audited)
Opening balance	24,423,377	22,183,669
Provision for the period/year	11,345,289	24,423,377
Payments	(24,413,469)	(22,183,669)
Closing balance	<u>11,355,197</u>	<u>24,423,377</u>

The Company's zakat assessment since inception are currently under review by the Zakat, Tax and Customs Authority ("ZATCA"). The Company has obtained zakat certificates from ZATCA for the years through 2023.

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8 Borrowings

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Long-term borrowings		
Murabaha facilities	1,110,025,000	939,536,250
Accrued finance cost	8,015,098	5,815,167
	<u>1,118,040,098</u>	<u>945,351,417</u>

Classification of borrowings is presented below:

Due within 12 months	328,771,348	280,613,917
Due after 12 months	789,268,750	664,737,500
	<u>1,118,040,098</u>	<u>945,351,417</u>

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Opening balance	945,351,417	837,473,437
Proceeds from long-term borrowings	471,101,250	774,500,000
Repayment of long-term borrowings	(300,612,500)	(416,897,083)
Proceeds from short-term borrowings	-	5,000,000
Repayment of short-term borrowings	-	(255,000,000)
Finance cost accrued	37,678,926	63,243,271
Finance cost paid	(35,478,995)	(62,968,208)
Closing balance	<u>1,118,040,098</u>	<u>945,351,417</u>

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

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Less than 6 months	147,878,125	139,923,750
Between 6 to 12 months	172,878,125	134,875,000
Between 1 and 2 years	345,756,250	269,750,000
Between 2 and 5 years	443,512,500	394,987,500
	<u>1,110,025,000</u>	<u>939,536,250</u>

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") 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.

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

	Note	30 June 2024	31 December 2023
		(Unaudited)	(Audited)
Long-term borrowings			
Murabaha IV	8.3.1	400,000,000	249,998,750
Murabaha VI	8.3.2	318,025,000	356,350,000
Murabaha VII	8.3.3	392,000,000	333,187,500
		1,110,025,000	939,536,250
Accrued finance cost		8,015,098	5,815,167
		1,118,040,098	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 30 June 2024.

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 available 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 30 June 2024, the Company has an outstanding loan balance of Saudi Riyals 400.0 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 30 June 2024, the ratio of EBITDA to debt service was 4.0 (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 30 June 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 available to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 30 June 2024, the Company has an outstanding loan balance of Saudi Riyals 318.0 million against this facility (31 December 2023: 356.4 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum current ratio of 1.05. As at 30 June 2024, the current ratio was 2.7 (31 December 2023: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement.

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8.3.3 Murabaha VII

Total amount available to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 30 June 2024, the Company has an outstanding loan balance of Saudi Riyals 392.0 million against this facility (31 December 2023: 333.1 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum current ratio of 1.1. As at 30 June 2024, the current ratio was 2.7 (31 December 2023: 2.4), in compliance with the requirements of the minimum ratio as set out in such facility agreement.

8.3.4 Murabaha III

Total amount available to the Group under such facility is Saudi Riyals 400 million, which is unutilized as at 30 June 2024.

9 Related party transactions and balances

Related parties comprise the shareholder, directors, affiliated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's direct and indirect shareholders), 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 period 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 30 June		For the six-month period ended 30 June	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
UEC				
Purchases from UEC to be financed to consumers under Murabaha contracts	2,704,894	66,934,955	10,554,689	160,417,048
Payments to UEC	(4,010,754)	(53,844,176)	(29,963,248)	(153,495,496)
Collections made by UEC on behalf of the Company	(6,316)	-	(74,242)	-
Collections made by Company on behalf of UEC	700,830	15,343	700,830	48,985
Expenses incurred by UEC on behalf of the Company	3,408,563	1,468,682	7,728,850	4,185,845
Procco				
Outsourced personnel expenses	10,355,156	5,734,785	15,334,289	11,766,818
Payments during the period	(5,697,715)	(6,382,679)	(10,994,541)	(11,621,771)
UIHC				
Expenses incurred by the Company on behalf of UIHC	17,305	-	1,417,510	58,225

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9 Related party transactions and balances (continued)

Due to related parties

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Procco	8,648,460	5,503,488
UEC	8,620,224	20,058,297
	17,268,684	25,561,785

Due from related parties

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
UIHC	1,417,510	290,886

Nature of transactions:

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

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

During the three-month and six-month periods ended 30 June 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 30 June 2024 and 31 December 2023 bear no financial charges.

9.2 Key management personnel compensation

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term employee benefits	2,098,418	1,395,970	4,290,147	3,833,631
Employee benefit obligations	92,269	16,585	186,200	111,260
Board of Directors' fees	613,000	556,484	1,226,000	727,924
	2,803,687	1,969,039	5,702,347	4,672,815

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9 Related party transactions and balances (continued)

9.1 Key management compensation (continued)

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

As at the period ended 30 June 2024, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.1 million (31 December 2023: Saudi Riyals 0.3 million). Refer Note 4.

10 Share capital

The share capital of the Company as of 30 June 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 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Income from tawarruq finance activities	116,692,037	92,019,317	227,088,308	175,650,005
Income from murabaha finance activities	13,853,500	35,718,729	35,155,633	74,540,705
Income from Islamic credit card activities	19,278,597	223,024	27,014,847	762,741
	149,824,134	127,961,070	289,258,788	250,953,451

12 General and administrative expenses

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Salaries and other benefits	10,401,713	6,203,940	21,046,805	15,881,927
Information technology support	4,037,586	1,404,434	6,871,277	2,614,075
Amortisation of intangible assets	899,597	700,941	1,668,246	1,386,630
Professional fees	555,972	887,179	1,284,707	1,412,554
Depreciation on property and equipment	291,863	269,461	597,794	525,731
Rent	262,701	262,681	525,402	525,401
Utilities, printing and stationery	127,433	164,755	321,438	456,034
Other	426,837	1,052,144	870,088	1,972,970
	17,003,702	10,945,535	33,185,757	24,775,322

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13 Selling and marketing expenses

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Salaries and other benefits	14,742,512	14,656,355	28,449,146	30,864,689
Fee and subscription	7,382,570	2,978,821	13,498,990	6,124,095
Advertising	5,408,858	3,400,837	10,933,966	7,296,481
Rent	833,731	773,091	1,710,443	1,590,916
Collection charges	260,417	2,256,560	1,411,232	4,610,393
Depreciation on property and equipment	295,855	179,983	500,142	354,972
Other	1,615,409	475,892	2,617,487	1,590,249
	30,539,352	24,721,539	59,121,406	52,431,795

14 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to the shareholders of the Company	45,879,830	49,713,458	98,696,310	103,782,701
Weighted average number of ordinary shares for basic and diluted earnings per share	35,000,000	35,000,000	35,000,000	35,000,000
Basic and diluted earnings per share	1.31	1.42	2.82	2.97

15 Fair values of financial assets and financial liabilities

As at 30 June 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 30 June 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 and six-month periods ended 30 June 2024, there have been no significant market developments which might indicate towards a potential change in fair value of the Company's financial instruments.

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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 30 June 2024, the Company has maintained an ECL allowance of Saudi Riyals 71.2 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 regular and virtual bank transfers and SADAD. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the Risk and Credit Management Committee and the Board of Directors on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

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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
30 June 2024 (Unaudited)				
<i>Internal credit risk ratings</i>				
Low risk	1,048,307,333	28,530,082	48,414,658	1,125,252,073
Medium risk	826,522,234	32,459,434	72,689,721	931,671,389
High risk	842,141,951	50,716,129	107,249,003	1,000,107,083
	2,716,971,518	111,705,645	228,353,382	3,057,030,545
31 December 2023 (Audited)				
<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.

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.1 Investment in Islamic financing contracts (continued)

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

	Tawarruq finance		Murabaha finance		Islamic Credit Card		Total	
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Not past due	1,458,973,149	1,366,065,772	116,061,730	231,442,987	247,704,461	56,562,085	1,822,739,340	1,654,070,844
Past due 1-30 days	92,659,137	65,242,345	6,990,226	8,654,776	4,871,764	1,504,307	104,521,127	75,401,428
Past due 31-90 days	64,699,795	26,946,879	5,966,853	4,707,969	4,104,009	1,763,127	74,770,657	33,417,975
Past due 91-180 days	32,563,112	43,430,069	3,511,641	10,167,007	6,059,729	3,348,127	42,134,482	56,945,203
Past due 181-364 days	77,818,570	64,677,283	14,816,571	25,562,003	6,363,144	1,561,416	98,998,285	91,800,702
Over 365 days	17,575,791	14,316,519	4,825,061	3,988,074	790,419	987,487	23,191,271	19,292,080
	1,744,289,554	1,580,678,867	152,172,082	284,522,816	269,893,526	65,726,549	2,166,355,162	1,930,928,232
Less: Impairment for Islamic financing contracts	(56,299,080)	(49,362,525)	(6,760,705)	(11,649,509)	(8,158,740)	(2,530,841)	(71,218,525)	(63,542,875)
Net investment in Islamic financing contracts	1,687,990,474	1,531,316,342	145,411,377	272,873,307	261,734,786	63,195,708	2,095,136,637	1,867,385,357

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16 Financial risk management (continued)

16.1 Credit risk (continued)

16.1.2 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 30 June 2024 and 31 December 2023, 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 and six-month period ended 30 June 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.

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a) Sensitivity analysis:

	Impact on statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2024 (in millions)
Key assumptions	
<i>Macroeconomic factors (real gross domestic product and government consumption factors)</i>	
Increase by 10%	(0.1)
Decrease by 10%	0.7
 <i>PD and LGD</i>	
Increase by 10%	(8.7)
Decrease by 10%	8.6
 <i>Scenario weightings</i>	
100% weightage assigned to base scenarios	4.1
100% weightage assigned to downside scenarios	(27.9)

16.1.3 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 30 June 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 30 June 2024 and 31 December 2023, the ECL allowance on other financial assets was immaterial.

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16 Financial risk management (continued)

16.2 Profit rate risk

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Company's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 2,103.2 million (31 December 2023: Saudi Riyals 1,867.3 million). Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 1,118.0 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 23.2 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.

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 30 June 2024 were approximately Saudi Riyals 490.0 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 six-month period ended 30 June 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.

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16 Financial risk management (continued)

16.3 Liquidity risk (continued)

30 June 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	619,221,002	825,503,984	1,215,524,276	396,781,283	3,057,030,545
Prepayments and other receivables	Non-profit bearing	1,993,782	1,555,075	-	-	3,548,857
Cash and cash equivalents	Non-profit bearing	45,831,529	-	-	-	45,831,529
		667,046,313	827,059,059	1,215,524,276	396,781,283	3,106,410,931
Financial liabilities						
Borrowings	Profit bearing	90,658,525	290,126,879	735,067,783	130,331,613	1,246,184,800
Trade and other payables	Non-profit bearing	54,429,706	-	-	-	54,429,706
		145,088,231	290,126,879	735,067,783	130,331,613	1,300,614,506
Net financial assets		521,958,082	536,932,180	480,456,493	266,449,670	1,805,796,425

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16 Financial risk management (continued)

16.3 Liquidity risk (continued)

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>

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17 Date of approval of condensed interim financial information

The accompanying condensed interim financial information was approved by the Company's Board of Directors on 24 July 2024.