الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

Offering Period: two days

Commencing on Tuesday, 17/05/1446H (corresponding to 19/11/2024G)

and ending on Wednesday, 18/05/1446H (corresponding to 20/11/2024G).

Prospectus of United International Holding Company

A Saudi closed joint-stock company registered under Commercial Registration No. 2051237935, dated 15/03/1443H (corresponding to 21/10/2021G), pursuant to Ministerial Resolution No. 621, dated 13/03/1443H (corresponding to 19/10/2021G).

Offering of seven million, five hundred thousand (7,500,000) ordinary shares, representing 30% of the share capital of United International Holding Company, through an initial public offering, at an offer price of SAR [•] per share.

United International Holding Company ("**UIHC**") (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi closed joint-stock company registered under Commercial Registration No. 2051237935, dated 15/03/1443H (corresponding to 21/10/2021G), issued in Al-Khobar pursuant to Ministerial Resolution No. 621, dated 13/03/1443H (corresponding to 19/10/2021G). The Issuer's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**" or a "**Share**"). The Company's head office is located at King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 76688, Al-Khobar 31952, KSA.

The Company was incorporated on 15/03/1443H (corresponding to 21/10/2021G) as a Saudi closed joint-stock company with a share capital of two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into 25,000,000 fully paid ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. There have been no other changes in the Issuer's ownership or share capital since its incorporation. The Company is owned by: (a) United Electronics Company, which owns ninety-nine percent (99%) (hereinafter referred to as "**eXtra**"), a listed Saudi joint-stock company registered under Commercial Registration No. 2051029841, dated 10/06/1425H (corresponding to 27/07/2004G), and (b) United Electronics Company, which owns one percent (1%) (hereinafter referred to as "**eXtra Bahrain**"), a Bahraini limited liability company registered under Commercial Registration No. 79207, dated 13/10/2011G, issued by the Ministry of Industry and Commerce in the Kingdom of Bahrain. eXtra also wholly owns eXtra Bahrain.

The Issuer is a holding company engaged in the management of its Subsidiaries, namely: (a) United Company for Financial Services (hereinafter referred to as "**Tas'heel**"), a single person closed joint-stock company registered under Commercial Registration No. 2051224103, dated 15/05/1440H (corresponding to 21/01/2019G), and (b) Procco Financial Services W.L.L. (hereinafter referred to as "**Procco**"), a Bahraini limited liability company registered under Commercial Registration No. 62406, dated 19/08/1427H (corresponding to 12/09/2006G), issued by the Ministry of Industry and Commerce in the Kingdom of Bahrain (for further information regarding Procco, please refer to Subsection 4.7.2 of this Prospectus) (the "**Issuer**", "**Procco**" and "**Tas'heel**" are collectively referred to as the "**Group**").

As of 26/03/1443H (corresponding to 01/11/2021G), eXtra decided to transfer the ownership of two Subsidiaries, namely Tas'heel and Procco, including all their assets, rights, liabilities and obligations, to the Issuer, where they were previously controlled by eXtra.

On 26/03/1443H (corresponding to 01/11/2021G), the Issuer and eXtra entered into an agreement a share sale agreement pursuant to which eXtra sold and transferred all of its shares in Tas'heel, representing 100% of the share capital of Tas'heel, to the Issuer. An amendment to the Bylaws of Tas'heel was also signed to reflect this change. On 26/03/1443H (corresponding to 01/11/2021G), the Issuer and eXtra entered into an agreement for the sale of shares, where eXtra and eXtra Bahrain sold and transferred all of their shares in Procco, representing 100% of the capital of Procco, to the Issuer. An amendment to the Bylaws of Procco was also signed to reflect this change.

Tas'heel was established as a single person closed joint-stock company wholly owned by eXtra under Commercial Registration No. 2051224103, dated 15/05/1440H (corresponding to 21/01/2019G), with a share capital of one hundred and fifty million Saudi Riyals (SAR 150,000,000), divided into fifteen million (15,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. Tas'heel operates under License No. 52/ASH/201905 issued by the Saudi Central Bank to engage in consumer financing and credit card financing.

On 19/01/1442H (corresponding to 07/09/2020G), the Ordinary General Assembly of Tas'heel approved an increase in Tas'heel's share capital from one hundred and fifty million Saudi Riyals (SAR 150,000,000) to three hundred and fifty million Saudi Riyals (SAR 350,000,000), divided into thirty-five million (35,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the issuance of twenty million (20,000,000) ordinary shares with a value of two hundred million Saudi Riyals (SAR 200,000,000). On 26/03/1443H (corresponding to 01/11/2021G), eXtra transferred the ownership of all its shares in Tas'heel to the Issuer (for further details, please refer to Subsection 4.7.1 ("**United Electronics Company (eXtra)**") of this Prospectus).

On 15/06/1445H (corresponding to 28/12/2023G), the EGM of the Issuer also approved the submission of its application to the CMA for the offering of its Shares, through the registration, offering and listing of seven million, five hundred thousand (7,500,000) of its ordinary Shares on the main Stock Exchange. It should be noted that the Extraordinary General Assembly of United Electronics Company (eXtra) approved the Offering on 07/10/1445H (corresponding to 16/04/2024G).

In accordance with the requirements of the OSCO Rules, the Board of Directors of eXtra, at its meeting held on 15/06/1445H (corresponding to 28/12/2023G), approved the Significant Transaction described in the Shareholders Circular for the offering and listing of seven million, five hundred thousand (7,500,000) ordinary Shares of the Issuer on the main Stock Exchange.

The initial public offering (hereinafter referred to as the "**Offering**") consists of the offering of seven million, five hundred thousand (7,500,000) ordinary Shares (hereinafter referred to as the "**Offer Shares**", each of which is referred to as an "**Offer Share**"), representing 30% of the Issuer's share capital. The Offer Price will be [•] Saudi Riyals ([•]) per Share (hereinafter referred to as the "**Offer Price**"), with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share.

Subscription to the Offer Shares shall be limited to two tranches of investors (hereinafter collectively referred as the "**Investors**") as follows:

Tranche (A) - Participating Parties: This tranche comprises the parties entitled to participate in the book building process in accordance with the Book Building Instructions issued by the Board of the CMA in the KSA (hereinafter referred to as the "**Book Building Instructions**"), including investment funds, qualified foreign companies and institutions, corporate GCC investors and other foreign investors under SWAP Agreements (hereinafter collectively referred to as the "**Participating Parties**", and each individually as a "**Participating Party**") (for further details, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus). The number of Offer Shares that will initially be allocated to the Participating Parties during the book building process is seven million, five hundred thousand (7,500,000) ordinary Offer Shares, representing (100%) of the total Offer Shares. If there is sufficient demand from Individual Investors (as defined in Tranche (B) below), the Lead Manager shall have the right, in consultation with the Company, to reduce the number of Offer Shares allocated to Participating Parties to a minimum of six million seven hundred and fifty thousand (6,750,000) Shares, representing (90%) of the total Offer Shares. The number and percentage of the Offer Shares to be allocated to Participating Parties will be determined as deemed appropriate by the Financial Advisor in coordination with the Issuer.

Tranche (B) - Individual Investors: This tranche comprises natural Saudi persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi husband, who is entitled to subscribe in her name and the names of her minor children for her own benefit, provided that she submits proof that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and GCC nationals, in each case, who has an investment account and an active portfolio with one of the Receiving Agents and are entitled to open an investment account with one of the Capital Market Institutions (hereinafter collectively referred to as the "**Individual Investors**" and each individually as an "**Individual Investor**"). Subscription to the Offer Shares by an Individual Investor in the name of their divorcee shall be deemed invalid. If an Individual Investor is proven to have carried out a transaction of this nature, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be considered. A maximum of seven hundred and fifty thousand (750,000) ordinary Offer Shares, representing (10%) of the total Offer Shares, will be allocated to Individual Investors. In the event that Individual Investors do not subscribe for all the Offer Shares allocated thereto, the Financial Advisor and the Lead Manager shall have the right to reduce the number of shares allocated to Individual Investors in proportion to the number of shares to which they subscribed.

The current shareholders of the Issuer (hereinafter collectively referred to as the "**Current Shareholders**") own all of the Issuer's Shares prior to the Offering. All of the Offer Shares will be sold by the selling shareholder, which is eXtra (hereinafter referred to as the "**Selling Shareholder**"), in accordance with Table 2 "**Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering**" as of the date of this Prospectus. Accordingly, the Issuer's Current Shareholders listed on page (p) of this Prospectus, who collectively own the all of the Company's Shares prior to the Offering, will hold (70%) of the Company's share capital after the Offering and will retain a controlling interest in the Company (for further information, please refer to Table 2 "**Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering**" of this Prospectus).

The Offer Shares will be offered by eXtra (the "**Substantial Shareholder**"), as mentioned on page (q). The Company currently has only one Shareholder that owns (5%) or more of the Shares, namely eXtra. Table 2 "**Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering**" of this Prospectus shows the ownership percentage of eXtra in the Company's share capital. eXtra will sell thirty percent (30%) of its shares in the Company through the Offering. After the completion of the Offering, the Selling Shareholder will own (69%) of the Shares, while eXtra Bahrain will continue to own (1%) of the Shares. Accordingly, eXtra will continue to retain a controlling interest in the Company. The proceeds of the Offering (the "**Offering Proceeds**"), after deduction of the Offering Expenses (the "**Net Offering Proceeds**"), will be distributed to the Selling Shareholder (for further details, please refer to Section 8 ("**Use of the Offering Proceeds**") of this Prospectus).

The Offering has been fully underwritten by the Underwriters (for further details regarding the underwriting, please refer to Section 13 ("**Offering Underwriting**") of this Prospectus). The Substantial Shareholder owning (5%) or more of the Company's Shares as of the date of this Prospectus will be prohibited from disposing of their shares for a period of six (6) months (the "**Lock-up Period**") as of the date trading of the Company's Shares commences on the Saudi Stock Exchange ("**Tadawul**", the "**Stock Exchange**" or the "**Exchange**"). After the Lock-up Period, the Substantial Shareholder may dispose of its shares. The Substantial Shareholder is eXtra, which currently owns (99%) of the Company's Shares (it should be noted that eXtra owns (100%) of the shares of eXtra Bahrain. Accordingly, eXtra Bahrain will be subject to the statutory Lock-up Period applicable to the Substantial Shareholder). Details of the Substantial Shareholder's ownership percentages are provided in Table 2 "**Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering**" of the Offering Summary as set out on page (q) of this Prospectus.

The Offering period for Individual Investors will commence on Tuesday, 17/05/1446H (corresponding to 19/11/2024G) and will remain open for a period of two days, up to and including the subscription closing day on Wednesday, 18/05/1446H (corresponding to 20/11/2024G) (the "**Offering Period**"). Applications for subscription to the Offer Shares may be submitted by Individual Investors through the electronic channels of the Receiving Agents listed on pages (f) and (o) ("**Receiving Agents**") that offer this service during the Offering Period (for further details, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus). Participating Parties may register their applications with the Bookrunners (as defined in Section 1 ("**Definitions and Abbreviations**") during the book building process, which will take place prior to both the offering of the Offer Shares to Individual Investors and the subscription for the Offer Shares during the Offering Period.

The Offer Shares will be offered to certain qualified foreign institutions located outside the United States of America through the conclusion of SWAP Agreements through Capital Market Institutions authorised by the CMA to engage in securities business in order to buy and trade in shares listed on the Stock Exchange for the benefit of foreign investors. This category will subscribe to the shares outside the U.S. territory pursuant to Regulation S issued under the U.S. Securities Act of 1933G, as amended (the "**U.S. Securities Act**"). The Offer Shares have not been and will not be registered under the U.S. Securities Act, any securities regulation of any state of the United States of America, or any other law or regulation outside the KSA. The Offer Shares may not be sold or offered under this Prospectus in any jurisdiction, including the United States of America, other than the KSA. The Offering shall not be deemed an offer to sell or a solicitation to purchase securities in any jurisdiction where doing so would be illegal or impermissible. Moreover, certain other foreign investors will also be permitted to trade in the Offer Shares after they are traded on the Stock Exchange, on the condition that the foreign investor is a customer of a capital market institution authorised by the CMA to engage in management business, and provided that the capital market institution has been appointed under terms which enable it to make all investment decisions on behalf of the customer without being required to obtain their prior approval.

Each Individual Investor who subscribes for the Offer Shares must apply for a minimum of ten (10) Shares, noting that the maximum limit for subscription is two hundred and fifty thousand (250,000) Shares and the minimum allocation is ten (10) Shares per Individual Investor. The balance of Offer Shares, if any, will be allocated pro rata based on the number of Offer Shares requested by each Individual Investor and the total number of Shares requested for subscription. If the number of Individual Investors exceeds seventy-five thousand (75,000), the Company will not guarantee the minimum allocation. In such case, the allocation will be determined at the discretion of the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to Individual Investors without any commission or deductions being withheld by the relevant Receiving Agents. Announcement of the final allocation and refund of excess subscription monies will be made no later than Monday, 23/05/1446H (corresponding to 25/11/2024G) and the excess subscription monies will be refunded no later than Thursday, 26/05/1446H (corresponding to 28/11/2024G)(for further details, please refer to page (XVI) ("**Key Dates and Subscription Procedures**") and Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

The Company has one class of ordinary shares. Each share entitles its holder to one vote, and each shareholder of the Company (a "**Shareholder**") has the right to attend and vote at Shareholder General Assembly meetings (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. Each Shareholder shall also have the right to authorise any other Shareholder, other than members of the Board of Directors or employees of the Company, to represent them in attending the meetings of the General Assembly and voting on the resolutions thereof. The Offer Shares shall be entitled to any dividends declared by the Company as of the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).

Prior to the Offering, the Company's Shares have not been listed or traded on any market inside the Kingdom or elsewhere. The Company has submitted an application to the CMA in the KSA for the registration and offer of the Shares. The Company has also submitted an application for the listing of its Shares on Tadawul. This Prospectus has been approved and all the required documents have been submitted to the relevant authorities. In addition, all of the requirements have been met and all official approvals related to the Offering have been obtained. Trading of the Shares is expected to commence on the Stock Exchange shortly after completion of the Share allocation process and satisfaction of all relevant regulatory requirements (for further details, please refer to page (XVI) ("**Key Dates and Subscription Procedures**") of this Prospectus). Qualified foreign financial institutions and foreign strategic investors will also be permitted to trade in the Company's Shares in accordance with the Rules for Foreign Investment in Securities. Non-GCC individuals residing outside the Kingdom and institutions registered outside the GCC which operate outside the Kingdom (collectively referred to with the qualified foreign financial institutions and foreign strategic investors as the "**Foreign Investors**", and individually as a "**Foreign Investor**") will be permitted to invest indirectly in order to obtain the economic benefits of the Shares by entering into SWAP Agreements through Capital Market Institutions authorised by the Authority to engage in securities business (referred to as the "**Capital Market Institutions**") in order to buy and trade shares listed on the Stock Exchange for the benefit of Foreign Investors. Under such SWAP Agreements, the Capital Market Institutions will be registered as the legal owners of such shares.

Subscription to the Offer Shares involves certain risks and uncertainties. The "**Important Notice**" section and Section 2 ("**Risk Factors**") of this Prospectus must be reviewed for information regarding certain factors that should be carefully considered before deciding to subscribe for the Offer Shares.

This Prospectus contains information provided as part of the application for the registration and offer of securities in compliance with the requirements of the OSCO Rules issued by the Capital Market Authority in the KSA (hereinafter referred to as the "**CMA**") and the application for the listing of securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Directors, whose names are mentioned on page (f), jointly and severally bear full responsibility for the accuracy of the information contained in this Prospectus and, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, there are no other facts of which the omission would make any statement herein misleading. Neither the CMA, nor the Stock Exchange, assume any responsibility for the contents of this Prospectus. They make no intent to confirm the accuracy or completeness thereof, and expressly disclaim any liability whatsoever for any losses arising from the contents of this Prospectus or incurred in reliance upon any part hereof.

This Prospectus includes information provided as part of the application for the registration and offer of securities in compliance with the OSCO issued by the Capital Market Authority in the Kingdom of Saudi Arabia (the "CMA") and the application for the listing of securities in compliance with the requirements of the Listing Rules of the Saudi Exchange. The Directors, whose names appear in Prospectus, collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

Sole Financial Advisor and Lead Manager

HSBC

Joint Bookrunners and Underwriters

HSBC

EFG Hermes

Receiving Agents

SAB Invest, alrajhi capital, BSF Capital, alinma investment, Riyad Capital, AlJazira Capital, Alistithmar Capital, Albilad Capital, anb capital, SNB Capital, derayah, Yaqeen, Alkhabeer Capital, Sahm

This Prospectus was issued on 20/12/1445H (corresponding to 26/06/2024G).

This Red Herring prospectus will be made available to Participating Parties participating in the Book-building process, and does not include the Offer Price. The final version of this Prospectus which will include the Offer Price shall be published after the completion of the Book-building process and the determination of the Offer Price.

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

PROSPECTUS

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application to subscribe for the Offer Shares, Participating Parties and Individual Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available by visiting the website of the Company (**www.unitedholding.com.sa**), or from the Lead Manager or the Receiving Agents, or by visiting the websites of the CMA (**www.cma.org.sa**), Tadawul (**www.saudiexchange.sa**) or the Financial Advisor (**www.hsbcsaudi.com**).

The Issuer has appointed HSBC Saudi Arabia as its Financial Advisor in connection with the Offering (hereinafter referred to as the "**Financial Advisor**") and appointed HSBC Saudi Arabia and EFG Hermes KSA as Underwriters (hereinafter referred to as the "**Underwriters**") In respect of the Offering Shares described in this Prospectus, the Issuer has appointed HSBC Saudi Arabia as the lead manager (hereinafter referred to as the "**Lead Manager**") in respect of the Offering Shares described in this Prospectus. For further information, please refer to Section 13 "**Offering Underwriting**" of this Prospectus).

This Prospectus contains the information provided under requirements of the OSCO Rules issued by the CMA (for further details, please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus) and the Listing Rules of Saudi Tadawul. The Directors, whose names are mentioned on page (j), jointly and severally assume full responsibility for the accuracy of the information contained in this Prospectus and, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, there are no other facts of which the omission would make any statement herein misleading.

While the Company has made all reasonable inquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information contained in this Prospectus which is relevant to the market and industry in which the Company operates has been obtained from external sources and information, data and analysis issued by data, information and news providers such as **Euromonitor International**. Although every effort has been made to verify such information, neither the data provider nor its subsidiaries accept any responsibility for any person's reliance on such information.

Neither the Company, nor the Directors, nor the Financial Advisor, nor any of the Company's advisors listed on page (l) of this Prospectus (hereinafter referred to as the "**Advisors**") have any reason to believe that any of the market or industry information is materially inaccurate.

The information contained in this Prospectus is subject to change. In particular, the financial position of the Company and the value of the Offer Shares may be adversely affected by any future developments, such as inflation, interest rates, taxation, any changes in laws and regulations or economic, political or other factors over which the Company has no control, in addition to several other factors specific to the market, the Company and the Offering itself, which may have an impact on the information, financial position and value of the Offer Shares (for further details, please refer to Section 2 ("**Risk Factors**") of this Prospectus). Neither the delivery of this Prospectus, nor any oral or written information in relation to the Offer Shares is intended to be or should be construed or relied upon in any way as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus may not be regarded as a recommendation from the Company, its Directors, the Selling Shareholder, the Receiving Agents or any of the Advisors to participate in the subscription for the Offer Shares. The information contained in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation or particular investment needs of persons wishing to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA-licensed financial advisor in relation to the Offering in order to assess the appropriateness of the investment opportunity and the information contained in this Prospectus with regard to the recipient's individual investment objectives, financial situation and needs, including the merits and risks which are specific to certain Subscribers only. An investment in the Offer Shares may be suitable for some investors but not others. Therefore, prospective investors should not rely on the decision or vision of another party whether to invest as a basis for their own examination of the investment opportunity or on the individual circumstances of such investor.

Subscription to the Offer Shares shall be limited to two tranches of investors as follows: Tranche (A) - Participating Parties: This tranche comprises the parties entitled to participate in the book building process (for further details, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus); and Tranche (B) Individual Investors: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi husband, who is entitled to subscribe in her name or in the names of her minor children for her own benefit, provided that she submits proof that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and GCC nationals, in each case, who have an investment account and an active portfolio with one of the Receiving Agents and are entitled to open an investment account with one of the Capital Market Institutions. Subscription to the Offer Shares by a person in the name of their divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be considered. (for further details, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

This Prospectus does not constitute an offer to sell or solicitation of an offer to purchase any of the Offer Shares by any person in any jurisdiction where the applicable law does not permit such person to make such an offer or solicitation.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person outside the KSA, other than to certain investors who are GCC nationals, QFIs, foreign strategic investors and other foreign investors through the conclusion of **SWAP Agreements** outside the United States of America in foreign transactions licensed under **Regulation S** of the U.S. Securities Act. The Shares have not been and will not be registered under the U.S. Securities Act or under any other securities laws in force in the United States of America. No Shares offered under this Prospectus may be offered or sold in the United States of America, nor may they be offered or sold except in the context of transactions that are exempt from, or not subject to, any registration requirements under the U.S. Securities Act or the securities laws of any other jurisdiction other than the Kingdom. This Offering does not constitute an invitation to sell shares or a solicitation to purchase them in any jurisdiction where this Offering is unlawful or is not permitted. All recipients of this Prospectus should review all legal restrictions relevant to the subscription and sale of the Offer Shares and comply therewith. Each eligible Individual Investor and Participating Party should read the entire Prospectus and consult their lawyers, financial advisors and other professional advisors for advice concerning the various legal, tax, regulatory and economic considerations relating to their investment in the Offer Shares and shall be responsible for the fees of their own lawyers, chartered accountants and other advisors as to all issues concerning an investment in the Offer Shares. No assurance can be made that any profits will be achieved from an investment in the Offer Shares.

Market and Industry Data

The information contained in Section 3 ("**Market Information**") of this Prospectus has been derived from the market study report prepared by Euromonitor (hereinafter referred to as the "**Market Study Advisor**") exclusively for the Company or the Issuer, dated 31 March 2024G. The Market Study Advisor is based in London, UK. For further details regarding the Market Study Advisor, please visit their website (**www.euromonitor.com**).

The Market Study Advisor prepared the study report independently and objectively and exercised due diligence in ensuring the accuracy and completeness thereof. The research was conducted from a broad industry perspective and may not necessarily reflect the performance of individual companies within the industry.

Neither the Market Study Advisor nor any of its subsidiaries, partners, shareholders, directors, or their relatives own any shares or any interest whatsoever in the Company. As of the date of this Prospectus, the Market Study Advisor has given and has not withdrawn its written consent to the use of its name, logo and the market information and data provided by it to the Company in the form set out in this Prospectus.

The Directors believe that the information and data contained in this Prospectus which has obtained or derived from other sources, including the Market Study Report prepared by the Market Study Advisor, is in itself reliable. However, such information has not been independently verified by the Company, the Directors, the Advisors (with the exception of the Market Study Advisor) or the Selling Shareholder.

Financial Information

The special purpose consolidated financial statements of UIHC as of and for the year ended 31 December 2021G and the consolidated financial statements of UIHC as of the years ended 31 December 2022G and 2023G have been prepared in accordance with the International Financial Reporting Standards ("**IFRS"**) that are endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (**SOCPA**) (The "Annual Financial Statements"). These financial statements have been audited by PricewaterhouseCoopers - Public Accountants (hereinafter referred to as the "**Auditor**") as indicated in the audit reports issued on these financial statements.

Some of the financial and statistical information contained in this Prospectus has been rounded to the nearest integer. Therefore, if the figures in the tables are added together, their sum may not correspond to the figures mentioned in the Prospectus.

Forecasts and Forward-Looking Statements

The forecasts and estimates set out this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as publicly available market information. Future operating conditions may differ from the assumptions used, and accordingly, no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts and estimates. The Company confirms that, to the best of its reasonable knowledge, due diligence has been exercised in preparing the forecasts contained in this Prospectus.

Certain forecasts and statements in this Prospectus constitute "**forward-looking statements**" Such forward-looking statements can be identified by their use of certain wordings such as "**intends**," "**plans**," "**estimates**," "**believes**," "**anticipates**," "**expects**," "**may**," "**possibly**," "**should**," "**projected**," "**shall**," "**could**," or the negative forms thereof or other variations of such terms or comparable terminology.

These forward-looking statements reflect the current views of the Company with respect to future expectations but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from what was explicitly or implicitly expected. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please refer to Section 2 ("**Risk Factors**") of this Prospectus). Should any one or more of these risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, the Company's actual results may vary materially from those described, expected, estimated or planned in this Prospectus.

Subject to the requirements of the OSCO Rules, the Company shall submit a supplementary prospectus to the CMA if, at any time after the announcement of this Prospectus and before the completion of the Offering, any of the following cases occur:

1. there is a significant change in any material matters contained in this Prospectus or any document required under the OSCO Rules; or
2. upon the emergence of any significant issues that should have been included in this Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any market information or forward-looking statements included in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances explained in this Prospectus might not occur in the way the Company expects, or at all. Accordingly, prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance thereon.

Corporate Directory

Table 1: The Company's Board of Directors

Name	Position	Nationality	Membership Status	Direct Ownership		Indirect Ownership		Date of Appointment
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Fozan Mohammed Ahmed Al Fozan*	Chairman	Saudi	Non-executive	-	-	0.00307%	0.00215%	03/09/1445H (corresponding to 13/03/2024G)
Mohammed Galal Ali Fahmi**	Vice Chairman	Egyptian	Non-executive	-	-	2.5%	1.75%	15/03/1443H (corresponding to 21/10/2021G)
Abdulrahman bin Mohammed bin Abdulmohsen Al-Issa	Director	Saudi	Independent	-	-	-	-	23/05/1445H (corresponding to 07/12/2023G)
Abdullatif Ali Abdullatif Al Fozan	Director	Saudi	Non-executive	-	-	-	-	03/09/1445H (corresponding to 13/03/2024G)
Kubra Ghulam Jasem Ghulam Radi	Director	Bahraini	Non-executive	-	-	-	-	03/09/1445H (corresponding to 13/03/2024G)
Assaf Abdulkarim Zaid Al Quraishi	Director	Saudi	Independent	-	-	-	-	23/05/1445H (corresponding to 07/12/2023G)
Board Secretary of the Issuer								
Ahmed Samir Bandari	Board Secretary	Egyptian	-	-	-	0.000012%	0.0000084%	08/06/1445H (corresponding to 21/12/2023G)

Source: The Company

* Fozan Mohammed Ahmed Al Fozan directly owns two thousand, four hundred and fifty-seven (2,457) shares, representing 0.00307% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Fozan Mohammed Ahmed Al Fozan indirectly owns 0.00307% of the Company before the Offering and will own 0.00215% after the Offering.

** Mohammed Galal Ali Fahmi owns two million (2,000,000) shares, representing 2.5% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Mohammed Galal Ali Fahmi indirectly owns 2.5% of the Company before the Offering and will own 1.75% after the Offering.

* The Secretary of the Company's Board of Directors is Ahmed Samir Bandari, who indirectly owns nine hundred and sixty (960) shares, representing 0.000012% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Ahmed Samir Bandari indirectly owns 0.000012% of the Company before the Offering and will own 0.0000084% after the Offering.

By way of example, the following list the independence requirement for an independent Director:

- If he/she holds five percent or more of the shares of the Company or any other company within its Group or is a relative of someone who owns such percentage;
- If he/she is a relative of any of the Directors of the Company or any other company within the Company's Group;
- If he/she is a relative of any Senior Executive of the Company or any other company within the Company's Group;
- If he/she is a director of another company within the Group of the Company for which he/she is nominated to be a Director;
- If he/she is or was an employee of the Company or any party dealing with the Company or another company within its Group during the preceding two years, such as the auditors or key suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties;
- If he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account;
- If he/she receives financial consideration from the Company in addition to the remuneration for his/her membership on the Board or any of its Committees exceeding an amount of SAR 200,000 or 50% of his/her remuneration in the last year for membership on the Board or any of its Committees, whichever is less;
- If he/she engages in a business where he/she competes with the Company, or conducts businesses in any of the Company's activities; and
- If he/she has served more than nine years, consecutively or inconsecutively, as a Director of the Company.

Company Address

United International Holding Company
King Faisal Bin Abdulaziz Street
Al Rawabi District, Unit No. 8868
P.O. Box 34421, Al-Khobar 31952
Tel: +966138478888
Fax: +966138587799
Email: **info@uihc.sa**
Website: **www.unitedholding.com.sa**

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

Company Representatives

Name: Mohammed Galal Ali Fahmi
Capacity: Vice Chairman
Business Address: King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 34421,Al-Khobar 31952, Kingdom of Saudi Arabia
Work Tel: 0138299600
Ext: 3600, Fax: 0138581532
Email: **galal@uihc.sa**

Name: Sakhr Abdulrahman Mohammed Almulhem
Capacity: CEO
Business Address: King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 34421, Al-Khobar 31952, Kingdom of Saudi Arabia
Work Tel: 0138299631
Fax: 0138587799
Email: **sakhr@uihc.sa**

Board Secretary

Ahmed Samir Bandari
King Faisal Bin Abdulaziz Street
Al Rawabi District, Unit No. 8868
P.O. Box 76688, Al-Khobar 34421
Tel: 0138299600
Fax: +966138587799
Email: **compliance@UIHC.sa**

Stock Exchange

Saudi Exchange Company (Tadawul)
Tawuniya Towers, North Tower
6897 King Fahd Road - Al Olaya
Unit No. 15, Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 920001919
Fax: +966 (11) 2189 133
Website: **www.saudiexchange.sa**
Email: **csc@saudiexchange.sa**

تداول السعودية
Saudi Exchange

Securities Depository Center Company (Edaa)
6897 King Fahd Road - Al Olaya
Unit No. 11
Riyadh 12211 – 3388
Kingdom of Saudi Arabia
Tel: +966 92002 6000
Website: **www.edaa.com.sa**
Email: **cc@edaa.com.sa**

ايداع
Edaa
من مجموعة تداول السعودية
From Saudi Tadawul Group

Sole Financial Advisor and Lead Manager
HSBC Saudi Arabia HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: +966920005920 Fax: +966112992385 Website: **www.hsbcsaudi.com** Email: **uihcipo@hsbcsa.com**

Joint Bookrunners and Underwriters
HSBC Saudi Arabia HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: +966920005920 Fax: +966112992385 Website: **www.hsbcsaudi.com** Email: **uihcipo@hsbcsa.com**
EFG Hermes KSA 3rd Floor, North Tower, Sky Towers, King Fahd Road P.O. Box 300189, Riyadh 11372 Kingdom of Saudi Arabia Tel: +966012938048 Fax: +966012938032 Website: **www.efghermesksa.com** Email: **efg_projectvault@efg-hermes.com**

Legal Advisor to the Issuer
The Law Firm of Salah Al-Hejailan 114 Al-Ahsa Street P.O. Box 1454, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966114792200 Fax: +966114791717 Website: **www.hejailanlaw.com** Email: **lfshriyadh@hejailanlaw.com**

Legal Advisor to the Issuer outside the Kingdom
Freshfields Bruckhaus Deringer LLP 100 Bishopsgate London United Kingdom EC2P 2SR Tel.: +44 20 7936 4000 Website: **www.freshfields.com** Email: **$projectvault@freshfields.com**

Legal Advisor to the Financial Advisor, Lead Manager, Bookrunners and Underwriters outside the Kingdom

Baker McKenzie Limited
100 New Bridge Street
London EC4V 6JA
United Kingdom,
Tel: +44 20 7919 1000
Fax: +44 20 7919 1999
Website: **www.backermckenzie.com**
Email: **legal.advisors@bakermckenzie.com**

Legal Advisor to the Financial Advisor, Lead Manager, Bookrunners and Underwriters

Baker McKenzie Legal Advisors
P.O. Box 69103
Riyadh 11547
Kingdom of Saudi Arabia
Tel: +966 11 265 8900
Fax: +966 11 265 8999
Website: **www.bakermckenzie.com**
Email: **legal.advisors@bakermckenzie.com**

Financial Due Diligence Advisor

Ernst & Young Professional Services (Professional LLC)
Al Faisaliah Tower, 14th Floor
King Fahad Road
P.O. Box 2732, Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966112159898
Fax: +966112734730
Website: **www.ey.com**
Email: **ey.ksa@sa.ey.com**

Auditor

PricewaterhouseCoopers - Public Accountants
Hugayet Tower, Dhahran Airport
31932, P.O. Box 467
Kingdom of Saudi Arabia
Tel: +966138496311
Fax: +966138496281
Website: **www.pwc.com**
Email: **info@sa.pwc.com**

Market Study Advisor

Euromonitor International Ltd.
60-61 Britton Street
London, EC1M 5UX
United Kingdom
Tel: +44 20 7251 8024
Fax: +44 20 7608 3149
Website: **www.euromonitor.com**
Email: **info@Euromonitor.com**

Note: As of the date of this Prospectus, the Auditor and the above-mentioned Advisors have given and have not withdrawn their written consent to the publication of their names and logos and the inclusion of their statements in the form and context in which they appear in this Prospectus. Neither they, their employees (who are amongst the team providing services to the Company) nor any of their relatives have any shareholding or interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus which would impair their independence.

Receiving Agents

SAB Invest
Al-Olaya General Street
P.O. Box 1467, Riyadh 11431
Kingdom of Saudi Arabia
Phone: 8001242442
Fax: +966 (12) 216 9102
Website: **www.sabinvest.com**
Email: **customercare@sabinvest.com**

Al Rajhi Capital
Head Office, King Fahd Road, Al Murouj District
P.O. Box 5561, Riyadh 11432
Kingdom of Saudi Arabia
Phone: +966 92 00005856
Fax: +966 (11) 460 0625
Website: **www.alrajhi-capital.com**
Email:**InvestmentBankingTeam@alrajhi-capital.com**

SNB Capital
King Saud Street, Al Murabba District - Building No. 7347
P.O. Box 2575, Riyadh 12624
Kingdom of Saudi Arabia
Phone: +966 920000232
International Call Center: +966 (11) 4060052
Website: **www.alahlicapital.com**
Email: **snbc.cm@alahlicapital.com.sa**

Alinma Investment Company
Al Anood Tower 2, King Fahad Road
P.O. Box 55560, Riyadh 11544
Kingdom of Saudi Arabia
Phone: +966 (11) 2185999
Fax: +966 (11) 2185970
Website: **www.alinmainvestment.com**
Email: **info@alinmainvest.com**

Riyad Capital Company
2414 - Al Shahada District, Unit No. 69
P.O. Box 13241, Riyadh 7279
Kingdom of Saudi Arabia
Phone: +966 (11) 4865649
Fax: +966 (11) 4865908
Website: **www.riyadcapital.com**
Email: **ask@riyadcapital.com**

AlJazira Capital Company
King Fahd Street, Al Rahmaniya
P.O. Box 20438, Riyadh 11455
Kingdom of Saudi Arabia
Phone: +966 (11) 2256000
Fax: +966 (11) 2256182
Website: **www.aljaziracapital.com.sa**
Email: **contactus@aljaziracapital.com.sa**

Receiving Agents

Alistithmar for Financial Securities and Brokerage Company
King Fahd Road
Riyadh
Kingdom of Saudi Arabia
P.O. Box: 6888, Postal Code: 11452
Phone: +966 (11) 2547666
Fax: +966 (11) 4896253
Website: **www.icap.com.sa**
Email: **WebEcare@icap.com.sa**

AlBilad Investment Company
3701 King Fahd Road - Al Olaya - 12313
Riyadh
Kingdom of Saudi Arabia
Phone: 800116002
Fax: +966 (11) 2906299
Website: **www.albilad-capital.com**
Email: **investmentbanking@albilad-capital.com**

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ANB Capital Company
King Faisal Street
Arab National Bank Financial Building
P.O. Box 220009, Riyadh 11311
Kingdom of Saudi Arabia
Phone: +966 (11) 4062500
Fax: +966 (11) 4062548
Website: **www.anbcapital.com.sa**
Email: **investment.banking@anbcapital.com.sa**

Derayah Financial Company
Al-Takhasusi Street - Prestige Center - Third Floor
Riyadh
Kingdom of Saudi Arabia
Phone: +966 (11) 2998000
Fax: +966 (11) 4195498
Website: **web.derayah.com**
Email: **support@derayah.com**

Saudi Fransi Capital
King Fahd Road – 8092
P.O. Box 23454
Riyadh 12313-3735
Kingdom of Saudi Arabia
Tel: +966 (11) 282 6666
Fax: +966 (11) 282 6723
Website: **www.bsfcapital.sa**
E-mail: **sfc-supportcenter@FransiCapital.com.sa**

Yaqeen Capital
Al-Wurud District - Al-Olaya Street
P.O. Box 884, Riyadh 11421
Kingdom of Saudi Arabia
Phone: +966 800 4298888
Fax: +966 (11) 2054827
Website: **www.yaqeen.sa**
Email: **addingvalue@yaqeen.sa**

Receiving Agents
Alkhabeer Capital Madinah Road P.O. Box 128289, Jeddah 21362 Kingdom of Saudi Arabia Phone: +966 (12) 6129345 Fax: +966 (12) 6856663 Website: **www.alkhabeer.com** Email: **info@alkhabeer.com**
Sahm Capital Financial Company building 3.05 - KAFD Riyadh 13519, KSA Kingdom of Saudi Arabia Phone: +966 (11) 4145260 Website: **www.sahmcapital.com** Email: **info@sahmcapital.com**

Offering Summary

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not include all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read and review this Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of all the information in this Prospectus as a whole. In particular, it is important to carefully consider the "**Important Notice**" section on page (f) and Section 2 ("**Risk Factors**") of this Prospectus, prior to making any investment decision in relation to the Offer Shares.

Company Name, Description and Incorporation

United International Holding Company ("UIHC") (hereinafter referred to as the "Company" or the "Issuer") is a Saudi closed joint-stock company registered under Commercial Registration No. 2051237935, dated 15/03/1443H (corresponding to 21/10/2021G), issued in Al-Khobar pursuant to Ministerial Resolution No. 621, dated 13/03/1443H (corresponding to 19/10/2021G).

The Company's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**" or a "**Share**"). The Company's headquarters are located at King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 34421, Al-Khobar 31952, Kingdom of Saudi Arabia. The Company was incorporated on 15/03/1443H (corresponding to 21/10/2021G) as a closed joint-stock company with a share capital of two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into 25,000,000 fully paid ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. There have been no other changes in the Company's ownership or share capital since its incorporation.

Activities of the Company and its Subsidiaries

The Issuer is a holding company that manages its Subsidiaries. It does not have any independent activities. In accordance with the Issuer's Bylaws, it carries out the following activities:

(1) managing its Subsidiaries and participating in the management of other companies in which it has a shareholding, as well as providing the necessary support thereto;

(2) owning the real estate and movables necessary for its activities;

(3) investing its funds in shares and other securities;

(4) providing loans, guarantees and financing to its Subsidiaries; and

(5) owning industrial property rights, including patents, commercial and industrial trademarks, franchise rights and other moral rights, as well as leveraging and leasing such rights to its Subsidiaries or third parties.

In addition to the above, the Issuer's actual activities, as indicated on its commercial registration certificate, include managing subsidiaries of holding companies, investing the funds of subsidiaries of holding companies, owning the real estate and movables necessary for holding companies, providing loans, guarantees and financing to subsidiaries of holding companies, and holding and leasing industrial property rights to subsidiaries of holding companies.

In accordance with Tas'heel's Bylaws, the purpose of the company is to carry out consumer financing in accordance with the provisions of the Companies Law, the Finance Companies Control Law and its implementing regulations, and the relevant laws, rules and directives issued by the Saudi Central Bank. Tas'heel conducts its activities under License No. 52/ASH/201905 issued by the Saudi Central Bank to practice consumer financing and credit card financing.

Procco provides remote processing and support services, data backup services, credit card payment services and technical services to financial institutions and other companies. Procco currently provides call centre services, application processing and IT support services to Tas'heel only.

Substantial Shareholder

The Substantial Shareholder who owns 5% or more of the Company's Shares is eXtra. The following table shows the number of shares held by eXtra and its ownership percentage in the Company as of the date of this Prospectus.

Table 2: Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering				Post-Offering			
	No. of Shares	Nominal Value Per Share (SAR)	Direct Shareholding Percentage	Indirect Shareholding Percentage	No. of Shares	Nominal Value Per Share (SAR)	Direct Shareholding Percentage	Indirect Shareholding Percentage
eXtra	24,750,000	247,500,000	99%	1%	17,250,000	172,500,000	69%	1%
eXtra Bahrain*	250,000	2,500,000	1%	-	250,000	2,500,000	1%	-
Public	-	-	-	-	7,500,000	75,000,000	30%	-
Total	25,000,000	250,000,000	100%	-	25,000,000	250,000,000	100%	-

Source: The Company

* eXtra owns 100% of the shares of eXtra Bahrain. Accordingly, eXtra Bahrain will be subject to the statutory Lock-up Period applicable to the Substantial Shareholder.

Share Capital of the Company (as of the date of this Prospectus)	Two hundred and fifty million Saudi Riyals (SAR 250,000,000).
Total number of the Company's Shares (as of the date of this Prospectus)	Twenty-five million (25,000,000) fully-paid ordinary Shares.
Nominal Value per Share	Ten Saudi Riyals (SAR 10) per Share.
Offering	Offering of seven million, five hundred thousand (7,500,000) ordinary Shares, representing (30%) of the Company's share capital at an Offer Price of [•] Saudi Riyals ([•]).
Total Number of Offer Shares	Seven million, five hundred thousand (7,500,000) ordinary Shares.
Offer Shares as a Percentage of the Issuer's Share Capital	The Offer Shares represent 30% of the Company's share capital.
Offer Price	SAR [•] per Offer Share.
Total Value of the Offer Shares	SAR [•].
Use of the Offering Proceeds	The Offering Proceeds are approximately [•] Saudi Riyals (SAR [•]). After deduction of all costs and expenses related to the Offering, which amount to around thirty-seven million Saudi Riyals (SAR 37,000,000) (exclusive of VAT), the Net Offering Proceeds will be distributed to the Selling Shareholder of the Offer Shares. The Company will not receive any part of the Net Offering Proceeds (for further details regarding the Offering Proceeds, please refer to Section 8 ("**Use of the Offering Proceeds**") of this Prospectus).
Number of Offer Shares to be Underwritten	Seven million, five hundred thousand (7,500,000) ordinary Shares.
Total Underwritten Offering Amount	SAR [•].
Target Investor Classes	Subscription to the Offer Shares shall be limited to two tranches of investors as follows: **Tranche (A) - Participating Parties:** This tranche comprises the parties entitled to participate in the book building process in accordance with the Book Building Instructions issued by the CMA, including investment funds, qualified foreign companies and institutions, corporate GCC investors and other foreign investors under SWAP Agreements. The number of Offer Shares to be allocated to Participating Parties during the book building process is seven million five hundred thousand (7,500,000) ordinary Offer Shares, representing 100% of the total Offer Shares. If there is sufficient demand from Individual Investors, the Financial Advisor shall have the right, in consultation with the Company, to reduce the number of Offer Shares allocated to Participating Parties to a minimum of six million seven hundred and fifty thousand (6,750,000) Shares, representing 90% of the Offer Shares. The number and percentage of the Offer Shares to be allocated to Participating Parties will be determined as deemed appropriate by the Financial Advisor in coordination with the Issuer. **Tranche (B) Individual Investors:** This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi husband, who is entitled to subscribe in her name or in the names of her minor children for her own benefit, provided that she submits proof that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and GCC nationals, in each case, who have a an investment account and an active portfolio with one of the Receiving Agents and are entitled to open an investment account with one of the Capital Market Institutions. Subscription to the Offer Shares by an Individual Investor in the name of their divorcee shall be deemed invalid. If an Individual Investor is proven to have carried out a transaction of this nature, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be considered. A maximum of seven hundred and fifty thousand (750,000) ordinary Offer Shares, representing 10% of the total Offer Shares, will be allocated to Individual Investors. In the event that Individual Investors do not subscribe for all the Offer Shares allocated thereto, the Financial Advisor and the Lead Manager shall have the right to reduce the number of Shares allocated to Individual Investors in proportion to the number of Shares to which they subscribed.

Total Number of Offer Shares for each Target Investor Class	
Number of Offer Shares for Participating Parties	Seven million, five hundred thousand (7,500,000) ordinary Shares, representing 100% of the total Offer Shares. If there is sufficient demand from Individual Investors, and the Participating Parties subscribe to all the Offer Shares allocated thereto, the Lead Manager shall have the right to reduce the number of Shares allocated to Participating Parties to six million seven hundred and fifty thousand (6,750,000) Shares, representing 90% of the Offer Shares. The number and percentage of the Offer Shares to be allocated to Participating Parties will be determined as deemed appropriate by the Financial Advisor in coordination with the Issuer. If there is sufficient demand from public funds, [●] ([●]) ordinary Shares will provisionally be allocated thereto, representing [●]% of the total number of Offer Shares. It should be noted that in the event there is sufficient demand from Individual Investors to subscribe for the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of [●] ([●]) ordinary Shares, representing [●] of the total number of Offer Shares after completion of the subscription process for Individual Investors.
Number of Offer Shares for Individual Investors	A maximum of seven hundred and fifty thousand (750,000) ordinary Shares, representing 10% of the total Offer Shares.
Subscription Method for Each Target Investor Class	
Subscription Method for Participating Parties	Participating Parties registered in the Kingdom may obtain bid forms from the Bookrunners during the book building process. Participating Parties not registered in the Kingdom may submit bid requests through the Bookrunners by phone or email, without having to complete and sign the bid form. The Bookrunners shall offer the Offer Shares to Participating Parties during the book building period only, after obtaining the approval of the CMA. Following initial allocation, Participating Parties may obtain Application Forms from the Financial Advisor. A signed Application Form must be submitted to one of the Bookrunners, which represents a legally binding agreement between the Selling Shareholder and the Participating Party submitting the application (for further details, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).
Subscription Method for Individual Investors	Individual Investors wishing to subscribe to the Offer Shares must submit their subscription requests electronically through the websites and platforms of the Receiving Agents that provide this service to subscribers, or through any other means provided by the Receiving Agents through which the Individual Investors will be able to subscribe to the Company's shares during the Offering Period. Provided that: (a) the individual subscriber has an investment account and an active portfolio with the Receiving Agent providing these services, (b) there have been no changes in the information or data of the individual subscriber (by deleting or adding a family member) since his subscription in the last IPO, and (c) individual subscribers who are not Saudi citizens or GCC citizens have an active portfolio with one of the Receiving Agents through which to subscribe. (for further details please refer to Section 17 ("**Terms and Conditions of Subscription**") of this Prospectus.
Minimum Number of Shares that can be Subscribed for by Each Target Investor Class	
Minimum Subscription for Participating Parties	Fifty thousand (50,000) Shares.
Minimum Subscription for Individual Investors	Ten (10) Shares.
Value of the Minimum Number of Shares that can be Subscribed for by Each Target Investor Class	
Minimum Subscription Amount for Participating Parties	SAR [●].
Minimum Subscription Amount for Individual Investors	SAR [●].

Maximum Number of Shares that can be Subscribed for by Each Target Investor Class	
Maximum Number of Shares that can be Subscribed for by Participating Parties	One million two hundred and forty-nine thousand nine hundred and ninety-nine (1,249,999) Shares
Maximum Number of Shares that can be Subscribed for Individual Investors	Two hundred and fifty thousand (250,000) Shares
Value of the Maximum Number of Shares that can be Subscribed for by Each Target Investor Class	
Maximum Subscription Amount for Participating Parties	SAR [●].
Maximum Subscription Amount for Individual Investors	SAR [●].[1]
Allocation Method and Refund of Excess Subscription Monies for Each Investor Class	
Allocation of Offer Shares Participating Parties	The initial allocation of the Offer Shares will be made as the Financial Advisor deems appropriate, in coordination with the Company, using the discretionary allocation mechanism. It is possible that certain Participating Parties will not be allocated any Shares as deemed appropriate by the Company and the Financial Advisor. The number of Offer Shares that will initially be allocated to the Participating Parties during the book building process is seven million, five hundred thousand (7,500,000) ordinary Offer Shares, representing 100% of the total Offer Shares. If there is sufficient demand from Individual Investors, the Lead Manager shall have the right to reduce the number of Shares allocated to Participating Parties to six million seven hundred and fifty thousand (6,750,000) Shares, representing 90% of the Offer Shares. The number and percentage of the Offer Shares to be allocated to Participating Parties will be determined as deemed appropriate by the Financial Advisor in coordination with the Issuer. If there is sufficient demand from public funds, [●] ([●]) ordinary Shares will provisionally be allocated thereto, representing [●]% of the total number of Offer Shares. It should be noted that in the event there is sufficient demand from Individual Investors to subscribe for the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of [●] ordinary Shares, representing [●] of the total number of Offer Shares after completion of the subscription process for Individual Investors.
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than Monday, 23/05/1446H (corresponding to 25/11/2024G). The minimum number of Offer Shares that can be subscribed for by Individual Investors is ten (10) Shares, while the maximum subscription limit is two hundred and fifty thousand (250,000) Shares per Individual Investor. The minimum allocation is ten (10) Shares per Individual Investor. The balance of Offer Shares (if any) will be allocated as agreed between the Company and Financial Advisor. In the event that the number of Individual Investors exceeds seven hundred and fifty thousand (750,000), neither the Company nor the Financial Advisor will guarantee the minimum allocation. In such case, the allocation will be determined at the discretion of the Company and the Financial Advisor (for further details, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without any charge or commission being withheld by the Lead Manager or Receiving Agents. Announcement of the final allocation and refund of excess subscription monies, if any, will be made no later than Thursday, 26/05/1446H, (corresponding to 28/11/2024G) (for further details, please see Table 3 "**Key Dates and Subscription Procedures**" and Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).
Offering Period	The Offering Period will commence on Tuesday, 17/05/1446H (corresponding to 19/11/2024G), and will remain open for a period of two (2) days, up to and including the subscription closing day on Wednesday, 18/05/1446H (corresponding to 20/11/2024G).
Entitlement to Dividends	The Offer Shares shall be entitled to their portion of any dividends declared and paid by the Company as of the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**" of this Prospectus).

1 The minimum value will be determined when the offering price is determined.

Voting Rights	All of the Company's Shares are ordinary shares of one class. None of the Shares carry any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder may delegate another Shareholder who is not a member of the Company's Board of Directors to represent it in attending General Assembly meetings (for further details regarding voting rights, please refer to Section 12.15 ("**Description of the Shares**") of this Prospectus).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholder is subject to a lock-up period of six (6) months as of the date of commencement of trading of the Company's Shares on the Stock Exchange. During such period, the Substantial Shareholder may not dispose of their shares (including the 1% of shares eXtra Bahrain indirectly owns in the Company).
Listing of the Shares	Prior to the Offering, the Company's Shares have not been previously listed in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offering of the Shares in accordance with the OSCO Rules and an application to the Stock Exchange (Tadawul) for listing in accordance with the Listing Rules. All relevant approvals required to conduct the Offering have been acquired and all supporting documentation requested by the CMA has been completed. Trading of the Shares is expected to commence on the Stock Exchange shortly after the completion of the share allocation process (for further details, please refer to Table 3 "**Key Dates and Subscription Procedures**" on page (XVI) of this Prospectus).
Risk Factors	There are certain risks related to investment in the Offer Shares. These risks can be classified as follows: 1. Risks related to the Group's activity and operations; 2. Risks related to the market, industry and regulatory environment; and 3. Risks related to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") of this Prospectus and should be carefully considered prior to making any decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholder will bear all costs and expenses related to the Offering, which amount to approximately thirty-seven million Saudi Riyals (SAR 37,000,000). Such expenses will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, the Underwriters, the Legal Advisor, the Chartered Accountants, the Market Study Advisor and the Receiving Agents, in addition to marketing, printing and distribution expenses, as well as other expenses related to the Offering.
Financial Advisor and Lead Manager	**HSBC Saudi Arabia** HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: +966920005920 Fax: +966112992385 Website: **www.hsbcsaudi.com** Email: **uihcipo@hsbcsa.com**
Joint Bookrunners and Underwriters	**HSBC Saudi Arabia** HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: +966920005920 Fax: +966112992385 Website: **www.hsbcsaudi.com** Email: **uihcipo@hsbcsa.com**
	EFG Hermes KSA 3rd Floor, North Tower, Sky Towers, King Fahd Road P.O. Box 300189, Riyadh 11372 Kingdom of Saudi Arabia Tel: +966012938048 Fax: +966012938032 Website: **www.efghermesksa.com** Email: **efg_projectvault@efg-hermes.com**

Note: The "Important Notice" section on page (I) and Section 2 ("Risk Factors") of this Prospectus must be carefully reviewed prior to making a decision to invest in the Offer Shares under this Prospectus.

Key Dates and Subscription Procedures

Table 3: Expected Offering Timetable

Expected Offering Timetable	Date
Bidding and Book-Building Period for Participating Parties	A period of eight (8) days, commencing on Monday, 25/04/1446H (corresponding to 28/10/2024G) until the end of Monday, 02/05/1446H (corresponding to 04/11/2024G).
Subscription Period for Individual Investors	A period of two (2) days, commencing on Tuesday 17/05/1446H (corresponding to 19/11/2024G) until the end of Sunday, 18/05/1446H (corresponding to 20/11/2024G).
Deadline for submission of Application Forms for Participating Parties based on the number of Shares provisionally allocated to each of them	Thursday, 12/05/1446H (corresponding to 10/11/2024G).
Deadline for submission of Application Forms and payment of subscription monies by Individual Investors	Wednesday, 18/05/1446H (corresponding to 20/11/2024G).
Deadline for payment of the subscription monies for Participating Parties based on the number of Shares provisionally allocated to each of them	Monday, 16/05/1446H (corresponding to 18/11/2024G).
Announcement of the final allocation of the Offer Shares	No later than Monday, 23/05/1446H (corresponding to 25/11/2024G).
Refund of excess subscription monies (if any)	No later than Thursday, 26/05/1446H (corresponding to 18/11/2024G).
Expected commencement date of Share trading on the Stock Exchange	Trading of the Company's Shares on the Stock Exchange is expected to commence after fulfilment of all the requirements and completion of all relevant legal procedures. Commencement of Share trading will be announced on Tadawul's website **(www.saudiexchange.sa).**

Note: The above timetable and dates therein are approximate. Actual dates will be communicated through announcements appearing on the websites of Tadawul **(www.saudiexchange.sa)**, the Financial Advisor **(www.hsbcsaudi.com)** and the Company **(unitedholding.com.sa)**.

How to Apply for Subscription

Subscription is limited to two tranches of investors as follows:

a) **Tranche (A) - Participating Parties:** This tranche comprises the parties entitled to participate in the book building process in accordance with the Book Building Instructions issued by the CMA.

b) **Tranche (B) - Individual Investors:** This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi husband, who is entitled to subscribe in her name or in the names of her minor children for her own benefit, provided that she submits proof that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and GCC nationals, in each case, who have an investment account and an active portfolio with one of the Receiving Agents and are entitled to open an investment account with one of the Capital Market Institutions. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Participating Parties:

Participating Parties may obtain bid forms from the Bookrunners during the book building process. The Bookrunners shall offer the Offer Shares to Participating Parties during the book building period only, after obtaining the approval of the CMA. Following initial allocation, Participating Parties may obtain Application Forms from the Bookrunners. A signed Application Form must be submitted to the Bookrunners, which represents a legally binding agreement between the Selling Shareholder and the Participating Party submitting the application (for further details, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

Individual Investors:

Individual Investors wishing to subscribe to the Offering Shares must submit their subscription requests electronically through the websites and platforms of the Receiving Agents that provide this service to subscribers through which Individual Investors will be able to subscribe to the Company's Shares during the Offering Period, provided that:

A. the Individual Investor has an investment account and active portfolio at a Receiving Agent that offers such services;

B. there have been no changes in the personal information or details of the Individual Investor (either by addition or removal of a family member) since their subscription in a recent IPO; and

C. Individual Investors who are not Saudi nationals or GCC nationals must have an active portfolio at one of the Receiving Agents through which the subscription is desired.

Application Forms must be filled out in accordance with the instructions set out in Section 17 ("**Subscription Terms and Conditions**") of this Prospectus. Each applicant must complete all the relevant items of the Application Form. The Company reserves the right to reject any investment, in part or in whole, in the event that any of the subscription terms and conditions are not met. Subscription Application Forms may not be amended or withdrawn once submitted. If a duplicate Application Form is submitted, the second submission shall be considered void and only the first application will be considered. Furthermore, upon submission, the Application Form shall be deemed to be a legally binding agreement between the relevant Subscriber and the Selling Shareholder (for further details, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

The Subscription Surplus, if any, will be returned to the Principal Individual Investor's investment account with the Receiving Agent from which the Subscription Value was initially deducted, without any commissions or deductions from the Lead Manager or the Receiving Agents. Furthermore, the Subscription Value will not be refunded in cash or to third party accounts.

For further details regarding the subscription of Individual Investors or Participating Parties, please refer to Section 17 ("**Subscription Terms and Conditions**") of this Prospectus.

Summary of Key Information

This summary of key information is intended to provide an overview of the information contained in this Prospectus. However, it does not include all the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus. Recipients of this Prospectus are advised to read it in full, such that any decision made by potential investors to invest in the Offer Shares is based on a consideration of this Prospectus as a whole. In particular, the "**Important Notice"** section on page (f) and Section 2 ("**Risk Factors**") of this Prospectus should be reviewed prior to making an investment decision in relation to the Offer Shares.

Overview of United International Holding Company

Incorporation and Principal Activities of the Company

United International Holding Company ("**UIHC**") (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi closed joint-stock company registered under Commercial Registration No. 2051237935, dated 15/03/1443H (corresponding to 21/10/2021G), issued in Al-Khobar pursuant to Ministerial Resolution No. 621, dated 13/03/1443H (corresponding to 19/10/2021G). The Company's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000) divided into twenty-five million (25,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**" or a "**Share**"). The Company's headquarters are located at King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 34421, Al-Khobar 31952, KSA.

The Company was incorporated on 15/03/1443H (corresponding to 21/10/2021G) as a closed joint-stock company with a share capital of two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into 25,000,000 fully paid ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. There have been no other changes in the Company's ownership or share capital since its incorporation.

In accordance with the Company's Bylaws, the Issuer carries out the following activities: (1) managing its Subsidiaries and participating in the management of other companies in which it has a shareholding, as well as providing the necessary support thereto; (2) owning the real estate and movables necessary for its activities; (3) investing its funds in shares and other securities; (4) providing loans, guarantees and financing to its Subsidiaries; and (5) owning industrial property rights, including patents, commercial and industrial trademarks, franchise rights and other moral rights, as well as leveraging and leasing such rights to its Subsidiaries or third parties. In addition to the above, the Issuer's activities, as indicated on its commercial registration certificate, include managing subsidiaries of holding companies, investing the funds of subsidiaries of holding companies, owning the real estate and movables necessary for holding companies, providing loans, guarantees and financing to subsidiaries of holding companies, and holding and leasing industrial property rights to subsidiaries of holding companies.

It is worth noting that the Issuer relies on financial institutions to provide financial and financing services exclusively through Tas'heel, one of its Subsidiaries.

Vision and Mission of the Issuer

The Group aspires to enrich its clients' lives, enabling them to achieve their ambitions by providing effortless financial services through innovative digital solutions. It is committed to being a dynamic organization that provides a unique digital experience to enable its clients to meet their financial needs by investing in digital transformation and focusing on customer needs and goals in a fast and efficient manner.

Achieving Excellence

We conduct our business with a high level of flexibility and efficiency, providing the best quality to customers and making bold decisions that promote the interests of our customers and maximise the creative capabilities of our employees.

Commitment to Integrity

We are responsible for adopting the highest standards of professional conduct, including honesty and commitment. We always ensure that our actions are consistent with our promises in order to achieve quality and added value in the field of finance.

We believe the Customer comes first

We inspire others with our passion and determination, challenge conventional thinking, and look for creative ways to discover opportunities in pursuit of innovative solutions that fully satisfy our customers.

We encourage Innovation and Transformation

We support innovation and adaptation to change. We work to provide expertise when thinking, analysing, and implementing to achieve realistic, measurable results. We also welcome creative ideas that offer new additions to our Company and our customers.

Company Strategy

The Group aspires to take the lead in providing multi-product and multi-category digital financial services and to be the Kingdom's largest provider of consumer finance compliant with the Sharia standards approved by Tas'heel, offering an integrated and flexible range of products at prices suited to a large customer base. The Group is also committed to serving a diverse customer base across various categories through its dedication to implementing optimal risk management policies, expanding its geographical presence and providing a seamless, swift and streamlined digital experience.

Pillar 1: Innovative Digital Transformation

One of the main components of the Group's strategy is based on innovative digital transformation. As a pioneer in consumer finance, through Tas'heel, the Group is able to leverage its IT infrastructure in technical applications and innovations across all areas of digital solutions.

Pillar 2: Capitalising on Existing Business Segments

The Group relies on its previous experience and its relations with strategic partners to develop and deliver a range of financing products which attract its target customer segments, enhance the customer experience and simplify the procedures required to obtain financing products, in addition to enabling it to create a large database, which in turn makes it possible for Tas'heel to develop and improve its customer segmentation, risk management and debt collection policies. Through Tas'heel, the Group also benefits from partnership with eXtra, known for its wide reach and well-known brand. The Group is also developing partnerships with other strategic partners in the retail sectors to expand its physical presence. In addition, Tas'heel's digital application, which includes a dedicated wallet for financing product purchases, enhances its ability to increase the consumer financing solutions it provides throughout the KSA.

Pillar 3: Effective Risk Management

Through Tas'heel, the Group has successfully built a large base of distinguished customers over the previous years. The Company's advanced risk assessment and analytics system enables it to identify customers with default risks and divide them into different categories. At the same time, the diversity of its product portfolio, coupled with the swift and simple registration process, ensures consumers have easy access to the desired products, thus increasing Tas'heel's competitiveness in the NBFI consumer finance sector.

Pillar 4: Agile Product Development

The strategic direction embraced by the Group through Tas'heel is primarily focused on providing a swift and seamless experience for its various customer segments and delivering products and services tailored to accommodate their diverse needs. Tas'heel currently provides four separate products: Tawarruq financing contracts (cash loans), Murabaha financing contracts (instalment loans), credit cards, and Baseeta, a recently launched product that provides an innovative payment solution utilizing credit cards (in accordance with the Sharia standards approved by Tas'heel's Sharia committee). Tas'heel also offers instalment products with competitive and preferential benefits to clients compared to existing "**buy now, pay later**" (BNPL) solutions in the market.

Competitive Advantages and Strengths of the Company

Operating in a Promising Market and Focusing on Untapped Sectors with High Growth Potential

The consumer finance sector remains promising and untapped in the Kingdom, with the sector representing only 13.0% of the GDP (2023G), compared to 21.1%, 21.1% and 16.4% for the UAE, the USA and the global average, respectively. Through its business since its establishment, the Company has been able to target categories of customers who face challenges in accessing traditional financing options, including resident expatriates, SME employees and low-income customers, thus enabling the Company to capture a high-growth market sector.

Extensive Brand Reach and Large Distribution Network

Through its Subsidiary Tas'heel, the Group boasts a wide-reaching brand and is able to maximise its leverage of eXtra's network of branches as well as the branch networks of other strategic partners with widespread presence throughout the Kingdom.

Simple Terms and Procedures

Tas'heel is distinguished by providing its clients with a range or personal financing solutions with simple terms and procedures. The availability of a guarantor is not a prerequisite for benefiting from the financing programs offered, with such programs being made available to nationals and resident customers alike through a developed digital ecosystem. This supports the Company with more unique competitive elements within the non-banking finance services sector in the Saudi market. The Company also provides customers with instalment sales programs compliant with the Sharia standards approved by Tas'heel's Sharia committee for the purchase of products ranging from SAR 2,000 to SAR 60,000 for Murabaha products and SAR 100 to SAR 60,000 for Baseeta. The Group also offers cash loans ranging from SAR 10,000 to SAR 250,000, as well as credit cards compliant with the Sharia standards approved by Tas'heel's Sharia committee with a credit limit of up to SAR 100,000. All of the Group's products are characterised by the offering of instant approvals and not requiring a guarantor or salary transfer for financing to be granted.

Compliance with Islamic Sharia Principles

The Company provides Sharia-compliant solutions and services, where all the Company's products and agreements are approved by a Sharia committee and the Company's products and agreements are structured in line with the standards of Islamic Sharia approved by Tas'heel's Sharia committee.

End-to-End Digital Process

The Group leverages its internally developed innovative fintech platform that provides its customers with unique consumer financing offers. Tas'heel was the first NBFI in the Saudi market to offer an integrated digital process, with approximately 80% of all financing applications made entirely via the internet. Self-service kiosks have also been installed in 310+ sites, with staff available at certain locations to help consumers who prefer face-to-face interaction when submitting applications.

Strong and Sustainable Profitability

Tas'heel is one of the most profitable companies within the non-banking finance services sector in the KSA. The Group recorded profits during 2023G amounting to SAR 212 million, representing 44% of the total profits of the top consumer finance companies which account for more than 95% of the market size.

Globally Experienced Management Team

The Group's Management consists of a team of managers and administrators who have a unique combination of global expertise and exceptional skills with a total of more than 250 years of experience.

Highly Effective Risk Management

Through Tas'heel, the Group applies an integrated approach to managing current and potential risks, including any risks that may pose a material threat to its business model, performance or financial solvency, or that may prevent Tas'heel from achieving its strategic objectives.

Diverse and Stable Funding Sources and Optimal Leverage Ratio

The Group boasts a strong and stable funding position, coupled with an optimal exposure limit ratio, thus ensuring financial resilience and long-term sustainability. Firstly, the Group has achieved consistent cash flows due to its strict collection policy. Furthermore, through Tas'heel, the Group benefits from a robust relationship with reputable financial institutions as a result of its track record and leadership in the sector, which enabled it to access diverse funding options.

Market Overview

Economic transformation of the Kingdom supports the development of a strong financial sector

Vision 2030 has set the landscape for profound economic and social transformation in The Kingdom. As part of this plan, the Kingdom has clear guidelines to diversify the economy to non-oil activities, attract local and foreign investments, and develop large infrastructure projects to modernize the Kingdom. As a result, nominal GDP reached SAR4.1 trillion in 2023G, with real GDP growth of 8.7% between 2021G and 2022G, signalling the recovery of the economy after the COVID-19 pandemic. Furthermore, nominal GDP is expected to reach SAR5.4 trillion by 2028G, following a 5.6% CAGR for the period 2024-2028. The positive outlook of the economy is providing the basis for higher demand for consumer financial services and other service sectors, such as tourism, hospitality and retail.

Women's participation in the workforce, returning expats and younger generations are reshaping the market for consumer finance

In 2023G, the population of the Kingdom was estimated at 32.7 million, with 84.7% living in cities. The inclusion of women and their participation in the workforce is fuelling the expansion of a strong middle class, with higher income per household and increased consumer spending and financing demands. Furthermore, the liberalization efforts to attract foreign investments have driven a resurgence in expats, with a strong demand for consumer finance products. At the same time, the arrival of tech-savvy millennials to the workforce is driving the demand for new consumer banking products directed at a young, middle-income population. While financial inclusion gaps remain for some underserved segments, the Kingdom's unbanked population share of the total population shrank from 26.8% in 2019G to only 15.7% in 2023G.

Consumer finance is still concentrated in commercial banks, but SAMA, the main regulatory body for financial institutions in The Kingdom, is providing a regulatory framework that stimulates innovation and the inclusion of new lending model

Consumer finance in The Kingdom grew by 9.2% CAGR over the period 2019-2023, supported by a growing consumer demand and a modern regulatory framework, which provides a promising landscape for fintech and innovation in the Non-Banking Financial Institutions (NBFI) sector. In 2023G, the Saudi consumer finance market reached SAR483 billion, mostly supported by commercial banks, which represented 94.6% of the market, 30 NBFIs with a consumer finance license accounting for 4.7% of the market, and two significant fintech companies operating in the Buy Now Pay Later (BNPL) sector, representing 0.7% of the consumer finance market. While SAMA encourages a well-regulated environment for consumer finance supply, several rules and regulations have been relaxed in recent years, including deposit-taking from NBFIs, data exchange between merchants and NBFIs, and enablement of e-payment services, crowdsourcing and other fintech moderated services. However, in 2023G, a new set of rules for regulating Buy Now Pay Later (BNPL) Companies was introduced, which adds additional requirements for BNPL transactions. Overall, new lending models favouring faster and more convenient financial services are expected to further support growth for the consumer finance market, reaching SAR603,850 billion by 2028G, at a 5.3% CAGR for the period (2024G-2028G).

The rapid growth of the instalment loans segment is expected to shift the balance towards lower purchase ticket options for everyday transactions

The Saudi consumer finance market is highly concentrated in the cash loan segment, which accounted for 93.6% of the total market in 2023G, compared to 5.6% for credit cards and 0.8% for instalments for the total market, including banks and NBFIs. However, the NBFI segment (excluding Buy Now, Pay Later (BNPL)) has a different composition, with 96.3% in cash loans, 3.3% in instalment loans and a negligible share in credit card loans. Cash loans have been the preferred method of financing for consumers, as an emergency recourse to cover immediate large expenses or purchases.

In the forecast period, the NBFI market for cash loans is set to expand by a CAGR of 16.2% to reach SAR46.0 billion in 2028G, supported by a growing borrowing and lending culture among Saudi consumers and rising demand from women and young people in the workforce. Additional demand is expected to be met by additional supply from new entrants into the market.

The NBFI instalments market is expected to expand at 4.3% CAGR (2024G-2028G) to reach SAR0.8 billion by 2028G. Industry growth is expected to shift towards credit card growth, as Tas'heel, the leading player until 2022G, is moving towards a credit card based instalment model with its latest introduction of Baseeta. The new product is expected to compete with EPP instalments offered by banks as well as BNPL through a diverse portfolio that includes instalment conversion of domestic and international payments as well as merchant partnership instalments offered at 0% interest. As a result, NBFI credit cards are expected to see a 40.1% CAGR over 2024G-2028G.

Competitive landscape for NBFI consumer finance is dominated by a few companies accounting for more than 70% of the cash loans segment, more than 90% of instalments, and with only three companies (excluding American Express) offering credit cards

While there were 30 NBFIs in the country with licenses to provide consumer financing products in 2023G, the top three companies dominated the market in 2023G: Emkan Finance Company, Tas'heel Finance and Nayifat Finance Company.

Emkan, a subsidiary of Al Rajhi bank, focuses mainly on pursuing Al Rajhi current customers once they have capped their bank allowed Debt Burden Ratio (DBR) through preferential offers, leaving other consumer segments mostly to key competitors. This allows it to hold a leading share in the sector (58.1% in cash loans, 39.4% in instalments and 59.9% in credit cards).

The leading player serving non-Al Rajhi customers is Tas'heel Finance. The company captured 7.1% of the cash loan market in 2023G, 37.4% of the instalment market and 26.1% within credit cards (reflecting the shift from traditional NBFI instalment offers to a credit card solution). The company benefits from a large geographical footprint, fast and digitalized approval processes, and high brand recognition through its association with eXtra stores, the leading electronic retail chain in The Kingdom. On the other hand, Nayifat represented 6.8% of the cash loan market and 14.0% in credit cards. The company relies heavily on a broad geographic presence and a large consumer base from the public sector.

Tas'heel's strong positioning in the consumer finance market is consolidated by their unique proposition within instalments (through its credit card offer), wide brand recognition, fully digital journey and customer focus

Since the company was established, Tas'heel Finance consolidated a clear dominance on the traditional instalment space, benefiting from eXtra's strong brand recognition, geographical distribution and consumer base in the Kingdom. A recent loss of share value is due to a shift towards a credit card model called Baseeta, which offers a hybrid solution: 0% interest instalments, similar to BNPL (however, without down payments and SAR 5,000 credit limit) through partnerships with a variety of retailers and service providers and a more traditional conversion option for domestic and international payments.

The company has established a fully digital journey and a fast approval process to provide a seamless consumer experience and to address demand for quick and convenient solutions. To reach a broad quality consumer segment, Tas'heel Finance invests in advanced data and risk analysis as well as consumer segmentation based on the collection of numerous data points through eXtra and the company's digital portfolio.

Summary of Financial Information

The selected financial information set out below should be read in conjunction with the Annual Financial Statements included in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus, on which PricewaterhouseCoopers - Public Accountants issued an independent Auditor's Report,

The financial information for the year ended 31 December 2021G was derived from the special purpose consolidated financial statements of UIHC for the year ended 31 December 2021G. The financial information for the years ended 31 December 2022G and 2023G was derived from the consolidated financial statements of UIHC for the year ended 31 December 2022G and 2023G, respectively.

The following tables show summaries of the consolidated statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows, as well as the KPIs of the Group, for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G.

Table 4: The Group's statement of profit or loss and other comprehensive Income for the Years Ended 31 December 2021G, 2022G, and 2023G

SAR Million	2021G	2022G	2023G	Change (2021G-2022G)	Change (2022G-2023G)	CAGR (2021G-2023G)
Income from Islamic financing contracts	300.9	417.0	523.9	38.6%	25.6%	31.9%
Cost of financing	(11.2)	(27.8)	(63.2)	147.7%	127.7%	137.5%
Net income from Islamic financing contracts	**289.7**	**389.2**	**460.6**	**34.3%**	**18.4%**	**26.1%**
General and administrative expenses	(43.0)	(50.9)	(62.7)	18.2%	23.3%	20.8%
selling and marketing expenses	(77.8)	(87.4)	(102.5)	12.3%	17.3%	14.8%
Net impairment losses on financial assets	(26.3)	(40.8)	(60.6)	54.9%	48.7%	51.8%
Financing costs on lease liabilities	(0.1)	(0.1)	(0.0)	(42.1%)	(61.9%)	(53.0%)
Other Income- net	1.5	4.1	1.8	181.5%	(56.5%)	10.6%
Profit before Zakat	**143.9**	**214.3**	**236.6**	**48.9%**	**10.4%**	**28.2%**
Zakat expenses	(14.3)	(21.5)	(24.4)	50.4%	13.5%	30.6%
Profit for the year	**129.6**	**192.7**	**212.2**	**48.7%**	**10.1%**	**27.9%**
Other comprehensive income						
Items that will not be reclassified to profit or loss:						
Remeasurements of employee benefit obligations	0.0	0.4	0.1	805.7%	(71.5%)	60.7%
Items that may be reclassified to profit or loss:						
Exchange differences from the transfer on translation of foreign operations	(0.0)	(0.2)	(0.0)	530.2%	(88.9%)	(16.3%)
Total comprehensive income for the year	129.6	193.0	212.3	48.9%	10.1%	27.9%

Source: The Annual Financial Statements.

Table 5: The Group's Statement of Financial Position as of 31 December 2021G, 31 December 2022G, and 31 December 2023G

SAR Million	31 December 2021G	31 December 2022G	31 December 2023G
Cash and cash equivalents	37.6	26.9	24.8
Prepayments and other receivables	14.9	15.6	18.9
Investment in Islamic financing contracts	1,186.1	1,554.6	1,867.4
Goodwill	0.5	0.5	0.5
Right-of-use assets	1.1	0.6	2.6
Property and equipment	6.2	5.3	4.4
Intangible assets	18.1	18.2	18.9
Total assets	**1,264.5**	**1,621.8**	**1,937.4**
Equity and liabilities			
Equity			
Share capital	250.0	250.0	250.0
Statutory reserve	3.4	22.7	43.9
Additional capital contribution	201.0	201.0	201.0
Retained earnings	30.9	204.4	395.4
Other reserves	0.0	0.3	0.4
Total equity	**485.4**	**678.4**	**890.7**
Trade and other payables	80.4	76.7	66.6
Zakat payable	15.4	22.2	24.4
Lease liabilities	1.2	0.6	2.6
Borrowings	675.7	837.5	945.4
Employee benefit obligations	6.3	6.4	7.8
Total liabilities	**779.1**	**943.4**	**1,046.8**
Total equity and liabilities	**1,264.5**	**1,621.8**	**1,937.4**

Source: The Annual Financial Statements.

Table 6: Summary of the Group's Statement of Cash Flows for the Years Ended 31 December 2021G, 31 December 2022G and 31 December 2023G

SAR Million	31 December 2021G	31 December 2022G	31 December 2023G
Net cash outflow from operating activities	(349.2)	(163.0)	(103.9)
Net cash outflow from investing activities	(258.3)	(4.0)	(5.3)
Net cash outflow received from financing activities	584.4	156.3	107.0
Net decrease in cash and cash equivalents	(23.1)	(10.7)	(2.1)
Cash and cash equivalents at the beginning of the year	60.7	37.6	26.9
Cash and cash equivalents at end of the year	**37.6**	**26.9**	**24.8**

Source: The Annual Financial Statements.

Table 7: The Group's KPIs for the Years 2021G, 2022G, and 2023G

KPIs for the Income Statement for consolidated profit or loss and other comprehensive income	2021G	2022G	2023G
Tawarruq portfolio returns[1]	26.8%	27.1%	27.4%
Murabaha portfolio returns[2]	38.5%	39.1%	39.4%
Islamic credit card portfolio returns[3]	N/A	22.2%	22.2%
Tawarruq contribution	59.9%	64.8%	72.2%
Murabaha contribution	40.1%	35.0%	26.8%
Credit cards contribution	0.0%	0.1%	1.0%
Portfolio returns (A)[4]	30.6%	30.4%	29.6%
Borrowing rate (B)[5]	2.0%	3.8%	6.8%
Profit margin difference (A-B)	28.6%	26.7%	22.9%
Net income from proceeds of Islamic financing contracts[6]	30.7%	28.4%	26.9%
Net profit margin	43.1%	46.2%	40.5%
Net profit growth rate	484.9%	48.7%	10.1%
Cost-to-revenue ratio[7]	41.7%	35.5%	35.9%
Cost of risk[8]	2.7%	2.9%	3.4%

Source: Group information.

KPIs for the Statement of Financial Position	2021G	2022G	2023G
Debt-to-equity	1.4x	1.2x	1.1x
Debt-to-total-assets	0.5x	0.5x	0.5x
Total financing to capital of United Company for Financial Services	2.5x	2.3x	2.1x
ECL provision/investments in financial assets	2.7%	2.9%	3.3%
Working assets for (Phase 1)[9]	94.6%	92.9%	85.5%
Underperforming assets for (Phase 2)[10]	1.2%	1.5%	5.7%
Non-performing financing contracts for Phase 3 (%)[11]	4.1%	5.6%	8.7%
ECL coverage ratio for non-performing financing contracts (%)[12]	45.7%	35.0%	24.0%
More than 90 days past due (%) (more than 90 days past due + on the principal owed)[13]	3.9%	5.0%	7.7%
Return on average assets	12.6%	13.4%	11.9%
Return on average equity	30.8%	33.1%	27.0%
Net investment in Tawarruq financing contracts to total investment in Islamic financing contracts	70.2%	74.0%	82.0%
Net investment in Murabaha financing contracts to total investment in Islamic financing contracts	29.8%	25.6%	14.6%
Ratio of short-term financial assets to short-term financial liabilities[14]	2.1x	1.2x	1.9x
Net cash flows generated from operating activities	(349.2)	(163.0)	(103.9)
Net cash flows received from financing activities	584.4	156.3	107.0

Source: Group information.

The KPIs were calculated as follows:

[1] Tawarruq portfolio returns = gross profit from Tawarruq financing contracts / average monthly investment in Tawarruq Islamic financing contracts before deduction of expected credit losses, revenue and accrued fees.

[2] Murabaha portfolio returns = gross profit from Murabaha financing contracts / average monthly investment in Islamic Murabaha financing contracts before deduction of expected credit losses, revenue and accrued fees.

[3] Islamic credit card portfolio returns = gross profit from Islamic credit card financing contracts / average monthly investment in Islamic credit card financing contracts before deduction of expected credit losses, revenue and accrued fees.

[4] Portfolio returns = gross profit from Islamic financing contracts / average monthly investment in Islamic financing contracts before deduction of expected credit losses, revenue and accrued fees.

[5] Borrowing rate = financing cost / average monthly loans.

[6] Net income from proceeds of Islamic financing contracts = net revenue from Islamic financing contracts / average investment in Islamic financing contracts, net.

[7] Cost-to-revenue ratio = operating expenses (excluding net impairment losses on the value of financing assets and other revenue) / net revenue from Islamic financing activities.

[8] Cost of risk = net impairment losses on financing assets / average investment in Islamic financing contracts, in total.

[9] Working assets for Phase 1 = current value of Islamic financing contracts for Phase 1 accounts / total current value of Islamic financing contracts (as per the financial statements)

[10] Underperforming assets for (Phase 2) = current value of Islamic financing contracts for Phase 2 accounts / total current value of Islamic financing contracts (as per the financial statements)

[11] Percentage of non-performing financing contracts for Phase 3 (%) = current value of investment in Islamic financing contracts in Phase 3 / total current value of investment in Islamic financing contracts (as per the financial statements).

[12] Expected credit loss coverage ratio for non-performing financing contracts (%) = Phase 3 expected credit losses / current value of investment in Phase 3 Islamic financing contracts (as per the financial statements).

[13] More than 90 days past due (%) (more than 90 days past due + on the outstanding financing principal) = value of the financing principal that is more than 90 days from the date of payment / total original value (as per the Management accounts).

[14] Ratio of short-term financial assets to short-term financial liabilities: financial assets / financial liabilities (Due within three months).

Summary of Risk Factors

Prior to making a decision to invest in the Offer Shares, prospective investors should carefully consider all the information included in this Prospectus, particularly the risk factors set out below, which are described in detail in Section 2 ("**Risk Factors**").

2 RISK FACTORS

2.1 Risks related to the Issuer's Operations and Activities

2.1.1	Risks related to Fluctuations in Financing Costs and Profit Rates
2.1.2	Risks related to the Allocation Mechanism for Expected Credit Losses
2.1.3	Risks related to Litigation
2.1.4	Risks related to the Group's Strategy to Expand its Customer Base
2.1.5	Risks related to the Concentration of the Issuer's Revenue Mainly from Tas'heel
2.1.6	Risks related to the Concentration of the Group's Business on Providing Credit Products to Individual Customers of eXtra
2.1.7	Risks related to the Group's Reliance on Financing Agreements linked to eXtra
2.1.8	Risks related to the Significant Concentration of the Group's Business in the Non-Banking Finance Sector in the Kingdom
2.1.9	Risks related to Credit, Default and Collection
2.1.10	Risks related to the Accuracy and Completeness of Information Regarding Current and Future Customers
2.1.11	Risks related to the Concentration of Revenue Generated from Tawarruq Financing Compared to Other Products
2.1.12	Risks related to Unsecured Financing Contracts
2.1.13	Risks related to the Nature of the Finance Market
2.1.14	Risks related to Early Repayment
2.1.15	Risks related to IT Infrastructure, Cyberattacks and Data Protection
2.1.16	Risks related to the Continuous Implementation of Improvements and Updates to Operational Infrastructure and IT within the Financial Services Sector
2.1.17	Risks related to Customer Data Protection and Privacy Regulations
2.1.18	Risks related to the Group's Failure to Obtain and Renew the Necessary Licences, Permits and Certifications
2.1.19	Risks related to Compliance with the Laws and Regulations Governing the Group's Business
2.1.20	Risks related to Zakat and Tax Dues
2.1.21	Risks related to Risk Management Policies and Procedures
2.1.22	Risks related to New Products
2.1.23	Risks related to the Group's Reliance on a Single Credit Card Provider
2.1.24	Risks related to the Group's Failure to Successfully Execute Future Business Strategies on Time, or at all
2.1.25	Risks related to the Group's Reliance on Senior Management and Key Personnel and Vacancies in Senior Management
2.1.26	Risks related to Lack of Experience in Managing Public Joint-Stock Companies
2.1.27	Risks related to Dealings with Related Parties

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الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

01

DEFINITIONS AND ABBREVIATIONS

1 DEFINITIONS AND ABBREVIATIONS

Know Your Customer (KYC)	A process that helps commercial banks and finance companies identify customers and learn about their financial transactions. This process includes exerting reasonable efforts to determine the true identity of the customer who holds the account, the source of the funds, and the compatibility of the ongoing operations in the account relative to their business.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholder and the Underwriters in connection with the Offering.
SWAP Agreements	In accordance with the Rules for Foreign Investment in Securities, non-Saudi individuals residing outside the Kingdom and institutions registered outside the Kingdom, with the exception of foreign legal investors and foreign strategic investors, may acquire the economic benefits of shares by entering into **SWAP Agreements** with Capital Market Institutions authorised by the CMA to purchase, own and trade shares listed on the Stock Exchange for the benefit of foreign investors. Under such SWAP Agreements, the Capital Market Institutions will be registered as the legal holders of such shares.
Financial Year or FY	The Company's financial year, which commences on 1 January and ends on 31 December of each calendar year.
Management	The Company's management.
Senior Management	The Directors of the Company described in Section 5.4 ("**Senior Management**") of this Prospectus.
Listing	Listing of the Company's Shares on the Saudi Stock Exchange in accordance with the OSCO Rules and the Listing Rules.
Application Form	The application form to be used by Participating Parties to bid for the Offer Shares during the Book Building Period. This term includes, as applicable, the appended application form when the price range is changed.
Shares	Twenty-five million (25,000,000) fully paid ordinary Shares, with a nominal value of ten Saudi Riyals (SAR 10) per Share.
Offer Shares	Seven million, five hundred thousand (7,500,000) ordinary Shares of the Company, each with a nominal value of ten Saudi Riyals (SAR 10), which will be sold by the Selling Shareholder during the Offering.
Capital Market Institutions	An institution authorised by the CMA to engage in securities business.
Relatives	Husbands, wives and minor children. For the purposes of the Corporate Governance Regulations, this term includes: Parents, grandparents and their ancestors. Children, grandchildren and their descendants. Siblings and maternal and paternal half-siblings. Husbands and wives.
Secretary	The secretary of the Board of Directors.
Book Building Instructions	The Book Building Instructions issued pursuant to CMA Board Resolution No. 2-94-2016, dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 1-103-2022, dated 02/03/1444H (corresponding to 28/09/2022G).
Bahrain	The Kingdom of Bahrain.
General Assembly	The General Assembly of the Company, including the EGM and/or Ordinary General Assembly of the Company.
Ordinary General Assembly	An Ordinary General Assembly of the Shareholders convened in accordance with the Company's Bylaws.
EGM	An Extraordinary General Assembly of the Shareholders convened in accordance with the Company's Bylaws.
Public	Persons other than the following: Subsidiaries of the Issuer; the Substantial Shareholder of the Issuer; Directors and Senior Executives of the Issuer; directors and senior executives of the affiliates of the Issuer; directors and senior executives of the Substantial Shareholder of the Issuer; any relatives of the persons referred to in 1, 2, 3, 4 or 5 above; any company controlled by any of the persons referred to in 1, 2, 3, 4, 5 or 6 above; or persons acting in concert with a collective shareholding of 5% or more of the class of shares to be listed.

Receiving Agents	The Receiving Agents whose names are mentioned on pages (f) and (o) of this Prospectus.
Participating Parties	The parties involved in the book building process are among the Participating Parties.
Government	The government of the KSA, and the word "**governmental**" shall be construed accordingly.
Vision 2030	The National Strategic Economic Program, which aims to reduce dependence on oil, diversify the Saudi economy and develop public services.
SAR or Saudi Riyal	The Saudi Arabian riyal, the official currency of the KSA.
SAIBOR	The reference rate for the cost of interbank lending in Saudi Riyals.
Chairman	The chairman of the Board of Directors.
CEO	The Chief Executive Officer of the Issuer.
CFO	The Chief Financial Officer of the Issuer
Offer Price	[●] Saudi Riyals per Share.
Stock Exchange or Tadawul	The market where securities are traded, which is operated by the Saudi Exchange Company (Tadawul), a subsidiary of Saudi Tadawul Group.
SIMAH	The Saudi Credit Bureau (SIMAH) is a credit authority responsible for providing commercial credit information and consumer information services in the KSA.
Control	The ability to directly or indirectly influence the actions or decisions of another person, whether individually or jointly with a Relative or Affiliate, through any of the following: holding 30% or more of the voting rights in the Company; or having the right to appoint 30% or more of the administrative staff. The term "**controlling**" shall be construed accordingly.
Financial Statements for the Year 2021G	The special purpose consolidated financial statements of UIHC as of and for the year ended 31 December 2021G, prepared in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
Financial Statements for the Year 2022G	The consolidated financial statements of UIHC as of and for the year ended 31 December 2022G, prepared in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
Financial Statements for the Year 2023G	The consolidated financial statements of UIHC as of and for the year ended 31 December 2023G, prepared in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
Annual Financial Statements	The Financial Statements for the Year 2021G, the Financial Statements for the Year 2022G , and the Financial Statements for the Year 2023G.
Person	Any natural or legal person who holds such capacity under the laws of the Kingdom.
The Company or the Issuer	United International Holding Company ("**UIHC**").
Subsidiaries	Tas'heel and Procco.
Tas'heel	United Company for Financial Services, a single person closed joint-stock company.
Procco	Procco Financial Services W.L.L.
The Group	The Company and its Subsidiaries.
Founders	eXtra and eXtra Bahrain.
Stage 3 ("Non-Performing")	This includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset takes place when a counterparty fails to make contractual payments within 90 days of maturity, which is fully consistent with the definition of credit impairment under IFRS 9. For these financial assets, expected credit losses are recognized over the useful life and financial revenue is calculated based on the net book value (net of credit provision).

Offering	Offering of seven million, five hundred thousand (7,500,000) ordinary Shares, representing 30% of the Company's share capital, for public subscription on the Saudi Stock Exchange.
Related Party/ Parties	In this Prospectus and in the Glossary of Defined Terms used in the CMA regulations, the term "**Related Party**" or "**Related Parties**" includes any of the following: affiliates of the Issuer, except for companies wholly owned by the Issuer; the Substantial Shareholder of the Issuer; Directors and Senior Executives of the Issuer; directors of affiliates of the Issuer; directors and senior executives of the Substantial Shareholder of the Issuer; any relatives of the persons referred to in 1, 2, 3 or 5 above; or any company or other establishment controlled by any person referred to in 1, 2, 3, 5 or 6 above. For the purposes of paragraph 6, relatives shall mean fathers, mothers, husbands, wives and children.
Articles of Association	The Company's Articles of Association.
Lock-up Period	The period during which the Substantial Shareholder is subject to a lock-up of six (6) months as of the date of commencement of trading of the Company's Shares on the Stock Exchange. During such period, the Substantial Shareholder may not dispose of any of their shares.
Offering Period	The Offering Period will commence on Tuesday, 17/05/1446H (corresponding to 19/11/2024G) and will remain open for a period of two (2) days, up to and including the subscription closing day on Wednesday, 18/05/1446H (corresponding to 20/11/2024G).
Participating Parties	The parties entitled to participate in the book building process are: 1. public and private funds that invest in securities listed on the Stock Exchange, as permitted by the fund's terms and conditions, and in accordance with the provisions and limitations stipulated in the Investment Funds Regulations and the Book Building Instructions; 2. Capital Market Institutions authorised by the CMA to deal in securities as a principal, while adhering to the Prudential Rules upon submission of the Application Forms; 3. clients of a Capital Market Institution authorised by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book Building Instructions; 4. legal persons entitled to open an investment account in the Kingdom and an account with the Securities Depository Center, with the exception of non-resident foreign investors, other than QFIs under the QFI Rules; 5. Government entities, any supranational authority recognised by the CMA, the Stock Exchange, or any other stock exchange recognised by the CMA or the Securities Depository Center; 6. Government-owned companies, whether investing directly or through a private portfolio manager; and 7. GCC companies and GCC funds, if permissible according to the terms and conditions of such funds.
Listing Rules	The Listing Rules issued by CMA Board Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), as amended pursuant to CMA Board Resolution No. 1-108-2022, dated 23/03/1443H (corresponding to 19/10/2022G).
Prudential Rules	The Prudential Rules issued by Resolution No. 1-40-2012, dated 17/02/1434H (corresponding to 30/12/2012G), as amended by CMA Board Resolution No. 1-129-2022, dated 04/06/1444H (corresponding to 28/12/2022G), along with any amendments thereto.
Rules for Foreign Investment in Securities	The Rules for Foreign Investment in Securities issued by CMA Board Resolution No. 2-26-2023, dated 05/09/1444H (corresponding to 27/03/2023G), pursuant to the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, along with any amendments thereto.
OSCO Rules	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, as amended by CMA Board Resolution No. 03-06-2024, dated 05/07/1445H (corresponding to 17/01/2024G), along with any amendments thereto.
Senior Executives	Any natural person who is entrusted, severally or jointly, by the administrative body of the Company or by a member of the administrative body of the Company with the tasks of supervision and management, and who reports to any of the following: (1) the administrative body directly, or (2) a member of the administrative body.
Substantial Shareholder	Any person owning five percent (5%) or more of the Issuer's shares.
Corporate Governance Regulations	The Corporate Governance Regulations issued by CMA Board Resolution No. 8-16-2017, dated 16/05/1438H (corresponding to 13/02/2017G), as amended by CMA Board Resolution No. 8-5-2023, dated 25/06/1444H (corresponding to 18/01/2023G), pursuant to the Companies Law.

Underwriters	HSBC Saudi Arabia and EFG Hermes KSA.
GCC or the Council	The Gulf Cooperation Council.
Board or Board of Directors	The Company's Board of Directors.
Auditor	PricewaterhouseCoopers - Public Accountants.
Lead Manager	HSBC Saudi Arabia
Bookrunners	HSBC Saudi Arabia and EFG Hermes KSA.
Directors or Board Members	The members of the Company's Board of Directors who have been appointed by the General Assembly and whose names appear in Section 5 ("**Organisational Structure of the Company**") of this Prospectus.
Shareholder(s)	Any holder of shares in the Company.
Selling Shareholder	eXtra.
Current Shareholders	The Current Shareholders whose names are listed in Table 2 "**Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering**".
QFI	A qualified foreign investor in accordance with the QFI Rules. Qualification applications are submitted to Capital Market Institutions for evaluation and acceptance thereof in accordance with the QFI Rules.
Financial Advisor	HSBC Saudi Arabia.
Market Study Advisor	Euromonitor International Ltd.
Advisors	The Company's advisors in connection with the Offering whose names appear on page (VI) of this Prospectus.
International Financial Reporting Standards (IFRS)	The International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia.
Subscribers	Participating Parties and Individual Investors.
Individual Investors	Natural Saudi persons, including divorced or widowed Saudi women with minor children from a non-Saudi husband, who are entitled to subscribe in the names of their minor children, provided they submit proof of their motherhood of such minor children, and natural GCC investors.
GDP	The gross domestic product of the KSA, unless the context requires otherwise. GDP is the market value of all products and services produced within the KSA during a specific period.
Real GDP	The real gross domestic product of the KSA, unless the context requires otherwise. Real GDP is market value of all products and services produced within the KSA during a specific period, without accounting for inflation.
Beneficial Ownership	Beneficial ownership of the Shares (including any rights associated with the Shares, such as the right to dividends), provided that the ownership recorded in the official documents is for another person who acts as an agent for the beneficial owner.
The Kingdom or KSA	The Kingdom of Saudi Arabia.
Prospectus	This Prospectus prepared by the Company in connection with the Offering.
Bylaws	The Bylaws of the Company approved by the EGM.
The Capital Market Law (CML)	The Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
Companies Law	The Companies Law promulgated by Royal Decree No. M/132, dated 01/12/1443H (corresponding to 30/06/2022G), as amended.
Labour Law	The Labour Law issued under Royal Decree No M/51, dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), as amended.

Application Form	The application form that Individual Investors and Participating Parties (as applicable) must fill out in order to subscribe for the Offer Shares.
G	Gregorian.
H	Hijri.
ZATCA	The Zakat, Tax and Customs Authority (formerly known as the General Authority of Zakat and Tax) in the Kingdom.
Authority or CMA	The Capital Market Authority of the Kingdom.
Ministry of Commerce	Ministry of Commerce of the Kingdom.
MHRSD	The Ministry of Human Resources and Social Development in the Kingdom.
Regulation S	The provisions of **Regulation S** of the U.S. Securities Act of 1933G, as amended.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company.
Audit Committee	The Audit Committee of the Company.
Bank	Bank means "**a natural or legal person whose principal activity is any banking business in the Kingdom**" under a banking licence from the Saudi Central Bank. Banking business includes: Receiving funds in current or fixed deposit accounts, opening current accounts, opening letters of credit, issuing letters of guarantee, payment and collection of cheques, payment orders, promissory notes and other similar instruments of value, discounting writs of execution, bills of exchange and other commercial papers, foreign exchange transactions and other banking activities. * *Source: The Banking Control Law issued by the Saudi Central Bank.
Non-Banking Financial Institutions (NBFI)	For the purpose of this research, NBFI in The Kingdom include companies operating under a Financial Institution license by SAMA, to engage in the following activities: a. Credit Card Finance, and b. Consumer Finance Other financial institutions with licenses to engage in the below activities are excluded: 1. Real estate finance 2. Production asset finance 3. Small and medium enterprise finance 4. Finance lease 5. Microfinance 6. Any other finance activity approved by SAMA [Source: SAMA]
Consumer Finance	For the purpose of this Prospectus, the consumer finance market refers to all loans granted to individuals by way of cash loans, instalment loans or personal credit card loans. It excludes car loans, real estate loans and other types of lending.

Personal Credit Cards	Credit cards include affinity cards, reward cards and various types of co-branded cards. This category includes co-branded retail cards issued by retailers that operate as financial institutions without restrictions on use. In this research, only personal credit cards were included, while the following types of cards were excluded: 1. Store Cards: Cards issued by a retailer which may only be used at a specific store within a predefined retail group. 2. Debit cards: Cards that combine the functionality of an ATM card with direct payments from a bank account. A debit card allows the cardholder to receive cash and monitor account activity at an ATM, as well as pay for goods and services via points of sale (POS). 3. Charge cards: Charge card balances usually have to be paid monthly and do not incur any interest charges. Charge cards typically have high pre-set spending limits (although in some cases they do not) and may carry high annual fees. 4. Prepaid cards: Cards that are loaded at a point of sale which permit the cardholder to purchase goods or services, usually of a particular type, up to the pre-paid value. These cards serve as an alternative to cash. Prepaid cards can be disposable or reloadable.
Cash Loans	Personal loans and personal lines of credit are generally intended for debt consolidation, vacations, living expenses, weddings and medical bills and are disbursed in cash. The following loan types are excluded: 1. Car loans. 2. Real estate loans (mortgages) 3. Credit cards.
Instalment Loans (Durables)	A loan used for manufactured products (e.g., household appliances) that are able to withstand wear and tear over an extended period of time without wearing out. Loans for durable goods can be executed through the point-of-sale loan model, meaning the loan is completed with the merchant selling the goods. These loans allow durable goods to be purchased and paid for in instalments. While merchants of various categories and sizes offer these types of loans, large retailers selling higher priced items appear as the most likely purveyor of these types of loans. Automobiles and two-wheel vehicles are excluded from this category.
Easy Payment Plan (EPP)	EPPs convert retail purchase amounts charged to a card into monthly instalment payments with an agreed instalment payment period. EPPs take place after the purchase transaction has been recorded on the card, and are generally applicable to credit card holders only.
NBFI Instalment Model	The NBFI Instalment Model in the Kingdom consists of loans for manufactured products.
Buy Now, Pay Later (BNPL)	"**Buy Now, Pay Later**" is a form of financing that allows consumers to buy goods or services and pay in instalments. In the Kingdom, fintechs were previously operated within the 'Regulatory Sandbox Framework' offered by the Saudi Central Bank and had different regulations compared to banks and NBFIs until 2023G, when a set of new regulations were issued by the Saudi Central Bank.
BNPL Fintechs	Fintech companies utilise technology to automate, enhance and expedite the execution and delivery of financial services. BNPL fintechs offer BNPL services. In 2023G, the Saudi Central Bank introduced a new regulatory framework with the aim of regulating fintech companies, indicating that BNPL services must comply with the previous requirements applicable to BNPL companies, in addition to other requirements which apply to BNPL services.
Islamic Financing	Islamic financing refers to the completion of financial transactions in accordance with the Sharia standards approved by Tas'heel's Sharia committee. In such transactions, the parties must share the risks and rewards of business transactions and deals must have a genuine economic purpose without any undue speculation and not involve any exploitation of either party.
Murabaha	An Islamic financing mechanism in which the seller and buyer agree on the cost of an asset plus markup. Murabaha is designed to be a type of credit sale under Islamic law and not an interest-bearing loan. The purchaser does not become the owner until the entire monetary sum is repaid, similar to rent-to-own arrangements.
Tawarruq	A strategy whereby a financial institution purchases an asset and immediately sells it to a customer on a deferred payment basis. The asset itself is then sold by the customer to a third party for immediate delivery and payment. As a result, the customer receives the cash and has a deferred payment obligation to the financial institution for the marked-up price.
Ijarah Financing	A Sharia-compliant Islamic financing mechanism used to fund the purchase of assets, whereby the financing party acquires the asset then leases it to the customer for periodic payments. The fees are usually calculated as a margin above the LIBOR benchmark interest rate (London Inter-Bank Offered Rate). Certain Ijarah (lease purchase) deals offer the customer/lessee an option (but not an obligation) to purchase the asset at the end of the lease period.

Speculation	It is a type of commercial contract in which one party provides financing and the other party provides human labour. The proportional share of the profit is determined by mutual agreement. However, any loss is fully borne by the owner of the money, and the entrepreneur does not receive any remuneration for their labour. The partner who provides the funds is known as Rab al-Mal, while the entrepreneur is known as Mudarib. It is a contract used by Islamic banks as a financing mechanism in which the Islamic bank provides the entire capital while the other party manages the business. The profit is divided in predetermined proportions, while the loss is borne by the Islamic bank, except in cases where the loss is due to the Mudarib's negligence or violation of contract.
Profit	A pricing term used in Islamic banking. Profit is derived from a permissible purchase and sale transaction pursuant to the Sharia standards approved by Tas'heel's Sharia committee. It replaces the term "**interest**" used in traditional banking for the income obtained from a direct loan contract.
Merchant Discount Rate (MDR)	A merchant discount rate is a fee a merchant pays for making a debit or credit card transaction. In BNPL transactions with instalment payments, the merchant discount rate is agreed upon between the retailer and the BNPL company as a percentage of the price. This covers the financial cost of the transaction and enables the consumer to receive a 0% fee on the retailer's price.
Debt Burden Ratio (DBR)	Debt Burden Ratio or DBR is the ratio of total monthly debt repayments to monthly income.
Saudi Central Bank or SAMA	The Saudi Central Bank (formerly known as the Saudi Arabian Monetary Authority).
SDAIA	Means the Saudi Data and Artificial Intelligence Authority
Mastercard	Mastercard Asia/Pacific Pte. Ltd.
Ministry of Industry and Commerce	The Ministry of Industry, Commerce and Tourism of the Kingdom of Bahrain.
Business Day	Any day on which the Receiving Agents are open for business in the Kingdom (excluding Fridays, Saturdays and any public holidays).

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

02

RISK FACTORS

2 RISK FACTORS

Investors wishing to subscribe for the Shares offered pursuant this Prospectus should carefully consider the following risk factors and other information contained in this Prospectus prior to making any investment decision in connection with the subscription to the Offer Shares. The risks mentioned below are not necessarily comprehensive of all the risks that the Company may face. There may be currently additional risks unknown to the Directors that are not mentioned in this section or which may be considered immaterial at present. However, such risks may develop in the future and have a material impact on the Company's operations.

If any of the risks outlined below, any other risks not identified by the Directors, or risks currently considered immaterial occur or become material, the Company's business, financial position, results of operations and/or future prospects may be materially and adversely affected. As a result, the Company may not be able to pay dividends, the price of the Shares may decrease, and investors may lose part or all of their investment in the Shares. As a result of such risks or other factors that may affect the Company's business, the forward-looking events and circumstances discussed in this Prospectus may not occur in the manner the Company and/or Directors expect, or at all. Accordingly, Subscribers should consider all forward-looking statements contained in this Prospectus in light of this interpretation. Subscribers should not place undue reliance on such statements without verifying them (for further details, please refer to the "**Forecasts and Forward-Looking Statements**" section on page (i), Section 11 ("**Declarations**") and Section 15 ("**The Company's Pre- and Post-Listing Undertakings**") of this Prospectus).

The Directors further confirm that, to the best of their knowledge and belief as of the date of this Prospectus, there are no other material risks besides those stated in this section, the non-disclosure of which may affect Subscribers' decisions to invest in the Offer Shares.

Subscription to the Offer Shares is suitable only for Subscribers who are able to assess the risks and advantages of such subscription and who have sufficient resources to bear any potential loss resulting therefrom. Any prospective Subscriber who has doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice regarding any subscription to the Offer Shares.

The risks set out below are not arranged in an order that reflects their importance or anticipated effect on the Group. Other risks that are unknown to the Company or risks which the Group currently considers to be immaterial may occur and have the same effects or consequences as those contained in this Prospectus. Accordingly, the risks described in this section or in any other section of this Prospectus do not purport to be: (a) a complete list of all risks which may affect the Company, its operations, activities, assets or the markets in which it operates; and/or (b) all the risks involved in investing in the Offer Shares.

2.1 Risks related to the Issuer's Operations and Activities

2.1.1 Risks related to Fluctuations in Financing Costs and Profit Rates

The Group's business relies on obtaining financing from commercial lending banks, while the profit margins earned from the awarded financing contracts depend primarily on the availability of liquidity with financiers and profit rates based on SAIBOR. The current assets, namely the financing portfolio that generates profits for the Company, achieve returns based on a fixed profit rate, while the liabilities imposing financing burdens on the Group are calculated based on a variable borrowing rate. The Group may be exposed to asset profit and borrowing rate mismatches due to different asset profit rates and borrowing rates, as well as the possibility that the maturity dates of such assets and liabilities may not coincide. The Group does not guarantee that it will be able to maintain its profitability rate by increasing the profit rates paid by its current customers in order to compensate for any potential increases in the borrowing rates paid by the Group on its future liabilities. As of 31 December 2023G, the Group had profit-bearing financial assets of SAR 1,867.4 million and financial liabilities with variable profit rates of SAR 945.4 million. A 1% (representing 100 basis points) increase/decrease in financing cost, assuming all other variables remain constant, would result in an approximate loss/gain of SAR 18.2 million in comprehensive income/loss due to the impact of the increase/decrease in financing cost on liabilities with variable interest rates. Any increases in the borrowing rate of financing granted to the Group, along with its inability to pass on such increases to its current customers by raising the gross profit rate, may result in the Group's inability to maintain the profitability rate of its financing products, thus resulting in lower profit margins on financing products. It is important to highlight that the recent surge in interest rates and the Group's inability to pass on such increase to the profit margin on customer loans has resulted in a substantial rise in the Issuer's expenses. This is due to the rise in financing cost from SAR 11.2 million to SAR 27.8 million as of 31 December 2022G, and further to SAR 63.2 million as of 31 December 2023G. Consequently, the borrowing rate (which represents the financing cost divided by the average monthly loans) witnessed an increase from 2.0% as of 31 December 2021G, to 3.8% as of 31 December 2022G, and further to 6.8% as of 31 December 2023G.

The Company does not guarantee that the Group will be able to benefit from any future decrease in the borrowing rates of financing counterparties, since it may have to reduce the profit margin for its new customers in turn, in order to align with the market. If any of these factors materialise, this would have an adverse effect on the Group's business, results of operations, financial position, and/or future prospects.

2.1.2 Risks related to the Allocation Mechanism for Expected Credit Losses

Tas'heel determines a provision for credit losses through a model created in cooperation with a consulting firm specialised in creating this type of model. This model works based on information and assumptions about the Company's financing portfolio, in line with the requirements of IFRS.

As part of Tas'heel's governance model, Tas'heel's Credit Risk Management Committee periodically reviews the Expected Credit Loss ("**ECL**") calculation model at least once annually. This review encompasses an assessment of the model's effectiveness and accuracy in predicting the portfolio's ECL based on the performance of loans in preceding periods. This practice is prevalent in the financing sector, enabling companies in the industry to adapt to economic and operational changes in the methodology of calculating ECL.

Tas'heel has made several substantial changes to its ECL model and the related assumptions in calculating ECL provisions for the periods ended 2022G and 2023G. A combination of factors has driven the need to update the credit loss calculation model, the most important of which are the expansion of the financing portfolio, greater access to historical data, the prevailing economic conditions (the impact of the COVID-19 pandemic and rising borrowing costs), and other changes to align with regulatory requirements (such as Tas'heel's modification of certain definitions in compliance with IFRS 9). This risk report provides details of the key changes made to the ECL calculation model and outlines their effect on the ECL provision and the Company's overall profitability.

One of the changes related to the methodology for calculating the Probability of Default (PD) involved identification of non-performing financing contracts that have progressed beyond Phase 1 and/or Phase 2 to Phase 3. Previously, due to data limitations, Tas'heel had adopted a unified PD calculation methodology for both Tawarruq and Murabaha portfolios. However, as of December 2023G, the Management has successfully developed separate PD calculation frameworks for each portfolio individually. Furthermore, another update has been made to the PD calculation methodology whereby the PD calculation has been updated such that the PD is now determined during the monitoring period (through the cycle) and not at the end of the monitoring period. This is in contrast to the previous practice where the PD was calculated by determining the default status at the end of the monitoring period (which extend for the next 12 months). This change has resulted in an increase in the PD across the different product portfolios since the updated calculation method identifies Phase 1 and/or Phase 2 contracts that have passed to Phase 3 during the entire cycle and not at a specific time (end of the monitoring period). This change has also led to an increase in the cure rate. As a result, the update to the PD is estimated to have increased credit loss provisions by approximately SAR 20.2 million, which led to a decrease in net profit by approximately SAR 18.1 million in the year ended 31 December 2023G, after accounting for Zakat expenses.

Prior to that, another change was made to the PD calculation methodology in the period ended 2022G. The calculation period was extended from four months to twelve months, resulting in an increase in the PD for Phase 1 and a decrease in PD for Phase 2. This change is estimated to have increased credit loss provisions by approximately SAR 3.1 million, leading to a decrease in net profit by approximately SAR 2.8 million for the year ended 31 December 2022G, after accounting for Zakat expenses.

Additionally, there was another change related to the Loss Given Default (LGD) for Murabaha and credit card portfolios. Previously, the Management had applied a rate of 45%, in line with Basel guidelines for portfolios lacking sufficient historical information in December 2022G. For FY 2023G, Management recalculated the cure rates based on the historical collection and default patterns of Murabaha and Tawarruq portfolios. Tawarruq cure rates were used to determine the LGD for Tawarruq and credit card portfolios, as these portfolios now have sufficient historical information for calculation. This resulted in a decline in LGD rates for Tawarruq and credit card portfolios, changing from 45.0%, 45.0%, and 28.8% to 29.2%, 32.5%, and 29.2% for Tawarruq, credit card, and Murabaha portfolios, respectively. It is worth noting that despite the availability of sufficient historical information regarding default trends, the Company's Management, in coordination with the Board's Risk and Credit Committee, still believes that the information related to the recovery rate is insufficient as of the year ended 31 December 2023G and will evaluate these rates in future reporting periods. In addition, the definition of non-performing loans (NPLs) has been revised to include loans past due for more than 90 days, as opposed to the previous definition of NPLs, which included loans past due for more than 180 days, leading to an increase in NPLs. This change resulted in a reduction of NPLs by approximately SAR 22.1 million in the expected credit loss provision, thereby contributing to an increase in net profit of around SAR 19.8 million for the year ended 31 December 2023G, after accounting for Zakat expenses.

In addition, Management has updated the macroeconomic variables employed in the model, replacing crude oil price factors and private sector unemployment statistics with real GDP (YoY change) and Government consumption (YoY change). This change resulted in an estimated decrease of approximately SAR 7.0 million in the expected credit loss provision, thereby contributing to an increase in net profit of SAR 6.3 million for the year ended 31 December 2023G, after accounting for Zakat expenses.

In addition, another change was made regarding Exposure at Default (EAD) for Phase 3 non-performing loans. Management assumed a fixed exposure level throughout the contract term, which led to an increase in expected credit losses. Since September 2023G, the Company has begun to amortize EAD over the remaining contract term. Additionally, Management transitioned from including the outstanding loan principal and all accrued interest to instead including the outstanding loan principal and past due interest. This resulted in a reduction in EAD and consequently a decrease in expected credit loss provision. This change resulted in an estimated decrease of approximately SAR 6.4 million in the expected credit loss provision, thereby contributing to an increase in net profit of approximately SAR 5.8 million for the year ended 31 December 2023G, after accounting for Zakat expenses.

Additionally, the definition of Phase 1 non-performing loans has been revised by lowering the delinquency threshold from more than 30 days to more than 29 days. This change resulted in an increase in the expected credit loss provision, estimated at approximately SAR 3.1 million, leading to a decrease in net profit of approximately SAR 2.7 million in the year ended 31 December 2023G, after accounting for Zakat expenses. Management has also revised its approach to assessing customers with multiple exposures. This involved reclassifying and consolidating their various exposures to the highest level of risk currently associated with each customer. This resulted in an increase in credit loss provision of approximately SAR 3.6 million, leading to a decrease in net profit of approximately SAR 3.3 million for the year ended 31 December 2023G, after accounting for Zakat expenses.

The estimated aggregate impact of the aforementioned changes on credit loss provisions was an increase of approximately SAR 3.1 million, thereby contributing to a decrease in net profit of approximately SAR 2.8 million for the year ended 31 December 2022G, after accounting for Zakat expenses. For the year ended 31 December 2023G, the estimated aggregate impact of the relevant changes on credit loss was a decrease of approximately SAR 10.1 million, leading to an increase in net profit of approximately SAR 9.1 million for the same period, after accounting for Zakat expenses. Therefore, if it is assumed that the changes mentioned above in this risk had not been applied during 2022G and 2023G, the growth rate of the Company's net profit in 2022G and 2023G would be estimated at approximately 51% and 4%, respectively, compared to the actual growth rates of 49% and 10%, respectively.

It should be noted that the Company has not appointed an independent advisor to verify the ECL calculation model since it was prepared by the Company and its Advisor up to August 2024. After which, the Independent Advisor was appointed in August 2024 to verify the ECL calculation model in line with the IFRS 9 requirements. Such verification did not yield any remarks on the model's validity and compliance with the IFRS 9 requirements.

For further details, please refer to the paragraph on key changes in the measurement of expected credit losses under Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**").

2.1.3 Risks related to Litigation

As the Group operates in the finance sector, it is exposed to being a party to litigation in the ordinary course of its business. As of 29 April 2024G, there were 11 pending claims against the Company, with a total value of SAR 137,811. As of 31 December 2023G, the Company initiated 7,733 enforcement claims against defaulting customers to recover outstanding debt. These claims amounted to a total of SAR 295.2 million, with individual claim values ranging from SAR 4,777 to SAR 362,915. The Group pursues these claims promptly upon customer default. If the Group fails to recover all the outstanding amounts or a portion thereof under these claims, this may have a material adverse effect on its business, financial position, results of operations and/or future prospects. It is worth noting that if the age of debts (days overdue) exceeds 450 days, the Company writes off those debts against the provisions made for those contracts in accordance with SAMA's relevant requirements. The total value of written-off contracts amounted to SAR 126.2 million (representing 3,520 cases). Apart from the written-off amounts, the Company's records show 4,213 outstanding cases with a total value of enforcement claims amounting to SAR 169.0 million, offset by ECL provisions of SAR 23.2 million as of 31 December 2023G (which represented SAR 39.6 million before adjustments to the ECL model as of 31 December 2023G). The ECL provisions of SAR 23.2 million represent 13.7% (23.5% of the value of claims minus the unearned profit margin in the Company's records of SAR 70.4 million) of the total amount of non-written-off claims according to the outputs of the expected loss calculation model, which was prepared based on the Company's historical performance in terms of its success in collecting overdue amounts. If the Issuer is unable to collect the value of the outstanding amounts that have not been written off (i.e., days overdue has not reached 450 days), for which no provision has been made and which amount to SAR 145.8 million, then it will be necessary to make a larger provision of SAR 75.4 million (the value of claims minus the unearned profit margin in the Company's records of SAR 70.4 million) against those amounts. This will have a direct impact on the Company's expenses and net profits and will therefore have a material adverse effect on the Issuer's business, financial position, results of operations and/or future prospects. (For further details regarding lawsuits, please refer to Section 12.10 ("**Lawsuits, Claims and Legal Proceedings**") of this Prospectus.)

In the future, the Group may enter into lawsuits which fall outside the scope of its ordinary business. If the Company is exposed to judicial or quasi-judicial action pursuant to which a judgement or set of judgements that are not in the interest of the Group are issued, and such judgement or combined set of judgements involve large compensatory amounts, or compensatory amounts that exceed the limits of the Group's due liability, this may have an adverse effect on the Group's business, financial position, results of operations and/or future prospects. In addition, regardless of the outcome of any lawsuits or judicial or quasi-judicial proceedings to which the Group may be a party, such lawsuits and proceedings could result in significant costs being incurred by the Group and/or the allocation of significant human resources in order to defend against them, which would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects. (For further details regarding lawsuits, please refer to Section 12.10 ("**Lawsuits, Claims and Legal Proceedings**") of this Prospectus.)

2.1.4 Risks related to the Group's Strategy to Expand its Customer Base

The Group's business expansion strategy is driven by various factors, including a continuous evaluation and refinement of its customer financing application acceptance policies. In line with this strategy, the Company has implemented several policies aimed at enhancing and expanding its customer base through: (1) raising the maximum limit of financing granted to customers, (2) modifying age, salary, and years of service eligibility criteria, and (3) relaxing internal restrictions on the proportion of expatriate customers at Tas'heel, potentially increasing both profitability and risk within Tas'heel's financing portfolio.

In 2022G, Tas'heel lowered the minimum customer age requirement from 23 to 21 years old, reduced the minimum customer salary requirement from SAR 15,000 to SAR 8,000, and relaxed internal restrictions on the proportion of expatriate customers at Tas'heel from 25% to 35%. These changes resulted in an increase in the share of higher-risk customers in the outstanding financing principal balance from SAR 315.2 million, representing 26.3% as of the financial year ended 2021G, to SAR 594.9 million, representing 31.7% of the total outstanding financing principal balance as of the financial year ended 2023G, primarily driven by the relaxation of eligibility criteria. This, in turn, contributed to an increase in the percentage of non-performing financing contracts from 4.1% to 5.6% and 8.7% of Tas'heel's total financing portfolio for the financial years ended 2021G, 2022G, and 2023G, respectively. The implementation of these policies could potentially elevate the risk profile of Tas'heel's clientele. The anticipated rise in the share of high-risk customers is expected to have an adverse impact on certain elements employed in the ECL allocation mechanism. These elements include an upsurge in the probability of default and an increase in the LGD. Consequently, this will lead to an increase in the total ECL provision and, as a result, a decline in the Company's profitability. If the Group fails to adequately manage the risks associated with this segment of customers (i.e., customers with relatively lower incomes and low credit ratings with SIMAH) or if the overall risk profile of Tas'heel's financing portfolio intensifies, this could result in an increase in the volume of non-performing loans in the future, which could, in turn, lead to a rise in the value of non-performing financing contracts (for further details regarding the risks associated with non-performing loans, please refer to Section 2.1.9 ("**Risks related to Credit, Default and Collection**"). In the event that the Group is unable to recover the outstanding amounts under these contracts, this would have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.1.5 Risks related to the Concentration of the Issuer's Revenue Mainly from Tas'heel

The Issuer's revenues are mainly centred on the operations of Tas'heel, as the revenue of Tas'heel represented 100%, 100% and 100% of the Issuer's revenue in the financial years 2021G, 2022G and 2023G, respectively, constituting 99%, 100% and 100% of the Issuer's net profits in the financial years 2021G, 2022G and 2023G, respectively. Therefore, any negative changes that occur to the revenue, operations or profits of Tas'heel, or its ability to continue its business, will in turn result in a significant decline in the revenue and profits of the Issuer, which would have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.1.6 Risks related to the Concentration of the Group's Business on Providing Credit Products to Individual Customers of eXtra

Murabaha financing represented 29.8%, 25.3%, and 14.7% of the Company's total financing portfolio for the financial years ended 2021G, 2022G and 2023G, respectively. The Company's Murabaha financing business involves providing financing for products and services that are provided through its network of more than forty-eight (48) strategic partners as of 31 December 2023G (for further *details regarding the* Group's presence at the retail locations of its partners, please refer to Figure 2 (" **Cities Where the Group Operates**") of this Prospectus.) eXtra customers constituted 97.1%, 96.5%, and 96.6% of the total Murabaha financing portfolio as of the financial years ended 2021G, 2022G and 2023G, respectively (i.e., 28.9%, 24.4% and 14.2% of the Company's total financing portfolio for the same periods). In contrast, eXtra does not directly contribute to the Issuer's Tawarruq portfolio. This is because such portfolio comprises cash loans available to customers through the mobile app, the website, and Tas'heel's points of sale at partner locations. The demand of eXtra customers for credit products provided by the Group may decrease and the profits earned may decline as a result of several factors, including, but not limited to, changes in the choices and financial positions of customers, the availability of competing products, or a decrease in the number of eXtra customers. A decrease in demand for such products or profits earned would have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.1.7 Risks related to the Group's Reliance on Financing Agreements linked to eXtra

The Group's business depends on credit facilities from financing banks, including sub-facilities available to it on an exclusive basis under a commercial facility and financing agreement granted by Riyad Bank to its Substantial Shareholder, eXtra. The financing limit granted under this agreement is SAR 400,000,000, out of total facilities amounting to SAR 1,650,000,000 as of 31 May 2024G. The Company has obtained Riyadh Bank's approval to enter into an independent facilities agreement with Tas'heel (under the same terms, conditions, and pricing for existing facilities). Therefore, Tas'heel's sub-credit limit will be removed from the commercial financing and facility agreement concluded between Riyadh Bank and eXtra. However, if Tas'heel is unable to conclude a separate facilities agreement with Riyad Bank, the Group may be exposed to financing risks related to its inability to guarantee eXtra's commitment to the terms of the financing agreements. Furthermore, Tas'heel is subject to restrictions and abides by certain financial undertakings under the existing financing agreements, including, but not limited to, depositing a certain percentage of the proceeds of Tas'heel's financing portfolio in its account with the Saudi Awwal Bank, notifying the respective bank of any potential changes in its legal form prior to implementing such change and obtaining its prior consent therefor, as well as maintaining a certain ratio of earnings before financing costs, taxes, and depreciation to debt service (for further details regarding the restrictions and obligations associated with the financing agreements, please refer to Section 12.4.12 ("**Financing Agreements**") of this Prospectus.) In the event that eXtra or Tas'heel breaches the conditions and undertakings stipulated in these financing agreements, the relevant financier could terminate the financing agreement and accelerate the repayment of all amounts due thereunder, which may be announced by the financier as due and payable immediately. In such case, the Group may face difficulties in obtaining alternative financing sources to refinance or repay the utilised financing amounts, which would have a material adverse effect on the Group's business, operations, financial position and/or future prospects. Additionally, if eXtra or Tas'heel fails to renew the existing financing contracts related to the Group, the Group may not guarantee its ability to obtain additional or alternative financing on acceptable terms or in a timely manner, or it may be unable to obtain such additional or alternative financing at all. This could have a material adverse impact on the Group's ability to fulfil its obligations, which in turn would have an adverse effect on its business, results of operations, financial position and/or future prospects as a result. The Company may be subject to additional restrictions in future financing agreements, which may limit its ability to distribute dividends.

It should be noted that the agreements entered into between Tas'heel, Saudi Awwal Bank, Alinma Bank and Alrajhi Bank contain guarantees provided by eXtra. In addition, the facilities agreement concluded between Riyadh Bank and eXtra contains guarantees provided by eXtra regarding the sub-limit granted to Tas'heel. Tas'heel has obtained written consent from all of the aforementioned banks (including Riyadh Bank) to cancel these guarantees in the event that the Offering is completed (for further details regarding such guarantees, please refer to Section 12.4.12 ("**Financing Agreements**") of this Prospectus). If eXtra fails to comply with the requirements of these guarantees before they are revoked, either of the financing parties may assert that the financed amounts are due and payable immediately, which would have a material adverse impact on the Group's ability to fulfil its obligations. This, in turn, would have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

A number of the provisions of these agreements oblige Tas'heel (or eXtra on behalf of Tas'heel) to notify the financing banks and obtain the necessary approvals therefrom prior to making any changes to the ownership or legal form of Tas'heel. In view of the significance of these agreements for Tas'heel's operations, Tas'heel has obtained the required approvals from all of its financing counterparties for the Offering.

2.1.8 Risks related to the Significant Concentration of the Group's Business in the Non-Banking Finance Sector in the Kingdom

Pursuant to the licence granted by the Saudi Central Bank, the Group's operations are focused exclusively on the non-banking finance sector inside the KSA and it has no activities abroad. Accordingly, the Group is subject to the Finance Companies Control Law issued by the Saudi Central Bank, since its revenues are generated entirely from customers located within the Kingdom, citizens and expatriate residents alike. Accordingly, the risk of investing in the Group is high compared to investing in another company that owns or operates a range of businesses over several sectors and countries. In the event of any disruption in the finance market or general economic conditions of the Kingdom or in the global economic conditions in general, such risks may lead to a decrease in the revenue and profits of the Group and its business, which would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

2.1.9 Risks related to Credit, Default and Collection

The Group is exposed to the risk that its customers will not commit to paying the financing amounts they owe to Tas'heel. Furthermore, Tas'heel may be unable to obtain the amounts guaranteed under the promissory notes provided to its guarantees for the repayment of the financing and collection of its dues. Tas'heel's performance, revenues and profits depend on the financial solvency of its customers (consisting mainly of individual and credit card customers) and the stability of their credit status. It should be noted that Tas'heel does not periodically assess the credit status of customers after granting and disbursing financing amounts to them, as the financing extended to them. Moreover, Tas'heel does not monitor the actual use of the financing amount once granted, which limits its ability to accurately classify its finance portfolio. Consequently, Tas'heel does not take any enforcement actions unless customers fail to meet their obligations. This increases the possibility of default by customers, which would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

Non-performing financing contracts represented 4.1%, 5.6% and 8.7% of Tas'heel's total financing portfolio for the financial years ended 2021G, 2022G and 2023G, respectively (for further details on the percentage of non-performing financing contracts, please refer to Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus). This was alongside an increase in revenue from the Group's Islamic financing contracts by 38.6%, from SAR 300.9 million in 2021G to SAR 417.0 million in 2022G, and by 25.6%, from SAR 417.0 million in 2022G to SAR 523.9 million in 2023G. Non-performing financing contracts represented 4.0%, 5.8% and 7.8% of Tas'heel's total Tawarruq portfolio for the financial years ended 2021G, 2022G and 2023G, respectively (for further details on the percentage of non-performing financing contracts and the Group's profitability, please see Table 6.2 ("**The Group's KPIs**") of this Prospectus). There is no guarantee that the percentage of non-performing financing contracts will not increase in the future. Moreover, the Group does not guarantee that the profitability ratio will increase in proportion to any increase in the percentage of non-performing financing contracts.

It should be noted that the provision for credit losses may not be sufficient in the event that Tas'heel experiences an increase in credit losses. Such increase may arise from a number of factors that affect the financial solvency of customers, including, but not limited to, the loss of all or some sources of income, changes in incentives and allowances, reductions in salaries, or inflation, which would increase the risk of Tas'heel customers defaulting on bad debt and increase the provision for doubtful debts. Tas'heel may then have to resort to legal procedures and incur additional costs to collect outstanding debts owed by its customers, which would adversely affect the Group's revenue and profitability. Except for the promissory notes provided by Tas'heel's customers, no funded guarantees are provided by its customers. Therefore, the Group does not guarantee that it will be able to collect such debts in whole or even in part (for further details, please refer to Section 12.10 ("**Lawsuits, Claims and Legal Proceedings**") of this Prospectus), since the promissory notes obtained by Tas'heel when granting financing are considered unfunded guarantees (for further details on the promissory notes, please refer to Section 2.1.12 ("**Risks related to Unsecured Financing Contracts**") of this Prospectus). Any adverse developments in the Kingdom's economy in general, particularly in relation to the cost of financing, increased unemployment, high inflation or decreases in employee salaries, may lead to increased payment delays, resulting in increased losses, which in turn will have an adverse effect on the Group's business, results of operations, financial position and/or future prospects (please refer to Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**"), (Table 6-31), (Table 6-32) and (Table 6-33) of this Prospectus.)

It should be noted that Tas'heel has made several changes to its ECL model and the related assumptions in calculating ECL provisions for the period between December 2022G and December 2023G. For further details, please refer to Section 2.1.2 ("**Risks related to the Allocation Mechanism for Expected Credit Losses**") of this Prospectus.

2.1.10 Risks related to the Accuracy and Completeness of Information Regarding Current and Future Customers

Tas'heel's customer credit reference history is relatively limited. Tas'heel relies on the accuracy and completeness of customer information regarding certain key elements for credit assessment and risk management. When making a decision with respect to approving the granting of financing or contracting with current or future customers, Tas'heel relies on the information and documentation provided by its current or future customers, in addition to the credit information provided by specialised companies such as the Saudi Credit Bureau (SIMAH) and other companies specialised in credit application evaluation systems. Tas'heel also adopts "**Know Your Customer (KYC)**" policies and procedures in compliance with anti-money laundering ("**AML**") and countering the financing of terrorism ("**CFT**") laws applied by competent authorities such as the Saudi Central Bank. The KYC procedures are initiated by customers filling out identification forms before financing is granted through the employees of Tas'heel or through Tas'heel's digital platform, which enables customers to complete the identification form digitally. Tas'heel also has an AML/CFT system that identifies risks and classifies customers accordingly. Tas'heel may also rely on representations made by current and future customers. If the KYC procedures are not applied, this will result in Tas'heel's non-compliance with requirements under AML and CFT laws, which may give rise to the Saudi Central Bank imposing sanctions or fines, leading in turn to a material adverse effect on Tas'heel's business, results of operations, financial position and/or future prospects. In addition, if any of the information and/or documentation provided is inaccurate (whether intentionally or otherwise) and Tas'heel does not discover such inaccuracies prior to approving the financing or prior to disbursement of the financing amount, Tas'heel could then be exposed to the risk of loss arising from the inaccuracy of such information. The audit procedures and controls established by Tas'heel in this regard may not lead to the discovery of all inaccurate information and/or documentation provided by its current and future clients or provided by individuals on their behalf. Any inaccurate information and/or documentation will have an adverse effect the Group's business, results of operations, financial position and/or future prospects.

2.1.11 Risks related to the Concentration of Revenue Generated from Tawarruq Financing Compared to Other Products

Tas'heel's business is mainly centred on providing Tawarruq financing to its customers. Revenue generated by the Tawarruq financing portfolio constituted 59.9%, 64.8% and 72.2% of the Issuer's total revenue for the financial years ended 2021G, 2022G and 2023G, respectively. Demand for and profits from Tas'heel's Tawarruq products may decrease as a result of various factors, including demographic changes, changes in customer choices and needs, and regulatory or competitive restrictions that may, among other things, affect the prices of such products or limit customer access or demand, which would have a material adverse impact on the Group's business, financial position, results of operations and/or future prospects.

2.1.12 Risks related to Unsecured Financing Contracts

Except for the promissory notes provided by Tas'heel's customers as a guarantee for financing contracts granted to them, Tas'heel does not obtain any further guarantees in connection with the financing products it offers (unsecured financing contracts). Therefore, if Tas'heel fails to enforce the promissory notes provided by customers, if there is a change in the legal mechanisms granted to the enforcement judges such as seizure, suspension of services, travel bans and other means for enforcing the guarantees provided by customers, if there are any future changes to the legal procedures for submitting promissory notes, or if Tas'heel does not file the promissory notes with the courts within the required timeframe and they expire, Tas'heel may be unable to recover the amounts due. This in turn would have a material and adverse effect on the Group's business, results of operations, financial position and/or future prospects. Tas'heel also remains exposed to the risk of potential defaults and failure to enforce the promissory notes, which would lead to an increase in bad debt.

In this regard, non-performing financing contracts represented 4.1%, 5.6% and 8.7% of Tas'heel's total financing portfolio for the financial years ended 2021G, 2022G and 2023G, respectively. In addition, there is no guarantee that Tas'heel's control and risk management procedures will enable it to accurately predict the income levels of its individual customers or set aside sufficient additional provisions to fully cover future losses. Any increase in payment defaults on outstanding amounts under unsecured financing contracts will result in an increase in the percentage of non-performing financing contracts. This will require Tas'heel to set aside sufficient additional provisions therefor, which will have an adverse effect on the Group's future business, financial position and results of operations.

2.1.13 Risks related to the Nature of the Finance Market

The Group's operations rely on obtaining facilities from commercial lending banks. Therefore, the Group's operations may be affected by the risk of deterioration in the financial position of financial institutions and commercial banks in general, given the close connection between the financial and commercial stability of financial institutions. As a result, the risks associated with the stability or default of one or a number of banks, or their exposure to issues and liquidity risks, or their incurrence of losses, could trigger liquidity issues at the broader market level, which may have an adverse effect on the financial institutions and commercial banks with which the Group deals. Any increase in such risks will have a material adverse effect on the Group's ability to obtain financing, which in turn will affect its business, financial position, results of operations and/or future prospects.

2.1.14 Risks related to Early Repayment

The Group's operations face the risk of early repayment by its customers, arising from the potential for customers to repay the facilities granted to them prior to the expiration of the agreed-upon facility term. Customers make early repayments in various cases, including securing alternative financial resources that allow them to repay the facilities granted to them early or obtaining facilities from other financers with lower profit margins. Early repayments on a monthly average basis accounted for 1.7%, 1.3% and 1.2% of Tas'heel's total Tawarruq portfolio for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. Additionally, early repayments on a monthly average basis accounted for 1.9%, 1.7% and 1.6% of Tas'heel's total Murabaha portfolio for the financial years ended 31 December 2021G, 2022G and 2023G, respectively. Early repayments may lead to a decline in the Group's total income arising from the profit margins due from the relevant customers over the term of the financing asset granted. Early repayments may also impact the Group's liquidity management capabilities, which in turn would have an adverse effect on its business, results of operations, financial position and/or future prospects.

2.1.15 Risks related to IT Infrastructure, Cyberattacks and Data Protection

Tas'heel receives and approves financing requests and communicates with its customers via its digital platform. Accordingly, the success of the Group and its operations significantly depends on its IT systems, the technologies used in its operations, and its ability to deal with and process a large number of financing transactions efficiently, accurately and without any errors. The Group also relies heavily on financial, accounting and other data processing systems. The infrastructure of the Company's key service providers may be affected by natural disasters, viruses, technical failures, human error and cyberattacks, among other factors. Any fault in the Group's infrastructure due to the failure of the Company's cyber defences, negligence, intentional misconduct, or any other reasons, may cause a material disruption in the Group's business, which could result in the loss or mismanagement of data or personal information belonging to the Group's customers, or legal or contractual violations. This may result in damage repair costs, including penalties and damage repair costs, or consequences affecting the Company's reputation. In general, any failure in the Company's information systems or the occurrence of any incident that exposes the Company to cyberattacks could lead to a complete or partial failure of the systems used by the Company, which may hinder the Company's business and operations. The occurrence of any of the above would have a material adverse effect on the Company's business, results of operations, financial position and/or future prospects.

Although the Group has backup systems and other business continuity measures, it cannot guarantee that its IT systems or those of its third party service providers or credit card and cyber service partners will continue to operate without failure or will prove adequate when necessary, or that such systems will not be subject to electronic attacks that could infiltrate the Group's IT systems and thus affect the security and safety thereof.

In addition, all financial institutions must adopt set rules for managing cybersecurity risks within the financial services sector, in compliance with the requirements of the Saudi Central Bank. Although the Group is in compliance with the mandatory requirements of these rules as of the date of this Prospectus, there is no guarantee that the Group will be able to continue to comply with the other requirements under such rules. This could affect the future of the Group's licence issued by the Saudi Central Bank or expose it to penalties as a result of its failure to comply with such requirements, which in turn would have an adverse effect on its operations (for further details, please refer to Section 2.1.18 ("**Risks related to the Group's Failure to Obtain and Renew the Necessary Licences, Permits and Certifications**") of this Prospectus).

2.1.16 Risks related to the Continuous Implementation of Improvements and Updates to Operational Infrastructure and IT within the Financial Services Sector

The financial services sector is characterised by continuous improvements in operating infrastructure and information technology, including changes in usage, customer requirements and choices, the frequent introduction of new products and services using new technologies, and the emergence of new standards and practices, which may render the technologies and systems used by the Group obsolete or less effective. There is no guarantee that the Group will be able to anticipate and respond to demand for new services and technologies in a timely and cost-effective manner, or that it will be able to adapt its infrastructure to changing technical developments and standards. The Group's failure to do so will adversely affect its business, results of operations, financial position and/or future prospects.

2.1.17 Risks related to Customer Data Protection and Privacy Regulations

The Group collects and processes personal data (including names, addresses, ages and other personal data) provided by its customers in the course of its business. Therefore, the Group must comply with the relevant data protection and privacy regulations and applicable industry standards, including data protection requirements in the Kingdom. These regulations and standards impose certain requirements on the Group relating to the collection, use, processing and storage of such personal data. The Group may also provide personal customer data to certain third parties after obtaining the approval of the Saudi Central Bank and SDAIA (if required) to share such data with third parties. Moreover, the Group contracts with service providers within the Kingdom and abroad to carry out certain works, including administrative processes related to operational issues in connection with the public and risk management, such as the provision of services in relation to IT operations, underwriting, call centres, and customer service.

Pursuant to Royal Decree No. M/19, dated 09/02/1443H (corresponding to 16/09/2021G) and its amendments, the provisions of the Personal Data Protection Law apply to any processing of the personal data of citizens and residents in the Kingdom by any means. The Personal Data Protection Law includes a number of requirements protecting the rights of personal data subjects, which must be applied by the Group. It should be noted that the Personal Data Protection Law entered into force on 29/02/1445H (corresponding to 14/09/2023G). Compliance with these laws may lead to an increase in costs due to the changes required by the law and due to the imposition of new restrictions or controls on the Group's business models and the development of new administrative processes. Such laws, conditions and regulations may also impose further restrictions on the Group's collection, disclosure and use of personal data in one or more of its databases.

If the Group or any of the service providers it contracts with to carry out the work assigned to them fails to comply with any of the regulations applicable to the Group, this will result in the imposition of regulatory sanctions on the Group, including the cancellation or limitation of the Group's licence(s) provided by the Saudi Central Bank and/or its liability for violation of data protection regulations. These sanctions would have an adverse effect on the Group's reputation, business, results of operations, financial position and/or future prospects.

2.1.18 Risks related to the Group's Failure to Obtain and Renew the Necessary Licences, Permits and Certifications

The Group must obtain and maintain the necessary permits, licences and regulatory approvals from the relevant Government entities in order to carry out its business operations and activities. Such permits, licences and approvals include, but are not limited to, the licence from the Saudi Central Bank, the commercial registration certificates of the Company and its Subsidiaries issued by the Ministry of Commerce and the Ministry of Commerce and Industry in Bahrain, certificates of membership with the relevant chambers of commerce, certificates of registration of trademarks and Saudization, certificates of the General Organisation for Social Insurance ("**GOSI**"), and licences from the Central Bank of Bahrain (in respect of Procco), in connection with the conduct of the Group's business. The validity of these licences and permits must be maintained at all times to ensure the continued operation of the Group (for further details, please refer to Section 12 ("**Legal Information**") and Table 12.3 ("**Material Government Approvals, Licences and Certificates**") of this Prospectus).

If the Group fails to comply with the terms of its licences and permits, or is unable to obtain the necessary licences for its operations or renew such licences immediately, or if any of its licences expire, are suspended or renewed under non-preferential terms for the Group, or if the Group fails to obtain additional licences required in the future, the Group will be forced to suspend its business in whole or in part, or will be subject to penalties imposed by the competent Government authorities, which will have a material adverse effect on the Group's operations, financial position and/or future prospects (for further details, please refer to Section 12.3.2 ("**Material Government Approvals, Licences and Certificates**") of this Prospectus).

2.1.19 Risks related to Compliance with the Laws and Regulations Governing the Group's Business

Tas'heel's operations are subject to the laws and regulations issued by the Saudi Central Bank, in addition to other relevant regulations applicable in the Kingdom and Bahrain, including the Companies Law, the Labour Law and the Zakat Law, which impose strict standards that the Group must adhere to on an ongoing basis. This may cause the Group to incur high costs in order to comply with such laws and regulations. Moreover, compliance with these standards may require additional capex or the Group may be forced to make adjustments to its operations, which in turn would cause the Group to incur additional expenses in connection with making such changes. Furthermore, failure to comply with the requirements of such laws and regulations may result in the imposition of penalties and sanctions against the Group, withdrawal of the relevant licences, suspension of the Group's operations, or exposure of the Group to lawsuits by third parties, which would have an adverse effect on its business. By way of example, in 2023G, the Saudi Central Bank ("**SAMA**") levied 21 violations and a total fine of SAR 305,000 against Tas'heel for non-compliance with specific SAMA directives. These violations were identified during a SAMA inspection conducted on 26 February 2023G. The violations included, but were not limited to, the absence of an annual schedule for Board meetings, the improper preparation of minutes for the financial year ended 31 December 2022G, the lack of certain internal policies (such as social responsibility policies), and failure to update the risk management policy since 2021G. In 2022G, SAMA imposed a total fine of SAR 70,000 against Tas'heel for two violations of regulatory directives and one violation related to consumer protection. In 2021G, SAMA levied violations against Tas'heel without imposing fines. These violations involved the accuracy of reports submitted to SIMAH, failure to prepare an annual audit report, deficiencies in the compliance program, and a surge in the number of customer complaints against Tas'heel with SAMA relative to the number of complaints filed directly with Tas'heel by customers. Between 2021G and 2022G, the Ministry of Labour imposed nine (9) penalties against Tas'heel ranging from one thousand Saudi Riyals (SAR 1,000) to twenty thousand Saudi Riyals (SAR 20,000) with a total value of eighty-seven thousand Saudi Riyals (SAR 87,000) (for further details, please refer to Table 12.15 of Section 12 ("**Legal Information**") and Table 12.13 of this Prospectus.)

2.1.20 Risks related to Zakat and Tax Dues

The Zakat Regulations issued pursuant to Ministerial Resolution No. 2216, dated 07/07/1440H (corresponding to 13 March 2019G), which are applicable as of the year commencing 1 January 2019G onwards, state that a company located in the Kingdom shall be subject to the provisions of the Regulations if it engages in an activity related to (1) shares of Saudi partners and those accorded similar treatment as GCC nationals, and (2) shares listed on the Saudi Stock Exchange by non-founders (and those who replace them in accordance with the Articles of Association or statutory documents), as well as shares of Saudi Government agencies and authorities. Accordingly, the Issuer is subject to Zakat due to its Shareholders since its establishment, as it is ultimately owned by eXtra. After its initial public offering, the Issuer will remain subject to Zakat since it is registered for Zakat purposes only and not for VAT purposes. Accordingly, the Issuer has submitted its Zakat declarations since its establishment, which were submitted on a consolidated basis with eXtra. The Issuer's activities are those of a holding company and do not meet the registration requirements for VAT purposes. Since the Issuer has not made any payments to persons outside the Kingdom, it has not submitted any withholding tax returns to ZATCA. It should be noted that ZATCA has not issued any Zakat or withholding tax returns for the Issuer since its inception.

Moreover, Procco is a resident and taxable company in the Kingdom as it is managed and controlled from within the Kingdom. As it is owned by eXtra, it is also subject to Zakat and currently provides a unified Zakat return with eXtra. It should be noted that Procco Company is not registered for VAT purposes in the Kingdom and has not filed withholding tax returns. As a company resident in the Kingdom for Zakat and tax purposes, being managed and controlled by a Saudi company, Procco may be subject to withholding tax and VAT in the Kingdom.

ZATCA's non-binding ruling approving Procco's registration as a resident company in the Kingdom for Zakat and tax purposes was based on the file submitted by Procco for the financial year ended 2021G, which demonstrates that Procco is managed and controlled from within the Kingdom by ZATCA. Given the potential for the underlying facts to change, the ruling issued may be subject to modification at any time subsequent to any alterations made by ZATCA.

On the other hand, the Rules for Calculating Zakat on Financing Activities issued pursuant to Ministerial Resolution No. 2215, dated 07/07/1440H (corresponding to 13 March 2019G), which are applicable to the years commencing from 1 January 2019G onwards, stipulate that a Zakat payer carrying out financing activities shall be subject to the provisions and Rules of Calculating Zakat on Financing Activities, where such activities are licensed by the Saudi Central Bank. Therefore, Tas'heel is subject to Zakat as per Ministerial Resolution No. 2215. Accordingly, Tas'heel has submitted its Zakat and withholding tax returns as required since its establishment. For VAT purposes, the Company submits a consolidated return with eXtra and has likewise filed VAT returns since its establishment. Notably, the disclosure form for contracts concluded between Tas'heel and service providers was not presented to ZATCA for any of the audit years. This omission could potentially lead to future penalties against the Company in the event that service providers fail to adhere to ZATCA's rules stipulated in the agreements with Tas'heel.

However, ZATCA has not issued any Zakat or withholding tax assessments to Tas'heel since its establishment. There remains a risk that ZATCA may revert to any of the previous years since its establishment and challenge the returns made, which may require the Company to pay additional amounts equivalent to the Zakat differences pertaining to any of the preceding years. It should be noted that if ZATCA challenges the returns submitted by the Issuer and its subsidiaries, the Issuer and its subsidiaries will be required to bear those differences, which could have an adverse effect on the Company's activity, results of operations, financial position and/or future prospects and therefore the Company's Share price.

2.1.21 Risks related to Risk Management Policies and Procedures

The Group is exposed to numerous risks associated with the nature of its business, namely providing financing to consumers. As such, the Group may incur losses in the ordinary course of its business and must balance the risks it takes with the returns set aside from its operations through risk management. The Group has developed and updated risk management strategies and procedures for its business, which include credit risk, asset and liability management risk, market risk and operational risk. Risk management policies rely on monitoring the historical behaviour of the market to predict the future direction, as well as monitoring economic variables in order to calculate the best- and worst-case scenarios that may occur to enable the Group to develop its strategic plan, budget and annual business plan. In the event that these policies fail to accurately predict the future risks the Group may face, if such risks exceed expectations or if the nature of such risks changes, the Group may not achieve its strategic objectives, which may cause the Group to incur losses or lead to a decrease in its profits. This in turn would have a material adverse effect on the Group's financial position and results of operations.

The information on which the Group bases its preparation of risk policies may not be accurate, complete, up-to-date or properly evaluated. Moreover, the Group's policies, procedures and internal controls may not be effective in predicting all potential risks at all times, which may result in the Group having insufficient information to accurately assess and mitigate its exposure to certain risks. As a result, if the Group is exposed to unknown risks, this would have a material adverse effect on its financial position and results of operations.

2.1.22 Risks related to New Products

The success of the Group's strategy is partially dependent on its ability to develop and provide new financing products. In December 2023G, the Company introduced a new flexible financing product called "**Baseeta**" (for further details regarding the Baseeta service, please refer to Section 4.1 of ("**Overview of the Company and Nature of its Business**") of this Prospectus). However, given the recent introduction of this product to the range of products and services offered by the Group, the Group does not guarantee the success of this product (or any other new product that the Group may offer to its customers in the future) which in turn may affect the Company's future business. Should the Company be unable to launch and sustain successful new competitive products, its ability to execute its expansion strategy would be compromised, which would have a material adverse effect on the Company, its business, results of operations, financial position and/or future prospects.

2.1.23 Risks related to the Group's Reliance on a Single Credit Card Provider

The Group began providing credit cards to its individual customers through Tas'heel in 2022G. Revenue from credit cards represented 0.12%, amounting to SAR 0.5 million, and 0.98%, amounting to SAR 5.15 million of the Issuer's total revenue for the financial years ended 2022G and 2023G, respectively. Tas'heel has entered into a series of agreements with Mastercard (the "**Mastercard Agreement**") pursuant to which the Company issues credit cards compliant with the Sharia standards approved by Tas'heel's Sharia committee bearing the Mastercard name and logo. The term of these agreements ranges from one (1) to ten (10) years. These agreements grant Tas'heel the right to use the Mastercard's trademark in the management of its credit card products and credit card technical support. As of the date of this Prospectus, Tas'heel relies exclusively on Mastercard for the provision of credit card services and has no other agreements with other credit card providers. It should be noted that the Mastercard Agreement allows Mastercard to terminate the Agreement upon thirty (30) days' written notice. In the event that the Mastercard Agreement is not renewed or is terminated by Mastercard, the term of the credit cards issued under the Mastercard Agreement will also be terminated. If the Company fails to conclude a new contract with another credit card provider in a timely manner, the Company will be forced to cease providing credit card services to its customers (for further details, please refer to Subsections 12.4.1 and 12.4.1.3 under Section 12 ("**Legal Information**") of this Prospectus).

In such case, the Company may be exposed to liability towards its customers and loss of revenue earned from this product, which would have a material adverse effect on the Company, its business, results of operations, financial position and/or future prospects.

2.1.24 Risks related to the Group's Failure to Successfully Execute Future Business Strategies on Time, or at all

The future performance of the Group relies on its ability to execute its long-term strategy and business plan. Additionally, the Group's success in implementing growth strategies and expansion plans depends on its ability to attract a larger customer base through an advanced risk management policy, expanding its geographical reach through new agreements with strategic partners, expanding the business of eXtra and providing a swift and seamless digital experience. The Group may be unable to successfully implement its business plan in order to achieve such strategy due to factors beyond its control, such as the state of the general economy, oil prices, the cost of financing, regulatory changes, or failure to obtain approvals from the required regulatory authorities (including the Saudi Central Bank), among other factors. It is also possible that the Group may not be able to profitably achieve target growth in its business. These factors would have an adverse effect on the Group's commercial success, as well as its business, financial position, results of operations and/or future prospects. There is no assurance that the Group's employees or its existing systems, procedures and controls will prove adequate in supporting future expansion and sustained growth. Moreover, there is no guarantee that the Group will be able to obtain the necessary approvals for future growth plans in a timely manner, or at all. Furthermore, the introduction of new products and services in areas where the Group lacks sufficient experience may result in errors and thus have an adverse impact on the expansion plans and the successful introduction of products in new sectors. This in turn would have an adverse effect on the Group's operational results and financial position.

Tas'heel also prepares a pro forma annual budget based on its strategy and long-term business plan, which will enable the Group to implement its annual objectives. It should be noted that Tas'heel experienced revenue shortfalls compared to its budgeted expectations. For the financial year ended 31 December 2021G, the shortfalls amounted to SAR 39.9 million, driven by a decline in financing balances resulting from discounts and incentives offered to strategic partners to support growth of the financing portfolio. For the financial year ended 31 December 2022G, the shortfalls amounted to SAR 62.9 million, due to actual growth of financing assets falling below budgeted expectations. For the financial year ended 31 December 2023G, the shortfalls amounted to SAR 42.6 million, primarily driven by the launch of BNPL product. Moreover, Tas'heel's actual net profits fell short of the budgeted amounts by SAR 11.6 million, SAR 50.9 million, and SAR 27.1 million for the financial years ended 2021G, 2022G and 2023G, respectively. These shortfalls were primarily attributable to a decrease in actual income generated from Tawarruq and Murabaha portfolios as well as credit cards compared to the budgeted income, which resulted from a lower growth rate in the financing portfolio relative to the budgeted growth rate. The Group does not provide any guarantee that it will be able to attain the expected growth or financial objectives in its annual budget in whole or in part in the future, as the Group faces a number of market, regulatory and operational factors that may affect the performance of its operations and/or its future prospects. If the Group fails to attain the forecasts set out in its annual budget, this may lead to a material adverse effect on its business, financial position, results of operations and/or future prospects.

Furthermore, expansion of the Group's financing portfolio at a rate that exceeds the natural growth rate of its business largely depends on its ability to obtain the adequate financing it needs. These sources of funding may not be available in the future in such amounts, at such prices and/or on such terms as the Group may request or on terms acceptable to/viable for the Group. The credit markets have previously witnessed substantial volatility and fluctuations in liquidity, and these conditions may reoccur in the future. As such, the Group may be unable to secure funding for the expansion of its financing operations, which would have a material adverse effect on its business, financial position, results of operations and/or future prospects.

2.1.25 Risks related to the Group's Reliance on Senior Management and Key Personnel and Vacancies in Senior Management

The Group's success and operations rely on the expertise and skills of its technical and administrative staff, including those of its Senior Executives and qualified employees, as well as its capacity to attract, recruit, develop, motivate and retain qualified employees in the future. The Group relies on a number of key personnel in its Senior Management team who have valuable experience in the financial service sector and have contributed significantly to the development and growth of the Group's operations. The Group does not guarantee that it will be able to retain its qualified employees or continue to develop their skills. The Group may need to invest significant financial and human resources to attract and retain qualified Senior Management employees. Accordingly, if the Group loses any of its Senior Executives or qualified employees and fails to recruit replacements with the same levels of experience and skill at an appropriate cost to the Group, this will have an adverse effect on the Group's business, financial position, results of operations and/or future prospects.

It should also be noted that the position of Director of Strategy and Project Management at the Issuer is vacant. With respect to Tas'heel, the position of Chief Commercial Officer is vacant as of the date of this Prospectus. The Issuer's Chief Commercial Officer is currently assuming the responsibilities of this role for the Group. The Issuer intends to fill these vacant positions in Q4 of the current year. The Group does not guarantee that it will be able to appoint persons with sufficient competence and experience to such positions or obtain SAMA's approval for the persons to be appointed at Tas'heel. If this occurs, it may have an adverse effect on the Group's business, financial position, results of operations and/or future prospects.

2.1.26 Risks related to Lack of Experience in Managing Public Joint-Stock Companies

Not all of the Group's Senior Executives have experience in managing a listed joint-stock company and adhering to the rules and regulations to which they are subject. As a result, this may necessitate that some of them undergo internal or external training on managing Saudi listed joint-stock companies and the obligations imposed on listed companies, such as regulatory oversight and reporting. This will require significant attention from the Group's Senior Executives, which may divert their focus from managing the day-to-day business of the Group. Once the Group is listed on Tadawul, it must adhere to a number of ongoing obligations, which include issuing its consolidated financial statements within 30 days of the end of each quarter and within three months of the end of each financial year. It should be noted that the consolidated financial statements of the Company for the financial year ended 31 December 2022G were issued more than three months from the end of the relevant financial year, as the Company was not listed. The Company issued the consolidated financial statements for the financial year ended 31 December 2023G within the statutory timeframe. Accordingly, if the Group fails to issue its annual consolidated financial statements within three months from the end of the Company's financial year, or if it fails to abide by any other laws, regulations and disclosure requirements applicable to listed companies, it will be subject to regulatory penalties and fines (including, but not limited to, suspension of trading of the Company's Shares) which will reduce investors' confidence in it and have an adverse effect on its business, financial position, results of operations and/or future prospects.

2.1.27 Risks related to Dealings with Related Parties

During the ordinary course of its business, Tas'heel has entered into agreements with eXtra, including a financial services agreement (pursuant to which the value of transactions amounted to SAR 356.6 million, SAR 373.8 million, and SAR 254.8 million for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively, representing 119%, 90%, and 49% of the Issuer's total revenues for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively), a service level agreement (pursuant to which the value of transactions amounted to SAR 2.7 million, SAR 2.8 million, and SAR 2.9 million for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively), an IT service agreement (pursuant to which the value of transactions amounted to SAR 1.1 million, SAR 1.1 million, and SAR 1.1 million for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively), an agreement for lease of the head office of the Issuer and Tas'heel (pursuant to which the value of transactions amounted to SAR 0.9 million, SAR 1.0 million, and SAR 1.0 million for the financial years ended 31 December 2021G, 2022G, and 2023G, respectively), and trademark licensing fees (which amounted to SAR 1 for each of the financial years ended 31 December 2021G, 2022G, and 2023G) (for further information regarding these agreements, please refer to Section 12.5 ("**Material Contracts with Related Parties**") of this Prospectus). Dues to Related Parties amounted to SAR 39.0 million, SAR 37.3 million and SAR 20.5 million as of the years 2021G, 2022G and 2023G, respectively, representing 5.0%, 4.0% and 2.0% of the total liabilities for the respective years. Amounts due from Related Parties amounted to SAR 73.7 thousand, SAR 36.9 thousand and SAR 14 thousand as of the years 2021G, 2022G and 2023G, respectively, representing approximately 0.01%, 0.002% and 0.001% of the total assets for the respective years. These agreements were entered into on an arm's length basis.

There is a risk that the transactions subject to the provisions of Articles 27 and 71 of the Companies Law will not be approved by the Directors or the General Assembly of the Company. Pursuant to such Articles, Directors may not have a direct or indirect interest in the transactions and contracts concluded for the benefit of the Company without authorisation from the Company's Ordinary General Assembly. In the event the Company fails to obtain authorization from the Shareholder General Assembly, any Director with an interest in a transaction must resign or take steps to ensure that they have no interest (for example, through termination of the respective contract or waiving the rights arising from said interest). Although the Group has established policies to address conflicts of interest and Related Party transactions, including specific disclosure procedures and obtaining the necessary approvals from the internal committees, Directors and the General Assembly of the Company (as applicable), there can be no assurance that conflicts of interest will not arise from time to time due to the relationship of such parties with the Group. The termination of these contracts or the resignation of said director may have a material adverse effect on the Group's operations and profits, and thus affect its business, financial position, results of operations and/or future prospects.

2.1.28 Risks related to the Adequacy of the Group's Insurance Coverage

The Group maintains various types of insurance policies to cover its business operations and assets. However, the insurance coverage may not be adequate in all cases or may not cover all of the risks to which the Group may potentially be exposed. It is possible that uninsured losses or losses which exceed the limits of the insurance coverage may occur. Moreover, the Group's insurance policies include certain exclusions and limitations on insurance coverage whereby certain types of loss, damage and liability are not covered by insurance. In such cases, the Group may incur losses (which may be difficult for the Group to estimate) that would have an adverse effect on its business and results of operations. There is no guarantee that the Group's insurance policies will remain available on commercially reasonable terms, or at all. Therefore, the occurrence of any uninsured event would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

The Group has received confirmation from eXtra that the Group will remain an insured party under the insurance policies maintained by eXtra after Listing. The Group's employees are included in the insurance provided by eXtra to cover the risk of breach of trust. The Company has also procured liability insurance for the directors and employees of eXtra. This is based on the fact that they are Subsidiaries. Moreover, although the Company's property is included in eXtra's property all risks and business interruption insurance, there is no guarantee that this arrangement will continue. In the event that the Company loses the right to benefit from eXtra's insurance policies for any reason, the Company must obtain the relevant policies directly in order to continue its operations. However, the Company may not guarantee that it will be able to obtain insurance for the same amount or at the same rate. As of the date of this Prospectus, the Company does not maintain insurance coverage as security for the credit risk to which it is exposed (for further details regarding insurance policies, please refer to Table 12.14 and Section 12.11 ("**Insurance**") of this Prospectus).

In addition, the Group's failure to renew its insurance policies for its assets and business with the same limits as its current insurance coverage on commercially acceptable terms or at all, or the absence or unavailability of appropriate insurance for the various areas of its business, would have an adverse effect on its business, financial position, results of operations and/or future prospects.

2.1.29 Risks related to Maintaining the Brand Reputation of the Issuer and Tas'heel

The Company depends on the reputation associated with its brand and trademark in marketing its services and products, which bolsters its business and competitive standing in the market. Accordingly, the Company's success depends largely on its ability to maintain and enhance the strength and value of its trademark. This is dependent on numerous factors, including the reputation of the Group, the financing products it offers and the popularity of its brand. It should be noted that the Tas'heel trademark is registered in the name of eXtra in India and Jordan. eXtra has granted a perpetual licence to Tas'heel under a service level agreement for an annual fee of SAR 1, which was concluded with Tas'heel on 01/01/2019G (for further details regarding such agreement, please refer to Table 12.11 ("**Key Details of the Trademarks Registered by the Company**") of this Prospectus). If the agreement or licence for this trademark is terminated, or if eXtra fails to meet any of the registration requirements to maintain registration of the trademark in the countries in which such trademark is registered, or if it fails to successfully protect such trademark, Tas'heel may lose the right to use the trademark, which would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects. In the event that any other party steals, breaches or violates the intellectual property rights used by the Group, the value of the trademarks may be negatively affected, which would have an adverse effect on the Group's business, financial position, results of operations and/or future prospects. Occasionally, the Group may need to initiate legal proceedings for restitution of its rights pertaining to its trademark and other intellectual property rights. The Group may be subject to litigation claims by third parties alleging that the Group has violated their intellectual property rights, which may lead to lawsuits being filed against the Group, thus diverting the attention of Management due to the nature of the litigation and leading to the incurrence of significant costs by the Group. This could have an adverse effect on the Group's revenue and profits, regardless of whether the Group is able to maintain or defend its intellectual property rights successfully.

Notably, eXtra has transferred Tas'heel's trademark in Kuwait and Bahrain to Tas'heel and has procured trademark registration certificates for both countries. eXtra has also completed the requirements for transfer of the trademark of Tas'heel in the KSA, Oman and Qatar with the relevant authorities in each country and is awaiting updated certificates to be issued from the respective authorities. If the trademark is not registered successfully or if the registration is rejected for any reason, the Group may not be able to use or protect such trademark, which could have a material adverse effect on the Company's business, financial position, results of operations and/or future prospects, and therefore on the Company's Share price. In addition, as of the date of this Prospectus, Procco's trademark has not been registered in any jurisdiction.

The Group may not succeed in strengthening its trademark and contributing to increased sales and profits. The value of the trademarks used by the Group may be adversely affected by internal factors such as poor quality of the services provided by its employees and improper handling of customer complaints, as well as external factors such as misappropriation by third parties, infringement or damage to the intellectual property rights used by the Group, complaints, investigations or other statutory procedures and illegal activities targeting the Group. In addition, negative publicity about the Group or any negative media coverage could damage the Group's reputation and trademark and may result in the loss of customers. Moreover, the Group may be exposed at any time to negative comments on social media, including blogs, social networks and other types of online platforms, which could have an adverse effect on the reputation and image of the Group. If the Group is unable to effectively manage and address these factors and events, or if it fails to prevent them, they will have a material adverse effect on its trademark. This will lead to a reduction in the number of new customers or the loss of existing customers, resulting in decreased revenue, which would in turn have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

2.1.30 Risks related to the Interpretation of Islamic Law Principles

All of Tas'heel's financial services and products comply with the Sharia standards approved by Tas'heel's Sharia committee and undergo review by the Sharia committee before being offered to customers. The Sharia committee members assess each product or service in line with the rules and principles of Sharia based on their interpretation thereof. Although different Islamic schools of thought concur on the overall methodology and Islamic principles for interpreting jurisprudential rules pertaining to transactions, they may differ on the detailed rules. Jurisprudence principles regarding the legality of any products or services offered by Tas'heel may therefore be interpreted differently by the Sharia committee. In the event that a large number of scholars agree that any of the products or services provided by Tas'heel violate the provisions of Islamic law, this will have a material adverse effect on the Group's reputation, business, financial position, results of operations and/or future prospects. If any lawsuits are filed regarding the services or products provided by the Group with the competent courts, the opinions of such courts may contradict those of the Sharia committee regarding the legitimacy of those services and products, which will have an adverse effect on the Group's success in winning such lawsuits. As such, this would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

2.1.31 Risks related to the Impact of Seasonal Factors on the Revenue of Tas'heel

The financial sector, like other sectors, is affected by the factors of supply and demand. These factors vary in accordance with seasonal cycles. Moreover, the nature of the Group's operations in general causes it to be exposed to seasonal changes, particularly during summer holidays, public holidays and festivities. As such, the Group's revenue may be affected by seasonal changes and the volume of supply and demand for its services, which would have an adverse effect on the Group's business, financial position, results of operations and/or future prospects.

2.1.32 Risks related to Employee Misconduct and Errors

The Group is exposed to the risk of errors, fraud and misconduct by its employees, which may expose it to financial claims, lawsuits and legal proceedings due to negligence or other damages that may have a negative impact on its reputation. This includes conducting transactions that exceed the limits of an employee's authority, or that pose unacceptable risks to the Group or result in the transfer of funds from the Group. Furthermore, Group employees may misuse Group information or other confidential customer information for personal or inappropriate purposes, manipulate information, or conceal inappropriate activities from the Group's Management. Moreover, the Company's directors' and officers' (D&O) insurance and fidelity insurance may not adequately cover any resultant losses. Misconduct or material errors by the Group's employees will have a material adverse effect on the Group's reputation, business, financial position, results of operations and/or future prospects.

2.1.33 Risks related to Changes in Customer Behaviour Patterns

In terms of consumer finance, the Murabaha facilities provided to Tas'heel's customers constituted 14.7% of Tas'heel's total net financing portfolio as of the financial year ended 2023G. It should be noted that the profit from Murabaha financing activities (after the deduction of related expenses and the addition of administrative fee income) decreased from SAR 150.5 million in the financial year ended 2022G to SAR 137.8 million in the financial year ended 2023G. This decline was primarily due to a 42.2% decrease in total Murabaha financing assets between 31 December 2022G and 31 December 2023G. This was mainly caused by a change in customer behaviour, as the demand for cash financing (Tawarruq) increased in comparison to Murabaha facilities, due to customers opting for Tawarruq facilities with longer terms instead of Murabaha facilities. The Group does not guarantee that its customers will continue to request Tawarruq financing services in the future. Moreover, Tas'heel may not be able to attract new customers to this service, which may lead to a decrease in the Group's revenue. If any of these factors occur, this would have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.1.34 Risks related to Working Capital

The Company applies working capital management strategies that focus on maintaining an effective balance between current assets (due within one year or less) and current liabilities (due within one year or less) on an accrual basis, according to a ratio that limits working capital risks based on historical trends. These strategies aim at maintaining sufficient cash flows to meet the Company's short-term debt and operational costs. The current liquidity ratio was 1.9x, 1.3x and 2.4x as of the years 2021G, 2022G and 2023G, respectively.

The Group relies on financing contracts from commercial banks to finance its working capital, which exposes it to the risk of finding preferential credit terms. If the economic environment becomes less favourable, the Group may have to accept stricter credit terms or it may not be able to obtain the financing amounts it requires (for further details regarding the Group's revenue and financial information, please refer to Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus). The realisation of any of these assumptions will have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects, and therefore on the Issuer's Share price.

2.1.35 Risks related to the Group's Financial Resources and Liquidity

The Group is exposed to liquidity risks that arise from the unavailability of financial resources to meet its financial obligations upon maturity, or the high cost of the liquidity it requires. These risks are associated with financing operations and can materialise when there is a gap between the value of cash flows provided to customers as financing on the one hand (financing receivables assets) and cash flows collected from customers (financing instalment payments and settlements of remaining balances) on the other hand. Such risks can also occur when the Group encounters difficulties in obtaining the required financing (short or long-term) or when economic and financial market conditions deteriorate. This decrease in liquidity could have an adverse impact on the Group's business, financial position, results of operations and/or future prospects. The ratio of Islamic financing receivables to Tas'heel's equity stood at 2.5x, 2.3x and 2.1x as of the years 2021G, 2022G and 2023G, respectively. The ratio of Islamic bank financing to the Group's Shareholders' equity stood at 1.4x, 1.2x and 1.1x as of the years 2021G, 2022G and 2023G, respectively (for further details, please refer to Section 12.4.12 ("**Financing Agreements**") of this Prospectus).

The Group may face potential liquidity risks in the future due to the presence of a time difference between the maturity periods of the financing amounts owed to it and its obligations to its creditors. The Group strives to ensure that the maturity periods for the financing portfolio and its obligations to financial institutions are aligned. If any of the average maturities of either the financing portfolio or the obligation to financial institutions change, the Group may be subject to potential liquidity risks due to the time difference between the maturities. The Group meets financing requirements through medium/long-term financing contracts with the Company's commercial lending banks. The majority of the financing amounts granted by the Group to its clients are due in the medium term. The Group's growth strategy is to expand financing activities by building a larger customer base, increasing market share, launching competitive products and working to increase the efficiency of its digital platforms. However, these requirements depend primarily on obtaining additional credit facilities or renewal of its current credit facilities in a timely manner and at a reasonable cost. The unavailability of these facilities in the desired manner could have an adverse effect on the Group's operations and profitability.

2.1.36 Risks Related to Confidentiality Provisions in Material Agreements

Certain material agreements between the Group and other parties contain confidentiality provisions that prohibit either party from disclosing any information specific to such agreements. In this Prospectus, the Group has disclosed information relating to the Optional Insurance Services Agreement entered into between the Group and Mastercard, the Customer Business Agreement entered into between the Group and Mastercard, the License Agreement entered into between Tas'heel and Mastercard, the Agreements with Strategic Partners entered into by Tas'heel, the Data Service Agreement entered into between Tas'heel and Masdr Data Solutions, the facility agreements with financing banks entered into by the Group, the Registration Authority Charter Agreement entered into between Tas'heel and Sirar by STC Limited, and the Trust Service Agreement for Digital Signatures entered into between Tas'heel and Baud Telecom Company (for further details on the financing agreements, please refer to Section 12.4.12 ("**Financing Agreements**") of this Prospectus) (for further details on these agreements, please refer to Section 12.4 ("**Material Agreements**") of this Prospectus).

While the Group has approached the parties to these agreements to obtain their consent to disclose such agreements in this Prospectus, the Group has not obtained written consent from Mastercard with respect to the Optional Insurance Services Agreement and the Agreements with Strategic Partners as of the date of this Prospectus. Accordingly, if the parties to these agreements determine that the Group's disclosure has breached the confidentiality provisions of these agreements, the Group could face legal actions and claims from these parties. If final court judgements deem the Group's disclosure of these agreements to be in violation of their provisions, the Group may be required to pay compensation to the parties to these agreements.

Other parties to these agreements may also disclose confidential information related to these agreements, which may have an adverse effect on the Group's and its Subsidiaries' business, results of operations, financial position and/or future prospects. (For further details on confidentiality provisions, please refer to Section 12.4 ("**Material Agreements**") of this Prospectus.)

2.2 Risks related to the Market and Sector in which the Group Operates

2.2.1 Risks related to Higher Government Service Fees or the Introduction of New Laws and Regulations that Impact How the Group Conducts its Operations

The Group and its business are supervised by certain Government entities in the KSA and the Kingdom of Bahrain, including, but not limited to, the Saudi Central Bank, the Ministry of Commerce, municipalities, the CMA (post-Listing), the Central Bank of Bahrain and the Bahraini Ministry of Industry and Commerce, among others. The Group is therefore subject to the risk of changes in laws, regulations, circulars and policies, including those relating to taxation.

The legislative and regulatory environment in the Kingdom is witnessing the issuance of a number of laws and regulations on an ongoing basis, which means it is more prone to change and development. In the event of changes to existing laws or regulations or the issuance of new laws or regulations related to financing companies, the Group may need change its services or make changes to its financing products to meet the requirements of such laws. This may lead to the Group incurring additional unforeseen financial expenses, and will in turn have an adverse effect on the Group's operations, financial position and/or future prospects. Furthermore, the Group must comply strictly and immediately with the laws and regulations in force. Accordingly, if the Group is unable to comply with these regulations on an ongoing basis, it may be exposed to certain fines or penalties imposed by the competent supervisory authorities, resulting in reduced revenue growth and suspension of its business or licences.

The Group's operations also depend on obtaining services from certain companies and semi-Governmental entities such as SIMAH, Takamol Business Services and Elm Company, which enable the Issuer to issue promissory notes and document approvals thereof by its parties electronically, verify the data of its customers and ensure the validity thereof according to the data registered at the National Information Centre headed by the Presidency of State Security (for further information regarding such services, please refer to Subsections 12.4.4, 12.4.6 and 12.4.7 under Section 12 ("**Legal Information**") of this Prospectus). The Group obtains these services for a fee determined by such companies and semi-government entities. In the event that such fees are increased by the relevant service providers, the Group may not be able to pass on this increase to its customers when they apply for financing, which would lead to an increase in expenses and consequently have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

The Bankruptcy Law promulgated by Royal Decree No. M/50, dated 07/12/1439H (corresponding to 18/08/2018G), entered into force on 28/05/1439H (corresponding to 14/02/2018G). This Law aims to regulate bankruptcy procedures such as preventive settlement, financial restructuring and liquidation, in addition to the preventive settlement, financial restructuring and liquidation of small debtors, as well as administrative liquidation. Such Law includes certain provisions that may affect Tas'heel's ability to collect debts from its customers in case of default. In addition, the Bankruptcy Law grants defaulters and financiers the option to reach an agreement in order to protect defaulting individuals from bankruptcy, which includes rescheduling the debt or even reducing the amount of financing due. All of these factors are likely to affect Tas'heel's ability to collect due amounts in full. This will have an adverse effect on Tas'heel's business, financial position, results of operations and/or future prospects.

2.2.2 Risks related to Tas'heel's Non-Compliance with the Requirements of the New Companies Law to Date

The Companies Law came into effect on 26/06/1444H (corresponding to 19/01/2023G). Royal Decree No. M/132 stipulates that, upon entry into force of the New Companies Law, companies shall be granted a period of two years ending on 19/07/1446H (corresponding to 19/01/2025G) to amend their status, in accordance with the provisions of the Companies Law. As of the date of this Prospectus, Tas'heel has not amended its Bylaws to align with the requirements of the Companies Law. If Tas'heel fails to amend its Bylaws before the expiry of the grace period, or in the event that the Company does not obtain a non-objection certificate from the Saudi Central Bank, Tas'heel may be subject to penalties of up to five hundred thousand Saudi Riyals (SAR 500,000) or suspension of its business in whole or in part. In the event any of the above occurs, this will have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

2.2.3 Risks related to Changes in the Mechanism for Calculating Zakat and Income Tax

ZATCA (formerly the General Authority of Zakat and Tax (GAZT)) issued Circular No. 6768/16/1438, dated 05/03/1438H (corresponding to 05/12/2016G), obliging Saudi companies listed on the Stock Exchange to calculate income and Zakat based on the nationality of shareholders and the actual ownership of Saudi, GCC and other nationals as stated in the "**Tadawulaty**" system at year end. Prior to the issuance of this circular, companies listed on the Stock Exchange were generally subject to Zakat or tax on the basis of the ownership of their founders as per their Bylaws, without the listed shares having an impact on determining the Zakat base. This circular was to be applied in the year ended 31 December 2016G and for subsequent years. However, ZATCA issued its Letter No. 12097/16/1438H, dated 19/04/1438H (corresponding to 17/01/2017G), postponing the implementation of the circular to the financial year ended 31 December 2017G and the years thereafter. Until ZATCA (formerly the General Authority of Zakat and Tax (GAZT)) issues directives regarding the mechanisms and procedures for implementation of this circular, the implementation of this circular, including the final requirements thereunder, remains under consideration, in addition to the rules that impose income tax on all non-GCC residents who are shareholders of listed Saudi companies, and which also apply withholding tax on dividends for non-resident shareholders regardless of their nationality. It should also be noted that Procco (Bahrain) has been registered as a resident company in the KSA for Zakat purposes due to its fulfilment of the residency requirements and based on the approval of ZATCA. Accordingly, the Group may be affected by any future changes in the conditions of fulfilling the residency requirements for the purposes of Zakat.

2.2.4 Risks related to Value-Added Tax (VAT)

The Kingdom issued the VAT Law, which came into force on 1 January 2018G. The VAT Law imposes VAT of 5% on a number of products and services, including services provided by the Group, as specified in the Law. On 17/09/1441H (corresponding to 10/05/2020G), as a result of the economic impact of the coronavirus, the Kingdom announced an increase in VAT from 5% to 15%, effective as of 10/11/1441H (corresponding to 01/07/2020G). VAT, by its nature, is borne by the end consumer. This or any future increase may affect customer spending, which would have an adverse effect on the Group's business focused on providing credit products primarily to individual end consumers. This in turn would have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

Furthermore, the implementation of VAT is relatively new, and the Group may make mistakes in implementing the regulatory requirements, which may lead to the imposition of penalties by ZATCA in accordance with the VAT Law, which in turn would have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.2.5 Risks related to Political and Economic Instability in the Middle East

Numerous countries in the Middle East are currently experiencing political or security instability. There is no guarantee that the economic and political conditions in such countries or any other countries will not have a negative impact on the financial markets in the Kingdom in general, and on the Group's business in particular, which would have a material adverse effect on the Group's business, financial position, results of operations and/ or future prospects. Investors should also consider the geopolitical risks in the Middle East, which could potentially have a material adverse effect on the economy of the Kingdom, the Group, its customers and its operations. Such risks may materially and adversely affect the desire of consumers and foreign employees to remain within the region, which in turn would have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.2.6 Risks related to the Economic Performance of the Kingdom

The expected future performance of the Group depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation, GDP growth, average per capita income, etc. The Kingdom's macro and micro economy depend primarily on oil and oil industries, which still account for a large share of the GDP. Therefore, any unfavourable fluctuations in oil prices will have a direct material effect on the plans and growth of the Saudi economy in general, as well as on the demand for financing services provided by the Group, which will adversely affect the Group's financial performance.

2.2.7 Risks related to the Competitive Environment

The sector in which the Group operates is highly competitive and the Group expects that this competition will continue in the future. The Group's competitiveness depends on many factors, including its reputation, the quality of its services, product innovation, implementation capacity, pricing, sales efforts and the talent of its employees. In particular, the Group competes with other financial services companies, including local and international commercial banks and financing companies operating within the Kingdom.

Some of the Group's competitors are members of large-scale financial services groups and thus they may have substantial capital resources compared to the Group. This could have an adverse effect on the Group's profits. In addition, in the event competitors merge with each other, such companies may benefit through increasing the size of their operations, reducing part of their costs and increasing their capacity to develop new financial products. As a result, they may be able to compete to a greater extent and more effectively, especially with respect to their product offerings and pricing.

According to the website of the Saudi Central Bank, the number of commercial banks licensed to operate in the Kingdom as of the date of this Prospectus was 37 banks, including 11 local banks, 23 foreign banks, and three digital banks, in addition to 53 licensed companies as of 2023G, divided into companies that provide real estate financing products and companies that provide financing activities other than real estate financing. 11 companies have a real estate financing or refinancing licence, while 42 companies have a licence to provide financing activities other than real estate financing, of which only 30 companies are licensed to grant consumer finance services. Additional commercial banks and local and foreign companies may become licensed in the future, leading to increased competition in the financing sector. If competition in the sector intensifies, the Group may be forced to reduce customer profit rates, which will negatively affect the Group's financial performance. The future performance of the Group depends on its ability to generate returns and maintain or increase its market share within the financing sector. If the Group does not succeed in achieving its expansion strategy, this will result in a decrease in demand for its services, which will adversely affect its financial results. The Group's ability to successfully compete is dependent on a number of factors, including the strength of its financial position, its ability to reach customers easily, its adherence to the principles of Islamic law, and the provision of financing terms that compete with those offered by commercial banks and other financing companies, including with respect to instalment fees, management fees and guarantees provided by customers. If the Group is unable to successfully compete and maintain its competitiveness in the markets in which it operates or enhance its market share, its business, results of operations, financial position and/or future prospects may be adversely affected as a result.

2.2.8 Risks related to the Impact of BNPL Products on the Issuer's Activity and Business

Consumers in the Kingdom are increasingly turning to consumer financing instruments to finance purchases related to daily lifestyle and low-value purchases. Moreover, the entry and spread of BNPL options in the market may constitute a financing source competitive with Tas'heel's products, as some consumers may resort to BNPL products, particularly through electronic platforms, which in turn may lead to a decrease in Tas'heel's sales levels. In the event that Tas'heel fails to offer competitive products, this will lead to a decrease in Tas'heel's market share, which will have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects as a result.

2.2.9 Risks related to Outbreaks of Infectious Diseases

An outbreak of an infectious disease in the Kingdom or elsewhere, or any other serious public health concerns such as the global spread of the COVID-19 pandemic, may have an adverse effect on the economy, financial markets and business activities worldwide, including the Group's business. For example, the outbreak of COVID-19 in the world led to volatility in the global capital markets and affected the prices of commodities and products, as well as leading to increased levels of unemployment. Like other countries, the Kingdom adopted strict preventive and precautionary measures on travel and public transport, in addition to the requirements for people to stay at home and practice social distancing, and the closure of workplaces and economic activities for extended periods, which severely disrupted the economy in the Kingdom. The severity of these preventive and precautionary measures varied from time to time, depending on various factors, including the severity of the spread of the virus. There are no guarantees regarding the type of preventive and precautionary measures applied or the duration of their application, and therefore the current preventive and precautionary measures may be tightened or expanded. Any of the above or other outbreaks of infectious diseases around the world may lead to a reduction in oil prices for a prolonged period or have a long-term negative impact on the Kingdom's economy. The occurrence of any of the foregoing would have a material adverse effect on the Group's business, financial position, results of operations and/or future prospects.

In addition, although the Group has implemented a number of precautionary and preventive measures that include the provision of preventive health products such as masks, disinfectants and gloves, as well as training employees on prevention methods and the application of social distancing, the effectiveness of these measures or any other measures taken in the future to prevent the spread of COVID-19 among the Group's employees cannot be guaranteed. The virus may spread rapidly among employees despite the Group taking all the aforementioned measures. Should such infections occur, they will in turn result in a shortage of qualified staff working at the Group. Government entities may impose strict precautionary measures on the Group that could result in the Group incurring additional costs, which in turn would have a material adverse effect on its business, results of operations, financial position and/or future prospects.

2.2.10 Risks related to Natural Disasters

Natural disasters beyond the Group's control are likely to significantly affect the continuity of the Group's operations, branches and customers. Any damage to the Group's employees or customers, whether as a result of floods, earthquakes, storms or other natural disasters, may result in significant costs for the Group. These damages will also affect customers' ability to repay their loans, and therefore the Group will face difficulties in conducting its operations and collections, thereby reducing its future operating results. In the event natural disasters cause damage to the Group, this would have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.2.11 Risks related to Compliance with Saudization Regulations, Labour Regulations and Foreign Labour Requirements

Based on the regulations and directives of MHRSD in the Kingdom regarding the Saudization system (Nitaqat program), Tas'heel was classified within the platinum range with a Saudization rate of 85% as of February 2024G (given its classification as a finance company). It may be difficult for the Group to continue to recruit and maintain the percentage of Saudi employees, and therefore any of the Group companies may fail in continuing to comply with the requirements of the Nitaqat program. The Group does not guarantee its ability to maintain or increase the required Saudization rates. Increases in the number of foreign employees or the inability of any of the Group companies to apply the Saudization requirements may result in the relevant company being exposed to numerous penalties or high fees, which could have an adverse effect on the Group's business, financial position, results of operations and/or future prospects.

According to the Saudi Labour Law, foreign workers are not allowed to work for any company in the KSA unless they are under its sponsorship. The Company employs five (5) non-Saudi employees and a total of sixty-one (61) non-Saudi employees across the entire Group in the Kingdom. The fee for transferring workers from one company to another ranges between SAR 2,000 and SAR 6,000 (depending on the number of times the worker has previously transferred their sponsorship). Risks related to the requirements of non-Saudi workers are the imposition of fines or penalties such as the suspension of MHRSD systems or recruitment processes in the event of a violation of the residency and sponsorship transfer regulations, which would have an adverse effect on the Company's business and results of operations. The penalties imposed on companies that violate the law for the first time by seconding foreign workers under their sponsorship to work for another company include a fine of SAR 25,000 for each offending worker, with such penalties increasing if the establishment or branch repeats such offence.

In addition, according to the Saudi Labour Law, non-Saudi workers must perform the job specified in their residence permits. Penalties imposed on offending establishments that employ workers whose actual job does not correspond to the jobs indicated in their residence permits include a first-time penalty of SAR 10,000 for each offending worker. Such penalties increase in case of repeat offences.

The Group may not be able to meet current or amended Saudization requirements or other labour laws in the future, nor can the Group guarantee that the minimum wage that it must adhere to will not increase in the future. In the event of non-compliance with Saudization requirements or foreign labour requirements, the Group may face penalties imposed by Government entities. In addition, the Group may not be able to provide the required manpower or employ the required number of Saudi or foreign workers without incurring additional costs, or at all, which will have an adverse effect on its business, results of operations, financial position and/or future prospects.

2.2.12 Risks related to Increases in Government Fees Applicable to Non-Saudi Employees

The Saudi Government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labour market through the imposition of additional fees on non-Saudi employees working for Saudi institutions as of 14/04/1439H (corresponding to 01/01/2018G), in addition to additional fees on the issuance and renewal of residence permits for non-Saudi families (which entered into force as of 07/10/1438H (corresponding to 01/07/2017G)). Such fees gradually increased from four thousand, eight hundred Saudi Riyals (SAR 4,800) to nine thousand, six hundred Saudi Riyals (SAR 9,600) annually per employee in 2020G. Upon the entry into force of these resolutions and the announced increases, the Government fees paid by the Group for issuing and renewing residence permits for its non-Saudi employees will increase overall, resulting in higher prices for services provided to the Group's customers. In addition, increases in residency permit issuance and renewal fees incurred by non-Saudi employees for their families will lead to a higher cost of living. This may result in non-Saudi employees of the Group seeking employment opportunities in other countries with lower living costs. The Group may have to incur additional Government fees related to the issuance and renewal of residence permits for non-Saudi employees, which will lead to higher financial obligations on the Group. The total cost of Government fees related to the issuance and renewal of residence permits for non-Saudi employees during the period ended 31/12/2021G is estimated at approximately SAR 637,000; approximately SAR 580,000 during the period ended 31/12/2022G, and approximately SAR 596,000 during the period ended 31/12/2023G. Accordingly, increases in Government fees and difficulties in maintaining non-Saudi employees and foreign labour will have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

2.3 Risks related to the Offer Shares

2.3.1 Risks related to Lack of Demand for the Shares

There is no guarantee that there will be sufficient market demand for the Offer Shares after the Offering has been completed and trading of the Offer Shares commences on the Stock Exchange, which may have an adverse effect on the Offer Price.

2.3.2 Risks related to Fluctuations in the Market Price of the Company's Shares

The Offer Price has been determined based on several factors, including the Company's past performance, the Company's future prospects, the sector in which it operates, the markets in which it competes, and the Company's evaluation of its departments, operations and financial results. The Offer Price may not be equal to the trading price of the Shares upon completion of the Offering, and Subscribers may be unable to resell the Shares at the Offer Price or at a higher price, or they may be unable to sell such Shares at all.

Following the Offering, the price of the Shares on the Stock Exchange may be adversely affected by various factors, including, but not limited to:

- adverse changes in the operational performance of the Company and the improved performance of its competitors;
- actual or anticipated fluctuations in quarterly or annual operating results;
- the publication of research reports with negative forecasts by securities analysts regarding the Company, its competitors, or the banking and non-banking finance sector;
- the public reaction to the Company's press releases and other public announcements;
- the performance of the Company or its competitors deviates from analysts' predictions;
- resignation of the Company's key employees;
- key strategic decisions made by the Company or its competitors, and changes in business strategy;
- changes in the regulatory environment which affect the Company or the financing sector;
- changes in the applicable accounting rules and policies;
- the occurrence of terrorist or hostile acts or widespread civil unrest;
- the occurrence of natural or other disasters; or
- changes in the general market and economic conditions.

The occurrence of any of these risks or factors may lead to a significant decline in the Share price.

In general and from time to time, the stock market is exposed to major fluctuations in price and volume. Market fluctuations may lead to significant changes in the price of the Shares, which could cause the value of the Shares to decline, with increased price volatility if trading volume decreases. The Share price may be adversely affected by several factors, including the performance of the Company, the anticipated results of its operations, the departure of key employees from their positions, changes in earnings estimates or forecasts, changes in business strategy, the market conditions specific to the Company's sector or the general state of the Kingdom's economy, any changes in regulations, terrorist acts, acts of war, natural disasters, catastrophes, and price fluctuations in the stock market. The occurrence of any such risks or other factors will have a material adverse effect on the expected returns of the Subscribers, or may result in the partial or complete loss of their investments in the Company.

2.3.3 Risks related to Research Published About the Company

A number of securities analysts publish research about the Company as part of their research for eXtra. After Listing, some securities analysts are likely to publish research about the Company independently. If these analysts do not publish research about the Company and its business or they publish research that is inaccurate or includes results that are not in the Company's interest, the Company's Share price may decline. The trading price and volume of the securities offered will depend in part on the research published by securities analysts or sector analysts about the Company and its business. If the analysts do not conduct sufficient research on an ongoing basis, or if one or more analysts who cover the Company downgrades their recommendations regarding the price of the Company's Shares or publishes inaccurate research on the Company's business or research which includes results that are not in the Company's favour, this may lead to a decline in the price of the Company's Shares on the Stock Exchange. In addition, if one or more analysts who publish research cease coverage of the Company or fail to publish regular reports on it, the Company could lose its standing and visibility in the financial markets, which in turn could cause the market price of the Company's Shares to decline.

2.3.4 Risks related to Control by the Substantial Shareholder of the Company

Upon completion of the Offering, eXtra will retain a controlling interest in the Company, representing seventy percent (70%) (directly and indirectly) of the Company's Shares (for further details on the amendments that will be made to the ownership of the Company's share capital, please refer to Table 2 "**Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering**" of this Prospectus). eXtra will therefore be able to influence all matters requiring the approval of the Shareholders, including the election of the Directors, the approval and ratification of the Company's key contracts and activities and any amendments that may be made to the share capital of the Company and its Bylaws. Moreover, any changes in the business policy strategy by eXtra may adversely affect the direction of the Company and may be used in a way that may materially affect the Company's business prospects, results of operations and financial position, which in turn will adversely affect the expected returns of the Subscribers, or may result in Subscribers losing part or all of their investment in the Company. This could have a material adverse effect the Company's business, financial position, results of operations and/or future prospects.

2.3.5 Risks related to the Absence of a Previous Market for the Company's Shares and Potential Fluctuations in the Share Price

The Company's Shares have not previously been listed or traded on any public stock market. There is no guarantee that there will be an active and continuous market for trading in the Company's shares upon completion of the subscription. The subscription price has been determined based on several factors, such as the Company's position and future prospects, the market in which it competes, and an evaluation of the Company's administrative, operational and financial results. Several factors, such as varying financial results, general circumstances, the overall economic situation, the regulatory environment in which the Company operates, and other factors beyond the Company's control, could result in a significant variation in the trading liquidity of the Company's Shares and the price of such Shares.

2.3.6 Risks related to the Distribution of Dividends

The Group's future distribution of dividends will depend on several factors including future earnings, financial position, cash flows, working capital requirements, capital expenditure and distributable reserves, among other factors. The Group may be unable to pay dividends to Shareholders and the Group's Board of Directors may not recommend or the Shareholders may not agree to the payment of such dividends. In addition, the distribution of dividends may be subject to the restrictions set out in the banking facilities, which may include compliance with financial commitments made by the Group and settlement of dues to lenders. The Group may also be subject to other restrictions stipulated in the financing agreements and credit facilities it may enter into in the future which further restrict its distribution of dividends. The Group may incur expenses or liabilities that reduce or eliminate cash available for dividend distributions (for further details regarding the dividend distribution policy, please refer to Section 7 ("**Dividend Distribution Policy**" of this Prospectus). In the event that the Group does not distribute Share dividends, the Shareholders, including eXtra, may not receive any return on their investments in the Shares and the Company's Share price may be adversely affected.

2.3.7 Risks related to the Offering of Additional Shares in order to increase the Share Capital

From time to time, the Company may need to increase its share capital based on its business requirements. Certain factors that may require the Company to increase its share capital include the following: (a) expansion of the Company's activities in excess of its budgetary capacity, (b) the imposition of additional capital requirements due to the issuance of new laws and regulations, and (c) the significant depletion of the existing capital as a result of unforeseen operating losses. The Company may be unable to increase its share capital when needed, or in a manner that serves its interest or the interest of the Current Shareholders, which will adversely affect the outlook of the Company's business, results of operations, financial position and/or future prospects.

The Company's offering of new shares in the future, including the Offering, could dilute the shareholding percentages of the Company's Subscribers and have a material adverse effect on the trading price of the Shares as a result of any future offerings of ownership interests or the sale of Shares by the Substantial Shareholder. Furthermore, if Subscribers become aware of such a sale or offering, this may affect the trading price of the Shares. Accordingly, Subscribers must carefully consider these risks as they will have an adverse impact on their investment plans and ventures.

2.3.8 Risks related to Selling a Large Number of Shares on the Stock Exchange

The sale of a large number of Shares on the Stock Exchange after completion of the Offering, or the perception that such sale will occur, would adversely affect the price of the Shares on the Stock Exchange. Upon successful completion of the subscription and following the Offering, the Substantial Shareholder shall be subject to a six (6) month Lock-up Period starting from the date trading of the Shares commences on the Stock Exchange. During such period, they shall be prohibited from disposing of any of the Shares they own. However, if the Substantial Shareholder sells a large number of Shares after the end of the Lock-up Period or if it is perceived that such sale will occur, this would have an adverse effect on the price of the Company's Shares on the Stock Exchange.

2.3.9 Risks related to Foreign Exchange when Investing in the Offer Shares

The Offer Shares are, and any dividend distributions will be, denominated in Saudi Riyals. Accordingly, any investment in the Offer Shares by an investor whose principal currency is not the Saudi Riyal will be exposed to the exchange rate risk of such foreign currency. This may have an adverse effect on the value of an investor's investment in the Offer Shares or any dividends thereunder.

2.3.10 Risks related to Delays in Closing the Offering and Listing the Offer Shares

A public offering of shares to be listed on the Stock Exchange typically closes concurrently with the shares being admitted for trading on the Stock Exchange, with both events usually occurring more than two weeks after the announcement of the final offer price for the Shares. During that time, the parties complete the Offering for Individual Investors (which in the Kingdom has not previously begun until after determination of the final Offer Price), as well as the subscription process and the allocation of shares. The Company has implemented a number of new procedures to facilitate the listing of the Offer Shares within the timeframe set out in Table 3 ("**Key Dates and Subscription Procedures**") of this Prospectus. However, there is no guarantee that the listing of the Offer Shares will commence as expected. Accordingly, the end of the Offering period and the Listing and trading of Shares on the Stock Exchange may be delayed. The Company will announce the commencement of Share trading on the Saudi Stock Exchange via its website.

2.3.11 Risks related to the Inability of Non-Qualified Foreign Investors to Acquire Shares Directly

In accordance with applicable regulations, non-qualified foreign investors (who are not strategic investors) wishing to participate in the Offering must enter into swap arrangements with a financial institution through which they can obtain an economic interest in the Offer Shares. Non-qualified foreign investors may trade such Shares through the financial institutions who retain the legal ownership of the Shares. As such, non-qualified foreign investors will not be able to legally retain ownership of the Shares or vote on the Shares in which they have an economic interest. These factors could therefore negatively affect the expected returns of investors or lead to the loss of all or a portion of their investment in the Company.

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

03
MARKET INFORMATION

3 MARKET INFORMATION

United Company for Financial Services (Tas'heel Finance), a subsidiary of United International Holding Company (UIHC) (The **"Company**") has commissioned Euromonitor International Limited ("**Euromonitor**"), an independent provider of strategic market research, to prepare a market study on the consumer finance industry in the Kingdom of Saudi Arabia.

The information below is based on an independent market study prepared by Euromonitor, which has given and not withdrawn its written consent for its market report to be published in The Company's prospectus as at the date of its publication. Euromonitor does not itself, nor do any of its employees or relatives, have shares or interests of any kind in The Company or any of its subsidiaries. Estimates and future prospects set out in this Industry and Market Data section have been prepared on the basis of a market research study prepared by Euromonitor, which includes research estimates based on various official published sources such as the Saudi Central Bank (SAMA) datasets as well as Euromonitor's internal database, Passport, and trade opinion surveys conducted by Euromonitor with a sample of key service providers and end-user channels in Saudi Arabia. It has been prepared primarily as a research tool.

Therefore, Euromonitor believes that it used suitable sources of information and methodologies for this study but due to the nature of the techniques and methodologies used in market research does not guarantee nor pledge as to the accuracy or completeness of such information. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in The Company.

The Company's directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this Industry and Market Data section has not been independently verified by The Company or any other party and neither they nor Euromonitor give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

Research Methodology

All data, analysis and research estimates in this section are based on research work conducted between January 2023 and March 2024 including: (i) desk research to collect publicly available secondary sources of data, including statistics on macroeconomic indicators, demographics from entities such as the General Authority for Statistics (GASTAT), Saudi Central Bank (SAMA), Euromonitor's internal database (Passport), and trade press on consumer finance, company and third-party reports; (ii) trade survey analysis of the opinions and perspectives of a sample of leading consumer finance stakeholders in Saudi Arabia; and (iii) cross-checks and analysis of all sources to build an industry consensus on the market size and historic trends.

It is noted that United Company for Financial Services "**Tas'heel Finance**" provided their 2019 to 2023 audited data for Saudi Arabia, which was used to calculate their share. Shares for Tas'heel Finance are calculated using their audited sales data over the total market size as estimated by Euromonitor in this Market Due Diligence (MDD) section.

Forecasting Bases and Assumptions

Euromonitor based the Report on the following assumptions: (i) the social, economic and political environment is expected to remain stable during 2023-2028; based on 2022-2023 data as available by 29th March 2024 in all relevant areas (except to the extent governmental or other public sources indicate an expectation of a material change in performance); (ii) there will be no external shocks, such as financial crises that affects the demand and supply of the sector across the Saudi market during the same period; (iii) the same key drivers that tend to which influenced growth/demand during 2019-2023 period will apply during the forecast and 2023-2028 period, including growth in the target population, inflation, GDP growth and government expenditure on the sector (except to the extent governmental or other public sources indicate an expectation of a material change from 2022 2023 (as available) performance); (iv) Values in local currency have been converted to US dollars using current exchange rates for historic years and fixed 2023 exchange rate for forecast (2023-2028).

3.1 Macroeconomic and Demographic Landscape

3.1.1 Economic Overview

Saudi Arabia's economic trajectory has historically been tied to oil activities, but is increasingly shaped by non-oil diversification

In nominal GDP terms, the Saudi economy grew by a CAGR of 6.5% in the review period (2019-2023) to reach SAR4.1 trillion in 2023.[2] Growth was fuelled not only by oil gains, but equally by non-oil diversification, stemming from an improved environment for foreign and domestic investments, infrastructural expansion under the Saudi Vision 2030's Vision Realisation Programmes and, in turn, stronger private consumption. Efforts to insulate the Saudi economy from global oil price and supply fluctuations are evident in the GDP share contributed by non-oil activities, which stood at 49% in 2023.[3] This is largely driven by the services sectors (including hospitality and tourism, retail, sports and consumer finance, among others).

Real GDP has fluctuated between growth in 2019 (0.8%) and COVID-19 pandemic-induced contraction in 2020 (-4.3%) before rebounding to 8.7% in 2022 and 0.5% in 2023.4 This recovery is due to improved domestic and external demand, ongoing economic and social reforms, and monetary and stimulus measures.5 Substantial alleviation packages from the government to mitigate COVID-19-related economic impacts also extended a lifeline to the inextricably linked private and banking sectors in the review period, promoting wider socioeconomic stabilisation in a challenging economic transition. For instance, in April 2020, the

2 Euromonitor International Passport estimates from official statistics and published sources
3 Ibid
4 Ibid
5 Euromonitor International Passport estimates from official statistics and published sources and Ministry of Finance (2022). Saudi Arabia Budget

Kingdom unveiled a SAR120 billion stimulus package, of which SAR70 billion would be channelled to the private sector (in the form of exemptions and postponing of government dues) and SAR50 billion to the banking sector, through the Saudi Central Bank.[6] Coupled with strong pre-pandemic capital and liquidity positions, such measures supported the country's already strong fiscal position, the resilience of the banking sector, and the expansion of private sector credit during the same year. Saudi Arabia's public debt-to-GDP ratio remained stable from 23.8% in 2022 to 2023[7], compared to a global public debt-to-GDP ratio of 101.9% in 2023[8] COVID-19 stimulus packages in the Kingdom also targeted alleviation measures for residents and citizens, including raising the citizen's minimum wage by a third, to SAR4,000 per month in 2021.[9]

Saudi Arabia has charted an economic transformation path on infrastructural investments, FDI inflows and private sector engagement, all of which are supported by a robust financial sector

Under the 14 Vision Realisation Programmes in Saudi Vision 2030, the Kingdom eyes a 5.7% FDI contribution to GDP by 2030 (FDI reached SAR 13.1 billion in the fourth Quarter of 2023)[10]. It also aims to increase the private sector's GDP contribution to 65% by the same year (up from 39.7% during FY2021[11]) through privatisation and private sector-led programmes including, most recently, the SAR 5 trillion private sector Shareek Programme in 2021. In tandem, the Kingdom's infrastructural drive through the Public Investment Fund, the National Infrastructure Fund, and a spate of giga projects like NEOM city and Amaala, have prompted real estate lending activity and private sector participation in the Kingdom. As Saudi Arabia's financial and economic capital, Riyadh has been at the centre of this infrastructural drive, supported by a SAR 3 trillion plan to double in size to accommodate some 15 million residents.[12] The capital also boasts high connectivity levels, with internet penetration having reached 100% and high income levels, with 4.7% of Riyadh households reporting a yearly income of SAR 560,000 or higher.[13] Focal areas under Riyadh's megacity ambitions include the promotion of a circular economy with the King Salman Park Project and the Green Riyadh Project; the establishment of a tourism and leisure hub through mega-developments like the Diriyah Gate Project; and the expansion of transport infrastructure with the Riyadh Metro project. In addition to infrastructure and private sector expansion, Saudi Arabia's trickle-down approach to its economic transformation has translated into development initiatives chiefly focused on job creation and capacity building for youth and women (including Doroob, Tamheer, and Qiyadayat). Legislative reforms, subsidies and employer incentive schemes targeting women's economic emancipation have helped to increase the female employment rate from 22.7% in 2019 to 28.5% by end-2023.[14] Broader labour market reforms and employment programmes have also fuelled the growth of consumer disposable income per capita, up by a CAGR of 3.1% over the review period (2019-2023) and by 3.3% over 2022-2023.[15]

Conversely, the introduction of a 5% value-added tax (VAT) in January 2018, and its subsequent hike to 15% in July 2020[16], rising costs of living, subsidy cuts and oil price fluctuations placed inflationary and downward pressures on consumer confidence. Inflation oscillated between positive and negative growth in the review period (-2.1%) in 2019, 3.4% in 2020, 3.1% 2021, 2.5% in 2022 and 2.3% in 2023)[17], while the Saudi Consumer Price Index (CPI) increased from 118.4 in 2019 to 132.4 in 2023.[18] As a result, private final consumption expenditure per capita expanded at a CAGR of 3.2% 2019-2023. [19] These pressures prompted consumer demand for financing products and services, and turned policy attention to widening financial inclusion and financing activities in the Kingdom.

In the forecast period, the Kingdom's economy is set to expand by a CAGR of 5.6%, driven by ongoing non-oil diversification and socioeconomic stabilisation efforts

In the forecast period (2024-2028), nominal GDP is projected to expand by a CAGR of 5.6%, to stand at SAR5.4 billion in 2028.[20] Inflation, which soared in 2020 on the back of the Kingdom's import dependency and tax hikes[21], is expected to settle around 2.1% in the same year.[22] Disposable income is expected to grow by a CAGR of 5.0%, or 3.6% per capita during the forecast period[23], further prompted by nationwide job creation and employment programmes, particularly those targeting the inclusion of women and young Saudis in the private sector.

While higher oil prices and recovering demand for crude oil will sustain export growth in the interim, the Kingdom is pushing its economic diversification agenda in the longer term, targeting a 50% share for non-oil exports out of non-oil GDP by 2030.[24]

6 SAMA (2021). Saudi Arabia Islamic Finance Report
7 Euromonitor International Passport estimates from official statistics and published sources
8 Ibid
9 Gulf Business (19 November 2020). Saudi Arabia raises minimum wage for citizens by 33%
10 Reuters (2024): Saudi Arabia's net FDI at 13 billion riyals in Q4 of 2023.
11 Saudi Arabia Ministry of Finance (2022). Budget Statement Fiscal Year 2023
12 Euromonitor International (2021). Riyadh City Profile
13 Ibid
14 Ibid
15 Ibid
16 Euromonitor International (2021). Economy, Finance and Trade: Saudi Arabia
17 Euromonitor International Passport estimates from official statistics and published sources
18 Ibid
19 Ibid
20 SAMA (2020). Inflation report Third Quarter of 2020
21 Ibid
22 Euromonitor International (2022). Economy, Finance and Trade: Saudi Arabia
23 Euromonitor International (2020). Saudi Arabia: Country Profile
24 Euromonitor International (2021). Economy, Finance and Trade: Saudi Arabia

3.1.2 Demographic Overview

The rise of millennial urbanites and women in the public and private workforce, the influx of foreign expats, and the Kingdom's financial inclusion ambitions form a robust market for consumer banking and finance

Saudi Arabia's population is estimated to have reached 32.7 million in 2023, having grown by a CAGR of 2.1% during the review period (2019-2023).[25] The Saudi population (58.8% of the total population in 2023[26]), has organically fuelled this growth. However, the Kingdom's economic liberalisation and efforts to attract foreign investment have recently driven a resurgence in expat influx[27] and, in turn, higher demand for consumer finance in the absence of subsidy schemes, which are usually reserved for nationals.

The Kingdom's overall population growth and Vision 2030-led infrastructure drive have also been behind the expansion of its urban population (2.3% CAGR over 2019-2023), reaching 27.7 million or 84.7% of the total population in 2023.[28] Tier 2 and Tier 3 cities, such as Jubail, Buraydah, Medina, Jazan and Tabuk, are strongly benefitting from this trend, in light of nationwide plans to grow infrastructure, retail, tourism, and entertainment sectors.

Saudi Arabia also boasts a relatively large economically active population aged 15-64 (47.8% of the total population in 2023[29]) and a growing population of increasingly tech-savvy and digitally native younger consumers (21.9% of the total population aged 14 and under in 2023[30]). Women's workforce participation has also prompted higher consumer spending in the Kingdom; the employed female population expanded by a CAGR of 8.6% in the review period.[31] Women's and Saudi locals' growing workforce and private sector participation also supported the expansion of the middle class to account for nearly a third (29.1%) of the total number of households in 2023.

A cross-examination of the labour market and workforce in 2023 also signals the growing participation of Saudis and women in the private sector, a key driver of the consumer finance space. By 2022, nearly 2.2 million Saudis (1.3 million Saudi men and 861,200 Saudi women) worked in the private sector, nearly 30% more than the number of those working in the government sector (1.6 million).[32] The number of Saudis and non-Saudis working in the private sector accounted for 63.8% of the total employed population in 2022.[33] Moreover, while financial inclusion gaps remain for some underserved segments, the Kingdom's unbanked population share of the total population shrank from 26.8% in 2019 to 15.7% in 2023.[34]

Demographic indicators for the forecast period signal a growth environment for both financial inclusion and consumer finance in the Kingdom, driven by the expansion of its young, urban, middle-income and employed female segments. Saudi Arabia's overall population and working age population (15-64 years old) are expected to grow by CAGRs of 1.3% and 1.9%, respectively over 2023-2028.[35] The Kingdom's urban population is set to reach 85.5% of the total population in 2028.[36]

Table 3.1: Key Macroeconomic and Demographic Indicators in the Saudi Arabia (2019G-2028G)

Indicator	Unit	2019G	2020G	2021G	2022G	2023G (F)	2028G (F)	CAGR 2019G-2023G	CAGR 2024G-2028G
GDP	SAR Trillion	3.1	2.8	3.3	4.2	4.3	5.4	6.5%	5.6%
Real GDP growth	%	0.8	-4.3	4.3	8.7	0.5	3.0	-	-
Public debt to GDP	%	21.6	31.0	28.6	23.8	23.8	-	-	-
Share of oil activities in GDP	%	30.2	21.9	28.1	38.7	-	-	-	-
Share of non-oil activities in GDP	%	48.3	52.8	48.3	42.2	-	-	-	-
Government activities and net product taxes	%	21.5	25.2	23.7	19.1	-	-	-	-
Population	Mn	30.1	31.6	30.8	32.2	32.7	35.0	2.1%	1.3%
Economically active population	Mn	14.2	14.9	15.0	15.3	15.6	17.3	2.5%	1.9%
Households	Mn	7.2	8.0	8.2	8.9	9.3	11.0	6.6%	3.0%
Middle-class households	Mn	2.1	2.3	2.4	2.6	2.7	3.2	6.4%	2.9%

25 Euromonitor International Passport estimates from official statistics and published sources
26 GASTAT (2021). Mid-year population estimates for 2021
27 General Organisation for Social Insurance (GOSI)
28 Euromonitor International Passport estimates from official statistics and published sources
29 Ibid
30 Ibid
31 Euromonitor International Passport estimates from official and published sources
32 GASTAT (2022). Total employed persons by nationality, sex, and sector
33 Ibid
34 Euromonitor International Passport estimates from official statistics and published sources
35 Ibid
36 Ibid

Indicator	Unit	2019G	2020G	2021G	2022G	2023G (F)	2028G (F)	CAGR 2019G-2023G	CAGR 2024G-2028G
Urban population	Mn	25.2	26.5	26.0	27.2	27.7	29.9	2.3%	1.6%
Urban population out of total population	%	83.9	84.1	84.3	84.5	84.7	85.5	-	-
Foreign residents out of total population	%	41.8	43.0	40.3	41.6	41.2	39.7	-	-
Saudi citizens out of total population	%	58.2	57.0	59.7	58.4	58.8	60.3	-	-
Unbanked population (out of total population over 15 years)	%	26.8	23.7	17.8	17.5	15.7	-	-	-
Inflation	%	-2.1	3.4	3.1	2.5	2.3	2.1	-	-
Working population	Mn	13.4	13.7	14.0	14.4	14.8	16.3	2.5%	1.8%
Saudi citizens out of working population	%	23.7	24.4	26.4	25.5		-	-	-
Foreign residents out of working population	%	76.3	75.6	73.6	74.5		-	-	-
Females out of working population	%	14.1	14.4	15.5	16.7	17.8	18.3	-	-
Saudi male employees in public sector	Mn	0.91	0.93	0.96	0.97	-	-	-	-
Saudi female employees in public sector	Mn	0.56	0.57	0.58	0.61	-	-	-	-
Saudi male employees in private sector	Mn	1.1	1.1	1.2	1.3	-	-	-	-
Saudi female employees in private sector	Mn	0.56	0.60	0.69	0.86	-	-	-	-
Employment rate	%	59.1	57.8	60.5	59.5	59.9	-	-	-
Unemployment rate	%	5.6	7.7	6.6	5.6	5.5	5.8	-	-
Consumer spending as a percentage of GDP	%	42.2	44.4	42.4	36.0	39.5	38.8	-	-
Per capita private consumer spending	SAR	42,174.1	38,624.6	45,087.0	46,273.0	47,774.8	56,683.8	3.2%	3.6%
Per capita disposable income	SAR	42,094.3	38,509.9	44,922.7	46,094.2	47,627.7	56,620.0	3.1%	3.6%
CPI (2010=100)	-	118.4	122.5	126.2	129.4	132.4	147.2	2.8%	2.1%

Source: Euromonitor International estimates from the United Nations, World Bank, International Monetary Fund, General Authority for Statistics, Saudi Central Bank and OPEC.

3.2 Industry Overview: Consumer Finance in the Kingdom

3.2.1 Market Potential and Structure Analysis

Consumer finance37 in Saudi Arabia grew by a 9.2% CAGR over 2019-2023, fuelled by an enabling regulatory and policy environment for fintech and NBFI innovation as well as growing consumer demand

In 2023, the Saudi consumer finance market[38] reached SAR483,8 billion in outstanding terms. The market experienced year-on-year growth of 47.3% in 2021-2022, before contracting by a modest -0.9% in 2022-2023 due to activity stagnancy in the bank cash loans segment[39]. By the end of 2022 there were over 20 active consumer finance licenses for finance companies (NBFIs) in the Kingdom, accounting for approximately 4% of total consumer credit provided in the Saudi financial system.[40] The wider finance sector's profitability reached SAR1.8 billion in 2021.[41] Non-performing loans (NPLs) for finance companies also decreased in 2021 to 8.6% from 9.6% in 2020, owing to the Kingdom's economic rebound and the Saudi Central Bank's (SAMA) strong monitoring and regulatory framework for finance companies' risk management, debt collection and credit availability. [42]

Nonetheless, a global comparison with countries and regions featuring more developed consumer finance landscapes signals further growth potential; in 2023, the Consumer Credit/GDP ratio in Saudi Arabia (13.0%) was markedly lower than in countries like the US (21.1%) and neighbouring economies like the UAE (21.1%). It also stood below the global average (16.4%), holding promise for further volume and value expansion:

Table 3.2: Global Comparison: Consumer credit (includes consumer finance and auto loans) as a share of GDP

Geographic Area	Category	Data Type	Unit	Currency Conversion	Current Fixed	2019G	2020G	2021G	2022G	2023G
Kingdom of Saudi Arabia	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	12.1%	15.0%	14.9%	12.6%	13.0%
UAE	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	21.6%	28.4%	24.9%	20.4 %	21.1%
USA	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	22.9%	22.7%	21.6%	21.5 %	21.1%
United Kingdom	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	16.0%	17.1%	16.9%	16.3%	16.0%
GCC	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	14.8%	19.9%	18.0%	14.3%	15.3%
G20	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	16.9%	17.5%	16.8%	16.4%	16.4%
World	Consumer Credit/ GDP	Socio-economic indicators	%	y-o-y ex rates	Current Prices	16.6%	17.2%	16.6%	16.3%	16.4%

Source: Consumer credit in the Kingdom is based on Saudi Central Bank data for 2020G, 2021G and 2023G for NBFIs and banks; data for all other countries for 2022G was obtained from Passport consumer finance (2023G) and includes total consumer credit. 43

Consumer Finance in Saudi Arabia is provided through three different service provider types operating under different regulations and mostly complementing each other, as set out in Table 3.3.

37 Including Consumer Finance from banks, NBFIs and BNPL- fintechs
38 The market is sized accounting for personal credit cards, cash loans and instalments, and excludes SME financing, real estate and automotive financing. American Express (AMEX) credit cards, registered under the NBFI segment with SAMA is excluded from this research, as the provider caters to a very different consumer segment (e.g. high earners and companies) than traditional NBFIs such as Tas'heel, Emkan and Nayifat and is therefore not seen as part of the competitive environment within this segment.
39 Euromonitor International Passport estimates from SAMA and other official sources
40 Euromonitor International Passport estimates from SAMA and other official sources
41 Covering all finance activities including real estate loans, automotive, SME financing, in additional to personal finance for other purposes
42 SAMA Financial Stability Report 2022
43 Consumer Credit excludes Mortgages and includes auto lending, card lending, durables lending, education lending, home lending, other personal lending. Eurozone countries as Croatia, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Belgium, Cyprus, Finland, Ireland, Luxembourg, Malta, as well as GCC countries as Bahrain, Kuwait, Oman and Qatar are modelled data from Passport.

Table 3.3: Overview of Key Consumer Finance Providers

	Banks	NBFI	BNPL Fintechs
Target Consumer	Broad consumer base but focused on middle-to-higher income, urban and naturally banked professionals with established credit histories and relationships with the banks.	Consumer base covering lower-income, underbanked population, as well as self-employed individuals facing credit restrictions from traditional banks. Increasingly catering to mid-to-high-income consumers looking for extra credit options (additional DBR (Debt-burden ratio)).	Tech-savvy, digitally native millennials and Gen Z consumers looking to finance smaller-ticket purchases in categories such as fast fashion, personal care.
Positioning	Traditional and usually preferred consumer finance option, with lower profit rates.	Option for consumers not served by banks or in need for additional financing.	Integration of consumer finance in daily spending.
Portfolio and Debt Burden Ratio (DBR) maximum utilisation	Personal cash loans and credit cards up to DBR (Debt-burden ratio) 33.33% to customers.	Personal cash loans, instalments and credit cards, up to DBR 65%, depending on consumer history.	Short term/low ticket size instalments, limited to a maximum of SAR5,000 under the Rules for Regulating Buy-Now-Pay-Later Companies (December 2023)

Source: Euromonitor International estimates from expert interviews and desk research

Nationwide ambitions to grow the Kingdom into a global Islamic finance hub, drive wider financial inclusion and support digital transformation have offered further impetus for the consumer finance space

Under Vision 2030's Financial Sector Development Programme (FSDP), the Kingdom has largely focused on the positioning of finance (as per adopted Islamic Shariah standards) as a key component of the country's financial system. This chiefly comprises banking and finance companies, Sukuk, Waqf and Insurance, and today includes non-bank financial institutions (NBFIs)[44]. Financing (as per relevant Islamic Shariah standards) has historically been a key driver for consumer adoption of finance activities and its expansion translates into ample potential for consumer finance[45]. Additionally, Vision 2030 is supporting a digital transformation, targeting a 70% share for cashless transactions by 2025, supported by a strong broadband and digital payment infrastructure and high internet penetration (100% of the population as of 2022, up from 93.3% in 2018)[46]. By September 2023, SAMA reports, the share of digital payments in the Kingdom had already approached its 2025 target, at 62 percent[47]. Players like Tas'heel Finance are benefitting from and supporting this development simultaneously. A prime example is Tas'heel Finance's Baseeta, which was officially launched in 2023G, and converges the robust structure of credit cards, that are compatible with Islamic Sharia standards approved by Tas'heel's legal committee, with the advantages of the BNPL model into a fully digital payment solution and process.[48]

In addition to broader support for the banking and private sectors, SAMA's COVID-19 alleviation efforts provided additional government support for lenders and borrowers during the crisis

The pandemic prompted further backing by the Saudi Central Bank (SAMA) of finance companies' business continuity, while also proving the central bank's commitment to promoting financial sector stability.[49] Key examples are the SME Financing Guarantee Programme, Kafalah, which allocated SAR450 million in May 2020 and its extension, the Guaranteed Financing Programme (to include micro-enterprises) to help SMEs and microfinance companies cushion the blow of the pandemic. Post-pandemic measures by SAMA also signal its ongoing support of finance companies in the Kingdom. A recent example being its decision to reduce the minimum paid-up capital for finance firms specialised in supporting SMEs.[50] This support translated into a growing number of SMEs[51], which in turn is benefitting NBFI finance options, as most such enterprises are not listed with banks, usually a pre-condition for employee access to a bank's financing options.[52] In order to offer consumer finance options to this consumer segment, players like Tas'heel Finance, Emkan, and Nayifat have been able to leverage their strong data capabilities for KYC (Know Your Customer) procedures, as well as strong debt collection capabilities to limit the risk of unpaid debts.

44 SAMA (2021). Saudi Arabia Islamic Finance Report
45 Saudi Arabia Islamic Finance Report 2021
46 Euromonitor International Passport estimates from official and published sources
47 Arab News (2023). Share of digital payments in Saudi Arabia hits 62%, says SAMA official
48 Euromonitor International interviews with trade and industry experts
49 Sama (2022): Saudi Central Bank Announces the Extension of Guaranteed Financing Program for one year
50 Arab News (2023). SAMA reduces minimum paid-up capital for finance firms supporting SMEs
51 The number of companies with less than 50 employees grew by 4.8% between 2020 and 2021 to reach a total of 934,781 in the same year (Euromonitor International Passport: Industrials Dataset (2022)).
52 Euromonitor International trade interviews with industry experts and players

Regulatory developments fronted by SAMA are supporting the rise of novel tech-powered models, new funding and revenue streams, and stronger collaboration among consumer finance service providers

Regulatory frameworks and updates introduced by SAMA (see section 3.2) have also fostered an increasingly well-regulated and democratised environment for consumer finance supply, particularly for novel lending models. These efforts have a four-fold focus: the enablement of fintech companies and e-payment services under the SAMA Regulatory Sandbox Framework; the relaxation of rules and requirements for deposit-taking among financial institutions outside of the banking sector, namely NBFIs; the empowerment of an open banking model that encourages data exchange and sharing among different ecosystem players (i.e., between merchants and NBFIs); and the accessibility of financing services for lower-income and underserved segments in the Kingdom, mostly met through BNPL and NBFIs.

Need gaps in funding everyday expenses and coping with pandemic-induced inflationary pressures fuelled consumer demand for more diverse finance channels and recourses

Consumers in Saudi Arabia are increasingly resorting to consumer financing facilities to fund lifestyle-related and smaller-ticket purchases. Furthermore, the arrival and expansion of BNPL options is establishing everyday lending as a normal way of spending among the younger generation, indicating a new mindset and openness towards the usage of consumer finance options in Saudi Arabia. Key drivers of this shift were the inflationary pressures arising from the pandemic, subsidy cuts, rising costs of living, and price hikes associated with the VAT increase from 5% to 15% in January 2020.[53] The post-pandemic return to normalcy has also meant the resumption of abroad studies for Saudi students, and in turn a need for internal financing options covering educational expenses, chiefly through cash loans [54], as well as small-to-medium-sized tickets associated with costs of living – which, on the back of global inflationary pressures, are also fuelling demand for delayed and deferred payment solutions including credit cards, BNPL, and easy payment plans.

Increased demand for faster, convenient financial services among the younger generations is a key driver for innovation in the NBFI and fintech sectors

Particularly among the younger generation, the need for speed and convenience provided through fintech solutions, both in the payments and finance spaces, has taken precedence over competitive profit rates. Saudi consumers exhibit low price-sensitivity when it comes to immediate financing needs. [55] This trend has strongly positioned NBFI players like Tas'heel Finance and Emkan that have prioritised streamlined and digitised approval processes, as well as BNPL players that have tied their offering with the convenience of e-commerce platforms.

The consumer landscape for finance activities is also growing increasingly diverse across demographic segments, particularly among underserved population segments, but also lower-income bases

While progress has been made on financial inclusion in the Kingdom (see section 2.2), in 2021, only 28.8% of the 15+ female population, 24.8% of the poorest population, and 16.3% of the out-of-labour-force population aged 15 and above borrowed any money from a formal financial institution.[56] According to the Saudi Islamic Finance annual report published by SAMA in 2021, these gaps have been historically linked to insufficient funds or to finances being tied to the wider family's accounts (usually among women).[57] Such gaps offer strong growth opportunities for NBFIs and fintechs that are democratising access to consumer finance in the Kingdom.

Lower to mid-income consumers, millennials, and governmental sector employees – predominantly Saudis – have dominated retail lending portfolios in the review period. [58] Terms and conditions set by banks and NBFIs have typically favoured Saudi government workers compared with other employment segments. Additionally, offers to expatriates and self-employed entrepreneurs or SME employees are often limited and rejection rates are reportedly high due to an increased risk of debt delinquency.[59] Smaller NBFIs, in particular, do not have the capacity and data to establish strong consumer segmentation and debt collection capabilities. These obstacles have given companies like Tas'heel Finance a first-mover advantage in servicing the expat clients, which remains underserved by other NBFIs and financial institutions in the market. In this direction, Tas'heel Finance's latest product, Baseeta, a hybrid between a credit card that follows Islamic Shariah standards and a BNPL solution, is inclusive by design – availed to both citizens and expats, as well as to any salaried consumer above the age of 21 with a monthly income exceeding SAR 2,500.

Among middle-to-higher-income millennial urbanites, the travel surge that followed the COVID-19 pandemic, particularly among younger millennials, accelerated the growth of personal cash loans for such purposes, as did the Kingdom's e-commerce transition in the wake of the pandemic,[60] where BNPL players have positioned themselves strongly and favourably among Gen Z consumers.[61]

53 Emkan Consumer Sentiment Survey (2021)
54 Euromonitor International (2022). Consumer lending in Saudi Arabia
55 Euromonitor International trade interviews with industry experts and players
56 The World Bank. Global Findex Database (2021)
57 SAMA (2021). Saudi Islamic Finance annual report
58 SAMA (2021). Performance of financial sector
59 Euromonitor International primary and secondary research
60 Euromonitor International (2022). Consumer lending in Saudi Arabia
61 Euromonitor International trade interviews with industry experts and players

3.2.2 Regulatory Overview

The forecast period will see accelerated growth for consumer finance in Saudi Arabia in a more open regulatory environment and diversified supply and demand landscape

Against the backdrop of an enabling regulatory environment, a consumer behavioural shift towards new financing avenues, and political will to position the Kingdom as a cashless society and fintech hub in an open banking environment, the consumer finance space is set for growth in both the short-to-medium and longer term. In the forecast period (2023-2027), the consumer finance market is set to expand by a CAGR of 10.9% to stand at SAR 744.1 bn in the latter year. The market size for NBFIs is poised for exponential growth during the same period, at a CAGR of 11.3%to reach SAR 32.4 bn by 2027, while BNPL is also expected to expand by a CAGR of 11.7% to stand at SAR 4.0bn for the same year.

In 2023 (and expected to continue in Q1 2024), however, high interest rates continue place downward pressures on lending activity, and in turn, the consumer finance market – albeit more prominently so for the real estate mortgage segment than for personal finance credit extension. The Saudi Central Bank has raised its Repo and Reverse Repo rates three times in 2023 – the last of which was in July 2023 – in a move that can ensure more sustainable lending practices and curb potential inflation in the longer term. It is expected to hold this policy rate until the end of Q1 2024, and engage in interest rate cuts during the remainder of the year.[62] These projections suggest a period of stabilization for the cost of borrowing, followed by a potential decrease in lending costs – and in turn, stronger consumer lending activity.

Table 3.4: Consumer Finance Market Size in SAR Million (2019G-2028G)*

	2019G	2020G	2021G	2022G	2023G	2024G (F)	2025G (F)	2026G (F)	2027G (F)	2028G (F)	CAGR 2018G-2022G	CAGR 2023G-2027G
Banks	336,868	369,151	433,844	463,595	457,585	460,865	465,632	484,659	512,647	547,119	8.0%	4.4%
NBFI	2,527	6,203	14,501	19,218	23,034	26,079	29,743	34,710	40,611	47,658	73.7%	16.3%
BNPL	350	707	791	2,249	3,170	4,156	5,341	6,495	7,742	9,073	73.5%	21.6%
Total	39,745	376,061	449,137	485,062	483,789	491,100	500,717	525,863	561,000	603,850	9.2%	5.3%

Source: Euromonitor International estimates based on expert interviews and desk research

Note: * Consumer Finance includes credit cards, cash loans and instalments. Data refers to outstanding. Amex credit cards excluded from NBFI totals..

3.2.3 Regulatory Overview

Saudi Arabia's financial sector is well-regulated and governed by several authorities and bodies that oversee wider financial activities, as well as the growing consumer finance space. The Saudi Central Bank (SAMA) is the regulator and supervisor of licensed financial institutions, including finance and credit information companies in the Kingdom. Additionally, the Communications and Information Technology Commission (CITC), established in 2001, governs electronic transactions and signatures for the entire financial sector. In the consumer finance space, SAMA is supported by SIMAH (Saudi Credit Bureau), the sole licensed national credit bureau offering consumer and commercial credit information services to individuals and corporate banking and finance sectors in the Kingdom.

Under SAMA's Banking Control Law (1996) and the Banking Protection Principles, consumer finance companies are mandated to assess consumer credit ratings and loan repayment ability. Moreover, consumer financing is capped based on the Debt Burden Ratio (DBR) of consumers' monthly disposable income.

The Responsible Lending Principles for Individual Customers (issued in 2018) by SAMA applies to all creditors and finance activities directed to consumers, including personal finance, credit cards, auto loans and real estate loans. This regulation sets a general framework for the conditions and criteria for lending to individuals and establishes different limits for monthly credit obligations, based on income and working status, as shown in Table 5.

62 Fitch Solutions (2023). Saudi Central Bank Will Hold Its Policy Rate Until End Of Q124 After Last Hike Of Tightening Cycle

Table 3.5: Monthly Credit Obligation Limits According to the Saudi Central Bank (2018G) Responsible Lending Principles for Individual Customers

Monthly Income Segment	Monthly Deduction from Gross Salary With Salary Transfer	Monthly Credit Obligations, Excluding Real Estate Finance Without Salary Transfer	Monthly Credit Obligations for Finance Products
SAR 15,000 or less	Employees: 33.33% max Retired: 25% max	45% max	55% max 65% max if benefitting from Ministry of Housing / Real Estate Development Fund
SAR 15,000 - SAR 25,000	Employees: 33.33% max Retired: 25% max	45% max	65% max
SAR 25,000 or more	Employees: 33.33% max Retired: 25% max	According to credit policies of the creditor	

Source: Euromonitor International estimates based on primary and secondary research

The main regulation overseeing NBFIs is the Saudi Central Bank's (SAMA) Finance Companies Control Law (2014), which extended a strong supervisory role for the Bank over transactions, contracts, minimum security requirements and maximum amount allowances for NBFIs. Finance companies were initially not allowed to engage in activities other than finance activities or acquire (directly or indirectly) other companies engaged in non-finance activities; accept time deposits or non-banking facilities; and open accounts, unless licensed by the Saudi Central Bank, which is now a possibility owing to the Saudi Central Bank's issuance of regulations for deposit-taking activities for finance companies released in 2022. The Regulations for Deposit Taking Finance Companies, which include NBFIs, also introduced new rules around governance, risk management, minimal capital and liquidity requirements affecting NBFIs in November 2020. Exposure limits for the NBFI are limited at three times the capital and reserves for Finance Companies carrying out non real estate finance activities, unless a non-objection letter from SAMA is obtained[63].

In fast-tracking fintech innovation, the Saudi Central Bank (SAMA) launched in 2019 its Regulatory Sandbox Framework. However, recent developments suggest more stringent and potentially more restrictive regulation for BNPL players. The new law "**Rules for Regulating Buy Now Pay Later (BNPL)**" Companies was circulated initially as a draft by the Saudi Central Bank in April 2023.

Key changes under these laws include the following:

- Licensing registration with SAMA and minimum capital requirements of SAR 5 million
- Overall financing cap of 20 times the BNPL company's equity, and of 5,000 at a consumer ticket level – with a maximum repayment cycle of 12 instalments
- Compliance with DBR (Debt Burden Ratio) under SAMA's Responsible Lending Principles, and with SIMAH mandatory reporting processes
- Compliance with regulations and laws (i.e. Finance Companies Law and Customer Protection Framework)
- Prohibition from charge fees on the end consumer, including fees owed to the BNPL company, contracted stores, or a third party.

In the forecast period, the Kingdom is expected to further strengthen and expand its regulatory framework for digital banking, fintech and non-traditional finance channels and institutions, with greater focus on data sharing and privacy, cybersecurity, consumer protection, capital and liquidity requirements, and governance. In mid-2023, SAMA released implementing Regulations for the Law of Payments and Payment Services, and circulated a new Draft Banking Law for public consultation.[64] The latter:

- Extends the definition of banking to a broader range of financial activities;
- Transfers the licensing authority from the Council of Ministers to SAMA;
- Introduces a Deposits Protection Fund to safeguard local depositors against bank defaults;
- Centralizes the regulation of banking IT and cybersecurity with SAMA;
- and mandates financial institutions to share client data with licensed fintech providers upon SAMA's request.

3.2.4 Stakeholder Analysis

Strong policymaking, regulatory support and consumer demand in the Kingdom among an increasingly tech-savvy population have paved the way for a diversified consumer finance market landscape. This landscape has been shaped by three service provider categories in the review period: NBFIs, BNPL fintechs and banks.

Based on the mandatory Responsible Lending Principles for Individual Customers, bank consumer finance credit is capped at 33.33% of monthly income, as banks rely on the customers' gross salary deduction as collateral for financial consumer products. NBFIs can tap into additional monthly credit quotas, up to 45.0% (apart from the real estate financing credit), by offering financial products not tied to gross salary deductions, therefore exploiting the difference between the DBR offered by the banks and NBFIs.

Meanwhile, BNPL fintechs have a limit of SAR5,000.

63 SAMA. Implementing Regulation of the Finance Companies Control Law. 2019
64 Dentons Global Advisors (2023). ASG Analysis: Major Proposed Changes to Saudi Banking Regulations

While NBFIs have been able to capture a broad and mass consumer base backed by higher DBR allowances, leading players in this space like Tas'heel Finance are adopting more agile and hybrid payment solutions ahead of shifting market and consumer dynamics

In 2023, the NBFI market (excluding BNPL instalments) stood at SAR23.0 billion, having experienced notable year-on-year growth of 19.9% and accounted for a 4.8% share of the consumer finance market.[65] As of October 2023, 24 NBFIs with a consumer financing license operate in Saudi Arabia, and they have strongly positioned themselves in the traditional cash loan segment. These players mostly capture the incremental credit demand gap from consumers who obtain credit from traditional banks and are limited by their DBR cap (33.33%). Larger players, equipped with robust data analytics and customer segmentation capabilities, are also able to target and risk-proof underserved customers with limited access to bank loans or larger-ticket credit facilities (i.e. lower-income and expat consumers).[66]

Some have complemented this offering with product instalment options, a sector benefiting from the increased demand for BNPL payment solutions, which have widened the borrowing landscape for consumers, particularly for small-to-medium-ticket purchases. Furthermore, the largest three players with a consumer finance license have also ventured into credit cards, a booming segment in the Kingdom.

Tas'heel Finance, historically the Kingdom's leading NBFI within the product instalments category, is adopting a more agile and future-proof approach to these changing market and consumer dynamics. In December 2023, the company introduced Baseeta, a payment solution in the guise of a credit card (that follows Islamic Shariah standards as adopted by Tas'heel Finance), offering clients the benefits of competitive instalment products compared with current BNPL schemes in the market. Baseeta also holds a three-fold competitive edge against existing BNPL solutions: 0% down payment (compared with a 25% down payment at the time of purchase for BNPL); a 36-month flexible repayment period (compared with a SAMA enforced cap of 12 instalments for BNPL); and a revolving limit of up to SAR 60,000 (compared with a maximum ticket size of SAR 5,000 for BNPL).

The rise of younger Gen Z and millennial Saudi nationals, as well as women, entering the workforce, coupled with growing cultural acceptance of borrowing activities and demand for convenience and speed of financing facilities, particularly benefit such novel payment solutions and models in the NBFI space; these digital-first segments are largely underserved by traditional banks, sidelined by restrictive credit terms and conditions, and increasingly strained by inflationary pressures for smaller-sized everyday purchases, without compromising its credit risks management practices.

While a culture of overspending and on-demand financing among Saudi consumers has rendered them less sensitive to high profit rates, prioritising the speed and convenience offered by NBFI lending makes digital options specifically attractive.[67] In addition, digitalized solutions also allow NBFI companies to integrate automated seamless profile assessments. Tas'heel Finance, for example has integrated automated SIMAH credit scores in their app interfaces, and is set to more greatly benefit from this integration with more agile and real-time products like Baseeta.

Expanding their footprint across the Kingdom, beyond urban centres and main cities and into Tier 2 and Tier 3 cities, areas where traditional banks hold a more limited geographic footprint is another strategy larger NBFIs are using to reach currently underserved population segments. Tas'heel Finance, for example, operates through 45+ locations across 28 cities, including remote regions of the Kingdom. Nayifat is the only other NBFI with a comparable footprint, operating in more than 20 cities in the Kingdom.

Aside from the debt collection risks that are inherently tied to the NBFI business model and addressable market, funding also remains a challenge for NBFIs. This is largely due to strict regulatory requirements and their dependence on borrowing and securitisation, which limits the entrance of new players in the sector, while providing a competitive advantage for companies like Tas'heel Finance with sophisticated consumer profile models which reduce their non-collection risks. SAMA has recently relaxed some of its regulations in this regard, allowing finance companies to engage in deposit-taking activities, this reassuring them and allowing them to optimise their offerings.

While BNPL players have leveraged youth appeal, lower average ticket sizes, and the advantages of the Regulatory Sandbox Framework, new regulatory updates and competitive hybrid products introduced by the likes of Tas'heel Finance may impede their growth

The Kingdom's post-pandemic e-commerce boom and inflationary pressures have competitively positioned players with strong digital capabilities such as BNPL fintechs, fuelled by demand from the tech-savvy and digitally native Gen Z segment. In 2023, the BNPL market stood at SAR 3.2 bn in value terms, having experienced year-on-year growth of 41.0%, and accounted for 0.7% share of the consumer finance market.[68]

The target segment, model, and role of BNPL fintechs in the consumer finance space lends itself to smaller average ticket sizes (usually below SAR2,000). The segment is thereby establishing lending as an everyday spending tool and has raised acceptance of consumer finance options in the country. BNPL customers are also accustomed to an easy and streamlined lending experience, which is currently also offered by a limited number of NBFI players (Tas'heel Finance, Emkan and Nayifat), strengthening their positioning in the consumer finance market.

While the BNPL focus on the small-ticket segment translates into strong volume growth and regular usage, it equally poses a barrier for profitability and value growth – particularly since the zero percent-interest proposition of BNPL schemes has served as their competitive edge.

The full enforcement of the Kingdom's stricter Rules for Regulating Buy Now Pay Later (BNPL), issued in 2023 (see section 3.2),

65 Euromonitor International Passport estimates from trade interviews and SAMA

66 Credit extension to self-employed and lower-income consumers incurs higher default risks and debt collection barriers for financial institutions, which is easier for larger players. NBFIs counter such risks with higher profit rates as well as investments into extensive consumer segmentation and risk profile assessment. The 2011 rollout of the FICO (Fair Isaac Corporation) score by SIMAH has provided a solid baseline for NBFIs to diffuse this risk. It offers an in-depth understanding of Saudi consumers' credit history, enabling sustainable growth. Nonetheless, additional data collection and segmentation capabilities are key to maximising their offering and taking full advantage of the broad potential underserved consumer segments pose in the current landscape, without an increased risk.

67 Euromonitor International trade and expert interviews with industry players

68 Euromonitor International Passport estimates from trade interviews and SAMA

would place BNPL players under greater pressure for profitability, licensing, and compliance – effectively limiting their agile modus operandi compared with NBFIs and other financing companies, set up already to operate within these more stringent frameworks.

Tamara and Tabby, the two largest players in this space, had been licensed since 2020 and enjoyed a competitive advantage under SAMA's Regulatory Sandbox Framework, before they obtained their official permits in July 2023. In November 2023, Tabby closed a USD 1.5 billion valuation with a USD 200 million series D funding. In December 2023, Tamara reached a USD 1 billion valuation with USD 340 million Series C funding. Despite this considerable capital injection that will serve both players' expansion across the region, recently introduced stricter regulations may impede their agile decision-making and profitability in the Kingdom specifically, and may pose higher barriers of entry for other such fintech start-ups.

In tandem, an increasingly competitive environment shaped by players like Tas'heel Finance and by traditional banks' EPP (easy payment plans) also poses challenges for the current BNPL offering in Saudi Arabia. As mentioned earlier in this report, Tas'heel Finance's Baseeta rivals BNPL schemes on down payment requirements at the time of purchase; repayment periods; and ticket size limits. Such products both bridge the gap between traditional NBFI products and BNPL solutions

In an increasingly fragmented, competitive and diverse consumer finance landscape, which has not received the necessary attention to meet the credit needs of customers, Saudi banks are also focusing on omnichannel retail banking experiences and fintech partnerships

In 2023, consumer finance by banks stood at SAR457.6 bn in value terms, accounting for 94.6%share of the consumer finance market.[69] As of 203, the Kingdom counted 37 commercial banks, 11 of which are Saudi banks, 3 digital banks, and 23 licensed branches of foreign banks.

In consumer finance, banks still hold a tight grip on the cash loan market, with a three-fold focus: low-risk middle-to-higher-income banked consumers; higher average ticket sizes coupled with competitive profit rates supporting both volume and value growth; and a strong geographic footprint across large cities and urban centres. This focus is largely due to the DBR restrictions.

However, in the past two years, many banks across the Kingdom have considerably reduced their physical footprint while continuously expanding their retail lending activities and played a significant role in growing consumer acceptance of credit cards (see section 4) through options with low profit rates, reward and loyalty programmes, and other incentives. In 2023, credit card penetration in Saudi Arabia was estimated at 26.3%, up by 6 percentage points from 2019.[70] Aligning with this growth trend, most banking players in the Kingdom have introduced a wide swath of easy payment plans and programs. Examples include Al Rajhi Bank's Tasaheal Program, Al Ahli's Smart Payment Plan, Bank Al Jazira's La Tajil program, and Riyad Bank's 0% Qasset plan – all of which offer 0% instalment plans and repayment periods ranging between 12 and 36 months.

A disrupter within the NBFI space was the launch of Emkan: Al Rajhi Bank has established a hybrid bank-backed, non-bank fintech model through Emkan, an NBFI that offers Saudi nationals omnichannel consumer finance options (both digital and through physical locations). Nonetheless, industry experts do not expect other banks being able to introduce similar models, but rather suggest two possible future scenarios: SAMA could enforce amendments to its regulations towards a 'Chinese wall' separation between banks and financing subsidiaries to ensure fair market competition or reject any future bank applications for the NBFI license.71 As of 2024, there have been no official updates or announcements around such regulatory amendments.

3.3 Category Analysis

3.3.1 Overview of consumer finance by category

Consumer finance was traditionally concentrated in cash loans directed to larger purchases, but is rapidly evolving towards smaller tickets supported by credit cards and instalment models

At a lending category level, the Saudi consumer finance market is heavily concentrated in the cash loans segment, which accounted for 93.6% of the total market in value terms in 2023, compared with a share of 5.6% for personal credit cards, and 0.8% for instalments in the same year[72].This dominance is largely due to a broad offering, product flexibility and larger average ticket sizes of cash loans, between SAR30,000 and SAR80,000 in 2023[73], which Saudi consumers typically utilise for relatively large or emergency purchases (such as home renovation, education and emergency medical care). Conversely, product instalments and credit cards command much smaller average ticket sizes, at SAR3,000-10,000 and SAR100, respectively, in 2023. This is due to the nature of their use for day-to-day and smaller purchases in categories such as consumer electronics, white goods and retail. Awareness and acceptance among Saudi consumers for both payment methods are growing, offering strong growth opportunities.

Inflationary pressures have supported all three types of consumer finance, pushing consumers to defer their payments on both small- and larger-sized purchases. It is worth noting that in the historical period (2019-2023), cash loans grew by a CAGR of 9.0% in value terms. Meanwhile, instalments expanded by a CAGR of 82.5%, signaling the rapid growth of consumer finance options for lower-ticket items and everyday transactions.

The NBFI-specific market follows a similar trend in terms of lending category distribution but has a larger share of instalments and a lower share of credit cards at the moment, as only three NBFIs offer consumer credit cards as of February 2023 (based on SAMA data). The NBFI instalments category saw strong growth in the 2019-2023 period, with a CAGR of 250.2% in value terms supported by new market entries, while NBFI cash loans expanded by a CAGR of 72.2%. However, in the medium-to-long term, and considering its leadership in the Kingdom's instalments category, Tas'heel Finance's shift towards a hybrid credit card/BNPL offering with Baseeta (see section 3.3) is set to greatly influence and skew the NBFI market towards credit cards and away from traditional product instalments. This shift is evident in market projections for the forecast period (2024-2028), where NBFI personal credit cards are set to expand at a CAGR of 40.1% in value terms, compared with a relatively limited CAGR of 4.3% for NBFI instalments.

69 Euromonitor International Passport estimates from trade interviews and SAMA
70 Statista (2023). Penetration rate of credit cards in Saudi Arabia from 2014 to 2029
71 Euromonitor International primary and secondary research
72 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
73 Euromonitor International Passport estimates from SAMA official statistics and trade interviews

Table 3.6: Consumer Finance Market Size by Key Product and Service Provider, in SAR Million (2019G-2028G)

Category	2019G	2020G	2021G	2022G	2023G	2024G (F)	2025G (F)	2026G (F)	2027G (F)	2028G (F)	CAGR 2018G-2022G	CAGR 2023G-2027G
Cash Loans	320,336	356,602	428,322	458,594	452,707	454,826	458,653	477,531	505,941	541,328	9.0%	4.4%
- Bank Cash Loans	317,814	350,778	414,350	440,528	430,519	429,658	430,087	444,280	466,938	495,422	7.9%	3.6%
- NBFI Cash Loans	2,522	5,824	13,972	18,426	22,188	25,168	28,566	33,251	39,003	45,907	72.2%	16.2%
Instalments	355	1,085	1,312	3,016	3,931	4,815	5,965	7,152	8,457	9,854	82.5%	19.6%
- BNPL Instalments	350	707	791	2,249	3,170	4,156	5,341	6,495	7,742	9,073	73.5%	21.6%
- NBFI Instalments	5	378	521	767	761	659	624	657	716	781	250.2%	4.3%

Source: Euromonitor International estimates based on expert interviews and desk research

Table 3.7: Consumer finance average ticket size by key category (2019-2028)

Category	Average Financing Value in Saudi Riyals	Average Financing Value ((NBFIs	Standard Permissible Limits (NBFIs)
Cash loans	30,000-80,000	30,000-40,000	50,000-300,000
Instalments	3,000-10,000	5,000-10,000	50,000-100,000

Source: Euromonitor International estimates based on expert interviews and desk research

3.3.2 Cash Loans

Cash loans witnessed an important expansion during the period 2019-2023, due to the arrival of new entrants and growing consumer demand for financing products beyond the commercial banks offering

In 2023, the total NBFI market for cash loans reached SAR 22.2billion, having recorded notable year-on-year growth of 20.4% between 2022-2023, 31.9% for the 2021-2022 period and a notable 139.9% in 2020-202174. Value growth in NBFI cash loans over the historical period (2018-2022) witnessed a CAGR of 72.2%.75 This was largely due to growing consumer demand for financing facilities beyond the DBR offered by banks to support long-term and large expenses and purchases (e.g., education, travel and home renovation); a widening supply with the emergence of NBFIs catering to the latter as well as demand from employees of smaller “**unlisted**”76 companies; and inflationary pressures that placed greater emphasis on immediate financial relief and alleviation among consumers in the Kingdom. A prevalent overspending culture among Saudi consumers had historically fuelled the need for cash and personal cash loans in the Kingdom.

As per leadership instructions, the Saudi government is striving to provide easy solutions and services in order to improve the quality of life, while building an ambitious society, where Saudi families are presented with multiple housing options. These efforts, which rely on affordable housing projects and programmes like Sakani (Housing Program), has produced a trickle-down effect on the need for cash loans in ancillary categories, such as home renovation and improvements. Futhermore, cash loans are sometimes used to pay down-payments.

Rising interest rates in 2023 have placed short-to-medium pressures on consumers’ price elasticity and propensity to borrow for larger-ticket purchases. These pressures have temporarily dampened demand for cash loans and instalments – considering their higher pricing points – with cash loans having experienced a dip of -1.4% between 2022 and 2023 in value terms.77 However, it is worth noting that this dip exclusively owes to a contraction in cash loans extended by banks (of -2.3% in value terms)78, which was offset by NBFI cash loans – which sustained their growth trend during the same period, albeit at a slower rate.

Moreover, with interest rates expected to normalize in 2024, the NBFI market for cash loans is set to expand in the forecast period by a CAGR of 16.2% to reach SAR45.9 billion in 2028. Meanwhile, the broader cash loans market, including NBFIs and banks, in the Kingdom is also forecast to grow (4.4% CAGR) to reach SAR541.3 billion in the same year.

Demand will continue to be fuelled by the strong borrowing and lending culture among Saudi consumers; rising demand from women and youth in the workforce; growing lifestyle-related and other expenses accompanying the Kingdom’s infrastructure drive; and a growing acceptance of consumer finance as an integral part of regular spending. Growing demand is expected to be met with additional supply: NBFIs, such as Tas’heel, are offering easy –to-use moder product solutions, allowing thm to expand into new customer segments. The likely decrease of global interest rates after the recent hike over the coming years will further boost demand and make consumer finance affordable to a larger consumer segment.[79]

74 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
75 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
76 Employees of companies that are not listed with a bank rarely receive access to credit cards or cash loans, due to their elevated risk levels
77 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
78 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
79 Euromonitor International interviews with industry players and experts

3.3.3 Instalments

Growth in the instalments segment, fronted by Tas'heel Finance and accelerated by BNPLs such as Tamara and Tabby, is likely to pivot towards instalment-focused credit card products

In 2023, the total NBFI market for instalments reached SAR 0.8 bn, haivng experienced a value CAGR of 250.2% in the review period[80] an expansion that has been largely attributed to a nationwide shift to deferred payment models among consumers, retailers and institutions, the rapid growth of Tas'heel Finance and the market entry of Emkan in 2022.

The instalments category is dominated by the NBFI segment and BNPL fintechs, unlike other lending product categories, where banks account for the lion's share of the market in value terms; banks only offer a conversion of credit card payments to instalments, thus limiting access to instalments to credit card holders, under products coined as Easy Payment Plans (EPPs).

Supported by a vertical integration with eXtra stores, Tas'heel Finance is among the top players driving the growth of the NBFI instalment segment, introducing Baseeta that rivals current BNPL offerings

In 2023, NBFIs accounted for 19.4% of the category in value terms, while BNPL fintechs comprised a share of 80.6%.[81] The NBFI instalments market has been historically led by Tas'heel Finance, which today holds a 37.4% value share of the instalments category (alongside Emkan, which holds a 39.4% share). Tas'heel Finance is supported by its strategic retail partnership with eXtra Stores, currently the owner of the parent group United International Holding Company. eXtra Stores – one of the Kingdom's largest distributors of consumer appliances and electronics[82] established in 2003G– has helped Tas'heel Finance to expand its consumer base at a relatively low customer acquisition cost; gain strong brand recognition and awareness among non-customers; and considerably support the acceptance of NBFI instalment options. Aside from eXtra stores, Tas'heel Finance has struck strategic partnerships with many retailers and other companies across different industries in the kingdom, amounting to over 300 partners,[83] including IKEA and the Saudi German Hospital.

Tas'heel Finance is leveraging its established market position in the instalments space and broad merchant network to strategically pivot its portfolio towards the burgeoning credit card segment. Through its recently introduced product Baseeta, the company offers a unique and innovative product that is a crossover niche between traditional credit cards and BNPL solutions – zero down payment; 0% interest rate within its merchant network; a revolving credit limit of up to SAR 60,000 with only 5% blocked for DBR requirements; and a repayment period of up to 36 months.

This innovative model poses a significant competitive challenge to BNPL fintechs in the Kingdom, which focuses on the millenial and younger digitally native consumer base and on e-commerce partnerships in categories that typically command lower average ticket sizes and shorter instalment cycles (three months). [84]

Hence, they have a limited market among larger-ticket purchases (for example, for major appliances, white goods and travel) that inherently require longer instalment cycles. BNPL fintechs also rely on merchant funding to offer 0% profit rate instalments to their customers. This limits their partnerships with companies with small profit margins that are unable to compensate for these high commissions. Tas'heel Finance, with Baseeta on the other hand is benefiting from a product able to offer the benefits of BNPL as well as a credit card infrastructure.

In the forecast period (2024-2028), the NBFI market for instalments is set to expand at a slower value CAGR of 4.3%, to reach SAR0.8 billion by 2028, largely due to Tas'heel Finance's shift towards credit card products.[85] Contrastingly, owing to their inherent model, the BNPL instalments market is expected to reach a value of SAR9.0 billion (21.6% CAGR for the same period).

3.3.4 Personal Credit Cards

NBFIs' personal credit cards offer a new source of financing for banked and unbanked population beyond cash loans and instalments, with solutions like Tas'heel Finance's Baseeta set to considerably drive demand for such alternatives

In 2023, the total NBFI market for personal credit cards reached SAR85 mn – excluding American Express from SAMA's official published figures.[86] The NBFI credit card market (excluding American Express, as the company targets a very different consumer segment and cooperations than Emkan, Nayifat and Tas'heel) has been steadily growing since the entry of Emkan, Tas'heel Finance, and Nayifat's as of 2020.[87] As a new category, the growth of NBFI credit cards is from a relatively low base when compared with SAR22.2 bn for NBFI cash loans in 2023.[88]

This latent growth can be partly attributed to the Kingdom's historically low credit card penetration[89], which has been attributed to consumer aversion to perceived high profit rates and suspicion that credit cards might not be Shariah compliant. The credit card market is poised for future growth due to changing mindsets, growing consumer demand for day-to-day and lifestyle financing instruments; the widespread adoption of cashless payments and plastic cards; and an increasingly competitive landscape built on loyalty programmes, rewards, partnerships, and incentives (e.g., a success story is Banque Saudi Fransi's (BSS) credit card partnership with Saudi Airlines' AlFursan loyalty programme, which has offered 95,000 miles to BSS customers as a welcome

80 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
81 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
82 Euromonitor International (2023) Passport Database: Retailing in Saudi Arabia
83 As per company input.
84 Al Arabiya (2020). Saudi Arabia to have 'buy now, pay later' option as Tamara partners with Salla
85 Euromonitor International Passport estimates from SAMA official statistics and trade interviews
86 SAMA (2023) figures excluding AMEX (American Express) receivables as reported in the financial statements
87 Euromonitor International Passport estimates from SAMA official statistics and trade interviews. It excludes American Express cards from market estimates.
88 Ibid
89 SAMA (2021): National Payments Usage Study: Only 17% of survey respondents indicated possession of a credit card.

bonus). Moreover, due to their higher pricing points, credit cards have also been less vulnerable to pressures placed by rising interest rates in the first half of this year.

In the forecast period, growth will continue to be fuelled by Saudi Arabia's cashless economy transition and digital payments; the ongoing expansion of the Saudi e-commerce market [90]); increased demand from a wider consumer base (including women and youth in the workforce); and increasing competition from new NBFI players entering the market. NBFI credit cards will also benefit from growing demand for an additional credit card among existing users (to leverage additional DBR and loyalty benefits) as well as demand from the unbanked or underserved population. Furthermore, NBFI credit cards do not require a previous engagement or bank account.

Another key driver will likely be Tas'heel's Baseeta product, which will replace the company's traditional instalments. The product is designed to bridge the gap between NBFI credit cards, bank-provided easy payment plans, and BNPL models and can be obtained online.[91] The product's credit limit stands between SAR 100 and SAR 60,000, with only 5% of total credit undertaken by consumers being blocked under the DBR limit. The product offers up to 36 instalment cycles and different solutions, including 0% interest instalment offers within the company's retailer network (in competition with BNPL) and national and international options (through Apple and Mada Pay), effectively competing with EPP options from banks.

Even though the segment is poised for growth, NBFI credit cards are unlikely to see additional market entries, due to costly and complex licensing requirements from SAMA. As such Emkan, Nayifat and Tas'heel Finance are expected to remain the key competitors and beneficiaries of growing demand in this segment.

Table 3.8: Personal Credit Card Market by Key Category (2019G-2023G)

Category	Unit	2019G	2020G	2021G	2022G	2023G
Bank Personal Credit Cards	SAR million	19,054	18,373	19,494	23,067	27,066
NBFIs Credit Cards [SAMA] excluding American Express	SAR million	-	9	25	85	252
United Company for Financial Services (Tas'heel Finance)	SAR million	-	-	-	7	66

Source: SAMA (2023) published figures and American Express (AMEX) Financial Statements
Note: American Express (AMEX) was deducted from SAMA figures, as the provider caters to a very different consumer segment (e.g. high earners and companies) than traditional NBFIs such as Tas'heel, Emkan and Nayifat and is therefore not seen as part of the competitive environment within this segment

3.4 Competitive Landscape

Key Competitor Profiles

The competitive landscape for NBFI consumer finance is dominated by Emkan, Nayifat and Tas'heel, with the remaining NBFIs registered in 2022 with a consumer finance license playing a very limited role

The non-banking financial industry in Saudi Arabia is a competitive sector and includes companies that have licenses to provide real estate finance, as well as those that provide several non-real estate finance activities. In 2023, there were 53 NBFIs operating in Saudi Arabia, of which 11 have Real Estate Finance or Real Estate Refinance licenses[92], while 42 provided non-real estate services. However only 30 non-banking financial institutions are currently licensed to provide consumer finance services[93]

Data from the financial statements of the leading NBFIs operating in consumer finance suggest a stable position for United Company for Financial Services (Tas'heel Finance) between 2022 and 2023, as the second largest player in value share terms. Key competitor Nayifat Finance Company (Nayifat) on the other hand saw its market share fall due to growing competition, chiefly from Emkan.[94]

A comparison of Financial Statement data between the top players, identifies Emkan, a subsidiary of Al Rajhi bank, as the largest player with a market share of close to 80.1% in 2023.[95] While the company's growing share largely owes to its fast expansion in the credit card segment, it is also inflated by several reporting factors, as the company does not break out non-consumer finance products, such as SME financing or auto leasing in its financial statement, inflating their market share. However, it is worth noting that Emkan issued Sukuks worth over SAR 2.2 billion in February 2024, signalling its shift towards a Sharia-compliant system for capital injections.

90 Euromonitor Passport Database
91
92 Companies licensed by SAMA
93 Companies licensed by SAMA
94 Financial Statements of Tas'heel Finance, Emkan and Nayifat
95 Emkan Shares are inflated, as data includes SME financing and auto loans, which is not considered consumer finance as well as cumulative securitization in net receivables for 2022 (2021+2022) due to the company's reporting: Published figures do not indicate how much of Emkan's receivables are consumer finance or how much of the 2021 securitization receivables are carried over to 2022.

The company benefits from the strong position of AlRajhi within the Kingdom's banking landscape.[96] However, the company's pricing structure and business strategy are targeted towards Al Rajhi bank customers with lower profit rates and a broader offer. While other consumers can apply for Emkan cash loans, conditions are less favourable, as Emkan positions itself as an addition to the bank's offer, with limited ambitions to reach other consumer segments.[97] However, the company has recently introduced auto leasing (in 2023) in a bid to diversify its financing portfolio. Industry experts do not expect a strategy change over the coming years, with Emkan's success being tied to Al Rajhi's expansion rather than the overall NBFI market.

Table 3.9: Top 3 NBFIs in the Consumer Finance Sector by Financial Statement Market Shares (2019G-2023G)

Global Trademark Owner	Trademark Name	2019G (%)	2020G (%)	2021G (%)	2022G (%)	2023G (%)
Emkan Finance Company**	Emkan	0.0%	51.6%	70.4%	77.1%	80.1%
United Company for Financial Services	Tas'heel Finance	5.8%	11.7%	8.4%	8.3%	8.1%
Nayifat Finance Company	Nayifat	69.5%	24.0%	9.7%	7.4%	6.5%
Others		24.7%	12.8%	11.5%	7.2%	5.2%
Total		100.0%	100.0%	100.0%	100.0%	100.0%

** Inaccuracies for Emkan Shares, as data reported in the company's financial statements includes SME financing and auto leasing, which is not considered consumer finance as well as cumulative securitization in net receivables for 2023 (2022+2023) due to the company's reporting: Published figures do not indicate how much of Emkan's receivables are consumer finance or how much of the 2022 securitization receivables are carried over to 2023.

Source: Euromonitor International calculations based on reported data in 2022 and 2023 Financial Statements of Emkan, Nayifat and United Company for Financial Services (Tas'heel Finance).

United Company for Financial Services (Tas'heel)

United Company for Financial Services, commercially known as Tas'heel Finance, is a Saudi company that was founded in 2019G and is headquartered in Al-Khobar.[98] The company's core business includes consumer and product finance services under SAMA licence, including personal cash loans, instalments and credit cards, with the latter added to the portfolio in 2023.[99]

Tas'heel Finance is the second largest player within NBFI consumer finance, holding a value share of 8.1% in 2023. It has been able to strongly defend this share between 2022 and 2023 against market entrant Emkan. The company benefits from strong consumer awareness and trust due to its historic presence in eXtra stores. This has created wide visibility and allowed the company to become the leading NBFI instalment provider in the Kingdom. The company has expanded its partnerships to include over 300 retailers and service providers over the last few years, including IKEA, the Saudi-German hospital, Ram Clinics and Al-Ghanim Electronics Tamkeen Electronics and Naghi Electronics Group.

Tas'heel Finance has established a broad geographical footprint through its presence in eXtra locations as well as offices throughout the country (including Tier 2 and 3 cities), and has a digital platform where consumers can apply for cash loans. Additionally, 90% of applications are processed in under 20 minutes. The company also provides cash loans to expatriates, a widely underserved consumer segment.[100]

Since its inception, Tas'heel Finance has served over 200,000 clients with its diverse portfolio of cash loans, NBFI product instalments and recently product instalments through Baseeta as well as normal credit cards. Its instalment portfolio allows for a variety of products, including 0% profit rate options on the basis of partnerships with several retailers. The company has also introduced a fully digital ecosystem: Through a connection with more than 10 external platforms, the whole consumer journey (from application to receiving the funds) can be accomplished online. At the same time, Tas'heel retains its large geographical footprint across the Saudi market. Such a diverse product portfolio and set-up appeals to different consumer segments, thereby effectively increasing the pool of potential clients. The company has also a system in place to collect and analyse different datapoints that can effectively assess and identify potential risks and limit delayed payments and non-performing assets.

In the company's efforts to provide its customers with a diverse range of products, Tas'heel has concluded a long-term partnerships with many retailers and other companies operating in various sectors of the Kingdom's market. These strategic partnerships include major international brands such as Virgin Megastores in the field of entertainment, IKEA in the field of furniture and home appliances, as well as Gold's Gym in the field of fitness. The company also provides financing services in partnership with many of the leading brands in the healthcare sector in the Kingdom, such as the Saudi German Hospitals Group and the Saudi Swiss Consulting Center.

96 Euromonitor International interviews with industry players and experts
97 Ibid
98 Tas'heel Audited Financial Statements
99 Euromonitor International interviews with industry players and experts
100 Ibid and secondary research based on Tas'heel's official website, Cash Loans section

These partnerships have resulted in diversifying the company's activities with a variety of economic sectors, thus avoiding the influence of the seasonal nature of the activities of a specific sector on its business, as well as meeting the needs of a wide range of customer segments and categories, from emerging families coming to buy home appliances and furniture, to consumer segments of different age groups who seek to benefit from the best medical care services.

In December 2023G, Tas'heel Finance launched Baseeta, a payment solution designed as a hybrid between a credit card and a BNPL product (see section 4.4).

Emkan Finance Company

Emkan's main focus is to provide extra financing products to the Al Rajhi consumer base, beyond the 33.33% DBR limit

Emkan Finance Company is a Saudi company established in January 2019. The company is wholly owned by Al Rajhi Banking and Investment Corporation, and licenced under SAMA to conduct consumer financing, financing productive assets, auto leasing and SME financing.[101] In 2022, the company launched its credit card business for individuals, which has considerably expanded its value share within the NBFI consumer finance market between 2020-2023 from 51.6% to 80.1 percent. However, it is worth noting that this share is inflated due to the inclusion of non-consumer finance products in the company's financial statement, as well as cumulative securitization in net receivables for 2023.

As a subsidiary of Al Rajhi Bank, one of the largest banks in the country, Emkan's main focus is pursuing the extra DBR capabilities of Al Rajhi's current customers, once they have utilised their 33.33% DBR towards their monthly income. In that regard, Emkan benefits from the client's relationship with Al Rajhi and the bank's capabilities to automatically discount the monthly payments from their payroll accounts. As per other NBFIs, Emkan profit rates are higher than those of commercial banks. Additionally, Emkan can benefit from Morabaha financing with profit bearing directly from Al Rajhi, as part of their securitisation strategy.[102]

To note, Emkan has a Purchase and Agency Agreement in place with Al Rajhi for the sale of the Murabaha financing receivables. Under the terms of his agreement, Emkan sells the eligible receivables to AlRajhi but keep managing them as an agent for a fee of SAR 1,000 per month. Upon those sales, Emkan derecognises the receivables from its books and recognizes the difference as gain on derecognition of receivables. For example, in 2022, Emkan sold to Al Rajhi a total of SAR 3.7 billion in net receivables and received SAR 4.3 billion for this sale, resulting in a gain of SAR 477 million of profit, after deducting fees and provisions, on derecognition of receivables sold to Al Rajhi. [103]

Emkan instalments are typically applied for and obtained via their digital app, which provides a voucher number for the partner stores to complete the payment. It can be used for physical or digital stores at selected retailers. Emkan credit cards are only offered to Saudi nationals, and provide cashback offers, special discounts for selected retailers and integration with ApplePay or Google Pay apps. Consumer loans are provided in-app, with the money disbursed in 24 hours directly to the consumer account.[104] Emkan's fast approval processes, albeit having successfully captured a broad consumer base, are rendering it more susceptible to default risks.

Nayifat Finance Company

Nayifat Finance growth stagnated during the period 2019-2023, with unclear focus between consumer finance and SME segments

Nayifat Finance Company is the oldest NBFI among the top five as it was incorporated in 2002. In November 2021, Nayifat was included in Tadawul (Saudi Stock Exchange), changing its status to joint stock company. Under SAMA licence, the company offers a variety of services focusing on consumer finance, lease finance, credit card finance, SME finance and credit cards.[105]

Nayifat has 27 locations in more than 20 cities in the Kingdom and thereby a similar geographic footprint as Tas'heel Finance.[106] As of March 2021, consumer financing was the main segment for the company, representing 92.4% of its portfolio, with over 44,000 customers being from the public sector.[107] The company aims to gain a larger market share in the SME finance segment, which is benefitting from government initiatives such as the Kafalah Programme, Monsha'at and other benefits directed to SMEs in line with Vision 2030.[108]

Nayifat is limited in its offering for the expat population. [109] It offers three credit card options with Visa: Classic, Gold and Rewards, with different benefits and purchase limits according to each consumer profile. However, credit cards represented only 2.7% of Nayifat's receivables as of 2022.[110]

According to their financial statements, Nayifat saw negative growth in the 2020-2023 period, with no growth in the consumer finance segment, despite the introduction of credit cards in 2019.

101 Emkan's Audited Financial Statements
102 Emkan Financial Statement, September 2022
103 Ibid. Note 17 of the Financial Statement as of September 2022 explains this arrangement in more detail.
104 Euromonitor International interviews with industry players. Emkan's official website.
105 Nayifat Audited Financial Statements
106 Nayifat official website, Branches section
107 Nayifat IPO prospectus 2021
108 Ibid
109 Nayifat official website
110 Nayifat Financial Statement. September 2022

Morabaha Marina Financing Company (MRNA)

The company relies heavily on SME financing in addition to its consumer finance portfolio

MRNA was registered in 2012 and is headquartered in Riyadh. It provides financial leasing, SME financing, consumer financing and production assets financing services. The company operates through 16 locations across the Kingdom.

In the consumer finance segment, the company offers personal cash loans and instalments, but does not provide credit cards.[111] MRNA achieved modest growth between 2020 and 2022, with a 12.3% CAGR in receivables for the period[112]. However, growth was supported by its broad product portfolio, including SME financing and not only consumer finance options.

While the company recently invested in the acquisition of a digital payment app, Loop, it has not yet fully integrated the app into its consumer journey for cash loans applications. Instead, it wants to "**create a fully integrated digital financing and payment solution and one-stop shop for SMEs**" as per a press release in July 2022.[113]

Quara Finance Company

Quara Finance has a limited physical presence, favouring a fully digital experience for their customers

Quara Finance Company provides financial leasing, SME financing and consumer financing services, and has its headquarters in Riyadh. [114] With only two physical locations in Saudi Arabia, the company has a greater focus on digital banking supported by its app.[115]

In the consumer finance segment, Quara provides cash loans and instalments services and was the first partner of Jarir Bookstores to provide instalment payments. Quara's retail business represented only about 60% of its total net receivables in September 2022, and their share of the market was negatively affected by the entrance of Emkan and Tas'heel to the consumer finance market.[116]

Competitive Position of Tas'heel's Finance within Consumer Finance[117]

Cash Loans

While the cash loans space is dominated by Emkan, their current focus on the AlRajhi customer base will limit their growth and competitive impact on other NBFIs

Subcategory shares for cash loans[118], present a second rank for Tas'heel Finance in the cash loans segment, with a 7.1% market share by outstandings, followed by Nayifat (6.8%), while Emkan leads with a 58.1% market share.[119]

Emkan was established to serve AlRajhi bank customers with larger financing needs, effectively closing the 12% DBR gap between banks and NBFIs. Benefitting from Al Rajhi's large consumer base (and detailed knowledge of this consumer base), Emkan successfully penetrated the cash loan segment. However, the company has a limited footprint outside the Al Rajhi sphere and continues to focus on this client segment to avoid additional risks. Nayifat and Tas'heel Finance are the two largest NBFIs providing cash loans to other consumer segments.

All three have developed digital solutions, with Tas'heel Finance and Emkan, offering an app solution that provides a fully digital consumer journey available for Android and Apple mobiles. Both companies have thereby sped up the approval process. However, while Emkan provides loans for up to 24 months,[120] Tas'heel Finance provides loans for up to 60 months,[121] making the latter a more attractive option for those who need a longer repayment period. Additionally, Emkan's longest repayment period is only granted for micro-financing entities within the private sector.[122]

111 MRNA official website
112 Considering Financial statement data: gross receivables less unearned profits for Tawarruq and Murabaha, excluding Ijara (auto leasing).
113 Morabaha press release, July 2022.
114 Quara Finance Company Audited Financial Statements
115 Euromonitor International interviews with industry players and experts
116 Quara Financial Statement, September 2022
117 Competitive positioning of Tas'heel included in this section is based on EMI projections for the full 2022 year.
118 Shares in this section are estimates, based on splits broken out from published financial statement figures as per secondary and primary research to exclude other subcategories and a more accurate securitization addition for Emkan. Hence they are not aligned with the overview shares given in the previous section, which is solely based on published figures
119 Euromonitor International's analysis based on Financial Statements of Tas'heel, Emkan, Nayifat, SAMA official statistics and interviews with industry players and experts
120 Emkan's official website, Microfinance section
121 Tas'heel's official website, Personal Finance section
122 Emkan's official website, Microfinance section

Table 3.10: Leading NBFIs in the Cash Loans Sector (2023G)

Subcategory	Global Trademark Owner *	Trademark Name	Market Share Value 2023G (%)
Cash Loans	Emkan Finance Company	Emkan	58.1%
Cash Loans	United Company for Financial Services	Tas'heel	7.1%
Cash Loans	Nayifat Finance Company	Nayifat	6.8%
Cash Loans	Others	Others	28.0%
Cash Loans	Total	Total	100%

* The share of cash loans and securitisation of Emkan's total portfolio is estimated based on primary research, as it is not included separately in the financial statements.
Source: Euromonitor's estimates are based on primary and secondary research, including each company's financial statements

Expats provide a significant opportunity for growth in the cash loans segment

Expatriates accounted for 41.2% of Saudi Arabia's total population in 2023.[123] The potential to leave the country without repayment of financial responsibilities makes expatriates a high-risk demographic for many NBFIs. Hence, most NBFIs, including Emkan, do not offer loans to expatriates.[124] Meanwhile, others, such as Nayifat, have strict conditions, including high salary requirements in place.[125] Furthermore, regular complaints from expatriates suggest low approval rates for this consumer segment even if conditions and requirements are met.[126] Expats therefore present a significant opportunity to companies able to establish successful consumer segmentation and collection rates to ensure repayment. Tas'heel Finance has recognised this potential and is leveraging its existing strong collection and consumer segmentation capabilities to expand its offerings to this demographic. Expatriates with a monthly salary of at least SAR4,000 can apply for a cash loan without a guarantor or salary transfer.[127]

Instalment Loans

Tas'heel unique proposition in the instalment segment provides a solid foundation for expansion beyond eXtra stores

The instalments sector is a unique value proposition that Tas'heel Finance introduced to NBFIs when the company was established. Tas'heel Finance is second-largest player within the instalment space with a 37.9% value share of the market [128], benefiting from eXtra's strong position in the Kingdom as well as its partnerships with 300 additional major retail stores and service providers[129] – and trailing closely behind Emkan (value share of 39.4%). It is worth noting that Emkan's near-immediate approval processes for loans and instalments have rendered it highly susceptible to credit default – with the company reportedly facing some challenges for debt collection and repayment in this segment.

Table 3.11: Leading NBFIs in the Instalment Loans Sector (2023G)

Subcategory	Global Trademark Owner	Trademark Name	Market Share Value 2023G (%)
Instalments	Emkan Finance Company	Emkan	39.4%
Instalments	United Company for Financial Services	Tas'heel	37.4%
Instalments	Quara Finance Company	Quara	14.1%
Instalments	Others	Others	9.1%
Total	100.0%		

* The share of Instalments and securitisation of Emkan's total portfolio is estimated based on primary research, as it is not included separately in the financial statements.
Source: Euromonitor's estimates are based on primary and secondary research, including each company's financial statements

123 Euromonitor International (2022). Economies and Consumers Annual Data
124 Secondary research based on Emkan's official website and interviews with industry players and experts
125 Ibid
EMI notes that Nayifat provides loans for non-Saudis that have a monthly salary of SAR 6,000 if they are a governmental employee and SAR 7,000 for private sector employees
126 Secondary research based on Emkan's official website and interviews with industry players and experts
EMI notes that Nayifat provides loans for non-Saudis that have a monthly salary of SAR 6,000 if they are a governmental employee and SAR 7,000 for private sector employees
127 Secondary research based on Tas'heel's official website and interviews with industry players and experts
EMI notes that Nayifat provides loans for non-Saudis that have a salary of SAR 6,000 if they are a governmental employee and SAR 7,000 for private sector employees
128 Euromonitor International's analysis based on Financial Statements of major NBFI players and interviews with industry players and experts
129 Secondary research from eXtra's official website, Store locator section and interviews with industry players and experts

Instalments have offered an alternative solution for customers that do not prefer to use traditional credit cards, but with the introduction of Tas'heel Finance's Baseeta, these clients started using a product combining credit cards with a BNPL model

The NBFI instalment space has historically benefited from the Kingdom's limited credit card penetration within its own locale[130], as well as the success of BNPL in establishing instalments and lending as an acceptable and new payment method.[131] Tas'heel Finance has leveraged the enabling role of BNPLs, as well as their limitations – lower tickets sizes of SAR 5,000, repayment cycles of 12 months,[132] and sole reliance on merchant subvention (with relatively high MDRs) which limits the ability to include merchants with low profit margins – to strategically pivot both its portfolio and the Saudi instalments market towards NBFI credit cards.

Tas'heel Finance launched Baseeta in 2023, a crossover market between credit card features, BNPLs, and EPPs (see Credit Cards section). In leveraging its established foothold in the product instalment market, particularly through its prominent presence in eXtra stores—the largest appliances and electronics retail specialist in Saudi Arabia[133] —Tas'heel Finance is well-positioned to capitalize on its existing clout. This strategic advantage is uniquely poised to enhance the adoption and success of Baseeta, further enriching Tas'heel's synergy with retail giants and amplifying its reach across diverse sectors.

Credit Cards

While Nayifat was the first entrant in the credit card segment, Tas'heel has gained traction and prominence the market in less than a year

In 2020, Nayifat was the first NBFI to enter the credit card space, followed by Tas'heel Finance and Emkan in 2022.[134] The credit card segment within the NBFI sector is expected to see a growth of 9.7% including American Express and 14.7% excluding American Express (CAGR 2023-2027). Coupled with growing awareness and demand and wider consumer reach, Emkan's aggressive marketing and sales strategies have strongly influenced and supported the growth of the segment.[135] These efforts have helped build consumer awareness and affinity beyond the Emkan brand, and with the wider NBFI credit card category, paving the way for future providers outside of the Emkan/Al Rajhi Bank customer base. Loyalty programmes and cashback offers have been critical in incentivizing the adoption of credit cards in the Kingdom, making partnerships and benefits a key selling point and success factor for NBFI credit cards.[136]

Table 3.12: Leading NBFIs in the Credit Cards Sector (2023G)

Subcategory	Global Trademark Owner	Trademark Name	Market Value 2023G (SAR million)
Credit cards	Emkan Finance Company	Emkan	151.0
Credit cards	United Company for Financial Services	Tas'heel	65.7
Credit cards	Nayifat Finance Company	Nayifat	35.4
Total			252.2

* Instalments share and Emkan Securitization of overall portfolio estimated based on primary research, as not given separately in Financial Statements.
Source: Euromonitor estimates based on primary and secondary research, including financial statements by each company

Cashback and rewards to attract customers is a proven model to support credit cards, and part of the core strategy of Tas'heel World Credit and Titanium Credit cards

Tas'heel Finance has conventionally offered two credit card options – "**The World Credit Card**" and "**Titanium Credit Card**" – at zero annual fee for the first year, and instant approvals without the need for a guarantor or salary transfer. The World Credit Card offers greater cashback rewards for e-commerce and international transactions, as well as exclusive discounts at specific stores, while the Titanium Credit Card offers cashback rewards for daily expenses such as groceries, along with travel benefits and no charges for ATM withdrawals.

Only Tas'heel Finance and Nayifat offer credit cards to expatriates, with Emkan limiting its offer to Saudi Nationals. Even though credit cards are expected to be the fastest growing segment within NBFI consumer finance, it is unlikely that new NBFIs will enter this space due to the high level of complexity associated with SAMA's licensing, credit card issuance, and other regulatory requirements.

130 Personal Credit Card through banks have a low penetration and a forecast CAGR between 2023 and 2027 of 7.3%, while the forecast CAGR growth of the personal credit cards for NBFI within same period is 25%.
131 Euromonitor International interviews with industry players and experts
132 Euromonitor International's analysis based on interviews with industry players and experts and secondary research revealed that the average ticket sizes for BNPL (Fintech) was between SAR 300-400 in 2022 meanwhile the average ticket sizes for NBFIs was between SAR 3000- SAR 10,000 for instalments.
133 Euromonitor International (2022). Electronics and Appliance Specialist Retailers in Saudi Arabia.
EMI notes that the retail value of sales for the Electronics and Appliance Specialist Retailers in Saudi Arabia was valued at SAR 1.8 million in 2022 in retail value RSP and is forecasted to grow at a CAGR of 7%
134 Secondary research based on Nayifat IPO and Euromonitor International interviews with industry players and experts
135 Euromonitor International's analysis based on interviews with industry players and experts
136 Euromonitor International interviews with industry players and experts

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

04

COMPANY INFORMATION

4 COMPANY INFORMATION

4.1 Overview of the Company and Nature of its Business

United International Holding Company (the "**Company**") was incorporated on 15/03/1443H (corresponding to 21/10/2021G) as a closed joint-stock company by virtue of Ministerial Resolution No. 621, dated 13/03/1443H (corresponding to 19/10/2021G). The Company is registered under Commercial Registration No. 2051237935, dated 15/03/1443H (corresponding to 21/10/2021G). The Company's head office is located at King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 34421, Al-Khobar 31952, KSA. The Company's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) fully paid ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. The Company was incorporated by United Electronics Company ("**eXtra**"), a listed Saudi joint-stock company under Commercial Registration Certificate No. 2051029841, dated 10/06/1425H (corresponding to 27/07/2004G), with a share capital of eight hundred million Saudi Riyals (SAR 800,000,000), divided into eighty million (80,000,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share, and United Electronics Company ("**eXtra Bahrain**"), a Bahraini limited liability company registered under Commercial Registration No. 79207, dated 13/10/2011G, issued by the Ministry of Industry and Commerce in the Kingdom of Bahrain, with a share capital of five hundred thousand Bahraini Dinars (BHD 500,000), divided into five thousand (5,000) shares with a nominal value of one hundred Bahraini Dinars (BHD 100) per share. The Company was established with the objective of being the holding company for the consumer finance business of eXtra and comprises two Subsidiaries, namely:

- United Company for Financial Services ("**Tas'heel**"); and
- Procco Financial Services ("**Procco**").

The Company, through its Subsidiary, Tas'heel, is one of the leading consumer finance providers in the Kingdom, operating in twenty-eight (28) cities across the Kingdom. The Group, through Tas'heel, offers a variety of consumer finance solutions compliant with the Sharia standards approved by Tas'heel's Sharia committee. The Company, which holds several fintech awards, provides integrated digital processes that allow its customers to swiftly apply for and obtain personal finance products and product financing. The Group also provides a wide range of flexible financing options and repayment periods designed to meet customers' needs thanks to the use of effective digital processes via electronic means and through its physical premises.

The total revenue of the Group amount to SAR 300.9 million during 2021G, SAR 417 million during 2022G and SAR 523.9 million during 2023G.

Through Tas'heel, the Group specialises in providing consumer finance solutions compliant with the Sharia standards approved by Tas'heel's Sharia committee to its customers by offering the following:

- Murabaha instalment sales, which are conducted through the conclusion of a contract pursuant to which the Company sells a commodity or an asset to the customer, which the Company has purchased or acquired based on a pledge to purchase the same from the customer. The sale price comprises the cost plus the agreed profit margin offered to customers of its strategic partners with whom Tas'heel contacts, including eXtra, IKEA, Virgin Megastores, the Saudi German Hospital and other strategic partners (for further details, please refer to Section 12.4 ("Material Agreements") of this Prospectus), through the provision of financing compliant with the Sharia standards approved by Tas'heel's Sharia committee ranging from two thousand Saudi Riyals (SAR 2,000) to sixty thousand Saudi Riyals (SAR 60,000) for a period between three (3) months and thirty-six (36) months, with a requirement of a minimum salary of four thousand (SAR 4,000) and a fixed profit margin until the end of the finance period. Applications for such financing may be submitted through several channels, including Tas'heel's digital platforms and the Company's points of sale at its strategic partners, as well as over the phone through the customer service centre. The number of Murabaha instalment sales customers reached fifty-eight thousand and nine hundred (58,900) customers as of the year end 2023G.
- **Forward sale or Tawarruq contracts** are a form of cash financing offered by Tas'heel to its customers. Under these contracts, the Company sells an asset (platinum commodity) to customers on a deferred payment basis. The sale price offered by the Company includes the cost of the asset plus an agreed profit margin. The customer authorizes Tas'heel to sell the same asset to a third party at market price to obtain the required financing amount. Tas'heel provides Tawarruq cash financing through the provision of financing that is compliant with the Sharia standards approved by Tas'heel's Sharia committee, with a requirement of a minimum salary of four thousand (SAR 4,000). The value of Tawarruq financing starts from ten thousand Saudi Riyals (SAR 10,000) up to two hundred and fifty thousand Saudi Riyals (SAR 250,000). The repayment period extends up to 60 months, with a maturity-period average of 44 months and afixed profit margin until the end of the financing period. Applications for this product are submitted through several channels, including Tas'heel's digital platforms, Tas'heel's points of sale at its strategic partners and over the phone through the customer service centre. The Tawarruq customers reached seventy-four thousand and nine hundred (74,900) customers as of the year ended 2023G. Notably, around 80% of Tawarruq customers apply for financing using e-channels (the app and the website). Unlike the Murabaha instalment sales product, customers obtaining such cash financing are not required to use it for specific purposes, allowing them to dispose of the amount according to their needs.It should be noted that Tawarruq contracts volume average reached twenty-seven thousand and six hundred Saudi Riyals (SAR 27,600).
- **Credit card financing**, which provides customers with a credit limit of up to one hundred thousand Saudi Riyals (SAR 100,000). Applications for such financing can be submitted through Tas'heel's digital platforms. Credit cards are a finance solution that offers credit limits to consumers through the issuance of a Mastercard credit card. The credit limits granted under these cards range from SAR 2,500 to SAR 100,000. The minimum salary requirement is SAR four thousand (4,000), which allows customers to use the credit card limit on a partial basis or in its entirety. Customers must repay the amount within a period of 22 days from the issuance date of the monthly card statement. In the event of default during this period, a profit margin is applied. In the event of payment delay, the customer must pay the credit limit used in addition to a profit margin agreed in advance under the credit card agreement. Tas'heel also provides credit card insurance to its customers for an additional fee at its discretion. Company data indicate that customer activation rates for the credit card finance service reached 84%, while credit limit use reached 70%. Additionally, the number of credit card finance users

grew to more than nine (9) times between the financial year ending on 31 December 2022 and the financial year ending 31 December 2023.

- **Baseeta**: Baseeta is an innovative new service introduced by Tas'heel in the sector, which provides customers with unique advantages such as not requiring them to make a down payment and granting them the freedom to select a flexible repayment plan of between one (1) month and thirty-six (36) months, with a financing amount of between SAR 100 and SAR 60,000. Customers can also use the Baseeta service to make unlimited purchases with a renewable balance without the need to submit a new application.
- An innovative product developed by Tas'heel, Baseeta provides revolving credit allowing customers to use it when making payments for all their needs, whether purchases, bills, or services within and outside the Kingdom in compliance with Sharia standards. It bridges the gap between what is currently offered to customers by BNPL services and Murabaha financing.
- Baseeta can be easily and quickly applied for and obtained through the app or website, employing an advanced digital platform equipped with the latest digital solutions and information technology. Baseeta offers a revolving credit line up to SAR 60,000, without the need to impose a high debt burden on customers. This is achieved by only withholding 5% of the credit balance as debt, enabling Tas'heel to access a broader customer base. The average customer balance reached approximately SAR 1,500 as of the first half of 2024G.
- Baseeta provides customers with exceptional flexibility. Customers can utilize the Baseeta service immediately without a down payment, a feature that sets Baseeta apart from conventional BNPL services. Furthermore, Baseeta offers customers the utmost flexibility in selecting their payment term from a comprehensive range of options, ranging from a single instalment to 36 instalments, for an unlimited number of purchases starting from just SAR 100. It can be noted that the average financing period was ten (10) months. The flexibility of using a simple product has led to high customer activation numbers, reaching approximately 98% as of the first half of 2024. Furthermore, the minimum salary requirement is SAR two thousand five hundred (2,500).
- Additionally, Baseeta presents customers with the option to purchase with 0% profits or fees and with convenient and adaptable payment plans starting from three instalments and extending up to 12 instalments, in collaboration with carefully selected partners across various sectors, including the retail and healthcare sectors, ensuring its competitive edge over BNPL services. Baseeta caters to a broader market, enabling seamless usage within and outside the Kingdom, both in-store and online, facilitated by its integration with Apple Pay and Mada Pay. The number of Baseeta customers exceeded thirty-eight thousand (38,000) as of 30 June, 2024. Baseeta is accessed directly by customers through the website or through strategic partners. In either case, revenue is collected from service users in addition to subsidies from the retail partner if distribution occurs through strategic partners. Baseeta further supports Tas'heel's expansion strategies in the consumer finance market and strengthens its market share growth opportunities The credit limit issued from service inception amounted to approximately SAR 382 million, while the average credit limit issued amounted to SAR 9,200 and the utilisation rate relative to portfolio size amount to 45%. The Baseeta product has recorded rapid growth during the first months following launch, with portfolio size growing from SAR 19 million (2,300 customers) on 31 December 2023 to SAR 178 million (38,000 customers) on 30 June 2024.

The application and approval process is entirely digital, ensuring instant approval and immediate use of the service. This service also offers customers the opportunity to make purchases online and in store within the KSA and abroad using the "**Tap to Pay**" feature.

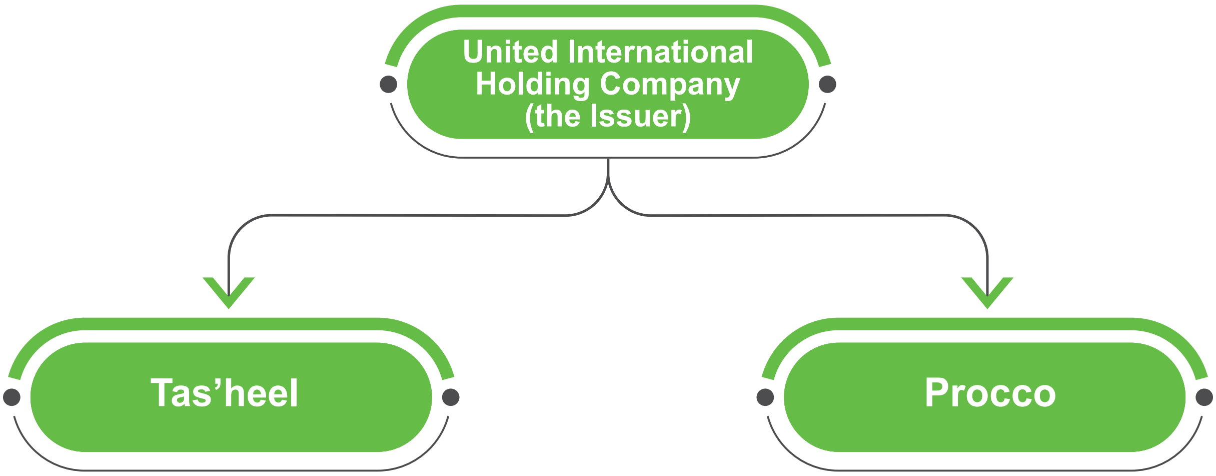
Through Tas'heel, the Group offers a comprehensive suite of consumer finance solutions compliant with the Sharia standards approved by Tas'heel's Sharia committee tailored to individual customers, by providing unique financing products with varying repayment periods through its online platforms, supported by strong partnerships with retailers operating across a range of market segments. Tas'heel stands out with its extensive network of over 76 customer service branches spanning 28 cities, complemented by strategic alliances with renowned brands like eXtra, BinDawood, Virgin, IKEA and the Saudi German Hospital.

Tas'heel is the first NBFI in the Saudi market to offer an integrated digital process for granting unique financing products. Furthermore, Tas'heel is a data-driven analytics organisation with a strong focus on product development. The Group continually invests in the latest technologies and methodologies to maintain its position at the forefront of the consumer finance sector as it aims for its products to be innovative and tailored to meet the changing needs of its customers.

4.2 Organizational Structure of the Group

The following figure shows the organizational structure of the Group:

Figure 1: Organizational Structure of the Group



Source: The Company

4.3 Vision, Mission, Strengths, Competitive Advantages and Prospects of the Group

4.3.1 Vision

To enable our clients to enrich their lives and achieve their ambitions by providing effortless financial services through innovative digital solutions.

4.3.2 Mission

To be a dynamic organization that provides a unique digital experience to enable our clients to meet their financial needs by integrating quality of service, investing in digital transformation and focusing on customer needs and goals in a fast and efficient manner.

4.3.3 Strengths and Competitive Advantages

Tas'heel adopts a unique business model that focuses on providing an innovative range of consumer finance services compliant with the Sharia standards approved by Tas'heel's Sharia committee and the injection of additional investments necessary to enhance digital transformation, as well as continuing to intensify the Company's efforts to meet the various requirements and needs of customers, through employing the best innovative solutions and tools for FinTech services in providing top-class finance solutions, in addition to conducting creditworthiness assessments and granting swift and automatic approvals. In addition, Tas'heel, through its range of products and services, provides a recurring source of income for eXtra that counterbalances the cyclical impact of the electronics and home appliances market, contributing significantly to the consolidated net profit of the Company and enhancing the sustainability of eXtra's business model. The strengths and competitive advantages of the Group include the following:

(a) Operating in a Promising Market and Focusing on Untapped Sectors with High Growth Potential

The consumer finance sector remains promising and untapped in the Kingdom, with the sector representing only 13.0% of the GDP (2023G), compared to 21.1%, 21.1% and 16.4% for the UAE, the USA and the global average, respectively. In addition, consumer spending in the Kingdom remains relatively low, as the expected consumer spending represents 39.5% of the Kingdom's GDP (2023G), compared to 52.1%, 65.6% and 55% for the UAE, the USA and the global average, respectively. These and other indicators of the Company call for it to continue by targeting a larger customer base and developing further services.

Through its business since its establishment, the Company has been able to target categories of customers who face challenges in accessing traditional financing options, including resident expatriates, SME employees and low-income customers, thus enabling the Company to capture a high-growth market sector. These customers are usually less targeted based on the classification of banks and NBFIs that provide limited products and services thereto, which places the Company in an ideal position to serve these key segments, including resident employees, who represent approximately 74% of the Kingdom's total employees.

The Company is able to serve these customer segments by employing a sophisticated structure and state-of-the-art risk management and analysis systems that take into account the credit level of such customer segments. The Group is working to make consumer finance simple and accessible to its Saudi national and expatriate resident customers alike. Tas'heel does not require a guarantor or salary transfer for the approval of personal finance and grants immediate finance approval while imposing a fixed profit margin instead of variable interest rates in compliance with the Sharia standards approved by Tas'heel's Sharia committee. Thus, the Company believes that there are significant opportunities for expansion and growth by focusing on services which specifically target customer segments that do not have access to adequate or satisfactory financing services.

(b) Extensive Brand Reach and Large Distribution Network

Through its Subsidiary Tas'heel, the Group boasts a wide-reaching brand and is able to maximise its leverage of eXtra's network of branches as well as the branch networks of other strategic partners with widespread presence throughout the Kingdom. This enhances Tas'heel's ability to spread its brand to a wider customer segment, as eXtra has more than 48 stores in 28 cities across the Kingdom. Tas'heel has offices at such locations which provides the Company with a unique advantage, namely easy access to eXtra's customer base of 14 million customers (2022G). Moreover, Tas'heel's services may be accessed at more than 310 locations within the Kingdom through its network of over three hundred (300) strategic partners.

(c) Simple Terms and Procedures

Tas'heel is distinguished by providing its clients with a range of personal financing solutions with simple terms and procedures. The availability of a guarantor is not a prerequisite for benefiting from the financing programs offered, with such programs being made available to nationals and resident customers alike through an advanced digital ecosystem. This supports the Company with more unique competitive elements within the non-banking finance services sector in the Saudi market. The Company is also distinguished by having the fastest approval cycle and competitive expenses and fees, with the average approval duration for a single financing application taking approximately twenty minutes. Furthermore, the Company sets itself apart through the diversity of its financing programs to meet the various requirements of a wide range of customer segments and categories. Personal finance programs range from SAR 10,000 to SAR 250,000, while the repayment period of its simplified payment systems reaches up to 60 months. The Company also provides customers with instalment sales programs compliant with the Sharia standards approved by Tas'heel's Sharia committee for the purchase of products ranging from SAR 2,000 to SAR 60,000. Such programs are characterized by the offering of instant approvals and not requiring the availability of a guarantor or salary transfer for financing to be granted. Furthermore, Tas'heel launched a credit card finance service during 2022G, thus adding to the Company's range of consumer financing solutions.

(d) Compliance with Islamic Sharia Principles

The Company provides Sharia-compliant solutions and services, where all the Company's products and agreements are approved by a Sharia committee and the Company's products and agreements are structured in line with the standards of Islamic Sharia. As of the date of this Prospectus, the Company has contracted with the Shariyah Review Bureau, which is entrusted with carrying out Sharia monitoring and auditing to confirm that the management of the Company's operation, products and activities are in compliance with the principles and provisions of Islamic Sharia approved by Tas'heel, before informing the Sharia committee, Directors and owners thereof. The Shariyah Review Bureau is an institution with headquarters around the Middle East (the Kingdom of Bahrain and the UAE), comprising 35 internationally recognized Sharia scholars who serve the largest international Sharia-compliant markets, including the KSA, Malaysia, Tunisia, Egypt, Qatar, the UAE, Sudan and the Kingdom of Bahrain. It also provides complementary services, including Sharia review and structuring, as well as a Sharia monitoring and audit service.

(e) Revolutionary Technology with a Robust and Scalable Infrastructure

Tas'heel stands at the forefront of online consumer financial solutions in the Kingdom, driven by an unwavering commitment to innovation. By harnessing the power of cutting-edge financial technologies, it actively meets the evolving needs of its customers. The Group leverages its internally developed innovative fintech platform that provides its customers with unique consumer financing offers. Tas'heel was the first NBFI in the Saudi market to offer an integrated digital process, with approximately 80% of all financing applications made entirely via the internet, by providing one of the fastest credit approval cycles in the market, covering all stages of financing operations from the receipt of finance applications to granting finance solutions to customers. Statistics show that more than 90% of finance applications are approved within 20 minutes, while the finance amount is transferred to the customer within 48 hours (based on the customer's details). Such financing can even be granted sooner, however the cooling-off period requirements of the regulatory authorities prevent this. This is combined with digital integration with a number of systems used for automating operations related to the approval and granting of financing, whereby Tas'heel uses services from the following entities and companies:

- Elm Company to record personal customer information.
- The General Organization for Social Insurance (GOSI) to obtain information on customer salaries.
- The Nafith platform to obtain customer signatures on promissory notes.
- SIMAH to obtain customer credit rating information.

Applications may be submitted online either through the Tas'heel website or app. Self-service machines have also been installed at more than 310 sites, with staff available at certain locations to assist customers who prefer face-to-face interaction when submitting applications. It is worth mentioning that the electronic channels of Tas'heel achieved an operating rate of nearly 97% during 2022G.

Tas'heel obtained approval from the Ministry of Justice to accept digital signatures on financing contracts, and has adopted the electronic executive promissory note platform of the Ministry of Justice to obtain promissory notes from potential customers in order to enhance the digitization process for granting loans to customers.

(f) Strong and Sustainable Profitability

Tas'heel is one of the most profitable companies within the non-banking finance services sector in the KSA. The Group recorded profits during 2023G amounting to SAR 212 million, representing 44% of the total profits of the top consumer finance companies which account for more than 95% of the market size. In addition, the return on average equity of the Company exceeded 27.2% in the same period and is the highest in comparison to major competitors within the non-banking finance services sector in the KSA. The Company was able to achieve this profitability through several factors, the most important of which is its deep understanding of customer behaviours and the management of the resultant risks. The Company's management experience, spanning over eight years through the operations of eXtra prior to the establishment of the Company, has contributed to achieving this understanding. Tas'heel also seeks to continuously innovate various end-to-end financing solutions to serve its customers and meet their financing needs. The Company relies on its unparalleled ability in providing various financing solution sizes with flexible maturity periods and tailoring them to the needs of different customers to meet their desires. In line with the Company's endeavour to launch innovative products, Baseeta service, which was launched in December 2023, has achieved a profit rate ranging between 0 and 53% (depending on the duration and date of the financing contract).

(g) Globally Experienced Management Team

The Group's Management consists of a team of managers and administrators who have a unique combination of global expertise and exceptional skills with a total of more than 250 years of experience. This team dynamically and expertly manages the Company in guiding and organising the Group's activities and making critical decisions in order to achieve its objectives by working to develop, strengthen and continuously improve internal processes to ensure the highest levels of performance and quality (for further information regarding the Company's Executive Management, please refer to Section 5.4 ("**Senior Management**") of this Prospectus).

(h) Highly Effective Risk Management

Through Tas'heel, the Group applies an integrated approach to managing current and potential risks, including any risks that may pose a material threat to its business model, performance or financial solvency, or that may prevent Tas'heel from achieving its strategic objectives.

Risk management is a key factor for Tas'heel, which facilitates setting risk tolerance limits at all organisational levels in line with Tas'heel's risk management policy principles set by its Board of Directors. Tas'heel uses a sophisticated risk management infrastructure to provide guarantee-free credit programmes to its customers while efficiently and competitively managing defaults.

The Company has a tightly managed portfolio with a low percentage of net written-off loans (0.9% in the first half of 2023G) leading to a balanced approach with respect to stage III loan provisions. The Company achieved this result based on the following factors:

- Selective evaluation of applications: The Company applies a rigorous systematic approach to the evaluation of applications which ensures a high quality financing portfolio as the Company targets customers with adequate financial solvency, such as customers who earn a consistent income or have stable jobs.
- Application of a dynamic and proven credit risk model: The Company's credit risk model contributes to achieving low rates of written-off loan amounts and default levels. The model has nine risk ratings and categorizes the portfolio's products into low-, medium- and high-risk products, thus enabling the Company to manage its portfolio tightly.
- Effective collection model: The Company was able to develop an effective collection model that contributed to an improvement in the collection rates of non-performing loans, as the Company has a distinguished legal recovery record for amounts overdue for more than 180 days. The Company recovered more than 70% of such amounts through courts and legal channels.

In addition, the Group's risk management through Tas'heel relies on taking into account SIMAH's credit rating and a dynamic pricing system based on an individual customer risk assessment (i.e., each customer on a case-by-case basis) to ensure stable profit margins and control risks related to defaults.

The Group also achieved an improvement in the amounts recovered from written-off loans in the first nine months of 2023G which stood at SAR 6.9 million compared to the amounts recorded in 2022G, which fully amounted to SAR 7.1 million.

(i) Diverse and Stable Funding Sources and Optimal Leverage Ratio

The Group boasts a strong and stable funding position, coupled with an optimal exposure limit ratio, thus ensuring financial resilience and long-term sustainability. Firstly, the Group has achieved consistent cash flows due to its strict collection policy. Furthermore, through Tas'heel, the Group benefits from a robust relationship with reputable financial institutions as a result of its track record and leadership in the sector, which enabled it to access diverse funding options, including lines of credit and long-term loans which currently exceed two billion Saudi Riyals. This diversified funding approach reduces the Group's dependence on any single financing source, thereby reducing financing risks that the Group may face.

Tas'heel remained within the exposure ratio limit of 3.0x set by the Saudi Central Bank for NBFIs. The Company's leverage ratio was 2.1x as of 31 December 2023G, thanks to its robust financial position, including Tas'heel's strong profits and the Group's approach to retain profits in order to develop Shareholders' equity. Tas'heel is constantly monitoring its exposure limit ratio and regularly reviewing its policies in order to adapt to changing market conditions and needs. Tas'heel's optimal exposure limit ratio, along with its ability to obtain external financing, enables it to continue lending operations at a rapid pace without hindrance in meeting its financial obligations or in its future growth path. Moreover, the Group achieves the highest profitability levels in the sector, thus enhancing the stability of its financing position and the willingness of lenders to work with it, which in turn enables it to obtain competitive lending terms and prices.

With its solid financial fundamentals, stable funding sources and optimal leverage ratio, the Group is able to achieve continuous growth, address economic volatility and seize strategic opportunities while maintaining financial stability.

(j) Risk Management Policies

Through Tas'heel, the Group applies an integrated approach to managing current and potential risks, including any risks that may pose a material threat to its business model, performance or financial solvency, or that may prevent Tas'heel from achieving its strategic objectives.

Risk management is a key factor for Tas'heel, which facilitates setting risk tolerance limits at all organisational levels in line with Tas'heel's risk management policy principles set by its Board of Directors. Tas'heel uses a sophisticated risk management infrastructure to provide guarantee-free credit programmes to its customers while efficiently and competitively managing defaults.

The Group's risk management through Tas'heel uses nine risk ratings in addition to taking into account the credit rating by SIMAH and a dynamic pricing system based on customer risk assessment to ensure stable profit margins and control risks related to defaults. Written-off customer balances also increased as a result of an increase in the size of the portfolio, reaching SAR 13.6 million, SAR 34.5 million and SAR 55.2 million in the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively.

It should also be noted that the levels of defaulting customer balances in excess of 90 days increased due to the larger portfolio, amounting to SAR 50.3 million, SAR 90.4 million and SAR 168.5 million in the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively. The Group also achieved an improvement in the amounts recovered from written-off loans in 2023G which stood at SAR 11.4 million compared to the amounts recorded in 2022G, which stood at SAR 7.1 million, respectively.

4.3.4 Strategy and Prospects

The Group aspires to take the lead in providing multi-product and multi-category digital financial services and to be the Kingdom's largest provider of consumer finance compliant with the Sharia standards approved by Tas'heel's Sharia committee, offering an integrated and flexible range of products at prices suited to a large customer base. The Group is also committed to serving a diverse customer base across various categories through its dedication to implementing optimal risk management policies, expanding its geographical presence and providing a seamless, swift and streamlined digital experience.

The eXtra brand provides the advantage of rapid spread and increases trust in Tas'heel, thus supporting the growth of the Group. Through its strategic relationship with eXtra, Tas'heel is able to reach approximately 14 million customers annually through its wide spread in 48 locations within the Company's branches across the Kingdom. Moreover, Tas'heel has long-term partnerships with a wide range of strategic partners in various sectors.

Through Tas'heel, the Group has developed various risk models and collection strategies by employing its deep experience in the field of consumer finance as a result of its over 8 years of experience in offering consumer finance products provided by the Company and its parent, eXtra.

Initiatives within the framework of the Kingdom's Vision 2030 and the Group's favourable economic, financial and demographic developments are expected to enable it to be a key driver of consumer finance growth in a market that has not yet reached maturity.

The Group is continuously exploring opportunities to expand its business scope in the financial services sector by developing new products and services independently or through strategic partnerships with other entities.

The Group's growth strategy is underpinned by four pillars.

Pillar 1: Innovative Digital Transformation

A key component of the Group's strategy is centred on innovative digital transformation. As a pioneer in the consumer finance market, Tas'heel is able to leverage its IT infrastructure in technological applications and innovations across all areas of digital solutions. This technology innovation excellence was recognised in 2022G when Tas'heel won the "**Best Digital Consumer Finance Platform**" award in the Kingdom at the 2022G Global Business Outlook Awards, as well as the International Business Magazine's "**Most Innovative Fintech Company**" award in the Kingdom. The Company considers the advanced data analyses it uses to provide its financing products a key pillar in offering its customers a unique and streamlined experience. Approximately 80% of applications are fulfilled online (including applications received via the website and the Tas'heel app), with 90% of applications being processed within twenty (20) minutes. Most financing transactions are completed within forty-eight (48) hours, in compliance with the rules of the Saudi Central Bank which require the lapse of this period for disbursement of financing post-approval. Moreover, system runtime stood at 97% in 2022G, demonstrating the strong and reliable IT infrastructure of Tas'heel.

Furthermore, Tas'heel's systems are integrated and automatically connected with various Government and regulatory platforms in order to verify customer details instantly and conclude promissory notes, thus streamlining the provision of its financing products to customers. The Company also places great emphasis on cybersecurity and has attained a cybersecurity rating of 3.65 according to the Cyber Security Framework issued by the Saudi Central Bank and the annual audits conducted to ensure strict compliance with the Payment Card Industry Data Security Standards (PCI DSS).

Pillar 2: Capitalising on Existing Business Segments

Through Tas'heel, the Group seeks to better identify the financing needs and purchasing behaviour of its customers in order to gain deep insights regarding the market. To this end, the Group leverages its strategic partnerships with the Kingdom's largest household appliances and electronics retailer (eXtra) and other strategic partners, thus allowing the Group to expand its financing products, including personal loans.

The Group relies on its previous experience and its relations with strategic partners to develop and deliver a range of financing products which attract its target customer segments, enhance the customer experience and simplify the procedures required to obtain financing products, in addition to enabling it to create a large database, which in turn makes it possible for Tas'heel to develop and improve its customer segmentation, risk management and debt collection policies. Moreover, the presence of Tas'heel at more than 310 strategic partner locations enables the Company to increase brand awareness and recognition as a trusted company in the consumer finance sector. It is also worth noting that consumer finance has been granted to over 550 thousand customers since 2015G (including eXtra customers and customers of Tas'heel's finance products).

Through Tas'heel, the Group aims to capitalise on eXtra's reputation and presence and develop partnerships with other strategic partners in the Kingdom's retail sector to meet the growing demand for financing products. These partnerships concentrate on commercial sectors where there is high demand for consumer finance (such as furniture and consumer electronics) as well as other sectors, including health and education, which are witnessing a growing demand for consumer finance products.

Pillar 3: Effective Risk Management

Through Tas'heel, the Group has successfully built a large base of distinguished customers over the previous years. The Company's advanced risk assessment and analysis system allows it to identify customers with low default risks and divide them into different categories. At the same time, the diversity of its product portfolio, coupled with the swift and simple registration process, ensures consumers have easy access to the Company's products, thus increasing Tas'heel's competitiveness in the NBFI consumer finance sector. The Group seeks to continue expanding its business to include new customers who are compatible with Tas'heel's risk management policy through the introduction of new products. Furthermore, in 2023G the Company granted loans to over 64 thousand new customers and over 16 thousand existing customers.

Pillar 4: Agile Product Development

Tas'heel is a pioneering force in the financial services industry, embracing a technology-centric approach and realising its strategic vision through the creation and deployment of cutting-edge solutions. The strategic direction embraced by the Group is primarily focused on providing a swift and seamless experience for its various customer segments and delivering products and services tailored to accommodate their diverse needs. Tas'heel currently provides four separate products: Tawarruq financing contracts (cash loans), Murabaha financing contracts (instalment loans) and credit cards in accordance with the Sharia standards approved by Tas'heel's Sharia committee, in addition to the recently launched Baseeta product. Tas'heel also aspires to continuously expand to cover new consumer segments and products. Tas'heel relies on an end-to-end digital process to seamlessly extend consumer finance loans to its customers. Tas'heel's products feature specifications tailored to accommodate its various customer segments, including instant approvals, with 90% of cash loans being processed within twenty (20) minutes. Most finance transactions are completed within forty-eight (48) hours, in compliance with the Saudi Central Bank rules which require the lapse of this period for disbursement of financing post-approval. Notwithstanding the swift granting of loans to customers, Tas'heel continues to utilise a rigorous risk management structure consisting of several criteria, namely a dual credit score for customers. This consists of ascertaining customer credit limits through SIMAH reports, in addition to applying Tas'heel's internal credit policy, which includes the customer's income, in addition to the borrower's debt-burden ratio (**DBR**) and the instalment payment date of the respective customer.

In response to customer demand, Tas'heel launched new products in 2022G, namely credit cards compliant with the Sharia standards approved by Tas'heel's Sharia committee (Mastercard World and Mastercard Titanium), in keeping with increasing customer need for credit cards within the Kingdom. Tas'heel's realisation of the importance of speed and convenience in the application process and when obtaining credit card approval has led it to develop swift and simple procedures that are free from administrative complications when applying and obtaining credit cards through its electronic platform, without the need for a guarantor or salary transfer, in addition to instant approval via the e-platform and exemption of customers from credit card fees for the first year. Customers also enjoy attractive cashback offers and benefits (up to 2.25% on international purchases), as well as travel and discount benefits provided by retail partners and the ability to use the "**Tap and Pay**" service via the **Apply Pay app**.

4.4 The Company's Shareholding Structure Pre- and Post-Offering

The Company's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) fully paid ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table sets out the Company's shareholding structure pre- and post-Offering.

Table 4.1: The Company's shareholding structure pre- and post-Offering.

Shareholder	Pre-Offering				Post-Offering			
	No. of Shares	Nominal Value of Shares	Direct Shareholding Percentage	Indirect Shareholding Percentage	No. of Shares	Nominal Value of Shares	Direct Shareholding Percentage	Indirect Shareholding Percentage
eXtra	24,750,000	247,500,000	99%	1%	17,250,000	172,500,000	69%	1%
eXtra Bahrain*	250,000	2,500,000	1%	-	250,000	2,500,000	1%	-
Public	-	-	-		7,500,000	75,000,000	30%	-

Shareholder	Pre-Offering				Post-Offering			
	No. of Shares	Nominal Value of Shares	Direct Shareholding Percentage	Indirect Shareholding Percentage	No. of Shares	Nominal Value of Shares	Direct Shareholding Percentage	Indirect Shareholding Percentage
Total	25,000,000	250,000,000	100%		25,000,000	250,000,000	100%	

Source: The Company

*eXtra owns 100% of the shares of eXtra Bahrain. Accordingly, eXtra Bahrain will be subject to the statutory Lock-up Period applicable to the Substantial Shareholder.

4.5 Substantial Shareholders Owning 5% or More of the Company's Share Capital

The following table shows the Substantial Shareholder who owns 5% or more of the Company's share capital pre- and post-Offering:

Table 4.2: Overview of the Substantial Shareholder Owning 5% or More of the Company's Share Capital Pre- and Post-Offering

Shareholder	Pre-Offering				Post-Offering			
	No. of Shares	Nominal Value of Shares	Direct Shareholding Percentage	Indirect Shareholding Percentage	No. of Shares	Nominal Value of Shares	Direct Shareholding Percentage	Indirect Shareholding Percentage
eXtra	24,750,000	247,500,000	99%	1%	17,250,000	172,500,000	69%	1%
eXtra Bahrain*	250,000	2,500,000	1%	-%	250,000	2,500,000	1%	-%
Public	-	-	-		7,500,000	75,000,000	30%	-%
Total	25,000,000	250,000,000	100%		25,000,000	250,000,000	100%	

Source: The Company

*As of 31 December 2023G, eXtra owns 100% of the shares of eXtra Bahrain.

4.6 Changes in the Company's Shareholding from its Incorporation Until the Date of this Prospectus

The following section sets out the changes in the Company's share capital from its incorporation until the date of this Prospectus.

4.6.1 Incorporation of the Company (2021G)

The Company was incorporated on 15/03/1443H (corresponding to 21/10/2021G) as a closed joint-stock company with a share capital of two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into 25,000,000 fully paid ordinary Shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. The following table sets out the Company's shareholding structure upon incorporation.

Table 4.3: Shareholding Structure of the Company in 2021G

Shareholder	No. of Shares	Nominal Value Per Share (SAR)	Total (SAR)	Shareholding Percentage
eXtra	24,750,000	10	247,500,000	99%
eXtra Bahrain*	250,000	10	2,500,000	1%
Total	25,000,000	-	250,000,000	100%

Source: The Company

***eXtra owns 100% of the shares of eXtra Bahrain. Accordingly, eXtra Bahrain will be subject to the statutory Lock-up Period applicable to the Substantial Shareholder.**

There have been no other changes in the Company's ownership or share capital since its incorporation.

4.7 Overview of Companies with a Shareholding in the Company

Two (2) companies hold shares in the Company: (1) eXtra, and (2) eXtra Bahrain. This section provides a brief overview of these companies.

4.7.1 United Electronics Company (eXtra)

eXtra is a Saudi listed joint-stock company registered under Commercial Registration Certificate No. 2051029841, dated 10/06/1425H (corresponding to 27/07/2004G), with a share capital of eight hundred million Saudi Riyals (SAR 800,000,000), divided into eighty million (80,000,000) ordinary Shares. Its head office is located at P.O Box 76688, Khobar 31952, KSA. The main activities of eXtra (and its subsidiaries) include wholesale and retail trade in electrical appliances and devices, computers and computer parts and accessories, furniture, office equipment and supplies, maintenance and repair services, marketing for third parties and consumer finance services. Table 4.4 sets out eXtra's shareholding structure as of the date of this Prospectus.

Table 4.4: eXtra's Shareholding Structure

Shareholder	No. of Shares	Nominal Value Per Share (SAR)	Total (SAR)	Shareholding Percentage
Al Fozan Holding Co.*	12,005,615	10	120,056,150	15.007%
Public	67,994,385	10	679,943,850	84.993%
Total	80,000,000	-	800,000,000	100%

Source: The Company

*As of 31 August 2024G, Al Fozan Holding Co. LLC owns 15.007% of eXtra's shares. Since eXtra is a listed joint-stock company, the shareholding of Al Fozan Holding Co. may have changed since the date of this Prospectus.

Al Fozan Holding Co. is a closed joint-stock company registered under Commercial Registration No. 2051026044, dated 20/01/1423H (corresponding to 03/04/2002G). The head office of Al Fozan Holding is located in Al-Khobar, KSA. Its share capital is five hundred million Saudi Riyals (SAR 500,000,000), divided into fifty million shares (50,000,000) with a nominal value of ten Saudi Riyals (SAR 10) per share. As per its commercial register, the principal commercial activities of Al Fozan Holding Co. include managing the subsidiaries of holding companies, investing the funds of subsidiaries of holding companies, owning the real estate and movables necessary for holding companies, and providing loans, guarantees and financing to holding companies. The following table shows the shareholding structure of Al Fozan Holding Co. as of the date of this Prospectus.

Table 4.5: Shareholding Structure of Al Fozan Holding Co.

Shareholder		Shareholding Percentage
Al Fozan Holding Co.		
1.1 Abdullatif & Mohammed Al Fozan Holding Co.		60%
1.1.1	Maali Holding Co.	50%
1.1.1.1	Abdullah Abdullatif Al Fozan	10%
1.1.1.2	Ali Abdullatif Al Fozan	10%
1.1.1.3	Khalid Abdullatif Al Fozan	10%
1.1.1.4	Abdullatif Ahmed Al Fozan	70%
1.1.2	Rawabi Riyadh Limited	50%
1.1.2.1	Mohamed Ahmed Al Fozan	100%
1.2 Abdullah Abdullatif Al Fozan		10%
1.3 Ali Abdullatif Al Fozan		10%
1.4 Khalid Abdullatif Al Fozan		10%
1.5 Fozan Mohammed Al Fozan		10%

Source: The Company

4.7.2 eXtra Bahrain

eXtra Bahrain is a Bahrain limited liability company registered under Commercial Registration No. 79207, dated 13/10/2011G, with a share capital of 500,000 Bahraini Dinars. Its head office is located in Manama, the Kingdom of Bahrain. The activities of eXtra Bahrain activities comprise the sale/trading of information, communication equipment and related software, video games, electrical and electronic household appliances, online retail, and owned or leased real estate activities. Table 4.6 sets out the shareholding structure of eXtra Bahrain as of the date of this Prospectus.

Table 4.6: Shareholding Structure of eXtra Bahrain

Shareholder	No. of Shares	Value Per Share (BHD)	Total (BHD)	Shareholding Percentage
eXtra	5,000	100	500,000	100%

Source: The Company

Subsidiaries of the Group

The following provides an overview of all of the material and non-material Subsidiaries of the Group. For the purpose of measuring the relative materiality of the Company' Subsidiaries, the Group and the Financial Advisor took into account the impact of the Subsidiaries on the decision to invest in the Company's securities and the prices thereof, including, without limitation, whether they represent 5% or more of the Company's total assets, liabilities, revenue, profits or contingent liabilities. Accordingly, Tas'heel is the only material Subsidiary.

The details of each of the Subsidiaries are set out below.

4.7.3 Tas'heel

4.7.3.1 Overview of Tas'heel

Tas'heel is a closed joint-stock company registered in Khobar under Commercial Registration No. 2051224103, dated 15/05/1440H (corresponding to 21/01/2019G). Its head office is located at King Faisal Street, Al Rawabi District, Khobar, KSA. As per its commercial register, Tas'heel's activities comprise providing consumer finance pursuant to Saudi Central Bank Licence No. 52/ASH/201905 (for further information, please refer to Table 12.4 ("**Material Licenses of the Subsidiaries**")). Tas'heel's current share capital is three hundred and fifty million Saudi Riyals (SAR 350,000,000), divided into thirty-five million (35,000,000) fully paid shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table sets out the shareholding structure of Tas'heel.

Table 4.7: Shareholding Structure of Tas'heel as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value Per Share (SAR)	Total (SAR)	Shareholding Percentage
United International Holding Company	35,000,000	10	350,000,000	100%

Source: The Company

4.7.3.2 Shareholding Structure of Tas'heel from its Incorporation Until the Date of this Prospectus

(a) Incorporation of Tas'heel

Tas'heel was incorporated on 15/05/1440H (corresponding to 21/01/2019G) with a share capital of one hundred and fifty million Saudi Riyals (SAR 150,000,000), divided into fifteen million (15,000,000) fully paid cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table shows the shareholding structure of Tas'heel upon incorporation.

Table 4.8: Shareholding Structure of Tas'heel in 2019G

Shareholder	No. of Shares	Nominal Value Per Share (SAR)	Total (SAR)	Shareholding Percentage
eXtra	15,000,000	10	150,000,000	100%

Source: The Company

(b) Capital Increase (2020G)

On 19/01/1442H (corresponding to 07/09/2020G), eXtra (as the sole shareholder in Tas'heel before the incorporation of the Issuer) decided to increase Tas'heel's share capital to three hundred and fifty million Saudi Riyals (SAR 350,000,000), divided into thirty five million (35,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the issuance of twenty million (20,000,000) new ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

(c) Change in Ownership (2021G)

eXtra transferred its entire shareholding in Tas'heel, comprising 35,000,000 shares, to the Company. The Shareholder register and the Bylaws were updated to reflect this change in shareholding on 26/03/1443H (corresponding to 01/11/2021G). Accordingly, the Tas'heel's shares were distributed as follows:

Table 4.9: Shareholding Structure of Tas'heel in 2021G

Shareholder	No. of Shares	Nominal Value Per Share (SAR)	Total (SAR)	Shareholding Percentage
The Company	35,000,000	10	350,000,000	100%

Source: The Company

4.7.4 Overview of Procco

Procco is a limited liability company incorporated in Bahrain under Commercial Registration No. 62406, dated 12/09/2006G. Its head office is located on Road 2832, Seef, Kingdom of Bahrain. Procco's current share capital is seven thousand Bahraini Dinars (BHD 7,000), divided into seventy (70) fully paid cash shares with a nominal value of one hundred Bahraini Dinars (BHD 100) per share. The Company is currently the sole shareholder in Procco following its acquisition of such shares from eXtra and eXtra Bahrain in 2019G.

Procco was granted an additional service licence under Volume 5 of the CBB Rulebook, and is licensed to provide processing, remote support and data backup services, as well as credit card payment services and technological services to financial institutions and other companies. Procco currently provides call centre services, application processing and IT support services to Tas'heel on an exclusive basis. Procco's profits do not represent a significant percentage of the Group's revenue. Moreover, Procco is a Subsidiary and does not conduct any business aside from the provision of support and non-material services to Tas'heel.

Procco is a company licensed by the Central Bank of Bahrain to deliver additional and specialist services in the field of providing card payment solutions and card issuance and processing. Procco aims to deliver efficient, timely and error-free processing services to Tas'heel and its customers. It also provides technical support for digital payments and fintech solutions in order to enable Tas'heel to enhance its business. Moreover, Procco provides support services exclusively to Tas'heel and does not have any other clients. It is important to note that Procco's revenue is excluded from the consolidated financial statements of the Group as it arises from services rendered to Tas'heel.

4.8 Overview of the Group's Business

Through Tas'heel, the Group specialises in providing consumer finance solutions compliant with the Sharia standards approved by Tas'heel's Sharia committee to its customers, by providing:

- **Forward sale or Tawarruq contracts**, which are cash financing provided by Tas'heel to its customers and results in an agreement whereby the Company sells an asset (a commodity or platinum) to its customer on a deferred payment basis. The sale price offered by the Company includes the cost of the asset plus an agreed profit margin. The customer then authorises Tas'heel to sell the same asset to a third party at market price to obtain the required finance amount. Tas'heel provides Tawaruq cash financing through the provision of financing compliant with the Sharia standards approved by Tas'heel's Sharia committee, with a requirement of a minimum salary of four thousand (SAR 4,000). The amount of Tawarruq financing ranges from ten thousand Saudi Riyals (SAR 10,000) up to two hundred and fifty thousand Saudi Riyals (SAR 250,000) and a repayment period of up to 60 months, with a maturity-period average of 44 months and a fixed profit margin until the end of the finance period. Applications for this product are submitted through several channels, including Tas'heel's digital platforms, Tas'heel's points of sale at its strategic partners and over the phone through the customer service centre. The Tawarruq customers reached seventy-four thousand and nine hundred (74,900) customers as of the year ended 2023G. Notably, around 80% of Tawarruq customers apply for financing using e-channels (the app and the website). Unlike the Murabaha instalment sales product, customers obtaining such cash financing are not required to use it for specific purposes, allowing them to dispose of the amount according to their needs. It should be noted that Tawarruq contracts volume average reached twenty-seven thousand and six hundred Saudi Riyals (SAR 27,600).
- **Murabaha instalment sales**, which are conducted through the conclusion of a contract pursuant to which the Company sells a commodity or an asset to the customer, which the Company has purchased or acquired based on a pledge to purchase the same from the customer. The sale price comprises the cost plus the agreed profit margin offered to customers of its strategic partners with whom Tas'heel contacts, including eXtra, IKEA, Virgin Megastores, the Saudi German Hospital and other strategic partners (for further details, please refer to Section 12.4 ("**Material Agreements**") of this Prospectus), through the provision of financing compliant with the Sharia standards approved by Tas'heel's Sharia committee ranging from two thousand Saudi Riyals (SAR 2,000) to sixty thousand Saudi Riyals (SAR 60,000) for a period of between three (3) months and thirty-six (36) months, with a requirement of a minimum salary of four thousand (SAR 4,000) and a fixed profit margin until the end of the finance period. Applications for such financing may be submitted through several

channels, including Tas'heel's digital platforms and the Company's points of sale at its strategic partners, as well as over the phone through the customer service centre. The number of Murabaha instalment sales customers reached fifty-eight thousand and nine hundred (58,900) customers as of the year end 2023G.

- **Credit card financing**, which provides customers with a credit limit of up to one hundred thousand Saudi Riyals (SAR 100,000). Applications for such financing can be submitted through Tas'heel's digital platforms. Credit cards are a finance solution that offers credit limits to consumers through the issuance of a Mastercard credit card. The credit limits granted under these cards range from SAR 2,500 to SAR 100,000, with a requirement of a minimum salary of four thousand (SAR 4,000).

  Customers may use part or all of the credit card limit and must repay the amount within a period of 22 days from the issuance date of the monthly card statement. In the event of default during this period, a profit margin is applied. In the event of payment delay, the customer must pay the credit limit used in addition to a profit margin agreed in advance under the credit card agreement. Tas'heel also provides credit card insurance to its customers for an additional fee at its discretion. The credit cards financing service activation by customers reached 84% while the leverage of the offered limit was at 70%. Moreover, credit cards financing client-base grew over nine (9) times between the year ending on 31 December 2022G and the year ending on 31 December 2023G.

- **Baseeta service:** An innovative product developed by Tas'heel, Baseeta provides revolving credit allowing customers to use it when making payments for all their needs, whether purchases, bills, or services within and outside the Kingdom in compliance with Sharia standards. It bridges the gap between what is currently offered to customers by BNPL services and Murabaha financing. Baseeta can be quickly and easily applied for and obtained through the application or the website and an advanced digital platform that employs the latest digital solutions and information technologies. Baseeta offers a revolving credit line with a starting balance up to SAR 60,000, without the need to impose a high debt burden on customers. This is achieved by only withholding 5% of the credit balance as debt, enabling Tas'heel to access a broader customer base. The average customer balance reached approximately SAR 1,500 in the first half of 2024. Baseeta provides customers with exceptional flexibility. Customers can utilize the Baseeta service immediately without a down payment, a feature that sets Baseeta apart from conventional BNPL services. Furthermore, Baseeta offers customers the utmost flexibility in selecting their payment term from a comprehensive range of options, ranging from a single instalment to 36 instalments, for an unlimited number of purchases starting from just SAR 100 and an average repayment period of up to ten (10) months. Thanks to the simplicity in using this product, the service has seen high customer activation numbers, reaching approximately 98% in the first half of 2024. The minimum salary requirement for this is SAR two thousand five hundred (2,500). Baseeta also provides a 0% profit or fee option with flexible payment plans from three to 12 instalments in collaboration with selected partners in various sectors, including retail and healthcare sectors, including the retail and health sectors, ensuring its competitive edge over BNPL services. Baseeta caters to a broader market, enabling seamless usage within and outside the Kingdom, both in-store and online, facilitated by its integration with Apple Pay and Mada Pay. The number of Baseeta customers exceeds thirty-eight thousand (38,000) as of 30 June 2024. The product is distributed to customers directly through the website or through strategic partners. In both strategies revenue is collected from service users in addition to subsidies from retail partners if distribution occurs through strategic partners. Baseeta further supports Tas'heel's expansion strategies in the consumer finance market and strengthens its market share growth opportunities. The credit limit issued from service inception amounted to approximately SAR 382 million, while the average credit limit issued amounted to SAR 9,200 and the utilisation rate relative to portfolio size amount to 45%. The Baseeta product has recorded rapid growth during the first months following launch, with portfolio size growing from SAR 19 million (2,300 customers) on 31 December 2023 to SAR 178 million (38,000 customers) on 30 June 2024.

The table below sets out the details of the Issuer's revenue by product:

Table 4.10: Details of the Issuer's Revenue by Product for the Years Ended 31 December 2021G, 2022G and 2023G

SAR Million	2021G	2022G	2023G	Change (2021G-2022G)	Change (2022G-2023G)	CAGR (2021G-2023G)
Income from Tawarruq financing activities	180.2	270.4	378.4	50.1%	40.0%	44.9%
Income from Murabaha financing activities	120.7	146.1	140.3	21.0%	(4.0%)	7.8%
Income from Islamic credit card activities	-	0.5	5.1	N/A	968.6%	N/A
Total income from Islamic financing contracts	**300.9**	**417.0**	**523.9**	**38.6%**	**25.6%**	**31.9%**

Source: Group information.

The table below sets out the details of the Issuer's revenue by product:

Table 4.11: Details of Revenue by Subsidiary for the Years Ended 31 December 2021G, 2022G and 2023G

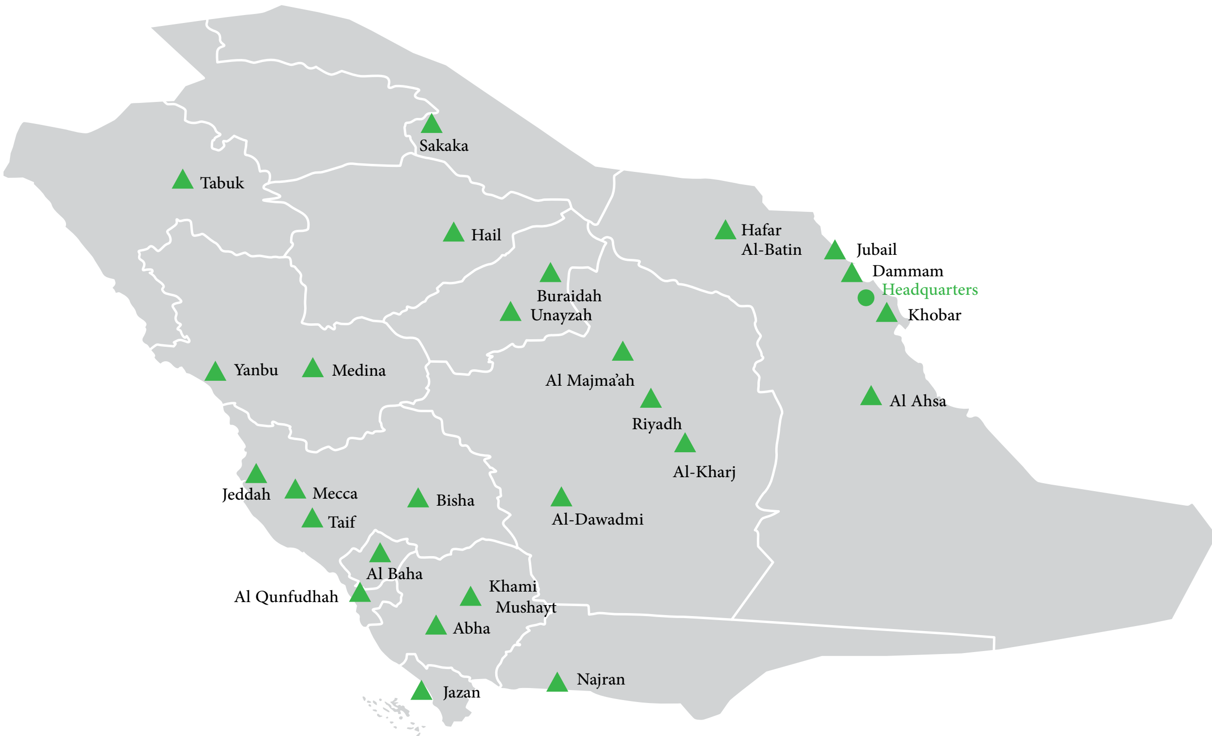
SAR Million	2021G	2022G	2023G	Change (2021G-2022G)	Change (2022G-2023G)	CAGR (2021G-2023G)
United Company for Financial Services	300.9	417.0	523.9	38.6%	25.6%	31.9%
Procco	15.4	20.3	22.1	31.6%	10.1%	20.4%
Disposals/ reclassifications	(15.4)	(20.3)	(22.1)	31.6%	10.1%	20.4%
Total revenue by Subsidiary	**300.9**	**417.0**	**523.9**	**38.6%**	**25.6%**	**31.9%**

Source: Group information.

4.8.1 Geographic Spread

The Group operates in 28 cities across the Kingdom. Additionally, the Company provides access to its various finance products through its numerous digital channels to grant its customers a smooth end-to-end digital experience. **Figure 2** below shows the cities where the Group operates.

Figure 2: Cities Where the Group Operates



Source: The Company

The Group operates in 60 Murabaha instalment sale sites which are managed by its strategic partners. These sites are divided as follows:

Table 4.12: The Group's Presence in Partner Sale Sites

Province	Strategic Partners	As of 31 December 2023G
Riyadh	IKEA stores	2
	Saudi German Hospital	1
	eXtra	12
Northern Borders	Saudi German Hospital	1
	eXtra	2
Qassim	eXtra	2
Medina	Saudi German Hospital	1
	eXtra	2
Eastern Province	IKEA stores	1
	Saudi German Hospital	1
	eXtra	9
Jazan	eXtra	2
Asir	Saudi German Hospital	1
	eXtra	5
Mecca	IKEA stores	1
	Saudi German Hospital	2
	eXtra	12
Najran	eXtra	1

Source: The Company

4.8.2 The Group's Business Segments

The following table shows the finance products provided by the Group through its various product segments (via Tas'heel) as of the dates indicated.

Table 4.13: Breakdown of Customer Loans by Product Segment

(SAR '000)	As of 31 December					
	2021G		2022G		2023G	
	Value of Loans	% of Total Portfolio	Value of Loans	% of Total Portfolio	Value of Loans	% of Total Portfolio
Tawarruq	856,577	70.2%	1,189,902	74.3%	1,580,679	81.9%
Murabaha	362,847	29.8%	404,645	25.3%	284,523	14.7%
Credit cards	-	-	6,832	0.4%	65,726	3.4%
Total	**1,219,424**	**100%**	**1,601,378**	**100%**	**1,930,928**	**100%**

Source: The Company

4.9 Key Developments in the Group Since Incorporation

The following table shows a timeline of the key events that took place in the Group since the inception of its business.

Table 4.14: Key Developments in the Group Since the Inception of its Business Until the Date of this Prospectus

Year	Development
2019G	Incorporation of Tas'heel by eXtra, which received a licence from the Saudi Central Bank to practice business as a non-banking financial company, and Tas'heel's commencement of financing operations. Tas'heel entered into an agreement with eXtra to provide consumer finance to eXtra customers. Tas'heel's commenced consumer finance activities via its electronic platform.
2020G	Increase of Tas'heel's share capital from one hundred and fifty million Saudi Riyals (SAR 150,000,000), divided into fifteen million (15,000,000) fully paid cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, to three hundred and fifty million Saudi Riyals (SAR 350,000,000), divided into thirty-five million (35,000,000) fully paid cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share, through the issuance of twenty million (20,000,000) new cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share. Tas'heel's conclusion of several partnerships with strategic partners, including IKEA. Tas'heel became profitable, achieving a net profit of SAR 21 million.
2021G	Incorporation of the Group to operate as a holding company for the consumer finance business of eXtra. Tas'heel and Procco became Subsidiaries of the Group. Tas'heel received approval from the Saudi Central Bank to provide credit cards to customers. Tas'heel's total finance portfolio exceeded one billion Saudi Riyals.
2022G	Tas'heel launched its credit card services.
2023G	Tas'heel unveiled Baseeta, a ground-breaking product that seamlessly integrates the benefits of traditional product financing with the flexibility to adapt to revolving credit limits.

Source: The Company

4.10 Awards Received by the Group

Table 4.15: The following table sets out the awards received by the Group.

Year	Award
2019G	Global Banking & Finance award for the best Sharia-compliant consumer finance company in the KSA.
2019G	International Finance award for the best new Sharia-compliant finance company (KSA).
2019G	Global Brands Magazine award for most innovative financial services brand in the KSA.
2020G	Finext award for excellence in finance companies.
2020G	International Business Magazine award for the fastest growing Islamic finance company.
2022G	International Business Magazine award for the most innovative fintech company.
2022G	Global Business Outlook award for the best digital consumer finance platform.

Source: The Company

4.11 Social Responsibility

The Group is deeply committed to social responsibility, recognizing it as an inseparable part of its business strategy. It actively seeks to support the communities it serves, both through financial contributions and other meaningful initiatives. As such, fostering strong community engagement is a cornerstone of the Group's ethos. The Group seeks to engage in philanthropic programs that improve the condition of society in the Kingdom through charity activities supported by the Company, whether directly or in partnership with other companies or institutions. In this context, Tas'heel donated more than SAR 700,000 to Alber Charity Organization in 2021G. This contribution affirms the Group's solid commitment to making a positive impact and supporting key social initiatives.

4.12 Departments and Divisions

Departments and divisions of Tas'heel: a comprehensive review of the Key Pillars of Success

Amidst the continuous developments in the financial and commercial sectors, Tas'heel is proud to provide a detailed and thorough presentation of its operational departments and divisions which serve as a solid foundation and robust pillar in supporting and boosting the Company's successful and sustainable journey in the business and finance world. Such departments and divisions represent the foundation of the Company's success and development and work in harmony and coordination to achieve its strategic and operational objectives.

4.12.1 Risk Department: the Backbone of Financial Security and Stability

Tas'heel's Risk department plays a vital role in the efficient supervision and control of the various risk areas, such as credit risks, operational risks and anti-fraud measures, in addition to the management of guarantee processes. The Risk department is specialised in handling all risks that could compromise Tas'heel's financial stability and growth and is characterised by its ability to predict and handle such risks effectively and professionally. In 2021G, which witnessed significant transitions in the financial sector, the Risk Department proved its efficiency in building a profitable and technologically advanced investment portfolio, thus contributing to enhancing Tas'heel's competitive edge in the market.

4.12.2 Compliance and Anti-Money Laundering: the Cornerstone of Integrity and Transparency

Tas'heel's Compliance and Anti-Money Laundering department is the backbone of maintaining integrity and transparency in all of the Company's transactions. This department assumes a vital task in identifying, monitoring and managing compliance risks with the highest levels of accuracy and professionalism. The Compliance and Anti-Money Laundering department embraces a risk-based approach in developing the compliance programme, which is regularly updated to reflect the latest developments in the financial and regulatory sectors. The department is also committed to compliance with the highest international anti-money laundering standards and fostering awareness and understanding of the compliance issues among the Company's employees through ongoing and advanced training programmes.

4.12.3 Customer Experience Department: Innovation and Excellence in Digital Engagement

Tas'heel's Customer Experience department represents the Company's front line in its interaction with customers and is dedicated to providing an exceptional and outstanding customer experience. The staff of this Department are flexible, creative and tech-savvy, allowing for the provision of an outstanding and attractive digital experience to customers. This Department focuses on designing and delivering products that mainly focus on customer needs, providing customers with a smooth and interactive digital journey that accommodates their needs and expectations. Through this Department, the Company aims to maximise its leverage of the digital platforms and applications and improve them constantly to ensure a premium customer experience.

4.12.4 Cybersecurity: Technological Protection and Maintenance of Digital Security

Tas'heel's Cybersecurity Division assumes a great responsibility in protecting the IT infrastructure, advanced hardware, networks and data against any security threats. This Division prevents data breaches, detects cyberattacks efficiently, and ensures the application of the best cybersecurity standards and measures. The Cybersecurity Division has implemented the Essential Cybersecurity Controls in accordance with the standards of the National Cybersecurity Authority and has enhanced the Group's data classification system, thus reflecting the Company's commitment to provide a safe and reliable work environment.

4.12.5 Sales: Driving Success Towards Goals and Achieving Performance Excellence

Tas'heel's Sales Department assumes a key role in achieving the business goals of the Company by preparing and training a specialised team capable of providing high-quality services which are compatible with regulators' requirements and meet customer needs. This Department focuses on analysing market trends and collecting feedback from customers to direct the marketing and sale strategies in line with market developments and changes. The Department continuously seeks to further its methods and technologies to ensure the best results and increased profitability.

4.12.6 Marketing: Brand Innovation and Promotion in the Target Markets

Tas'heel's Marketing Department is the driving force that enhances and promotes the brand in the target markets. This Department is capable of designing and implementing creative and effective promotional campaigns aimed at enhancing brand awareness and building brand loyalty in the target markets. The marketing team develops integrated marketing strategies that align with the Company's objectives, with an emphasis on achieving success and excellence in the field of marketing.

4.12.7 Customer Services: Service Excellence and Achievement of the Highest Satisfaction Levels

Tas'heel's Customer Service Department boasts a professional and well-trained team that provides exceptional service to customers. This Department efficiently handles incoming calls and processes customer requests received through various channels. The Department effectively monitors market trends and the volume of calls and complaints to ensure the provision of outstanding customer service that meets customer expectations and achieves the highest level of customer satisfaction.

4.12.8 Human Resources: Building Competencies, Developing Performance and Achieving Sustainable Employee Growth

Tas'heel's Human Resources Department facilitates the recruitment and retention of the best talent in the region. It also develops and implements human resources policies and programmes aimed at encouraging employee growth and development. This Department is focused on building an advanced educational environment that helps to simplify and promote the employee learning and development journey, thus contributing to maximising their skills and capabilities. The Human Resources Department develops continuous training programs that enhance employees' personal and professional competencies, thus contributing to improving the Company's general performance and the achievement of its strategic objectives.

4.12.9 Internal Audit: Oversight, Transparency and Ensuring Compliance with Standards and Laws

The Internal Audit Department is a crucial part of Tas'heel's internal control and governance framework. This Department performs a crucial role in reviewing and evaluating the Company's business and procedures to ensure full compliance with the applicable laws and regulations. It provides guidance and advice on internal audit methodologies to boost and improve the Company's operations. It also provides periodic reports that ensure transparency and accountability across all work levels. The Department analyses and evaluates potential impacts on commercial operations and transactions, with a special emphasis on high and medium-risk activities.

4.13 Workforce by Nationality

Saudization

The Saudization "**Nitaqat**" programme was approved pursuant to Resolution No. 4040 of the Minister of Human Resources and Social Development, dated 12/10/1432H (corresponding to 10/09/2011G), based on Council of Ministers' Resolution No. 50, dated 21/05/1415H (corresponding to 27/10/1994G). The "**Nitaqat**" program became effective as of 12/10/1432H (corresponding to 10/09/2011G). MHRSD commenced implementation of the "**Nitaqat**" program with the aim of encouraging organisations to hire Saudi nationals. The performance of companies is evaluated through the "**Nitaqat**" program based on specific categories (ranges), namely platinum, green (which is subdivided into low green, medium green and high green) and red. Companies that fall within the platinum or green categories are considered to have fulfilled the Saudization requirements and are therefore entitled to a number of benefits, including obtaining and renewing work visas or changing the professions of its expatriate workers (except for professions that are exclusively designated for Saudi nationals). Companies that fall within the red category (depending on the extent of their non-compliance with the specified requirements) are considered to have violated the Saudization requirements and may be subject to certain penal measures such as a limitation of their ability to renew work visas for foreign employees or to obtain or renew work visas for foreign employees.

The Group's Saudi Subsidiaries received the following certificates from MHRSD, whereby MHRSD certifies that the Group's Saudi Subsidiaries have fulfilled the Saudization requirements.

Saudization Certificate No. 20450850-204244, dated 02/07/1445H (corresponding to 14/01/2024G), issued to the Company; and

Saudization Certificate No. 42804370-104373, dated 04/04/1445H (corresponding to 19/10/2023G), issued to Tas'heel.

The following two tables provide an overview of the Group's employees by nationality, Saudization percentage and department as of 31 December 2023G.

Table 4.16: Details of the Saudization Percentages of the Group's Saudi Subsidiaries

Entity	Saudis	Non-Saudis	Total	Saudization Percentage and Nitaqat Category
The Company	3	5	8	42% (Medium Green)
Tas'heel	313	56	369	85% (Platinum)
Procco	0	148	148	N/A, because Procco is a Bahraini company

Source: The Company

The number of the Group's employees stood at 524, 481 and 433 employees as of the financial years ended 31 December 2023G, 31 December 2022G and 31 December 2021G, respectively. In view of the above, the Group confirms that there have been no material changes in the number of employees during the previous two financial years.

Table 4.17: Procco's Employees by Department

Department	Bahraini	Non-Bahraini
General Manager	0	1
IT	4	15
Risk Department	6	0
Compliance and Anti-Money Laundering	1	0
Customer Experience Department	1	2
Cybersecurity	0	2
Sales - Customer Service	79	0
Operations	29	3
Financial Affairs	1	1
Human Resources	3	0
Total	**124**	**24**

Source: The Company

Table 4.18: Tas'heel's Employees by Department

Department	Saudis	Non-Saudis
Risk Department	12	4
Operations Department	96	9
Compliance and Anti-Money Laundering	6	0
Customer Experience Department	5	3
Cybersecurity	3	0
Sales	162	35
Marketing	4	5
Customer Service	10	0
Human Resources	10	0
Internal Audit	5	0
Total	**313**	**56**

Source: The Company

4.14 Business Continuity

The Board of Directors confirms that there has been no interruption in the Company's business that could affect or has had a significant impact on the Company's financial position during the 12 months preceding the date of this Prospectus.

4.15 Material Interruptions in the Company's Business

There have been no material interruptions in the business of the Issuer or its Subsidiaries during the previous three financial years.

4.16 Material Changes in the Nature of the Group's Business

As of the date of this Prospectus, there have been no material changes in the nature of the Group's business that would individually or collectively have a material impact on its business, financial position, results of operations and/or future prospects. The Board of Directors confirms that there is no intention to make any fundamental change to the nature of the Group's activity.

4.17 Statement of Working Capital

The Company has sufficient working capital for at least twelve (12) months from the date of this Prospectus.

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05

THE COMPANY'S ORGANISATIONAL STRUCTURE AND GOVERNANCE

5 THE COMPANY'S ORGANISATIONAL STRUCTURE AND GOVERNANCE

5.1 Organisational Structure

The organisational structure of the Company consists of the Board of Directors, the Senior Executives, the Audit Committee and the Remuneration and Nomination Committee. The Board is fully responsible for the overall direction and supervision of the Company and the Senior Executives. The following figure shows the organisational structure and supervisory committees of the Company and the functions performed by the Senior Executives.

Figure 3 below shows the ownership structure of the Issuer pre-Offering:

Figure 3: Ownership Structure of Issuer Pre-Offering

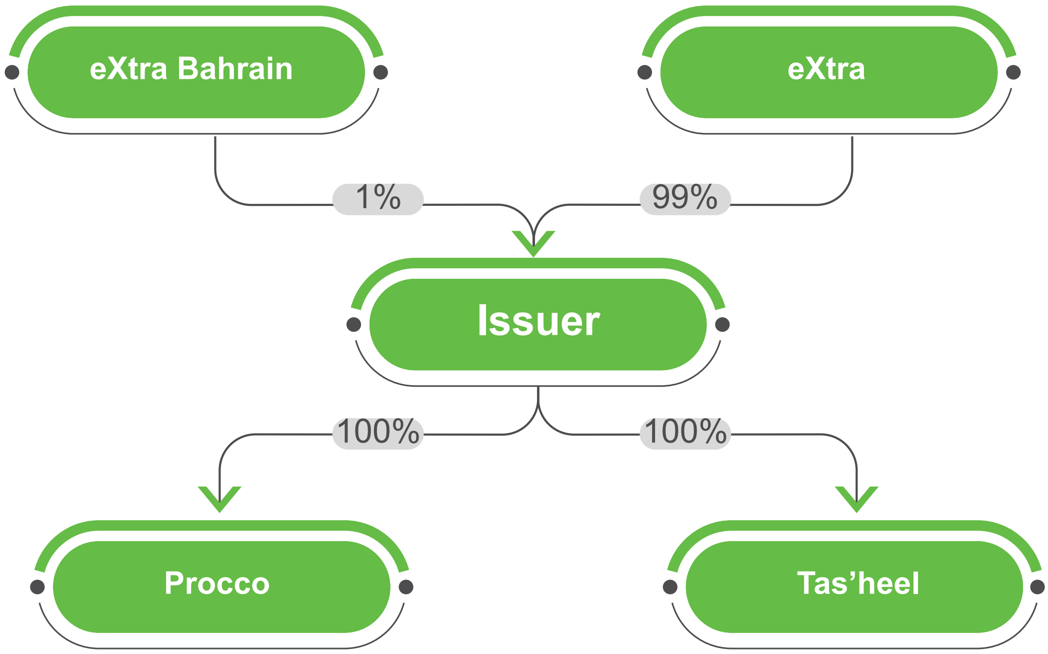


Figure 4 below shows the ownership structure of the Issuer post-Offering:

Figure 4: Ownership Structure of the Issuer Post-Offering

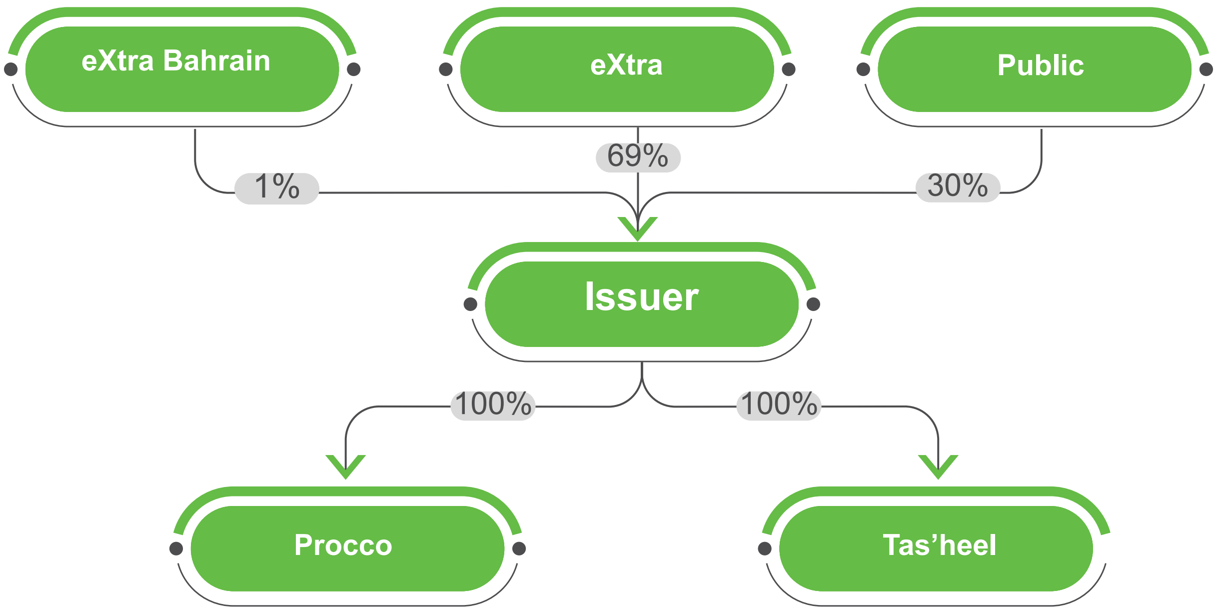
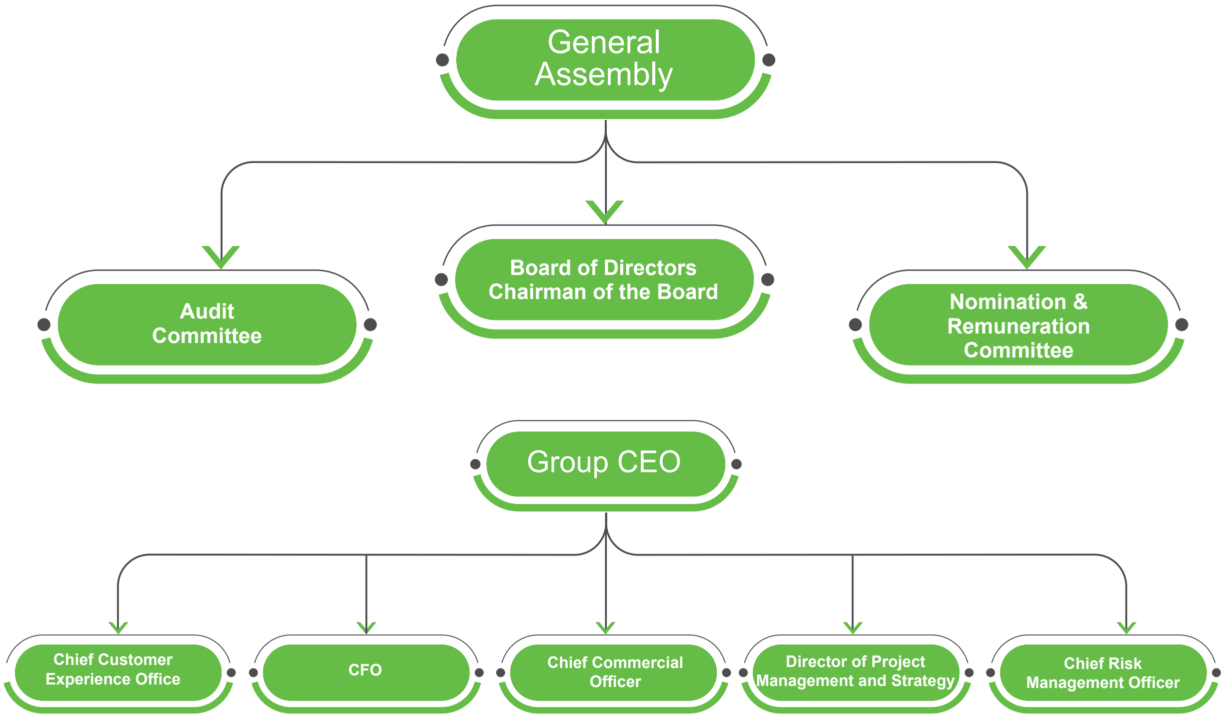


Figure 5 sets outs the organisational structure of the Company.

Figure 5: Organisational Structure of the Company



Source: The Company

5.2 Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of six (6) directors appointed by the Ordinary General Assembly of Shareholders for a period of no more than four (4) years. The duties and responsibilities of the Board of Directors are defined by the Companies Law, the Corporate Governance Regulations, the Bylaws and the internal governance regulations of the Company. The tenure of the Directors, including the Chairman, shall be a maximum of four (4) years per term. Directors may be re-elected more than once. The current four (4) year term of the Board of Directors commenced on 15/03/1443H (corresponding to 21/10/2021G).

In accordance with the Company's Bylaws and subject to the competencies of the General Assembly, the Board of Directors shall have the broadest powers to manage the Company in order to achieve its objectives (for further details regarding the powers of the Board of Directors, please refer to Section 5.2.2 ("**Responsibilities of the Board of Directors**") of this Prospectus).

The following table shows the Directors as of the date of this Prospectus:

Table 5.1: The Company's Board of Directors

Name	Position	Nationality	Membership Status	Direct Ownership		Indirect Ownership		Date of Appointment
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Fozan Mohammed Ahmed Al Fozan*	Chairman	Saudi	Non-executive	-	-	0.00307%	0.00215%	03/09/1445H (corresponding to 13/03/2024G)
Mohammed Galal Ali Fahmi**	Vice Chairman	Egyptian	Non-executive	-	-	2.5%	1.75%	15/03/1443H (corresponding to 21/10/2021G).
Abdulrahman bin Mohammed bin Abdulmohsen Al-Issa	Director	Saudi	Independent	-	-	-	-	23/05/1445H (corresponding to 07/12/2023G)
Abdullatif Ali Abdullatif Al Fozan	Director	Saudi	Non-executive	-	-	-	-	03/09/1445H (corresponding to 13/03/2024G)
Kubra Ghulam Jasem Ghulam Radi	Director	Bahraini	Non-executive	-	-	-	-	03/09/1445H (corresponding to 13/03/2024G)
Assaf Abdulkarim Zaid Al Quraishi	Director	Saudi	Independent	-	-	-	-	23/05/1445H (corresponding to 07/12/2023G)
Board Secretary of the Issuer								
Ahmed Samir Bandari	Board Secretary	Egyptian	-	-	-	0.000012%	0.0000084%	08/06/1445H (corresponding to 21/12/2023G)

Source: The Company

* Fozan Mohammed Ahmed Al Fozan directly owns two thousand, four hundred and fifty-seven (2,457) shares, representing 0.00307% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Fozan Mohammed Ahmed Al Fozan indirectly owns 0.00307% of the Company before the Offering and will own 0.00215% after the Offering.
** Mohammed Galal Ali Fahmi owns two million (2,000,000) shares, representing 2.5% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Mohammed Galal Ali Fahmi indirectly owns 2.5% of the Company before the Offering and will own 1.75% after the Offering.

By way of example, the following negate the independence requirement for an independent Director:

- If he/she holds five percent or more of the shares of the Company or any other company within its Group or is a relative of someone who owns such percentage;
- If he/she is a relative of any of the Directors of the Company or any other company within the Company's Group;
- If he/she is a relative of any Senior Executive of the Company or any other company within the Company's Group;
- If he/she is a director of another company within the Group of the Company for which he/she is nominated to be a Director;
- If he/she is or was an employee of the Company or any party dealing with the Company or another company within its Group during the preceding two years, such as the auditor or key suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties;
- If he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account;
- If he/she receives financial consideration from the Company in addition to the remuneration for his/her membership on the Board or any of its Committees exceeding an amount of SAR 200,000 or 50% of his/her remuneration in the last year for membership on the Board or any of its Committees, whichever is less;
- If he/she engages in a business where he/she competes with the Company, or conducts businesses in any of the Company's activities; and
- If he/she has served more than nine years, consecutively or inconsecutively, as a Director of the Company.

Board Secretary

The Secretary of the Company's Board of Directors is Ahmed Samir Bandari, who indirectly owns nine hundred and sixty (960) shares, representing 0.000012% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Ahmed Samir Bandari indirectly owns 0.000012% of the Company before the Offering and will own 0.0000084% after the Offering.

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of highly qualified individuals with experience in numerous areas related to the Company's business. Without prejudice to the competencies assigned to the General Assembly in the Companies Law, its implementing regulations and the Company's Bylaws, the Board of Directors has the broadest powers to manage the Company and direct its business in a way that achieves its objectives. The responsibilities and powers of the Board of Directors include the following:

- Developing internal regulations for its business.
- Developing the Company's internal regulations and control systems and managing all of its business.
- Approving the Company's vision, strategies and business plans, as well as its annual operating and capital budgets, etc.
- Providing all of the necessary guarantees, including legal guarantees, for the purpose of guaranteeing facilities that may be granted to individuals, individual institutions or companies, as well as the guarantees arising from such facilities, such as real estate mortgages, promissory notes, share certificates, and other in kind or cash guarantees. The Board may sign all contracts related to conducting automated processes via the internet or otherwise, issue bank credits and guarantees, sign all papers, documentation, cheques, promissory notes, bills of exchange and banking transactions, buy and sell instruments, and all types of investment for the benefit of the Company.
- Concluding all contracts and agreements, including without limitation, purchase, sale, lease, rental, agency, franchise and financial hedging contracts, as well as other documents, contracts, transactions and deals on behalf of the Company, and entering into tenders on its behalf.
- Opening, managing, operating and closing bank accounts and obtaining loans and other credit facilities of any duration, including loans with a period exceeding three years, from Government financing funds and institutions, commercial banks, financial institutions, credit companies or any other credit entity, as well as issuing guarantees and bonds in favour of any entity, as it sees fit and at its sole discretion, provided that the same is in the interest of the Company. Issuing promissory notes and other commercial papers, carrying out all transactions, concluding all banking agreements and transactions, selling, mortgaging and redeeming the Company's real estate and assets, and discharging the Company's debtors from their obligations and debts.
- Providing financial support to any of the companies in which it participates as well as the Subsidiaries.
- Approving internal and financial regulations, the technical and supervisory management of companies and the policies and regulations for their employees.
- Appointing and dismissing managers and officers responsible for managing the Company based on their experience and competence, as the Board deems appropriate, and determining their duties, rights and remuneration.
- Appointing bureaus, experts, engineers, lawyers, agents, doctors and the like, and determining their fees.
- Authorising or delegating any other person to exercise a specific authority or authorities for the period and under the conditions it deems fit.
- Authorising the officers responsible for management of the Company to sign on its behalf within the limits of the rules established by the Board of Directors.
- Forming committees and granting them whatever powers the Board deems appropriate, as well as coordinating between such committees with the aim of expediting the resolution of matters presented to them.
- Approving the establishment of branches, offices and agencies of the Company and participating in or contributing to any companies and signing their Articles of Association as well as the amendments and annexes thereto within the Kingdom and abroad.
- Establishing, opening, managing and closing the Company's investment portfolios and accounts at banks and investment companies within the KSA and abroad, purchasing and selling Saudi and non-Saudi shares, instruments and securities, purchasing and selling goods, minerals, land, real estate and similar such items, as well as establishing companies and investment funds within the Kingdom and abroad.

5.2.3 Chairman of the Board of Directors

Without prejudice to the competencies of the Board, the Chairman shall have the following powers:

- The Chairman of the Board, or the Vice Chairman in his absence, or their designee, shall represent the Company before third parties, including the judiciary, arbitration tribunals, ministries and other Government entities, and shall take the necessary measures in relation to such representation.
- The Board of Directors shall determine the competencies and powers of the Chairman with respect to issues not provided for in these Bylaws.
- The Chairman of the Board of Directors may authorise one or more persons to carry out a specific action or procedure, or to perform a specific task or tasks.
- The Vice Chairman shall have the powers determined by the Board of Directors. The Managing Director, if appointed, shall also have the powers determined by the Board of Directors.

5.2.4 Secretary of the Board of Directors

The responsibilities of the Board Secretary include the following:

- In addition to the other competencies delegated to the Secretary by the Board of Directors, the Secretary's competencies shall include the following:
- Documenting the proceedings of Board meetings and drafting minutes that include the discussions and deliberations that took place and the location, date and start and end times of the meeting, documenting the resolutions of the Board and the voting results, and maintaining the same in a dedicated and orderly register, as well as recording the names of the attending Directors and any reservations expressed by them, if any, and obtaining the signatures of the attending Directors and the Secretary on such minutes.
- Maintaining the reports submitted to the Board of Directors and the reports prepared by the Board.
- Providing the Directors with the Board agenda, working papers and relevant documentation and information, as well as any additional documentation or information required by any Director regarding the issues covered in the meeting agenda.
- Verifying that the Directors adhere to the procedures approved by the Board.
- Informing the Directors of the dates of Board meetings with sufficient notice prior to the specified date.
- Presenting draft minutes to the Directors for them to express their views thereon prior to signature thereof.
- Ensuring that Directors have full and timely access to a copy of the Board meeting minutes and the information and documents related to the Company.
- Coordinating between Directors.
- Organising a register of the disclosures of Directors and updating such register periodically, in accordance with the disclosures required under the Companies Law, the Capital Market Law and the implementing regulations thereof.
- Providing assistance and advice to Directors.

5.2.5 Service Contracts Concluded with Directors

The Company has not concluded any service or employment contracts with any of the Directors, and it does not intend to enter into such arrangements in the future.

Biographies of the Directors

Profiles of the current Directors and the Board Secretary, including their qualifications and current and previous positions, are provided below.

Table 5.2: Summary Biography of Fozan Mohammed Ahmed Al Fozan – Chairman

Nationality	Saudi
Age	53 years.
Current Position	Chairman of the Issuer
Academic and Professional Qualifications	• Bachelor of Science in Accounting, King Saud University, 1993G.
Date of Appointment	03/09/1445H (corresponding to 13/03/2024G)
Current Positions	• Managing Director, Bawan, a listed joint-stock company operating in the field of wholesale and retail trade of building materials, from 2011G to present.
Previous Positions	• General Manager of Al Fozan Building Materials Co., a closed joint stock company operating in the field of wholesale and retail trade of building materials, from 1994G to 2017G.
Current Memberships	• Vice Chairman, Al Fozan Holding Co., a closed joint stock company operating in the field of management, investment and support of its subsidiaries, from 2018G to present. • Director, Abdullatif and Mohammed Al Fozan Co., a closed joint stock company operating in the field of wholesale and retail trade of building materials along with land acquisition, from 1994G to present. • Director, United Electronics Company (eXtra), a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2004G to present. • Managing Director, Bawan, a listed joint-stock company operating in the field of wholesale and retail trade of building materials, from 2011G to present. • Director, Retal Urban Development Company, a listed joint stock company operating in the field of purchase, investment and development of land and real estate, from 2020G to present. • Chairman, Tas'heel, a single person closed joint stock company operating in the field of consumer finance, from 2019G to present. • Director, Al Fozan Social Foundation, a non-profit company operating in the field of development and implementation of community projects, from 2023G to present. • Director, Small and Medium Enterprises General Authority (Monsha'at), since 2023G. • Director, Ajwaad Holding, a closed joint stock company operating in the field of purchase and investment of land and real estate, from 2013G to present. • Director, Al Yamamah Company for Reinforcing Steel Bars Limited, a closed joint stock company operating in the field of wholesale and retail trade of building materials, from 2002G to present. • Chairman, Blominvest Saudi Arabia (Blominvest), a closed joint stock company operating in the field of investment services and financial consulting, from 2019G to present. • Director, Ascend Advanced Healthcare Solutions, a single person limited liability company operating in the field of maintenance of household appliances and supplies, from 2018G to present.
Previous Memberships	• Director, Madar Hardware, a closed joint stock company operating in the field of management, investment and support of its subsidiaries, from 2004G to 2022G. • Director, Madar Building Materials, a closed joint stock company operating in the field of management, investment and support of its subsidiaries, from 2004G to 2022G. • Director, Al Oula for Real Estate Development, a closed joint stock company operating in the field of management, investment and support of its subsidiaries, from 2004G to 2022G. • Chairman, Al Mada Holding, a limited liability company operating in the field of wholesale and retail trade of building materials along with land acquisition, from 2004G to 2022G. • Chairman, Amjal Property Development, a single person limited liability company operating in land and real estate acquisition for the purpose of reconstruction, development and investment purposes, encompassing sales, leasing, and property maintenance, from 2011G to 2022G.

Source: The Company

Table 5.3: Summary Biography of Mohammed Galal Ali Fahmi - Vice Chairman

Nationality	Egyptian
Age	59 years.
Academic and Professional Qualifications	Bachelor's degree in Accounting, Ain Shams University, Cairo, 1985G.
Current Position	Vice Chairman and Member of the Nomination and Remuneration Committee at the Issuer
Date of Appointment	15/03/1443H (corresponding to 21/10/2021G)
Current Positions	• Managing Director and CEO of eXtra, a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2004G to present.
Current Memberships	• Chairman of the Issuer, from 2021G to 2024G. • Vice Chairman of the Issuer, from 2024G to present. • Member of the Nomination and Remuneration Committee at the Issuer, from 2024G to present. • Director, Chairman of the Executive Committee, Member of the Risk Committee and Member of the Nomination and Remuneration Committee, Tas'heel, a single person closed joint-stock company operating in the field of Sharia-compliant consumer finance solutions, from 2019G to present. • Chairman and Member of the Audit Committee, Procco, a Bahraini limited liability company operating in the field of finance, from 2019G to present. • Chairman, United Electronics Company (eXtra) – Bahrain, a Bahraini limited liability company operating in the field of wholesale and retail trade of electrical appliances, from 2011G to present. • Director, United Electronics Company (eXtra) – Oman, an Omani limited liability company operating in the field of wholesale and retail trade of electrical appliances and devices, from 2012G to present. • Director, Halwani Bros - Egypt, an unlisted joint-stock company operating in the field of food products, from 2020G to present. • Director, United Electronics Company (eXtra) – Egypt, a limited liability company operating in the field of wholesale and retail trade of electrical appliances and devices, from 2022G to present. • Director, eXtra Import - Egypt, a limited liability company operating in the field of import and export, from 2022G to present.
Previous Memberships	• Director, United Homeware Company, a limited liability company operating in the field of wholesale and retail trade of homeware, from 2012G to 2019G. • Director, at Ahmed Mohamed Saleh Baeshen & Co., a closed joint-stock company operating in the field of food products, from 2016G to 2019G. • Director, Alyasra – Kuwait, a limited liability company operating in the field of wholesale and retail trade of clothing, from 2015G to 2023G. • Director, Göknur-Turkey, a limited liability company operating in the field of food products, from 2020G to 2023G.

Source: The Company

Table 5.4: Summary Biography of Kubra Ghulam Jasem Radi – Director

Nationality	Bahraini
Age	55 years.
Current Position	Director and Member of the Audit Committee at the Issuer
Academic and Professional Qualifications	• Diploma in Business Administration, University of Bahrain, 1990G. • Bachelor's degree in Business Administration, University of Bahrain, 1992G. • MBA in Investment and Finance, University of Hull, UK,1996G.
Date of Appointment	03/09/1445H (corresponding to 13/03/2024G)
Current Positions	• Partner, Milestone - Accounting and Consulting, a limited liability company operating in the field of accounting and consulting, from 2016G to present.
Previous Positions	• Senior Executive Director - Chief Risk Officer, First Energy Bank (FEB), a joint stock company operating in the field of banking services, from 2009G to 2016G.
Current Memberships	• Director and Chairman of the Credit and Risk Committee, Tas'heel, a closed joint stock company operating in the field of consumer finance, from 2019G to present. • Director and Chairman of the Audit Committee, Procco, a limited liability company operating in the field of financial services, from 2021G to present. • Director, Chairman of the Risk Committee and Member of the Audit Committee, Saudi Reinsurance Company (Saudi Re), a public joint stock company operating in the field of reinsurance, from 2023G to present.

Source: The Company

Table 5.5: Summary Biography of Abdulrahman Mohammed Abdulmohsen Al-Issa – Director

Nationality	Saudi
Age	63 years.
Current Position	Director and Chairman of the Audit Committee at the Issuer
Academic and Professional Qualifications	• Bachelor's degree in Business Administration, King Saud University, 1984G. • Master's degree in Business Administration, University of Dayton, 1988G.
Date of Appointment	23/05/1445H (corresponding to 07/12/2023G)
Current Positions	• Senior Advisor, Export-Import Bank (EXIM), a Government financial institution, from 2021G to present.
Previous Positions	• Founder and CEO of Dan Financial Consulting, a centre licensed by the Ministry of Commerce – Professional Licences, operating in the field of finance, from 2014G to 2017G. • Advisor to the Minister, Ministry of Transport, from 2017G to 2019G. • CEO of Albilad Investment Company (Albilad Capital), a CMA-licensed company fully owned by Bank Albilad operating in the field of securities services, from 2006G to 2010G. • Executive Director, BNP Paribas, a French bank licensed by the Saudi Central Bank operating in the field of banking, from 2006G to 2010G. • Assistant General Manager, Samba Financial Group, a listed joint-stock company operating in the field of banking, from 1990G to 2006G.
Current Memberships	• Director and Chairman of the Audit Committee at the Issuer.
Previous Memberships	• Managing Director and CEO of Lazard Saudi Arabia Ltd., a CMA-licensed investment company operating in the field of advisory services, from 2010G to 2014G. • Chairman of the Board of Directors, Chairman of the Executive Committee and Chairman of the Nomination and Remuneration Committee, Riyadh Airports Company, a Saudi Government company, from 2017G to 2018G. • Director, Lazard Saudi Arabia Ltd., a CMA-licensed investment company operating in the field of advisory services, from 2010G to 2014G. • Director and Member of the Investment Committee, Al-Bilad Capital, a CMA-licensed company fully owned by Bank Albilad operating in the field of securities services, from 2007G to 2010G. • Director and Member of the Executive Committee, Kinan Real Estate, a closed joint-stock company operating in the field of development and management of residential communities, from 2007G to 2010G.

Source: The Company

Table 5.6: Summary Biography of Abdullatif Ali Abdullatif Al Fozan – Director

Nationality	Saudi
Age	35 years.
Current Position	Director and Member of the Nomination and Remuneration Committee at the Issuer
Academic and Professional Qualifications	• Bachelor's degree in Economics, University of Toronto, 2012G
Date of Appointment	03/09/1445H (corresponding to 13/03/2024G)
Current Positions	• COO, Al Fozan Holding Co., a closed joint stock company operating in the field of management, investment and support of its subsidiaries, from 2016G to present. • Founder and Managing Director, Ascend Advanced Healthcare Solutions, a single person limited liability company operating in the field of maintenance of household appliances and supplies, from 2018G to present.
Current Memberships	• Director, United Electronics Company (eXtra), a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2023G to present. • Director, Al Fozan Holding Co., a closed joint stock company operating in the field of management, investment and support of its subsidiaries, from 2021G to present. • Director and Member of the Executive Committee, Tas'heel, a single person closed joint stock company operating in the field of consumer finance, from 2019G to present. • Director and Member of the Executive Committee, Al Oula for Real Estate Development, a closed joint stock company operating in the field of management of holding companies' subsidiaries from 2018G to present. • Director and Member of the Executive Committee, Saudi Reinsurance Company (Saudi Re), a public joint stock company operating in the field of reinsurance, from 2023G to present. • Director and Member of the Executive Committee, Ajdan Real Estate Development Company, a single person company operating in the field of general construction of residential buildings, from 2018G to present. • Director, Ascend Advanced Healthcare Solutions, a single person limited liability company operating in the field of maintenance of household appliances and supplies, from 2018G to present. • Director, Athman Medical Care Holding Company, a single person limited liability company operating in the field of management of holding companies' subsidiaries, from 2018G to present. • Director, Saudi Industrial Machinery Company, a limited liability company operating in the field of sale and installation of machinery and equipment, from 2017G to present. • Director, Vision Nutrition Company, a limited liability company operating in the field of wholesale sale of coffee and tea products, from 2020G to present. • Director and Member of the Remuneration Committee, Mazaq Coffee, a limited liability company operating in the field of food and beverage services, from 2020G to present. • Director, Samaya Investment Company, a limited liability company operating in the field of logistics services, from 2021G to present. • Director, United Homeware Company, a limited liability company operating in the field of retail sale of home furniture, from 2016G to present. • Director, Rufah Gulf Company Limited, a limited liability company operating in the field of general construction of buildings, from 2021G to present. • Director and Member of the Investment Committee, Alpha Capital, a closed joint stock company operating in the field of management of investment funds and portfolios, from 2018G to present. • Director, Tadbeer Environmental Services Company, a limited liability company operating in the field of administrative and support services, from 2022G to present. • Director, Rushd Financial Company, a limited liability company operating in the field of investment, from 2023G to present. • Director, Nesaj Compound (Retal Residence), a limited liability company operating in the field of real estate, from 2018G to present.
Previous Memberships	• Director, The National Company For Glass Industries (Zoujaj), a public joint stock company operating in the field of glassmaking, from 2020G to 2023G.

Source: The Company

Table 5.7: Summary Biography of Assaf Abdulkarim Zaid Al Quraishi – Director

Nationality	Saudi
Age	51 years.
Current Position	Director and Chairman of the Nomination and Remuneration Committee at the Issuer
Academic and Professional Qualifications	• Bachelor's degree in Finance and International Business, Georgetown University, 1995G.
Date of Appointment	23/05/1445H (corresponding to 07/12/2023G)
Current Positions	• Chief Human Resources Officer, Ma'aden, a listed joint stock company operating in the full spectrum of mining activities across all phases of the mining industry, from 2024G to present. • Founder and General Manager of The Twenty Percent, a limited liability company specialized in training and preparing leaders, from 2023G to present
Previous Positions	• Vice President of Human Resources, Unilever Global, from 2003G to 2022G.
Current Memberships	• Director and Chairman of the Nomination and Remuneration Committee at the Issuer, from 2023G to present. • Member of the Nomination and Remuneration Committee, Nahdi Medical Company, a listed joint-stock company, from 2022G to present. • Member of Nomination and Remuneration Committee, Datavault , a limited liability company operating in cloud data infrastructure, from 2024G to present.

Source: The Company

Table 5.8: Summary Biography of Ahmed Samir Bandari – Board Secretary

Nationality	Egyptian
Age	36 years.
Current Position	Board Secretary of the Issuer
Academic and Professional Qualifications	• Bachelor's degree in Accounting, Zagazig University, 2007G. • Internal Auditor certified by the Institute of Internal Auditors (IIA), 2021G. • IFSAH certificate, Saudi Tadawul Company, 2019G. • Capital Market Examination-1 (CME-1) (Regulations – Operations), 2020G.
Date of Appointment	08/06/1445 AH (corresponding to 21/12/2023G)
Current Positions	• Board Secretary, eXtra, a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2012G to present. • Director of Compliance, eXtra, a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2020G to present.
Previous Positions	• Senior Compliance and Disclosure Officer, eXtra, a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2011G to 2020G. • Auditor, numerous external audit firms, from 2007G to 2011G.

Source: The Company

5.3 Board Committees

A number of committees emanate from the Company's Board of Directors based on the Company's needs and requirements. Such committees enable it to perform its tasks effectively in addition to meeting the related regulatory requirements. These committees consist of the Audit Committee and the Nomination and Remuneration Committee.

5.3.1 Audit Committee

The Audit Committee is formed of three (3) members appointed pursuant to a resolution of the Board of Directors dated 16/10/1445H (corresponding to 25/04/2024G). The following table shows the details of the Audit Committee members.

Table 5.9: Members of the Audit Committee

Name	Position	Status
Abdulrahman Mohammed Abdulmohsen Al-Issa	Chairman	Director - Independent
Wael Mohammed Khalil	Member	Non-Board member
Kubra Ghulam Jasem Radi	Member	Director - Non-executive

Source: The Company

5.3.2 Responsibilities of the Audit Committee

The Audit Committee is responsible for monitoring the Company's activities. To this end, it has the right to review the records and documentation of the Company and to request any clarification or statement from the Directors or Executive Management.

The duties and responsibilities of the Audit Committee are as follows:

Financial Reporting:

- Examining the Company's interim and annual financial statements before presenting them to the Board and expressing an opinion and recommendation thereon to ensure the integrity, fairness and transparency thereof.
- Expressing a technical opinion, at the request of the Board of Directors, as to whether the Board report and the Company's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the Company's financial position, performance, business model and strategy.
- Examining any significant or unusual issues included in the financial reports.
- Thoroughly researching any issues raised by the Company's CFO or whoever assumes his duties, the Company's compliance officer, or the auditor.
- Verifying accounting estimates on material matters contained in financial reports.
- Studying the accounting policies followed in the Company and expressing an opinion and making a recommendation to the Board of Directors thereon.
- Providing assistance during the preparation of accounts and financial reports in order to ensure the accuracy, transparency and completeness of the financial information that the Company discloses.
- Ensuring that financial reports are prepared in accordance with the accounting policies followed by the Company.
- Considering the financial statements of the Company and the reports and notes submitted by the auditor, and providing its opinion thereon, if any.
- Preparing recommendations to the Board of Directors regarding the suitability of the accounting policies applied to the nature of the Company, as well as evaluating the financial reports issued by the Company and the nature of its audit process.

Internal Audit:

- Preparing an assessment of the internal control, financial and risk management system.
- Studying the internal audit reports and following up on the implementation of corrective measures with respect to the observations contained therein.
- Monitoring and supervising the performance and activities of the internal auditor and the internal audit department of the Company in order to verify the availability of the necessary resources and the effectiveness thereof in performing the work and tasks assigned thereto.
- Providing recommendations to Board of Directors on the appointment of the director of the internal audit unit/department or the internal auditor and proposing their remuneration.

Auditor:

- Providing recommendations to the Board of Directors on the nomination of auditors, their dismissal, determination of their remuneration and assessment of their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the independence, objectivity and fairness of the auditor and the effectiveness of the audit activities, taking into account the relevant rules and standards.
- Reviewing the plan and work of the Company's auditor and verifying that they do not provide technical, administrative or consulting work that falls outside the scope of the audit work, as well as expressing its opinion regarding the same.
- Responding to queries raised by the Company's auditor.
- Examining the auditor's report and their observations on the financial statements and following up on the actions taken in respect thereof.

Ensuring Compliance:

- Reviewing the results of the reports of regulatory authorities and verifying that the Company has taken the necessary measures with respect thereto.
- Ensuring the Company's compliance with the relevant laws, regulations, policies and directives.
- Reviewing proposed contracts and transactions between the Company and Related Parties, and providing the Board of Directors with its opinion thereon.
- Reporting any issues to the Board in connection with matters that it deems necessary to take action on, and making recommendations as to the actions that should be taken.
- Committee chairs or their designees from among the members of such committees must attend the General Assemblies to answer Shareholder queries.
- Establishing procedures for reviewing complaints related to internal control procedures and preparing financial reports for external audit.
- Preparing procedures that enable employees to submit complaints in a way that ensures complete confidentiality, and reviewing the process for disclosure of violations related to Management or one of the Company's employees, if the Board so requests.

The Audit Committee is formed of three (3) members appointed by the Company's Board of Directors, provided that at least one (1) of them is an independent member, none are executive Directors or Senior Executives of the Company and one of them has financial and accounting expertise. The Board of Directors shall take the necessary measures to enable the Committee to carry out the tasks entrusted to it, including enabling the Committee, without any restrictions, to access all data, information, reports, records, correspondence or other matters that the Committee deems important to review.

The Issuer relies on the Internal Audit Department of Tas'heel to conduct its internal audit, as all operational activities of the Group are carried out through Tas'heel. The Issuer will have to appoint an Internal Audit Manager during Q2 of 2025G.

5.3.3 Biographies of the Audit Committee Members

The following contains a description of the experience, qualifications and current and previous positions of the Audit Committee members.

Summary Biography of Abdulrahman Mohammed Abdulmohsen Al-Issa – Chairman of the Audit Committee

Please refer to Table 5.5 ("**Summary Biography of Abdulrahman Mohammed Abdulmohsen Al-Issa – Director**") for further details regarding the experience, qualifications and current and previous positions of Abdulrahman Mohammed Al-Issa.

Summary Biography of Kubra Ghulam Jasem Radi – Member of the Audit Committee

Please refer to Table 5.4 ("**Summary Biography of Kubra Ghulam Jasem Radi – Director**") for further details regarding the experience, qualifications and current and previous positions of Kubra Ghulam Jasem Radi.

Summary Biography of Wael Mohammed Khalil – Member of the Audit Committee

Table 5.10: Summary Biography of Wael Mohammed Khalil – Member of the Audit Committee

Nationality	Egyptian
Age	48 years.
Current Position	Member of the Audit Committee at the Issuer
Academic and Professional Qualifications	• Bachelor's degree in Accounting, Ain Shams University, Cairo, 1996G. • Certified Public Accountant (CPA) Certificate, USA, 1998G. • Executive Program - Business Administration, Stanford University, 2006G. • Executive Program - Business Administration, INSEAD University, 2006G. • Executive Program - Business Administration, Tecnológico de Monterrey, 2006G. • Program - Board Governance, IMD University, 2019G.
Date of Appointment	08/06/1445H (corresponding to 21/12/2023G)
Current Positions	• CFO, United Electronics Company (eXtra), a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances, from 2017G to present.
Previous Positions	• CFO, Saudi Readymix, a closed joint-stock company operating in the field of ready-mix concrete production and supply, from 2015G to 2016G. • CFO, AlOula Real Estate Development Company, a closed joint-stock company operating in the field of real estate, from 2011G to 2015G. • CFO, Elsewedy Electric, a closed joint-stock company operating in the field of manufacturing transformers and electrical products, from 2008G to 2011G. • CFO,CEMEX Egypt for Distribution, a closed joint-stock company operating in the field of ready-mix concrete production and supply, from 2002G to 2007G. • Consultant, Arthur Anderson - Egypt Office, a company operating in the field of consulting, from 1998G to 2002G. • Auditor, PwC Egypt, a company operating in the field of consulting, from 1996G to 1998G.
Current Memberships	• Director, United Electronics Company (eXtra) – Bahrain, a Bahraini limited liability company operating in the field of wholesale and retail trade of electrical appliances, from 2019G to present. • Director, United Electronics Company (eXtra) – Egypt, a limited liability company operating in the field of wholesale and retail trade of electrical appliances, from 2022G to present. • Director, eXtra Import - Egypt, a limited liability company operating in the field of wholesale and retail trade of import and export, from 2022G to present. • Member of the Audit Committee at the Issuer, from 2023G to present.
Previous Memberships	• Chairman, CEMEX Egypt for Distribution, a closed joint-stock company operating in the field of ready-mix concrete production and supply, from 2003G to 2007G. • Chairman, i2 Egypt, a joint-stock company operating in the field of retail, from 2015G to 2016G. • Vice Chairman, International Silos Company, a joint-stock company operating in the field of mills and food industries, from 2003G to 2007G. • Director and Member of the Audit Committee, Eastern Petrochemical Company, a joint-stock company operating in the field of synthetic oil technology, from 2009G to 2011G. • Director, AlOula Industrial Parks Development Co., a joint-stock company operating in the field of industry, from 2009G to 2011G. • Director, Rowad Modern Engineering, a limited liability company operating in the field of engineering and buildings, from 2009G to 2011G. • Director, Bebarx Zona Franca, a joint-stock company operating in the field of industrial development, from 2009G to 2011G. • Director, 3Wnetworks, a limited liability company operating in the field of telecommunications and IT, from 2009G to 2011G. • Director, R&D Technology, a private limited company operating in the field of research and technology, from 2009G to 2011G. • Member of the Executive Committee, Adeem Real Estate Development, a closed joint-stock company operating in the field of real estate development, from 2015G to 2016G. • Director at the Issuer, from 2021G to 2024G. • Member of the Nomination and Remuneration Committee at the Issuer, from 2023G to 2024G.

Source: The Company

5.3.4 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for nominating Board Members and setting the remuneration policy for Board Members and members of the Company's Senior Management. The duties and responsibilities of the Nomination and Remuneration Committee include:

- Preparing a clear policy for the remuneration of the Directors, Board Committee members and Executive Management and submitting such policy to the Board of Directors for consideration in preparation for approval by the General Assembly, taking into account the adoption of standards related to performance and disclosure, as well as verifying the implementation thereof.
- Clarifying the relationship between the remuneration granted and the applicable remuneration policy, indicating any material deviation from such policy.
- Periodically reviewing the remuneration policy and evaluating its effectiveness in achieving its objectives.
- Providing recommendations to the Board of Directors on the remuneration to be granted to the Directors, Board Committee members and the Company's Senior Executives in accordance with the approved policy.
- Proposing clear policies and criteria for membership of the Board of Directors, Board Committees and Executive Management.
- Recommending the nomination and renomination of Directors to the Board in accordance with the approved policies and standards, ensuring that no person who has previously been convicted of an offence involving moral turpitude is nominated. Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and Executive Management positions.
- Determining the time to be allocated by Directors to Board activities.
- Conducting an annual review of the skills and experience required for membership of the Board of Directors and Executive Management positions.
- Reviewing the structure of the Board of Directors and Executive Management and making recommendations regarding changes that may be made.
- Verifying on an annual basis the independence of independent Directors and ensuring the absence of any conflicts of interest if a Director serves on the board of another company, as well as developing job descriptions for executive Directors, non-executive Directors, independent Directors and Senior Executives.
- Establishing special procedures for filling vacancies on the Board of Directors or among Senior Executives.
- Identifying the strengths and weaknesses of the Board of Directors and proposing solutions to address the same in line with the Company's interest.
- General supervision of the Company's governance system, monitoring its effectiveness and amending it when needed. To this end, the Committee shall undertake the following:
  - Verifying the Company's compliance with these rules.
  - Reviewing and updating the rules in accordance with the regulatory requirements and best practices, and reviewing and developing a code of professional conduct that represents the Company's values, as well as other internal policies and procedures in accordance with the Company's needs and consistent with best practices.
  - Keeping the Committee members informed of any developments in the field of corporate governance and best practices.

The Committee shall be formed of a minimum of three (3) members and a maximum of five (5) members who are non-executive Directors. Members will be selected by a majority vote of the Directors. Meetings of the Nomination and Remuneration Committee shall be held periodically, at least every six (6) months. In addition, additional meetings may be held from time to time at the request of the Board or any of the Committee members.

The Nomination and Remuneration Committee is formed of the following members as of the date of this Prospectus:

Table 5.11: Nomination and Remuneration Committee of the Company

Name	Position	Status
Assaf Abdulkarim Zaid Al Quraishi	Chairman	Director - Independent
Mohammed Galal Ali Fahmi	Member	Director - Non-executive
Abdullatif Ali Abdullatif Al Fozan	Member	Director - Non-executive

Source: The Company

5.3.5 Summary Biographies of the Nomination and Remuneration Committee Members

The following contains a description of the experience, qualifications and current and previous positions of the Nomination and Remuneration Committee members.

Summary Biography of Assaf Abdulkarim Zaid Al Quraishi – Chairman of the Nomination and Remuneration Committee

Please refer to Table 5.7 ("**Summary Biography of Assaf Abdulkarim Zaid Al Quraishi – Director**") for further details regarding the experience, qualifications and current and previous positions of Assaf Abdulkarim Zaid Al Quraishi.

Summary Biography of Abdullatif Ali Abdullatif Al Fozan – Member of the Nomination and Remuneration Committee

Please refer to Table 5.6 ("**Summary Biography of Abdullatif Ali Abdullatif Al Fozan – Director**") for further details regarding the experience, qualifications and current and previous positions of Abdullatif Ali Abdullatif Al Fozan.

Summary Biography of Mohammed Galal Ali Fahmi - Member of the Nomination and Remuneration Committee

Please refer to Table 5.3 ("**Summary Biography of Mohammed Galal Ali Fahmi - Vice Chairman**") for further details regarding the experience, qualifications and current and previous positions of Mohammed Galal Ali Fahmi.

5.4 Senior Management

5.4.1 Overview of the Company's Management

The Senior Management team consists of qualified and experienced members who possess the knowledge and expertise necessary to manage the Company's business in line with the objectives and directives of the Board of Directors and stakeholders. The Company has successfully maintained its Senior Management team and has worked to develop qualified employees and promote them to senior positions. The following table shows the Company's Senior Executives as of the date of issuance of this Prospectus.

Table 5.12: Details of the Company's Senior Executives

Name	Position	Nationality	Age	Date of Appointment	No. of Shares Owned Pre-Offering	No. of Shares Owned Post-Offering
Sakhr Abdulrahman Mohammed Almulhem	CEO	Saudi	50	07/06/1445H (corresponding to 20/12/2023G)	-	-
Rami Ahmed Shawky Askar	Group CFO	Egyptian	47	17/10/1440H (corresponding to 07/05/2023G)	-	-
Mohammed Ali Farooqi	Chief Customer Experience Officer	British	44	07/02/1445H (corresponding to 23/08/2023G)	-	-
Mujeeb Hazzaa Ahmad Noman	Chief Commercial Officer	Yemeni	50	26/10/1445H (corresponding to 05/05/2024G)	-	-
Sharukh Lali Raja Mohammed Lali	Chief Risk Officer	Pakistani	51	24/11/1444H (corresponding to 13/06/2023G)	-	-
Vacant	Strategy Director	-	-	The Issuer seeks to appoint a Strategy Director during Q4 of 2024G	-	-
Vacant	Director of Project Management	-	-	The Issuer seeks to appoint a Director of Project Management during Q4 of 2024G	-	-
Vacant	Internal Audit Manager	-	-	The Issuer seeks to appoint an Internal Audit Manager during Q2 of 2025G	-	-

Source: The Company

5.4.2 CEO

The CEO is generally responsible for the performance of the Company's Executive Management and its day-to-day financial and operational performance, the development and implementation of the Company's strategy, and the implementation of the Company's annual business plans approved by the Board of Directors. The CEO shall exercise his duties under the direct supervision of the Board of Directors and shall act as a liaison between the Board and the Executive Management of the Company.

5.4.3 Biographies of the Senior Executives

An overview of the experience, qualifications and current and previous positions of each of the Senior Executives is set out below.

Table 5.13: Summary Biography of Sakhr Abdulrahman Mohammed Almulhem

Nationality	Saudi
Age	50 years
Current Position	CEO of the Issuer
Academic and Professional Qualifications	• Executive Management Program Certificate, INSEAD University, France and Singapore, 2008G. • Master's degree in International Business Administration (MBA), Washington International University, King of Prussia, Pennsylvania, USA, 2006G. • Bachelor's degree in Business Administration and Marketing, Washington International University, King of Prussia, Pennsylvania, USA, 2004G.
Date of Appointment	07/06/1445H (corresponding to 20/12/2023G).
Previous Positions	• Co-Founder and Head, SAMST Business Incubator, Riyadh and Manama, from 2018G to 2021G. • Director-General of the Commercial Department, General Authority of Civil Aviation Headquarters, Riyadh, from 2016G to 2017G. • Executive Vice President, Head of Retail Banking and Co-Founder, Gulf International Bank (Meem), a Bahraini public joint-stock company operating in the field of banking, from 2011G to 2015G. • Senior Vice President and Head of Customer Management, SNB Headquarters, a listed joint-stock company operating in the field of banking, from 2006G to 2011G. • Senior Director, Consumer Finance, Saudi British Bank (SABB), a listed joint-stock company operating in the field of banking, from 2000G to 2006G.
Current Memberships	• Director, Procco Financial Services, a Bahraini limited liability company operating in the field of finance.

Source: The Company

Table 5.14: Summary Biography of Rami Ahmed Shawky Askar

Nationality	Egyptian
Age	47 years
Current Position	CFO
Academic and Professional Qualifications	• Bachelor's degree in Management and Accounting, Alexandria University, Egypt, Alexandria, 1998G. • Postgraduate diploma in Financial Accounting, Alexandria University, Egypt, Alexandria, 2000G.
Date of Appointment	17/10/1440H (corresponding to 17/05/2023G)
Previous Positions	• Financial Controller, United Electronics Company (eXtra), a listed joint-stock company operating in the field of wholesale and retail trade of electrical appliances.

Source: The Company

Table 5.15: Summary Biography of Mohammed Ali Farooqi

Nationality	British
Age	44 years
Current Position	Chief Customer Experience Officer at the Issuer
Academic and Professional Qualifications	• Certificate in Digitalisation, Institute of Direct and Digital Marketing (IDM), UK, 2008G. • MBA, Forbes College, UK, 2005G. • Master's degree in Finance and Control, University of Lucknow, 2002G.
Date of Appointment	07/02/1445H (corresponding to 23/08/2023G)
Previous Positions	• Head of the Business Presentation Department in the GCC and MENA Region, ILA by Bank ABC, a closed joint-stock company operating in the field of banking, from 2018G to 2021G. • Head of Digital Offerings, Gulf International Bank (Meem), Bahrain, from 2017G to 2018G. • Head of Digital Banking, Gulf International Bank (Meem), KSA, a public joint-stock company operating in the field of banking, from 2011G to 2017G. • Senior Director of Research and International E-Commerce, Lloyds Banking Group - UK, a joint-stock company operating in the field of banking, from 2009G to 2011G. • Digital Planning Analyst, Barclays Bank - UK, a joint-stock company operating in the field of banking, from 2005G to 2009G.

Source: The Company

Table 5.16: Summary Biography of Mujeeb Hazzaa Ahmad Noman

Nationality	Yemeni
Age	50 years
Current Position	Chief Commercial Officer
Academic and Professional Qualifications	• Bachelor's degree in Information Systems, Applied Science University, Jordan 1997G.
Date of Appointment	26/10/1445H (corresponding to 05/05/2024G)
Current Positions	• Managing Partner and Director of Management Consulting at Esperance Inc., a Canadian sole-proprietorship company operating in the field of management consulting from 2019G to date.
Previous Positions	• CEO at AutoZone, a closed joint-stock company, operating in retail sale of various commercial car brands, from 2017G to 2019G. • Chief Commercial Officer, United Electronics Company (eXtra), a listed joint-stock company, operating in the wholesale and retail sale of electrical devices, from 2012G to 2016G. • General Manager, Almutlaq Furniture, a closed joint-stock company operating in the field of furniture manufacturing and retail trade, from 2010G to 2012G. • Retail Brands Manager and Regional Manager, Procter & Gamble, a joint-stock company operating in the field of consumer goods manufacturing, from 2006G to 2010G. • Manager of Commercial Sales and Marketing, Procter & Gamble, a joint-stock company operating in the field of consumer goods manufacturing, from 1997G to 2006G.
Current Memberships	• Director of Almutlaq Furniture, a closed joint-stock company operating in the field of furniture manufacturing and retail trade from 2021G to date. • Director of Jordan Wood Industries Company, a joint-stock company operating in wood industries from 2021G to date.

Source: The Company

Table 5.17: Summary Biography of Sharukh Lali Raja Mohammed Lali

Nationality	Pakistani
Age	51 years
Current Position	Chief Risk Officer at the Issuer
Academic and Professional Qualifications	• Master's degree in Marketing and Finance, Greenwich University, Karachi, Sindh, Pakistan, 2004G.
Date of Appointment	24/11/1444H (corresponding to 13/06/2023G)
Previous Positions	• Director of Consumer Finance Credit Risk Management, eXtra, from 2014G to 2019G. • Head of Consumer Credit and SME Risk, Saudi Hollandi Bank, a listed joint-stock company operating in the field of banking, from 2012G to 2014G. • CEO of Green Cherry Solutions, Karachi, Pakistan, from 2011G to 2012G. • Director of Consumer Risk Management, Barclays, from 2008G to 2011G. • Head of Consumer Credit, JS Bank, Pakistan, from 2007G to 2008G. • Head of Risk Management for SMEs, Al Rajhi Bank, a listed joint-stock company operating in the field of banking, from 2005G to 2006G. • Head of Unsecured Policy, HPL Group, from 2006G to 2007G. • Head of Credit Policy - Unsecured Lending, Standard Chartered, from 2003G to 2005G. • Head of Credit Policy for Unsecured Products, Bank al Etihad, from 2001G to 2003G. • Credit Director - Card Business, American Express, from 1994G to 2001G.

Source: The Company

5.4.4 Employment Contracts with Senior Executives

The Company has entered into employment contracts with all members of its Senior Management which stipulate their salaries and bonuses in accordance with their qualifications and experience. These contracts include numerous benefits such as a monthly transportation allowance and/or a housing allowance. Such contracts are renewable and are subject to the Saudi Labour Law.

5.4.5 Remuneration of the Directors and Senior Executives

In accordance with the Company's Bylaws, the remuneration of the Directors is determined by the General Assembly. The remuneration of the Board comprises compensation and benefits within the limits specified in the Companies Law and its regulations. The Board report to the Ordinary General Assembly must provide a comprehensive statement of all remuneration, allowances and other benefits received by the Directors throughout the financial year. Such report shall also include details of any amounts received by the Directors in their capacity as employees or administrators, as well as any amounts received in exchange for technical, administrative or advisory works. In addition, the report shall include a statement of the number of Board meetings held and the number of meetings attended by each Director since the previous General Assembly meeting.

In addition, pursuant to the Company's Bylaws, neither the Directors nor the Senior Executives have the power to vote on their remuneration or compensation. The remuneration of Senior Executives is determined under their employment contracts in accordance with the Company's remuneration policy and the recommendations of the Remuneration and Nomination Committee. The Directors and Senior Executives are prohibited from borrowing from the Company or voting on any contract or arrangement in which they have an interest.

None of the Directors receive any benefits in kind. Senior Executives receive medical insurance and an education allowance (for up to three children), in addition to travel tickets for the families of non-Saudi employees.

The Issuer did not distribute any remuneration to the Directors, Board Committee members or the top five Senior Executives, including the CEO and CFO, for the financial years ended 31 December 2021G, 2022G and 2023G (aside from the remuneration distributed through the Subsidiaries to Directors, Board Committee members and the top five Senior Executives, which includes salaries, benefits and allowances as shown in Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**").

5.5 Governance of the Company

The Company approved its internal governance regulations and policies in accordance with the Corporate Governance Regulations, the Companies Law and the Company's Bylaws, pursuant to the resolutions of the Board of Directors dated 28/04/1445H (corresponding to 12/11/2023G). Moreover, the Ordinary General Assembly held on 11/05/1445H (corresponding to 24/12/2023G) approved the regulations and policies requiring the approval thereof in accordance with the Corporate Governance Regulations. The Company's internal governance policies and regulations include the following:

- General Assemblies of Shareholders Charter.
- Board of Directors Charter.
- Audit Committee Charter.
- Nomination & Remuneration Committee Charter.
- Auditors Charter.
- Dividend Distribution Policy.
- Code of Ethics and Business Management Policy.
- Disclosure and Transparency Policy.
- Conflict of Interest Policy.
- Internal Control Regulations.
- Remuneration Policy.
- Competition Rules and Standards.

The Company is compliant with the mandatory governance requirements applicable to Saudi joint-stock companies, with the exception of certain provisions applicable to listed companies, which the Company does not currently adhere to due to the fact that its Shares are not yet listed on the Stock Exchange, namely:

- Paragraph (a) of Article 8 in relation to the announcement of information regarding the nominees for membership of the Board on the website of the Stock Exchange upon calling for the General Assembly.
- Paragraph (b) of Article 8 in relation to the restriction of voting in the General Assembly to candidates whose information is announced in accordance with Paragraph (a) of Article 8.
- Paragraph (d) of Article 13 in relation to the publication of the invitation to the General Assembly on the websites of the Stock Exchange and the Company.
- Paragraph (e) of Article 13 in relation to the amendment of the General Assembly agenda during the period between the publication of the announcement referred to in Paragraph (d) of Article 13 and the date of the convening of such Assembly.
- Paragraph (c) of Article 14, which provides that, upon publication of the invitation to the General Assembly, the Shareholders shall have access, through the websites of the Company and the Stock Exchange, to information related to the items of the General Assembly agenda, particularly the reports of the Board and the auditor, the consolidated financial statements and the report of the Audit Committee.
- Paragraph (d) of Article 15 in relation to the obligation to provide the CMA with a copy of the minutes of the General Assembly meeting.
- Paragraph (e) of Article 15, which provides that the Company shall announce to the public and notify the CMA and Tadawul of the results of the General Assembly immediately upon its conclusion.
- Paragraph (d) of Article 17 in relation to notifying the CMA of the names of the Directors, their membership status and any changes in their membership within five working days from occurrence of such changes.
- Article 54, related to the meetings of the Audit Committee, which convenes periodically, provided that at least four meetings are held during the Company's financial year;
- Article 60, related to the meetings of the Remuneration Committee, which convenes periodically, at least once per year, and as may be necessary;
- Article 64, related to the meetings of the Nomination Committee, which convenes periodically, at least once per year, and as may be necessary;
- Article 65, related to publishing the nomination announcement on the websites of the Company and the Exchange, in order to invite persons wishing to be nominated to the Board of Directors, provided that the nomination period shall remain open for at least one month from the date of the announcement;
- Article 87, related to mandatory contents of the Board of Directors' report; and
- Paragraph (b) of Article 88, related to the publication of the Audit Committee's report on the website of the Stock Exchange.

The Company is currently not in compliance with the aforementioned provisions of the Corporate Governance Regulations, given that the Company is currently a closed joint-stock company and its Shares are not yet listed on the Stock Exchange. The Directors undertake to abide by these provisions immediately upon Listing of the Company's Shares on the Stock Exchange. The Directors further declare that the Company is currently in compliance with the majority of the other provisions of the Corporate Governance Regulations and the provisions of the Companies Law.

5.6 Conflicts of Interest

Neither the Company's Bylaws nor its internal policies and regulations confer any powers enabling a Director or the CEO to vote on any contracts or work in which they have a direct or indirect interest, in implementation of Article 71 of the Companies Law, or to participate in any business that would compete with the Company, in implementation of Article 72 of the Companies Law.

Accordingly, Directors shall notify the Board of any personal interest they may have in the transactions or contracts concluded for the Company. The Board shall notify the Ordinary General Assembly when it convenes of the transactions and contracts in which any of the Directors may have a personal interest. Such notice shall be accompanied by a special report from the auditor. Moreover, such disclosure must be recorded in the minutes of the meeting, provided that the interested Director may not attend to vote on a resolution in this regard. Based on the foregoing, the Directors declare they shall:

- Comply with Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations.
- Refrain from voting on resolutions in respect of contracts or transactions concluded with Related Parties in the meetings of the General Assembly if they have a direct or indirect interest therein.
- Not engage in business competitive with that of the Company without the approval of the Ordinary General Assembly, pursuant to Article 72 of the Companies Law.

Except as disclosed in Section 5.2 ("**Board of Directors**"), Section 5.4 ("**Senior Management**") and Subsection 12.5 ("**Material Contracts with Related Parties**") of this Prospectus, the Directors confirm that neither they nor the Senior Executives have any existing conflicts of interest in relation to contracts or transactions concluded with the Company, nor have they been involved in any activity similar to or competitive with the Company's activities as of the date of this Prospectus.

The following table details the agreements and transactions with the Related Parties in force and the Directors that have an interest in such agreements or transactions (for further details regarding such agreements, please refer to Subsection 12.5 ("**Material Contracts with Related Parties**") of this Prospectus).

Table 5.18: Transactions with Related Parties

#	Parties to the Contract	Nature of the Contract/ Transaction	Related Party	Contract Term	Due from a Related Party / Due to a Related Party	Transaction Value during the Financial Year Ended 31/12/2021G (SAR)	Transaction Value during the Financial Year Ended 31/12/2022G (SAR)	Transaction Value during the Financial Year Ended 31/12/2023G (SAR)
1	eXtra	IT Service Level Agreement	Mohammed Galal Ali Fahmi Fozan Mohamed Ahmed Al Fozan Abdullatif Ali Abdullatif Al Fozan	One year	Due from a Related Party	N/A	N/A	N/A
					Due to a Related Party	1,148,376	1,085,000	1,135,131
2	eXtra	Service Level Agreement	Mohammed Galal Ali Fahmi Fozan Mohamed Ahmed Al Fozan Abdullatif Ali Abdullatif Al Fozan	One year	Due from a Related Party	N/A	N/A	N/A
					Due to a Related Party	2,750,000	2,830,000	2,925,000
3	eXtra	Financial Services Agreement between eXtra and Tas'heel	Mohammed Galal Ali Fahmi Fozan Mohamed Ahmed Al Fozan Abdullatif Ali Abdullatif Al Fozan	Five years	Due from a Related Party	N/A	N/A	N/A
					Due to a Related Party	356,634,421	373,754,380	254,752,989
Final Balances								
Due to eXtra						38,956,696	37,339,822	20,500,308

Source: The Company

The following table sets out the details of the Directors' shareholdings in the Company.

Table 5.19: Details of Directors' Shareholdings in the Company

Name	Position	Nationality	Membership Status	Direct Ownership		Indirect Ownership		Date of Appointment
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Fozan Mohammed Ahmed Al Fozan*	Chairman	Saudi	Non-executive	-	-	0.00307%	0.00215%	03/09/1445H (corresponding to 13/03/2024G)
Mohammed Galal Ali Fahmi**	Vice Chairman	Egyptian	Non-executive	-	-	2.5%	1.75%	15/03/1443H (corresponding to 21/10/2021G).
Abdulrahman bin Mohammed bin Abdulmohsen Al-Issa	Director	Saudi	Independent	-	-	-	-	23/05/1445H (corresponding to 07/12/2023G)
Abdullatif Ali Abdullatif Al Fozan	Director	Saudi	Non-executive	-	-	-	-	03/09/1445H (corresponding to 13/03/2024G)
Kubra Ghulam Jasem Ghulam Radi	Director	Bahraini	Non-executive	-	-	-	-	03/09/1445H (corresponding to 13/03/2024G)
Assaf Abdulkarim Zaid Al Quraishi	Director	Saudi	Independent	-	-	-	-	23/05/1445H (corresponding to 07/12/2023G)
Board Secretary								
Ahmed Samir Bandari	Board Secretary	Egyptian	-	-	-	0.000012%	0.0000084%	08/06/1445H (corresponding to 21/12/2023G)

Source: The Company

* Fozan Mohammed Ahmed Al Fozan directly owns two thousand, four hundred and fifty-seven (2,457) shares, representing 0.00307% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Fozan Mohammed Ahmed Al Fozan indirectly owns 0.00307% of the Company before the Offering and will own 0.00215% after the Offering.

** Mohammed Galal Ali Fahmi owns two million (2,000,000) shares, representing 2.5% of the shares in eXtra. eXtra, in turn, owns 100% (directly and indirectly through eXtra Bahrain) of the Company before the Offering. Consequently, Mohammed Galal Ali Fahmi indirectly owns 2.5% of the Company before the Offering and will own 1.75% after the Offering.

By way of example, the following negate the independence requirement for an independent Director:

- If he/she holds five percent or more of the shares of the Company or any other company within its Group or is a relative of someone who owns such percentage;
- If he/she is a relative of any of the Directors of the Company or any other company within the Company's Group;
- If he/she is a relative of any Senior Executive of the Company or any other company within the Company's Group;
- If he/she is a director of another company within the Group of the Company for which he/she is nominated to be a Director;
- If he/she is or was an employee of the Company or any party dealing with the Company or another company within its Group during the preceding two years, such as the auditors or key suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties;
- If he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account;
- If he/she receives financial consideration from the Company in addition to the remuneration for his/her membership on the Board or any of its Committees exceeding an amount of SAR 200,000 or 50% of his/her remuneration in the last year for membership on the Board or any of its Committees, whichever is less;
- If he/she engages in a business where he/she competes with the Company, or conducts businesses in any of the Company's activities; and
- If he/she has served more than nine years, consecutively or inconsecutively, as a Director of the Company.

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

06

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

6 MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

6.1 Introduction

The following management discussion and analysis of United International Holding Company ("**the Group**" or "**UIHC**") presents an analytical review of its operational performance and consolidated financial position as of and for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G.

This section is based on the Annual Financial Statements. The Annual Financial Statements have been prepared by the Group in accordance with International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA. The Annual Financial Statements were audited by PricewaterhouseCoopers - Public Accountants ("**PwC**").

The financial information for the year ended 31 December 2021G were derived from the Financial Statements for the Year 2021G. The financial information for the year ended 31 December 2022G were derived from the Financial Statements for the Year 2022G. The financial information for the year ended 31 December 2023G were derived from the Financial Statements for the Year 2023G.

The Auditor confirms its independence from the Group as stated in its Auditor's Report included elsewhere in this Prospectus. PwC have given and, as at the date of this Prospectus, have not withdrawn their written consent to the reference in the Prospectus to their role as the auditor of the Group for the years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G.

The aforementioned Annual Financial Statements are an integral part of this Prospectus, and the Prospectus should be read in conjunction with these statements and their supplementary explanations. The Annual Financial Statements can be found in Section 19 "**Financial Statements and Independent Auditor's Report**" of this Prospectus.

All amounts in this section have been rounded to the nearest million Saudi Riyals unless otherwise stated, and numbers and percentages are rounded to the nearest decimal. As such, the sum of the numbers may differ from those stated in the tables. All annual percentages, indicators, expenses, and the compound annual growth rates ("**CAGRs**") are based on rounded figures. Therefore, calculating the percentages and the numbers in the tables (shown in Saudi Riyals (million) and rounded to the nearest integer) may not fully match the percentages mentioned in the tables.

This section might include hypothetical statements related to the Group's future forecasts, based on the management's plans and prospects with regard to the Group's growth, results of operations, and financial position as well as related risks and uncertainties. The Group's actual results could materially differ from those forecast as a result of numerous factors, risks, and future events, including those discussed in this section of the Prospectus or elsewhere, particularly Section 2 "**Risk Factors**" of this Prospectus.

6.2 Key Factors Affecting the Group's Operations

The following is a discussion of the most significant factors that have affected or are expected to affect the Group's financial position and results of operations. These factors are based on the information currently available to the Group and may not represent all the factors that may have an impact on the Group's business. For more information, please refer to Section 2 ("**Risk Factors**") and ("**Important Notice**") section of this prospectus.

Factors related to the Concentration of the Group's Business on Providing Credit Products to Individual Customers of eXtra

Murabaha financing represented 29.8%, 25.3%, and 14.7% of the Company's total financing portfolio for the financial years ended 2021G, 2022G and 2023G, respectively. The Company's Murabaha financing business involves providing financing for products and services that are provided through its network of more than forty-eight (48) strategic partners as of 31 December 2023G (for further details regarding the Group's presence at the retail locations of its partners, please refer to Figure 2 ("**Cities Where the Group Operates**") of this Prospectus. eXtra customers constituted 97.1%, 96.5%, and 96.6% of the total Murabaha financing portfolio as of the financial years ended 2021G, 2022G and 2023G, respectively (i.e., 28.9%, 24.4% and 14.2% of the Company's total financing portfolio for the same periods). The demand of eXtra customers for credit products provided by the Group may decrease and the profits earned may decline as a result of several factors, including, but not limited to, changes in the choices and financial positions of customers, the availability of competing products, or a decrease in the number of eXtra customers. A decrease in demand for such products or profits earned would have a material adverse effect on the Group's business, results of operations, financial position and/or future prospects.

Factors related to the Group's Reliance on Financing Agreements linked to eXtra

The Group's business depends on credit facilities from financing banks, including sub-facilities available to it on an exclusive basis under a commercial facility and financing agreement granted by Riyad Bank to its Substantial Shareholder, eXtra. The financing limit granted under these agreements is SAR 400,000,000, out of total facilities amounting to SAR 1,650,000,000 as of the date of this Prospectus. As such, the company has been ring-fencing these facilities, and has obtained Riyad Bank's approval to enter into an independent facilities agreement with Tas'heel (under the existing credit limits) and ring-fencing them from eXtra's facility agreements, so that they are standalone once the offering is completed. However, if Tas'heel is unable to ring-fence its facilities agreement with Riyad Bank, the Group may be exposed to financing risks related to its inability to guarantee eXtra's commitment to the terms of the financing agreements. Furthermore, Tas'heel is subject to restrictions and abides by certain financial undertakings under the existing financing agreements, including, but not limited to, depositing a certain percentage of the proceeds of Tas'heel's financing portfolio in its account with the Saudi Awwal Bank, notifying the respective bank of any potential changes in its legal form prior to implementing such change and obtaining its prior consent therefor, as well as maintaining a certain ratio of earnings before financing costs, taxes, and depreciation to debt service (for further details regarding the restrictions and obligations associated with the financing agreements, please refer to Section 12.4.12 ("Financing Agreements") of this Prospectus.)

In the event that eXtra or Tas'heel breaches any of the conditions and undertakings stipulated in these financing agreements, the relevant financier could terminate the financing agreement and accelerate the repayment of all amounts due thereunder, which may be announced by the financier as due and payable immediately. In such case, the Group may face difficulties in obtaining alternative financing sources to refinance or repay these financing amounts, which would have a material adverse effect on the Group's business, operations, financial position and/or future prospects. Additionally, if eXtra or Tas'heel fails to renew the existing financing contracts related to the Group, the Group may not guarantee its ability to obtain additional or alternative financing on acceptable terms or in a timely manner, or it may be unable to obtain such additional or alternative financing at all. This could have a material adverse impact on the Group's ability to fulfil its obligations, which in turn would have an adverse effect on its business, results of operations, financial position and/or future prospects as a result. The Company may be subject to additional restrictions in future financing agreements, which may limit its ability to distribute dividends.

It should be noted that the agreements entered into between Tas'heel, Saudi Awwal Bank, Alinma Bank and Alrajhi Bank contain guarantees provided by eXtra. Tas'heel has obtained written consent from all of the aforementioned banks (including Riyadh Bank) to cancel these guarantees in the event that the Offering is completed (for further details regarding such guarantees, please refer to Section 12.4.12 ("**Financing Agreements**") of this Prospectus). If eXtra fails to comply with the requirements of these guarantees before they are revoked, either of the financing parties may assert that the financed amounts are due and payable immediately, which would have a material adverse impact on the Group's ability to fulfil its obligations. This, in turn, would have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

A number of the provisions of these agreements oblige Tas'heel (or eXtra on behalf of Tas'heel) to notify the financing banks and obtain the necessary approvals therefrom prior to making any changes to the ownership or legal form of Tas'heel. In view of the significance of these agreements for Tas'heel's operations, Tas'heel has obtained the required approvals from all of its financiers for the Offering.

Factors related to Fluctuations in Financing Costs and Profit Rates

The Group's business relies on obtaining financing from commercial lending banks, while the profit margins earned from the awarded financing contracts depend primarily on the availability of liquidity with financiers and profit rates based on the SAIBOR. The current assets, namely the financing portfolio that generates profits for the Company, achieve returns based on a fixed profit rate, while the liabilities imposing financing burdens on the Group are calculated based on a variable borrowing rate. The Group may be exposed to asset profit and borrowing rate mismatches due to different asset profit rates and borrowing rates, as well as the possibility that the maturity dates of such assets and liabilities may not coincide. The Group does not guarantee that it will be able to maintain its profitability rate by increasing the profit rates paid by its customers in order to compensate for any increases in the borrowing rates paid by the Group on its future liabilities. As of 31 December 2023G, the Group had profit-bearing financial assets of SAR 1,867.4 million and financial liabilities with variable profit rates of SAR 945.4 million. A 1% (representing 100 basis points) increase/decrease in financing cost, assuming all other variables remain constant, would result in an approximate loss/gain of SAR 18.2 million in comprehensive income/loss due to the impact of the increase/decrease in financing cost on liabilities with variable interest rates. Any increases in the borrowing rate of financing granted to the Group, along with its inability to pass on such increases to its current customers by raising the gross profit rate, may result in the Group's inability to maintain the profitability rate of its financing products, thus resulting in lower profit margins on financing products. Furthermore, the recent surge in interest rates has resulted in a substantial rise in the Issuer's expenses, where the borrowing rate (which represents the financing cost divided by the average monthly loans) increased from 3.8% as of 31 December 2022G to 6.8% as of 31 December 2023G.

However, the Company does not guarantee that the Group will be able to benefit from any future decrease in the borrowing rates of financiers, since it may have to reduce the profit margin for its new customers in turn, in order to align with the market. If any of these factors materialise, this would have an adverse effect on the Group's business, results of operations, financial position, and/or future prospects.

Factors related to Higher Government Service Fees or the Introduction of New Laws and Regulations that Impact How the Group Conducts its Operations

The Group and its business are supervised by certain Government entities in the KSA and the Kingdom of Bahrain, including, but not limited to, the Saudi Central Bank, the Ministry of Commerce, municipalities, the CMA (post-Listing), the Central Bank of Bahrain and the Bahraini Ministry of Industry and Commerce, among others. The Group is therefore subject to the risk of changes in laws, regulations, circulars and policies, including those relating to taxation.

The legislative and regulatory environment in the Kingdom is witnessing the issuance of a number of laws and regulations on an ongoing basis, which means it is more prone to change and development. In the event of changes to existing laws or regulations or the issuance of new laws or regulations related to financing companies, the Group may need change its services or make changes to its financing products to meet the requirements of such laws. This may lead to the Group incurring additional unforeseen financial expenses, and will in turn have an adverse effect on the Group's operations, financial position and/or future prospects. Furthermore, the Group must comply strictly and immediately with the laws and regulations in force. Accordingly, if the Group is unable to comply with these regulations on an ongoing basis, it may be exposed to certain fines or penalties imposed by the competent supervisory authorities, resulting in reduced revenue growth and suspension of its business or licences.

The Group's operations also depend on obtaining services from certain companies and semi-Governmental entities such as SIMAH, Takamol Business Services and Elm Company, which enable the Issuer to issue promissory notes and document approvals thereof by its parties electronically, verify the data of its customers and ensure the validity thereof according to the data registered at the National Information Centre headed by the Presidency of State Security (for further information regarding such services, please refer to Subsections 12.4.4, 12.4.6 and 12.4.7 under Section 12 ("**Legal Information**") of this Prospectus). The Group obtains these services for a fee determined by such companies and semi-government entities. In the event that such fees are increased by the relevant service providers, the Group may not be able to pass on this increase to its customers when they apply for financing, which would lead to an increase in expenses and consequently have an adverse effect on the Group's business, results of operations, financial position and/or future prospects.

The Bankruptcy Law promulgated by Royal Decree No. M/50, dated 07/12/1439H (corresponding to 18/08/2018G), entered into force on 28/05/1439H (corresponding to 14/02/2018G). This Law aims to regulate bankruptcy procedures such as preventive settlement, financial restructuring and liquidation, in addition to the preventive settlement, financial restructuring and liquidation of small debtors, as well as administrative liquidation. Such Law includes certain provisions that may affect Tas'heel's ability to collect debts from its customers in case of default. In addition, the Bankruptcy Law grants defaulters and financiers the option to reach an agreement in order to protect defaulting individuals from bankruptcy, which includes rescheduling the debt or even reducing the amount of financing due. All of these factors are likely to affect Tas'heel's ability to collect due amounts in full. This will have an adverse effect on Tas'heel's business, financial position, results of operations and/or future prospects.

Factors related to Unsecured Financing Contracts

Except for the promissory notes provided by Tas'heel's customers as a collateral for the financing granted to them, personal loans and credit card receivables offered by Tas'heel are secured by additional guarantees. Therefore, if Tas'heel fails to enforce the guarantees provided by customers, or in the event of a change in the legal mechanisms granted to the enforcement judges such as seizure, suspension of services, travel bans and other means for enforcing the guarantees provided by customers, then this in turn would have a material and adverse effect on Tas'heel's business, results of operations, financial position and/or future prospects. Tas'heel also remains exposed to the risk of potential defaults and failure to enforce the promissory notes, which would lead to an increase in bad debt. In this regard, Tas'heel is exposed to difficulties in enforcing the guarantees due to the nature of the companies operating in this sector.

6.3 Directors' Declarations on the Financial Statement

- The Directors declare that the financial information presented in this section is extracted without material change from Group information and the Annual Financial Statements, which were prepared by the Group in accordance with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA and audited by the Group's external auditor, as set out in their audit reports.
- The Directors also declare that the Group has sufficient working capital for the next twelve months following the date of this Prospectus.
- The Directors declare that there has been no material adverse change in the financial or business position of the Group during the three years immediately preceding the date of filing the application for registration and offering of the securities subject to this Prospectus and during the period covered in the independent auditors' report to the date of this Prospectus.
- The Directors declare that all material facts related to the Group and its financial performance have been disclosed in this Prospectus and that there is no other information, documents, or facts, the omission of which would make any statement herein misleading.
- The Directors declare that the Group does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.
- The Directors confirm that the Group did not provide any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date of the application for admission and offering of the securities subject to this Prospectus was submitted.
- The Directors declare that the Group does not have any loans or other liabilities, whether covered by a personal guarantee or non-personal guarantee or covered by a mortgage, including bank account overdrafts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments, except as disclosed in Section 12 "**Legal Information**", Section 2 "Risk Factors", and Section 6 "**Management Discussion and Analysis of Financial Conditions and Results of Operations**" of this Prospectus.
- The Directors declare that there is no contemplated material change to the nature of the Group and its subsidiaries' business.
- The Directors declare that the Group's operations have not been discontinued in such a way as to affect or have significantly affected the financial position in the last twelve months.
- The Directors also confirm that none of the share capital of the issuer and its subsidiaries (Group) is under option as at the date of this Prospectus.
- The Directors declare that the properties of the Group are not subject to any mortgages, rights, or encumbrances as at the date of this Prospectus.
- The Directors declare that the Group has presented comprehensive details in this section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.
- The Directors declare that the Group does not hold existing or approved but unissued debt instruments, term loans, or secured or unsecured mortgages, except as disclosed in Section 12 "**Legal Information**" of this Prospectus.
- Except as disclosed in this Prospectus, neither the Directors nor any of their relatives have any shares or interest of any kind in the issuer or any of its subsidiaries, except as disclosed in Section 5-2 "**Formation of the Board of Directors**" and Section 5-2-4 "**Secretary of the Board**" of this Prospectus.
- The Directors acknowledge that the Group has no information about any seasonal factors or economic cycles related to its business activity and that may have an impact on the Group's business and financial position, except those disclosed in Section 2 "**Risk Factors**" and Section 6 "**Management Discussion and Analysis of Financial Condition and Results of Operations**" of this Prospectus.

- The Directors acknowledge that the Group has no information about any governmental, economic, financial, monetary, or political policies, or any other factors that have affected or could materially affect (directly or indirectly) the Group's operations except the information disclosed in Section 2 "**Risk Factors**" and Section 2-6 "**Key information affecting the Group's operations**" of this Prospectus.
- The Directors acknowledge that the Group has provided comprehensive details in this section of any potential liabilities, has calculated, and recorded a provision for the obligations contained in the management's discussion and analysis of the financial position and results of operations. For more information, kindly refer to Section 2 "**Risk Factors**" and Section 6 "**Management Discussion and Analysis of Financial Condition and Results of Operations**" of this Prospectus.
- The Directors acknowledge that the Group has not experienced any changes in the capital during the past three years directly before the date of submission of the registration application and offering of securities subject to this Prospectus, except as disclosed in Section 6 "**Management Discussion and Analysis of Financial Condition and Results of Operations**" and Section 4 "**Overview of the Company and the nature of operations**")" of this Prospectus.

The above declarations are made by the Board of Directors in addition to any other declarations expressly set out in this Prospectus.

6.4 Summary of Significant Accounting Policies and Estimates

Significant accounting policies applied in the preparation of the consolidated special purpose financial statements are set out below. The accounting policies have been consistently applied across all the years presented, unless otherwise stated.

Basis of preparation

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**").

The financial information for the year ended 31 December 2021G comprise the carve-out financial information of UCFS and Procco for the period from 1 January 2021G to 31 October 2021G and the consolidated financial information of the Group for the period from 1 November 2021G to 31 December 2021G. The carve-out financial statements for the period represents consolidation of all the assets and liabilities of the Group by applying the principles underlying the consolidation procedures of IFRS 10 'Consolidated Financial Statements'.

b) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the relevant accounting policies below.

c) Basis of presentation

The Group's consolidated statement of financial position is not presented using a current/non-current classification. However, the following balances are classified as current: cash and cash equivalents, trade and other payables and Zakat payable. The following balances are classified as non-current: property and equipment, intangible assets, right-of-use assets and employee benefit obligations. As at 31 December 2023G, 2022G and 2021G, the balances which are of mixed-in nature i.e., include both current and non-current portions include lease liabilities, prepayment and other receivables, investment in Islamic financing contracts and borrowings.

d) New standards and amendment to standards and interpretations

A number of new and amended standards became applicable for the current reporting period (i.e. 31 December 2023G).

- Narrow scope amendments to IAS 1 'Presentation of financial statements' ("IAS 1"), Practice statement 2 and IAS 8 'Accounting policies, accounting estimates and errors' ("IAS 8");
- Amendment to IAS 12 'Taxation' ("IAS 12") – deferred tax related to assets and liabilities arising from a single transaction;
- Amendment to IAS 12 – International tax reform; and
- IFRS 17 – Insurance contracts ("IFRS 17")

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

With respect to IFRS 17, pursuant to the regulations in Kingdom of Saudi Arabia, the Group is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 effective from 1 January 2023, the Group continues to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17, given it meets the scope exemption under IFRS 17. Accordingly, based on management's assessment, there was no impact upon adoption of IFRS 17 and the impact of such exposure under IFRS 9 is immaterial considering limited history of deceased customers.

e) Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2023 reporting period and have not been early adopted by the Group.

- 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.

Management is in the process of assessing the impact of such new standards and interpretations on its consolidated financial statements.

Foreign currencies

a) Functional and presentation currency

The accompanying special purpose consolidated financial statements are presented in Saudi Riyals which is the functional currency and the presentational currency of the Group. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the subsidiary operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

c) Group entities

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi riyals are translated into Saudi Riyals as follows:

i. Assets and liabilities for each financial position presented are translated at the closing exchange rate at the date of that statement of financial position.

ii. Income and expenses for each profit or loss are translated at average exchange rates and

iii. Components of the equity accounts are translated at exchange rates in effect at the dates the related items originated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of UIHC and its subsidiaries over which the Group has control. Control is achieved when it is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Specifically, the group control an investee if and only if the Group has:

- Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangement; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative transaction differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be if the group had directly disposed of the related assets or liabilities.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements, unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Property and equipment

Property and equipment principally includes furniture, fixtures, office equipment and computers etc. which are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Subsequent expenditures are capitalised only if future economic benefits that are attributable to the asset are expected to flow to the entity and the costs can be measured reliably.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective profit rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective profit rate method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Employee benefit obligations

The level of benefit is based on the terms and conditions of the labour laws applicable to the Group on termination of their employment contracts.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to actuarial reserve in the statement of changes in equity in the period in which they occur.

Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Group has no further payment obligations once the contributions have been paid.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the statement of financial position.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from Islamic financing contracts is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

The calculation of EPR includes transaction costs and processing fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets, such as costs pertaining to evaluation of customers' credit worthiness, sales commission etc. Processing fees are charged in respect of processing of Islamic financing contracts.

Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") Additional amounts, if any, are accounted for when determined to be required for payment.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi

Arabia as required under Saudi Arabian Income Tax Law.

Expenses

Expenses, excluding finance costs, are presented in the statement of profit or loss and other comprehensive income by function, as permitted under the applicable financial reporting framework. All personnel costs of the sales department, costs required to enter into a financing contract and other associated expenses, advertising etc. are classified under "Selling and marketing expenses" whereas remaining expenses of administrative nature are classified under "General and administrative expenses".

Financial Instruments

Financial Assets

a) Classification

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss ("**FVTPL**").

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

This classification is based on the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial assets at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("**SPPP**").

b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets is at amortised cost. Financial income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Instances of modifications to the terms of the Group's financial assets are rare, considering that the acceptance of modification request from the customers is at the discretion of the Group, except for cases as mandated by SAMA regulations. Modifications to the investment in Islamic financing contracts have an immaterial impact on the accompanying consolidated financial statements.

c) De-recognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the three-stage model for impairment of Investment in Islamic financing contracts, based on changes in credit quality since initial recognition.

Stage 1 ("**Performing**") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("**ECL**") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("**Under-performing**") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is 30 or more days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Group is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("**Non-performing**") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, which is fully aligned with the definition of credit impaired under IFRS 9. For these financial assets, lifetime ECL are recognised, and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Group, when determining whether the credit risk on a financial asset has increased significantly since the initial recognition of the financial asset, considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

Financial assets are written-off only when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include amongst others, customers' failure to make contractual payments for a period of greater than 365 days past default, in accordance with SAMA's rules and regulations, and or engage with the Group's collection team. In any case, the Group ensures that all write-offs are only made upon exhaustion of reasonable collection efforts by management. Furthermore, all outstanding exposures from deceased customers are written off immediately.

Where financial assets are written-off, the Group continues to engage enforcement activities to attempt to recover the receivable due, except for balances written off for deceased customers, which are immaterial. Recoveries made, after write-off, are recognized in 'Net impairment losses on financial assets' in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss and other comprehensive income.

Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

Investment in Islamic financing contracts

- ### Tawarruq financing contracts

Tawarruq is an agreement wherein the Group sells a product to its customer which the Group has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement ("**Tawarruq financing contracts**"). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under Tawarruq financing contracts.

- ### Murabaha financing contracts

Murabaha is an Islamic form of financing wherein, the Group based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Group's cost-plus profit, payable on deferred basis in instalments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

- **Islamic credit card receivables**

Islamic credit card receivables are initially measured at the fair value-which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortized cost.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Reportable segments are those operating segments, or aggregations of operating segments, for which segment information is separately reported. While the Board of Directors of the Group, considered as Chief Operating Decision Maker, review the internal management reports by type of products, however, these are not considered as separately identifiable reportable segments as discrete financial information is not available for such products. consolidated financial statements. Accordingly, management has concluded that there are no reportable segments.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on liquidity. However, an asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Critical accounting estimate

(i) *Measurement of ECL allowance on investment in Islamic financing contracts*

Measurement of ECL allowance on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) in developing the model for computation of ECL on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been included included in Section 19 "**Financial Statements and Auditor's Report**".

b) Critical accounting judgements

(i) *Lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management has exercised judgement in determining that its lease agreements for certain office spaces and other kiosks etc. are short term in nature considering expected expansion of workforce, insignificant leasehold improvements, analysis of utility of the kiosks and expectation of no significant business disruption. Accordingly, all rental expenses for such short-term leases have been charged to the statement of profit or loss and other comprehensive income.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(ii) *SPPP Test:*

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default of payment of two consecutive instalments by the customer, the entire contract amount becomes payable upon demand by the Group at its discretion. However, the Group pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

6.5 Summary of Financial Information and Key Performance Indicators ("KPIs")

The selected financial information and key performance indicators ("**KPIs**") of the Group set out below should be read together with Annual Financial Statements in Section 19 "**Financial Statements and Auditor's Report**" of this Prospectus.

6.5.1 Summary of Financial Information of the Group

The following table presents the summary of financial information of the Group as at and for the years ended 31 December 2021G, 2022G and 2023G.

Table 6.1: Summary of financial information of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
Income from Islamic financing contracts	300.9	417.0	523.9	38.6%	25.6%	31.9%
Finance cost	(11.2)	(27.8)	(63.2)	147.7%	127.7%	137.5%
Net income from Islamic financing activities	**289.7**	**389.2**	**460.6**	**34.3%**	**18.4%**	**26.1%**
General and administrative expenses	(43.0)	(50.9)	(62.7)	18.2%	23.3%	20.8%
Selling and marketing expenses	(77.8)	(87.4)	(102.5)	12.3%	17.3%	14.8%
Net impairment losses on financing assets	(26.3)	(40.8)	(60.6)	54.9%	48.7%	51.8%
Finance cost on lease liabilities	(0.1)	(0.1)	(0.0)	(42.1%)	(61.9%)	(53.0%)
Other income - net	1.5	4.1	1.8	181.5%	(56.5%)	10.6%
Profit before zakat	**143.9**	**214.3**	**236.6**	**48.9%**	**10.4%**	**28.2%**
Zakat expense	(14.3)	(21.5)	(24.4)	50.4%	13.5%	30.6%
Profit for the year	**129.6**	**192.7**	**212.2**	**48.7%**	**10.1%**	**27.9%**

Summary of the statement of financial position			
Total assets	**1,264.5**	**1,621.8**	**1,937.4**
Total equity	485.4	678.4	890.7
Total liabilities	779.1	943.4	1,046.8
Total equity and liabilities	**1,264.5**	**1,621.8**	**1,937.4**

Summary of the statement of cash-flows			
Net cash outflow from operating activities	(349.2)	(163.0)	(103.9)
Net cash outflow from investing activities	(258.3)	(4.0)	(5.3)
Net cash inflow from financing activities	584.4	156.3	107.0
Cash and cash equivalents at beginning of the year	60.7	37.6	26.9
Cash and cash equivalents at end of year	**37.6**	**26.9**	**24.8**

Source: Annual Financial Statements

Table 6.2: Key performance indicators of the Group:

	2021G	2022G	2023G
Tawarruq portfolio yields[1]	26.8%	27.1%	27.4%
Murabaha portfolio yields[2]	38.5%	39.1%	39.4%
Islamic credit cards portfolio yields[3]	n/a	22.2%	22.2%
Tawarruq contribution	59.9%	64.8%	72.2%
Murabaha contribution	40.1%	35.0%	26.8%
Credit cards contribution	0.0%	0.1%	1.0%
Portfolio Yield (A) [4]	30.6%	30.4%	29.6%
Borrowing rate (B) [5]	2.0%	3.8%	6.8%
Spread (A-B)	28.6%	26.7%	22.9%
Net income from Islamic financing yield[6]	30.7%	28.4%	26.9%
Net income margin	43.1%	46.2%	40.5%
Net income growth %	484.9%	48.7%	10.1%
Cost-to-income ratio[7]	41.7%	35.5%	35.9%
Cost of risk[8]	2.7%	2.9%	3.4%
Debt / equity	1.4x	1.2x	1.1x
Debt / total assets	0.5x	0.5x	0.5x
UCFS' aggregate financing to capital ratio	2.5x	2.3x	2.1x
ECL provision / Investments in financing assets	2.7%	2.9%	3.3%
Performing assets ratio (Stage 1) (%)[9]	94.6%	92.9%	85.5%
Under-performing assets ratio (Stage 2) (%)[10]	1.2%	1.5%	5.7%

NPA ratio (Stage 3) (%)[11]	4.1%	5.6%	8.7%
NPA ECL coverage ratio (%)[12]	45.7%	35.0%	24.0%
90 DPD + (%) (90 DPD+, on principal outstanding)[13]	3.9%	5.0%	7.7%
Return on average assets	12.6%	13.4%	11.9%
Return on average shareholders' equity	30.8%	33.1%	27.0%
Net investment in Tawarruq financing contracts to the total investment in Islamic financing contracts.	70.2%	74.0%	82.0%
Net investment in Murabaha financing contracts to the total investment in Islamic financing contracts.	29.8%	25.6%	14.6%
Short-term financial assets to financial liabilities ratio[14]	2.1x	1.2x	1.9x
Net cash from operating activities	(349.2)	(163.0)	(103.9)
Net cash from financing activities	584.4	156.3	107.0

Source: Group's information

The KPIs were calculated as follows;

1 Tawarruq portfolio yields = Gross profit from Tawarruq financing contracts / average monthly investment in Islamic Tawarruq financing contracts before ECL and accrued income and fees
2 Murabaha portfolio yields = Gross profit from Murabaha financing contracts / average monthly investment in Islamic Murabaha financing contracts before ECL and accrued income and fees
3 Islamic credit cards portfolio yields = Gross profit from Islamic credit card financing contracts / average monthly investment in Islamic credit cards financing contracts before ECL and accrued income and fees
4 Portfolio yield = Gross profit from Islamic financing contracts / average monthly investment in Islamic financing contracts before ECL and accrued income and fees
5 Borrowing rate = Finance cost / average monthly borrowings
6 Net income from Islamic financing yield = Net income from Islamic financing contracts / average investment in Islamic financing contracts, net
7 Cost-to-income ratio = operating expenses (excluding net impairment losses on financing assets and other income)/ Net income from Islamic financing contracts
8 Cost of risk = Net impairment losses on financing assets / average investment in Islamic financing contracts, gross
9 Performing assets ratio (Stage 1) = PV of IFC of stage 1 accounts / total PV of IFC (as per financial statements)
10 Under-performing assets ratio (Stage 2) = PV of IFC of stage 2 accounts / total PV of IFC (as per financial statements)
11 NPA ratio = PV of IFC of stage 3 accounts / total PV of IFC (as per financial statements)
12 NPA coverage = ECL on stage 3 accounts / PV of IFC of stage 3 accounts (as per financial statements)
13 90 DPD + (%) = Principal value of facilities above 90 DPD / total principal value (as per management accounts)
14 Financial assets to financial liabilities: Financial assets / financial liabilities (maturing in three months)

6.5.1.1 Statement of Profit or Loss and Other Comprehensive Income of the Group

The following tables set out the Group's statements of profit or loss and other comprehensive income for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G:

Table 6.3: Income statement for the years ended 31 December 2021G-, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance ((2021G-2022G	Variance ((2022G-2023G	CAGR ((2021G-2023G
Income from Islamic financing contracts	300.9	417.0	523.9	38.6%	25.6%	31.9%
Finance cost	(11.2)	(27.8)	(63.2)	147.7%	127.7%	137.5%
Net income from Islamic financing activities	**289.7**	**389.2**	**460.6**	**34.3%**	**18.4%**	**26.1%**

General and administrative expenses	(43.0)	(50.9)	(62.7)	18.2%	23.3%	20.8%
Selling and marketing expenses	(77.8)	(87.4)	(102.5)	12.3%	17.3%	14.8%
Net impairment losses on financing assets	(26.3)	(40.8)	(60.6)	54.9%	48.7%	51.8%
Finance cost on lease liabilities	(0.1)	(0.1)	(0.0)	(42.1%)	(61.9%)	(53.0%)
Other income - net	1.5	4.1	1.8	181.5%	(56.5%)	10.6%
Profit before zakat	**143.9**	**214.3**	**236.6**	**48.9%**	**10.4%**	**28.2%**
Zakat expense	(14.3)	(21.5)	(24.4)	50.4%	13.5%	30.6%
Profit for the year	**129.6**	**192.7**	**212.2**	**48.7%**	**10.1%**	**27.9%**
Other Comprehensive Income						
Items that will not be reclassified to profit or loss:						
Remeasurements of employee benefit obligations	0.0	0.4	0.1	805.7%	(71.5%)	60.7%
Items that may be reclassified to profit or loss:						
Exchange differences on translation of foreign operations	(0.0)	(0.2)	(0.0)	530.2%	(88.9%)	(16.3%)
Total comprehensive income for the year	**129.6**	**193.0**	**212.3**	**48.9%**	**10.1%**	**27.9%**

Source: Annual Financial Statements

Income from Islamic financing contracts

Between 2021G and 2023G, the Group's profit from financing included profit income earned on the provision of Tawarruq and Murabaha facilities and profit charged on Islamic credit card balances where the customer did not make the installment on time (including other profit including interchange fees, origination fees and other fees charged to the customers).

Income from Islamic financing contracts is recognised using the effective yield method by applying the effective profit rate on the outstanding balance over the tenure of the loan.

The Group's historical pricing has been primarily dependent on the product, income and risk category of the customer which in turn was based on the Group's experience with each customer's risk profile. Customers relating to high-risk categories, lower tier employers, low-income segments, expatriate nationalities and those with past due obligations as per SIMAH are typically charged a higher flat rate which is then converted by the Group into an annualised profit percentage rate (i.e., the "**APR**", "**profit rate**" or the "**yield**") which represent the effective profit rate that is included in the client's loan agreement.

As the Group further developed its empirical scorecard, the Group has been gradually transitioning towards a more advanced risk-based pricing model.

During 2023G, income from Islamic financing contracts comprised income from;

i. Tawarruq finance activities which represented SAR 378.4 million;

ii. Murabaha finance activities which represented SAR 140.3 million; and

iii. Islamic credit cards which represented SAR 5.1 million.

The above income is net of application fees of SAR 9.0 million, sales incentives of SAR 8.7 million, and plus administrative fee income of SAR 11.9 million in 2023G.

The income from Islamic financing contracts increased by 38.6% from SAR 300.9 million in 2021G to SAR 417.0 million in 2022G as a result of the increase in both income from Tawarruq and Murabaha by SAR 90.2 million and SAR 25.4 million, respectively, due to the overall growth of the present value of the Islamic financing assets by SAR 381.7 million between 2021G and 2022G.

Additionally, the Group officially introduced credit cards as a new product offering in the first quarter of 2022G which generated an income of SAR 0.5 million during 2022G.

The income from Islamic financing contracts increased by 25.6% from SAR 417.0 million in 2022G to SAR 523.9 million in 2023G as a result of the increase in both income from Tawarruq and Islamic credit card by SAR 108.0 million and SAR 4.7 million, respectively, due to the overall increase in the Tawarruq portfolio balance and continued growth of the credit card portfolio. In addition, UIHC introduced a new credit card product (i.e. Baseeta) during the same year.

Finance cost

Finance cost represented the cost related to profit expense paid on borrowings obtained from Banque Saudi Fransi ("BSF"), Albilad Bank, Saudi Awwal Bank ("SAB") and Riyad Bank to finance the Group's lending operations. Finance costs are recorded on a monthly basis in line with each borrowing agreement.

Finance costs increased at a CAGR of 137.5% between 2021G and 2023G, primarily in line with the 25.5% CAGR growth in financing assets, additional borrowings obtained between 2021G and 2023G, and the increase in SAIBOR rates in 2023G.

General and administrative expenses

General and administrative expenses mainly included salaries and other benefits paid to administrative staff and top executives, information technology support costs, professional fees and other expenses.

General and administrative expenses increased by 18.2% from SAR 43.0 million in 2021G to SAR 50.9 million in 2022G driven by the increase in salaries and other benefits by SAR 4.5 million to support the financing portfolio growth and digitize the internal processes, and also SAR 1.5 million booked towards bonuses relating to UIHC (standalone). This was partially offset by the decrease in the annual bonus to administrative staff by SAR 4.2 million due to not meeting the annual KPIs set. In addition to that, there was an increase in other expenses by SAR 3.4 million mainly driven by the increase in amortization following the additions of computer software in line with the growth of the business and the increase in utilities following new regulations in 2022G that required the company to bear customers' telecommunication costs.

General and administrative expenses increased by 23.3% from SAR 50.9 million in 2022G to SAR 62.7 million in 2023G mainly driven by (i) an increase in IT support costs by SAR 1.7 million in line with the growth in the business and (ii) an increase in salaries and other benefits by SAR 8.9 million, driven by an increase in UCFS' bonuses by SAR 5.8 million following a special bonus payment made during the first quarter of 2023G and the company paying bonuses to its administrative staff in 2023G (compared to 2022G). The increase in salaries and other benefits is further driven by an increase in basic salary following the hiring of 22 FTEs in 2023G that included senior positions at a higher salary and the full year impact of salary increases made in June 2022G and the intra-year hiring of senior employees during 2022G.

Selling and marketing expenses

Selling and marketing expenses ("**S&M**") primarily consisted of salaries and other benefits paid to loan underwriting staff, call center staff and sales staff, fees and subscriptions, advertising collection charges and other expenses.

Selling and marketing expenses increased by 12.3% from SAR 77.8 million in 2021G to SAR 87.4 million in 2022G driven by the increase in salaries and other benefits by SAR 5.6 million in 2022G due to the increase in UCFS' average headcount from 273 FTEs in 2021G to 291 FTEs in 2022G and the increase in Procco's headcount from 101 FTEs as at 31 December 2021G to 124 FTEs at 31 December 2022G. Additionally, collection charges increased by SAR 3.0 million in 2022G as a result of the increase in the volume of collections.

Selling and marketing expenses increased by 17.3% from SAR 87.4 million in 2022G to SAR 102.5 million in 2023G mainly driven by the increase in (i) advertising by SAR 7.3 million due to the increase in (i) the overall marketing expenses to promote UIHC's services and products in line with the growth of the business, (ii) fee and subscription by SAR 3.2 million due to the increase in the number of submitted applications, and (iii) salaries and other benefits by SAR 2.3 million, mainly as a result of an increase in Procco's headcount and the reclassification of underwriter and operational staff costs from general and administrative expenses to selling and marketing expenses in 2023G.

The cost-to-income ratio decreased from 41.7% in 2021G to 35.9% in 2023G mainly due to operating income increasing at a CAGR of 26.1% as compared to the increase in operating expenses increasing at a CAGR of 16.9%, indicating improvements in the levels of efficiency in the Company.

Net impairment losses on financing assets

Net impairment losses on financing assets increased by 54.9% from SAR 26.3 million in 2021G to SAR 40.8 million and the cost of risk increased by 0.2 ppts due to an increase in the NPA ratio from 4.1% as at 31 December 2021G to 5.6% as at 31 December 2022G. This was offset by (i) the recoveries of amounts previously written-off of SAR 7.1 million in 2022G and (ii) UCFS reducing its LGD from 45% to 28.76% for its Murabaha products during 2022G.

Net impairment losses on financing assets increased by 48.7% from SAR 40.8 million in 2022G to SAR 60.6 million in 2023G and the cost of risk increased by 0.5 ppts driven by the increase in non-performing assets (which lead to higher ECL) and also the increase in the PD estimates for 2023G.

Finance cost on lease liabilities

Finance cost on lease liabilities represented the interest on lease payments in relation to Procco's leased offices.

Between 2021G and 2023G, finance cost on lease liabilities remained broadly stable.

Other income

Other income mainly consisted of (i) Mastercard incentives, (ii) one-time entry fees charged by the Group to new retailers, and (ii) exchange rate differences.

Other income increased by 181.5% from SAR 1.5 million in 2021G to SAR 4.1 million in 2022G due to receiving a signing bonus and product launch support of SAR 3.8 million from Mastercard in connection with the Group's newly established credit card division.

Other income decreased by 56.5% from SAR 4.1 million in 2022G to SAR 1.8 million in 2023G due to a decrease in the incentives provided by MasterCard decreasing to SAR 1.1 million in 2023G.

Zakat

The Group is subject to Zakat in accordance with the regulations of the ZATCA.

UIHC and UCFS files separate Zakat return on a stand-alone basis whereas no Zakat is applicable on Procco.

For UCFS, Zakat is payable at 2.577% of Zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before Zakat.

Subsequent to 31 December 2022G, UIHC has submitted its first zakat return with the ZATCA for the period from 21 October 2021G (date of incorporation) to 31 December 2022G and has obtained the Zakat certificates from ZATCA for the years through 2022G.

Revenue by subsidiary

Table 6.4: Revenue by subsidiary breakdown for the years ended 31 December 2021G, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
UCFS	300.9	417.0	523.9	38.6%	25.6%	31.9%
Procco	15.4	20.3	22.1	31.6%	10.1%	20.4%
Eliminations/reclassifications	(15.4)	(20.3)	(22.1)	31.6%	10.1%	20.4%
Total revenues	**300.9**	**417.0**	**523.9**	**38.6%**	**25.6%**	**31.9%**

Source: Group's information

UIHC's revenues were solely generated from UCFS and all of the revenues generated from Procco were eliminated between 2021G and 2023G.

Presented below is the breakdown of income from Islamic financing contracts by product generated from UCFS:

Income from Islamic financing contracts by product

Table 6.5: Income from Islamic financing contracts by product breakdown for the years ended 31 December 2021G, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
Income from Tawarruq finance activities	180.2	270.4	378.4	50.1%	40.0%	44.9%
Income from Murabaha finance activities	120.7	146.1	140.3	21.0%	(4.0%)	7.8%
Income from Islamic credit card activities	-	0.5	5.1	n/a	968.6%	n/a
Total income from Islamic financing contracts	**300.9**	**417.0**	**523.9**	**38.6%**	**25.6%**	**31.9%**
As a percentage of income						
Income from Tawarruq finance activities	59.9%	64.8%	72.2%			
Income from Murabaha finance activities	40.1%	35.0%	26.8%			
Income from Islamic credit card activities	0.0%	0.1%	1.0%			
Total income from Islamic financing contracts	**100.0%**	**100.0%**	**100.0%**			

Source: Annual Financial Statements

Income from Tawarruq finance activities

Income from Tawarruq finance activities accounted for 72.2% of the profit from financing income during 2023G.

Income from Tawarruq finance activities increased by 50.1% from SAR 180.2 million in 2021G to SAR 270.4 million in 2022G mainly as a result of UCFS further adjusting its pricing model and changes in the customer mix. The increase in 2022G was mainly attributable to the growth of the Tawarruq Islamic financing assets' portfolio. The yields further increased by 0.3 ppts due to the launch of the Smart Finance product which typically charged a higher profit since it is targeted towards riskier customers.

Income from Tawarruq finance activities increased by 40.0% from SAR 270.4 million in 2022G to SAR 378.3 million in 2023G mainly due to the overall increase in the Tawarruq Portfolio balance as a result of UIHC changing the internal approval criteria and expanding the product offering to additional customer segments, which led to the increase in the Smart Finance portfolio and the overall Tawarruq finance portfolio. The yields increased by 0.2 ppts between 2022G and 2023G due to (i) UIHC's decision to expand its product offerings to a riskier customer segment, (ii) the increase in the product pricing to new customers to compensate for the general increase in SAIBOR rates and (iii) the increase in the Smart Finance contribution. In addition, UIHC increased the pricing for expats during the same year.

Income from Murabaha finance activities

Income from Murabaha finance activities accounted for 26.8% of the overall profit from financing income during 2023G.

Income from Murabaha finance activities increased by 21.0% from SAR 120.7 million in 2021G to SAR 146.1 million in 2022G driven by the growth of the Murabaha Islamic financing assets' portfolio while profit yields increased by 0.6 ppts due to the changes in the customer mix, launch of the Smart Finance product and additional pricing changes targeted towards relatively riskier customers.

Income from Murabaha finance activities decreased by 4.0% from SAR 146.1 million in 2022G to SAR 140.3 million in 2023G due to the decrease in the overall Murabaha financing assets which was primarily driven by (i) a shift in customer behavior where the demand for cash financing increased compared to Murabaha facilities resulting in customers choosing longer tenure Tawarruq facilities over Murabaha facilities; and (ii) the launch of the BNPL product within UEC which led to a decrease in UIHC's Murabaha Product.

In addition to the above, UIHC introduced a new credit card product (i.e. Baseeta) during the fourth quarter of 2023G which is currently replacing the Murabaha products.

The Murabaha portfolio yields increased by 0.3 ppts by 2023G due to the change in the product mix (i.e. shift to the Smart Finance segment that has higher profit rates). In addition, the increase is attributed to the decline in the overall portfolio and the fact that the yield is calculated on a monthly average rather than a daily average.

Income from Islamic credit card activities

UCFS officially introduced its new credit cards division in July 2022G after conducting a pilot phase between February 2022G and June 2022G and generated an income of SAR 0.5 million during the same year.

Income from Islamic credit cards increased from SAR 0.5 million in 2022G to SAR 5.1 million in 2023G driven by (i) the increase in the credit card balances resulting from both the ramp-up of the credit card business which started in April 2022G (i.e. 2022G income includes a nine months period only), (ii) the increase in the number of credit cards and average outstanding balance per credit card, (iii) the increase in the corresponding in the monthly spends between 2022G and 2023G, and (iv) the introduction of a new credit card product.

In addition to the above, the growth of the credit card business was driven by the following initiatives;

- Introduced Apple Pay which increased the customer limit utilization providing them with a better purchase experience and launched a new credit card application to enhance the overall customer experience.
- Increased the awareness of the sales personnel of the product and its features and increased the incentive scheme which in turn has led to increase ability to sell and convince the customers.
- Started introducing multiple promotions, offers and partnerships to maximize customer utilization and acquisition.

Lastly, the increase in the credit card segment was also driven by the fact that the credit card segment witnessed an increased focus as opposed to the partial testing phase in 2021G.

Credit card portfolio yields remained broadly stable between 2022G and 2023G.

Processing fees net of related expenses

The origination income is netted off against the related expenses directly.

Therefore, presented below the breakdown of 'Processing fee net of related expenses' between 2021G and 2023G:

Table 6.6: Processing fee net of related expenses breakdown for the years ended 31 December 2021G, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
Application fees	(9.3)	(10.2)	(9.0)	9.8%	(11.3%)	(1.3%)
Incentives	(2.8)	(5.0)	(8.7)	78.9%	73.1%	(76.0%)
Origination income	7.0	9.6	11.9	36.9%	24.5%	(30.6%)
Processing fee net of related expenses	**(5.1)**	**(5.6)**	**(5.8)**	**10.9%**	**3.3%**	**7.0%**

Source: Group's information

Application fees

Application fees which included the Saudi Credit Bureau's ("**SIMAH**") inquiry fees, General Organization for Social Insurance's ("**GOSI**") inquiry fees, promotional costs (gift cards, etc.), and other fees incurred by UCFS in relation to conducting the necessary checks required for a successful application. These expenses are amortised over the tenure of the facility if the facility application was successful. Incurred costs for any unsuccessful applications are charged to the income statement in the period as incurred and recorded within selling and marketing expenses as 'fee and subscriptions'.

Application fees increased from SAR 9.3 million in 2021G to SAR 10.2 million in 2022G due to the increase in fees from successful applications in line with the general increase in UCFS' Islamic financing assets volumes.

Application fees decreased from SAR 10.2 million in 2022G to SAR 9.0 million in 2023G mainly driven by the decrease in gift costs by SAR 1.4 million due to the fact there were more promotions in 2022G compared to 2023G. During 2022G, UHIC issued more gift cards to incentivize consumers to apply for loans. In addition, others application fees decreased due to the change in the pricing of the commission related to commodity trading under the Tawarruq agreements. The decreases were partially offset by increase in checks performed driven by increase in the number of loan requests received.

Incentives

Incentives represented commissions paid to sales agents on successful applications. These expenses are amortised over the tenure of the facility.

Incentives increased from SAR 2.8 million in 2021G- to SAR 5.0 million in 2022G as a result of the growth of the Islamic financing assets portfolio and the increase in customer acceptance rates.

Incentives increased from SAR 5.0 million in 2022G to SAR 8.7 million in 2023G in line with the increase in sales which was mainly driven by the growth of the Tawarruq and credit card portfolios.

Origination income

Origination income mainly included the income from processing Murabaha and Tawarruq facilities. The processing fee represented 1.0% of the financing amount disbursed to the customer. While the origination income is amortised over the tenure of the facility, the customer is charged the fee upfront.

The increase in the origination income from SAR 7.0 million in 2021GSAR 9.6 million in 2022G and further to SAR 11.9 million in 2023G was in line with the increase in the year-on-year increase in the Islamic financing book.

Finance cost

Table 6.7: Finance cost breakdown for the years ended 31 December 2021G, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
Finance cost	11.2	27.8	63.2	147.7%	127.7%	137.5%
Finance cost	**11.2**	**27.8**	**63.2**	**147.7%**	**127.7**	**137.5%**
Borrowing rate	2.0%	3.8%	6.8%			

Source: Group's information

Finance cost represented the cost related to profit expense paid on borrowings obtained from Banque Saudi Fransi ("BSF"), Albilad Bank ("Albilad"), Saudi Awwal Bank ("SAB") and Riyad Bank to finance UCFS' lending operations. Finance costs are recorded on a monthly basis in line with the terms of each borrowing agreement.

Finance cost increased by 147.7% from SAR 11.2 million in 2021G to SAR 27.8 million in 2022G driven by (i) new loans obtained from BSF amounting to SAR 250.0 million, (ii) additional drawdowns from SAB and (iii) the increase in the SAIBOR rates from 0.9% in January 2022G to 5.3% in December 2022G. This resulted in an increase in the average borrowing rate by 1.7 ppts between 2021G and 2022G.

Finance cost further increased by 127.7% from SAR 27.8 million in 2022G to SAR 63.2 million in 2023G mainly driven by new loan facilities obtained from Alinma Bank and Al Rajhi Bank amounting to SAR 689.5 million at December 2023G and the increase in SAIBOR rates from 0.9% at January 2022G to 6.3% at December 2023G. This resulted in an increase in the average borrowing rate by 3.0 ppts between 2022G and 2023G.

General and administrative expenses

Table 6.8: General and administrative expenses breakdown for the years ended 31 December 2021G, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
Salaries and other benefits	27.2	31.7	40.6	16.4%	28.1%	22.1%
Information technology support	5.7	5.0	6.7	(11.6%)	33.7%	8.7%
Professional fees	3.6	3.4	2.6	(5.0%)	(24.7%)	(15.4%)
Amortization	1.3	2.5	3.1	91.8%	24.8%	54.7%
Rent	0.8	1.0	1.1	22.7%	4.3%	13.2%

Utilities, printing and stationery	-	1.6	1.7	n/a	6.7%	n/a
Depreciation on property and equipment	0.9	1.2	1.3	38.0%	5.6%	20.7%
Depreciation on right-of-use assets	0.3	0.3	0.2	(2.3%)	(34.5%)	(20.0%)
Others	3.2	4.1	5.4	28.7%	34.1%	31.4%
Total general and administrative expenses	**43.0**	**50.9**	**62.7**	**18.2%**	**23.3%**	**20.8%**
As a percentage of financing income						
Salaries and other benefits	9.1%	7.6%	7.7%			
Information technology support	1.9%	1.2%	1.3%			
Professional fees	1.2%	0.8%	0.5%			
Amortization	0.4%	0.6%	0.6%			
Rent	0.3%	0.2%	0.2%			
Utilities, printing and stationery	-	0.4%	0.3%			
Depreciation on property and equipment	0.3%	0.3%	0.2%			
Depreciation on right-of-use assets	0.1%	0.1%	0.0%			
Others	1.0%	1.0%	1.0%			
Total general and administrative expenses	**14.3%**	**12.2%**	**12.0%**			

Source: Annual Financial Statements

Salaries and other benefits

Salaries and other benefits within general and administrative expenses consisted of basic salary, housing allowances, transportation allowances and other various costs in relation to administrative staff and top executives.

Salaries and other benefits increased by 16.4% from SAR 27.2 million in 2021G to SAR 31.7 million in 2022G primarily driven by (i) the increase Procco's salaries and other benefits by SAR 2.3 million driven by the increase in overall headcount by 23 FTEs to support the financing portfolio growth and UIHC's plans to shift its internal processes from manual to digital, and (ii) SAR 1.5 million booked towards bonus relating to UIHC (standalone). This was partially offset by the decrease in the annual bonus to administrative staff by SAR 4.2 million due to not meeting the KPIs set for 2022G.

Salaries and other benefits further increased by 28.1% from SAR 31.7 million in 2022G to SAR 40.6 million in 2023G as a result of is (i) an increase in UCFS' bonus by SAR 5.8m following a special bonus payment made during 1Q 2023G as the Company did not pay any bonuses to administrative staff during 2022G and (ii) an increase in basic salaries as a result of the Company hiring 22 additional staff in 2023G that included senior positions (e.g. head of cards, head of credit risk, head of compliance etc.) at a higher salary. It further includes the full year impact of salary increases made in June 2022G and hiring senior positions at the end of FY22A. The increase was further driven by an increase in the medical insurance following the reclassification from selling and marketing expenses.

However, the increase in 2023G was partially offset by the decrease in Procco's staff costs by SAR 2.2 million due to reclassification of Procco's underwriter and operational staff salaries and benefits from general and administrative expenses to selling and marketing expenses.

Information technology support

Information technology support expenses included costs related to software support, computer supplies, internet costs, data line subscription and other costs.

Information technology support cost decreased by 11.6% from SAR 5.7 million in 2021G to SAR 5.0 million in 2022G due to the decrease in IT expenses as the Group undertook various digitization initiatives, as stated above, in 2021G compared to 2022G.

Information technology support cost increased by 33.7% from SAR 5.0 million in 2022G to SAR 6.7 million in 2023G in line with the growth and the expansion of the business.

Utilities, printing and stationary

Utilities, printing and stationery primarily included electricity, landline telephone, and mobile telephone expenses. During 2021G, utilities, printing and stationery were classified under others and amounted to SAR 0.1 million.

Utilities, printing and stationery increased to SAR 1.6 million in 2022G driven by new regulations introduced which required UCFS to bear all telecommunication costs incurred by both UCFS and its customers, i.e. UCFS provided a toll-free number.

Utilities, printing and stationery remained broadly stable between 2022G and 2023G.

Professional fees

Professional fees comprised audit, legal, consultancy and other professional fees.

Professional fees decreased by 5.0% from SAR 3.6 million in 2021G to SAR 3.4 million in 2022G due to the decrease in consultancy fees by SAR 0.4 million. However, despite the growth of the Islamic financing assets' portfolio and operations and the increase in legal cases filed by the Group increasing by 836 cases, the legal fees remained stable at SAR 1.4 million. This was driven by the fact that UCFS recorded late payment fees income of SAR 0.7 million collected from customers in 2022G, and these fees were netted off against the legal fees.

Professional fees further decreased by 24.7% from SAR 3.4 million in 2022G to SAR 2.6 million in 2023G due to the fact that UIHC was able to settle the fees using the late payment fees based on the Shariah approval obtained during the year.

Amortization

Amortization expenses mainly included the amortization cost of computer software.

Amortization expenses increased at a CAGR of 54.7% from SAR 1.3 million in 2021G to SAR 2.5 million in 2022G and further to SAR 3.1 million in 2023G primarily driven by the additions of computer software in 2021G and 2023G.

Rent

Rent represented the rental costs related to the head office. The head office rent of UCFS is rented from UEC and Procco's head office is rented from a third-party company.

UCFS, a subsidiary of the Group, has not recognised any lease liabilities or right-of-use assets in accordance with IFRS 16 as the lease arrangements for its office premises are short-term arrangements and UCFS might consider changing office space in light of its increase in the business. Payments associated with such short-term leases are recognised on a straight-line basis as a rent expense.

Rent expenses remained broadly stable between 2021G and 2023G as there were no major changes in the rental terms.

Depreciation on property and equipment

Depreciation on property and equipment mainly represented the Group's deprecation of computer and equipment, furniture and fixture and leasehold improvements.

Depreciation on property and equipment increased from SAR 0.9 million in 2021G to SAR 1.2 million in 2022G to support UIHC's growth.

Depreciation on property and equipment remained broadly stable between 2022G and 2023G.

Depreciation on right-of-use assets

Depreciation on right-of-use assets related to the deprecation of Procco's leased office space.

Depreciation on right-of-use assets remained relatively stable between 2021G and 2023G.

Others

Other expenses consisted of credit card charges, utilities, printing, stationary, repairs, maintenance, travel, accommodation and other miscellaneous expenses.

Other expenses increased by 28.7% from SAR 3.2 million in 2021G to SAR 4.1 million in 2022G due to an increase in administrative expenses by SAR 0.9 million in relation to UIHC's newly established credit card division in 2022G.

Other expenses increased by 34.1% from SAR 4.1 million in 2022G to SAR 5.4 million in 2023G mainly due to an increase in credit card fees and other charges by SAR 1.1 million in 2023G as a result of an increase in the Mastercard professional fees in line with the growth of the portfolio, as well as an increase in other expenses by SAR 0.5 million representing credit cards charges and charity donations.

Selling and marketing expenses

Table 6.9: Selling and marketing expenses breakdown for the years ended 31 December 2021G, 2022G and 2023G of the Group:

SARm	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	CAGR (2021G-2023G)
Salaries and other benefits	41.9	47.6	49.9	13.4%	4.8%	9.0%
Fee and subscription	12.8	14.6	17.8	13.9%	22.0%	17.9%
Advertising	10.5	9.9	17.2	(6.1%)	74.5%	28.0%
Collection charges	5.5	8.5	8.5	54.8%	0.4%	24.6%
Rent	2.9	3.2	3.4	8.0%	6.7%	7.4%
Depreciation on property and equipment	0.7	0.9	0.9	16.2%	8.5%	12.3%
Depreciation on right-of-use assets	0.3	0.3	0.4	(2.3%)	40.2%	17.0%
Amortisation	0.1	0.2	0.2	87.2%	(23.6%)	19.6%
Others	2.9	2.3	4.2	(22.8%)	83.3%	18.9%
Total selling and marketing expenses	**77.8**	**87.4**	**102.5**	**12.3%**	**17.3%**	**14.8%**
As a percentage of financing income						
Salaries and other benefits	13.9%	11.4%	9.5%			
Fee and subscription	4.3%	3.5%	3.4%			
Advertising	3.5%	2.4%	3.3%			
Collection charges	1.8%	2.0%	1.6%			
Rent	1.0%	0.8%	0.6%			
Depreciation on property and equipment	0.2%	0.2%	0.2%			
Depreciation on right-of-use assets	0.1%	0.1%	0.1%			
Amortisation	0.0%	0.1%	0.0%			
Others	1.0%	0.5%	0.8%			
Total selling and marketing expenses	**25.9%**	**21.0%**	**19.6%**			

Source: Annual Financial Statements

Salaries and other benefits

Salaries and other benefits consisted of basic pay, housing allowance, sales agents' bonus and other various costs in relation to loan underwriting staff, call center staff and sales staff. No employees are shared between UCFS and UEC.

Salaries and other benefits increased by 13.4% from SAR 41.9 million 2021G to SAR 47.6 million in 2022G mainly due to the increase in Procco's salaries and other benefits by SAR 2.0 million as a result of increase in the overall headcount by 23 FTEs in 2022G in line with the growth of the business coming from UCFS which required Procco to hire additional IT and call center staff.

Salaries and other benefits increased by 4.8% from SAR 47.6 million in 2022G to SAR 49.9 million in 2023G mainly due to the general increase in Procco's headcount in line with the growth of the business and the reclassification of underwriter and operational staff costs from general and administrative expenses to selling and marketing expenses in 2023G. This was partially offset by a decrease in salaries and other benefits recorded by UCFS despite an increase in headcount from 291 FTEs in 2022G to 314 FTEs in 2023G. This was due to a SAR 0.5 million reclassification of medical expenses from selling and marketing to general and administrative expenses in 2023G, a decrease in collection related bonuses by SAR 0.4 million and a decrease in basic salaries by SAR 0.5 million as a result of intra-year hiring and replacements.

Fee and subscription

Fee and subscription expenses comprise service charges and fees for unsuccessful applications mainly related to SIMAH, GOSI and other service providers. Costs relating to successful applications are capitalized and amortised over the period of the loan and recorded as application fee within income.

Fee and subscription expenses increased by 13.9% from SAR 12.8 million in 2021G to SAR 14.6 million in 2022G and further to SAR 17.8 million in 2023G due the increase in volume of transactions.

Fee and subscription expenses decreased as a percentage of income from 4.3% in 2021G to 3.5% in 2022G and further to 3.4% in 2023G driven by the Group's digitization initiatives relating to the application process which led to a lower volume of unsuccessful applications resulting in higher acceptance rates.

Advertising

Advertising comprised promotion fees, agency fees and other marketing expenses.

Advertising decreased by 6.1% from SAR 10.5 million in 2021G to SAR 9.9 million in 2022G due to the fact that such expenses started to stabilize and return to their normal levels.

Advertising increased by 74.5% from SAR 9.9 million in 2022G to SAR 17.2 million in 2023G mainly driven by the increase in overall marketing expenses to promote UIHC's services and products, in line with the overall growth of UIHC's operations and the increase in sales (i.e. submitted applications). Several campaigns were launched during the year to support the business growth and the launch of new products (i.e. Baseeta)

Collection charges

Collection charges mainly represented charges to UCFS on equated monthly installments ("EMI") collections made via SADAD. SADAD is a system which is supported by the SAMA. The Group paid on average SAR 6.9 per transaction between 2021G and 2023G.

Collection charges increased by 54.8% from SAR 5.5 million in 2021G to SAR 8.5 million in 2022G as a result of the continued growth of the Group's Islamic financing assets portfolio.

Collection charges remained relatively stable between 2022G and 2023G at SAR 8.5 million despite the growth of the portfolio, as result of UIHC rationalizing the collection expenses. In 2022G, UIHC used to only have one collection channel ("SADAD") and which was considered by the Group to charge expensive fees (SAR 7 per transaction). As part of the various initiatives in 2023G, UIHC started to replace and split the collection activity through "SADAD" with other tools (i.e. virtual IBAN) having a lower check-out fee than Sadad.

Rent

Rent primarily represented the straight-line rental charges related to kiosk spaces within UEC's premises and one kiosk each at Al Dhahran mall and at Al Rashid mall each to promote the Group's services and products. For the other retailers, no rent is paid for the set-up of the kiosks as the space used for the kiosk is minimal and perceived to enhance the other retailers' product offering and hence, no rent is due.

The rental cost for each kiosk rented from UEC was SAR 60 thousands per year between 2021G and 2023G.

Rent increased by 8.0% from SAR 2.9 million in 2021G to SAR 3.2 million in 2022G due to entering a new rental agreement with Al Rashid mall and the renewal of Al Dharan mall's rental agreement in May 2022G.

Rent increased by 6.7% from SAR 3.2 million in 2022G to SAR 3.4 million in 2023G due to an increase in the number of eXtra kiosks increasing from 47 to 48 and the full-year rent impact of kiosks opened during 2022G. Rent costs were further impacted by the increase in rent paid for two kiosks located in malls.

UCFS, a subsidiary of the Group, has not recognised any lease liabilities or right-of-use assets in accordance with IFRS 16 as the lease arrangements for its marketing kiosks are short-term arrangements and UCFS might change its kiosk strategy in light of increased digitization. Hence, the rent expense is directly recorded in the income statement on a straight-line basis.

Depreciation on property and equipment

Depreciation on property and equipment mainly represented the Group's deprecation of computer and equipment, furniture and fixture and leasehold improvements relating to kiosks.

Depreciation on property and equipment increased by 16.2% from SAR 0.7 million in 2021G to SAR 0.9 million in 2022G in line with the property and equipment additions made during the year to support the Group's growth.

Depreciation on property and equipment remained stable between 2022G and 2023G at SAR 0.9 million.

Depreciation on right-of-use assets

Depreciation on right-of-use assets related to the deprecation of Procco's leased office space.

Depreciation on right-of-use assets remained stable at SAR 0.3 million between 2021G and 2022G;while it slightly increased to SAR 0.4 million at 2023G.

Net impairment losses on financing assets

Net impairment losses on financing assets increased by 54.9% from SAR 26.3 million in 2021G to SAR 40.8 million in 2022G and the cost of risk increased by 0.2 ppts due to an increase in the NPA ratio from 4.1% as at 31 December 2021G to 5.6% at as at 31 December 2022G. This was offset by (i) the recoveries of SAR 7.1 million in 2022G from amounts previously written-off and (ii) UCFS reducing its LGD from 45% to 28.76% for its Murabaha products during 2022G which led to lower ECL.

Net impairment losses on financing assets increased by 48.7% from SAR 40.8 million in 2022G to SAR 60.6 million in 2023G million mainly driven by the increase in financing assets and also the increase in stage 3 financing assets.

Finance cost on lease liabilities

Finance cost on lease liabilities represented the interest on lease payments in relation to Procco's leased offices.

Between 2021G and 2023G, finance cost on lease liabilities decreased by SAR 0.1 million.

Other income

Other income mainly consisted of (i) Mastercard incentives, (ii) one-time entry fees charged by the Group to new retailers, and (ii) exchange rate differences.

Other income increased by 181.5% from SAR 1.5 million in 2021G to SAR 4.1 million in 2022G due to receiving a signing bonus and product launch support of SAR 3.8 million from Mastercard in connection with the Group's newly established credit card division.

Other income decreased by 56.5% from SAR 4.1 million in 2022G to SAR 1.8 million in 2023G due to a decrease in the incentives provided by MasterCard decreasing to SAR 1.1 million in 2023G.

Zakat expenses

In accordance with the regulations of the ZATCA, zakat is payable at 2.577% of zakat base subject to a minimum and maximum capping/threshold of 4 times or 8 times, respectively of profit before zakat.

Zakat expenses increased from SAR 14.3 million in 2021G to SAR 21.5 million in 2022G and further to SAR 24.4 million in 2023G, driven by the increase in the Zakat base from SAR 338.6 million in 2021G to SAR 383.5 million in 2022G and further to SAR 621.8 million in 2023G.

The Group used the minimum base in 2023G

For further information on the calculation and movement of 'Zakat', refer to the analysis performed under 'Table 6.42: Zakat payable' as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group.

Statement of Financial Position of the Group

Table 6.10: Statement of financial position as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Cash and cash equivalents	37.6	26.9	24.8
Prepayments and other receivables	14.9	15.6	18.9
Investment in Islamic financing contracts	1,186.1	1,554.6	1,867.4
Goodwill	0.5	0.5	0.5
Right-of-use assets	1.1	0.6	2.6
Property and equipment	6.2	5.3	4.4
Intangible assets	18.1	18.2	18.9
Total assets	**1,264.5**	**1,621.8**	**1,937.4**
Share capital	250.0	250.0	250.0
Statutory reserve	3.4	22.7	43.9
Additional capital contribution	201.0	201.0	201.0
Retained earnings	30.9	204.4	395.4
Other reserves	0.0	0.3	0.4
Total equity	**485.4**	**678.4**	**890.7**
Trade and other payables	80.4	76.7	66.6
Zakat payable	15.4	22.2	24.4
Lease liabilities	1.2	0.6	2.6
Borrowings	675.7	837.5	945.4
Employee benefit obligations	6.3	6.4	7.8
Total liabilities	779.1	943.4	1,046.8
Total equity and liabilities	**1,264.5**	**1,621.8**	**1,937.4**

Source: Annual Financial Statements

Total assets

Table 6.11: Total assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	December 2021G 31	December 2022G 31	December 2023G 31
Cash and cash equivalents	37.6	26.9	24.8
Prepayments and other receivables	14.9	15.6	18.9
Investment in Islamic financing contracts	1,186.1	1,554.6	1,867.4
Goodwill	0.5	0.5	0.5
Right-of-use assets	1.1	0.6	2.6
Property and equipment	6.2	5.3	4.4
Intangible assets	18.1	18.2	18.9
Total assets	**1,264.5**	**1,621.8**	**1,937.4**

Source: Annual Financial Statements

Cash and cash equivalents

Table 6.12: Cash and cash equivalents as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Cash at bank	37.6	26.9	24.8
Cash in hand	0.0	0.0	0.0
Total cash and cash equivalents	**37.6**	**26.9**	**24.8**

Source: Annual Financial Statements

Cash and cash equivalents primarily consisted of cash at banks primarily for business operations purposes and cash in hand for petty cash expenses.

As at 31 December 2023G, cash and cash equivalents comprised of balances related to UCFS of SAR 22.1 million, Procco of SAR 2.6 million and UIHC of SAR 0.1 million.

UCFS' cash balances were held with Banque Saudi Fransi of SAR 4.2 million, Arab National Bank of SAR 1.5 million, Riyad Bank of SAR 2.8 million, Al Rajhi Bank of SAR 0.1 million, Alinma Bank of SAR 0.2 million, Albilad Bank of SAR 0.1 million, SABB of SAR 0.3 million, Saudi National Bank of SAR 7.7 million and in clearing accounts of SAR 5.2 million as at 31 December 2023G.

As at 31 December 2023G, Procco's cash balances were held at Al Baraka Islamic Bank of SAR 0.1 million and Ahli United Bank of SAR 2.5 million as at 31 December 2023G.

UIHC's cash balance was held with Albilad Bank of SAR 0.1 million as at 31 December 2023G.

Changes in cash and cash equivalents between 2021G and 2023G were primarily driven by (i) disbursements and collection of payments from the Islamic financing activity net of funds received and repaid to the various banks with whom UCFS has long and short-term Murabaha facilities and (ii) short-term Tawarruq to finance UCFS's Islamic financing activities.

Refer to the cash flow statement section for further details on the movement.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities as made available by the shareholder. Refer to the borrowings section for further details.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group'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 Group does not breach borrowing limits on any of its borrowing facilities allocated by the shareholder.

The financial assets to financial liabilities ratio (maturing in three months) was 2.1x as at 31 December 2021G,1.2x as at 31 December 2022G, and 1.9x as at 31 December 2023G. The Group maintained a financial assets to financial liabilities ratio above 1.0x as a result of the Group's initiatives to mitigate any liquidity shortfalls such as, maintaining a liquidity buffer of SAR 10.0 million at all times equal to c. five days of personal loan disbursements, monitoring the cash position on a daily basis, measuring the liquidity risk on a monthly basis and having borrowing facilities in place that cover the funding needs for the next 12 months with funding to be diversified to match the maturity profile of the loan book.

Prepayments and other receivables

Table 6.13: Prepayments and other receivables as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Prepaid expenses	12.5	13.5	11.8
Advances to employees	0.7	0.7	0.8
Advances to suppliers	0.7	0.2	0.9
Due from related party	0.1	0.0	0.0
Value added tax receivables	-	-	2.7
Other receivables	0.8	1.2	2.6
Total prepayments and other receivables	**14.9**	**15.6**	**18.9**
Current portion	11.6	14.3	17.4
Non-current portion	3.2	1.3	1.5

Source: Annual Financial Statements

Prepaid expenses

Prepaid expenses mainly consisted of prepaid subscriptions, prepaid professional services fees, stationary, and building rent among other prepayments.

Prepaid expenses increased from SAR 12.5 million as at 31 December 2021G to SAR 13.5 million as at 31 December 2022G as part of the normal course of day-to-day business operations.

Prepaid expenses decreased from SAR 13.5 million as at 31 December 2022G to SAR 11.8 million as at 31 December 2023G mainly driven by the amortization of subscription fees of SAR 3.0 million relating to SIMAH and Nafith. The agreements are currently under negotiation to be renewed during 2024G. This was partially offset by the increase in prepaid medical expenses from SAR 0.2 million at December 2022G to SAR 1.2 million at December 2023G due to UIHC prepaying a portion of its annual medical premiums in December 2023G which were renewed in June 2023 and are payable in three instalments and an increase in prepaid commission expense increasing by SAR 0.4 million between December 2022G and December 2023G as a result of management fees payable for the new facilities obtained from Alinma Bank during 2023G.

Advances to employees

Advances to employees mainly comprised advances related to housing allowance, schooling allowance, and others.

Between 31 December 2021G and 31 December 2023G, advances to employees remained relatively stable and mainly comprised housing and schooling advances.

Advances to suppliers

Advances to suppliers represented advances paid to suppliers and certain retailers as part of daily operations.

Advances to suppliers decreased from SAR 0.7 million as at 31 December 2021G to SAR 0.2 million as at 31 December 2022G due to the completion of the SOC audit and utilizing the majority of the stock of gift cards.

Advances to suppliers increased from SAR 0.2 million as at 31 December 2022G to SAR 0.9 million as at 31 December 2023G mainly driven by payments made to Mobily in relation to the partnership agreement to provide mobile devices.

Other receivables

Other receivables mainly consisted of refundable deposits and other receivable balances.

Other receivables increased from SAR 0.8 million in 2021G to SAR 1.2 million in 2022G as a result of an additional deposit paid to Mastercard of SAR 0.3 million in connection with the launch of UCFS' credit card operations in 2022G.

Other receivables increased from SAR 1.2 million at 2022G to SAR 2.6 million at 2023G driven by (i) an increase in the prepaid refund deposit from SAR 1.1 million at 2022G to SAR 2.7 million driven by the increase in the floating balance deposited with MasterCard for UCFS' credit card portfolio which is in line with the increase in the credit card portfolio (this was partially offset by a payable of SAR 2.4 million in relation to MasterCard), (ii) an increase in retailers' receivable compensation by SAR 1.1 million due to the monthly accrual for the support to be received from MasterCard in line with the agreement signed between the two parties, and (iii) an overall increase of Procco's other receivables by SAR 1.1 million mainly due to the increase in receivable from Tamkeen due to hiring more Bahrainis covered by the government subsidy in 2023G.

Investment in Islamic financing contracts

Table 6.14: Investment in Islamic financing contracts as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Gross investment in Islamic financing contracts	1,804.2	2,295.1	2,745.2
Unearned finance and processing fee income	(584.8)	(693.7)	(814.3)
Present value ("PV") of investment in Islamic financing contracts ("IFC")	1,219.4	1,601.4	1,930.9
Of which: Principal outstanding	1,196.7	1,568.4	1,878.6
Of which: Accrued profit and fees, net of deferred costs	22.7	33.0	52.4
Allowance for ECL/net impairment on financial assets	(33.4)	(46.8)	(63.5)
Net investment in Islamic financing contracts ("IFC")	**1,186.1**	**1,554.6**	**1,867.4**
Investment in Tawarruq financing contracts, net	832.6	1,149.8	1,531.3
Investment in Murabaha financing contracts, net	353.4	398.3	272.9
Investment in Islamic credit cards, net	-	6.5	63.2
Net investment in Islamic financing contracts ("IFC")	**1,186.1**	**1,554.6**	**1,867.4**
Current portion	437.6	660.6	839.2
Non-current portion	748.4	894.0	1,028.2

Source: Annual Financial Statements and Group's information

The above table presents a summary of the net investment in Islamic financing contracts as at 31 December 2021G, 2022G, and 2023G.

Gross investment in Islamic Financing Contracts represents the total receivable due from customers, comprising the principal outstanding and the earned and unearned portion of profit and administration / processing fees. The unearned finance and processing fee income represents the outstanding profit income to be received by the Group over the remaining term of the financing assets, which was not due as at balance sheet date and hence is netted off from the gross balance to arrive at the present value of Islamic financing assets. The present value of the Islamic financing assets, hence, comprises the outstanding principal balance (hereby referred to as "Portfolio", Portfolio value" or "Portfolio balance") and the accrued profit and fees, net of deferred origination costs and other adjustments, which are due at the balance sheet date.

Allowance for expected credit losses ("ECL") / net impairment on financial assets relates to the provision for financing assets receivable relating to the performing, under-performing and non-performing assets, computed in line with IFRS 9. Refer to the movement in impairment provision section for details.

Net investment in Islamic financing contracts increased from SAR 1,186.1 million as at 31 December 2021G to SAR 1,867.4 million as at 31 December 2023G at a CAGR of 25.5%. The increase in the net investment in Islamic financing contracts between 31 December 2021G and 31 December 2023G has the primarily driven by growth in the Tawarruq and Islamic Credit Card Portfolios. The historical increase has been primarily driven by organic growth resulting from the steady increase in the demand for the Group's Tawarruq and Islamic Credit Card products, along with strategic initiatives made by the Group to boost product growth by increasing the internal risk appetite by changing various internal policy limits relating to financing expatriate customers, maximum financing to salary multiples, age and salary requirements. New products launched also contributed to the growth including the Smart Finance product launched variant in May 2022G (outstanding principal balance at 31 December 2022G: SAR 94.8 million; 31 December 2023G: SAR 188.4 million), and Baseeta launched in December 2023G (outstanding principal balance as at 31 December 2023G: SAR 19.5 million).

Tawarruq facilities

Table 6.15: Investment in Tawarruq Islamic financing contracts as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Gross investment in Islamic financing contracts – Tawarruq	1,314.2	1,756.4	2,317.3
Unearned finance and processing fee income	(457.6)	(566.5)	(736.6)
Present value of investment in Tawarruq Islamic financing contracts	**856.6**	**1,189.9**	**1,580.7**
Of which: Principal outstanding	845.6	1,170.6	1,545.0
Of which: Accrued profit and fees, net of deferred costs	11.0	19.3	35.7
Allowance for ECL/net impairment on financial assets	(23.9)	(40.1)	(49.4)
Net investment in Tawarruq Islamic financing contracts	**832.6**	**1,149.8**	**1,531.3**
Net investment in Tawarruq Islamic financing contracts: Current	216.6	376.4	573.4
Net investment in Tawarruq Islamic financing contracts: Non-current	616.1	773.4	958.0

Source: Annual Financial Statements and the Group's information

Gross investment in Tawarruq Islamic financing contracts accounted for 72.8%, 76.5% and 84.4% of the total gross investment in Islamic financing contracts of the Group as at 31 December 2021G, 31 December 2022G, 31 December 2023G, respectively. The share of Tawarruq facilities has increased driven by the higher growth witnessed in Tawarruq facilities compared to the other Murabaha and Islamic Credit Card products, and also the decrease witnessed within the Murabaha product during 2023G.

Unearned finance and processing fee income has increased between 31 December 2021G and 31 December 2023G in line with the growth in the Gross investment in Tawarruq Islamic financing contracts.

The net investment in Tawarruq financing contracts increased from SAR 832.6 million as at 31 December 2021G to SAR 1,531.3 million as at 31 December 2023G, at a CAGR of 59.6% driven by various initiatives to attract customers including (i) changing the internal limits for expatriate customers from 20.0% to 35.0% in May 2022G, (ii) changing the minimum salary requirements to SAR 4 thousand per month, (iii) various other changes in other acceptance criteria, (iv) launching the Smart Finance Product variant to provide financing to higher risk customers that the Group would usually reject applying its standard risk criteria, such customers are charged a higher profit rate compared to the normal Tawarruq Product to compensate the Group for the higher risk, and (v) running various marketing and promotional campaigns in order to boost growth.

Murabaha facilities

Table 6.16: Investment in Murabaha Islamic financing contracts as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Gross investment in Islamic financing contracts – Murabaha	490.0	531.8	362.2
Unearned finance and processing fee income	(127.2)	(127.2)	(77.6)
Present value of investment in Murabaha Islamic financing contracts	**362.8**	**404.6**	**284.5**
Of which: Principal outstanding	351.1	391.0	268.7
Of which: Accrued profit and fees, net of deferred costs	11.7	13.6	15.8
Allowance for ECL/net impairment on financial assets	(9.4)	(6.3)	(11.6)
Net investment in Murabaha Islamic financing contracts	**353.4**	**398.3**	**272.9**
Net investment in Murabaha Islamic financing contracts: Current	221.1	277.7	202.7
Net investment in Murabaha Islamic financing contracts: Non-current	132.4	120.6	70.2

Source: Annual Financial Statements and the Group's information

Gross investment in Murabaha Islamic financing contracts accounted for 27.2%, 23.2% and 13.2% of the total gross investment in Islamic financing contracts of the Group as at 31 December 2021G, 31 December 2022G, 31 December 2023G, respectively. The share of Murabaha facilities decreased during 2023G driven by the higher growth witnessed in Tawarruq facilities which surpassed the growth in Murabaha facilities. The Murabaha Portfolio decreased during 2023G driven by the impact of general market competition faced from BNPL players, including UEC, which led to decreased demand for the Group's Murabaha product. The Group plans to phase-out the existing Murabaha Portfolio while limiting new disbursements to selective customers. In response to the decrease in the Murabaha Portfolio, the Group launched Baseeta during December 2023G offering customers a low-ticket product finance facility enabled through a virtual revolving limit. The Group expects the decrease in the Murabaha portfolio to be adequately compensated through Baseeta usage.

Unearned finance and processing fee income, between 31 December 2021G and 31 December 2023G, has moved in line with the trends in the Gross investment in Murabaha Islamic financing contracts.

The net investment in Murabaha financing contracts decreased between 31 December 2022G and 31 December 2023G driven by a decrease new disbursements during 2023G, along with an increase in the corresponding allowance for ECL driven by updates made to the Group's IFRS 9 model and also increase in non-performing assets. The above factors have been discussed further in the following sections.

Islamic Credit Cards

Table 6.17: Investment in Islamic Credit Card financing contracts as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Gross investment in Islamic financing contracts – Islamic Credit Card	-	6.8	65.7
Present value of investment in Islamic Credit Card financing contracts	**-**	**6.8**	**65.7**
Of which: Principal outstanding	-	6.8	64.9
Of which: Accrued profit and fees, net of deferred costs	-	0.1	0.8
Allowance for ECL/net impairment on financial assets	-	(0.4)	(2.5)
Net investment in Islamic Credit Card financing contracts	**-**	**6.5**	**63.2**

Source: Annual Financial Statements and the Group's information

As part of its strategic initiatives to expand the product offering, the Group launched the Islamic Credit Cards product in the first quarter of the year ended 31 December 2022G, followed by a pilot testing phase run during the second half of the year ended 31

December 2022G. The Group's Credit Card offering comprises Mastercard co-branded World and Titanium cashback Credit Cards along with the newly introduced Baseeta product, launched in December 2023G.

The increase in the credit card portfolio was mainly driven by the organic demand for the Group's product along with the launch of Baseeta, which reached a principal outstanding balance of SAR 19.5 million as at 31 December 2023G.

Lending compliance as per SAMA

Table 6.18: Lending Compliance as per SAMA at 31 December 2021G, 31 December 2022G and 31 December 2023G of UCFS:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Limit on lending:			
Total equity and reserves of UCFS (A)	480.7	674.6	887.2
Limit as per SAMA (B)	3.0	3.0	3.0
Total allowed limit (C=A*B)	1,442.1	2,023.8	2,661.6
Net investment in Islamic financing contracts (D)	(1,186.1)	(1,554.6)	(1,867.4)
Lending headroom (E=C+D)	256.0	469.2	794.2
Aggregate financing to capital ratio (D / A)	2.5	2.3	2.1
Compliance status	✔	✔	✔

Source: Annual Financial Statements and the Group's information

The Group monitors aggregate amount of financing offered by UCFS 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 and reserves. The Group remained compliant with the lending covenants as per SAMA regulations between 2021G and 2023G.

Disbursement value and booking count by product and channel

Table 6.19: Disbursement value and booking count for the 12 months ended 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group by product and channel:

SARm	31 December 2021G		31 December 2022G		31 December 2023G	
	Disbursement value	# Bookings	Disbursement value	# Bookings	Disbursement value	# Bookings
Tawarruq:						
Online	180.2	5.6k	238.8	8.6k	454.0	17.7k
Direct branch	280.6	9.1k	333.1	11.6k	345.6	12.5k
Contact centre	162.5	5.1k	166.3	6.2k	223.4	8.5k
Total Tawarruq	**623.3**	**19.8k**	**738.1**	**26.4k**	**1,023.0**	**38.9k**
Murabaha:						
Online	120.9	14.7k	156.8	20.1k	133.1	19.2k
Direct branch	215.2	25.6k	197.0	25.7k	110.5	16.2k
Contact centre	19.0	2.3k	20.6	2.8k	8.4	1.2k

Total Murabaha	**355.1**	**42.6k**	**374.4**	**48.6k**	**252.0**	**36.7k**
Retailer financing (non-UEC):						
Online	17.3	1.4k	24.0	2.0k	22.7	1.9k
Direct branch	24.7	1.7k	27.9	2.2k	24.8	2.1k
Contact centre	1.5	0.1k	2.0	0.2k	0.9	0.1k
Total retailer financing	**43.4**	**3.3k**	**53.9**	**4.4k**	**48.4**	**4.1K**
Total Group	**1,021.8**	**65.7k**	**1,166.4**	**79.4k**	**1,323.3**	**79.4k**

Source: Group's information
Note: The above analysis excludes Islamic Credit Cards

The Group's primarily distribution channels comprise (i) online channels including UEC's website and mobile application, and Tasheel's website and mobile application, (ii) direct branch sales via walk-in customers at any of the Group's stores, kiosks and partner stores, and (iii) telemarketing sales via the group's contact centre.

Principal outstanding balance by partner retailer category

Table 6.20: Principal outstanding of financing contracts and number of customers as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group by partner retailer category and product:

SARm	31 December 2021G		31 December 2022G		31 December 2023G	
	Principal	# Customers	Principal	# Customers	Principal	# Customers
Tawarruq financing:						
Non-retailer (open market)	825.9	32.8k	1,144.1	49.8k	1,517.8	71.8k
Retailer partner (non-UEC)	19.7	1.9k	26.5	3.0k	27.2	3.1k
Total Tawarruq financing	**845.6**	**34.7k**	**1,170.6**	**52.8k**	**1,545.0**	**74.9K**
Murabaha financing:						
UEC retailer	340.8	53.7k	377.4	70.2k	259.4	57.3k
Retailer partner (non-UEC)	10.3	1.3k	13.7	2.0k	9.3	1.6k
Total Murabaha financing	**351.1**	**54.9k**	**391.0**	**72.2k**	**268.7**	**58.9k**
Islamic Credit Card:						
Non-retailer (open market)	-	-	6.7	0.8k	64.9	11.3k
Total Islamic Credit Card	**-**	**-**	**6.7**	**0.8k**	**64.9**	**11.3k**
Total Group	**1,196.7**	**89.5k**	**1,568.4**	**125.9k**	**1,878.5**	**145.1k**

Source: Group's information

Tawarruq financing customers are primarily sourced from non-UEC / third-party retailer channels, via online sales from the Group's website or mobile application, direct branch sales or telemarketing. Third-party strategic partners accounted for 1.8% of the outstanding Tawarruq financing principal as at 31 December 2023G.

Between 31 December 2021G and 31 December 2023G, on average c. 96.7% of the Murabaha financing portfolio related to product financing provided in relation to purchases at UEC stores. Outstanding Murabaha financing principal as at 31 December 2023G relating to other non-UEC retailers amounted to SAR 9.3 million.

The Group enters into partnerships with other third-party retailers (excluding UEC) primarily on a subvention basis where a tripartite agreement is entered into between UCFS, the retailer and the customer, where the customer pays a reduced profit rate, while the retailer compensates UCFS for the remaining profit which was not charged to the customer. The combined profit yield realised from subvention agreements, received partly from the customer and partly from the third-party retailer, which is collected upfront from the retailers, is typically in line with the average Portfolio yield.

UCFS currently has subvention agreements in place with IKEA and Saudi German Hospital, amongst other retailers. For retailers where subvention agreements are not in place, product pricing is typically determined based on the risk profile of the customer.

Between 31 December 2021G and 31 December 2023G, the largest retailer partner was Saudi German Hospital and IKEA.

Principal outstanding balance by customer nationality

Table 6.21: Principal outstanding by customer nationality as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Saudi nationals	995.6	1,170.8	1,296.5
Expatriate customers	201.1	397.6	582.2
Principal outstanding	**1,196.7**	**1,568.4**	**1,878.6**
Share of Saudi nationals (%)	83.2%	74.7%	69.0%
Share of expatriate customers (%)	16.8%	25.4%	31.0%

Source: Group's information

Saudi nationals have accounted for a majority of the Portfolio between 31 December 2021G and 31 December 2023G. Over the period, the Group has increased its focus on catering to expatriate customers whose share has increased from 16.8% of the Portfolio as at 31 December 2021G to 31.0% as at 31 December 2023G. The Group considers the expatriate population to be one of the segments that lack access to the required financing services generally in the KSA market and aims to achieve further growth in the Portfolio by catering to their financing needs.

Principal outstanding balance by region

Table 6.22: Principal outstanding by region as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Riyadh	304.2	433.0	539.7
Eastern	245.3	337.5	412.0
Makkah	271.6	338.1	383.9
Asir	172.4	205.8	226.6
North	132.9	166.3	194.9
Jizan	46.8	56.4	66.0
Qassim	23.0	30.9	42.8
Jeddah	-	-	0.7
Others	0.5	0.5	12.1
Principal outstanding	**1,196.7**	**1,568.4**	**1,878.6**

Source: Group's information

At 31 December 2023G, 71.1% of the Portfolio was concentrated in Riyadh, Makkah and Eastern Province Regions.

Tenor and maturity of Islamic financing contracts

Table 6.23: Principal outstanding by year of disbursement and product as at 31 December 2023G of the Group:

SARm	Tawarruq	Murabaha	Credit card	Total
2019G	4.6	0.0	-	4.6
2020G	63.1	0.7	-	63.8
2021G	198.1	20.3	0.0	218.4
2022G	405.7	89.9	6.8	502.2
2023G	873.7	157.9	58.1	1,089.7
Principal outstanding	**1,545.0**	**268.7**	**64.9**	**1,878.6**

Source: Group's information

Given the start of the Group's licensed operations in 2019G and the levels of growth realised between 2021G and 2023G, a majority of the Portfolio relates to disbursements made in recent years. As at 31 December 2023G, SAR 1,591.9 million of the Portfolio (i.e., 84.7% of the outstanding Principal as at 31 December 2023G) was disbursed between 2022G and 2023G.

Table 6.24: Principal outstanding by year of maturity and product as at 31 December 2023G of the Group:

SARm	Tawarruq	Murabaha	Total (excluding credit card)
Pre 2023G	0.0	0.0	0.0
2023G	1.1	2.6	3.7
2024G	98.6	99.6	198.2
2025G	349.5	113.1	462.6
2026G	353.9	52.6	406.5
2027G	307.8	0.8	308.6
2028G and beyond	434.2	0.0	434.2
Principal outstanding	**1,545.0**	**268.7**	**1,813.7**
Weighted average contractual tenor	47.0 months	25.9 months	43 months
Weighted average remaining contractual tenor	32.3 months	12.7 months	28.6 months

Source: Group's information

The weighted average contractual tenor of the Tawarruq Portfolio of 47.0 months was higher than that of the Murabaha Portfolio of 25.9 months given the relatively higher ticket size of Tawarruq products (i.e., cash financing), compared to Murabaha (product financing). The maximum tenor of Tawarruq and Murabaha financing reaches up to 60 months and 36 months, respectively.

Table 6.25: Maturity profile of gross investment in Islamic financing contracts and present value of investment in Islamic financing contracts as at 31 December 2021G, 31 December 2022G and as at 31 December 2023G of the Group

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Within one year	607.6	891.2	1,034.4
From one to two years	573.7	715.4	808.2
From two to three years	344.7	407.4	479.7
From three to four years	205.8	205.3	295.3
Four to five years	72.4	75.7	127.6
Gross investment in Islamic financing contracts	**1,804.2**	**2,295.1**	**2,745.2**
Within one year	449.2	673.9	870.4
From one to two years	385.3	492.3	550.8
From two to three years	217.7	263.9	301.1
From three to four years	124.8	126.9	150.0
Four to five years	42.3	44.3	58.7
Present value of investment in Islamic financing contracts	**1,219.4**	**1,601.4**	**1,930.9**

Source: Group's information

The contractual maturity profile of the Group's financing assets, both in terms of the Gross investment in Islamic financing contracts and the Present value of investment in Islamic financing contracts has remained broadly consistent with an increase noted within the share of the receivables maturing within one year in line with the increase in the Islamic Credit Card portfolio, and also as customers often prefer shorter tenors while opting for Murabaha and Tawarruq products.

As at 31 December 2023G, 45.1% of the outstanding PV of IFC had a maturity date within one year.

Classification of Islamic financing assets

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in Islamic financing contracts. 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 Group 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 Group 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 Group 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 Group has used each contract's effective profit rate.

PD measures the estimated likelihood of default over a time period. 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.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, management considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. The Group considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Changes in estimates and underlying judgements, including forward-looking information

During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions used for determination of ECL against Investment in Islamic financing contracts. The previous ECL model was developed in the initial phase of the Group's business activities and historical collection and default trends from the ultimate parent group's (UEC) Murabaha portfolio were used, being the best available information at that time. The Group's portfolio has matured since then and the ECL models have now been updated, to better reflect the changes in historical data, macroeconomic indicators, industry trends, credit quality and diversification in the portfolio. The summary of key changes made, along with their impact as at 31 December 2023, is as follows:

Probability of default (PD):

Probability of default is the likelihood that a borrower will default on their financial obligation. It is typically based on historical default rates and other forward looking information such as economic indicators or borrower-specific information. 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. During the year ended 31 December 2023, 'Through-the-Cycle' estimates were recalculated based on updated collection and default trends (until 31 December 2022), "Such Through-the-Cycle" PD rates were later converted to 'Point-in-time' PD rates by incorporating forward-looking information using the Vasicek framework.

Since numerous contracts in Tawarruq portfolio have completed their life cycle/tenure, the Group has now used Tawarruq specific collection and default trends to compute the PDs whereas previously the loss rates used for Tawarruq portfolio were driven from historical data of Murabaha given that sufficient historical data was not available for Tawarruq portfolio. Given the availability of more default related information and experience, the Group has now transitioned to a more comprehensive approach with separate PDs being derived for the Murabaha and Tawarruq portfolios. The PDs derived for the Tawarruq portfolio are also used for the Islamic Credit Cards portfolio.

Such change in PD inputs resulted in an increase of SAR 20.2 million, in the ECL allowance as at 31 December 2023.

Loss given default (LGD)

Loss given default is the amount of financial loss that an entity would incur if a borrower defaulted on their financial obligation. It is typically expressed as a percentage of the outstanding principal amount of the financial asset. The LGD component estimates the expected loss if the borrower defaults, taking into account the recovery rate that could be achieved from any collateral or other sources of recovery. As at 31 December 2022G, the Group had used present value of historical recoveries from loss accounts of Murabaha Portfolio to arrive at the LGD of 28.11%. However, the LGD used for Tawarruq and Islamic Credit Card portfolio as at 31 December 2022G was 45% in accordance with the Basel guidelines considering that the Group had insufficient historical information.

During the year ended 31 December 2023G, LGD inputs have been recalculated using the 'Through-the-Cycle' estimates based on historical collection and default trends of both the Murabaha and Tawarruq portfolio observed between 2019G and 2022G. These were 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 the determination of ECL for Murabaha, Tawarruq and Islamic Credit Card portfolios considering similar customer characteristics. The Group also considered the use of Tawarruq specific LGD rates, however, while such portfolio has matured since the start of the Group's business activities, and sufficient historical information is available in relation to the default trends of that portfolio, the Group still believes that the recovery related information needs to be reassessed in the future reporting periods.

Such change in LGD inputs resulted in a decrease of SAR 22.1 million in the ECL allowance as at 31 December 2023G.

Macroeconomic factors

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. During the year ended 31 December 2023G, macroeconomic data containing 300 macroeconomic variables (including previously used 'crude oil price' and 'changes in unemployment statistics') were analysed from the Economic Intelligence Unit (EIU) and weighted average default rates were calculated from the historical data to determine appropriate predictive variables.

Based on such analysis carried out by the Group and as a result of more experience with the portfolio, real gross domestic product (% change per annum), an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, and government consumption (% change per annum), which is proportion of a country's total economic output that is spent by the government on goods and services, were identified as the most appropriate macroeconomic factors with the highest correlation to the historical collection and default trends.

The Group 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 (31 December 2022G: 30%, 40% and 30% respectively) which are computed through statistical methodologies.

As at 31 December 2023G, 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:

Table 6.26: Real gross domestic product (% change per annum) and government consumption (% change per annum) incorporated in the upturn, baseline and downturn scenarios as at 30 September 2023G:

	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%)

Source: Interim Financial Information

As at 31 December 2022G, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United States Dollars ("USD") 97.5, USD 88.2 and USD 69.7 per barrel respectively and the unemployment factor incorporated in the calculation of changes in unemployment statistics was 5.8%, which contributed to determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation.

Such changes in macroeconomic factors, scenario weightings and certain other factors resulted in a decrease of SAR 7.0 million, in the ECL allowance as at 31 December 2023G.

Table 6.27: Movement in stage-wise present value of investment in Islamic financing contracts as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Tawarruq finance			Murabaha finance			Islamic Credit cards			Total		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
At 1 January 2021G	**445.8**	**4.5**	**15.6**	**247.9**	**2.8**	**7.2**				**693.7**	**7.3**	**22.8**
Individual transfers to:												
Performing (Stage 1)	1.3	(0.8)	(0.4)	0.5	(0.5)	(0.1)	-	-	-	1.8	(1.3)	(0.5)
Under-performing (Stage 2)	(10.1)	10.3	(0.3)	(6.2)	6.2	(0.0)	-	-	-	(16.2)	16.5	(0.3)
Non-performing (Stage 3)	(30.7)	(2.9)	33.6	(15.9)	(1.1)	17.0	-	-	-	(46.6)	(4.0)	50.6
New financing originated	564.4	-	-	271.8	-	-	-	-	-	836.2	-	-
Amounts written-off	(0.1)	(0.1)	(10.2)	(0.1)	(0.0)	(3.2)	-	-	-	(0.1)	(0.1)	(13.3)
Collections and other changes	(158.2)	(1.2)	(4.0)	(156.4)	(2.2)	(5.0)	-	-	-	(314.6)	(3.4)	(9.0)
At 31 December 2021G	**812.5**	**9.8**	**34.3**	**341.7**	**5.1**	**16.0**	**-**	**-**	**-**	**1,154.1**	**15.0**	**50.3**
Individual transfers to:												
Performing (Stage 1)	1.8	(1.3)	(0.5)	0.9	(0.7)	(0.2)	-	-	-	2.7	(2.0)	(0.7)
Under-performing (Stage 2)	(19.8)	20.1	(0.3)	(5.5)	5.5	(0.0)	(0.5)	0.5	-	(25.8)	26.1	(0.3)
Non-performing (Stage 3)	(61.5)	(6.1)	67.6	(18.9)	(2.4)	21.3	(0.5)	-	0.5	(80.9)	(8.5)	89.4
New financing originated	666.0	-	-	283.4	-	-	6.8	-	-	956.3	-	-
Amounts written-off	(0.1)	(0.1)	(24.6)	(0.0)	(0.0)	(9.6)	-	-	-	(0.1)	(0.1)	(34.3)
Collections and other changes	(296.6)	(3.7)	(7.6)	(222.8)	(2.8)	(6.3)	-	-	-	(519.4)	(6.5)	(13.9)

At 31 December 2022G	**1,102.2**	**18.7**	**68.9**	**378.9**	**4.8**	**21.0**	**5.8**	**0.5**	**0.5**	**1,486.9**	**24.0**	**90.4**
Individual transfers to:												
Performing (Stage 1)	8.3	(3.0)	(5.3)	6.5	(0.5)	(6.0)	0.6	(0.1)	(0.5)	15.3	(3.6)	(11.7)
Under-performing (Stage 2)	(105.9)	107.4	(1.4)	(19.3)	19.5	(0.2)	(3.3)	3.3	-	(128.5)	130.2	(1.6)
Non-performing (Stage 3)	(104.8)	(10.5)	115.3	(37.9)	(2.2)	40.1	(4.7)	(0.4)	5.0	(147.4)	(13.1)	160.5
New financing originated	887.5	-	-	164.4	-	-	64.4	-	-	1,116.4	-	-
Amounts written-off	(1.4)	(0.3)	(41.7)	(0.1)	(0.0)	(11.1)	-	-	(0.6)	(1.5)	(0.3)	(53.4)
Collections and other changes	(422.4)	(17.9)	(13.1)	(260.9)	(8.4)	(4.0)	(6.2)	(0.2)	1.5	(689.5)	(26.5)	(15.6)
At 31 December 2023G	**1,363.6**	**94.5**	**122.7**	**231.6**	**13.1**	**39.8**	**56.7**	**3.1**	**6.0**	**1,651.7**	**110.7**	**168.5**

Source: Annual Financial Statements

The table above shows the category-wise movements within the stage-wise and product-wise present value of investment in Islamic financing contracts. Such movements are driven by (i) transfers between stage 1, stage 2 and stage 3, due to balances experiencing significant increases or decreases in credit risk or becoming credit-impaired during the period, (ii) new financing originated, (iii) financial assets written off, and (iv) collections and other changes including recoveries from previously written-off financing.

Increases in stage 1 balances between 31 December 2021G and 31 December 2023G have been primarily driven by new financing originated which increased from SAR 836.2 million during the twelve months ending 31 December 2021G to SAR 1,116.4 million during the twelve months ending 31 December 2023G, resulting from the Group's efforts in boosting product growth by running marketing campaigns, changing the internal customer acceptance criteria, and launching variants of the Smart Finance product, and also the growth witnessed in Credit Cards, partially offset by collections and the decrease in the Murabaha portfolio during 2023G.

Stage 2 present value of investment in Islamic financing contracts as a percentage of the total present value of investment in Islamic financing contracts increased from 1.2% as at 31 December 2021G, to 1.5% as at 31 December 2022G and further to 5.7% as at 31 December 2023G.

Stage 3 present value of investment in Islamic financing contracts as a percentage of the total present value of investment in Islamic financing contracts increased from 4.1% as at 31 December 2021G, to 5.6% as at 31 December 2022G and further to 8.7% as at 31 December 2023G.

Stage-wise and product-wise movements in the present value of investment in Islamic financing contracts and their related ECL have been discussed in further detail on the following pages.

Table 6.28: Staging classification and ECL coverage of Tawarruq financing assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

Tawarruq				
SARm	PV of IFC	Allowance for ECL	Net investment in IFC	ECL / PV of IFC (%)
Performing (Stage 1)	812.5	(6.0)	806.4	0.7%
Under-performing (Stage 2)	9.8	(2.1)	7.7	21.1%
Non-performing (Stage 3)	34.3	(15.8)	18.5	46.2%
At 31 December 2021G	**856.6**	**(23.9)**	**832.6**	**2.8%**
Performing (Stage 1)	1,102.2	(10.5)	1,091.7	1.0%
Under-performing (Stage 2)	18.7	(2.9)	15.8	15.4%
Non-performing (Stage 3)	68.9	(26.7)	42.3	38.7%
At 31 December 2022G	**1,189.9**	**(40.1)**	**1,149.8**	**3.4%**
Performing (Stage 1)	1,363.5	(12.8)	1,351.4	0.9%
Under-performing (Stage 2)	94.5	(7.3)	87.2	7.7%
Non-performing (Stage 3)	122.7	(29.3)	92.7	23.9%
At 31 December 2023G	**1,580.7**	**(49.4)**	**1,531.3**	**3.1%**

Source: Annual Financial Statements

For the Tawarruq product, the share of Stage 1 PV of IFC from the total PV of IFC was 94.8%, 92.6% and 86.3% as at 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively. Their share has decreased over the period, primarily driven by the increase in the share of Stage 3 PV of IFC (i.e. NPA ratio) from 4.0% as at 31 December 2022G to 7.8% as at 31 December 2023G. The Share of Stage 2 PV of IFC also increased from 1.1% as at 31 December 2021G to 6.0% as at 31 December 2023G. The increase in the shares of Stage 2 and Stage 3 PVs of IFCs for the Tawarruq product are a result of normal course of operations as the product portfolio matures and reaches expected levels of Stage 2 and Stage 3 assets.

The increase in the share of Stage 3 facilities / NPA ratio can also be attributed to the increase in the share of relatively higher risk customers, as the Group continues to increase its risk appetite and changes various internal acceptance criteria to boost portfolio growth and increase profit income yields. In terms of customer segmentation, the increase was mainly driven by the private sector employed individuals.

Between 31 December 2022G and 31 December 2023G, the share of stage 2 assets increased from 1.6% to 6.0% since during 2023G, the Group started classifying customers with outstanding balances past due for 30 days within stage 2 on a conservative basis. Previously, such customers were classified under stage 1, which included customers with balances past due for up to 30 days.

ECL as a percentage of the PV of IFC increased from 2.8% as at 31 December 2021G to 3.4% at 31 December 2022G driven by a change in methodology of calculating PDs. The time horizon to calculate defaults was updated from four months to 12 months in order to accurately calculate default rates which lead to an increase in stage 1 PDs.

ECL as a percentage of the PV of IFC decreased from 3.4% as at 31 December 2022G to 3.1% at 31 December 2023G mainly driven by the decrease in the LGD estimates from 45.0% to 29.2% and also the impact of the changes in macro-economic factors incorporated as part of the forward-looking information within the Group's ECL model, as discussed earlier, this lead to a decrease in the ECL as a percentage of the PV of IFC across all three stages.

Table 6.29: Staging classification and ECL coverage of Murabaha financing assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

Murabaha				
SARm	PV of IFC	Allowance for ECL	Net investment in IFC	ECL / PV of IFC (%)
Performing (Stage 1)	341.7	(1.7)	340.0	0.5%
Under-performing (Stage 2)	5.1	(0.6)	4.6	11.2%
Non-performing (Stage 3)	16.0	(7.1)	8.9	44.6%
At 31 December 2021G	**362.8**	**(9.4)**	**353.4**	**2.6%**
Performing (Stage 1)	378.9	(1.4)	377.5	0.4%
Under-performing (Stage 2)	4.8	(0.2)	4.6	4.1%
Non-performing (Stage 3)	21.0	(4.7)	16.3	22.5%
At 31 December 2022G	**404.6**	**(6.3)**	**398.3**	**1.6%**
Performing (Stage 1)	231.6	(1.1)	229.8	0.5%
Under-performing (Stage 2)	13.1	(0.8)	12.3	6.2%
Non-performing (Stage 3)	39.8	(9.7)	30.8	24.3%
At 31 December 2023G	**284.5**	**(11.6)**	**272.9**	**4.1%**

Source: Annual Financial Statements

The share of Murabaha Stage 1 PV of IFC from the total PV of IFC was 94.2%, 93.6% and 81.4% as at 31 December 2021G, 31 December 2022G and 31 December 2023G, respectively. Similar to Tawarruq, their share has decreased over the periods, primarily driven by the increase in the share of Stage 3 PV of IFC (i.e. NPA ratio) from 4.4% as at 31 December 2021G to 5.2% as at 31 December 2022G, and further to 14.0% as at 31 December 2023G. The Share of Stage 2 PV of IFC also increased from 1.2% as at 31 December 2022G to 4.6% as at 31 December 2023G.

The increase in the Murabaha NPA ratio has been driven by increased delinquencies observed attributable to the changes in the Group's risk acceptance criteria, which lead to higher flows to stage 3. The increase in the NPA ratio was also impacted by the decrease in the overall balance of the Murabaha portfolio.

Similar to the Tawarruq portfolio, the share of stage 2 Murabaha assets increased between 31 December 2022G and 31 December 2023G as the Group started classifying customers with outstanding balances past due for 30 days within stage 2 on a conservative basis.

The decrease in the ECL as a percentage of the PV of IFC between 31 December 2021G and 31 December 2022G was primarily driven by (i) the update in the Murabaha LGD from 45% as at 31 December 2021G to 28.76% as at December 2022G, as the Group obtained sufficient historical data to assess the LGD, and (ii) the decrease in the weighted average remaining tenors as customers gradually moved towards preferring lower tenure products. This was partially offset by an increase in the Stage 1 PDs resulting from the PD methodology update during 2022G.

ECL as a percentage of the PV of IFC increased across all three stages between 31 December 2022G and 31 December 2023G, primarily driven by the increase in the PDs used for the Murabaha product. ECL as a percentage of the PV of IFC increased from 1.6% as at 31 December 2022G to 4.1% as at 31 December 2023G on an overall basis, also driven by the increase in the share of stage 2 and stage 3 customers.

Table 6.30: Staging classification and ECL coverage of Islamic Credit Card financing assets as at 31 December 2023G of the Group:

Islamic Credit Card				
SARm	PV of IFC	Allowance for ECL	Net investment in IFC	ECL / PV of IFC (%)
Performing (Stage 1)	5.8	(0.0)	5.8	0.8%
Under-performing (Stage 2)	0.5	(0.1)	0.4	19.4%
Non-performing (Stage 3)	0.5	(0.2)	0.3	44.8%
At 31 December 2022G	**6.8**	**(0.4)**	**6.5**	**5.3%**
Performing (Stage 1)	56.7	(0.7)	55.9	1.3%
Under-performing (Stage 2)	3.1	(0.3)	2.8	9.6%
Non-performing (Stage 3)	6.0	(1.5)	4.5	25.1%
At 31 December 2023G	**65.7**	**(2.5)**	**63.2**	**3.9%**

Source: Annual Financial Statements

The NPA ratio for Islamic Credit Cards increased from 7.3% as at 31 December 2022G to 9.1% as at 31 December 2023G. This increase can be attributed to expected levels of NPAs witnessed in the course of new product launches. The Group expects the credit card NPA ratio to stabilise as the product matures.

For Islamic Credit Cards, a credit conversion factor of 50.0% is applied on unutilized limits for the computation of ECL.

Ageing of Islamic financing contract receivables

The following tables show the ageing of Islamic financing contract receivables (in terms of PV of IFC) as at 31 December 2021G, 31 December 2022G and 31 December 2023G by product.

The share of facilities past due for above 90 days has increased between 31 December 2021G and 31 December 2023G as the Group reaches a normalised level of delinquencies on its Islamic financing assets in line with the changes in the Group's customer risk acceptance criteria.

Table 6.31: Days past due ageing of Tawarruq financing assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Not past due	788.8	1,067.0	1,366.1
Past due 1-30 days	23.8	35.8	65.2
Past due 31-90 days	9.8	19.1	26.9
Past due 91-180 days	13.9	34.9	43.4
Past due 181-364 days	14.7	24.6	64.7
Over 365 days	5.5	8.6	14.3
PV of IFC	**856.6**	**1,189.9**	**1,580.7**
Past due 90+ (%)	**4.0%**	**5.7%**	**7.7%**

Source: Annual Financial Statements

Table 6.32: Days past due ageing of Murabaha financing assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Not past due	330.0	368.3	231.4
Past due 1-30 days	11.6	11.0	8.7
Past due 31-90 days	5.3	4.5	4.7
Past due 91-180 days	6.6	9.4	10.2
Past due 181-364 days	7.2	8.4	25.6
Over 365 days	2.1	3.1	4.0
PV of IFC	**362.8**	**404.6**	**284.5**
Past due 90+ (%)	**4.4%**	**5.2%**	**14.0%**

Source: Annual Financial Statements

Table 6.33: Days past due ageing of Islamic Credit Card financing assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Not past due	-	5.7	56.6
Past due 1-30 days	-	0.2	1.5
Past due 31-90 days	-	0.5	1.8
Past due 91-180 days	-	0.5	3.3
Past due 181-364 days	-	-	1.6
Over 365 days	-	-	1.0
PV of IFC	**-**	**6.8**	**65.7**
Past due 90+ (%)	**-**	**7.3%**	**9.0%**

Source: Annual Financial Statements

Movement in provision for Impairment of Islamic financing contract assets

Table 6.34: Movement in provision for Impairment of Islamic financing contract assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Opening balance	20.6	33.4	46.8
Charge for the year	26.3	47.9	72.0
Amounts written-off	(13.5)	(34.5)	(55.2)
Closing balance	33.4	46.8	63.5

Source: Annual Financial Statements

The provision increased to SAR 63.5 million as at 31 December 2023G, driven by charges of SAR 72.0 million during 2023G, partially offset by write-offs of SAR 55.2 million during 2023G. The charges were net of recoveries of SAR 11.4 million during the same period.

In accordance with SAMA regulations, the Group writes-off facilities once all collection efforts have been exhausted, in line with IFRS 9, and the account reaches 450 days after its due date. The Group follows robust internal recovery measures which include filing a legal case on the customer once the account crosses 180 days after its due date. UCFS' recovery team comprises 12 external legal advisors which are report to four in-house recovery coordinators.

Category-wise and product-wise movements in ECL between stages has been detailed on the following page.

Table 6.35: Movement in stage-wise provision for impairment of Islamic financing contract assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Tawarruq finance			Murabaha finance			Islamic Credit cards			Total			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
At 1 January 2021G	**4.4**	**1.1**	**9.2**	**1.8**	**0.3**	**3.7**	**-**	**-**	**-**	**6.3**	**1.4**	**13.0**	**41.2**
Individual transfers to:													
Performing (Stage 1)	0.0	(0.3)	(0.5)	0.0	(0.1)	(0.1)	-	-	-	0.0	(0.4)	(0.6)	**(2.0)**
Under-performing (Stage 2)	(1.2)	2.0	(0.1)	(0.4)	0.6	(0.0)	-	-	-	(1.7)	2.6	(0.1)	**1.7**
Non-performing (Stage 3)	(4.8)	(0.8)	15.2	(3.0)	(0.2)	6.9	-	-	-	(7.8)	(0.9)	22.1	**26.7**
New financing originated	9.6	-	-	4.6	-	-	-	-	-	14.3	-	-	**28.5**
Amounts written-off	(0.1)	(0.1)	(10.0)	(0.0)	(0.0)	(3.3)	-	-	-	(0.1)	(0.1)	(13.3)	**(27.0)**
Other changes	(1.9)	0.1	1.9	(1.3)	0.0	(0.1)	-	-	-	(3.2)	0.1	1.9	**(2.5)**
At 31 December 2021G	**6.0**	**2.1**	**15.8**	**1.7**	**0.6**	**7.1**	**-**	**-**	**-**	**7.7**	**2.6**	**23.0**	**66.7**
Individual transfers to:													
Performing (Stage 1)	0.0	(0.3)	(0.2)	0.0	(0.1)	(0.1)	-	-	-	0.0	(0.4)	(0.3)	**(1.3)**
Under-performing (Stage 2)	(1.6)	2.8	(0.1)	(0.2)	0.2	(0.0)	(0.1)	0.1	-	(1.9)	3.1	(0.1)	**2.2**
Non-performing (Stage 3)	(8.8)	(1.3)	26.8	(1.9)	(0.3)	3.3	(0.2)	-	0.2	(11.0)	(1.6)	30.3	**35.4**
New financing originated	15.8	-	-	3.0	-	-	0.3	-	-	19.1	-	-	**38.1**
Amounts written-off	(0.1)	(0.1)	(24.6)	(0.0)	(0.0)	(9.6)	-	-	-	(0.1)	(0.1)	(34.3)	**(68.9)**
Other changes	(0.8)	(0.3)	9.0	(1.2)	(0.2)	4.1	0.0	-	-	(2.0)	(0.5)	13.1	**21.2**
At 31 December 2022G	**10.5**	**2.9**	**26.7**	**1.4**	**0.2**	**4.7**	**0.0**	**0.1**	**0.2**	**12.0**	**3.2**	**31.6**	**93.5**
Individual transfers to:													
Performing (Stage 1)	0.0	(0.4)	(2.2)	0.0	(0.0)	(0.1)	0.0	0.0	0.0	0.0	(0.5)	(2.3)	**(5.5)**
Under-performing (Stage 2)	(4.5)	7.1	(0.6)	(0.5)	0.8	(0.0)	(0.3)	0.3	-	(5.3)	8.2	(0.6)	**4.7**
Non-performing (Stage 3)	(11.4)	(1.7)	27.3	(4.5)	(0.1)	9.4	(1.1)	(0.1)	1.5	(17.0)	(1.9)	38.2	**38.6**

New financing originated	21.1	-	-	5.4	-	-	2.1	-	-	28.6	-	-	**57.2**
Amounts written-off	(1.4)	(0.3)	(41.7)	(0.1)	(0.0)	(11.1)	-	-	(0.6)	(1.5)	(0.3)	(53.4)	**(110.3)**
Other changes	(1.7)	(0.3)	19.8	(0.5)	(0.0)	6.9	0.0	(0.0)	0.4	(2.2)	(0.4)	27.0	**48.9**
At 31 December 2023G	**12.8**	**7.3**	**29.3**	**1.1**	**0.8**	**9.7**	**0.7**	**0.3**	**1.5**	**14.7**	**8.4**	**40.5**	**127.1**

Source: Annual Financial Statements

The above table shows the category-wise movements within the stage-wise and product-wise impairment of Islamic financing contract assets (ECL). Such movements are driven by (i) the ECL impact of transfers between stage 1, stage 2 and stage 3, due to balances experiencing significant increases or decreases in credit risk or becoming credit-impaired during the period, (ii) additional ECL on new financing originated, (iii) reversals of ECL resulting from financial assets written off, and (iv) other changes.

The total ECL has increased year-on-year between 31 December 2021G and 31 December 2023G, in line with the increase in the portfolio, primarily driven by the additional ECL book on new financing originated during the year. Additional ECL resulting from facilities transferred to stage 3 also contributed towards the overall ECL increase in line with the increase in the NPA ratio.

Goodwill

During 2019G, UEC acquired Procco against a cash consideration of SAR 5.0 million which was above the net assets value, hence, a goodwill of SAR 0.5 million was recognized.

The goodwill was transferred from UEC to UIHC under the predecessor method of accounting.

The impairment assessment is performed on an annual basis and the auditor did not find any reason for impairment. Hence, goodwill remained stable between 2021G and 2023G.

Right-of-use assets

Table 6.36: Right of use assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Opening balance	1.7	1.1	3.2
Depreciation	(0.6)	(0.6)	(0.6)
Closing balance	**1.1**	**0.6**	**2.6**

Source: Group's information

Right of use assets related to leased office space related to Procco.

Right of use assets decreased from SAR 1.1 million as at 31 December 2021G to SAR 0.6 million as at 31 December 2022G due to annual depreciation charges of SAR 0.6 million in each respective year.

Right of use assets increased from SAR 0.6 million as at 31 December 2022G to SAR 2.6 million as at 31 December 2023G as a result of renewing the tenancy contract from January 2024G for a period of four years at an annual rent of SAR 0.7 million resulting in an addition of SAR 2.6 million which was offset by depreciation of the right-of use asset of SAR 0.6 million during 2023G.

Property and equipment

Table 6.37: Property and equipment as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
1 January 2021	4.3	0.2	0.8	5.4
Additions	1.6	-	0.8	2.4
Transfers	1.1	0.3	(1.4)	-
Depreciation charges	(1.5)	(0.1)	-	(1.6)
Write-offs	(0.0)	-	-	(0.0)
31 December 2021G	**5.6**	**0.4**	**0.2**	**6.2**
Additions	0.9	0.3	-	1.2
Transfer	0.2	-	(0.2)	-
Depreciation charges	(1.9)	(0.2)	-	(2.1)
Write-offs	(0.0)	-	-	(0.0)
31 December 2022G	**4.8**	**0.5**	**-**	**5.3**
Additions	1.4	0.0	-	1.4
Depreciation charges	(2.1)	(0.1)	-	(2.2)
31 December 2023G	**4.1**	**0.3**	**-**	**4.4**

Source: Annual Financial Statements

As at 31 December 2023G, property and equipment comprised furniture, fixtures and office equipment of SAR 4.1 million and leasehold improvements of SAR 0.3 million. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of all assets recorded within property and equipment are between two to five years.

Furniture, fixtures and office equipment mainly represented (i) kiosks' furniture and fixtures including self-service stands and (ii) the head office's furniture and fixtures (i.e., chairs, desks, cabinets, etc..), (iii) office equipment which included security equipment (i.e., CCTVs and access control equipment) and other miscellaneous office equipment. (iv) Computers included servers, laptops, desktop computers and others.

Leasehold improvements comprised electrical improvements, phone-lines installation and others.

Property and equipment decreased from SAR 6.2 million as at 31 December 2021G to SAR 5.3 million as at 31 December 2022G, mainly driven by annual deprecation.

Property and equipment decreased from SAR 5.3 million as at 31 December 2022G to SAR 4.4 million as at 31 December 2023G mainly driven by depreciation of SAR 2.2 million during 2023G. This was partially offset by additions of furniture, fixtures and office equipment of SAR 1.4 million which mainly related to new kiosks, desks and computer devices, laptops, printers, monitors and others.

The Group plans to acquire property and equipment of SAR 3.8 million in relation to furniture, fixtures and office equipment during the year 2024G. The furniture, fixtures and office equipment included (i) computer hardware, CCTVs, laptops, cables relating to new kiosks and servers and (ii) furniture for new kiosks and the head office.

Table 6.38: estimated useful lives of assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Number of years
Furniture, fixtures and office equipment	2 - 5
Leasehold improvements	3 - 5

Source: Annual Financial Statements

Intangible assets

Table 6.39: Intangible assets as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Computer software	Work-in-progress	Total
1 January 2021G	9.0	4.9	13.8
Additions	3.0	2.9	5.9
Transfers	0.1	(0.1)	-
Amortization charges	(1.4)	-	(1.4)
Write-offs	(0.1)	(0.1)	(0.3)
31 December 2021G	**10.4**	**7.7**	**18.1**
Additions	2.2	0.6	2.8
Transfers	7.9	(7.9)	-
Amortization charges	(2.7)	-	(2.7)
31 December 2022G	**17.9**	**0.3**	**18.2**
Additions	3.3	0.6	3.9
Transfers	0.5	(0.5)	-
Amortization charges	(3.2)	-	(3.2)
31 December 2023G	**18.5**	**0.4**	**18.9**

Source: Annual Financial Statements

As at 31 December 2023G, intangible assets comprised computer software of SAR 18.5 million and work-in-progress assets of SAR 0.4 million.

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 2 - 10 years.

Intangible assets remained broadly stable between 31 December 2021G and 2022G.

Intangible assets increased from SAR 18.2 million as at 31 December 2022G to SAR 18.9 million as at 31 December 2023G, driven by the additions of SAR 3.8 million for the purchase of the advanced security software license and its associated updates of SAR 2.9 million and an increase in work-in-progress assets of SAR 0.6 million. This was partially offset by amortization charges of SAR 3.2 million.

Total liabilities

Table 6.40: Total liabilities as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Trade and other payables	80.4	76.7	66.6
Zakat payable	15.4	22.2	24.4
Lease liabilities	1.2	0.6	2.6
Borrowings	675.7	837.5	945.4
Employee benefit obligations	6.3	6.4	7.8
Total liabilities	**779.1**	**943.4**	**1,046.8**

Source: Annual Financial Statements

Trade and other payables

Table 6.41: Trade and other payables as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Due to related parties	39.0	37.3	20.5
Trade payables	14.8	15.7	16.6
Accrued expenses	9.6	11.6	14.3
Accrued salaries and other benefits	8.2	7.6	10.1
Others	6.6	1.8	0.7
Accrued board of directors' fee	2.0	2.1	3.9
Value added tax payable	0.3	0.6	0.6
Total trade and other payables	**80.4**	**76.7**	**66.6**

Source: Group's information

Due to related parties

Due to related parties' balances included amounts due to UEC in the normal course of business. The outstanding balances bear no financial charges.

Due to related parties primarily comprised payables to UEC relating to the products purchased by UEC's customers which were financed under Murabaha contracts that the Group is liable to settle on behalf of its customers, expenses incurred by UEC on behalf of the Group, service charges and others

Related party balances decreased from SAR 39.0 million as at 31 December 2021G to SAR 37.3 million as at 31 December 2022G due to the decrease in UEC's balance driven by settlements made to UEC during the year.

Related party balances further decrease from SAR 37.3 million as at 31 December 2022G to SAR 20.5 million 31 December 2023G primarily due to higher settlements of SAR 286.0 million as opposed to settlement balances outstanding for purchases from UEC to finance consumers under Murabaha contracts of SAR 254.8 million due to a decrease in business from UEC. At 31 December 2023G, the balance also included SAR 2.9 million in accrued rent expenses which relate to the kiosks rental costs to be paid to UEC and for which the invoice was received and settled in January 2024G.

Trade payables

Trade payables mainly consisted of (i) balances due to retailers in relation to the product finance, (ii) balances related to loan disbursement payables and (iii) other payables related to OPEX suppliers.

Trade payables increased from SAR 14.8 million as at 31 December 2021G to SAR 16.6 million as at 31 December 2023G due to the growth of the business and the addition of 16 new retailers during 2022G and 23 retailers during 2023G and an increase in payable balances recorded by Procco, mainly relating to medical expenses due to Solidarity Bahrain for medical insurance.

Accrued expenses

Accrued expenses consisted of accrued contract booking, accrued marketing, utilities and other accrued expenses.

Accrued expenses increased from SAR 9.6 million as at 31 December 2021G to SAR 11.6 million as at 31 December 2022G due to the increase in unbilled invoices mainly related to SIMAH and GOSI application costs and IT costs at year end which were subsequently received and settled in 2022G.

Accrued expenses increased from SAR 11.6 million as at 31 December 2022G to SAR 14.3 million as at 31 December 2023G mainly due to the following;

- Accrued information technology expenses increasing by SAR 1.2 million due to the increase in IT and cybersecurity related services and supplies (i.e. staff related hardware and printers);
- The late payment fees accruals increasing from SAR 0.6 million to SAR 2.7 million as a result of the Group being allowed to accrue for legal costs incurred for the collection of overdue balances using the late payment fees charged to its customers that are then utilized to settle any legal costs incurred for the collection of overdue balances from customers. Previously the collection of late payment fees was not permissible and the Group paid the related expenses from their own cash, however, the Group obtained Sharia'a approval to collect late payment fees solely for the purposes of covering any external collection and legal fees. The accrual is recorded once the Group collects the late payment fees from the customers and is subsequently reversed upon incurring the related legal costs.
- The increase in accrued expenses from SAR 3.5 million as at 31 December 2022G to SAR 4.9 million as at 31 December 2023G within Procco due to the overall increase in operations which led to higher IT accruals. Also, the increase in headcount led to higher bonuses and annual leave accruals.

Accrued salaries and other benefits

Accrued salaries and other benefits included accrued bonus, vacation, air ticket and other accrued employee allowances.

Accrued salaries and other benefits decreased from SAR 8.2 million as at 31 December 2021G to SAR 7.6 million as at 31 December 2022G as a result of the absence of the annual bonus for managerial staff within UCFS in 2022G driven by not achieving targeted KPIs for the year which led to the decrease by SAR 3.3 million. This was offset by the increase in other accrued benefits by SAR 1.5 million primarily driven by bonus accruals at a standalone the Group's level relating to assigned KPIs for managerial staff for profitability targets in first quarter of 2023G.

Accrued salaries and other benefits increased from SAR 7.6 million as at 31 December 2022G to SAR 10.1 million as at 31 December 2023G due to an increase in the bonus accruals to SAR 4.2 million as a result of UCFS achieving 89% of the budget and an increase in vacation related accruals in line with the increase in headcount and the number of unutilized vacation days. This was partially offset by a reversal of SAR 0.5 million for bonuses at UIHC standalone level.

Others

'Others' included advances from customers which mainly represented early settlements and excess funds received from customers. Since these balances are not yet due, the Group records these balances as advances until they are investigated and verified with the customer. Advances to customers included other miscellaneous advances.

Advances from customers decreased from SAR 6.6 million as at 31 December 2021G to SAR 1.8 million as at 31 December 2022G due to (i) the absence of the deferred bonus of SAR 1.8 million and (ii) the Group's initiatives to reduce the advances by enhancing the overall investigation process.

Advances from customers decreased from SAR 1.8 million as at 31 December 2022G to SAR 0.7 million as at 31 December 2023G mainly as a result of the decrease in unclaimed excess settlements decreasing from SAR 1.6 million at December 2022G to nil at December 2023G as UIHC allocated and refunded these funds back to the customers.

Accrued board of directors' fee

Accrued board of directors' fee remained broadly stable between 31 December 2021G and 31 December 2022G.

Accrued board of directors' fee increased from SAR 2.1 million as at 31 December 2022G to SAR 3.9 million as at 31 December 2023G due to SAR 1.4 million board of directors' fees accrued for at the UIHC standalone level and an increase in board of directors' fees accrued at UCFS level by SAR 0.4 million due to the appointment of two new independent members for audit committee which led to an increase by SAR 0.2 million. The remaining additional increase was mainly related to accruals for other costs in 2023 (i.e. signatures software related to the BoD & BoD annual Report).

Value added tax payable

Value added tax payable increased from SAR 0.3 million as at 31 December 2021G to SAR 0.6 million as at 31 December 2022G in line with the growth in the business and remained stable at SAR 0.6 million as at 31 December 2023G.

Zakat payable

Table 6.42: Zakat payable at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
1 January	5.3	15.4	22.2
Provision	14.3	21.5	24.4
Payments	(4.2)	(14.8)	(22.2)
31 December	**15.4**	**22.2**	**24.4**

Source: Annual Financial Statements

The Group is subject to Zakat. In accordance with the regulations of the ZATCA, Zakat is payable at 2.578% on all components of the Zakat base except for adjusted net profit for the year which is subject to Zakat at the rate of 2.5%.

UIHC and UCFS files separate Zakat return on a stand-alone basis whereas no Zakat is applicable on Procco.

UIHC files a consolidated Zakat return with UEC. Additionally, UIHC only submits an informative return.

For UCFS, Zakat is payable at 2.577% of Zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before Zakat.

Zakat payable increased from SAR 15.4 million as at 31 December 2021G to SAR 22.2 million as at 31 December 2022G due to provisions for current year of SAR 22.2 million driven by the increase in the Zakat base from SAR 338.6 million in 2021G to SAR 383.5 million in 2022G. This was offset by adjustments related to prior years of SAR 0.7 million and payments of SAR 14.8 million made to ZATCA.

Zakat payable increased from SAR 22.2 million as at 31 December 2022G to SAR 24.4 million as at 31 December 2023G due to additional provisions for the current year of SAR 24.4 million driven by the increase in the profit. This was offset by payments of SAR 22.2 million made to ZATCA.

Lease liabilities

Table 6.43: Lease liabilities as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Opening balance	1.9	1.2	0.6
Additions	-	-	1.9
Finance costs accrued	0.1	0.1	0
Payments	(0.7)	(0.7)	-
Total lease liabilities	**1.2**	**0.6**	**2.6**
Current portion	0.6	0.6	0.3
Non-current portion	0.6	-	2.3

Source: Group's information

Lease liabilities related to rent obligations in relation to Procco's leased office space.

Lease liabilities decreased from SAR 1.2 million as at 31 December 2021G to SAR 0.6 million as at 31 December 2022G driven by annual lease payments of SAR 0.7 million during 2022G.

Lease liabilities increased from SAR 0.6 million as at 31 December 2022G to SAR 2.6 million at 31 December 2023G following the renewal of the lease contract for four years net of rent payments of SAR 0.7 million made during 2023G.

Borrowings

Table 6.44: Borrowings as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Long-term borrowings			
Murabaha facilities	675.0	581.9	939.5
Short-term borrowings			
Murabaha facilities	-	250.0	-
Total borrowings	**675.0**	**831.9**	**939.5**
Accrued finance cost	0.8	5.5	5.8
Total borrowings including finance costs	**675.7**	**837.5**	**945.4**
Current portion (including short term borrowings)	158.1	435.8	280.6
Non-current portion	517.6	401.7	664.7

Source: Annual Financial Statements

Between 2021G and 2023G, borrowings consisted of Islamic financing arrangements with banks including long-term and short-term borrowing facilities in the form of Tawarruq and Murabaha that were entered into by UEC with sub-allocation of the facility to UCFS to fund UCFS' lending activities.

As at 31 December 2023G, UCFS had borrowings from Saudi Awwal Bank ("SAB"), Alinma Bank and Al Rajhi Bank. -

All of the borrowings are denominated in SAR and bear profit expense based on the Saudi Arabian Interbank Offered Rate ("SAIBOR"). The profit expense on these loans amounted to SAIBOR plus an agreed upon margin with each respective bank. Majority of the outstanding loans are repaid on a monthly or quarterly basis.

Certain facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Group was in compliance with as at 31 December 2023G. Additionally, some of the facility agreements are covered by a corporate guarantee from UEC and promissory notes by the authorized signatories.

Borrowings increased from SAR 675.0 million as at 31 December 2021G to SAR 831.9 million as at 31 December 2022G due to UCFS obtaining a new loan of SAR 250.0 million from BSF and additional drawdowns of SAR 300.0 million against the SAB facility. This was offset by an early repayment of SAR 367.0 million settled with Riyad Bank.

Borrowings increased from SAR 837.5 million as at 31 December 2022G to SAR 945.4 million as at 31 December 2023G due to the Group obtained new facilitates from Alinma Bank and Al Rajhi Bank with a facility limit of SAR 400.0 million (i.e. SAR 800.0 million combined) and which are repayable in 20 quarterly installments. The loans were used for loan disbursements to customers and to settle existing loan balances with other banks.

Presented below the breakdown of 'Borrowings' by bank between 2021G and 2023G;

Borrowings by bank

Table 6.45: Borrowings by bank as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Outstanding amount as at		
	31 December 2021G	31 December 2022G	31 December 2023G
Al Rajhi	-	-	356.4
Alinma	-	-	333.2
SAB	50.0	350.0	250.0
Albilad	233.0	206.9	-

Riyad	392.0	25.0	-
Long-term borrowings	675.0	581.9	939.6
BSF	-	250.0	-
Short-term borrowings	-	250.0	-
Accrued finance cost	0.8	5.5	5.8
Total borrowings	**675.7**	**837.5**	**945.4**

Source: Group's information

Long term borrowings:

Al Rajhi Bank

At 31 December 2022G, UEC entered into an agreement with Al Rajhi Bank and sub-allocated one facility to UCFS with a limit of SAR 400.0 million. The Group utilized 89.1% of the total limit at 31 December 2023G. Each tranche of the facility is repayable in 20 quarterly installments from the receipt of the borrowed amount.

Under the terms of this new borrowing facility availed in 2023G, the Group is required to maintain a minimum current ratio of 1.05. As at 31 December 2023G, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

Alinma Bank

As at December 2023G, the facility had a limit of SAR 400.0 million and the Group utilized 83.3%% of the total limit. Each tranche of the facility is repayable in quarterly instalments for a period of 48 / 60 months.

Under the terms of this new borrowing facility availed in 2023G, the Group is required to maintain a minimum current ratio of 1.1. As at 31 December 2023G, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

SAB

As at 31 December 2023G, the long-term Murabaha facility with SAB had a facility limit of SAR 500.0 million (excluding the hedging facility limit of SAR 40.0 million) and the Group utilized 50.0% of the total limit. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount.

Borrowings obtained from SAB increased from SAR 50.0 million as at 31 December 2021G to SAR 350.0 million as at 31 December 2022G driven by additional drawdowns to support the lending activities.

Borrowings obtained from SAB decreased from SAR 350.0 million as at 31 December 2022G to SAR 250.0 million as at 31 December 2023G due to loan repayments.

Under the terms of this borrowing facility, the Group 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 December 2023G, the ratio of EBITDA to debt service was 4.8 (31 December 2022G: 1.6), in compliance with the requirements of the minimum ratio as set out in such facility agreement. The Group is also required to monitor the aggregate amount of financing offered by the Group 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 December 2023G, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2022G: 2.3), in compliance with the requirements of SAMA.

Albilad Bank

The Group had a facility limit of SAR 300.0 million with Albilad Bank as at 31 December 2023G. Each tranche of facility utilization is repayable in 20 quarterly installments commencing six months after receipt of the borrowed amount.

Borrowings obtained from Albilad bank decreased from SAR 233.0 million as at 31 December 2021G to SAR 206.9 million as at 31 December 2022G due to partial loan repayments and further decreased to nil at 31 December 2023G as UCFS fully settled the balance during 2023G following early repayment of the loan. The facilities with Albilad Bank have been canceled during March 2024G.

Riyad Bank

As at 31 December 2023G, the long-term Murabaha facility with Riyad Bank had a facility limit of SAR 400.0 million.

Borrowings obtained from Riyad Bank decreased from SAR 392.0 million as at 31 December 2021G to SAR 25.0 million as at 31 December 2022G due to the fact that the Group repaid the full outstanding balance of SAR 392.0 million and obtained an additional loan of SAR 25.0 million as at 31 December 2022G.

As at 31 December 2023G, the balance has been fully settled due to the early borrowings repayment.

Short term borrowings

Short term borrowings increased from nil as at 31 December 2021G to SAR 250.0 million as at 31 December 2022G due to the fact that UEC allocated SAR 250.0 million of its existing facilities with BSF to the Group. The tenure of the facility is less than 12 months and the balance was settled as at 31 December 2023G.

The short-term facility with BSF has been cancelled during February 2024G.

Presented below the maturity and key terms of borrowings and between 2021G and 2023G;

Maturity of borrowings

Table 6.46: Maturity of borrowings as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Less than 6 months	71.6	352.6	139.9
Between 6 to 12 months	85.7	77.6	134.9
Between 1 and 2 years	171.4	155.3	269.8
Between 2 and 5 years	342.2	246.4	395.0
Above 5 years	4.0	-	
Total borrowings	**675.0**	**831.9**	**939.5**

Source: Annual Financial Statements

Borrowings key terms

Table 6.47: Key terms of borrowings of the Group:

SARm	BSF	Albilad	*SAB	Riyadh	Al Rajhi	Alinma
Facility amount	250.0	300.0	500.0	400.0	400.0	400.0
Utilization	0.0%	0.0%	50.0%	0.0%	89.1%	83.3%
Currency	SAR	SAR	SAR	SAR	SAR	SAR
Agreement start date	October 2022G	March 2020G	August 2023G	February 2020G	December 2022G	March 2023G
Tenor	Short-term revolving	66 months with six months grace period	57 months with three months grace period (includes six months availability)	54 months with six months grace period	60 months	48 / 60 months
Borrowing rate	SAIBOR + agreed upon margins					
Repayment terms	Based on loan tenor	Monthly/ Quarterly	Quarterly	Monthly / Quarterly	Quarterly	Quarterly

Source: Group's information
* The limit excludes a hedging facility of SAR 40.0 million

Employee benefit obligations

Table 6.48: Employee benefit obligations movement as at 31 December 2021G, 2022G and 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
As at 1 January	5.3	6.3	6.4
Current service cost	1.5	1.7	1.7
Interest cost	0.1	0.2	0.3
Remeasurements	(0.0)	(0.4)	(0.1)
Payments	(0.6)	(1.3)	(0.5)
As at 31 December	**6.3**	**6.4**	**7.8**
KPIs			
Discount rate	3.0%-5.5%	4.6% - 6.4%	4.6% -6.4%
Salary growth rate	2%-3%	2%	2%
Retirement age	60 years	60 years	60 years

Source: Annual Financial Statements

As at 31 December 2023G, the Group's employee benefit obligations included obligations related to UCFS of SAR 6.6 million and Procco of SAR 1.2 million.

UCFS operates a defined benefit plan in line with the Labour Law requirements in KSA. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. The employees' end of service benefit plan is an unfunded plan, and the benefit payments are made when they fall due upon termination of / resignation from employment. The valuations of the obligations under those plans are carried out annually by an independent actuary based on the projected unit credit method with any difference recorded as part of the actuarial reserve within equity. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2023G.

Procco's employee benefit obligations represented pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organizations' scheme while Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector, based on length of service and final remuneration.

Employee benefit obligations remained relatively stable as at 31 December 2021G and as at 31 December 2022G, as the additions of SAR 1.7 million to the balance were largely offset by payments of SAR 1.3 million made to employees leaving the Group during the year.

The employee benefit obligations payments as at 31 December 2022G compared to 31 December 2021G were higher mainly due to the fact that (i) the length of service for the employees that left during 2022G was higher and (ii) number of employees that left was higher by 21 employees.

Employee benefit obligations increased from SAR 6.4 million as at 31 December 2022G to SAR 7.8 million as at 31 December 2023G due to additions of SAR 2.0 million in line with the increase in employees' length of service and the increase in headcount. This was partially offset by payments of end of service benefits of SAR 0.5 million during 2023G.

Key management compensation and related party transactions and balances

Table 6.49: Key management compensation balances as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Short-term employee benefits	9.0	10.4	10.3
Employee benefit obligations	0.4	0.5	0.4

Board of Directors' fees	2.0	2.1	2.9
Total	**11.4**	**13.0**	**13.6**

Source: Annual Financial Statements

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

Table 6.50: Related party balances as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	Relationship	31 December 2021G	31 December 2022G	31 December 2023G
Due from related parties				
United Electronics Company SPC - Fellow subsidiary of UEC. (" eXtra Bahrain")	Shareholder	0.1	0.0	0.0
Total due from related parties		**0.1**	**0.0**	**0.0**
Due to related parties				
United Electronics Company ("UEC")	Shareholder	39.0	37.3	20.5
United Electronics Company SPC - Fellow subsidiary of UEC. (" eXtra Bahrain")	Shareholder	-	-	-
Total due to related parties		**39.0**	**37.3**	**20.5**

Source: Annual Financial Statements

For further details on the trend analysis on 'due to related parties' refer to the analysis performed under 'Table 6.41: Trade and other payables' as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group.

Table 6.51: United Electronics Company's balance movement as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
United Electronics Company ("UEC")			
Opening balance	45.2	39.0	37.3
Customer purchases financed under Murabaha contracts	356.6	373.8	254.8
Payments to UEC	(417.8)	(400.6)	(286.1)
Collections made by UEC on behalf of the Group	(7.0)	(0.2)	(0.0)
Collections made by the Group on behalf of UEC	51.9	13.2	0.0
Expenses incurred by the Group on behalf of UEC	(0.6)	-	-
Rent expense*	-	-	2.9
Expenses incurred by UEC on behalf of the Group	9.5	10.9	10.4
Information Technology support charges	1.1	1.1	1.1
Others	-	0.1	-
As at 31 December	**39.0**	**37.3**	**20.5**

Source: Annual Financial Statements

*Rent expenses in 2021G and 2022G were included within 'expenses incurred by UEC on behalf of the Group'

The transactions are based on terms agreed as per signed agreements between the Group 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 Group include office rent, utilities and other expenses.
- Collections made by the Group on behalf of UEC represents collections for UEC's legacy financing portfolio.

Related party balances bear no financial charges.

For further details on the trend analysis on 'due to related parties' refer to the analysis performed under 'Table 6.41: Trade and other payables' as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group.

Total equity

Table 6.52: Total equity as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	December 2021G 31	December 2022G 31	December 2023G 31
Share capital	250.0	250.0	250.0
Statutory reserve	3.4	22.7	43.9
Additional capital contribution	201.0	201.0	201.0
Retained earnings	30.9	204.4	395.4
Other reserves	0.0	0.3	0.4
Total equity	**485.4**	**678.4**	**890.7**

Source: Annual Financial Statements

Share capital

Table 6.53: Share capital as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Share capital	250.0	250.0	250
Total share capital	250.0	250.0	250

Source: Annual Financial Statements

Effective 1 November 2021G, UEC resolved to transfer the ownership of two subsidiaries namely UCFS and Procco including all their assets, rights, liabilities and obligations to the Group which were previously directly controlled by UEC.

The consideration for transfer of the net assets of SAR 451.0 million was by means of settlement in cash amounting to SAR 250.0 million whereas the remaining amount of SAR 201.0 million has been recognized against additional capital contribution from UEC.

Between 2021G and 2023G, the share capital of the Group comprised 25 million shares stated at Saudi Riyals 10 per share, 99% owned by UEC and 1% owned by eXtra Bahrain.

Additional capital contribution

Between 2021G and 2023G, the share capital contribution represented the remaining amount of SAR 201.0 million of the net assets of SAR 451.0 million relating to the transfer of UCFS and Procco from UEC to the Group.

Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Group's By-laws, the Group is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals to 30% of its share capital.

This reserve is currently not available for distribution to shareholders of the Group.

The new Regulations for Companies, effective from 19 January 2023G, no longer mandate maintaining any statutory reserve. While UIHC was in the process of updating its By-laws within the grace period allowed, in accordance with such regulations, SAMA instructed all companies in the financial services sector to maintain its statutory reserve until further notice.

Retained earnings

Table 6.54: Retained earnings movement as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	December 2021G 31	December 2022G 31	December 2023G 31
Opening balance at 1 January	-	30.9	204.4
Profit for the year	34.4	192.7	212.2
Transfer to statutory reserve	(3.4)	(19.3)	(21.2)
Total retained earnings	**30.9**	**204.4**	**395.4**

Source: Annual Financial Statements

Until 31 October 2021G, the profits formed were part of the common control reserve under the predecessor accounting method.

Retained earnings increased from SAR 30.9 million as at 31 December 2021G to SAR 204.4 million as at 31 December 2022G driven by profits for the year of SAR 192.7 million which was offset by transfer to statutory reserve of SAR 19.3 million during 2022G.

Retained earnings further increased from SAR 204.4 million as at 31 December 2022G to SAR 309.5 million as at 31 December 2023G as a result of the net profit generated by UIHC net of any transfers made to the statutory reserve. UIHC did not distribute any dividends between 2021G to 2023G.

Other reserves

Table 6.55: Other reserves as at 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Foreign currency translation reserve	(0.0)	(0.2)	0.6
Actuarial reserve	0.0	0.5	(0.2)
Total other reserves	0.0	0.3	0.4

Source: Annual Financial Statements

Foreign currency translation reserve

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the dates of the transactions.

Foreign currency translation reserve represented the foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than SAR are recognized in the profit or loss.

Actuarial reserve

Actuarial reserve represented the gains and losses from changes in experience adjustments, financial and demographic assumptions underlying the employee benefit obligations based on an actuarial review.

Cash flow Statement of the Group

Table 6.56: Statement of cash flows for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Profit before zakat	143.9	214.3	236.6
Adjustments for:			
Depreciation and amortization	3.0	4.8	5.5
Depreciation on right of use assets	0.6	0.6	0.6
Finance costs	11.3	27.8	63.3
Intangible assets written off	0.2	0.0	-
Property and equipment written off	0.0	-	-
Net impairment losses on financial assets	26.3	40.8	60.6
Employee benefit obligations	1.6	1.9	2.0
Changes in working capital:			
Increase in investment in Islamic financing contracts	(509.2)	(409.3)	(373.4)
Increase in prepayments and other receivables	(10.1)	(0.8)	(3.3)
(Decrease) in trade and other payables	(0.8)	(3.9)	(10.1)
Cash utilized in operations	(333.1)	(123.9)	(18.2)
Finance costs paid	(11.2)	(23.1)	(63.0)
Zakat paid	(4.2)	(14.8)	(22.2)
Employee benefit obligations paid	(0.6)	(1.3)	(0.5)
Net cash outflow from operating activities	**(349.2)**	**(163.0)**	**(103.9)**
Payments for purchases of property and equipment	(2.4)	(1.2)	(1.4)
Payments for additions to intangible assets	(5.9)	(2.8)	(3.9)
Payment for transfer of subsidiaries	(250.0)	-	-
Net cash outflow from investing activities	**(258.3)**	**(4.0)**	**(5.3)**
Proceeds from long-term borrowings	510.0	396.0	774.5
Repayment of long-term borrowings	(55.0)	(489.0)	(416.9)
Proceeds from short-term borrowings	-	250.0	5.0
Repayment of short-term borrowings	(120.0)	-	(255.0)
Principal elements of lease payments	(0.6)	(0.6)	(0.6)

Issuance of share capital	250.0	-	-
Net cash inflow from financing activities	**584.4**	**156.3**	**107.0**
Net decrease in cash and cash equivalents	(23.1)	(10.7)	(2.1)
Cash and cash equivalents at beginning of the year	60.7	37.6	26.9
Cash and cash equivalents at end of the year	**37.6**	**26.9**	**24.8**

Source: Annual Financial Statements

Cash flows from operating activities

Table 6.57: Cash flows from operating activities for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Profit before zakat	143.9	214.3	236.6
Adjustments for:			
Depreciation and amortization	3.0	4.8	5.5
Depreciation on right of use assets	0.6	0.6	0.6
Finance costs	11.3	27.8	63.3
Intangible assets written off	0.2	0.0	-
Property and equipment written off	0.0	-	-
Net impairment losses on financial assets	26.3	40.8	60.6
Employee benefit obligations	1.6	1.9	2.0
Changes in working capital:			
Increase in investment in Islamic financing contracts	(509.2)	(409.3)	(373.4)
Increase in prepayments and other receivables	(10.1)	(0.8)	(3.3)
(Decrease) in trade and other payables	(0.8)	(3.9)	(10.1)
Cash utilized in operations	(333.1)	(123.9)	(18.2)
Finance costs paid	(11.2)	(23.1)	(63.0)
Zakat paid	(4.2)	(14.8)	(22.2)
Employee benefit obligations paid	(0.6)	(1.3)	(0.5)
Net cash outflow from operating activities	**(349.2)**	**(163.0)**	**(103.9)**

Source: Annual Financial Statements

The net cash outflows from operating activities increased from - SAR 349.2 million in 2021G to SAR 163.0 million in 2022G and further to SAR 103.9 million, mainly due to an increase in net profit offset by the movement in the loan portfolio.

Cash flows from investing activities

Table 6.58: Cash flows from investing activities for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	31 December 2021G	31 December 2022G	31 December 2023G
Payments for purchases of property and equipment	(2.4)	(1.2)	(1.4)
Payments for additions to intangible assets	(5.9)	(2.8)	(3.9)
Payment for transfer of subsidiaries	(250.0)	-	-
Net cash outflow from investing activities	**(258.3)**	**(4.0)**	**(5.3)**

Source: Annual Financial Statements

Between 2021G and 2022G, the cash flow from investing activities mainly comprised of purchases of property and equipment and intangible assets in relation to (i) new computers and software related to SIMAH and TeamMate in line with the Group's strategy to digitize the business in 2021G and (ii) the credit card system software for the launch of the new credit card division in 2022G.

In addition to the above, during 2021G, UIHC paid SAR 250.0 million for transfer of subsidiaries.

Between 2022G and 2023G, cash flow from investing activities increased by SAR 1.3 million, mainly driven by higher CAPEX primarily related to the additions of an advanced security software license.

Cash flows from financing activities

Table 6.59: Cash flows from financing activities for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G of the Group:

SARm	December 2021G 31	December 2022G 31	December 2023G 31
Proceeds from long-term borrowings	510.0	396.0	774.5
Repayment of long-term borrowings	(55.0)	(489.0)	(416.9)
Proceeds from short-term borrowings	-	250.0	5.0
Repayment of short-term borrowings	(120.0)	-	(255.0)
Principal elements of lease payments	(0.6)	(0.6)	(0.6)
Issuance of share capital	250.0	-	-
Net cash inflow from financing activities	**584.4**	**156.3**	**107.0**

Source: Annual Financial Statements

Changes in cash flow from financing activities between 2021G and 2023G were mainly driven by the movement in the long and short-term Murabaha facilities and short-term Tawarruq facilities that UCFS holds with four local banks to finance UCFS' Islamic finance activities. This is offset by the associated repayments of loans and financing costs.

During 2021G, cash flow from financing activities was further driven by the issuance of share capital amounting to SAR 250.0 million and comprising 25 million shares at SAR 10 per share in line with the establishment of the Group as a legal entity.

Between 2022G and 2023G, cash flow from financing activities mainly decreased due to the early repayments of loans due to two local banks and the payment of financing costs charged on these facilities. The decrease was offset by the increase in the long-term Murabaha facilities that UCFS holds with three local banks to finance UCFS' Islamic finance activities.

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07

Dividend Distribution Policy

7 DIVIDEND DISTRIBUTION POLICY

Pursuant to the Companies Law, each Shareholder shall acquire all of the rights attached to the Shares, which include, in particular, the right to receive a portion of the net dividends, to be distributed as follows:

A. The General Assembly shall determine the percentage of the net profits to be distributed to Shareholders after deduction of the reserves, if any.

B. The Ordinary General Assembly may set aside a percentage of the net profits to form reserves, provided these reserves are used based on a proposal from the Board of Directors and in ways that benefit the Company or the Shareholders, to the extent that this is in the interest of the Company or ensures the distribution of fixed dividends as much as possible to the Shareholders. The aforementioned Assembly may also deduct amounts from the net profits to serve social purposes for the Company's employees.

Neither the Group nor any of its Subsidiaries announced or distributed any dividends for the financial years ended 31 December 2021G, 2022G and 2023G, as mentioned in the Annual Financial Statements.

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08
USE OF THE OFFERING PROCEEDS

8 USE OF THE OFFERING PROCEEDS

The total Offering Proceeds are estimated at SAR [●], of which approximately thirty-seven million Saudi Riyals (SAR 37,000,000) will be used to settle all expenses related to the Offering, which include the fees of the Financial Advisor, Lead Manager, Bookrunners, Underwriters, Legal Advisor to the Issuer inside and outside the Kingdom, Legal Advisor to the Underwriters inside and outside the Kingdom, Financial Due Diligence Advisor, Auditor, Receiving Agents, Market Study Advisor, Public Relations Advisor for the Offering and other Advisors, as well as marketing, printing, distribution and translation expenses, in addition to other fees and expenses related to the Offering.

The Net Offering Proceeds of approximately SAR [●] will be distributed to the Selling Shareholder in proportion to the number of Offer Shares to be sold by it in the Offering. The Company will not receive any portion of the Net Offering Proceeds. All fees, expenses and costs related to the Offering will be borne by the Selling Shareholder.

09

CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

9 CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The Current Shareholders own all of the Company's Shares prior to the Offering. After completion of the Offering, they will jointly own 70% of the Company's Shares.

The below table shows the Company's capitalisation as of and for the years ended 31 December 2021G, 31 December 2022G and 31 December 2023G. The below table should be read in conjunction with the Annual Financial Statements contained in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus.

Table 9.1: Capitalisation and Indebtedness of the Company

SAR Million	31 December 2021G	31 December 2022G	31 December 2023G
Total assets	**1,264.5**	**1,621.8**	**1,937.4**
Share capital	250.0	250.0	250.0
Statutory reserve	3.4	22.7	43.9
Additional capital contributions	201.0	201.0	201.0
Retained earnings	30.9	204.4	395.4
Other reserves	0.0	0.3	0.4
Total equity	**485.4**	**678.4**	**890.7**
Borrowings	675.7	837.5	945.4
Total capitalisation (total equity and borrowings)	**1,161.1**	**1,515.9**	**1,836.0**
Total borrowings/total capitalisation	**58.2%**	**55.2%**	**51.5%**

Source: The Annual Financial Statements and Management information.

The Directors declare that:

a. None of the Shares of the Company or its Subsidiaries are under option.

b. Neither the Company nor its Subsidiaries have any debt instruments as of the date of this Prospectus.

c. The Company's balance and cash flows are sufficient to meet its expected working capital and capital expenditure requirements for at least twelve (12) months following the publication of this Prospectus, taking into account any material adverse change in the Company's business.

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10
EXPERT STATEMENTS

10 EXPERT STATEMENTS

All of the Advisors and the Auditor, whose names are listed on page (VI) of this Prospectus, have given and, as of the date of this Prospectus, have not withdrawn their written consent to the publication of the names, addresses, logos and statements attributed to each of them in this Prospectus. Moreover, none of the Advisors or the Auditor forming part of the team providing services to the Company or their relatives have any shareholding or interest of any kind in the Company or any of its Subsidiaries which would impair their independence.

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11

DECLARATIONS

11 DECLARATIONS

As of the date of this Prospectus, the Directors declare that:

These declarations have been made by the Directors along with any other declarations contained in this Prospectus.

1. There has been no interruption in the business of the Company or its Subsidiaries which could have had or has had a significant impact on its financial position during the previous twelve (12) months.
2. No commissions, discounts, brokerages or other non-cash compensation have been granted within the three (3) years immediately preceding the application for the registration and offer of securities subject to this Prospectus by the Company or its Subsidiaries in connection with the issuance or offering of any securities.
3. There has been no material adverse change in the financial or trading position of the Company or its Subsidiaries during the three (3) years immediately preceding the application for the registration and offer of securities subject to this Prospectus, in addition to the period covered by the consolidated financial statements and the Auditor's report thereon, up to and including the date of approval of this Prospectus.
4. Except as disclosed in Section 5.2 ("Board of Directors"), none of the Directors, the Board Secretary, Executive Management or any of their relatives have any shareholding or interest of any kind in the Company or its Subsidiaries.
5. The Company and its Subsidiaries have sufficient working capital for at least twelve (12) months immediately following the date of publication of the Prospectus.
6. The Directors and Senior Executives declare that they have not participated jointly or severally in any activities similar to or competitive with those of the Company and they undertake to comply with the requirements of the Companies Law and the Corporate Governance Regulations.
7. None of the Directors, Senior Executives or the Board Secretary has been declared bankrupt or been subject to any bankruptcy proceedings in the five (5) years preceding the date of this Prospectus.
8. To the best of their knowledge and belief, no insolvency has been declared during the five (5) years preceding the date of this Prospectus for any company in which any of the Company's Directors, Senior Executives or Board Secretary holds any administrative or supervisory position.
9. Except as disclosed in Section 5.6 ("Conflicts of Interest") and Section 12.5 ("Material Contracts with Related Parties") of this Prospectus, none of the Directors, Senior Executives, the Board Secretary or any of their relatives have any interest in any existing written or oral contract or arrangement or contracts or arrangements under consideration or to be concluded with the Company as of the date of this Prospectus.
10. Except as disclosed in Section 5.6 ("Conflicts of Interest") and Section 12.5 ("Material Contracts with Related Parties") of this Prospectus, the Directors will not participate in voting on resolutions related to business and contracts in which they have a direct or indirect interest.
11. As of the date of this Prospectus, there are no employee share programs entitling the Company's employees to participate in the Company's share capital, nor are there any similar arrangements in place.
12. The Company does not own any securities (contractual or otherwise) or any assets whose value is subject to fluctuation which would adversely and materially affect the assessment of its financial position.
13. Except as disclosed in Section 2 ("Risk Factors") of this Prospectus, and to the best of their knowledge and belief, the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have had or may have a material impact (directly or indirectly) on its operations.
14. Except as disclosed in Section 2, Subsection 2.1.31 ("Risks related to the Impact of Seasonal Factors on the Revenue of Tas'heel") and Section 6 ("Management's Discussion and Analysis of Financial Position and Results of Operations") of this Prospectus, the Company is not aware of any seasonal factors or economic cycles related to its activity that may have a material impact on the Company's business or financial position.
15. All contracts and agreements that the Company believes to be significant or material or which may reasonably affect investors' decisions to invest in the Offer Shares have been disclosed, and there are no other material agreements or contracts that have not been disclosed.
16. Except as disclosed in Section 5.6 ("Conflicts of Interest") and Section 12.5 ("Material Contracts with Related Parties"), there are no material contracts or transactions with Related Parties that have a significant impact on the Company's business, and the Company has no intention of concluding any new agreements with Related Parties.
17. The Company has developed procedures, controls and systems that will enable it to meet the requirements of the relevant laws, regulations and directives, including the Companies Law, the Capital Market Law and its Implementing Regulations, the OSCO Rules and the Listing Rules.
18. As of the date of this Prospectus, the direct and indirect legal and beneficial ownership of the Company's Shares belongs to the persons listed in Table 2 ("Direct and Indirect Ownership Structure of the Company Pre- and Post-Offering") of this Prospectus.
19. Except as disclosed in Section 2 ("Risk Factors") of this Prospectus, and to the best of their knowledge and belief, there are no other material risks that could affect the decision of prospective investors to invest in the Offer Shares.
20. Except as disclosed in Section 2 ("Risk Factors") and Section 12.3.2 ("Material Government Approvals, Licences and Certificates") of this Prospectus, the Company has all the essential licences and approvals required to conduct its activities.
21. Except as disclosed in Section 12.4.12 ("Financing Agreements") of this Prospectus, the Board of Directors declares that there are no mortgages, rights or encumbrances on the Company's property as of the date of this Prospectus.

22. None of the Company's Shares are under option.
23. The Company is able to prepare the required reports in a timely manner in accordance with the Implementing Regulations issued by the CMA.
24. As of the date of this Prospectus, there has been no material breach of the contractual terms and conditions under the agreements with any of the entities granting loans, facilities or financing, and the Company is compliant with all such terms and conditions.
25. Neither the Company nor its Subsidiaries have any structured debt instruments as of the date of this Prospectus.
26. The statistical information included in Section 3 ("Market Information") that was obtained from external sources represents the latest information available from its respective source.
27. Except as disclosed in Section 12.11 ("Insurance") of this Prospectus, the insurance policies of the Company provide insurance coverage with sufficient limits for the Company to conduct its business, and the Company renews insurance policies and contracts periodically to ensure continued insurance coverage.
28. All terms and conditions that may affect investors' decisions to invest in the Offer Shares have been disclosed.
29. Except as disclosed in Section 12.10 ("Lawsuits, Claims and Legal Proceedings") of this Prospectus, the Company and its Subsidiaries are not parties to any existing disputes, claims, lawsuits or investigative proceedings that could have a material impact on the Company's operations or financial position.
30. As of the date of this Prospectus, the Company does not have a research and development policy nor does the Company produce any products.
31. The Company is compliant with all terms and conditions under the agreements with the entities granting all loans, facilities and financing.
32. This Prospectus contains all the information required to be included under the OSCO Rules, and there are no other facts that could affect the application for the registration and offer of securities that have not been included in this Prospectus.
33. The Company is currently working to find replacements for the vacancy in its Senior Management (Director of Strategy and Project Management) and the vacancy in the management of Tas'heel (Commercial Director). The Group is actively seeking to appoint qualified persons to the aforementioned vacancies during Q4 of FY 2024G.
34. All employees of the Company are under its sponsorship.
35. The information and data included in this Prospectus that has been obtained from third parties, including information obtained from the Market Study Report prepared by the Market Study Advisor, is reliable and there is no reason for the Company to believe that such information is materially inaccurate.
36. The internal control systems and controls have been properly prepared by the Company, including a written policy to regulate conflicts of interest and address any potential conflicts, which include misuse of the Company's assets and misconduct resulting from dealings with Related Persons. In addition, the Company has verified the integrity of the financial and operational systems and the application of appropriate risk management control systems as required by Part Five of the Corporate Governance Regulations. The Directors also conduct an annual review of the Company's internal control procedures.
37. The internal control, accounting and information technology systems are adequate and appropriate.
38. The Directors shall notify the Board of any direct or indirect personal interest they have in the business and contracts concluded for the Company, and this notification will be recorded in the Board meeting minutes.
39. The Directors shall not have the right to vote on the fees and remuneration granted to them.
40. Neither the Directors nor any Senior Executive may obtain a loan from the Company, and the Company shall not or guarantee any loan obtained by any of the Directors.
41. All the necessary approvals for the offering of the Company's Shares on the Stock Exchange and for it to become a public joint-stock company have been obtained.
42. Except as disclosed in this Prospectus, there has been no material change in the nature of the Company's business that may, individually or collectively, have a material impact on the Company's business, financial position, results of operations and/or future prospects. Except as disclosed in the Prospectus, the Company does not intend to make any material changes as of the date of this Prospectus.
43. The Company is seeking a replacement for the vacant position of Internal Audit Manager in its senior management. The Group seeks to appoint a qualified person or persons to the aforementioned vacant positions during Q2 of the financial year 2025G.

The Directors undertake to:

a. Comply with the regulatory requirements in the future in accordance with Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations upon Listing.
b. Record all Board resolutions and deliberations in the form of written meeting minutes signed thereby.
c. Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

These declarations have been made by the Directors along with any other declarations contained in this Prospectus.

The Issuer undertakes to provide the latest annual/interim financial statements (as applicable) to the CMA. These statements must be attached to the preliminary prospectus prior to offering the Company's Shares, or to the final prospectus prior to listing the Company's Shares (as applicable), in accordance with the timelines specified in Article 81 of the OSCO Rules (Disclosure of Financial Information), and subject to the relevant continuing obligations on listed companies.

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12
LEGAL INFORMATION

12 LEGAL INFORMATION

12.1 Declarations Related to Legal Information

The Directors declare that:

1. The Offering does not contradict the relevant laws and regulations in the KSA.
2. The Offering does not prejudice any of the contracts or agreements to which the Company is a party.
3. All material legal information concerning the Company has been disclosed in this Prospectus.
4. The Directors are not subject to any legal claims or procedures that could individually or collectively have a material impact on the business of the Company or its Subsidiaries or their financial position.
5. Except as disclosed in Section 12.10 ("Lawsuits, Claims and Legal Proceedings") of this Prospectus, neither the Company nor any of its Subsidiaries are subject to any legal claims or proceedings that could individually or collectively have a material impact on the business or financial position of the Company or its Subsidiaries.

12.2 The Company

United International Holding Company ("**UIHC**") (the "**Company**"), is a Saudi closed company registered under Commercial Registration No. 2051237935 in Al-Khobar with Unified Establishment No. 7026222294, dated 15/03/1443H (corresponding to 21/10/2021G), pursuant to Ministerial Resolution No. 621, dated 13/03/1443H (corresponding to 19/10/2021G). The Company's head office is located at King Faisal Bin Abdulaziz Street, Al Rawabi District, Al Rakah Area, P.O. Box 34421, Al-Khobar 31952, KSA. The Company's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) fully paid ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per Share. As per its Commercial Registration certificate, the Company's principal activities include managing subsidiaries of holding companies, investing the funds of subsidiaries of holding companies, owning the real estate and movables necessary for holding companies, providing loans, guarantees and financing to subsidiaries of holding companies and holding and leasing industrial property rights to subsidiaries of holding companies. The Company conducts its activities in accordance with the applicable regulations and after obtaining the necessary licences from the competent authorities, if any (for further information, please refer to ("Overview of United International Holding Company")of this Prospectus).

The Company is owned by two companies, namely: (a) United Electronics Company, which owns ninety-nine percent (99%) (hereinafter referred to as "**eXtra**"), a Saudi listed joint-stock company registered under Commercial Registration No. 2051029841, dated 10/06/1425H (corresponding to 27/07/2004G); and (b) United Electronics Company, which owns one percent (1%) (hereinafter referred to as "**eXtra Bahrain**"), a Bahraini limited liability company registered under Commercial Registration No. 79207, dated 13/10/2011G, issued by the Ministry of Industry and Commerce in the Kingdom of Bahrain.

The Company is a holding company engaged in the management of its Subsidiaries, namely: (a) United Company for Financial Services (hereinafter referred to as "**Tas'heel**"), a single person closed joint-stock company registered under Commercial Registration No. 2051224103, dated 15/05/1440H (corresponding to 21/01/2019G); and (b) Procco Financial Services W.L.L. (hereinafter referred to as "**Procco**"), a Bahraini limited liability company registered under Commercial Registration No. 62406, dated 19/08/1427H (corresponding to 12/09/2006G), issued by the Ministry of Industry and Commerce in the Kingdom of Bahrain.

12.3 Ownership Structure of the Company

The Company's current share capital is two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into twenty-five million (25,000,000) cash shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share. The Company's Current Shareholders are eXtra and eXtra Bahrain. The following table sets out the shareholding structure and Shareholders of the Company pre and post-Offering.

Table 12.1: Shareholding Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering				Post-Offering			
	No. of Shares	Nominal Value Per Share (SAR)	Direct Shareholding Percentage	Indirect Shareholding Percentage	No. of Shares	Nominal Value Per Share (SAR)	Direct Shareholding Percentage	Indirect Shareholding Percentage
eXtra	24,750,000	247,500,000	99%	1%	17,250,000	172,500,000	69%	1%
eXtra Bahrain*	250,000	2,500,000	1%	-	250,000	2,500,000	1%	-%
Public	-	-	-	-	7,500,000	75,000,000	30%	-%
Total	25,000,000	250,000,000	100%	-	25,000,000	250,000,000	100%	-

Source: The Company

* eXtra owns 100% of the shares of eXtra Bahrain. Accordingly, eXtra Bahrain will be subject to the statutory Lock-up Period applicable to the Substantial Shareholder.

For further details regarding the ownership structure and beneficial ownership of the Company, please refer to Section 12.3 ("**Ownership Structure of the Company**") of this Prospectus.

For further details regarding the Company's history and activities, please refer to the ("Incorporation and Principal Activities of the Company ") and ("Overview of United International Holding Company") sections of this Prospectus.

12.3.1 Subsidiaries

The Issuer owns two subsidiaries, namely United Company for Financial Services, a single person closed joint-stock company registered under Commercial Registration No. 2051224103, dated 15/05/1440H (corresponding to 21/01/2019G), and Procco Financial Services W.L.L. ("**Tas'heel**"), a Bahraini limited liability company registered under Commercial Registration No. 62406, dated 19/08/1427H (corresponding to 12/09/2006G), issued by the Ministry of Industry and Commerce in the Kingdom of Bahrain. ("**Procco**").

The following table sets out the details of the Company's ownership in such companies:

Table 12.2: Subsidiaries

#	Subsidiary	Country of Incorporation	Commercial Registration No.	Commercial Registration Issuance Date	Commercial Registration Expiry Date	Direct Shareholding	Indirect Shareholding	Other Shareholders (if applicable)
1	Tas'heel	KSA	2051224103	15/05/1440H (corresponding to 21/01/2019G)	14/05/1450H (corresponding to 03/10/2028G)	100%	-	-
2	Procco	Bahrain	62406	12/09/2006G (corresponding to 19/08/1427H)	06/08/1445H (corresponding to 12/09/2024G)	100%	-	-

Source: The Company

12.3.2 Material Government Approvals, Licences and Certificates

The Company has obtained all necessary material licences from the competent authorities to conduct its business. The following table sets out a summary of the licences of the Company and its Subsidiaries, which are renewed periodically before their expiry:

Table 12.3: Material Licences of the Company

#	Licence Type	Licence No.	Issuer	Issuance Date	Expiry Date
1	Company Registration Certificate	2051237935	Ministry of Commerce	15/03/1443H (corresponding to 21/10/2021G)	15/03/1448H (corresponding to 28/08/2026G)
2	Chamber of Commerce Membership Certificate	333243	Asharqia Chamber	15/08/1445H (corresponding to 25/02/2024G)	15/03/1448H (corresponding to 28/08/2026G)
3	Saudization Certificate	20450850-204244	MHRSD	02/07/1445H (corresponding to 14/01/2024G)	11/11/1445H (corresponding to 15/05/2024G)
4	Social Insurance	64306200	General Organization for Social Insurance (GOSI)	09/10/1445H (corresponding to 18/04/2024G)	09/11/1445H (corresponding to 17/05/2024G)
5	Zakat Certificate	1112188376	ZATCA	02/11/1446H (corresponding to 30/04/2025G)	21/10/1445H (corresponding to 30/04/2024G)

Source: The Company

The following table sets out a summary of the material licences of the Subsidiaries:

Table 12.4: Material Licenses of the Subsidiaries

#	Entity	Licence Type	Licence No.	Licensor	Issuance Date	Expiry Date
1	Tas'heel	Chamber of Commerce Membership Certificate	254871	Asharqia Chamber	15/08/1445H (corresponding to 25/02/2024G)	15/05/1450H (corresponding to 04/10/2028G)
3	Tas'heel	Social Insurance	64864876	General Organization for Social Insurance (GOSI)	21/10/1445H (corresponding to 30/04/2024G)	21/11/1445H (corresponding to 29/05/2024G)
4	Tas'heel	Saudization Certificate	42804370-104373	MHRSD	04/04/1445H (corresponding to 19/10/2023G)	11/11/1445H (corresponding to 15/05/2024G)
5	Tas'heel	Licence to practice financing services and consumer financing activity	52/ASH/201905	Saudi Central Bank	26/08/1440H (corresponding to 01/05/2019G)	The validity period of this licence is 5 years, ending on 24/08/1450H (corresponding to 09/01/2029G)
6	Tas'heel	Saudization Certificate	42804370-104373	MHRSD	04/04/1445H (corresponding to 19/10/2023G)	11/11/1445H (corresponding to 19/05/2024G)
7	Tas'heel	VAT registration certificate from ZATCA	3011670245	ZATCA	24/09/1440H (corresponding to 29/05/2019G)	N/A
8	Tas'heel	Zakat Certificate	1042214032	ZATCA	19/10/1445H (corresponding to 28/04/2024G)	02/11/1446H (corresponding to 30/04/2025G)
9	Procco	Provision of support services in the financial sector	X. D/006	Central Bank of Bahrain	16/07/1427H (10/08/2006G)	N/A

Source: The Company

12.4 Material Agreements

The Group has entered into a number of material agreements with numerous parties. This section provides a summary of the applicable agreements which the Directors believe to be material in relation to the Group's business and which may have a material effect on the decision of investors to subscribe for the Offer Shares. The summary of the agreements below does not include all terms and conditions and cannot be considered as substitute for the terms and conditions contained in such agreements. It should be noted that certain details of the agreements mentioned in this section have not been included in this summary due to the confidential or sensitive nature thereof.

12.4.1 Agreements Concluded with Mastercard for the Provision of Credit Card Services

12.4.1.1 Optional Insurance Services Agreement

On 1 January 2021G, Tas'heel and Mastercard entered into an agreement for optional insurance services related to credit cards. The term of the Agreement is one (1) year and is automatically renewable for similar terms unless either party terminates the Agreement with thirty (30) days' notice. Both parties shall treat all information confidentially and shall not disclose any information without the written consent of the other party. In the event of a default or termination, Mastercard is no longer obligated to provide the Services, but will cooperate with customers and the service provider to move cardholders to an alternative service. This Agreement is governed by the laws of the State of New York, USA.

12.4.1.2 Customer Business Agreement

Tas'heel and Mastercard entered into a customer business agreement on 28 July 2020G for the provision of credit card support services. The Agreement term is five (5) years. In addition, the confidentiality provisions of the Agreement permit disclosure if the same is requested by regulatory, governmental or judicial authorities. It was also agreed between Tas'heel and Mastercard that this Agreement may not be terminated except in the event of a material breach by either party during the Agreement term. This Agreement is governed by the laws of the State of New York, USA.

12.4.1.3 Licence Agreement with Mastercard

Tas'heel and Mastercard entered into a licence agreement on 17 January 2021G to regulate the use of Mastercard's rights between Tas'heel and Mastercard through the titles and interests of trade names, trademarks, service marks and logos. This Agreement is governed by the laws of the State New York, and the Agreement term is ten (10) years. Tas'heel may not sell, sublicense, assign or transfer any of the licence rights without the express written consent of Mastercard. There is no confidentiality clause, and Mastercard may terminate the Agreement at any time without cause upon thirty (30) days prior written notice to Tas'heel.

12.4.2 Agreements Concluded with Suppliers of IT Infrastructure Services

This section sets out the key agreements concluded by the Group through Tas'heel with IT service providers and certain Government entities that enable the Group to provide their services through digital platforms on an exclusive basis.

12.4.3 Yakeen Direct Subscription Agreement

On 29/09/2021G, the Group concluded an agreement, through Tas'heel, with Elm to link its customer database to Yakeen Direct, which provides subscribers with a real-time verification service during the term of their contract. It should be noted that the agreed term of the contract is one year, and is automatically renewable. Tas'heel shall refrain from using the name or logo of Elm without the official written consent of Elm.

12.4.4 Nafath Application Service Subscription Agreement

On 01/11/2022G, the Group concluded an agreement, through Tas'heel, with Elm for the provision of "**Nafath**" services, an electronic service that enables Tas'heel to verify and validate the its customers data against the data registered in the National Information Centre. Such Agreement allows Tas'heel to use the Nafath platform for individuals. The agreed Contract term is one (1) year and is automatically renewed. This Agreement is governed by the laws and regulations of the Kingdom.

12.4.5 Trust Service Agreement for Digital Signatures

On 21/03/2022G, the Group concluded an agreement, through Tas'heel, with Baud Telecom Company ("**BTC**"). This Agreement aims to provide the Trusted Digital Signature Service, an electronic service that uses digital certification to provide certificate-based authentication, digital signatures, verification, authentication and blocking of electronic transactions. It also provides trust services and enhances integrity, reliability and trust in electronic transactions at Tas'heel. This service also integrates its digital service platforms with the "**Emdha**" digital signature authentication centre, ensuring online digital signature services for Tas'heel's customer applications. This Agreement shall be valid for two (2) years and is automatically renewable for one (1) calendar year. Either party shall have the right to terminate this Agreement by providing a thirty (30) day written notice to the other party.

12.4.6 Nafith Platform Services Agreement

The Group, through Tas'heel, entered into an agreement with Takamol Business Services, dated 26/09/2020G, which was amended on 22/06/2023G. Takamol Business Services is the executing company and operator of "**Nafith**" platform, which enables its users to issue promissory notes and document the approvals thereof by its parties electronically. Nafith is a platform linked to the Ministry of Justice to enforce promissory notes electronically when required. The contract is renewable by written agreement between the parties. The parties are obliged to maintain confidentiality of all information and observe non-disclosure thereof except with the prior written approval of the other party. The entire Agreement is governed by the laws and regulations of the Kingdom.

12.4.7 Data Service Agreement

On 10/10/2021G, the Group entered into an agreement, through Tas'heel, with Masdr Data Solutions. Masdar Data Solutions provides data services in respect of establishments and subscribers to the social insurance system in the Saudi labour market to Tas'heel. The parties are obliged to maintain information confidentiality, and shall use the information solely for the purposes of the Agreement. Both parties have the right to terminate the Agreement upon 60 days' written notice. This Agreement is governed by the laws and regulations of the Kingdom.

12.4.8 Membership Agreement with SIMAH

On 16/05/2019G, the Group concluded a membership agreement, through Tas'heel, with SIMAH. SIMAH receives and collects consumer credit information from Tas'heel and maintains and exchanges such information with current and potential SIMAH members. SIMAH also enables Tas'heel to inquire about the credit records of consumers (with natural or legal capacity). In addition, SIMAH conducts credit assessment of current and potential consumers, natural and legal persons alike. Furthermore, SIMAH provides consulting services and added services to support credit information at the request of Tas'heel. The Agreement shall be automatically renewed unless one of the parties submits a written request for its termination within a period of no less than two months from the date of its termination. The Agreement is governed by the laws and regulations of the Kingdom.

12.4.9 Registration Authority Charter Agreement with Sirar by STC Limited

The Group, through Tas'heel, entered into a registration authority charter agreement with Sirar by STC Limited on 01/02/2024G, pursuant to which Tas'heel obtains a set of digital authentication services to use the Sayen service in exchange for amounts to be agreed under a quotation submitted to Tas'heel. This Agreement includes the service provider's obligations to Tas'heel when providing digital authentication services. The Agreement is governed by the laws and regulations of the Kingdom.

12.4.10 Agreements with Strategic Partners of Tas'heel

Effective as of 08/05/2024G, Tas'heel has entered into approximately 360 agreements with a diverse network of retailers and service providers, to offer the Baseeta service financing solution to its strategic customers through the issuance of credit cards compliant with the Sharia standards approved by Tas'heel's Sharia committee. The financing range extends from SAR 100 to SAR 60,000. The term of these agreements spans from one to three years and is renewable with the written consent of both parties. All agreements grant either party the right to terminate the agreement upon 15 days' notice in the event of a material breach. Certain agreements allow for termination by either party without cause upon 60 days' notice. These agreements are governed by the laws of the KSA.

The number of Tas'heel customers amounted to more than 150,000 customers as of 30/09/2023G (corresponding to 15/03/1445H). Tas'heel's customers are divided into three categories: (1) Customers of Murabaha finance concluded with strategic partners, (2) personal finance customers, and (3) credit card customers. Tas'heel concludes its contracts with all its customers according to standard templates of the Company's contracts, namely:

12.4.10.1 Forward Sale or Tawarruq Contract

Tas'heel offers financing compliant with the Sharia standards approved by Tas'heel's Sharia committee of up to two hundred and fifty thousand Saudi Riyals (SAR 250,000) with a repayment period of up to 36 months. Such financing bears a fixed profit margin until the end of the financing period. Applications for such financing may be submitted online through Tas'heel's portal.

Tas'heel (as the financier) has entered into financing contracts with third parties (as beneficiaries) according to the Template Financing Contract, which is used for both Murabaha transactions and Tawarruq financing. The template includes the following: (1) the financing amount, (2) the profit margin, along with any additional fees imposed on the customer, and (2) the schedule of payment, along with the consequences of default in accordance with the schedules set therefor. The Company may terminate the terms of the Template Financing Contract form in the event that the customer breaches any of the obligations contained in the contract. Any dispute arising from the SME financing model shall be resolved amicably. However, if this is not possible, such dispute shall be referred to the judicial authorities or committees competent to settle financial disputes.

12.4.10.2 Murabaha Finance Contract

Tas'heel offers financing compliant with the Sharia standards approved by Tas'heel's Sharia committee up to sixty thousand Saudi Riyals (SAR 60,000) with a repayment period of up to 36 months. Such financing bears a fixed profit margin until the end of the financing period. Applications may be submitted online through Tas'heel's portal.

Tas'heel (as the financier) has entered into financing contracts with third parties (as beneficiaries) according to the Template Financing Contract , which is used for both Murabaha transactions and Tawarruq financing. The template includes the following: (1) the financing amount, (2) the profit margin, along with any additional fees imposed on the customer, and (2) the schedule of payment, along with the consequences of default in accordance with the schedules set therefor. The Company may terminate the terms of the Template Financing Contract form in the event that the customer breaches any of the obligations contained in the contract. Any dispute arising from the SME financing model shall be resolved amicably. However, if this is not possible, such dispute shall be referred to the judicial authorities or committees competent to settle financial disputes.

12.4.10.3 Credit Card and Baseeta Service Application Form and Terms of Use

Tas'heel (as the financier) issues its credit cards to its customers bearing the Mastercard logo in accordance with certain terms and conditions that include the following (1) the customer's obligation not to use the credit card in order to carry out any purchases or services that conflict with the laws and regulations of the KSA, (2) the customer's obligation not to use the credit card to trade in foreign currencies or purchase cryptocurrencies, and (3) the consent of the customer who holds the credit card to use Tas'heel's personal information and share it with other certain companies for the purpose of servicing the respective account.

The terms and conditions of Tas'heel credit cards include that Tas'heel shall be held responsible for any transactions made if they are in violation of the terms and conditions contained in the form. However, the Company has the right to reject any transaction without providing any justification to the customer in the event that Tas'heel believes that the transaction is in violation of the terms and conditions contained in the form. The Company also has the right to terminate the terms of the application form and recover the cards from the customers upon prior written notice. Moreover, the Company may terminate the terms of the application form and cancel the relevant credit card in the event it is not used by the customer for two years. Any dispute arising from the terms and conditions of Nayifat credit cards shall be referred to the competent committees of the Saudi Central Bank or the judicial authorities.

12.4.11 Internal Transactions and Contracts Between Group Companies

12.4.11.1 Internal Agreement concluded between Procco and Tas'heel

On 1 January 2021G, Tas'heel and Procco entered into a service agreement for Procco to provide back office services to Tas'heel, which include data entry, file processing, telemarketing, service provision, collections, payment publishing, financing application processing systems, systems, applications and reports. On 24 January 2021G, the Agreement was amended to change the payment mechanism. The term of the Agreement is two (2) years, automatically renewable for the same period, unless either party notifies the other, 120 days prior to the expiry of the Agreement, of its intention not to renew. Both parties also have the right to terminate the Agreement upon 180 days' written notice. The Agreement is governed by the laws and regulations of the Kingdom of Bahrain.

12.4.12 Financing Agreements

Tas'heel has entered into four (4) financing agreements for the purposes of its business. The following is a summary of the agreements that the Group considers to be material, significant or that may affect the decision of the Subscribers to invest in the Offer Shares. It should be noted that the summary of agreements and contracts described below includes the substantive provisions of such agreements and does not contain all the terms and conditions thereunder. Furthermore, the summary cannot be considered a substitute for the terms and conditions contained in those agreements. Certain financing agreements entered into by the Group contain provisions requiring advance notice to the financiers in the event of any change in control of Tas'heel or in the ownership structure of the Group or when the Company's Shares are offered in an initial public offering, as well as provisions requiring the prior approval of the financiers prior to the occurrence of any of the foregoing.

As of the date of this Prospectus, the total financing amount granted to Tas'heel is SAR 1,650,000,000. The following table sets out a summary of the financing agreements with banks as of the date of this Prospectus.

Table 12.5: Bank Financing Agreements*

#	Bank Name	Agreement Date	Maximum Financing Amount (SAR)	Amounts Utilised as of 31 May 2024G (SAR)
1.	Al-Rajhi Bank	02/06/1444H (corresponding to 26/12/2022G)	400,000,000	293,000,000
2.	Saudi Awwal Bank (SAB)	20/01/1445H (corresponding to 07/08/2023G)	450,000,000	413,000,000
3.	Riyad Bank	07/07/1443H (corresponding to 08/02/2022G).	400,000,000	0
4.	Alinma Bank	23/08/1444H (corresponding to 15/03/2023G)	400,000,000	373,000,000

Source: The Company

***It should be noted that the maximum financing amount shown in Table 12.5 Bank Financing Agreements reflects the financing amounts granted to the Company as of the date of this Prospectus, not the amounts granted as of 31 December 2023G as shown in Table 6.47 Key Provisions Related to the Group's Loans.**

The following is a summary of the financing agreements that the Group has entered into and benefits from with a number of local banks:

Financing Agreement with SAB	
Agreement Date	20/01/1445H (corresponding to 07/08/2023G), expiring on 17/03/1448H (corresponding to 30/08/2026G).
Borrower	Tas'heel
Facility Type/Purpose	Term financing facility (for the financing of working capital).
Amount	SAR 450,000,000.
Term	Expires on 30/08/2026G.
Key Obligations	• The ratio of EBITDA to debt service for each relevant period shall not fall below 1:1.20. • Provision of management accounts and a report on the loss/delay rate on a quarterly basis. • Transfer at least 30% of annual sales to the account held with SAB.
Profit Margin	SIBOR (1 month) + agreed profit margin.
Payment or Maturity Date	Non-revolving, commencing from the expiry date.
Guarantees	• Promissory note in the amount of SAR 450,000,000. • Corporate guarantee provided by eXtra. • Letter of commitment by eXtra to cover any delays in repayment of financing. • Tas'heel's undertaking of the Bargaining Agreement - Agency Agreement.

Source: The Company

Financing Agreement with Al Rajhi Bank	
Agreement Date	26/07/1445H (corresponding to 07/02/2024G), expiring on 08/08/1446H (corresponding to 07/02/2025G).
Borrower	Tas'heel
Facility Type/Purpose	Tawarruq financing.
Amount	SAR 400,000,000.
Term	60 months.
Key Obligations	• No changes may be made to the share capital of Tas'heel without the prior written approval of the Bank. • No Group member, without the prior written approval of the Bank, shall obtain any loan, grant any credit (except in the ordinary course of business) or provide any guarantee or indemnity (except as required under this Agreement) in favour of any person, or voluntarily assume any obligation, whether actual or conditional, in respect of any obligation of another person. • Tas'heel (or the companies in its Group) shall not create (or permit the creation of) any financial limitation on any current or future revenues or assets of any Group member, except for permitted financial restrictions. • The Company shall promptly inform the Bank of any changes in the ownership of the issued share capital of the Obligor.
Profit Margin	SAIBOR (minimum 3 months) + agreed profit margin.
Payment or Maturity Date	Revolving, and the advance payment shall be repaid in equal quarterly instalments.
Guarantees	Corporate guarantee provided by eXtra.

Source: The Company

Financing Agreement with Riyad Bank	
Agreement Date	07/07/1443H (corresponding to 08/02/2022G), expiring on 09/08/1446H (corresponding to 08/02/2025G)
Borrower	eXtra (a facility limit has been allocated to Tas'heel).
Facility Type/Purpose	Tawarruq financing.
Amount	SAR 400,000,000.
Term	54 months (inclusive of a six-month grace period).
Profit Margin	SAIBOR + agreed profit margin.
Payment or Maturity Date	Monthly or quarterly instalments after the grace period.
Guarantees	Acknowledgement of a joint guarantee of debt and payment from Tas'heel of the value of the facility.

Source: The Company

Financing Agreement with Alinma Bank	
Agreement Date	23/08/1444H (corresponding to 15/03/2023G), expiring on 23/11/1445H (corresponding to 31/05/2024G).
Borrower	Tas'heel
Facility Type/Purpose	Forward sale financing.
Amount	SAR 400,000,000.

Term	60 months.
Key Obligations	• To maintain a minimum trading ratio (current assets ÷ current liabilities) of 1: 1 • Immediate reporting in case of breach or potential breaches. • Compliance in all material respects with regulations, including environmental regulations, and all applicable standards.
Profit Margin	SAIBOR + agreed profit margin.
Payment or Maturity Date	60 months.
Guarantees	eXtra irrevocably undertakes to deposit at least 10% of the revenues of United Electronics Company through cash deposits, transfers, cheques or through the POS service, in the current account of United Electronics Company with the Bank and shall continue to do so for the duration of the financing period.

Source: The Company

12.5 Material Contracts with Related Parties

12.5.1 Financial Services Agreement between eXtra and Tas'heel

Tas'heel entered into an exclusive financial services agreement with eXtra on 1 January 2021G, pursuant to which Tas'heel will provide the following consumer financing services compliant with the Sharia standards approved by Tas'heel's Sharia committee to eXtra customers:

1. Carrying out credit checks and selecting customers based on creditworthiness.
2. Providing the necessary digital and technological infrastructure to complete the financing arrangements.
3. Ensuring the operation of the financing program.
4. Providing the necessary training to eXtra employees to offer the financing program.
5. Providing marketing support from both parties.
6. Providing support for sales services.
7. Designing Tas'heel spaces in a way that conforms to the design of eXtra stores.
8. Providing any required analytical data.
9. Providing and designing a program for sales assistants at eXtra to market the financing services program.
10. Insuring the property and rights of Tas'heel, including, but not limited to, injuries that may occur during working hours and general liability for assets and products.

In addition to the above, eXtra shall agree to provide Tas'heel with the following services:

1. Providing space for Tas'heel employees to conduct their business within eXtra stores.
2. Promoting the financing program to eXtra customers within eXtra stores.
3. Providing marketing support from both parties to raise awareness of the financing program and create sales opportunities.
4. Providing time, space and tools for the training to be provided to eXtra employees.
5. Ensuring that the displayed product prices include the costs of monthly instalments.
6. Regularly providing Tas'heel with a price list of the products for the purposes of calculating the costs of the monthly instalments.
7. Sharing eXtra's customer database with Tas'heel to enable the expansion of marketing offerings.
8. Ensuring the readiness of the store to complete the logistical support by providing the necessary infrastructure to operate and process the completion of financing applications.
9. Providing technical support for the invoicing system.
10. Insuring the property and rights of Tas'heel, including, but not limited to, injuries during working hours and general liability for assets and products.

Under this Agreement, Tas'heel agrees to purchase and eXtra agrees to sell any products subject to an approved Murabaha financing contract entered into by eXtra's customer in connection with a product sold by eXtra. eXtra shall deliver the products, subject of any financing agreements, to the relevant customer within an agreed period. The term of the Agreement is five (5) years from the date of its execution and the parties may renew it by written agreement between them. Either party may terminate the Agreement upon a material breach (including fraud, in case of data breaches, breach of confidentiality obligations, or failure to respect intellectual property rights) by the other party upon providing 15 days' notice to the breaching party. The Agreement is governed by the laws and regulations of the KSA.

The table below shows the volume of Tas'heel's purchases from eXtra under the Murabaha financing program for the previous three financial years (derived from the Board of Directors' report for the financial year 2022G).

Table 12.6: Tas'heel Purchases from eXtra under Murabaha Finance Program for the Previous Three Financial Years

Service	FY 2021G (SAR)	FY 2022G (SAR)	FY 2023G (SAR)
Tas'heel's purchases from eXtra	356,634,421	373,754,380	254,752,989

Source: The Company

12.5.2 Service Level Agreement between eXtra and Tas'heel

Tas'heel entered into a Service Level Agreement with eXtra on 1 January 2023G, which was amended on 1 December 2023G. Under this Agreement, eXtra provides Tas'heel with a range of non-essential support services (which do not require a No Objection Certificate (NOC) from the Saudi Central Bank). This Agreement includes the following services:

- Treasury management services to help Tas'heel apply to commercial banks for financing of its operations and assistance to manage Tas'heel's financial flows.
- Administrative support services with respect to the presence of Tas'heel's employees in eXtra stores, services related to receiving Tas'heel customer information in-store when they apply for financing from eXtra stores, and the receipt of periodic payments from Tas'heel customers.
- Perpetual, free and exclusive global licence for the use of Tas'heel's trademarks.

eXtra provides treasury management and administrative support services for a monthly fee for each category of services. The table below sets out a summary of the details of such fees. Either party may terminate the Agreement upon one month's notice or more if the transfer of the privacy of the service to Tas'heel in full will require a longer time. The Agreement is governed by the laws in force in the KSA.

Table 12.7: Non-Essential Support Services Fees

Service	Fees
Administrative services	SAR 5,000 per eXtra store per Gregorian month.
Treasury services	One thousand Saudi Riyals (SAR 1,000) per Gregorian month.

Source: The Company

12.5.3 IT Service Level Agreement between eXtra and Tas'heel

On 01/01/2024G, Tas'heel entered into an IT service level agreement with eXtra, pursuant to which eXtra provides a number of services to Tas'heel, including: (a) software licenses, (b) IT support, (c) leasing services for the furnished head office premises used by Tas'heel, (d) administrative services, (e) wealth support services, including the establishment and re-issuance of banking facilities and the management of Tas'heel's liquidity requirements, (f) legal support services, and (g) licensing the use of the "**Tas'heel**" trademark.

Tas'heel pays a fee for each allocated shared service or as per the actual used services. In the event that the "**Tas'heel**" trademark is licensed for use in consideration for the services provided by eXtra under this Agreement, the licensing fee incurred by Tas'heel shall be SAR 1 per year. The Agreement was prepared for an indefinite period. Tas'heel may terminate the Agreement upon one month's notice or such longer period as may be reasonable in order to ensure the orderly transfer of the relevant functions to Tas'heel or any of its nominees under the Agreement, whilst the Agreement sets out a one month notice of termination. The Agreement is governed by the laws of the KSA.

12.5.4 Transactions with Related Parties

Transactions with Related Parties based on financial disclosure requirements amounted to SAR 411.6 million, SAR 398.9 million and SAR 210.8 million as of 31 December 2021G, 2022G and 2023G.

The Directors confirm that all Related Party transactions were concluded in accordance with the law and were concluded on an arm's length basis or in the interest of the Company. The Directors undertake to comply with the provisions of the Companies Law and the controls set by the CMA in case of any direct or indirect interest in contracts concluded with Related Parties or in the event such contracts create competition for them. For further details regarding the terms related to interest and competition, please refer to Section 5.6 ("**Conflicts of Interest**") of this Prospectus.

Table 12.8: The table below sets out the various actual costs incurred by Tas'heel under this Agreement for each service provided during the previous three years:

Service	FY 2021G (SAR)	FY 2022G (SAR)	FY 2023G (SAR)
IT & software licensing services	1,148,376	1,085,000	1,135,131
Real estate leases	887,068	1,050,803	1,050,803
Administrative services	2,750,000	2,830,000	2,925,000
Trademark licensing fees	1	1	1

Source: The Company

This section provides a summary of the material agreements and transactions with Related Parties to which the Company is a party. It should be noted that the summary of agreements and contracts below does not contain all the terms and conditions and is not a substitute for the terms and conditions contained in such agreements.

Table 12.9: Summary of Material Agreements with Related Parties

<table>
<tr><th rowspan="2">#</th><th rowspan="2">Parties to the Contract</th><th rowspan="2">Nature of the Contract/ Transaction</th><th rowspan="2">Related Party</th><th rowspan="2">Contract Term</th><th rowspan="2">Due from a Related Party / Due to a Related Party</th><th>Transaction Value during the Financial Year Ended 31/12/2021G</th><th>Transaction Value during the Financial Year Ended 31/12/2022G</th><th>Transaction Value during the Financial Year Ended 31/12/2023G</th></tr>
<tr><th>(SAR)</th><th>(SAR)</th><th>(SAR)</th></tr>
<tr><td rowspan="3">1</td><td rowspan="3">eXtra</td><td rowspan="3">IT Service Level Agreement</td><td>Mohammed Galal Ali Fahmi</td><td rowspan="3">One year</td><td rowspan="2">Due from a Related Party</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td>Fozan Mohamed Ahmed Al Fozan</td></tr>
<tr><td>Abdullatif Ali Abdullatif Al Fozan</td><td>Due to a Related Party</td><td>1,148,376</td><td>1,085,000</td><td>1,135,131</td></tr>
<tr><td rowspan="3">2</td><td rowspan="3">eXtra</td><td rowspan="3">Service Level Agreement</td><td>Mohammed Galal Ali Fahmi</td><td rowspan="3">One year</td><td rowspan="2">Due from a Related Party</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td>Fozan Mohamed Ahmed Al Fozan</td></tr>
<tr><td>Abdullatif Ali Abdullatif Al Fozan</td><td>Due to a Related Party</td><td>2,750,000</td><td>2,830,000</td><td>2,925,000</td></tr>
<tr><td rowspan="3">3</td><td rowspan="3">eXtra</td><td rowspan="3">Financial Services Agreement between eXtra and Tas'heel</td><td>Mohammed Galal Ali Fahmi</td><td rowspan="3">Five years</td><td rowspan="2">Due from a Related Party</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td></tr>
<tr><td>Fozan Mohamed Ahmed Al Fozan</td></tr>
<tr><td>Abdullatif Ali Abdullatif Al Fozan</td><td>Due to a Related Party</td><td>356,634,421</td><td>373,754,380</td><td>254,752,989</td></tr>
<tr><th colspan="9">Final Balances</th></tr>
<tr><td colspan="6">Due to eXtra</td><td>38,956,696</td><td>37,339,822</td><td>20,500,308</td></tr>
</table>

Source: The Company

12.6 Real Estate

The Group does not own any real estate but leases several premises for the purpose of conducting its operations.

12.7 Lease Agreements

The Group has entered into two (2) leases with a number of lessors. The following table sets out the details of the material real estate leased by the Group.

Table 12.10: Summary of Material Leases

#	Lessee	Lessor	Location	Annual Rent (SAR)	Lease Period and Renewal Mechanism (if any)
Office Leases					
1	Tas'heel	eXtra	King Faisal Bin Abdulaziz Road, Al Rawabi District, Al Rakah Area, Al-Khobar, KSA	SAR 1,050,803	The term of the lease is 730 days, from 15/08/2022G to 14/08/2024G.
2	Procco Financial Services	Yousif Khalil Almoayyed & Sons Co. LLC, P.O. Box 5424, Manama, Kingdom of Bahrain	Building 2504, Road 2832, Block 428, Seef District, Kingdom of Bahrain (Office No. 401, 404 and 403).	BHD 4,728.96 paid on a monthly basis, plus a 15% service fee and a 2.514 electricity charge.	1 January 2024G, expiring on 31 December 2028G, for a fixed term.

Source: The Company

12.8 Intellectual Property

The Group has registered a number of trademarks that it relies on as trademarks for its business, noting that the Group relies on these trademarks for the success of its business and promotion of its competitive position in the market. Accordingly, the Group's inability to protect its trademarks or having to take the necessary legal action to protect them may adversely and materially affect its ability to use them, which will affect the conduct of its business and the results of its operations (for further details regarding the risks related to trademarks, please refer to the Subsection 2.1.29 ("**Risks related to Maintaining the Brand Reputation of the Issuer and Tas'heel**") of this Prospectus).

The Tas'heel trademark is not owned by the Group, but by eXtra, the Company's Substantial Shareholder (for further details regarding the risks related to trademarks, please refer to Subsection 2.1.29 ("**Risks related to Maintaining the Brand Reputation of the Issuer and Tas'heel**") of this Prospectus).

The Group uses Tas'heel's trademarks under a global, perpetual, royalty-free, exclusive licence for the use of Tas'heel's trademarks, through the Service Level Agreement concluded between eXtra and Tas'heel (for further details regarding the agreement, please refer to Section 12.4.11 ("**Internal Transactions and Contracts Between Group Companies**") of this Prospectus).

The following table sets out some of the key details of the trademarks registered by the Company and Tas'heel:

Table 12.11: Key Details of the Trademarks Registered by the Company

Trademark	Country of Registration	Registration No.	Protection Effective Date	Protection Expiry Date	Category
baseeta / baseeta	KSA	1444002842	17/01/1444H	16/01/1454H	35
baseeta / baseeta	KSA	1444006855	18/02/1444H	17/02/1454H	9

Source: The Company

Table 12.12: Key Details of the Trademarks Registered by Tas'heel

Trademark	Country of Registration	Registration No.	Protection Effective Date	Protection Expiry Date	Category
TAS'HEEL تسهيل	Bahrain	124876	16/04/1440H (corresponding to 23/12/2018G)	07/08/1450H (corresponding to 23/12/2028G)	35
TAS'HEEL تسهيل	Bahrain	124877	16/04/1440H (corresponding to 23/12/2018G)	07/08/1450H (corresponding to 23/12/2028G)	36
TAS'HEEL تسهيل	Kuwait	1610056	11/04/1440H (corresponding to 18/12/2018G)	02/08/1450H (corresponding to 18/12/2028G)	36
TAS'HEEL تسهيل	Kuwait	1610055	11/04/1440H (corresponding to 18/12/2018G)	02/08/1450H (corresponding to 18/12/2028G)	35

Source: The Company

12.9 Other Intellectual Property Rights

The Group has registered several internet domains. The following table sets out a summary of the details of such registrations:

Company Name	Internet Domain Name	Expiry Date
The Issuer	www.uihc.sa	23/04/2025G
Procco	www.procco.com	08/08/2025G
Tas'heel	www.tasheelfinance.com	13/12/2025G

Source: The Company

12.10 Lawsuits, Claims and Legal Proceedings

12.10.1 Claims and Litigation

With the exception of the enforcement claims resulting from the Group's ordinary business with defaulting customers and the labour claims set out in this section, the Directors confirm that the Group is not a party to any judicial dispute, arbitration, administrative proceeding or investigation as of the date of issuance of this Prospectus which may, individually or collectively, have an adverse effect on its financial position and results of operations. The Directors further declare that they are unaware of any lawsuits or claims threatened to be filed against the Group. As of 31/12/2023G, the Company initiated 7,733 enforcement claims against defaulting customers to recover outstanding debt and collect the Groups' dues. These claims amounted to a total of SAR 295.2 million, with individual claim values ranging from SAR 4,777 to SAR 362,915. Of these cases, the Company's records show 4,213 outstanding cases with total enforcement claims valued at SAR 169.0 million. This includes contracts that have been written off for being over 450 days overdue (in accordance with SAMA's directives), which amounted to SAR 126.2 million in enforcement claims (representing 3,520 cases). As 29/04/2024G, there were 11 claims pending against the Company, with a total value of SAR 137,811 (for further details, please refer to risk 2.1.3 ("**Risks related to Litigation**") of this Prospectus).

The following table shows the details of the claims filed against the Company as of 29/04/2024G.

Table 12.13: Claims Filed Against the Company as of 29/04/2024G

Defendant	Claim Amount (SAR)	Case Date	Case Summary	Case Status
Tas'heel	0	12/03/2024G	Request for settlement filed by Tas'heel, seeking debt restructuring	In the closing stages
Tas'heel	21,600	03/01/2024G	The Claimant sought compensation of SAR 75,600 from Tas'heel for termination of his/her employment contract without a legitimate reason, but was awarded SAR 21,600.	In the closing stages/ under consideration
Tas'heel	0	01/10/2023G	Lawsuit filed to object to late payment penalties, with the total amount adjudicated being SAR 0.	In the closing stages
Tas'heel	2,222.04	13/07/2023G	A lawsuit was filed against Tas'heel for giving the Claimant a final clearance of the contract, obliging Tas'heel to compensate the Claimant for the damage caused thereto, and terminating the submitted enforcement request.	In the closing stages
Tas'heel	0	19/03/2024G	The Claimant is objecting to the enforcement proceedings initiated against him/her on the grounds of non-payment. The value of the disputed promissory note is SAR 110,647.95.	Under consideration
Tas'heel	0	14/03/2024G	The Claimant is objecting to the enforcement proceedings initiated against him/her on the grounds of non-payment. The value of the disputed promissory note is SAR 235,808.00.	Under consideration

Defendant	Claim Amount (SAR)	Case Date	Case Summary	Case Status
Tas'heel	10,181	23/04/2024G	The Claimant is objecting to the enforcement proceedings initiated against him/her on the grounds of non-payment. The value of the disputed promissory note is SAR 10,181.	Under consideration
Tas'heel	2048	21/04/2024G	The Claimant is objecting to the enforcement proceedings initiated against him/her on the grounds of non-payment. The value of the disputed promissory note is SAR 2,408.	Under consideration
Tas'heel	44,560	30/08/2023G	The Claimant sought compensation of SAR 297,366 from Tas'heel for termination of his/her employment contract without a legitimate reason.	Under consideration
Tas'heel	-	10/12/2023G	Tas'heel has not yet replied to the statement of claim.	Under consideration
Tas'heel	57,200	10/07/2023G	The Claimant objected to the enforcement proceedings initiated against him/her on the grounds of insolvency. The value of the disputed promissory note is SAR 57,200.	Under consideration
Total	**137,811**			

Source: The Company

12.11 Insurance

The Group has various insurance policies that cover numerous risks related to its business. The following table sets out the key information of the Company's main insurance policies:

Table 12.14: Insurance Policies of the Group

Beneficiary Company	Insurer	Policy No.	Insurance and Coverage Description	Coverage Limit	Deduction	Coverage Period
eXtra (the Company is the beneficiary of the insurance as a subsidiary of eXtra)	Al Rajhi Takaful	P0224-AOI-HCAB-00237333	Directors and officers liability insurance	SAR 300,000,000	As per the schedule of coverage for each relevant case and coverage category.	From 01/02/2024G to 31/01/2025G
eXtra (the Company's employees are included in this insurance)	Al Rajhi Takaful	P0422-GFG-HCAB-15500510/R2	Fidelity insurance	As per the schedule of coverage for each coverage category.	As per the schedule of coverage for each relevant case and coverage category.	From 01/04/2024G to 31/03/2025G
eXtra (the Company's property was included in the Financial Services Agreement concluded on 01/01/2021G between eXtra and the Company)	Al Rajhi Takaful	P0422-PBI-HCAB-15500508/R2	All-risk property and business interruption insurance	As per the schedule of coverage for each coverage category.	As per the schedule of coverage for each relevant case and coverage category.	From 01/04/2024G to 31/03/2025G

Beneficiary Company	Insurer	Policy No.	Insurance and Coverage Description	Coverage Limit	Deduction	Coverage Period
Procco	Solidarity	P/003/01/20/4003/0008787-05	Risk and third party liability insurance	BHD 1,350,000	As per the schedule of coverage for each relevant case and coverage category.	From 08/02/2024G to 07/02/2025G
The Issuer and Tas'heel	Al Rajhi Takaful	1033070479	Medical insurance for employees	As per the schedule of coverage for each coverage category.	As per the schedule of coverage for each relevant employee and coverage category.	From 30/07/2023G to 29/07/2024G
Procco	Bahrain National Company	240113000175	Cyber insurance	BHD 50,000	As per the schedule of coverage for each relevant case and coverage category.	From 01/05/2024G to 30/04/2025G

Source: The Company

12.12 Penalties

The Saudi Central Bank and MHRSD have issued a number of penalties against members of the Group as a result of certain regulatory violations committed by them. The following table sets out the details of such penalties:

Table 12.15: Key Details of Penalties Issued Against the Company

Penalty	Company	Authority	Date	Penalty Amount
Violation of the regulatory directives of the Saudi Central Bank with respect to non-compliance with SAMA's Responsible Lending Principles for Individual Customers	Tas'heel	Saudi Central Bank	23/01/2022G	SAR 20,000
Violation of the regulatory directives of the Saudi Central Bank	Tas'heel	Saudi Central Bank	08/08/2022G	SAR 50,000
Labour office violation	Tas'heel	MHRSD	26/10/2021G	SAR 20,000
Labour office violation	Tas'heel	MHRSD	26/07/2021G	SAR 1,000
Labour office violation	Tas'heel	MHRSD	19/05/2021G	SAR 10,000
Labour office violation	Tas'heel	MHRSD	25/04/2021G	SAR 1,000
Labour office violation	Tas'heel	MHRSD	31/03/2021G	SAR 20,000
Labour office violation	Tas'heel	MHRSD	15/03/2021G	SAR 5,000
Labour office violation	Tas'heel	MHRSD	16/10/2022G	SAR 10,000
Labour office violation	Tas'heel	MHRSD	16/08/2022G	SAR 10,000
Labour office violation	Tas'heel	MHRSD	23/06/2022G	SAR 10,000
Violation of the Finance Companies Control Law of the Saudi Central Bank	Tas'heel	Saudi Central Bank	29/10/2023G	SAR 305,000

Source: The Company

12.13 Zakat and Tax Status of the Company

The Zakat Regulations issued pursuant to Ministerial Resolution No. 2216, dated 07/07/1440H (corresponding to 13/03/2019G), which are applicable as of the year commencing 1 January 2019G onwards, stipulate that a company located in the Kingdom shall be subject to the provisions of the Regulations if it engages in an activity in respect of (1) shares of Saudi partners and those accorded similar treatment as GCC nationals; and (2) shares listed on the Saudi Stock Exchange by non-founders (and those who replace them in accordance with the Articles of Association or statutory documents), as well as shares of Saudi Government agencies and authorities. Accordingly, the Issuer is subject to Zakat due to its Shareholders since its establishment, as it is ultimately owned by eXtra. After its initial public offering, the Issuer will remain subject to Zakat since it is registered for Zakat purposes only and not for VAT purposes. Since the Issuer has not made any payments to persons outside the Kingdom, it has not submitted any withholding tax returns to ZATCA. It should be noted that ZATCA has not issued any Zakat or withholding tax returns for the Issuer since its inception. Moreover, Procco is a resident and taxable company in the Kingdom as it is managed and controlled from within the Kingdom. As it is ultimately owned by eXtra, it is also subject to Zakat and currently provides a unified Zakat return with eXtra. Moreover, Procco is a resident and taxable company in the Kingdom as it is managed and controlled from within the Kingdom. As it is ultimately owned by eXtra, it is also subject to Zakat and currently provides a unified Zakat return with eXtra.

On the other hand, the Rules for Calculating Zakat on Financing Activities issued pursuant to Ministerial Resolution No. 2215, dated 07/07/1440H (corresponding to 13/03/2019G), which are applicable to the years commencing from 1 January 2019G onwards, stipulate that a Zakat payer carrying out financing activities shall be subject to the provisions and Rules of Calculating Zakat on Financing Activities, where such activities are licensed by the Saudi Central Bank. Therefore, Tas'heel is subject to Zakat as per Ministerial Resolution No. 2215. Accordingly, Tas'heel has submitted its Zakat and withholding tax returns as required since its establishment. For VAT purposes, the Company submits a consolidated return with eXtra and has likewise filed VAT returns since its establishment. However, ZATCA has not issued any Zakat or withholding tax assessments to Tas'heel since its establishment.

12.14 Summary of the Bylaws

12.14.1 Company Name

United International Holding Company (a closed Saudi joint stock company).

12.14.2 Objects of the Company

The objects for which the Company was incorporated are:

- managing its subsidiaries and participating in the management of other companies in which it has a shareholding and providing the necessary support thereto;
- owning the real estate and movables necessary for its activities;
- investing its funds in shares and other securities;
- providing loans, guarantees and financing to its Subsidiaries; and
- owning industrial property rights, including patents, industrial and commercial trademarks, franchise rights and other moral rights, as well as leveraging and leasing such rights to its Subsidiaries or third parties.

The Company conducts its activities in accordance with the applicable regulations and after obtaining the necessary licences from the competent authorities, if any

12.14.3 Participation and Ownership in Companies

The Company may participate in other companies in a proportion that enables it to control such companies through ownership or management. It may also establish companies in accordance with the Companies Law and the Implementing Regulations thereof. In addition, the Company may have an interest or participate in any way with entities or companies that engage in similar business or that may cooperate with the Company to achieve its objects. It may also own shares or stocks in such companies and merge them, merge with them or purchase them. The Company may also dispose of such shares or stocks, provided that this does not include brokerage.

12.14.4 Head Office of the Company

The Company's head office is located in Al-Khobar, KSA, and branches, offices, or agencies may be established for the Company inside or outside the Kingdom by a resolution of the Board of Directors, subject to the provisions of the laws and regulations in force in the KSA.

12.14.5 Term of the Company

The term of the Company is 99 Gregorian years as of the date of registration in the Commercial Register. Such term may be extended by a resolution issued by the EGM at least one year prior to the expiry of its term.

12.14.6 Share Capital

The Company's share capital is set at two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into (25,000,000) twenty-five million nominal cash shares of equal value, with a part value of ten Saudi Riyals (SAR 10) per Share, all of which are ordinary (cash) Shares.

12.14.7 Subscription to Shares

The founders have subscribed to the full share capital of twenty-five million (25,000,000) fully paid shares, with a total value of two hundred and fifty million Saudi Riyals (SAR 250,000,000). All cash payments for the share capital were deposited with Bank Albilad in the name of the Company upon incorporation.

12.14.8 Sale of Unpaid Shares

Shareholders shall pay the value of the Shares on the dates set for such payment. Should a Shareholder fail to pay at the due time, the Board of Directors may, after notifying such Shareholder via registered mail sent to their address as recorded in the Shareholder register, sell such Shares at public auction or through the stock market, as the case may be, in accordance with the controls set by the competent authority. The Company shall collect the amounts due thereto from the sale proceeds and shall refund any remaining amount to the Shareholder. If the sale proceeds fall short of the amounts due, the Company may recover the unpaid balance from the entire assets of the Shareholder. The rights attached to Shares that have not been fully paid by the deadline specified therefor shall be suspended until they are sold or the amount due thereon is paid, in accordance with Paragraph 1 of this Article. Such rights include the entitlement to a portion of net dividend distributions and the right to attend Assembly meetings and vote on the resolutions thereof. However, a defaulting Shareholder may, up to the day of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard. In such case, the Shareholder shall have the right to request the dividends to be distributed. The Company shall cancel the Shares sold in accordance with this Article and shall issue to the purchaser new Shares bearing the serial numbers of the cancelled Shares, making a note in the Shareholder register of the sale and the relevant details of the new Shareholder.

12.14.9 Issuance of Shares

Shares shall be nominal and may be subdivided into shares with a lower nominal value, or merged to represent shares of higher nominal value. Shares may also be issued at a price value higher than said value. In the latter case, the difference in value shall be added in a separate item within Shareholders' equity, provided that it is used in accordance with the controls set by the competent authority. It may not be distributed as dividends to Shareholders. Shares are indivisible vis-à-vis the Company. If a Share is owned by multiple persons, they shall elect one of them represent them in exercising the rights relating to the Share. Such persons shall be jointly liable for the obligations arising from the ownership of the Share.

12.14.10 Share Certificates

The Company shall issue Share certificates bearing serial numbers which shall signed by the Chairman of the Company's Board of Directors, or whoever they delegate from the Directors, and shall be stamped with the Company's stamp. Such Share certificates shall include, in particular, the number and date of the Ministerial Resolution issued authorising the transformation of the Company, the number and date of the Ministerial Resolution announcing the transformation of the Company, the nominal value of the Share, the amount paid thereof, a summary of the Company's objects, and its head office and term. The Shares may have coupons with serial numbers which include the share number attached thereto.

12.14.11 Share Trading

Shares subscribed for by the founders may not be traded except after the publication of financial statements for two consecutive financial years, neither of which shall be less than 12 months from the date of incorporation of the Company. A notation shall be made on the instruments of such Shares indicating their type, the date of incorporation of the Company and the lock-up period during which they may not be traded. However, during the lock-up period, the ownership of Shares may, in accordance with the legal provisions for the sale of rights, be transferred from one founder to another or from the heirs of a deceased founder to a third party, or in case of seizure of the funds of an insolvent or bankrupt founder, provided that the remaining founders are given priority to own such Shares. The provisions of this Article shall be applicable to the subscriptions of the founders in the event of a capital increase prior to the expiry of the lock-up period.

12.14.12 Shareholder Register

The Company's Shares shall be traded by virtue of an entry made in the Shareholder register maintained or outsourced by the Company. Such register shall include names, nationalities, places of residence and occupations of Shareholders, the numbers of the Shares and the paid-up portion thereof. A notation shall be made on the Shares within such register, indicating said entry. Ownership of a nominal share shall only be deemed transferred vis-à-vis the Company or third parties from the date of entry thereof in the said register, which shall be maintained in the Kingdom. The Company shall provide the Commercial Register with the data of the register referred to in Paragraph 1 of this Article, as well as any amendments thereto, within 15 days of the Company's registration with the Commercial Register or from the date of the relevant amendment, as the case may be.

12.14.13 Capital Increase

The EGM may decide to increase the Company's capital, provided that the capital has been paid in full. The capital is not required to have been paid in full if the unpaid portion thereof pertains to shares issued in exchange for the conversion of debt instruments or financing instruments into shares and the prescribed period for such conversion has not yet expired. The EGM may, in all cases, allocate the shares issued upon capital increase or part thereof to the employees of the Company and the Subsidiaries or to some or any of them. Shareholders may not exercise their pre-emptive rights when the Company issues shares allocated to employees. At the time the EGM issues a resolution approving a capital increase, Shareholders shall have pre-emptive rights to subscribe to the newly issued shares in exchange for cash contributions. Such Shareholders shall be notified of their pre-emptive rights, if any, via registered mail sent to their addresses contained in the Shareholder register. Shareholders may also be notified through modern technological means. The said notification shall include the resolution to increase the capital and the subscription terms, method and start and end dates. The EGM may revoke the pre-emptive rights of Shareholders to subscribe to the capital increase in exchange for cash contributions, or may vest such pre-emptive right in non-Shareholders when it deems that doing so is in the Company's best interest.

Shareholders may sell or assign their pre-emptive rights during the period that extends from the date upon which the General Assembly resolution approving the capital increase is adopted until the last day open for subscription to the new Shares associated with such rights, in accordance with the controls set by the competent authority. Without prejudice to the provisions of Paragraph 4 above, the new Shares shall be allotted to the holders of pre-emptive rights who applied for subscription proportionate to their pre-emptive rights in the total pre-emptive rights resulting from the capital increase, provided that the Shares they receive do not exceed the amount of new Shares they applied for. The balance of the new Shares shall be distributed to holders of pre-emptive rights who applied for more than their respective shares proportionate to their pre-emptive rights in the total pre-emptive rights resulting from the capital increase, provided that the Shares they receive do not exceed the amount of new Shares they applied for. The balance of the Shares shall be offered to third parties, unless the EGM decides or the CML states otherwise.

12.14.14 Capital Reduction

The EGM may resolve to reduce the capital if proves to be in excess of the Company's needs or if the Company sustains losses. In the latter case only, the capital may be reduced below the limit stipulated in the Companies Law. The reduction resolution shall be issued only after reading a statement at a General Assembly prepared by the Board of Directors regarding the reasons for the reduction, the Company's obligations and the impact of the reduction on the fulfilment thereof, provided that a report from the Company's Auditor shall be attached to such statement. If the capital reduction is due to the capital being in excess of the Company's needs, the creditors shall be invited to express their objections, if any, to the reduction at least forty-five (45) days prior to the date specified for the EGM to pass the reduction resolution. The invitation shall be accompanied by a statement indicating the amount of capital before and after the reduction, the date of the meeting and the effective date of the reduction. Should any creditor object to such reduction and present to the Company evidentiary documentation within the aforementioned time limit, the Company shall pay such debt if already due or shall provide them with adequate guarantee of payment thereof if the debt is due at a later date. Shareholders holding Shares of the same type and class shall be treated with equal footing during the capital reduction.

12.14.15 Management of the Company

The Company shall be managed by a Board of Directors formed of six (6) members, provided that they are natural persons elected by the Ordinary General Assembly of Shareholders for a term not exceeding four years. As an exception to this, the founders appointed the first Board of Directors for a term of four years. Board Members may be re-elected for one or more consecutive terms.

12.14.16 Expiry of Board Membership

Membership of the Board of Directors shall expire upon the expiration of the term of appointment, or by resignation or death, or if the Board determines that a Director has breached their duties in a manner that harms the Company's interests, provided that this is accompanied by the approval of the General Assembly. Board membership shall also be terminated in accordance with any applicable law or directives in force in the Kingdom, or if a judgement is issued announcing the bankruptcy or insolvency of a Director, or if they submit a request for settlement with their creditors, cease payment of their debts, become incapacitated, suffer from a mental illness, or if it is proven that they have committed an act that is in breach of integrity and morality, or if they are convicted of forgery. Upon the recommendation of the Board of Directors, the General Assembly may terminate the membership of a Director who fails to attend three consecutive meetings or five separate meetings during their membership term without a valid excuse deemed acceptable by the Board of Directors. Notwithstanding the foregoing, the Ordinary General Assembly has the power to dismiss all or some of the Directors at any time, without prejudice to the dismissed Director's right to seek compensation from the Company if the dismissal lacks justification or occurs at an inappropriate time. Directors may tender their resignation, provided that such resignation occurs at an appropriate time; otherwise, said Director shall be held liable by the Company for any ensuing damages. In such case, the Ordinary General Assembly shall elect a new Board or a replacement in place of the dismissed Director (as the case may be), in accordance with the provisions of the Companies Law.

The Board of Directors shall call the Ordinary General Assembly to convene with sufficient time prior to the end of its term to elect a Board of Directors for a new term. If such election is not possible and the current Board term ends, the Directors thereof shall continue to perform their duties until a Board of Directors is elected for a new term, provided that the term of continuation of the Directors serving on the expired Board does not exceed the period specified in the Implementing Regulations of the Companies Law. In the event that the Chairman or Directors decide to resign, they are required to convene an Ordinary General Assembly to elect a new Board of Directors. The resignation of the current Board shall not take effect until a new Board is elected, provided that the term of continuation of the resigning Board does not exceed the period set by the regulations. Directors may resign from Board membership by submitting a written notification to the Chairman. In the event the Chairman resigns, the notification must be addressed to the remaining Directors and the Secretary. In both cases, the resignation will be considered effective as of the date specified in the notification.

12.14.17 Board Vacancies

If the position of a Board Member becomes vacant due to their death or resignation, and such vacancy does not result in a breach of the necessary conditions for the validity of a Board meeting due to lack of quorum, the Board may appoint a temporary member with sufficient experience and competence to fill the vacancy. The commercial register must be informed of such appointment within 15 working days from the date of the appointment. Such appointment shall also be presented to the Ordinary General Assembly at its first subsequent meeting, and the newly appointed member shall complete the remaining term of their predecessor. If the necessary conditions for convening the Board of Directors are not met due to the quorum being below the minimum stipulated in the Companies Law or these Bylaws, the remaining Directors shall call the Ordinary General Assembly to convene within sixty days to elect the required number of Directors. The Ministry shall be notified upon the resignation or termination of any Director for any reason other than the expiry of the Board's term within five (5) working days from the date of them leaving their post, taking into account the relevant disclosure requirements.

12.14.18 Powers of the Board

Subject to the authorities reserved for the General Assembly, the Board of Directors shall have the widest powers in managing the Company in order to achieve its objectives, except for acts or actions specifically provided in the Companies Law or these Bylaws as falling within the competence of the General Assembly. The power of the Board include: -Developing internal regulations for its business. Developing the Company's internal regulations and control systems and managing all of its business. Approving the Company's vision, strategies and business plans, as well as its annual operating and capital budgets, etc. Providing all of the necessary guarantees, including legal guarantees, for the purpose of guaranteeing facilities that may be granted to individuals, individual institutions or companies, and well as the guarantee arising from such facilities, such as real estate mortgages, promissory notes, share certificates, and other in kind or cash guarantees. The Board may sign all contracts related to conducting automated operations via the internet or otherwise, issue bank credits and guarantees, sign all papers, documentation, cheques, promissory notes, bills of exchange, all banking transactions, buy and sell instruments, and all types of investment for the benefit of the Company. Concluding all contracts and agreements, including without limitation, purchase, sale, lease, rental, agency, franchise and financial hedging contracts, as well as other documents, contracts, transactions and deals on behalf of the Company, and entering into tenders on its behalf. Opening, managing, operating and closing bank accounts and obtaining loans and other credit facilities of any duration, including loans with a period exceeding three years, from Government financing funds and institutions, commercial banks, financial institutions, credit companies or any other credit entity, as well as issuing guarantees and bonds in favour of any entity, as it sees fit and at its sole discretion, provided that the same is in the interest of the Company. Issuing promissory notes and other commercial papers, carrying out all transactions, concluding all bank agreements and transactions, selling, mortgaging and redeeming the Company's real estate and assets, and discharging the Company's debtors from their obligations and debts. Providing financial support to any of the companies in which it participates as well as the Subsidiaries. Approving internal and financial regulations, the technical and supervisory management of companies and the policies and regulations for their employees. Appointing and dismissing managers and officers responsible for managing the Company based on their experience and competence, as the Board deems appropriate, and determining their duties, rights and remuneration. Appointing bureaus, experts, engineers, lawyers, agents, doctors and the like, and determining their fees. Authorising or delegating any other person to exercise a specific authority or authorities for the period and under the conditions it deems fit. Authorising the officers responsible for management of the Company to sign on its behalf within the limits of the rules established by the Board of Directors. Forming committees and granting them whatever powers the Board deems appropriate, as well as coordinating between such committees with the aim of expediting the resolution of matters presented to them. Approving the establishment of branches, offices and agencies of the Company and participating in or contributing to any companies and signing their Articles of Association as well as the amendments and annexes thereto within the Kingdom and abroad. Establishing, opening, managing and closing the Company's investment portfolios and accounts at banks and investment companies within the KSA and abroad, purchasing and selling Saudi and non-Saudi shares, instruments and securities, purchasing and selling goods, minerals, land, real estate and similar such items, as well as establishing companies and investment funds within the Kingdom and abroad. The Board may, by majority vote and within the limits of its powers, delegate one or more Directors or third parties to carry out certain work or works. The Board of Directors is required to obtain the approval of the General Assembly when selling assets whose value exceeds 50% of the value of its total assets, whether the sale takes place through one transaction or several transactions. In such case, the transaction that leads to being in excess of 50% of the value of the assets is the one that requires the approval of the General Assembly. Such percentage is calculated from the date of the first transaction made during the previous 12 months. The Board of Directors may, within the limits of its powers, delegate one or more Directors or third parties to carry out certain work or works.

12.14.19 Remuneration of Directors

The remuneration of the Directors, if any, shall be a set amount, an attendance allowance for meetings, in-kind benefits, or a certain percentage of the net profits, as decided by the Ordinary General Assembly in accordance with the official resolutions and directives issued in this regard and within the limits stipulated in the Companies Law or any other regulations complementary thereto, in addition to what the Board may approve as attendance and transportation allowance in accordance with the regulations and directives in force in the Kingdom as issued by the competent authorities. The Board report to the Ordinary General Assembly shall include a comprehensive statement of all salaries, remuneration, expenses, allowances and other benefits received by the Directors during the financial year. Such report shall also include a statement of amounts the Directors received in their capacities as employees or administrators, as well as any amounts received in exchange for technical, administrative or advisory works previously approved by the Company's General Assembly. The Board shall also include a statement indicating the total number of Board meetings held and the number of meetings attended by each Director since the previous General Assembly meeting.

12.14.20 Powers of the Chairman, Vice Chairman, Managing Director and Secretary

The Board of Directors shall appoint a Chairman and Vice Chairman from among its members. The Board may also appoint a Managing Director from among its members. A Director may not combine the position of Chairman with any executive position in the Company. The Chairman shall have the authority to call the Board to convene and to chair Board meetings. The Chairman of the Board, or the Vice Chairman in his absence, or their designee, shall represent the Company before third parties, including the judiciary, arbitration tribunals, ministries and other Government entities, and shall take the necessary measures in relation to such representation. The Board of Directors shall determine the competencies and powers of the Chairman with respect to issues not provided for in these Bylaws. The Chairman of the Board of Directors may authorise one or more persons to carry out a specific action or procedure, or to perform a specific task or tasks. The Vice Chairman shall have the powers determined by the Board of Directors. The Managing Director, if appointed, shall also have the powers determined by the Board of Directors. The Board of Directors shall determine, at its discretion, the special remuneration received by the Chairman, Vice Chairman and Managing Director, in addition to the remuneration prescribed for the Directors under these Bylaws. The Board of Directors shall appoint a secretary to the Board, whether from among its members or others, and shall determine their remuneration. The Secretary shall record the minutes of the Board meetings and shall record and retain the resolutions passed in such meetings, as well as exercising any other competencies entrusted thereto by the Board. The Board shall also determine the remuneration of the Secretary. The term of membership of the Chairman, Vice Chairman, managing director and Secretary, if he/she is a Director, shall not exceed their respective membership terms on the Board. They may always be reappointed for additional terms.

12.14.21 Board Meetings

The Board of Directors shall convene at the invitation of the Chairman (at least four times a year). Such invitation shall be in writing and may be delivered by hand or sent by mail, fax or e-mail at least ten days before the date specified for the meeting, unless the Directors agree otherwise. The Chairman shall call the Board to convene whenever requested by any Director to discuss one or more topics. The Board of Directors shall determine the location of its meetings, which may be held using modern technological means.

12.14.22 Quorum of Board Meetings

A Board meeting of a joint-stock company shall only be valid if attended by a minimum of fifty percent of the Directors (either in person or by proxy). Board resolutions of a joint-stock company shall be passed by a majority of the votes of the Directors present (in person or by proxy). In the event of a tie vote, the chairman of the meeting shall have the casting vote. The Board of Directors shall determine the location of its meetings. Board meetings of joint-stock companies may be held using modern technological means. The Board may pass resolutions on urgent matters by circulation through presenting them to all Directors, unless one of the Directors requests, in writing, a Board meeting for deliberation thereof. Such resolutions shall be passed by a majority vote of the Directors. These resolutions shall be presented to the Board at its first subsequent meeting in order to be recorded in the minutes of that meeting. Directors may delegate another Director to attend Board meetings on their behalf in accordance with the following controls: A Director may not represent more than one Board Member in attending the same meeting. Such delegation shall be confirmed in writing or sent via email and shall in respect of a specific meeting. The representative may not vote on the decisions on which the principal is prohibited from voting by law. Board resolutions shall be passed by a majority vote of the Directors attending or represented in such meeting. In case of a tie vote, the meeting Chairman shall have the casting vote. The Board of Directors may pass resolutions by circulation through presenting them to all Directors separately, unless one of the Directors requests in writing that a Board meeting be held for deliberation thereof. Such resolutions shall be passed if approved by a majority of the Directors, and shall be presented to the Board at its first subsequent meeting. Board resolutions are effective from the date of their issuance, unless such resolutions stipulate that they will take effect at another time or when certain conditions are met.

12.14.23 Deliberations of the Board

The deliberations and resolutions of the Board shall be recorded in minutes signed by the Chairman, the Directors present and the Secretary. Such minutes shall be recorded in a dedicated register signed by the Chairman and the Secretary. Modern technological means may be used to sign and record the deliberations and resolutions and to record the minutes.

12.14.24 Attendance of Assemblies

Each Subscriber, regardless of the number of Shares they hold, has the right to attend the Constituent Assembly and General Assemblies of Shareholders. Shareholders may delegate their right to attend the General Assemblies to another person, other than Directors or employees of the Company.

12.14.25 Constituent Assembly

The founders shall invite all Subscribers to convene a Constituent Assembly within 45 days from the date of the Ministry's decision authorising the incorporation of the Company. For such meeting to be valid, it must be attended by subscribers representing at least half of the capital. If this quorum is not met, an invitation shall be sent to a second meeting to be held at least 15 days after the invitation is sent. In all cases, the second meeting shall be valid regardless of the number of Subscribers represented therein.

12.14.26 Competences of the Ordinary General Assembly

Except for matters falling within the competencies of the EGM, the Ordinary General Assembly shall be competent in all matters related to the Company. The Ordinary General Assembly shall convene at least once a year, during the six months following the end of the Company's financial year. Other Ordinary General Assemblies may be called as needed.

12.14.27 Competences of the EGM

The EGM shall be competent to amend the Bylaws of the Company, except for matters prohibited from being amended by law. The EGM may issue resolutions on matters originally within the competences of the Ordinary General Assembly under the same terms and manner prescribed for the Ordinary General Assembly.

12.14.28 Convening of Assemblies

General or special Assemblies of Shareholders shall convene at the invitation of the Board. The Board shall invite the Ordinary General Assembly to convene if so requested by the Auditor, the Audit Committee, or Shareholders representing at least 10% of the share capital. The Auditor may invite the Assembly to convene if the Board does not call for an assembly within thirty days from the date of the Auditor's request. The invitation for General Assembly meetings shall be sent at least 21 days prior to the date specified for such meeting. Shareholders shall be notified by registered mail sent to their addresses listed in the Shareholder register. Alternatively, the invitation may be announced using modern technological means. A copy of the invitation and agenda shall also be sent to the Ministry on the date on which the invitation is announced. The invitation to the Assembly meeting must include the following as a minimum: A statement outlining the entitlement of the individual holding the right to attend the Assembly meeting and their right to designate persons other than the Directors to represent them therein. Such statement shall also describe the Shareholder's right to discuss the topics listed on the Assembly agenda and ask questions thereon, and shall explain the process for exercising voting rights. The location, date and time of the meeting. The type of assembly, whether general or special. The meeting agenda, including the items to be voted on by Shareholders.

12.14.29 Attendance Record for Assemblies

Shareholders who wish to attend the General or special Assemblies shall register their names at the Company's head office or their place of residence before the time specified for the assembly to be held. Upon convening a General Assembly, a list of the names of the Shareholders present and represented and their places of residence shall be prepared, along with an indication of the number of Shares in their possession, whether in person or by proxy, as well as the number of votes allocated thereto. Every interested party shall have access to such list. Shareholders who wish to attend General Assemblies and vote on the resolutions thereof may also register electronically whenever possible.

12.14.30 Quorum of the Ordinary General Assembly

An Ordinary General Assembly meeting shall not be held valid unless attended by Shareholders representing at least a quarter of the Company's Shares that have voting rights attached thereto. If the required quorum is not met, an invitation shall be sent for a second meeting to be held under the same conditions stipulated in Article 91 of the Companies Law within 30 days of the date specified for the previous meeting. However, the second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting states the possibility of such meeting being held. In all cases, the second meeting shall be valid regardless of the number of Shares with voting rights represented therein.

12.14.31 Quorum of the EGM

An EGM shall not be valid unless attended by Shareholders representing at least half of the Company's Shares that have voting rights attached thereto.

If the required quorum is not met, an invitation shall be sent to a second meeting to be held under the same conditions stipulated in Article 91 of the Companies Law. However, the second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting states the possibility of such meeting being held. In all cases, the second meeting shall be valid if attended by Shareholders representing at least one quarter of the Company's Shares that have voting rights attached thereto.

If the required quorum for the second meeting is not met, an invitation will be sent for a third meeting to be held under the same conditions stipulated in Article 91 of the Companies Law. The third meeting shall be valid regardless of the number of Shares with voting rights represented therein.

12.14.32 Voting at Assemblies

Each Subscriber shall have one vote for each Share represented thereby in the Constituent Assembly and General Assemblies. Cumulative voting shall be used in electing the Board of Directors in the Ordinary General Assembly. Directors may not participate in voting on Assembly resolutions related to their dismissal from office or business and contracts in which they have a direct or indirect interest or that involve a conflict of interest.

12.14.33 Assembly Resolutions

Resolutions of the Ordinary General Assembly shall be passed by the majority of the voting rights represented at the meeting. Resolutions of the EGM shall be passed by a two-thirds majority of the Shares represented at the meeting, unless the resolution pertains to an increase or reduction of the capital, extension of the Company's term, dissolution of the Company before the expiry of the term specified in its Bylaws or merger with another company, in which case the resolution shall only be valid if passed by a majority of three-quarters of the Shares represented at the meeting.

12.14.34 Deliberations at Assemblies

Each Shareholder shall have the right to discuss items listed on the agenda of the General Assembly and to direct questions thereon to the Directors and the Auditor. The Directors or the Auditor shall answer Shareholders' questions to the extent that this not jeopardise the Company's interest. If a Shareholder believes that the answer to their question is unsatisfactory, they may appeal to the General Assembly, and its decision in this regard shall be final.

12.14.35 Chairing of Assemblies and Preparation of Minutes

General Assemblies of Shareholders shall be chaired by the Chairman, or, in his absence, the Vice Chairman, or, in the absence of both of them, whomever the Board of Directors delegates from among its members. If this is not possible, the General Assembly meeting shall be chaired by whomever the Shareholders delegate from among the Directors or others through voting. Minutes shall be kept for each Assembly meeting, stating the number of Shareholders present or represented therein, the number of Shares held thereby in person or by proxy, the number of votes assigned to such Shares, the resolutions adopted, the number of assenting and dissenting votes, and a comprehensive summary of the deliberations that took place at such meeting. Minutes shall be recorded on a regular basis after each meeting in a dedicated register signed by the Chairman of the Assembly and its Secretary and vote collectors. General Assembly meetings may be held and Shareholders may participate in the deliberations and vote on resolutions by modern technological means.

12.14.36 General Assembly Resolutions by Circulation

The Chairman may propose that General Assembly resolutions are passed by circulation to Shareholders, without the need to convene, unless any of the Shareholders requests, in writing, that the General Assembly convenes for deliberation thereof. However, resolutions of the General Assembly relating to the election and dismissal of the Company's Directors, the appointment and dismissal of the Company's auditor, if any, and the review and discussion of the financial statements for the preceding financial year, shall require the convening of the General Assembly in accordance with the relevant provisions. For the validity of a proposed resolution to be issued in accordance with Paragraph 1 of this Article, the Company shall send such resolution, together with the relevant documentation, to all Shareholders, along with an indication of the steps which the Shareholder must take for approval of such resolution and the date on which it shall be issued. General Assembly resolutions shall be issued by circulation in accordance with the following: Resolutions falling within the competence of the Ordinary General Assembly shall be passed with the approval of one or more Shareholders representing majority of the voting rights. Resolutions falling within the competence of the EGM shall be passed with the approval of one or more shareholders representing 75% of the voting rights. Resolutions of the General Assembly issued by circulation in accordance with Paragraph 3 of this Article shall be recorded in both the meeting minutes and the dedicated register provided for in Article 97 of the Companies Law.

12.14.37 Appointment of the auditor

The Company shall have one or more auditors from among those licensed in the Kingdom, who shall be appointed by the General Assembly, which shall determine their remuneration and the term and scope of their work. Such auditor(s) may be reappointed, provided that the term of their appointment does not exceed the period in accordance with the provisions prescribed by law. Pursuant to a resolution of the General Assembly, the auditor may be dismissed. The Chairman shall inform the competent authority of the dismissal resolution and grounds therefor within a period not exceeding 5 days from the date of issuance of such resolution. The auditor may resign from their assignment by virtue of a written notification submitted to the Company, and their assignment shall be terminated from the date of submission or at a later date specified in the notification, without prejudice to the Company's right to compensation for any damages caused to it, if required. Upon submission of such notification, the resigning auditor shall submit to the Company and the competent authority a statement of the reasons for their resignation. Furthermore, the Board of Directors shall convene the General Assembly to review the reasons for the resignation, appoint a new auditor, and determine their remuneration and the term and scope of their work.

12.14.38 Powers of the auditor

The auditor shall have the right at all times to access the Company's ledgers, records and other documents. The auditor may also request such data and clarifications as it deems necessary in order to verify the Company's assets, liabilities and other matters within the scope of its work. The Chairman shall enable the Auditor to perform its duty. If the auditor encounters difficulty in this regard, it shall record the same in a report submitted to the Board of Directors. If the Board does not facilitate the work of the Auditor, the Auditor shall request the Board of Directors to convene the Ordinary General Assembly to consider the matter.

12.14.39 Financial Year or FY

The Company's financial year shall commence from the first of January and shall end at the end of December of each Gregorian year, provided that the first financial year shall commence from the date of its registration in the Commercial Register until the end of December of the same financial year.

12.14.40 Financial Documents

At the end of each financial year of the Company, the Board of Directors shall prepare the Company's financial statements and a report on its activities and financial position for the preceding financial year, including the proposed method for dividend distribution. The Board shall place such documents at the disposal of the Auditor at least 45 days prior to the date set for the General Assembly meeting. The Chairman, Managing Director and CFO shall sign the documents referred to in Paragraph 1 of this Article, and copies thereof shall be placed at the Company's head office at the disposal of the Shareholders at least 21 days before the date set for the General Assembly meeting. The Chairman of the Board of Directors shall provide the Shareholders with the Company's financial statements, the report of the Board of Directors and the Auditor's report, unless they have been published using modern technological means. The Chairman must also send a copy of these documents to the Ministry, at least twenty-one (21) days prior to the date of the General Assembly meeting.

12.14.41 Distribution of Dividends

The General Assembly shall determine the percentage of the net profits to be distributed to Shareholders after deduction of the reserves, if any. The Ordinary General Assembly may set aside a percentage of the net profits to form reserves, provided these reserves be used based on a proposal from the Board of Directors and in ways that benefit the Company or the Shareholders, to the extent that the same is in the interest of the Company or ensures the distribution of fixed dividends as much as possible to the Shareholders. The General Assembly may allocate amounts from the net profits to achieve social purposes that benefit the Company's employees.

12.14.42 Entitlement to Dividends

Shareholders shall be entitled to their share of profits in accordance with the resolution of the General Assembly issued in this regard. The resolution shall indicate the due date and the date of distribution. Eligibility for profits shall be for the owners of Shares registered in the Shareholders register at the end of the day specified for entitlement. The Board of Directors shall implement the resolution of the General Assembly with respect to the distribution of dividends to Shareholders.

12.14.43 Company Losses

Should the losses of a joint-stock company reach half of its capital, the Board of Directors shall disclose this and its recommendations regarding such losses within sixty days from the date of becoming aware of the same. The Board shall further convene the EGM within 180 days of becoming aware of such losses to consider the continuation of the Company and decide the necessary measures to address such losses, or to dissolve the Company.

12.14.44 Liability Claims

The Company has the right to file a liability claim against the Board Members if they have violated the provisions of the Companies Law or the Bylaws, or if their actions, negligence, or failure to perform their duties have caused harm to the Company. The decision to file such lawsuit and the appointment of a representative for the Company to handle the proceedings shall be made at the discretion of the General Assembly or the Shareholders. If the Company is undergoing liquidation, the liquidator shall file the lawsuit. In the event of the commencement of any liquidation proceedings against the Company under the Bankruptcy Law, the filing of such lawsuit shall be undertaken by the legal representative of the Company. If the Company fails to file a liability lawsuit, one or more Shareholders who collectively represent 5% of the Company's share capital shall have the right to initiate the lawsuit on behalf of the Company, taking into account that the primary goal of filing such lawsuit is to protect and advance the interests of the Company. Additionally, the lawsuit must have solid legal grounds, and the claimant must act in good faith and be a partner or Shareholder in the Company at the time of filing the lawsuit. In order to file the lawsuit referred to in Paragraph 2 of this Article, the members of the Company's Board of Directors must be notified of the intention to file the lawsuit at least 14 days prior to the filing thereof. If a Shareholder suffers harm as a result of an error made by a Director or Directors, the Shareholder shall have the right to file a liability lawsuit against such Director(s).

12.14.45 Dissolution of the Company

The Company shall be deemed dissolved due to one of the reasons for dissolution stated in Article 243 of the Companies Law. Upon its dissolution, the Company will enter a liquidation phase as outlined in Chapter 12 of the Companies Law. If the Company undergoes dissolution and its assets are insufficient to cover its debts, or if it encounters financial difficulties as per the Bankruptcy Law, it shall seek the intervention of the appropriate judicial authority to initiate the necessary liquidation procedures in accordance with the Bankruptcy Law.

12.14.46 Final Provisions

The Company is governed by the regulations in force in the KSA. Any provision set forth herein that contradicts the provisions of the Companies Law shall be deemed null and void, and the provisions stipulated in the Companies Law and Implementing Regulations thereof shall be applicable in that regard. Any matter that is not provided for in these Bylaws shall be governed by the Companies Law and Implementing Regulations thereof.

12.15 Description of the Shares

12.15.1 Share Capital of the Company

As at the date of this Prospectus, the Company's share capital is set at two hundred and fifty million Saudi Riyals (SAR 250,000,000), divided into (25,000,000) twenty-five million nominal cash shares of equal value, with a part value of ten Saudi Riyals (SAR 10) per Share, all of which are ordinary (cash) Shares.

12.15.2 Shares

The Shares shall be ordinary shares and may not be issued at less than their nominal value. However, shares may be issued at higher than their nominal value, in which case the difference in value shall be added as a separate item within Shareholders' equity. It may not be distributed as dividends to Shareholders. Share is indivisible vis-à-vis the Company. If a Share is jointly owned by several persons, such persons must elect one of them to represent them in exercising the rights related to the Share. Such persons shall be jointly liable for the obligations arising from the ownership of the Share.

12.15.3 Redemption Rights and Buyback of Shares

Pursuant to Article 114 of the Companies Law, the Company may purchase its shares in accordance with the regulations set by the competent authority, provided that the shares purchased by the Company shall not have votes in Shareholder Assemblies.

12.15.4 Rights of Common Shareholders

Pursuant to Article 107 of the Companies Law, each Shareholder acquires all rights associated with the Shares. These include, in particular, the right to receive a portion of the declared dividends to be distributed, the right to receive a portion of the Company's assets upon liquidation, the right to attend General Assemblies and participate in deliberations and vote on resolutions thereof, the right to dispose of the Shares, the right to request access to the Company's ledgers and documents, monitor the work of the Board of Directors, file a liability lawsuit against the Directors and challenge the validity of General Assembly resolutions under the conditions and restrictions contained in the Companies Laws and the Bylaws.

Each Shareholder shall have the right to discuss the topics included in the agenda of the General Assembly and to address questions thereon to the members of the Board of Directors and the Auditor. The Board of Directors or the Auditor shall answer the questions of Shareholders to the extent that such answer does not jeopardise the interests of the Company. If a Shareholder deems that the response to a question is unsatisfactory, they shall appeal to the General Assembly whose decision in this regard shall be final.

12.15.5 Rights to Dividends

Shareholders shall be entitled to their share of the dividends in accordance with the resolution of the General Assembly issued in this regard. Such resolution shall indicate the maturity date and the date of distribution. Shareholders registered in the Shareholder register at the end of the day specified for maturity shall be entitled to dividends. The Board of Directors shall implement the resolution of the General Assembly regarding the distribution of dividends to Shareholders.

12.15.6 Distribution of Dividends

The General Assembly shall determine the percentage of the net profits to be distributed to Shareholders after deduction of the reserves, if any. The Ordinary General Assembly may set aside a percentage of the net profits to form reserves, provided these reserves be used based on a proposal from the Board of Directors and in ways that benefit the Company or the Shareholders, to the extent that the same is in the interest of the Company or ensures the distribution of fixed dividends as much as possible to the Shareholders. The General Assembly may allocate amounts from the net profits to achieve social purposes that benefit the Company's employees.

12.15.7 Rights to Asset Surplus Upon Liquidation or Dissolution

In accordance with Article 107 of the Companies Law, each Share entails equal rights in the net profits and asset surplus upon liquidation.

12.15.8 Voting Rights

Each Shareholder shall have a vote for each Share at the General Assemblies. Shareholders may delegate another person other than a Director or Company employee to attend the General Assembly meetings on their behalf. Cumulative voting shall be used in the election of the Board of Directors.

12.15.9 Amendment of Shareholder Rights

The rights of shareholders related to obtaining a share of the profits to be distributed, the right to receive a share of the surplus assets of the Company upon liquidation, the right to attend general assemblies, participate in their deliberations, vote on their resolutions, the right to dispose of shares, the right to request access to the Company's books and documents, monitor the work of the Board of Directors, file a liability lawsuit against members of the board and challenge the invalidity of the resolutions of the General Assembly (under the conditions and restrictions contained in the Companies Law and Bylaws) are derived from the Companies Law and therefore cannot be changed.

The Bylaws shall be amended in order to change the voting mechanism and quorum in the General Assemblies. The Bylaws may not be amended except by a resolution of the EGM.

12.15.10 Transfer

Any transfer of shares shall be recorded in the Share register maintained by the Company. Following the Offering, any transfer of Shares shall be subject to the rules and regulations of the CMA applicable to companies listed on Tadawul. The Substantial Shareholder shall be subject to the Lock-up Period specified in Section

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13

OFFERING UNDERWRITING

13 OFFERING UNDERWRITING

The Underwriters, HSBC Saudi Arabia and EFG Hermes KSA, has agreed to underwrite the entire Offer Shares, amounting to 7,500,000 Shares, pursuant to the Underwriting Agreement dated [●] between the Company and the Selling Shareholder (the "Underwriting Agreement"), subject to certain terms and conditions outlined in the Underwriting Agreement. The name and address of the Underwriters are set out below:

13.1 Underwriters

Joint Bookrunners and Underwriters	
HSBC Saudi Arabia HSBC Building 7267 Olaya Street, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel: +966920005920 Fax: +966112992385 Website: **www.hsbcsaudi.com** Email: **uihcipo@hsbcsa.com**	HSBC
EFG Hermes KSA 3rd Floor, North Tower, Sky Towers, King Fahd Road P.O. Box 300189, Riyadh 11372 Kingdom of Saudi Arabia Tel: +966012938048 Fax: +966012938032 Website: **www.efghermesksa.com** Email: **efg_projectvault@efg-hermes.com**	EFG Hermes

13.2 Summary of the Underwriting Agreement

Subject to the terms and conditions of the Underwriting Agreement:

1. The Selling Shareholder undertakes to the Underwriters that, on the first working day following the completion of the allocation of the Offer Shares after the end of the Offering Period, it shall:

   a. Sell and allocate the Offer Shares to Individual Investors or Participating Parties whose subscription applications have been accepted by the Receiving Agents.

   b. Sell and allocate the Offer Shares not purchased by Individual Investors or Participating Parties in the Offering to the Underwriters.

2. The Underwriters undertakes to purchase any Offer Shares that have not been subscribed for by Individual Investors or Participating Parties as follows:

Table 13.1: Underwritten Shares

Underwriters	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
HSBC Saudi Arabia	5,625,000	75%
EFG Hermes KSA	1,875,000	25%
Total	7,500,000	100%

13.3 Underwriting Costs

The Selling Shareholder shall pay the Underwriters, in proportion to the Offer Shares, the underwriting fees based on the total value of the Offering, and the Offering expenses on behalf of the Company.

14
Expenses

14 EXPENSES

The Selling Shareholder shall bear all expenses and costs related to the Offering, which are estimated at approximately thirty-seven million Saudi Riyals (SAR 37,000,000) (excluding VAT). These expenses include the fees of the Financial Advisor, Lead Manager, Bookrunners, Underwriters, Issuer's Legal Advisor within and outside the Kingdom, Underwriters Legal Advisor within and outside the Kingdom, Financial Due Diligence Advisor, Auditor, Receiving Agents, Market Study Advisor, Public Relations Advisor for the Offering, and other Advisors, as well as marketing, printing, distribution and translation expenses, and other fees and expenses related to the Offering. The Offering Expenses shall be deducted from the Offering proceeds, and the Company shall not bear any expenses related to the Offering. The total Offering expenses that will be paid by the Company amount to approximately SAR [●], including the fees paid to the Saudi Stock Exchange (Tadawul) and the Securities Depository Center (Edaa) and other expenses in connection with Listing the Shares on the Saudi Stock Exchange (Tadawul).

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15
The Company's Pre- and Post-Listing Undertakings

15 THE COMPANY'S PRE- AND POST-LISTING UNDERTAKINGS

Following its Listing, the Company undertakes to:

- Fill out Form 8 in relation to compliance with the Corporate Governance Regulations. If the Company fails to meet any of the requirements set out in the Corporate Governance Regulations, it shall provide the relevant justifications therefor.
- Notify the CMA of the date of the first General Assembly meeting after Listing to allow a representative thereof to attend such meeting.
- Comply with all of the mandatory provisions set out in the Corporate Governance Regulations immediately upon Listing.
- Amendment of the legal entity of the Issuer and the relevant statutory documents at the first General Assembly meeting after Listing.
- Comply with the provisions of the OSCO Rules and the Listing Rules with respect to the continuing obligations of the Company immediately upon Listing.
- Submit transactions and contracts in which any Director has a direct or indirect interest to the General Assembly for authorisation in accordance with the Companies Law and Corporate Governance Regulations, provided that the interested Board member refrains from participating in voting on the resolution issued in this regard by the Board of Directors and the General Assembly.

Accordingly, upon Listing, the Directors undertake to:

- Record all resolutions and deliberations in the form of written meeting minutes signed by the Chairman and the Secretary.
- Disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

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Waivers

16 WAIVERS

The Company has not applied to the CMA for any waivers.

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17

Subscription Terms and Conditions

17 SUBSCRIPTION TERMS AND CONDITIONS

An application for the registration and offering of the securities was submitted to the CMA and an application for Listing of the Shares was submitted to the Stock Exchange in accordance with the OSCO Rules and the Listing Rules.

All subscribers must read the subscription terms and conditions carefully before completing the Application Form. Signing the Application form and delivering it to the Lead Manager or to any of the Receiving Agents is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription for the Offer Shares

The IPO process consists of the Offering of seven million, five hundred thousand (7,500,000) ordinary shares with a nominal value of SAR 10 per share at an Offer Price of SAR [●], inclusive of a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share. The Offer Shares represent 30% of the Company's share capital. The total value of the Offering is SAR [●]. It should be noted that the offering to Individual Investors and the subsequent Listing of the Company's Shares is dependent on the book building by Participating Parties and the underwriting of the entire Offer Shares. The Offering shall be cancelled if the Offering is not underwritten during such period. The CMA may suspend the Offering after the approval of this Prospectus and before registration and admission of the Shares to Listing on Tadawul in the event of any material changes that may adversely and materially affect the Company's operations.

The Offering shall be limited to two tranches of investors:

Tranche (A): Participating Parties:

This tranche includes the parties entitled to participate in the book building process in accordance with the Book Building Instructions, including investment funds, qualified foreign companies and institutions, corporate GCC investors and other foreign investors under SWAP Agreements. The number of Offer Shares to be initially allocated to Participating Parties is seven million five hundred thousand (7,500,000) ordinary Offer Shares, representing (100%) of the total Offer Shares. If there is sufficient demand from Individual Investors, the Lead Manager shall have the right to reduce the number of Offer Shares that were initially allocated to Participating Parties to six million seven hundred and fifty thousand (6,750,000) Shares, representing (90%) of the total Offer Shares upon completion of the subscription process for Individual Investors.

Tranche (B): Individual Investors

This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi husband, who is entitled to subscribe in the names of her minor children for her own benefit, provided that she submits proof that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case, who have an investment account and an active portfolio with one of the Receiving Agents and are entitled to open an investment account with one of the Capital Market Institutions.

If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be considered. A maximum of seven hundred and fifty thousand (750,000) ordinary Offer Shares, equivalent to 10% of the total Offer Shares, shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe for the full number of Shares allocated thereto, the Lead Manager shall have the right to reduce the number of Shares allocated to them in proportion to the number of Shares to which they subscribed.

17.2 Book Building for Participating Parties

a. The price range shall be determined at the time of book building and shall be made available to all Participating Parties by the Company's Financial Advisor, in coordination with the Company and the Substantial Shareholder. The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined in consultation with the Company and the Current Shareholders, using the discretionary allocation mechanism.

b. Each Participating Party must submit applications to participate in the book building process by filling out the Application Form. Participating Parties may change or cancel their applications at any time during the book building period, provided that such change is made by submitting an amended or additional Application Form (as applicable). Such change should be made before the determination of the Offer Price, which shall take place prior to the start of the Offering Period. The number of Offer Shares subscribed for by each Participating Party shall neither be less than fifty thousand (50,000) Shares nor more than one million two hundred and forty-nine thousand nine hundred and ninety-nine (1,249,999) Shares and, in respect of public funds only, the number of Shares subscribed for shall not exceed the maximum limit for each participating public fund, as determined in accordance with the Book Building Instructions. The number of Shares requested must be allocatable. The Bookrunners shall notify the Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. Subscription by the Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the subscription terms and conditions stipulated in the Application Forms.

c. Following completion of the book building process for Participating Parties, the Bookrunners will announce the percentage of coverage by Participating Parties.

d. The Bookrunners and the Company shall have the authority to determine the Offer Price based on the forces of supply and demand, provided that it does not exceed the price set out in the Underwriting Agreement.

17.3 Subscription by Individual Investors

Each Individual Investor must subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) ordinary Shares. No change or withdrawal of the Application Form shall be permitted upon submission thereof.

Individual Investors wishing to subscribe to the Offering Shares must submit their subscription requests electronically through the websites and platforms of the Receiving Agents that provide this service to subscribers through which Individual Investors will be able to subscribe to the Company's Shares during the Offering Period, provided that:

a. the Individual Investor has an investment account and active portfolio at a Receiving Agent that offers such services;

b. there have been no changes in the personal information or details of the Individual Investor (either by addition or removal of a family member) since their subscription in a recent IPO

c. Individual Investors who are not Saudi nationals or GCC nationals must have an active portfolio at one of the Receiving Agents through which the subscription is desired; and

d. Active portfolio at one of the Receiving Agents through which the subscription is desired.

The signed subscription application constitutes a legally binding agreement between the Selling Shareholder and the relevant Individual Investor submitting the application. to the Receiving Agents.

Individual Investors may obtain a copy of this Prospectus and the Application Forms from the websites of the CMA, the Financial Advisor and the Company. Here are the details of the Receiving Agents:

Receiving Agents

Receiving Agents
SAB Invest Al-Olaya General Street P.O. Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Phone: 8001242442 Fax: +966 (12) 216 9102 Website: **www.sabinvest.com** Email: **customercare@sabinvest.com**
Al Rajhi Capital Head Office, King Fahd Road, Al Murouj District P.O. Box 5561, Riyadh 11432 Kingdom of Saudi Arabia Phone: +966 92 00005856 Fax: +966 (11) 460 0625 Website: **www.alrajhi-capital.com** Email:**InvestmentBankingTeam@alrajhi-capital.com**
SNB Capital King Saud Street, Al Murabba District - Building No. 7347 P.O. Box 2575, Riyadh 12624 Kingdom of Saudi Arabia Phone: +966 920000232 International Call Center: +966 (11) 4060052 Website: **www.alahlicapital.com** Email: **snbc.cm@alahlicapital.com.sa**
Alinma Investment Company Al Anood Tower 2, King Fahad Road P.O. Box 55560, Riyadh 11544 Kingdom of Saudi Arabia Phone: +966 (11) 2185999 Fax: +966 (11) 2185970 Website: www.alinmainvestment.com Email: info@alinmainvest.com

Receiving Agents
Riyad Capital Company 2414 - Al Shahada District, Unit No. 69 P.O. Box 13241, Riyadh 7279 Kingdom of Saudi Arabia Phone: +966 (11) 4865649 Fax: +966 (11) 4865908 Website: **www.riyadcapital.com** Email: **ask@riyadcapital.com**
AlJazira Capital Company King Fahd Street, Al Rahmaniya P.O. Box 20438, Riyadh 11455 Kingdom of Saudi Arabia Phone: +966 (11) 2256000 Fax: +966 (11) 2256182 Website: **www.aljaziracapital.com.sa** Email: **contactus@aljaziracapital.com.sa**
Alistithmar for Financial Securities and Brokerage Company King Fahd Road Riyadh Kingdom of Saudi Arabia P.O. Box: 6888, Postal Code: 11452 Phone: +966 (11) 2547666 Fax: +966 (11) 4896253 Website: **www.icap.com.sa** Email: **WebEcare@icap.com.sa**
AlBilad Investment Company 3701 King Fahd Road - Al Olaya - 12313 Riyadh Kingdom of Saudi Arabia Phone: 800116002 Fax: +966 (11) 2906299 Website: **www.albilad-capital.com** Email: **investmentbanking@albilad-capital.com**
ANB Capital Company King Faisal Street Arab National Bank Financial Building P.O. Box 220009, Riyadh 11311 Kingdom of Saudi Arabia Phone: +966 (11) 4062500 Fax: +966 (11) 4062548 Website: **www.anbcapital.com.sa** Email: **investment.banking@anbcapital.com.sa**
Derayah Financial Company Al-Takhasusi Street - Prestige Center - Third Floor Riyadh Kingdom of Saudi Arabia Phone: +966 (11) 2998000 Fax: +966 (11) 4195498 Website: **web.derayah.com** Email: **support@derayah.com**

Receiving Agents
Saudi Fransi Capital King Fahd Road – 8092 P.O. Box 23454 Riyadh 12313-3735 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6723 Website: **www.bsfcapital.sa** E-mail: **sfc-supportcenter@FransiCapital.com.sa**
Yaqeen Capital Al-Wurud District - Al-Olaya Street P.O. Box 884, Riyadh 11421 Kingdom of Saudi Arabia Phone: +966 800 4298888 Fax: +966 (11) 2054827 Website: **www.yaqeen.sa** Email: **addingvalue@yaqeen.sa**
Alkhabeer Capital Madinah Road P.O. Box 128289, Jeddah 21362 Kingdom of Saudi Arabia Phone: +966 (12) 6129345 Fax: +966 (12) 6856663 Website: **www.alkhabeer.com** Email: **info@alkhabeer.com**
Sahm Capital Financial Company building 3.05 - KAFD Riyadh 13519, KSA Kingdom of Saudi Arabia Phone: +966 (11) 4145260 Website: **www.sahmcapital.com** Email: **info@sahmcapital.com**

The Receiving Agents will commence receiving Application Forms at their branches throughout the Kingdom from Monday, 17/05/1446H (corresponding to 19/11/2024G) until Wednesday, 18/05/1446H (corresponding to 20/11/2024G). In the event the information provided in the Subscription Application Form is incomplete or inaccurate, the Subscription Application Form will be considered void. In such case, the relevant Individual Investor may not claim compensation for any damage resulting from such cancellation.

Individual Subscribers who intend to subscribe to the Offer Shares shall submit a Subscription Application Form electronically through the Receiving Agents' websites and platforms that provide this service or through any other means provided by the Receiving Agents through which Individual Subscribers will be able to subscribe to the Company's Shares during the Offering Period, and each Individual Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR [●] per Offer Share.

Subscription of an Individual Investor for less than ten (10) Shares or fractional Shares will not be accepted. Increments are to be made in multiples of this figure, while the number of Offer Shares that may be subscribed for is two hundred and fifty thousand (250,000).

Subscribers must fulfil and complete all subscription requirements described in this Prospectus and agree to all relevant terms and conditions. The Company and the Lead Manager reserve the right to reject any Subscription Application Form in part or in full, in case of failure to meet any of the terms and conditions of the Subscription or failure to follow the necessary instructions. No amendments may be made to the Subscription Application Form and it may not be withdrawn after receipt of it except after the approval of the Lead Manager, as the Subscription Application Form, once completed, represents a legally binding agreement between the Company and the Subscriber.

17.4 Allocation of Shares and Refund of Excess Subscription Monies

The Lead Manager and the Receiving Agents shall open and operate an escrow account. Each Receiving Agent shall deposit all amounts received from Individual Investors into the aforementioned escrow account.

The Lead Manager or Receiving Agents (as the case may be) shall notify Subscribers of the final number of Offer Shares allocated to each of them along with the amounts to be refunded.

Excess subscription monies (if any) will be refunded to Subscribers without any commissions or deductions and will be deposited in the Subscriber's account specified in the Application Form.

Announcement of the final allocation and refund of excess subscription monies shall be made no later than Thursday, 26/05/1446H (corresponding to 28/11/2024G) (for further details, please refer to the "**Key Dates and Subscription Procedures**" section on page (XVI) of this Prospectus and this Section 17 ("**Subscription Terms and Conditions**")).

17.5 Allocation of Offer Shares to Participating Parties

Allocation of the Shares to Participating Parties shall be made as the Financial Advisor deems fit, in coordination with the Company, using the discretionary allocation mechanism. The allocation of Offer Shares to Participating Parties shall take place after the allocation of Offer Shares to Individual Investors. The number of the Offer Shares initially allocated to Participating Parties shall not be less than seven million five hundred thousand (7,500,000) ordinary Shares, representing 100% of the total Offer Shares, while the final allocation of Offer Shares to Participating Parties shall not be less than six million seven hundred and fifty thousand (6,750,000), representing 90% of the total Offer Shares. If there is sufficient demand from public funds, [●]([●]) ordinary Shares will provisionally be allocated thereto, representing ([●]%) of the total number of Offer Shares. It should be noted that in the event there is sufficient demand from Individual Investors to subscribe for the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of [●]([●]) ordinary Share, representing [●] of the total number of Offer Shares after completion of the subscription process for Individual Investors.

17.6 Allocation of Offer Shares to Individual Investors

A maximum of seven hundred and fifty thousand (750,000) ordinary Shares, equivalent to 10% of the total Offer Shares, shall be allocated to Individual Investors. The minimum allocation for each Individual Investor is ten (10) Shares, while the maximum allocation for each Individual Investor is two hundred and fifty thousand (250,000) Shares. The balance of Offer Shares, if any, will be allocated on a pro rata basis, based on the ratio of the number of Shares subscriber for by each Individual Investor to the total number of Shares subscribed for. In the event the number of Individual Investors exceeds seventy-five thousand (75,000), the Company will not guarantee the minimum allocation and the allocation will be determined at the discretion of the Company and the Financial Advisor. Excess subscription monies (if any) will be refunded to Individual Investors without any commissions or deductions being withheld by the relevant Receiving Agents.

17.7 Circumstances where the Listing may be Suspended or Cancelled

a. **The CMA may suspend the trading of the Shares or cancel their listing at any time as it deems fit, in any of the following cases:**

1. If the CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
2. If the Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its Implementing Regulations or the Stock Exchange Rules.
3. If the Company does not pay any fees due to the CMA or the Stock Exchange or any penalties due to the CMA on time.
4. If the CMA deems that the Company, its business, the level of operations or assets are no longer suitable to warrant the continued listing of the Shares on the Stock Exchange.
5. When a reverse takeover announcement does not contain sufficient information regarding the proposed transaction. In the event that the Company announces sufficient information regarding the target entity, and the CMA is convinced, after the announcement of the Company, that sufficient information will be available to the public on the proposed reverse takeover transaction, the CMA may decide not to suspend the trading at this stage.
6. When information about a proposed reverse takeover transaction is leaked and the Company cannot accurately assess its financial position and the Stock Exchange cannot be informed accordingly.
7. When an initiation application for the financial restructuring of the Issuer is registered with the court if its accumulated losses amount to 50% or more of its capital under the Bankruptcy Law.
8. When an application to commence a liquidation proceeding or administrative liquidation of the Issuer is registered with the court under the Bankruptcy Law.
9. When a court issues a final ruling to terminate a financial restructuring proceeding and commence a liquidation proceeding or administrative liquidation of the Issuer under the Bankruptcy Law.
10. When a court issues a final ruling to commence a liquidation proceeding or administrative liquidation of the Issuer under the Bankruptcy Law.

b. **The Stock Exchange shall suspend the trading of the Company's securities in any of the following cases:**

1. When the Company fails to comply with the deadlines for the disclosure of its periodic financial information in accordance with the relevant implementing regulations.
2. When the Auditor's report on the consolidated financial statements of the Company contains an opposing opinion or an abstention from expressing an opinion, until the opposing opinion or abstention is removed.

3. If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after the expiry of the deadline set by the Stock Exchange for the Company rectify its status, unless the CMA agrees otherwise.
4. Upon the issuance of a resolution by the EGM of the Company to reduce its capital, for the two trading days following the issuance of such resolution.

17.8 Voluntary Cancellation of Listing

a. After its securities are listed on the Stock Exchange, the Company may not cancel the Listing without the prior approval of the CMA. To obtain the CMA's approval, the Company must submit a cancellation request to the CMA, along with a simultaneous notification to the Stock Exchange. The cancellation request must include the following information:
    1. The specific reasons for the cancellation request.
    2. A copy of the disclosure referred to in Paragraph (d) below.
    3. A copy of the relevant documentation and a copy of each of the documents sent to the Shareholders, if the cancellation is to take place as the result of an takeover or other corporate action taken by the Company.
    4. The names and contact details of the Financial Advisor and Legal Advisor appointed under the relevant implementing regulations.
b. The CMA may, at its discretion, approve or reject the cancellation request.
c. The Company must obtain the approval of the EGM on the cancellation of the Listing after obtaining the approval of the CMA.
d. Where cancellation is made at the request of the Company, the Company must disclose such to the public as soon as possible. As a minimum, the disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the activities of the Issuer.

17.9 Temporary Suspension of Trading

a. The Company may request the Stock Exchange to temporarily suspend the trading of its securities upon the occurrence of an event during trading hours which requires immediate disclosure under the Capital Market Law, its Implementing Regulations or the Stock Exchange Rules, where the Company cannot maintain confidentiality of such information until the end of the trading period. The Stock Exchange will suspend trading of the Company's securities immediately upon receipt of such request.
b. Upon temporary suspension of trading at the request of the Company, the Company shall disclose to the public, as soon as possible, the reason for the suspension, the expected duration of the suspension, the nature of the event that led to it and the extent of its impact on the Company's activities.
c. The CMA may impose a temporary trading suspension without a request from the Company when the CMA has information or there are circumstances that may affect the Company's activity which the CMA deems likely to interrupt the operation of the Stock Exchange or prejudice the protection of investors. If the Company is subject to a temporary suspension of trading, it shall continue to comply with the Capital Market Law, its Implementing Regulations and the Stock Exchange Rules.
d. The Stock Exchange may propose that the CMA exercises its authority under Paragraph (c) above if it finds that there is information or circumstances that may affect the Company's activities and that are likely to interrupt the operation of the Stock Exchange or the protection of investors.
e. The temporary trading suspension shall be lifted after the elapse of the period specified in the disclosure referred to in Paragraph (b) above, unless the CMA or the Stock Exchange decide otherwise.

17.10 Lifting of Trading Suspension

A suspension of trading imposed in accordance with Paragraph (a) of Section 17.5.1 ("Power to Suspend or Cancel the Listing") of this Prospectus may be lifted based on the following:

a. Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors.
b. The lifting of the suspension being unlikely to affect the normal activity of the Stock Exchange.
c. The Company complying with any other conditions that the CMA may require.
d. Upon issuance of a final court ruling initiating the financial restructuring of the Issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is due to the Issuer's accumulated losses reaching 50% or more of their capital with the court under the Bankruptcy Law

If the trading suspension continues for a period of six (6) months without the Company taking appropriate measures to correct such suspension, the CMA may cancel the Listing of the Issuer's securities.

17.11 Registration and Relisting of Previously Delisted Securities

If the Company wishes to relist its Shares after delisting, it must submit a new application for the listing of its Shares in accordance with the Listing Rules and must fulfil the relevant requirements stipulated in the OSCO Rules.

17.12 Resolutions and Approvals for the Offering of the Shares

The resolutions and approvals pursuant to which the Offer Shares will be offered are as follows:

a. The General Assembly resolution approving the Offering, dated 15/06/1445H (corresponding to 28/12/2023G).
b. The resolution of the Company's Board of Directors approving the Offering, dated 16/06/1445H (corresponding to 29/12/2023G).
c. The CMA's announcement approving the registration and offering of securities, dated 20/12/1445H (corresponding to 26/06/2024G).
d. The approval of eXtra's General Assembly of the Significant Transaction, dated 07/10/1445H (corresponding to 16/04/2024G).
e. The conditional approval of Tadawul to list the Shares, dated 05/12/1445H (corresponding to 11/06/2024G).

17.13 Lock-up Period

The Substantial Shareholder may not dispose of their shares for a period of six (6) months from the date trading of the Company's Shares commences on the Stock Exchange. Following the Lock-up Period, they may dispose of their Shares without the prior approval of the CMA.

17.14 Subscription Undertakings

By completing and submitting the Application Form, each Subscriber:

a. agrees to subscribe for the number of such Shares as specified in the Application Form submitted thereby;
b. declares that they have carefully read and reviewed this Prospectus and understood all its contents;
c. agrees to the Bylaws of the Company and all terms and conditions of the Offering contained in this Prospectus and the Application Form and subscribes for the Shares accordingly;
d. declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;
e. accepts the number of Offer Shares allocated thereto (up to the maximum of the amount subscribed for) under the Application Form
f. undertakes not to cancel or amend the Application Form after submission thereof to the Lead Manager or the Receiving Agent; and
g. retains his/her right to sue the Company for damages caused directly by incorrect or incomplete information contained in this Prospectus, or by omitting major information that should have been part of this Prospectus and could affect his/her decision to purchase the Shares.

For further information regarding the allocation process and refund of excess subscription monies, please refer to Section 17.6 "**Allocation of Shares and Refund of Excess Subscription Monies**" of this Prospectus. For further information regarding the Stock Exchange, please refer to Section 17.18 "**Saudi Stock Exchange**" of this Prospectus.

17.15 Share Register and Transaction arrangements

Tadawul shall maintain a Shareholder register containing the names, nationalities, residence addresses and occupations of Shareholders, as well as their shareholdings and the amounts paid of such shares.

17.16 Saudi Stock Exchange (Tadawul)

In 1990G, full electronic trading of shares in the Kingdom was introduced. The Tadawul system was founded in 2001G as the successor to the Electronic Securities Information System (ESIS). Shares are traded through the fully integrated Tadawul system which covers the entire trading process, from the execution of the trade transaction through settlement thereof. Trading occurs each business day of the week during a single trading period between 10 a.m. and 3 p.m. from Sunday to Thursday, during which orders are executed. However, outside of trading hours, orders may be entered, amended or cancelled between 9:30 a.m. and 10 a.m. Trading times are changed in the holy month of Ramadan as announced by Tadawul. Transactions take place through an automated order matching process. Each valid order is generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a specific price), provided that if several orders are generated at the same price, they are executed according to the timing of the entry. The Tadawul system distributes a comprehensive range of information through various channels, most notably the Tadawul website and Tadawul Information Link, which supplies market data in real time to information providers such as Reuters. Transactions are settled on a T+2 basis, i.e., the transfer of shares takes place two working days after the execution of the transaction.

Listed companies are obliged to disclose all material decisions and information to investors through Tadawul. As the operator of the market, Tadawul is responsible for the monitoring of the market in order to ensure fair trading and orderly trading of shares.

17.17 Securities Depository Center (Edaa)

The Securities Depository Center Company (hereinafter referred to as "**Edaa**") was established in 2016G as a closed joint-stock company wholly owned by the Stock Exchange Company (Tadawul) with a capital of four hundred million Saudi Riyals (SAR 400,000,000), divided into forty million (40,000,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share. This was pursuant to the CMA Board's approval of the request of the board of directors of the Stock Exchange Company (Tadawul) to convert the Securities Depository Center into an independent joint-stock company in accordance with the Capital Market Law. The activities of the Securities Centre include depositing, registering, transferring, settling and clearing securities, as well as recording any ownership restrictions on deposited securities. Edaa shall also deposits and manages the records of securities issuers, organises the general assemblies of issuers, including remote voting services for such assemblies, and submits reports, notices and information, in addition to providing any other service related to its activities which Edaa deems should be provided in accordance with the Capital Market Law and its Implementing Regulations.

17.18 Trading of the Company Shares

It is expected that trading of the Company's Shares will commence after the final allocation of such Shares and Tadawul's announcement of the start date of trading of the Company's Shares. The dates and times mentioned in this Prospectus are merely indicative and may be changed or extended subject to the approval of the CMA. Saudi natural persons, non-Saudi natural persons residing in the KSA and holding legal residence permits and GCC nationals, as well as Saudi and GCC companies, banks and investment funds, will be permitted to trade in the Shares upon the commencement of trading on the Stock Exchange. QFIs will be permitted to trade in the Company's Shares in accordance with the QFI Rules. Moreover, non-Saudi nationals residing outside the Kingdom and institutions registered outside the Kingdom will be permitted to invest indirectly to obtain the economic benefits of the Shares by entering into SWAP Agreements with persons authorised by the CMA, and by purchasing the Shares listed on the Stock Exchange and trading in them for the benefit of non-GCC foreign investors. Under such SWAP Agreements, the authorised persons are the legal owners of the Shares.

Furthermore, the Offer Shares may only be traded after the allocated Offer Shares have been credited to Subscribers' accounts with Tadawul, the Company has been registered and its Shares listed on the Stock Exchange. Pre-trading in Shares is strictly prohibited and Subscribers engaging in any pre-trading activities will be acting at their own risk. Neither the Company nor the Selling Shareholders shall assume any legal liability in connection with pre-trading activities.

17.19 Miscellaneous

The Subscription Application and all related terms, conditions and covenants thereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application nor any of the rights, interests or obligations arising pursuant thereto may be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, terms and receipt of any Application Forms or related contracts are governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been issued in Arabic and English. In the event of any discrepancy between the Arabic and English texts, the Arabic text shall prevail.

It is expressly prohibited to distribute this Prospectus or sell the Offer Shares to any person in any country other than the Kingdom, with the exception of foreign Participating Parties, provided that the regulations and instructions regulating the same are observed. The Company, the Selling Shareholder, the Financial Advisor, the Lead Manager and the Underwriters request all recipients of this Prospectus to inform themselves of all statutory restrictions relevant to the Offer Shares and the sale thereof and to observe all such restrictions.

الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

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Documents Available for Inspection

18 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents shall be available for inspection at the Company's headquarters between 9:00 a.m. and 5:00 p.m. from 17/04/1446H (corresponding to 20/10/2024G) until 18/05/1446H (corresponding to 20/11/2024G), for a minimum of twenty (20) days before the end of the Offering Period:

1. The CMA's approval of the Offering.
2. The Company's Extraordinary General Assembly's approval of the Offering, issued on 15/06/1445H (corresponding to 28/12/2023G).
3. The Company's Board of Directors' resolution approving the Offering.
4. The Company's Bylaws, together with any amendments thereto.
5. The Company's Articles of Association, together with any amendments thereto.
6. The Company's commercial registration certificate issued by the Ministry of Commerce.
7. The financial statements for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G.
8. The (unaudited) interim condensed consolidated financial statements for the six-month period ended 30 June 2024G.
9. A document explaining the mechanism that was used to determine the price range used in the book building process, including a summary of the forecasts and forward-looking statements in relation to the expected future financial performance of the Company.
10. The Market Study prepared by the Market Study Advisor.
11. All reports, letters and other documents, estimates of value and statements prepared by any expert or any part thereof included or referenced in this Prospectus.
12. The contracts and agreements disclosed in Section 12.5 ("Material Contracts with Related Parties") of this Prospectus.
13. Letters of consent from:
    - The Financial Advisor and Underwriters for the inclusion of its name, logo and statement in this Prospectus.
    - The Bookrunners for the inclusion of its name, logo and statement in this Prospectus.
    - The Auditor for the inclusion of its name, logo and statement, in addition to the audit reports for the above-mentioned periods, in this Prospectus.
    - The Financial Due Diligence Advisor for the inclusion of its name, logo and statement in this Prospectus.
    - The Market Study Advisor for the inclusion of its name, logo and statements in this Prospectus.
    - The Legal Advisor for the inclusion of its name, logo and statements in this Prospectus.
14. The Underwriting Agreement.

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UNITED INTERNATIONAL HOLDING

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FINANCIAL STATEMENTS AND AUDITOR'S REPORT

19 FINANCIAL STATEMENTS AND AUDITOR'S REPORT

This section contains the following:

1. The special purpose consolidated financial statements of UIHC for the year ended 31 December 2021G, prepared in accordance with IFRS that are endorsed in the KSA, and other standards and pronouncements issued by SOCPA.
2. The consolidated financial statements of UIHC for the year ended 31 December 2022G, prepared in accordance with IFRS that are endorsed in the KSA, and other standards and pronouncements issued by SOCPA.
3. The consolidated financial statements of UIHC for the year ended 31 December 2023G, prepared in accordance with IFRS that are endorsed in the KSA, and other standards and pronouncements issued by SOCPA.
4. The (unaudited) condensed consolidated interim financial statements of UIHC for the six-month period ended 30 June 2024G, 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 SOCPA.

UNITED INTERNATIONAL HOLDING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Special purpose consolidated financial statements
For the year ended 31 December 2021

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Independent auditor's report to the Board of Directors of United International Holding Company

Report on the audit of the special purpose consolidated financial statements

Our opinion

In our opinion, the special purpose consolidated financial statements present fairly, in all material respects, the consolidated financial position of United International Holding Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's special purpose consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the special purpose consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the special purpose consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Emphases of matter - Business combination under common control (use of predecessor method of accounting) and restriction on distribution and use

We draw attention to:

- Notes 1 and 2 to the accompanying special purpose consolidated financial statements, which describe the transfer of subsidiaries to the Company representing a business combination under common control accounted for using the predecessor method of accounting. The results and statement of financial position of the Company and its subsidiaries (United Company for Financial Services and Procco Financial Services W.L.L.) have been incorporated in these special purpose consolidated financial statements as if these entities had always been combined. Accordingly, these special purpose consolidated financial statements include the financial information of the Group for the periods prior to the date of incorporation of the Company; and

PricewaterhouseCoopers, License No. 25,
Al Hugayet Tower, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
T: +966 (13) 849-6311, F: +966 (13) 849-6281, www.pwc.com/middle-east

pwc

Independent auditor's report to the Board of Directors of United International Holding Company (continued)

Emphases of matter - Business combination under common control (use of predecessor method of accounting) and restriction on distribution and use (continued)

- Note 2 to the accompanying special purpose consolidated financial statements which describes that the accompanying special purpose consolidated financial statements as at 31 December 2021 and for the year then ended have been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia and should not be used for any other purpose.

Our opinion is not modified in respect of the above matters.

Responsibilities of management and those charged with governance for the special purpose consolidated financial statements

Management is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the special purpose consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the Board of Directors of United International Holding Company (continued)

Auditor's responsibilities for the audit of the special purpose consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

14 December 2023

PRICE WATERHOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS

4

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As At 31 December 2021	2020
Assets			
Cash and cash equivalents	4	**37,643,577**	60,734,833
Prepayments and other receivables	5	**14,853,177**	4,745,476
Investment in Islamic financing contracts	6	**1,186,060,140**	703,166,901
Right-of-use assets		**1,135,587**	1,717,167
Property and equipment	7	**6,184,814**	5,376,427
Intangible assets	8	**18,093,637**	13,845,911
Goodwill		**528,692**	528,692
Total assets		**1,264,499,624**	790,115,407
Equity and liabilities			
Equity			
Share capital	9	**250,000,000**	-
Statutory reserve	10	**3,438,500**	-
Additional capital contribution	1	**200,990,787**	-
Retained earnings		**30,946,495**	-
Other reserves	1	**21,246**	355,751,434
Total equity		**485,397,028**	355,751,434
Liabilities			
Trade and other payables	11	**80,430,617**	81,170,949
Zakat payable	12	**15,423,663**	5,320,509
Lease liabilities		**1,249,085**	1,853,176
Borrowings	13	**675,743,904**	340,681,964
Employee benefit obligations	14	**6,255,327**	5,337,375
Total liabilities		**779,102,596**	434,363,973
Total equity and liabilities		**1,264,499,624**	790,115,407

The accompanying notes are an integral part of these special purpose consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2021	**2020**
Income from Islamic financing contracts	16	**300,895,114**	130,631,662
Finance cost	13	**(11,216,610)**	(5,382,161)
Net income from Islamic financing contracts		**289,678,504**	125,249,501
General and administrative expenses	17	**(43,009,461)**	(30,117,727)
Selling and marketing expenses	18	**(77,806,430)**	(53,329,332)
Net impairment losses on financial assets	4,6	**(26,303,698)**	(17,972,738)
Finance costs on lease liabilities		**(94,394)**	(107,090)
Other income - net		**1,468,758**	3,776,108
Profit before zakat		**143,933,279**	27,498,722
Zakat expense	12	**(14,308,270)**	(5,335,679)
Profit for the year		**129,625,009**	22,163,043
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	14	**48,384**	(598,467)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(27,799)**	-
Other comprehensive income (loss) for the year		**20,585**	(598,467)
Total comprehensive income for the year		**129,645,594**	21,564,576
Earnings per share			
Basic and diluted	19	**5.19**	0.86

The accompanying notes are an integral part of these special purpose consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

						Other reserves				
	Note	Share capital	Statutory reserve	Additional capital contribution	Retained earnings	Foreign currency translation reserve	Actuarial reserve	Common control reserve	Total other reserves	Total
At 1 January 2020		-	-	-	-	-	-	134,186,858	134,186,858	134,186,858
Increase in share capital of United Company for Financial Services	1	-	-	-	-	-	-	200,000,000	200,000,000	200,000,000
Profit for the year		-	-	-	-	-	-	22,163,043	22,163,043	22,163,043
Other comprehensive loss for the year		-	-	-	-	-	-	(598,467)	(598,467)	(598,467)
Total comprehensive income for the year		-	-	-	-	-	-	21,564,576	21,564,576	21,564,576
At 31 December 2020		-	-	-	-	-	-	355,751,434	355,751,434	355,751,434

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

						Other reserves				
	Note	**Share capital**	**Statutory reserve**	**Additional capital contribution**	**Retained earnings**	**Foreign currency translation reserve**	**Actuarial reserve**	**Common control reserve**	**Total other reserves**	**Total**
At 1 January 2021		-	-	-	-	-	-	355,751,434	355,751,434	355,751,434
Profit for the period from 1 January 2021 to 31 October 2021		-	-	-	-	-	-	95,240,014	95,240,014	**95,240,014**
Other comprehensive loss for the period from 1 January 2021 to 31 October 2021		-	-	-	-	-	-	(661)	(661)	**(661)**
Total comprehensive income for the period from 1 January 2021 to 31 October 2021		-	-	-	-	-	-	95,239,353	95,239,353	**95,239,353**
Issuance of share capital	1	250,000,000	-	-	-	-	-	-	-	**250,000,000**
Additional capital contribution	1	-	-	200,990,787	-	-	-	-	-	**200,990,787**
Legal transfer of subsidiaries	1	-	-	-	-	-	-	(450,990,787)	(450,990,787)	**(450,990,787)**
Profit for the period from 1 November 2021 to 31 December 2021		-	-	-	34,384,995	-	-	-	-	**34,384,995**
Other comprehensive income for the for the period from 1 November 2021 to 31 December 2021		-	-	-	-	(25,194)	46,440	-	21,246	**21,246**
Total comprehensive income for the period from for the period from 1 November 2021 to 31 December 2021		-	-	-	34,384,995	(25,194)	46,440	-	21,246	**34,406,241**
Transfer to statutory reserve	10	-	3,438,500	-	(3,438,500)	-	-	-	-	**-**
At 31 December 2021		**250,000,000**	**3,438,500**	**200,990,787**	**30,946,495**	**(25,194)**	**46,440**	**-**	**21,246**	**485,397,028**

The accompanying notes are an integral part of these special purpose consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Cash flows from operating activities			
Profit before zakat		**143,933,279**	27,498,722
Adjustments for:			
Depreciation and amortization	7,8	**3,031,664**	2,424,947
Depreciation of right-of-use assets		**581,580**	572,406
Finance costs		**11,311,004**	5,489,251
Intangible assets written off	8	**210,693**	-
Property and equipment written off		**380**	-
Net impairment losses on financial assets	4,6	**26,303,698**	17,972,738
COVID-19 related concession		**-**	(123,951)
Employee benefit obligations	14	**1,600,766**	942,901
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(509,196,937)**	(577,240,567)
Increase in prepayments and other receivables		**(10,107,701)**	(186,574)
(Decrease) increase in trade and other payables		**(768,131)**	37,775,065
Cash utilized in operations		**(333,099,705)**	(484,875,062)
Finance costs paid		**(11,228,230)**	(4,827,294)
Zakat paid	12	**(4,205,116)**	(303,663)
Employee benefit obligations paid	14	**(634,430)**	(130,799)
Net cash outflow from operating activities		**(349,167,481)**	(490,136,818)
Cash flows from investing activities			
Payments for purchases of property and equipment	7	**(2,433,849)**	(4,086,571)
Payments for additions to intangible assets	8	**(5,865,001)**	(5,838,614)
Payment for transfer of subsidiaries	1	**(250,000,000)**	-
Net cash outflow from investing activities		**(258,298,850)**	(9,925,185)
Cash flows from financing activities			
Increase in share capital of United Company for Financial Services	1	**-**	200,000,000
Proceeds from long-term borrowings	13	**510,000,000**	220,000,000
Repayment of long-term borrowings	13	**(55,020,834)**	-
Proceeds from short-term borrowings		**-**	120,000,000
Repayment of short-term borrowings	13	**(120,000,000)**	-
Principal elements of lease payments		**(604,091)**	(455,480)
Issuance of share capital	1	**250,000,000**	-
Net cash inflow from financing activities		**584,375,075**	539,544,520
Net change in cash and cash equivalents		**(23,091,256)**	39,482,517
Cash and cash equivalents at beginning of the year		**60,734,833**	21,252,316
Cash and cash equivalents at end of the year	4	**37,643,577**	60,734,833

The accompanying notes are an integral part of these special purpose consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to special purpose consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 Legal status and operations

United International Holding Company ("the Company" or "UIHC") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2051237935 issued in Al-Khobar on 13 Rabie Al Awwal 1443 H (21 October 2021). The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are managing investments in stocks and other securities, providing loans, guarantees, financing to its affiliated companies and various types of consumer and product finance services.

The Company is a subsidiary of United Electronics Company ("UEC"), a Saudi Joint Stock Company, incorporated in the Kingdom of Saudi Arabia, which is principally engaged in the retail and wholesale of electric appliances and electronic gadgets etc. Also see Note 9.

Transfer of subsidiaries:

The accompanying special purpose consolidated financial statements include accounts of the company and its following wholly owned subsidiaries:

Subsidiaries	Country of incorporation
United Company for Financial Services ("UCFS")	Kingdom of Saudi Arabia
Procco Financial Services W.L.L. ("Procco")	Kingdom of Bahrain

Effective 1 November 2021, UEC resolved to transfer the ownership of two subsidiaries namely UCFS and Procco including all their assets, rights, liabilities and obligations to the Group which were previously directly controlled by UEC.

The transfer of subsidiaries to UIHC represented a business combination under common control and was accounted for using the predecessor method of accounting. Since UIHC chose to apply the predecessor method retrospectively, an acquirer was not required to be identified.

Under the predecessor accounting method:

- The acquired entity's results and statement of financial position are incorporated as if both entities (acquirer and acquiree) had always been combined.
- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.
- Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

A number of factors are considered in determining the above accounting policy for accounting of transactions under common control. These factors relate to:

- Non-existence of non-controlling interest;
- Consideration of the transfer was determined based at book values; and
- The entities were under the same management before and after the combination.

Accordingly, the Group used the book values of the net assets of UCFS and those in the consolidated financial statements of UEC (Ultimate Parent Company) for Procco (predecessor values from the highest level of consolidation) as of 1 January 2020 (being the beginning date of the earliest period presented in these special purpose consolidated financial statements) for the purposes of applying the predecessor accounting method policy.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to special purpose consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

Until the date of the combination (that is, date at which UCFS and Procco were legally transferred to UIHC), the net assets of UCFS and Procco are presented as part of "Common control reserve" in equity.

The net changes and any changes therein, include retained earnings, share capital and other reserves in the equity of UCFS and of Procco.

The net assets of UCFS and Procco as at 1 January 2020 (earliest period presented) and as at the date of combination are as follows:

As at 1 January 2020

Assets	
Cash and cash equivalents	**21,252,316**
Prepayment and other receivables	**4,461,802**
Investment in Islamic financing contracts	**143,899,072**
Goodwill	**528,692**
Right-of-use assets	**2,289,573**
Property and equipment	**2,509,198**
Intangible assets	**9,212,902**
Total assets	**184,153,555**
Liabilities	
Trade and other payables	**45,132,173**
Zakat payable	**288,525**
Lease liabilities	**2,432,597**
Employee benefit obligations	**2,113,402**
Total liabilities	**49,966,697**
Net assets	**134,186,858**

During the year ended 31 December 2020, UCFS issued additional shares to UEC for Saudi Riyals 200 million.

As at 1 November 2021

Assets	
Cash and cash equivalents	**83,840,612**
Prepayment and other receivables	**22,643,170**
Investment in Islamic financing contracts	**1,106,396,199**
Goodwill	**528,692**
Right-of-use assets	**1,229,852**
Property and equipment	**6,003,589**
Intangible assets	**17,827,033**
Total assets	**1,238,469,147**
Liabilities	
Trade and other payables	**125,972,047**
Zakat payable	**11,237,808**
Lease liabilities	**1,393,133**
Borrowings	**642,585,187**
Employee benefit obligations	**6,290,185**
Total liabilities	**787,478,360**
Net assets transferred	**450,990,787**

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to special purpose consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

On its incorporation, UIHC issued shares to UEC and received cash of Saudi Riyals 250.0 million. Such proceeds from the share issue were subsequently used to pay UEC against the transfer of the above net assets of UCFS and Procco by means of settlement in cash amounting to Saudi Riyals 250.0 million whereas the remaining amount of Saudi Riyals 201.0 million has been recognized against additional capital contribution from UEC.

Net assets transferred	**450,990,787**
Settlement of net assets transferred	
Settlement through cash	**250,000,000**
Additional capital contribution from UEC	**200,990,787**
	450,990,787

Until 21 October 2021, UIHC had no share capital and reserves in its own right, therefore, it was not meaningful to present share capital or an analysis of reserves or components of other comprehensive income.

Legal status and operations of subsidiaries

UCFS:

UCFS 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). UCFS's head office is located in Al-Khobar, Kingdom of Saudi Arabia.

The principal business activities of UCFS 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. UCFS 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. UCFS's investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, UCFS 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.

During 2022, UCFS has commenced credit card financing activities and expects to further scale up such financing activities during 2023.

Procco:

Procco is a limited liability company registered and incorporated in the Kingdom of Bahrain on 12 September 2006 under Commercial Registration (CR) number 62406. Procco's registered head office is situated at Flat 401, Building 2504, Road 2832, Block 428, Al-Seef, Kingdom of Bahrain.

Procco has been granted an ancillary services license under volume 5 by the Central Bank of Bahrain ("CBB") and is licensed to provide remote processing and support services, data backup services, credit card payment services and technical services for financial institutions and other companies. Procco is currently engaged in providing call centre services, application processing and information technology support services to UCFS.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to special purpose consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies

Significant accounting policies applied in the preparation of these special purpose consolidated financial statements are set out below. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

These special purpose consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

As explained in Note 1, transfer of subsidiaries to UIHC represented a business combination under common control and was accounted for using the predecessor method of accounting. The results and statement of financial position of UIHC, UCFS and Procco have been incorporated in these special purpose consolidated financial statements as if these entities had always been combined. Accordingly, these special purpose consolidated financial statements include the financial information of the Group for the periods prior to the date of incorporation of UIHC.

These special purpose consolidated financial statements have been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia.

b) Historical cost convention

These special purpose consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the relevant accounting policies below.

c) Basis of presentation

The Group's consolidated statement of financial position is not presented using a current/non-current classification. However, the following balances are classified as current: cash and cash equivalents, trade and other payables and zakat payable. The following balances are classified as non-current: property and equipment, intangible assets, right-of-use assets and employee benefit obligations. As at 31 December 2021 and 2020, the balances which are of mixed in nature i.e. include both current and non-current portions include lease liabilities, prepayment and other receivables, investment in Islamic financing contracts and borrowings. See Notes 5, 6 and 13 for breakdown for the current/non-current classification for such balances.

d) New standards and amendment to standards and interpretations

The Group has applied the following amendments for the first time for their reporting period commencing on or after 1 January 2021.

- Covid-19 - Related Rent Concessions - amendments to IFRS 16 'Leases' ("IFRS 16"); and
- Interest Rate Benchmark Reform - Phase 2 - amendments to IFRS 9 'Financial Instruments' ("IFRS 9"), IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16.

No material impact was identified upon adoption of the amended standards.

e) Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Group.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to special purpose consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

The Group is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 'Insurance contracts' ("IFRS 17"), the Group expects to make a policy choice to continue to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17. Accordingly, based on management's assessment, no impact is expected upon adoption of IFRS 17.

The management is in the process of assessing the impact of the other new standards and interpretations on its consolidated financial statements.

2.2 Foreign currencies

a) Functional and presentation currency

The accompanying special purpose consolidated financial statements are presented in Saudi Riyals which is functional currency and presentation currency of the Group. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the subsidiary operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

c) Group entities

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi riyals are translated into Saudi Riyals as follows:

i. Assets and liabilities for each of financial position presented are translated at the closing exchange rate at the date of that statement of financial position.
ii. Income and expenses for each profit or loss are translated at average exchange rates and
iii. Components of the equity accounts are translated at exchange rates in effect at the dates the related items originated

2.3 Basis of consolidation

The special purpose consolidated financial statements comprise the financial statements of the company and its subsidiaries over which it has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Specifically, the group control an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that five it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangement; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the special purpose consolidated financial statements from the date the Group gains control gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this result in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative transaction differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be if the group had directly disposed of the relates assets or liabilities.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transaction, are eliminated in preparing the special purpose consolidated financial statements, unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to special purpose consolidated financial statements for the year ended 31 December 2021
(All amounts in Saudi Riyals unless otherwise stated)

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognized at their fair value. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.7 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessee

At the lease commencement date the Group recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, if the Group does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, currency and security.

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Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets (ROU)

The Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and future restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group has leases with respect to office space. Rental contracts are typically made for fixed period of 12 months to 4 years but may have extension options for an additional term. The Group has not recognised certain lease liabilities or right-of-use assets in the accompanying special purpose consolidated financial statements as such lease arrangements i.e. leases for office premises, marketing kiosks etc. are short-term arrangements. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The right-of-use assets are presented as a separate line in the statement of financial position. The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

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2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective profit rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective profit rate method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

2.10 Employee benefit obligations

The level of benefit is based on the terms and conditions of the labor laws applicable to the Group on termination of their employment contracts.

The employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to actuarial reserve in the statement of changes in equity in the period in which they occur.

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Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Group has no further payment obligations once the contributions have been paid.

2.11 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the statement of financial position.

2.12 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from Islamic financing contracts is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

The calculation of EPR includes transaction costs and processing fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets, such as costs pertaining to evaluation of customers' credit worthiness, sales commission etc. Processing fees is charged in respect of processing of Islamic financing contracts.

2.15 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.16 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") Additional amounts, if any, are accounted for when determined to be required for payment.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

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2.17 Financial Instruments

2.17.1 Financial Assets

a) Classification

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss ("FVTPL").

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

This classification is based on the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP").

b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets are at amortised cost. Financial income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Instances of modifications to the terms of the Group's financial assets are rare, considering that the acceptance of modification request from the customers is at the discretion of the Group, except for cases as mandated by SAMA regulations. Modifications to the investment in Islamic financing contracts have an immaterial impact on the accompanying special purpose consolidated financial statements. Also see Note 20.

c) De-recognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the three-stage model for impairment of financial assets, based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("Under-performing") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Group is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, which is fully aligned with the definition of credit-impaired under IFRS 9. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Group, when determining whether the credit risk on a financial asset has increased significantly since the initial recognition of the financial asset, considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

Financial assets are written-off only when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include amongst others, customers' failure to make contractual payments for a period of greater than 365 days past default and or engage with the Group's collection team. Furthermore, all outstanding exposures from deceased customers are written off immediately.

Where financial assets are written-off, the Group continues to engage enforcement activities to attempt to recover the receivable due, except for balances written off for deceased customers, which are immaterial. Recoveries made, after write-off, are recognized in 'Net impairment losses on financial assets' in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 20.

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2.17.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.17.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the special purpose consolidated financial statements, when the Group has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.18 Investment in Islamic financing contracts

2.18.1 Tawarruq financing contracts

Tawarruq is an agreement wherein the Group sells a product to its customer which the Group has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement (“Tawarruq financing contracts”). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under Tawarruq financing contracts.

2.18.2 Murabaha financing contracts

Murabaha is an Islamic form of financing wherein, the Group based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Group’s cost-plus profit, payable on deferred basis in installments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

2.18.3 Islamic credit card receivables

Islamic credit card receivables are initially measured at the fair value-which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortized cost.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Reportable segments are those operating segments, or aggregations of operating segments, for which segment information is separately reported. While the Board of Directors of the Group, considered as Chief Operating Decision Maker, review the internal management reports by type of products, however, these are not considered as separately identifiable reportable segments as discrete financial information is not available for such products. Accordingly, management has concluded that there are no reportable segments.

2.20 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on liquidity. However, an asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3 Critical accounting estimates and judgments

The preparation of special purpose consolidated financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Critical accounting estimate

(i) Measurement of ECL allowance on investment in Islamic financing contracts

Measurement of ECL allowance on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. See Notes 6 and 20.

b) Critical accounting judgements

(i) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management has exercised judgement in determining that its lease agreements for certain office spaces and other kiosks etc. are short term in nature considering expected expansion of workforce, insignificant leasehold improvements, analysis of utility of the kiosks and expectation of no significant business disruption.

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The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(ii) SPPP Test:

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default of payment of two consecutive installments by the customer, the entire contract amount becomes payable upon demand by the Group at its discretion. However, the Group pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

4 Cash and cash equivalents

	2021	**2020**
Cash in hand	**13,099**	20,457
Cash at bank	**37,630,478**	60,714,376
	37,643,577	60,734,833

Also see Note 20.

5 Prepayments and other receivables

	Note	**2021**	**2020**
Prepaid expenses		**12,519,249**	2,104,181
Advances to employees		**742,744**	1,716,568
Advances to suppliers		**722,831**	55,790
Due from a related party	15	**73,657**	-
Other receivables		**794,696**	868,937
		14,853,177	4,745,476
Classification of prepayments and other receivables is presented below:			
Due within 12 months		**11,623,273**	4,745,476
Due after 12 months		**3,229,904**	-
		14,853,177	4,745,476

Also see Note 15.2 and Note 20.

6 Investment in Islamic financing contracts

	2021	**2020**
Investment in Tawarruq financing contracts, net	**832,643,696**	451,175,950
Investment in Murabaha financing contracts, net	**353,416,444**	251,990,951
	1,186,060,140	703,166,901
Less: Due after 12 months	**748,432,280**	448,321,843
Due within 12 months	**437,627,860**	254,845,058

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

	Tawarruq finance		Murabaha finance		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Gross investment in Islamic financing contracts	**1,314,158,451**	753,833,231	**490,019,644**	356,473,902	**1,804,178,095**	1,110,307,133
Unearned finance and processing fee income	**(457,581,869)**	(287,922,472)	**(127,172,415)**	(98,600,769)	**(584,754,284)**	(386,523,241)
Present value of investment in Islamic financing contracts ("P.V of I.F.C.")	**856,576,582**	465,910,759	**362,847,229**	257,873,133	**1,219,423,811**	723,783,892
Allowance for ECL/net impairment on financial assets	**(23,932,886)**	(14,734,809)	**(9,430,785)**	(5,882,182)	**(33,363,671)**	(20,616,991)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	**832,643,696**	451,175,950	**353,416,444**	251,990,951	**1,186,060,140**	703,166,901
Net investment in I.F.C. - Due after 12 months	**(616,068,175)**	(347,324,668)	**(132,364,105)**	(100,997,175)	**(748,432,280)**	(448,321,843)
Net investment in I.F.C. - Due within 12 months	**216,575,521**	103,851,282	**221,052,339**	150,993,776	**437,627,860**	254,845,058

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

	Tawarruq finance		Murabaha finance		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Opening balance	**14,734,809**	1,312,502	**5,882,182**	1,331,751	**20,616,991**	2,644,253
Charge for the year	**19,374,646**	13,422,307	**6,920,310**	4,550,431	**26,294,956**	17,972,738
Amounts written-off	**(10,176,569)**	-	**(3,371,707)**	-	**(13,548,276)**	-
Closing balance	**23,932,886**	14,734,809	**9,430,785**	5,882,182	**33,363,671**	20,616,991

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

31 December 2021	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total Net investment in I.F.C.
Performing (Stage 1)	**812,453,495**	**(6,019,104)**	**806,434,391**	**341,693,147**	**(1,719,015)**	**339,974,132**	**1,154,146,642**	**(7,738,119)**	**1,146,408,523**
Under-performing (Stage 2)	**9,813,848**	**(2,067,066)**	**7,746,782**	**5,149,276**	**(574,371)**	**4,574,905**	**14,963,124**	**(2,641,437)**	**12,321,687**
Non-performing (Stage 3)	**34,309,239**	**(15,846,716)**	**18,462,523**	**16,004,806**	**(7,137,399)**	**8,867,407**	**50,314,045**	**(22,984,115)**	**27,329,930**
	856,576,582	**(23,932,886)**	**832,643,696**	**362,847,229**	**(9,430,785)**	**353,416,444**	**1,219,423,811**	**(33,363,671)**	**1,186,060,140**

31 December 2020	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total Net investment in I.F.C.
Performing (Stage 1)	445,805,392	(4,424,601)	441,380,791	247,880,856	(1,832,768)	246,048,088	693,686,248	(6,257,369)	687,428,879
Under-performing (Stage 2)	4,516,818	(1,071,306)	3,445,512	2,790,931	(310,276)	2,480,655	7,307,749	(1,381,582)	5,926,167
Non-performing (Stage 3)	15,588,549	(9,238,902)	6,349,647	7,201,346	(3,739,138)	3,462,208	22,789,895	(12,978,040)	9,811,855
	465,910,759	(14,734,809)	451,175,950	257,873,133	(5,882,182)	251,990,951	723,783,892	(20,616,991)	703,166,901

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6.4 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
2021				
1 January 2021	**6,257,369**	**1,381,582**	**12,978,040**	**20,616,991**
Individual financial assets transferred to under-performing (lifetime expected credit losses)	**(96,402)**	**1,062,064**	**(103,526)**	**862,136**
Individual financial assets transferred to non-performing (credit-impaired financial assets)	**(515,957)**	**(924,692)**	**14,854,391**	**13,413,742**
Individual financial assets transferred to performing (12-month expected credit losses)	**11,351**	**(377,736)**	**(593,292)**	**(959,677)**
New financial assets originated	**5,410,006**	**1,555,126**	**7,286,224**	**14,251,356**
Amounts written-off	**(126,114)**	**(111,848)**	**(13,310,314)**	**(13,548,276)**
Other changes	**(3,202,134)**	**56,941**	**1,872,592**	**(1,272,601)**
31 December 2021	**7,738,119**	**2,641,437**	**22,984,115**	**33,363,671**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
2020				
1 January 2020	1,350,703	384,654	908,896	2,644,253
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(37,128)	370,624	(5,662)	327,834
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(153,319)	(302,761)	5,165,091	4,709,011
Individual financial assets transferred to performing (12-month expected credit losses)	621	(122,191)	(88,137)	(209,707)
New financial assets originated	5,393,014	1,092,474	7,278,360	13,763,848
Other changes	(296,522)	(41,218)	(280,508)	(618,248)
31 December 2020	6,257,369	1,381,582	12,978,040	20,616,991

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

	Tawarruq finance			Murabaha finance			Total		
2021	**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	4,424,601	1,071,306	9,238,902	1,832,768	310,276	3,739,138	6,257,369	1,381,582	12,978,040
Individual financial assets transferred to									
- under-performing (lifetime expected credit losses)	(1,219,726)	2,048,711	(100,866)	(431,802)	568,479	(2,660)	(1,651,528)	2,617,190	(103,526)
- non - performing (credit-impaired financial assets)	(4,834,894)	(753,978)	15,197,024	(2,967,287)	(170,714)	6,943,591	(7,802,181)	(924,692)	22,140,615
- performing (12-month expected credit losses)	8,678	(265,197)	(460,041)	2,673	(112,539)	(133,251)	11,351	(377,736)	(593,292)
New financial assets originated	9,649,967	-	-	4,601,389	-	-	14,251,356	-	-
Amounts written-off	(117,042)	(92,717)	(9,966,810)	(9,072)	(19,131)	(3,343,504)	(126,114)	(111,848)	(13,310,314)
Other changes	(1,892,480)	58,941	1,938,507	(1,309,654)	(2,000)	(65,915)	(3,202,134)	56,941	1,872,592
At 31 December	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	7,738,119	2,641,437	22,984,115

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	Tawarruq finance			**Murabaha finance**			**Total**		
2020	**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	1,095,443	81,033	135,806	255,260	303,621	773,090	1,350,703	384,654	908,896
Individual financial assets transferred to									
- under-performing (lifetime expected credit losses)	(846,387)	1,144,036	-	(283,214)	319,063	(5,662)	(1,129,601)	1,463,099	(5,662)
- non -performing (credit-impaired financial assets)	(4,814,360)	(81,033)	8,954,197	(2,617,319)	(221,728)	3,489,255	(7,431,679)	(302,761)	12,443,452
- performing (12-month expected credit losses)	-	-	-	621	(122,191)	(88,137)	621	(122,191)	(88,137)
New financial assets originated	9,360,412	-	-	4,403,437			13,763,849	-	-
Other changes	(370,507)	(72,730)	148,899	73,983	31,511	(429,408)	(296,524)	(41,219)	(280,509)
At 31 December	4,424,601	1,071,306	9,238,902	1,832,768	310,276	3,739,138	6,257,369	1,381,582	12,978,040

Following factors contributed to the change in the ECL allowance during the year ended 31 December 2021:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- While the total exposure in Stage 1 and 2 has increased during 2021, the Group has updated the historical collection and default information used to arrive at the weighted average PDs which are lower than the prior year. Furthermore, impact of change in LGD used for computing ECL on Murabaha portfolio has contributed towards a decrease in ECL. Also see Note 20;
- Additional allowances for new financial assets recognised during the year; and
- Financial assets written off;

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6.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows:

	Tawarruq finance			Murabaha finance			Total		
2021	**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	445,805,392	4,516,818	15,588,549	247,880,856	2,790,931	7,201,346	693,686,248	7,307,749	22,789,895
Individual financial assets transferred to									
- under-performing (lifetime expected credit losses)	(10,062,018)	10,315,878	(253,860)	(6,162,626)	6,173,793	(11,167)	(16,224,644)	16,489,671	(265,027)
- non - performing (credit-impaired financial assets)	(30,726,636)	(2,870,970)	33,597,606	(15,868,821)	(1,149,376)	17,018,197	(46,595,457)	(4,020,346)	50,615,803
- performing (12-month expected credit losses)	1,291,244	(846,718)	(444,526)	532,408	(464,824)	(67,584)	1,823,652	(1,311,542)	(512,110)
New financial assets originated	564,434,227	-	-	271,792,886	-	-	836,227,113	-	-
Amounts written-off	(71,687)	(93,020)	(10,158,378)	(54,427)	(18,828)	(3,151,936)	(126,114)	(111,848)	(13,310,314)
Collections and other changes	(158,217,027)	(1,208,140)	(4,020,152)	(156,427,129)	(2,182,420)	(4,984,050)	(314,644,156)	(3,390,560)	(9,004,202)
At 31 December	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	1,154,146,642	14,963,124	50,314,045

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6.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows: (continued)

	Tawarruq finance			Murabaha finance			Total		
2020	**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	109,403,816	345,234	300,931	32,311,982	2,381,304	1,800,058	141,715,798	2,726,538	2,100,990
Individual financial assets transferred to							-	-	-
- under-performing (lifetime expected credit losses)	(5,015,017)	5,015,017	-	(5,665,283)	5,679,823	(14,540)	(10,680,300)	10,694,840	(14,540)
- non - performing (credit-impaired financial assets)	(16,411,690)	(308,096)	16,719,786	(7,098,549)	(683,094)	7,781,643	(23,510,239)	(991,190)	24,501,429
- performing (12-month expected credit losses)	33,835	(33,835)	-	207,768	(199,272)	(8,496)	241,603	(233,107)	(8,496)
New financial assets originated	388,671,264	-	-	247,062,521	-	-	635,733,785	-	-
Collections and other changes	(30,876,816)	(501,502)	(1,432,168)	(18,937,583)	(4,387,830)	(2,357,319)	(49,814,399)	(4,889,332)	(3,789,488)
At 31 December	445,805,392	4,516,818	15,588,549	247,880,856	2,790,931	7,201,346	693,686,248	7,307,749	22,789,895

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

	2021	2020
Gross investment in Islamic financing contracts		
Within one year	**607,566,967**	369,330,779
From one to two years	**573,737,177**	337,742,843
From two to three years	**344,697,075**	219,367,297
From three to four years	**205,797,531**	120,996,181
Four to five years	**72,379,345**	62,870,033
	1,804,178,095	1,110,307,133

	2021	2020
Present value of investment in Islamic financing contracts		
Within one year	**449,225,207**	262,532,072
From one to two years	**385,306,896**	220,343,270
From two to three years	**217,706,552**	135,172,092
From three to four years	**124,839,562**	70,442,251
Four to five years	**42,345,594**	35,294,207
	1,219,423,811	723,783,892

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7 Property and equipment

	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
31 December 2021				
Cost				
1 January	**17,417,126**	**1,633,922**	**790,955**	**19,842,003**
Additions	**1,632,779**	**-**	**801,070**	**2,433,849**
Transfer	**1,123,378**	**255,870**	**(1,379,248)**	**-**
Write-offs	**(380)**	**-**	**-**	**(380)**
31 December	**20,172,903**	**1,889,792**	**212,777**	**22,275,472**
Accumulated depreciation				
1 January	**(13,075,169)**	**(1,390,407)**	**-**	**(14,465,576)**
Additions	**(1,519,338)**	**(105,744)**	**-**	**(1,625,082)**
Write-offs	**-**	**-**	**-**	**-**
31 December	**(14,594,507)**	**(1,496,151)**	**-**	**(16,090,658)**
Net book value	**5,578,396**	**393,641**	**212,777**	**6,184,814**

	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
31 December 2020				
Cost				
1 January	14,140,182	1,338,100	329,416	15,807,698
Additions	2,999,794	295,822	790,955	4,086,571
Transfer	329,416	-	(329,416)	-
Disposals	(52,266)	-	-	(52,266)
31 December	17,417,126	1,633,922	790,955	19,842,003
Accumulated depreciation				
1 January	(11,998,264)	(1,300,236)	-	(13,298,500)
Additions	(1,129,171)	(90,171)	-	(1,219,342)
Disposals	52,266	-	-	52,266
31 December	(13,075,169)	(1,390,407)	-	(14,465,576)
Net book value	4,341,957	243,515	790,955	5,376,427

The estimated useful lives of assets are as follows:

	Number of years
• Furniture, fixtures and office equipment	2 - 5
• Leasehold improvements	3 - 5

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8 Intangible assets

	Computer software	Capital work-in-progress	Total
31 December 2021			
Cost			
At 1 January	**22,507,020**	**4,895,809**	**27,402,829**
Additions	**2,959,030**	**2,905,971**	**5,865,001**
Write off	**(130,688)**	**(139,011)**	**(269,699)**
At 31 December	**25,335,362**	**7,662,769**	**32,998,131**
Accumulated amortisation			
At 1 January	**(13,556,918)**	**-**	**(13,556,918)**
Additions	**(1,406,582)**	**-**	**(1,406,582)**
Write-offs	**59,006**	**-**	**59,006**
At 31 December	**(14,904,494)**	**-**	**(14,904,494)**
Net book value	**10,430,868**	**7,662,769**	**18,093,637**

	Computer software	Capital work-in-progress	Total
31 December 2020			
Cost			
At 1 January	21,564,215	-	21,564,215
Additions	942,805	4,895,809	5,838,614
At 31 December	22,507,020	4,895,809	27,402,829
Accumulated amortisation			
At 1 January	(12,351,313)	-	(12,351,313)
Additions	(1,205,605)	-	(1,205,605)
At 31 December	(13,556,918)	-	(13,556,918)
Net book value	8,950,102	4,895,809	13,845,911

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 2 - 10 years.

The Group's capital-work-in-progress as at 31 December 2021 principally comprises the costs incurred related to computer software which were subsequently competed during 2022 with a total estimated cost of Saudi Riyals 8.1 million.

9 Share capital

The share capital of the Company as of 31 December 2021 comprised 25 million shares stated at Saudi Riyals 10 per share.

Shareholder	Country of incorporation	31 December 2021
United Electronics Company ("UEC")	Kingdom of Saudi Arabia	99%
United Electronics Company - Extra W.L.L. (" eXtra Bahrain")	Kingdom of Bahrain	1%
		100%

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10 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Group's By-laws, the Group is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals to 30% of its share capital. This reserve is currently not available for distribution to shareholders of the Group.

11 Trade and other payables

	Note	2021	2020
Due to related parties	15	**38,956,696**	45,306,196
Trade payables		**14,760,473**	16,972,189
Accrued expenses		**9,623,053**	7,834,641
Advances from customers		**6,585,783**	3,513,623
Accrued salaries and other benefits		**8,211,458**	5,598,823
Accrued Board of Directors' fee		**1,983,850**	1,778,000
Value added tax payable		**309,304**	167,477
		80,430,617	81,170,949

12 Zakat payable

The Group is subject to zakat. In accordance with the regulations of the ZATCA, zakat is payable at 2.578% on all components of the zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%. The Company and UCFS files separate zakat return on a stand-alone basis whereas no zakat is applicable on Procco. For UCFS, zakat is payable at 2.577% of zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before zakat.

12.1 Components of approximate zakat base

The significant components of the zakat base under the applicable zakat regulations principally comprise shareholders' equity, provisions at the beginning of the year, long-term borrowings and adjusted net profit, less deduction for the net book value of property and equipment, investments and certain other items.

12.2 Provision for zakat

	2021	2020
Opening balance	**5,320,509**	288,525
Provision	**14,308,270**	5,335,647
Payments	**(4,205,116)**	(303,663)
Closing balance	**15,423,663**	5,320,509

12.3 Status of final assessments

Subsequent to 31 December 2021, UIHC has submitted its first zakat return with the ZATCA for the period from 21 October 2021 (date of incorporation) to 31 December 2022 which is currently under review by ZATCA. UCFS zakat assessments since inception are currently under review by the ZATCA and it has obtained zakat certificates from ZATCA for the years through 2022.

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13 Borrowings

	2021	2020
Long-term borrowings		
Murabaha facilities	**674,979,166**	220,000,000
Short-term borrowings		
Tawarruq facilities	**-**	50,000,000
Murabaha facilities	**-**	70,000,000
	674,979,166	340,000,000
Accrued finance cost	**764,738**	681,964
	675,743,904	340,681,964

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	**158,111,960**	157,265,297
Due after 12 months	**517,631,944**	183,416,667
	675,743,904	340,681,964

The Group has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia and has utilized facilities allocated to it from the facilities available to United Electronics Company. Details of the type of borrowings facilities as allocated to and availed by the Group are as follows:

Long-term borrowings:

Murabaha I

Total amount allocated to the Group under such facility is Saudi Riyals 250 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2021, the Group had an outstanding loan balance of Saudi Riyals 233.0 million against this facility (31 December 2020: Saudi Riyals 120 million).

Murabaha III

Total amount allocated to the Group under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. As at 31 December 2021, the Group had an outstanding loan balance of Saudi Riyals 392.0 million against this facility (31 December 2020: Saudi Riyals 100 million).

Murabaha IV

Total amount allocated to the Group under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2021, the Group had an outstanding loan balance of Saudi Riyals 50.0 million against this facility (31 December 2020: Saudi Riyals Nil).

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Short-term borrowings:

Murabaha II

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

Tawarruq I

Total amount allocated to the Group under such facility is Saudi Riyals 70 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 1.1% to 1.4%. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Group was in compliance with at 31 December 2021. Also see Note 20.

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

	2021	**2020**
Less than 6 months	**71,638,889**	132,083,333
Between 6 to 12 months	**85,708,333**	24,500,000
Between 1 and 2 years	**171,416,667**	49,000,000
Between 2 and 5 years	**342,215,277**	131,416,667
Above 5 years	**4,000,000**	3,000,000
	674,979,166	340,000,000

Maturity profile of borrowings, including finance cost component, is disclosed in note 20.

14 Employee benefit obligations

14.1 General description of the plan

The Group operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2021.

14.2 Movement in net liability recognized in the statement of financial position

	2021	**2020**
Opening balance	**5,337,375**	2,109,793
Current service cost	**1,496,241**	855,900
Interest expense	**104,525**	87,001
Remeasurements	**(48,384)**	598,467
Payments	**(634,430)**	(130,799)
Obligation transferred from the shareholder	**-**	1,817,013
Closing balance	**6,255,327**	5,337,375

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14.3 Amounts recognized in statement of profit or loss and other comprehensive income

	2021	**2020**
Current service cost	**1,496,241**	855,900
Interest cost	**104,525**	87,001
Total amount recognized in profit or loss	**1,600,766**	942,901
Remeasurements		
(Gain) loss due to change in financial assumptions	**(346,899)**	537,026
Loss due to change in demographic assumptions	**571**	-
Loss due to change in experience adjustments	**297,944**	61,441
Total amount recognized in other comprehensive income	**(48,384)**	598,467

14.4 Key actuarial assumptions

	2021	**2020**
Discount rate	**2.95%-5.50%**	2.1%-4.60%
Salary growth rate	**2%-3%**	2%-3%
Retirement age	**60 years**	60 years
Withdrawal rate	**6% to 28%**	5% to 26%

14.5 Sensitivity analysis for significant actuarial assumptions

2021	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.50%**	**0.50%**	**(215,652)**	**226,902**
Salary growth rate	**0.50%**	**0.50%**	**212,053**	**(177,470)**

2020	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	(231,356)	247,909
Salary growth rate	0.50%	0.50%	245,800	(231,634)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The methods and assumptions used in preparing the sensitivity analysis for 2021 and 2020 presented above are consistent.

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14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 6.67 years (2020: 7.31 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	1 – 2 years	2 – 5 years	5 – 10 years	Total
2021	**779,289**	**868,185**	**3,014,521**	**7,224,451**	**11,886,446**
2020	610,448	671,000	2,332,987	5,346,501	8,960,936

15 Related party transactions and balances

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

15.1 Information about the related parties' balances as at 31 December and transactions in the ordinary course of business during the year were as follows:

Related party	**Relationship**
UEC	Shareholder
eXtra Bahrain	Shareholder

Due from related parties

	2021	**2020**
eXtra Bahrain	**73,657**	-

Due to related parties

	2021	**2020**
UEC	**38,956,696**	45,249,546
eXtra Bahrain	-	56,650
	38,956,696	45,306,196

Movement in balances due to UEC are as follows:

	2021	**2020**
UEC		
Opening balance	**45,249,546**	33,440,987
Customer purchases financed under Murabaha contracts	**356,634,421**	300,106,389
Payments to UEC	**(417,837,424)**	(363,286,410)
Collections made by UEC on behalf of UIHC	**(7,003,532)**	(31,634,973)
Collections made by UIHC on behalf of UEC	**51,858,957**	100,710,576
Expenses incurred by UIHC on behalf of UEC	**(577,860)**	(1,767,229)
Expenses incurred by UEC on behalf of UIHC	**9,484,212**	8,051,515
Information Technology support charges	**1,148,376**	1,445,704
Obligation transferred from the shareholder	-	(1,817,013)
Closing balance	**38,956,696**	45,249,546

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Nature of transactions:

The transactions are based on terms agreed as per signed agreements between the Group 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 Group include office rent, utilities and other expenses.
- Collections made by the Group on behalf of UEC represents collections for UEC's legacy financing portfolio.

Related party balances as at 31 December 2021 and 2020 bear no financial charges.

15.2 Key management compensation

	2021	2020
Short-term employee benefits	**8,998,880**	6,162,732
Employee benefit obligations	**426,166**	259,885
Board of Directors' fees	**1,989,000**	1,778,000
	11,414,046	8,200,617

Key management personnel include Chief Executive Officer and other department heads of UCFS. As at 31 December 2021, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.3 million (31 December 2020: Saudi Riyals 0.8 million). Also see Note 5.

16 Income from Islamic financing contracts

	2021	2020
Income from Tawarruq finance activities, net	**180,166,934**	76,855,717
Income from Murabaha finance activities, net	**120,728,180**	53,775,945
	300,895,114	130,631,662

17 General and administrative expenses

	Note	2021	2020
Salaries and other benefits		**27,235,950**	18,573,909
Information technology support		**5,712,033**	4,138,433
Professional fees		**3,610,748**	1,940,649
Amortization	8	**1,280,338**	1,111,504
Rent		**820,448**	620,001
Depreciation on property and equipment	7	**883,987**	605,306
Depreciation on right-of-use assets		**313,305**	308,362
Others		**3,152,652**	2,819,563
		43,009,461	30,117,727

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18 Selling and marketing expenses

	Note	2021	2020
Salaries and other benefits		**41,940,234**	28,994,645
Information technology support		**12,833,554**	7,009,555
Advertising		**10,509,809**	9,333,278
Professional fees		**5,500,409**	1,828,961
Rent		**2,949,746**	2,700,000
Depreciation on property and equipment	7	**741,095**	614,036
Depreciation on right-of-use assets		**268,275**	264,044
Amortization	8	**126,244**	94,101
Others		**2,937,064**	2,490,712
		77,806,430	53,329,332

19 Basic and diluted earnings per share

	2021	2020
Profit for the year	**129,625,009**	21,564,576
Weighted average number of ordinary shares for basic and diluted earnings per share	**25,000,000**	25,000,000
Basic and diluted earnings per share	**5.19**	0.86

For the purpose of calculation of basic and diluted earnings per share, it has been assumed that shares were issued as at 1 January 2020 (earliest period presented). Also see Note 1.

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20 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Group's overall risk management program, which is carried out by senior management under policies approved by the Risk and Credit Management Committee of 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 Group's risk management framework. The Risk and Credit Management Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group and their respective mitigating strategies are summarized below:

20.1 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 Group. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 December 2021, the Group has maintained an ECL allowance of Saudi Riyals 33.4 million (31 December 2020: Saudi Riyals 20.6 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

20.1.1 Investment in Islamic financing contracts

Investment in Tawarruq, Murabaha and credit card finance contracts is generally exposed to significant credit risk. Therefore, the Group 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 Group 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 Group generally receives repayments through variable channels such as SADAD and bank transfers. The Group 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 on a quarterly basis. Furthermore, the Group 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 carrying amounts as at 31 December, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.*

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
2021				
Internal credit risk ratings				
Low risk	**713,652,714**	**4,838,770**	**18,392,864**	**736,884,348**
Medium risk	**629,456,451**	**9,906,487**	**32,543,352**	**671,906,290**
High risk	**364,820,481**	**6,648,670**	**23,918,306**	**395,387,457**
	1,707,929,646	**21,393,927**	**74,854,522**	**1,804,178,095**

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
2020				
Internal credit risk ratings				
Low risk	443,373,855	4,635,468	11,809,259	459,818,582
Medium risk	413,372,633	5,517,031	16,926,078	435,815,742
High risk	203,469,850	2,568,380	8,634,579	214,672,809
	1,060,216,338	12,720,879	37,369,916	1,110,307,133

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**		**Total**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Not past due	**788,821,479**	429,589,484	**329,973,079**	235,284,127	**1,118,794,558**	664,873,611
Past due 1-30 days	**23,796,730**	14,530,989	**11,642,138**	10,305,367	**35,438,868**	24,836,356
Past due 31-90 days	**9,831,654**	4,894,988	**5,268,348**	4,162,047	**15,100,002**	9,057,035
Past due 91-180 days	**13,919,639**	7,545,660	**6,604,227**	4,090,447	**20,523,866**	11,636,107
Past due 181-364 days	**14,676,869**	8,024,194	**7,230,899**	2,682,676	**21,907,768**	10,706,870
Over 365 days	**5,530,211**	1,325,444	**2,128,538**	1,348,469	**7,658,749**	2,673,913
	856,576,582	465,910,759	**362,847,229**	257,873,133	**1,219,423,811**	723,783,892
Less: Impairment for Islamic financing contracts	**(23,932,886)**	(14,734,809)	**(9,430,785)**	(5,882,182)	**(33,363,671)**	(20,616,991)
Net investment in Islamic financing contracts	**832,643,696**	451,175,950	**353,416,444**	251,990,951	**1,186,060,140**	703,166,901

20.1.2 Measurement of ECL

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in Islamic financing contracts. The Group's ECL model is sensitive to macroeconomic variables such as expected movements of oil prices and unemployment scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2021.

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").

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The Group 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 Group uses present value of recoveries for loss accounts adjusted by the forward-looking information and further adjusts it in accordance with the Basel guidelines for investment in tawarruq financing contracts. EAD represents the expected exposure in the event of a default. The Group 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 Group has used each contract's effective profit rate. The Group's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

The Group’s management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

a) Generating the term structure of PD

PD measures the estimated likelihood of default over a time period. 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” default rates are calculated, which are later converted to Point-in-time PD using scalar factors by incorporating forward-looking information. For credit cards, the Group has used loss rates driven from historical data of other Islamic financing products, considering unavailability of extensive historical data.

b) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, management considers the ‘days past due’ analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

c) Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on an extensive exercise carried out by the management, it had concluded that the crude oil price was the macroeconomic factor with the highest correlation to the historical collection and default trends. The Group 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 30%, 40% and 30% for “upturn”, “baseline” and “downturn” scenarios respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information. As at 31 December 2021, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars (“USD”) 70.6, USD 63.9 and USD 50.6 per barrel respectively, which contributed to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation.

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d) Changes in assumptions including incorporation of forward-looking information

During the year ended 31 December 2021, the Group has incorporated unemployment weightage scenarios as an additional macro-economic forward looking information factor. There have been no other significant changes to the underlying methodology and assumptions used for determination of ECL.

e) Sensitivity analysis:

An increase or decrease of 10% in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 3.0 million, in the ECL allowance (31 December 2020: Saudi Riyals 2.1 million).

An increase or decrease of 10% in the unemployment scenario weightings with all other variables held constant, will result in an increase/decrease of Saudi Riyals 0.5 million in the ECL allowance (31 December 2020: Saudi Riyals Nil).

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 6.0 million or a decrease of Saudi Riyals 5.8 million, respectively in the ECL allowance (31 December 2020: an increase of Saudi Riyals 3.7 million or a decrease of Saudi Riyals 3.6 million, respectively in the ECL allowance).

20.1.3 Cash and cash equivalents and other receivables

The Group uses "low 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 December 2021 and 2020, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low 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 December 2021 and 2020, the ECL allowance on other financial assets was immaterial.

20.2 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 Group's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Group has profit bearing financial assets of Saudi Riyals 1,186.1 million (31 December 2020: Saudi Riyals 703.2 million). However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Group also has variable profit bearing financial liabilities of Saudi Riyals 675.7 million (31 December 2020: Saudi Riyals 340.7 million) and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 4.8 million (31 December 2020: Saudi Riyals 1.1 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Group's financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

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20.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities as made available by the shareholder. Total unused credit facilities available to the Group as at 31 December 2021 were approximately Saudi Riyals 594.3 million (2020: Saudi Riyals 529.3 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group'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 Group does not breach borrowing limits on any of its borrowing facilities allocated by the shareholder.

The tables below summarises the Group'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.

	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than three years	Total
2021						
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	**206,951,736**	**537,868,765**	**813,088,126**	**246,269,468**	**1,804,178,095**
Prepayments and other receivables	Non-profit bearing	**616,141**	**245,803**	**-**	**675,496**	**1,537,440**
Cash and cash equivalents	Non-profit bearing	**37,643,577**	**-**	**-**	**-**	**37,643,577**
		245,211,454	**538,114,568**	**813,088,126**	**246,944,964**	**1,843,359,112**
Financial liabilities						
Trade and other payables	Profit bearing	**73,844,834**	**-**	**-**	**-**	**73,844,834**
Borrowings	Non-profit bearing	**39,757,435**	**131,576,327**	**357,275,703**	**177,520,747**	**706,130,212**
Lease liabilities	Profit bearing	**463,275**	**358,920**	**478,560**	**-**	**1,300,755**
		114,065,544	**131,935,247**	**357,754,263**	**177,520,747**	**781,275,801**
Net financial assets		**131,145,910**	**406,179,321**	**455,333,863**	**69,424,217**	**1,062,083,311**

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2020	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	117,293,296	311,996,863	512,029,109	168,987,865	1,110,307,133
Prepayments and other receivables	Non-profit bearing	1,206,581	509,987	-	-	1,716,568
Cash and cash equivalents	Non-profit bearing	60,734,833	-	-	-	60,734,833
		179,234,710	312,506,850	512,029,109	168,987,865	1,172,758,534
Financial liabilities						
Trade and other payables	Profit bearing	77,657,326	-	-	-	77,657,326
Borrowings	Non-profit bearing	126,983,207	30,921,477	104,010,037	89,232,679	351,147,400
Lease liabilities	Profit bearing	647,287	358,920	1,435,680	-	2,441,887
		205,287,820	31,280,397	105,445,717	89,232,679	431,246,613
Net financial assets		(26,053,110)	281,226,453	406,583,392	79,755,186	741,511,921

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20.4 Net debt reconciliation

The net debt of the Group is as follows:

	2021	2020
Cash and cash equivalents	**(37,643,577)**	(60,734,833)
Lease liabilities	**1,249,085**	1,853,176
Borrowings	**675,743,904**	340,681,964
Total	**639,349,412**	281,800,307

The Group's net debt reconciliation is as follows:

2021	**At 1 January**	**Cash inflows**	**Cash outflows**	**Others**	**At 31 December**
Cash and cash equivalents	**(60,734,833)**	**(646,973,074)**	**670,064,330**	-	**(37,643,577)**
Lease liabilities	**1,853,176**	-	**(697,427)**	**93,336**	**1,249,085**
Borrowings	**340,681,964**	**510,000,000**	**(186,154,670)**	**11,216,610**	**675,743,904**
Net debt	**281,800,307**				**639,349,412**

2020	**At 1 January**	**Cash inflows**	**Cash outflows**	**Others**	**31 December**
Cash and cash equivalents	(21,252,316)	(632,676,030)	593,193,513	-	(60,734,833)
Lease liabilities	2,432,607	-	(561,196)	(18,235)	1,853,176
Borrowings	-	340,000,000	-	681,964	340,681,964
Net debt	(18,819,709)				281,800,307

20.5 Capital risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus borrowings, which is analysed as follows:

	2021	2020
Total equity	**485,397,028**	355,751,434
Borrowings	**675,743,904**	340,681,964
Total	**1,161,140,932**	696,433,398
Gearing ratio	**58.20%**	48.92%

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Further, the Group monitors aggregate amount of financing offered by UCFS 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.

	2021	2020
Net investment in Islamic financing contracts	**1,186,060,140**	703,166,901
Total equity of UCFS	**480,741,613**	351,767,122
Aggregate financing to capital ratio	**2.5**	2.0

Under the terms of certain borrowing facilities, in addition to compliance with SAMA's requirements, the Group 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 December 2021, the ratio of EBITDA to debt service was 2.3 (31 December 2020: 2.4), in compliance with the requirements of the minimum ratio as set out by the commercial banks.

21 Financial instruments

As at 31 December 2021 and 2020, all financial assets and financial liabilities of the Group are categorized as held at amortized cost. Management believes that the fair values of the Group's financial assets and liabilities 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.

The breakdown of these financial assets and liabilities is as follows:

	2021	2020
Financial assets at amortized cost		
Cash and cash equivalents	**37,643,577**	60,734,833
Investment in Islamic financing contracts	**1,186,060,140**	703,166,901
Prepayments and other receivables	**1,537,440**	1,716,568
Total	**1,225,241,157**	765,618,302
Financial liabilities at amortized cost		
Borrowings	**675,743,904**	340,681,964
Lease Liabilities	**1,249,085**	1,853,176
Trade and other payables	**73,844,834**	77,657,326
Total	**750,837,823**	420,192,466

At 31 December 2021, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 13.3 million and Saudi Riyals 6.6 million (31 December 2020: Saudi Riyals 3.0 million and Saudi Riyals 3.5 million), respectively, have been excluded from prepayments and other receivables and trade and other payables, respectively.

22 Date of authorization for issue

The accompanying special purpose consolidated financial statements were approved by the Group's Board of Directors on 14 December 2023.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND INDEPENDENT AUDITOR'S REPORT

UNITED INTERNATIONAL HOLDING COMPANY
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Consolidated financial statements
For the year ended 31 December 2022

pwc

Independent auditor's report to the shareholders of United International Holding Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of United International Holding Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Group's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of United International Holding Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379
25 June 2023

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UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2022	2021
Assets			
Cash and cash equivalents	4	**26,936,416**	37,643,577
Prepayments and other receivables	5	**15,618,270**	14,853,177
Investment in Islamic financing contracts	6	**1,554,622,774**	1,186,060,140
Right-of-use assets		**567,615**	1,135,587
Property and equipment	7	**5,268,110**	6,184,814
Intangible assets	8	**18,218,473**	18,093,637
Goodwill		**528,692**	528,692
Total assets		**1,621,760,350**	1,264,499,624
Equity and liabilities			
Equity			
Share capital	9	**250,000,000**	250,000,000
Statutory reserve	10	**22,713,040**	3,438,500
Additional capital contribution	1	**200,990,787**	200,990,787
Retained earnings		**204,417,351**	30,946,495
Other reserves		**284,299**	21,246
Total equity		**678,405,477**	485,397,028
Liabilities			
Trade and other payables	11	**76,710,932**	80,430,617
Zakat payable	12	**22,183,669**	15,423,663
Lease liabilities		**629,525**	1,249,085
Borrowings	13	**837,473,437**	675,743,904
Employee benefit obligations	14	**6,357,310**	6,255,327
Total liabilities		**943,354,873**	779,102,596
Total equity and liabilities		**1,621,760,350**	1,264,499,624

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2022	**2021**
Income from Islamic financing contracts	16	**416,957,233**	300,895,114
Finance cost		**(27,778,499)**	(11,216,610)
Net income from Islamic financing contracts		**389,178,734**	289,678,504
General and administrative expenses	17	**(50,853,432)**	(43,009,461)
Selling and marketing expenses	18	**(87,393,157)**	(77,806,430)
Net impairment losses on financial assets	6	**(40,753,588)**	(26,303,698)
Finance costs on lease liabilities		**(54,690)**	(94,394)
Other income - net		**4,134,411**	1,468,758
Profit before zakat		**214,258,278**	143,933,279
Zakat expense	12	**(21,512,882)**	(14,308,270)
Profit for the year		**192,745,396**	129,625,009
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	14	**438,233**	48,384
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(175,180)**	(27,799)
Other comprehensive income for the year		**263,053**	20,585
Total comprehensive income for the year		**193,008,449**	129,645,594
Earnings per share			
Basic and diluted	19	**7.71**	5.19

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

						Other reserves				
	Note	Share capital	Statutory reserve	Additional capital contribution	Retained earnings	Foreign currency translation reserve	Actuarial reserve	Common control reserve	Total other reserves	Total
At 1 January 2021		-	-	-	-	-	-	355,751,434	355,751,434	355,751,434
Profit for the period from 1 January 2021 to 31 October 2021		-	-	-	-	-	-	95,240,014	95,240,014	**95,240,014**
Other comprehensive loss for the period from 1 January 2021 to 31 October 2021		-	-	-	-	-	-	(661)	(661)	**(661)**
Total comprehensive income for the period from 1 January 2021 to 31 October 2021		-	-	-	-	-	-	95,239,353	95,239,353	**95,239,353**
Issuance of share capital	1	250,000,000	-	-	-	-	-	-	-	**250,000,000**
Additional capital contribution	1	-	-	200,990,787	-	-	-	-	-	**200,990,787**
Legal transfer of subsidiaries	1	-	-	-	-	-	-	(450,990,787)	(450,990,787)	**(450,990,787)**
Profit for the period from 1 November 2021 to 31 December 2021		-	-	-	34,384,995	-	-	-	-	**34,384,995**
Other comprehensive income for the for the period from 1 November 2021 to 31 December 2021		-	-	-	-	(25,194)	46,440	-	21,246	**21,246**
Total comprehensive income for the period from for the period from 1 November 2021 to 31 December 2021		-	-	-	34,384,995	(25,194)	46,440	-	21,246	**34,406,241**
Transfer to statutory reserve	10	-	3,438,500	-	(3,438,500)	-	-	-	-	-
At 31 December 2021		**250,000,000**	**3,438,500**	**200,990,787**	**30,946,495**	**(25,194)**	**46,440**	**-**	**21,246**	**485,397,028**

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

						Other reserves				
	Note	Share capital	Statutory reserve	Additional capital contribution	Retained earnings	Foreign currency translation reserve	Actuarial reserve	Common control reserve	Total other reserves	Total
At 1 January 2022		250,000,000	3,438,500	200,990,787	30,946,495	(25,194)	46,440	-	21,246	485,397,028
Profit for the year		-	-	-	192,745,396	-	-	-	-	**192,745,396**
Other comprehensive income for the year		-	-	-	-	(175,180)	438,233	-	263,053	**263,053**
Total comprehensive income for the year		-	-	-	192,745,396	(175,180)	438,233	-	263,053	**193,008,449**
Transfer to statutory reserve	10	-	19,274,540	-	(19,274,540)	-	-	-	-	-
At 31 December 2022		**250,000,000**	**22,713,040**	**200,990,787**	**204,417,351**	**(200,374)**	**484,673**	**-**	**284,299**	**678,405,477**

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2022	2021
Cash flows from operating activities			
Profit before zakat		**214,258,278**	143,933,279
Adjustments for:			
Depreciation and amortization	7, 8	**5,341,645**	3,613,244
Finance costs		**27,833,188**	11,311,004
Intangible assets written off	8	**-**	210,693
Property and equipment written off	7	**36,429**	380
Net impairment losses on financial assets	6	**40,753,588**	26,303,698
Employee benefit obligations	14	**1,887,798**	1,600,766
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(409,316,222)**	(509,196,937)
Increase in prepayments and other receivables		**(765,093)**	(10,107,701)
Decrease in trade and other payables		**(3,894,884)**	(768,131)
Cash utilized in operations		**(123,865,273)**	(333,099,705)
Finance costs paid		**(23,057,835)**	(11,228,230)
Zakat paid	12	**(14,752,876)**	(4,205,116)
Employee benefit obligations paid	14	**(1,347,582)**	(634,430)
Net cash outflow from operating activities		**(163,023,566)**	(349,167,481)
Cash flows from investing activities			
Payments for purchases of property and equipment	7	**(1,201,434)**	(2,433,849)
Payments for additions to intangible assets	8	**(2,816,770)**	(5,865,001)
Payment for transfer of subsidiaries		**-**	(250,000,000)
Net cash outflow from investing activities		**(4,018,204)**	(258,298,850)
Cash flows from financing activities			
Proceeds from long-term borrowings	13	**396,000,000**	510,000,000
Proceeds from short-term borrowings	13	**250,000,000**	-
Repayment of long-term borrowings	13	**(489,045,831)**	(55,020,834)
Repayment of short-term borrowings	13	**-**	(120,000,000)
Principal elements of lease payments		**(619,560)**	(604,091)
Issuance of share capital	1	**-**	250,000,000
Net cash inflow from financing activities		**156,334,609**	584,375,075
Net decrease in cash and cash equivalents		**(10,707,161)**	(23,091,256)
Cash and cash equivalents at beginning of the year		**37,643,577**	60,734,833
Cash and cash equivalents at end of the year	4	**26,936,416**	37,643,577

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 Legal status and operations

United International Holding Company ("UIHC") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2051237935 issued in Al-Khobar on 13 Rabie Al Awwal 1443 H (21 October 2021). The principal activities of UIHC and its subsidiaries (collectively referred to as the "Group") are managing investments in stocks and other securities, providing loans, guarantees, financing to its affiliated companies and various types of consumer and product finance services.

UIHC is a subsidiary of United Electronics Company ("UEC"), a Saudi Joint Stock Company, incorporated in the Kingdom of Saudi Arabia, which is principally engaged in the retail and wholesale of electric appliances and electronic gadgets etc. Also see Note 9.

Transfer of subsidiaries:

The accompanying consolidated financial statements include accounts of UIHC and it's following wholly owned subsidiaries:

Subsidiaries	Country of incorporation
United Company for Financial Services ("UCFS")	Kingdom of Saudi Arabia
Procco Financial Services W.L.L. ("Procco")	Kingdom of Bahrain

Effective 1 November 2021, UEC resolved to transfer the ownership of two subsidiaries namely UCFS and Procco including all their assets, rights, liabilities and obligations to the Group which were previously directly controlled by UEC.

The transfer of subsidiaries to UIHC represented a business combination under common control and was accounted for using the predecessor method of accounting. Since UIHC chose to apply the predecessor method retrospectively, an acquirer was not required to be identified.

Under the predecessor accounting method:

- The acquired entity's results and statement of financial position are incorporated as if both entities (acquirer and acquiree) had always been combined.
- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.
- Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

A number of factors are considered in determining the above accounting policy for accounting of transactions under common control. These factors relate to:

- Non-existence of non-controlling interest;
- Consideration of the transfer was determined based at book values; and
- The entities were under the same management before and after the combination.

Accordingly, the Group used the book values of the net assets of UCFS and those in the consolidated financial statements of UEC (Ultimate Parent Company) for Procco (predecessor values from the highest level of consolidation) as of 1 January 2021 (being the beginning date of the earliest period presented in these consolidated financial statements) for the purposes of applying the predecessor accounting method policy.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

Until the date of the combination (that is, date at which UCFS and Procco were legally transferred to UIHC), the net assets of UCFS and Procco are presented as part of "Common control reserve" in equity. The net changes and any changes therein, include retained earnings, share capital and other reserves in the equity of UCFS and of Procco.

The net assets of UCFS and Procco as at 1 January 2021 (earliest period presented) and as at the date of combination are as follows:

As at 1 January 2021

Assets	
Cash and cash equivalents	**60,734,833**
Prepayment and other receivables	**4,788,676**
Investment in Islamic financing contracts	**703,166,901**
Goodwill	**528,692**
Right-of-use assets	**1,717,167**
Property and equipment	**5,376,427**
Intangible assets	**13,845,911**
Total assets	**790,158,607**
Liabilities	
Trade and other payables	**81,214,149**
Zakat payable	**5,320,509**
Lease liabilities	**1,853,176**
Borrowings	**340,681,964**
Employee benefit obligations	**5,337,375**
Total liabilities	**434,407,173**
Net assets transferred	**355,751,434**

As at 1 November 2021

Assets	
Cash and cash equivalents	**83,840,612**
Prepayment and other receivables	**22,643,170**
Investment in Islamic financing contracts	**1,106,396,199**
Goodwill	**528,692**
Right-of-use assets	**1,229,852**
Property and equipment	**6,003,589**
Intangible assets	**17,827,033**
Total assets	**1,238,469,147**
Liabilities	
Trade and other payables	**125,972,047**
Zakat payable	**11,237,808**
Lease liabilities	**1,393,133**
Borrowings	**642,585,187**
Employee benefit obligations	**6,290,185**
Total liabilities	**787,478,360**
Net assets transferred	**450,990,787**

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

On its incorporation, UIHC issued shares to UEC and received cash of Saudi Riyals 250.0 million. Such proceeds from the share issue were subsequently used to pay UEC against the transfer of the above net assets of UCFS and Procco by means of settlement in cash amounting to Saudi Riyals 250.0 million whereas the remaining amount of Saudi Riyals 201.0 million has been recognized against additional capital contribution from UEC.

Net assets transferred	**450,990,787**
Settlement of net assets transferred	
Settlement through cash	**250,000,000**
Additional capital contribution from UEC	**200,990,787**
	450,990,787

Until 21 October 2021, UIHC had no share capital and reserves in its own right, therefore, it was not meaningful to present share capital or an analysis of reserves or components of other comprehensive income.

Legal status and operations of subsidiaries

UCFS:

UCFS 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). UCFS's head office is located in Al-Khobar, Kingdom of Saudi Arabia.

The principal business activities of UCFS 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. UCFS 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. UCFS's investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, UCFS 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.

During 2022, UCFS has commenced credit card financing activities and expects to further scale up such financing activities during 2023.

Procco:

Procco is a limited liability company registered and incorporated in the Kingdom of Bahrain on 12 September 2006 under Commercial Registration (CR) number 62406. Procco's registered head office is situated at Flat 401, Building 2504, Road 2832, Block 428, Al-Seef, Kingdom of Bahrain.

Procco has been granted an ancillary services license under volume 5 by the Central Bank of Bahrain ("CBB") and is licensed to provide remote processing and support services, data backup services, credit card payment services and technical services for financial institutions and other companies. Procco is currently engaged in providing call centre services, application processing and information technology support services to UCFS.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These consolidated financial statements are the first statutory financial statements of the Group and the comparative financial information as of and for the year ended 31 December 2021 has been presented in accordance with the predecessor accounting method as explained in Note 1.

b) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the relevant accounting policies below.

c) Basis of presentation

The Group's consolidated statement of financial position is not presented using a current/non-current classification. However, the following balances are classified as current: cash and cash equivalents, trade and other payables and zakat payable. The following balances are classified as non-current: property and equipment, intangible assets, right-of-use assets, and employee benefit obligations. As at 31 December 2022 and 2021, the balances which are of mixed in nature i.e., include both current and non-current portions include lease liabilities, prepayment and other receivables, investment in Islamic financing contracts and borrowings. See Notes 5, 6 and 13 for breakdown for the current/non-current classification for such balances.

d) New standards and amendment to standards and interpretations

The Group has applied the following amendments for the first time for their reporting period commencing on or after 1 January 2022.

- Covid-19 - Related Rent Concessions - amendments to IFRS 16 'Leases' ("IFRS 16");
- A number of narrow-scope amendments to IFRS 3 'Business combinations' ("IFRS 3"), IAS 16 'Property, plant and equipment' ("IAS 16"), IAS 37 'Provisions, contingent liabilities and contingent assets' ("IAS 37") and some annual improvements on IFRS 1 'First-time Adoption of IFRS' ("IFRS 1"), IFRS 9 'Financial instruments' ("IFRS 9"), IAS 41 'Agriculture' ("IAS 41") and IFRS 16; and
- Lessor forgiveness of lease payments (IFRS 9 and IFRS 16).

No material impact was identified upon adoption of the amended standards.

e) Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2022 reporting period and have not been early adopted by the Group.

The Group is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 'Insurance contracts' ("IFRS 17"), the Group expects to make a policy choice to continue to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17. Accordingly, based on management's assessment, no impact is expected upon adoption of IFRS 17.

The management is in the process of assessing the impact of the other new standards and interpretations on its consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

2.2 Foreign currencies

a) Functional and presentation currency

The accompanying consolidated financial statements are presented in Saudi Riyals which is functional currency and presentation currency of the Group. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the subsidiary operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

c) Group entities

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi riyals are translated into Saudi Riyals as follows:

i. Assets and liabilities for each of financial position presented are translated at the closing exchange rate at the date of that statement of financial position.
ii. Income and expenses for each profit or loss are translated at average exchange rates and
iii. Components of the equity accounts are translated at exchange rates in effect at the dates the related items originated

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of UIHC and its subsidiaries over which it has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Specifically, the group control an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that five it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangement; and
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this result in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative transaction differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be if the group had directly disposed of the relates assets or liabilities.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transaction, are eliminated in preparing the consolidated financial statements, unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

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2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognized at their fair value. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.7 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Group as lessee

At the lease commencement date the Group recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:
- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, if the Group does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.
The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets (ROU)

The Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and future restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group has leases with respect to office space. Rental contracts are typically made for fixed period of 12 months to 4 years but may have extension options for an additional term. The Group has not recognised certain lease liabilities or right-of-use assets in the accompanying consolidated financial statements as such lease arrangements i.e., leases for office premises, marketing kiosks etc. are short-term arrangements. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective profit rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective profit rate method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

2.10 Employee benefit obligations

The level of benefit is based on the terms and conditions of the labor laws applicable to the Group on termination of their employment contracts.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to actuarial reserve in the statement of changes in equity in the period in which they occur.

Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Group has no further payment obligations once the contributions have been paid.

2.11 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the statement of financial position.

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2.12 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.13 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from Islamic financing contracts is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

The calculation of EPR includes transaction costs and processing fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets, such as costs pertaining to evaluation of customers' credit worthiness, sales commission etc. Processing fees is charged in respect of processing of Islamic financing contracts.

2.15 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.16 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") Additional amounts, if any, are accounted for when determined to be required for payment.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

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2.17 Financial Instruments

2.17.1 Financial Assets

a) Classification

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss ("FVTPL").

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

This classification is based on the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP").

b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets are at amortised cost. Financial income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Instances of modifications to the terms of the Group's financial assets are rare, considering that the acceptance of modification request from the customers is at the discretion of the Group, except for cases as mandated by SAMA regulations. Modifications to the investment in Islamic financing contracts have an immaterial impact on the accompanying consolidated financial statements. Also see Note 20.

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c) De-recognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the three-stage model for impairment of financial assets, based on changes in credit quality since initial recognition.

Stage 1 (“Performing”) includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses (“ECL”) are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 (“Under-performing”) includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Group is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 (“Non-performing”) includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, which is fully aligned with the definition of credit-impaired under IFRS 9. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Group, when determining whether the credit risk on a financial asset has increased significantly since the initial recognition of the financial asset, considers the ‘days past due’ analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

Financial assets are written-off only when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include amongst others, customers’ failure to make contractual payments for a period of greater than 365 days past default and or engage with the Group’s collection team. Furthermore, all outstanding exposures from deceased customers are written off immediately.

Where financial assets are written-off, the Group continues to engage enforcement activities to attempt to recover the receivable due, except for balances written off for deceased customers, which are immaterial. Recoveries made, after write-off, are recognized in ‘Net impairment losses on financial assets’ in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 20.

2.17.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.17.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.18 Investment in Islamic financing contracts

2.18.1 Tawarruq financing contracts

Tawarruq is an agreement wherein the Group sells a product to its customer which the Group has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement (“Tawarruq financing contracts”). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under Tawarruq financing contracts.

2.18.2 Murabaha financing contracts

Murabaha is an Islamic form of financing wherein, the Group based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Group’s cost-plus profit, payable on deferred basis in installments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

2.18.3 Islamic credit card receivables

Islamic credit card receivables are initially measured at the fair value-which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortized cost.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Reportable segments are those operating segments, or aggregations of operating segments, for which segment information is separately reported. While the Board of Directors of the Group, considered as Chief Operating Decision Maker, review the internal management reports by type of products, however, these are not considered as separately identifiable reportable segments as discrete financial information is not available for such products. Accordingly, management has concluded that there are no reportable segments.

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2.20 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on liquidity. However, an asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Critical accounting estimate

(i) Measurement of ECL allowance on investment in Islamic financing contracts

Measurement of ECL allowance on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. See Notes 6 and 20.

b) Critical accounting judgements

(i) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management has exercised judgement in determining that its lease agreements for certain office spaces and other kiosks etc. are short term in nature considering expected expansion of workforce, insignificant leasehold improvements, analysis of utility of the kiosks and expectation of no significant business disruption.

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The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(ii) SPPP Test

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default of payment of two consecutive installments by the customer, the entire contract amount becomes payable upon demand by the Group at its discretion. However, the Group pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

4 Cash and cash equivalents

	2022	**2021**
Cash in hand	**6,648**	13,089
Cash at bank	**26,929,768**	37,630,488
	26,936,416	37,643,577

Also see Note 20.

5 Prepayments and other receivables

	Note	**2022**	**2021**
Prepaid expenses		**13,504,571**	12,519,249
Advances to employees		**678,700**	742,744
Advances to suppliers		**193,067**	722,831
Due from a related party	15	**36,877**	73,657
Other receivables		**1,205,055**	794,696
		15,618,270	14,853,177
Classification of prepayments and other receivables is presented below:			
Due within 12 months		**14,287,779**	11,623,273
Due after 12 months		**1,330,491**	3,229,904
		15,618,270	14,853,177

Also see Note 15.2 and Note 20.

6 Investment in Islamic financing contracts

	2022	**2021**
Investment in Tawarruq financing contracts, net	**1,149,837,518**	832,643,696
Investment in Murabaha financing contracts, net	**398,318,567**	353,416,444
Investment in Islamic credit cards, net	**6,466,689**	-
	1,554,622,774	1,186,060,140
Less: Due after 12 months	**894,027,755**	748,432,280
Due within 12 months	**660,595,019**	437,627,860

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Gross investment in Islamic financing contracts	**1,756,429,044**	1,314,158,451	**531,814,471**	490,019,644	**6,831,628**	-	**2,295,075,143**	1,804,178,095
Unearned finance and processing fee income	**(566,527,502)**	(457,581,869)	**(127,169,940)**	(127,172,415)	**-**	-	**(693,697,442)**	(584,754,284)
Present value of investment in Islamic financing contracts (“P.V of I.F.C.”)	**1,189,901,542**	856,576,582	**404,644,531**	362,847,229	**6,831,628**	-	**1,601,377,701**	1,219,423,811
Allowance for ECL/net impairment on financial assets	**(40,064,024)**	(23,932,886)	**(6,325,964)**	(9,430,785)	**(364,939)**	-	**(46,754,927)**	(33,363,671)
Net investment in Islamic financing contracts (“Net investment in I.F.C.”)	**1,149,837,518**	832,643,696	**398,318,567**	353,416,444	**6,466,689**	-	**1,554,622,774**	1,186,060,140
Net investment in I.F.C. - Due after 12 months	**(773,390,465)**	(616,068,175)	**(120,637,290)**	(132,364,105)	**-**	-	**(894,027,755)**	(748,432,280)
Net investment in I.F.C. - Due within 12 months	**376,447,053**	216,575,521	**277,681,277**	221,052,339	**6,466,689**	-	**660,595,019**	437,627,860

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**	**31 December 2022**	**31 December 2021**
Opening balance	**23,932,886**	14,734,809	**9,430,785**	5,882,182	**-**	-	**33,363,671**	20,616,991
Charge for the year	**42,044,281**	19,374,646	**5,449,115**	6,920,310	**364,939**	-	**47,858,335**	26,294,956
Recoveries of amounts previously written-off	**(4,691,718)**	-	**(2,413,029)**	-	**-**	-	**(7,104,747)**	-
Net charge for the year	**37,352,563**	19,374,646	**3,036,086**	6,920,310	**364,939**	-	**40,753,588**	26,294,956
Amounts written-off	**(21,221,425)**	(10,176,569)	**(6,140,907)**	(3,371,707)	**-**	-	**(27,362,332)**	(13,548,276)
Closing balance	**40,064,024**	23,932,886	**6,325,964**	9,430,785	**364,939**	-	**46,754,927**	33,363,671

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

31 December 2022	**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)	1,102,246,076	(10,499,979)	1,091,746,097	378,862,108	(1,407,515)	377,454,593	5,839,977	(46,764)	5,793,213	1,486,948,161	(11,954,258)	1,474,993,903
Under-performing (Stage 2)	18,729,566	(2,889,861)	15,839,705	4,759,049	(196,462)	4,562,587	496,110	(96,229)	399,881	23,984,725	(3,182,552)	20,802,173
Non-performing (Stage 3)	68,925,900	(26,674,184)	42,251,716	21,023,374	(4,721,987)	16,301,387	495,541	(221,946)	273,595	90,444,815	(31,618,117)	58,826,698
	1,189,901,542	(40,064,024)	1,149,837,518	404,644,531	(6,325,964)	398,318,567	6,831,628	(364,939)	6,466,689	1,601,377,701	(46,754,927)	1,554,622,774

31 December 2021	**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)	812,453,495	(6,019,104)	806,434,391	341,693,147	(1,719,015)	339,974,132	-	-	-	1,154,146,642	(7,738,119)	1,146,408,523
Under-performing (Stage 2)	9,813,848	(2,067,066)	7,746,782	5,149,276	(574,371)	4,574,905	-	-	-	14,963,124	(2,641,437)	12,321,687
Non-performing (Stage 3)	34,309,239	(15,846,716)	18,462,523	16,004,806	(7,137,399)	8,867,407	-	-	-	50,314,045	(22,984,115)	27,329,930
	856,576,582	(23,932,886)	832,643,696	362,847,229	(9,430,785)	353,416,444	-	-	-	1,219,423,811	(33,363,671)	1,186,060,140

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6.4 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
2022				
At 1 January 2022	**7,738,119**	**2,641,437**	**22,984,115**	**33,363,671**
Individual financial assets transferred to under-performing (lifetime expected credit losses)	**(1,865,745)**	**3,134,989**	**(145,754)**	**1,123,490**
Individual financial assets transferred to non-performing (credit-impaired financial assets)	**(10,966,142)**	**(1,600,307)**	**30,266,609**	**17,700,160**
Individual financial assets transferred to performing (12-month expected credit losses)	**39,698**	**(361,128)**	**(328,977)**	**(650,407)**
New financial assets originated	**19,074,178**	**-**	**-**	**19,074,178**
Amounts written-off	**(63,444)**	**(127,666)**	**(27,171,222)**	**(27,362,332)**
Other changes	**(2,002,406)**	**(504,773)**	**6,013,346**	**3,506,167**
At 31 December 2022	**11,954,258**	**3,182,552**	**31,618,117**	**46,754,927**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-Performing (Stage 3)	Total
2021				
1 January 2021	6,257,369	1,381,582	12,978,040	20,616,991
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,651,528)	2,617,190	(103,526)	862,136
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(7,802,181)	(924,692)	22,140,615	13,413,742
Individual financial assets transferred to performing (12-month expected credit losses)	11,351	(377,736)	(593,292)	(959,677)
New financial assets originated	14,251,356	-	-	14,251,356
Amounts written-off	(126,114)	(111,848)	(13,310,314)	(13,548,276)
Other changes	(3,202,134)	56,941	1,872,592	(1,272,601)
31 December 2021	7,738,119	2,641,437	22,984,115	33,363,671

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2022	**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 2022	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	-	-	-	7,738,119	2,641,437	22,984,115
Individual financial assets transferred to												
- under-performing (lifetime expected credit losses)	(1,596,879)	2,837,283	(136,205)	(172,637)	201,477	(9,549)	(96,229)	96,229	-	(1,865,745)	3,134,989	(145,754)
- non-performing (credit-impaired financial assets)	(8,827,555)	(1,312,838)	26,781,022	(1,916,641)	(287,469)	3,263,641	(221,946)	-	221,946	(10,966,142)	(1,600,307)	30,266,609
- performing (12-month expected credit losses)	36,518	(273,720)	(222,316)	3,180	(87,408)	(106,661)	-	-	-	39,698	(361,128)	(328,977)
New financial assets originated	15,753,053	-	-	2,979,368	-	-	341,757	-	-	19,074,178	-	-
Amounts written-off	(53,355)	(80,777)	(21,087,293)	(10,089)	(46,889)	(6,083,929)	-	-	-	(63,444)	(127,666)	(27,171,222)
Other changes	(830,907)	(347,153)	5,492,260	(1,194,681)	(157,620)	521,086	23,182	-	-	(2,002,406)	(504,773)	6,013,346
At 31 December 2022	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

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

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2021	**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 2021	4,424,601	1,071,306	9,238,902	1,832,768	310,276	3,739,138	-	-	-	6,257,369	1,381,582	12,978,040
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,219,726)	2,048,711	(100,866)	(431,802)	568,479	(2,660)	-	-	-	(1,651,528)	2,617,190	(103,526)
non-performing (credit-impaired financial assets)	(4,834,894)	(753,978)	15,197,024	(2,967,287)	(170,714)	6,943,591	-	-	-	(7,802,181)	(924,692)	22,140,615
performing (12-month expected credit losses)	8,678	(265,197)	(460,041)	2,673	(112,539)	(133,251)	-	-	-	11,351	(377,736)	(593,292)
New financial assets originated	9,649,967	-	-	4,601,389	-	-	-	-	-	14,251,356	-	-
Amounts written-off	(117,042)	(92,717)	(9,966,810)	(9,072)	(19,131)	(3,343,504)	-	-	-	(126,114)	(111,848)	(13,310,314)
Other changes	(1,892,480)	58,941	1,938,507	(1,309,654)	(2,000)	(65,915)	-	-	-	(3,202,134)	56,941	1,872,592
At 31 December 2021	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	-	-	-	7,738,119	2,641,437	22,984,115

Following factors contributed to the change in the ECL allowance during the year ended 31 December 2022:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- While the total exposure in Stage 1 and 2 has increased during 2022, the Group has updated the historical collection and default information used to arrive at the weighted average PDs which are lower than the prior year. Furthermore, impact of change in LGD used for computing ECL on Murabaha portfolio has contributed towards a decrease in ECL. Also see Note 20;
- Additional allowances for new financial assets recognised during the year;
- Financial assets written off; and
- On exposures under Stage 3, 'Other changes' principally represent net impact of additional allowance for ECL recognized upon write-offs amounting to Saudi Riyals 12.5 million which has been partially offset by recoveries from previously written-off exposures amounting to Saudi Riyals 5.3 million. Also see Note 20.

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6.6 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		
2022	**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 2022	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	-	-	-	1,154,146,642	14,963,124	50,314,045
Individual financial assets transferred to												
under-performing (lifetime expected credit losses)	(19,832,054)	20,129,833	(297,779)	(5,498,757)	5,519,945	(21,188)	(496,110)	496,110	-	(25,826,921)	26,145,888	(318,967)
non-performing (credit-impaired financial assets)	(61,526,276)	(6,106,964)	67,633,240	(18,880,295)	(2,379,872)	21,260,167	(495,541)	-	495,541	(80,902,112)	(8,486,836)	89,388,948
performing (12-month expected credit losses)	1,783,037	(1,299,984)	(483,053)	929,621	(691,363)	(238,258)	-	-	-	2,712,658	(1,991,347)	(721,311)
New financial assets originated	666,016,546	-	-	283,447,479	-	-	6,831,628	-	-	956,295,653	-	-
Amounts written-off	(53,355)	(80,777)	(21,087,293)	(10,089)	(46,889)	(6,083,929)	-	-	-	(63,444)	(127,666)	(27,171,222)
Collections and other changes	(296,595,317)	(3,726,390)	(11,148,454)	(222,818,998)	(2,792,048)	(9,898,224)	-	-	-	(519,414,315)	(6,518,438)	(21,046,678)
At 31 December 2022	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

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6.6 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		
2021	**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 2021	445,805,392	4,516,818	15,588,549	247,880,856	2,790,931	7,201,346	-	-	-	693,686,248	7,307,749	22,789,895
Individual financial assets transferred to												
under-performing (lifetime expected credit losses)	(10,062,018)	10,315,878	(253,860)	(6,162,626)	6,173,793	(11,167)	-	-	-	(16,224,644)	16,489,671	(265,027)
non-performing (credit-impaired financial assets)	(30,726,636)	(2,870,970)	33,597,606	(15,868,821)	(1,149,376)	17,018,197	-	-	-	(46,595,457)	(4,020,346)	50,615,803
performing (12-month expected credit losses)	1,291,244	(846,718)	(444,526)	532,408	(464,824)	(67,584)	-	-	-	1,823,652	(1,311,542)	(512,110)
New financial assets originated	564,434,227	-	-	271,792,886	-	-	-	-	-	836,227,113	-	-
Amounts written-off	(71,687)	(93,020)	(10,158,378)	(54,427)	(18,828)	(3,151,936)	-	-	-	(126,114)	(111,848)	(13,310,314)-
Collections and other changes	(158,217,027)	(1,208,140)	(4,020,152)	(156,427,129)	(2,182,420)	(4,984,050)	-	-	-	(314,644,156)	(3,390,560)	(9,004,202)
At 31 December 2021	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	-	-	-	1,154,146,642	14,963,124	50,314,045

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

	2022	2021
Gross investment in Islamic financing contracts		
Within one year	**891,198,952**	607,566,967
From one to two years	**715,448,610**	573,737,177
From two to three years	**407,361,700**	344,697,075
From three to four years	**205,335,564**	205,797,531
Four to five years	**75,730,317**	72,379,345
	2,295,075,143	1,804,178,095

	2022	2021
Present value of investment in Islamic financing contracts		
Within one year	**673,915,155**	449,225,207
From one to two years	**492,312,721**	385,306,896
From two to three years	**263,912,900**	217,706,552
From three to four years	**126,930,843**	124,839,562
Four to five years	**44,306,082**	42,345,594
	1,601,377,701	1,219,423,811

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7 Property and equipment

	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
31 December 2022				
Cost				
1 January	**20,172,903**	**1,889,792**	**212,777**	**22,275,472**
Additions	**923,419**	**278,015**	**-**	**1,201,434**
Transfers	**212,777**	**-**	**(212,777)**	**-**
Write-offs	**(78,487)**	**-**	**-**	**(78,487)**
31 December	**21,230,612**	**2,167,807**	**-**	**23,398,419**
Accumulated depreciation				
1 January	**(14,594,507)**	**(1,496,151)**	**-**	**(16,090,658)**
Additions	**(1,870,010)**	**(211,699)**	**-**	**(2,081,709)**
Write-offs	**42,058**	**-**	**-**	**42,058**
31 December	**(16,422,459)**	**(1,707,850)**	**-**	**(18,130,309)**
Net book value	**4,808,153**	**459,957**	**-**	**5,268,110**

	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
31 December 2021				
Cost				
1 January	17,417,126	1,633,922	790,955	19,842,003
Additions	1,632,779	-	801,070	2,433,849
Transfer from CIP	1,123,378	255,870	(1,379,248)	-
Write-offs	(380)	-	-	(380)
31 December	20,172,903	1,889,792	212,777	22,275,472
Accumulated depreciation				
1 January	(13,075,169)	(1,390,407)	-	(14,465,576)
Additions	(1,519,338)	(105,744)	-	(1,625,082)
Write-offs	-	-	-	-
31 December	(14,594,507)	(1,496,151)	-	(16,090,658)
Net book value	5,578,396	393,641	212,777	6,184,814

The estimated useful lives of assets are as follows:

	Number of years
• Furniture, fixtures and office equipment	2 - 5
• Leasehold improvements	3 - 5

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8 Intangible assets

	Computer software	Capital work-in-progress	Total
31 December 2022			
Cost			
At 1 January	**25,395,364**	**7,602,767**	**32,998,131**
Additions	**2,177,561**	**639,209**	**2,816,770**
Transfers	**7,928,848**	**(7,928,848)**	**-**
At 31 December	**35,501,773**	**313,128**	**35,814,901**
Accumulated amortisation			
At 1 January	**(14,904,494)**	**-**	**(14,904,494)**
Additions	**(2,691,934)**	**-**	**(2,691,934)**
At 31 December	**(17,596,428)**	**-**	**(17,596,428)**
Net book value	**17,905,345**	**313,128**	**18,218,473**

	Computer software	Capital work-in-progress	Total
31 December 2021			
Cost			
At 1 January	22,507,020	4,895,809	27,402,829
Additions	3,019,032	2,845,969	5,865,001
Write-offs	(130,688)	(139,011)	(269,699)
At 31 December	25,395,364	7,602,767	32,998,131
Accumulated amortisation			
At 1 January	(13,556,918)	-	(13,556,918)
Additions	(1,406,582)	-	(1,406,582)
Write-offs	59,006	-	59,006
At 31 December	(14,904,494)	-	(14,904,494)
Net book value	10,490,870	7,602,767	18,093,637

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 2 - 10 years.

The Group's capital-work-in-progress as at 31 December 2022 principally comprises the costs incurred related to computer software which is expected to be completed by May 2023 with a total estimated cost of Saudi Riyals 0.7 million.

9 Share capital

The share capital of the Company as of 31 December 2022 and 2021 comprised 25 million shares stated at Saudi Riyals 10 per share.

Shareholder	**Country of incorporation**	**31 December 2022**	**31 December 2021**
United Electronics Company ("UEC")	Kingdom of Saudi Arabia	**99%**	99%
United Electronics Company - Extra W.L.L. (" eXtra Bahrain")	Kingdom of Bahrain	**1%**	1%
		100%	100%

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10 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Group's By-laws, the Group is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals to 30% of its share capital. This reserve is currently not available for distribution to shareholders of the Group.

11 Trade and other payables

	Note	2022	2021
Due to related parties	15	**37,339,822**	38,956,696
Trade payables		**15,719,561**	14,760,473
Accrued salaries and other benefits		**7,622,499**	8,211,458
Accrued expenses		**11,559,012**	9,623,053
Accrued Board of Directors' fee		**2,102,978**	1,983,850
Advances from customers		**1,766,112**	6,585,783
Value added tax payable		**600,948**	309,304
		76,710,932	80,430,617

12 Zakat payable

The Group is subject to zakat. In accordance with the regulations of the ZATCA, zakat is payable at 2.578% on all components of the zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%. UIHC and UCFS files separate zakat return on a stand-alone basis whereas no zakat is applicable on Procco. For UCFS, zakat is payable at 2.577% of zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before zakat.

12.1 Components of approximate zakat base

The significant components of the zakat base under the applicable zakat regulations principally comprise shareholders' equity, provisions at the beginning of the year, long-term borrowings and adjusted net profit, less deduction for the net book value of property and equipment, investments and certain other items.

12.2 Provision for zakat

	2022	2021
Opening balance	**15,423,663**	5,320,509
Provision	**21,512,882**	14,308,270
Payments	**(14,752,876)**	(4,205,116)
Closing balance	**22,183,669**	15,423,663

12.3 Status of final assessments

Subsequent to 31 December 2022, UIHC has submitted its first zakat return with the ZATCA for the period from 21 October 2021 (date of incorporation) to 31 December 2022 which is currently under review by ZATCA.

UCFS' zakat assessments since inception are currently under review by the ZATCA and it has obtained zakat certificates from ZATCA for the years through 2022.

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13 Borrowings

	2022	2021
Long-term borrowings		
Murabaha facilities	**581,933,334**	674,979,166
Short-term borrowings		
Murabaha facilities	**250,000,000**	-
	831,933,334	674,979,166
Accrued finance cost	**5,540,103**	764,738
	837,473,437	675,743,904

Classification of borrowings is presented below:

	2022	2021
Due within 12 months (including short-term borrowings)	**435,806,777**	158,111,960
Due after 12 months	**401,666,660**	517,631,944
	837,473,437	675,743,904

The Group has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia and has utilized facilities allocated to it from the facilities available to United Electronics Company. Details of the type of borrowings facilities as allocated to and availed by the Group are as follows:

Long-term borrowings:

Murabaha l

Total amount allocated to the Group under such facility is Saudi Riyals 250 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2022, the Group had an outstanding loan balance of Saudi Riyals 206.9 million against this facility (31 December 2021: Saudi Riyals 233 million).

Murabaha III

Total amount allocated to the Group under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. During 2022, the Group made early repayment of borrowings in full amounting to Saudi Riyals 360.8 million.

Subsequently, the Group obtained an additional amount of Saudi Riyals 25.0 million against such facility which is the outstanding loan balance as at 31 December 2022 (31 December 2021: Saudi Riyals 392.0 million).

Murabaha IV

Total amount allocated to the Group under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2022, the Group has an outstanding loan balance of Saudi Riyals 350.0 million against this facility (31 December 2021: Saudi Riyals 50.0 million).

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Short-term borrowings:

Murabaha ll

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

Murabaha V

Total amount allocated to the Group under such facility is Saudi Riyals 250 million. The tenure of the borrowing facility is less than one year. As at 31 December 2022, the Group had an outstanding loan balance of Saudi Riyals 250.0 million against this facility (31 December 2021: Nil).

Tawarruq I

Total amount allocated to the Group under such facility is Saudi Riyals 70 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 1.1% to 1.4%. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Group was in compliance with at 31 December 2022. Also see Note 21.

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

	2022	**2021**
Less than 6 months	**352,633,342**	71,638,889
Between 6 to 12 months	**77,633,332**	85,708,333
Between 1 and 2 years	**155,266,664**	171,416,667
Between 2 and 5 years	**246,399,996**	342,215,277
Above 5 years	**-**	4,000,000
	831,933,334	674,979,166

Maturity profile of borrowings, including finance cost component, is disclosed in note 20.

14 Employee benefit obligations

14.1 General description of the plan

The Group operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2022.

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14.2 Movement in net liability recognized in the statement of financial position

	2022	**2021**
Opening balance	**6,255,327**	5,337,375
Current service cost	**1,666,444**	1,496,241
Interest cost	**221,354**	104,525
Remeasurements	**(438,233)**	(48,384)
Payments	**(1,347,582)**	(634,430)
Closing balance	**6,357,310**	6,255,327

14.3 Amounts recognized in statement of profit or loss and other comprehensive income

	2022	**2021**
Current service cost	**1,666,444**	1,496,241
Interest cost	**221,354**	104,525
Total amount recognized in profit or loss	**1,887,798**	1,600,766
Remeasurements		
Gain due to change in financial assumptions	**(544,987)**	(346,899)
(Gain) loss due to change in demographic assumptions	**(37,456)**	571
Loss due to change in experience adjustments	**144,210**	297,944
Total amount recognized in other comprehensive income	**(438,233)**	(48,384)

14.4 Key actuarial assumptions

	2022	**2021**
Discount rate	**4.55% - 6.4%**	2.95%-5.50%
Salary growth rate	**2%**	2%-3%
Retirement age	**60 years**	60 years
Withdrawal rate	**8% to 35%**	6% to 28%

14.5 Sensitivity analysis for significant actuarial assumptions

31 December 2022	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.50%**	**0.50%**	**(122,459)**	**188,109**
Salary growth rate	**0.50%**	**0.50%**	**191,923**	**(127,408)**

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31 December 2021	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	(215,652)	226,902
Salary growth rate	0.50%	0.50%	212,053	(177,470)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The methods and assumptions used in preparing the sensitivity analysis for 2022 presented above are consistent.

14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 4.70 years (2021: 7.24 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	**1 - 2 years**	**2 - 5 years**	**5 - 10 years**	**Total**
2022	**1,416,961**	**1,369,491**	**3,328,356**	**9,720,162**	**15,834,970**
2021	779,289	868,185	3,014,521	7,224,451	11,886,446

15 Related party transactions and balances

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

15.1 Information about the related parties' balances as at 31 December and transactions in the ordinary course of business during the year were as follows:

Related party	**Relationship**
UEC	Shareholder
eXtra Bahrain	Shareholder

Due from related parties

	2022	**2021**
eXtra Bahrain	**36,877**	73,657

Due to related parties

	2022	**2021**
UEC	**37,339,822**	38,956,696

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Movement in balances due to UEC are as follows:

	2022	2021
UEC		
Opening balance	**38,956,696**	45,249,546
Customer purchases financed under Murabaha contracts	**373,754,380**	356,634,421
Payments to UEC	**(400,575,980)**	(417,837,424)
Collections made by UEC on behalf of the Group	**(157,117)**	(7,003,532)
Collections made by the Group on behalf of UEC	**13,245,964**	51,858,957
Expenses incurred by the Group on behalf of UEC	**(9,580)**	(577,860)
Expenses incurred by UEC on behalf of the Group	**10,940,459**	9,484,212
Information Technology support charges	**1,085,000**	1,148,376
Others	**100,000**	-
Closing balance	**37,339,822**	38,956,696

Nature of transactions:
The transactions are based on terms agreed as per signed agreements between the Group 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 Group include office rent, utilities and other expenses.
- Collections made by the Group on behalf of UEC represents collections for UEC's legacy financing portfolio.

Related party balances as at 31 December 2022 and 2021 bear no financial charges.

15.2 Key management compensation

	2022	2021
Short-term employee benefits	**10,435,738**	8,998,880
Employee benefit obligations	**461,451**	426,166
Board of Directors' fees	**2,098,237**	1,989,000
	12,995,426	11,414,046

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

As at 31 December 2022, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.2 million (31 December 2021: Saudi Riyals 0.3 million). Also see Note 5.

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16 Income from Islamic financing contracts

	2022	2021
Income from Tawarruq finance activities, net	**270,351,997**	180,166,934
Income from Murabaha finance activities, net	**146,123,295**	120,728,180
Income from Islamic credit card activities, net	**481,941**	-
	416,957,233	300,895,114

17 General and administrative expenses

	Note	2022	2021
Salaries and other benefits		**31,696,860**	27,235,950
Information technology support		**5,048,436**	5,712,033
Professional fees		**3,429,586**	3,610,748
Amortization	8	**2,455,668**	1,280,388
Rent		**1,007,020**	820,448
Depreciation on property and equipment	7	**1,220,300**	883,987
Depreciation on right-of-use assets		**305,989**	313,305
Others		**5,689,573**	3,152,602
		50,853,432	43,009,461

18 Selling and marketing expenses

	Note	2022	2021
Salaries and other benefits		**47,578,770**	41,940,234
Fee and subscription		**14,620,570**	12,833,554
Advertising		**9,867,330**	10,509,809
Collection charges		**8,515,071**	5,500,409
Rent		**3,185,138**	2,949,746
Depreciation on property and equipment	7	**861,409**	741,095
Depreciation on right-of-use assets		**262,013**	268,275
Amortisation	8	**236,266**	126,194
Others		**2,266,590**	2,937,114
		87,393,157	77,806,430

19 Basic and diluted earnings per share

	2022	2021
Profit for the year	**192,745,396**	129,625,009
Weighted average number of ordinary shares for basic and diluted earnings per share	**25,000,000**	25,000,000
Basic and diluted earnings per share	**7.71**	5.19

For the purpose of calculation of basic and diluted earnings per share, it has been assumed that shares were issued as at 1 January 2021 (earliest period presented). Also see Note 1.

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20 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Group's overall risk management program, which is carried out by senior management under policies approved by the Risk and Credit Management Committee of 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 Group's risk management framework. The Risk and Credit Management Committee is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group and their respective mitigating strategies are summarized below:

20.1 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 Group. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 December 2022, the Group has maintained an ECL allowance of Saudi Riyals 46.8 million (31 December 2021: Saudi Riyals 33.4 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

20.1.1 Investment in Islamic financing contracts

Investment in Tawarruq, Murabaha and credit card finance contracts is generally exposed to significant credit risk. Therefore, the Group 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 Group 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 Group generally receives repayments through variable channels such as SADAD and bank transfers. The Group 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 on a quarterly basis. Furthermore, the Group 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.

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

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a. *Stage-wise analysis of gross carrying amounts as at 31 December, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.*

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2022				
Internal credit risk ratings				
Low risk	**829,197,623**	**8,414,280**	**28,442,063**	**866,053,966**
Medium risk	**677,160,378**	**10,989,334**	**43,467,101**	**731,616,813**
High risk	**627,691,255**	**14,290,488**	**55,422,621**	**697,404,364**
	2,134,049,256	**33,694,102**	**127,331,785**	**2,295,075,143**

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2021				
Internal credit risk ratings				
Low risk	713,652,712	4,838,769	18,392,867	736,884,348
Medium risk	629,456,451	9,906,487	32,543,352	671,906,290
High risk	364,820,481	6,648,670	23,918,306	395,387,457
	1,707,929,644	21,393,926	74,854,525	1,804,178,095

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**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Not past due	**1,067,030,105**	788,821,479	**368,275,414**	329,973,079	**5,650,607**	-	**1,440,956,126**	1,118,794,558
Past due 1-30 days	**35,759,594**	23,796,730	**11,019,678**	11,642,138	**189,370**	-	**46,968,642**	35,438,868
Past due 31-90 days	**19,074,046**	9,831,654	**4,496,158**	5,268,348	**496,110**	-	**24,066,314**	15,100,002
Past due 91-180 days	**34,893,005**	13,919,639	**9,421,114**	6,604,227	**495,541**	-	**44,809,660**	20,523,866
Past due 181-364 days	**24,579,623**	14,676,869	**8,350,489**	7,230,899	**-**	-	**32,930,112**	21,907,768
Over 365 days	**8,565,169**	5,530,211	**3,081,678**	2,128,538	**-**	-	**11,646,847**	7,658,749
	1,189,901,542	856,576,582	**404,644,531**	362,847,229	**6,831,628**	-	**1,601,377,701**	1,219,423,811
Less: Impairment for Islamic financing contracts	**(40,064,024)**	(23,932,886)	**(6,325,964)**	(9,430,785)	**(364,939)**	-	**(46,754,927)**	(33,363,671)
Net investment in Islamic financing contracts	**1,149,837,518**	832,643,696	**398,318,567**	353,416,444	**6,466,689**	-	**1,554,622,774**	1,186,060,140

20.1.2 Measurement of ECL

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in Islamic financing contracts. The Group's ECL model is sensitive to macroeconomic variables such as expected movements of oil prices and unemployment scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2022.

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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 Group 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 Group uses present value of recoveries for loss accounts adjusted by the forward-looking information and further adjusts it in accordance with the Basel guidelines for investment in tawarruq financing contracts. EAD represents the expected exposure in the event of a default. The Group 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 Group has used each contract's effective profit rate. The Group's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

The Group's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

a) Generating the term structure of PD

PD measures the estimated likelihood of default over a time period. 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" default rates are calculated, which are later converted to Point-in-time PD using scalar factors by incorporating forward-looking information. For credit cards, the Group has used loss rates driven from historical data of other Islamic financing products, considering unavailability of extensive historical data.

b) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, management considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

c) Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on an extensive exercise carried out by the management, it had concluded that the crude oil price was the macroeconomic factor with the highest correlation to the historical collection and default trends. The Group 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 30%, 40% and 30% for "upturn", "baseline" and "downturn" scenarios, respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on a quarterly basis based on the latest available information. As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 97.5, USD 88.2 and USD 69.7 per barrel respectively, which contributed to determination of the overall scalar factor used. Furthermore, changes in unemployment statistics are also used in determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation.

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d) Changes in assumptions including incorporation of forward-looking information

During the year ended 31 December 2022, there have been no significant changes to the underlying methodology used for determination of ECL.

Starting 2022, the Group, upon obtaining approval from the Risk and Credit Management Committee, has used present value of historic recoveries from loss accounts to arrive at the LGD for Murabaha portfolio. Previously, the LGD was adjusted with reference to the Basel guidelines. The LGD used for Tawarruq portfolio continues to be adjusted by the Basel guidelines considering that the Group has insufficient historical information as at the balance sheet date.

The change in LGD for Murabaha portfolio resulted in a decrease of Saudi Riyals 3.8 million, in the ECL allowance for the year ended 31 December 2022. Management believes that it is impracticable to assess the impact of this change in LGD for the future reporting periods.

e) Sensitivity analysis

An increase or decrease of 10% in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 4.1 million, in the ECL allowance (31 December 2021: Saudi Riyals 3.0 million).

An increase or decrease of 10% in the unemployment scenario weightings with all other variables held constant will result in an increase of Saudi Riyals 0.5 million, in the ECL allowance (31 December 2021: Saudi Riyals 0.3 million).

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 8.2 million or a decrease of Saudi Riyals 7.9 million respectively, in the ECL allowance (31 December 2021: an increase of Saudi Riyals 6.0 million or a decrease of Saudi Riyals 5.8 million, respectively in the ECL allowance).

20.1.3 Cash and cash equivalents and other receivables

The Group uses “low 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 December 2022 and 2021, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low 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 December 2022 and 2021, the ECL allowance on other financial assets was immaterial.

20.2 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 Group's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Group has profit bearing financial assets of Saudi Riyals 1,554.6 million. However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Group also has variable profit bearing financial liabilities of Saudi Riyals 837.5 million (31 December 2021: Saudi Riyals 675.7 million) and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 9.7 million (31 December 2021: Saudi Riyals 4.8 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Group’s financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

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20.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities as made available by the shareholder. Total unused credit facilities available to the Group as at 31 December 2022 were approximately Saudi Riyals 618.1 million (2021: Saudi Riyals 594.3 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group'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 Group does not breach borrowing limits on any of its borrowing facilities allocated by the shareholder.

The tables below summarises the Group'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.

2022	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	**278,406,728**	**744,972,668**	**1,017,093,320**	**254,602,427**	**2,295,075,143**
Prepayments and other receivables	Non-profit bearing	**798,745**	**257,789**	**725,495**	**-**	**1,782,029**
Cash and cash equivalents	Non-profit bearing	**26,936,416**	**-**	**-**	**-**	**26,936,416**
		306,141,889	**745,230,457**	**1,017,818,815**	**254,602,427**	**2,323,793,588**
Financial liabilities						
Borrowings	Profit bearing	**171,401,480**	**261,205,392**	**345,175,852**	**96,774,965**	**874,557,689**
Trade and other payables	Non-profit bearing	**74,831,594**	**-**	**-**	**-**	**74,831,594**
Lease liabilities	Profit bearing	**285,194**	**358,920**	**-**	**-**	**644,114**
		246,518,268	**261,564,312**	**345,175,852**	**96,774,965**	**950,033,397**
Net financial assets		**59,623,621**	**483,666,145**	**672,642,963**	**157,827,462**	**1,373,760,191**

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statement for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

2021	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	206,951,736	537,868,765	813,088,126	246,269,468	1,804,178,095
Prepayments and other receivables	Non-profit bearing	616,141	245,803	-	675,496	1,537,440
Cash and cash equivalents	Non-profit bearing	37,643,577	-	-	-	37,643,577
		245,211,454	538,114,568	813,088,126	246,944,964	1,843,359,112
Financial liabilities						
Borrowings	Profit bearing	39,757,435	131,576,327	357,275,703	177,520,747	706,130,212
Trade and other payables	Non-profit bearing	73,844,834	-	-	-	73,844,834
Lease liabilities		463,275	358,920	478,560	-	1,300,755
		114,065,544	131,935,247	357,754,263	177,520,747	781,275,801
Net financial assets		131,145,910	406,179,321	455,333,863	69,424,217	1,062,083,311

20.4 Net debt reconciliation

The net debt of the Group is as follows:

	2022	**2021**
Cash and cash equivalents	**(26,936,416)**	(37,643,577)
Lease liabilities	**629,525**	1,249,085
Borrowings	**837,473,437**	675,743,904
Total	**811,166,546**	639,349,412

The Group's net debt reconciliation is as follows:

2022	**At 1 January 2022**	**Cash inflows**	**Cash outflows**	**Others**	**At 31 December 2022**
Cash and cash equivalents	**(37,643,577)**	**(936,110,926)**	**946,818,087**	**-**	**(26,936,416)**
Lease liabilities	**1,249,085**	**-**	**(672,355)**	**52,795**	**629,525**
Borrowings	**675,743,904**	**646,000,000**	**(512,048,966)**	**27,778,499**	**837,473,437**
Net debt	**639,349,412**				**811,166,546**

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
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(All amounts in Saudi Riyals unless otherwise stated)

	At 1 January 2021	Cash inflows	Cash outflows	Others	At 31 December 2021
2021					
Cash and cash equivalents	(60,734,833)	(646,973,074)	670,064,330	-	(37,643,577)
Lease liabilities	1,853,176	-	(697,427)	93,336	1,249,085
Borrowings	340,681,964	510,000,000	(186,154,670)	11,216,610	675,743,904
Net debt	281,800,307				639,349,412

20.5 Capital risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus borrowings, which is analysed as follows:

	2022	**2021**
Total equity	**678,405,477**	485,397,028
Borrowings	**837,473,437**	675,743,904
Total	**1,515,878,914**	1,161,140,932
Gearing ratio	**55.25%**	58.20%

Further, the Group monitors aggregate amount of financing offered by UCFS 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.

	2022	**2021**
Net investment in Islamic financing contracts	**1,554,622,774**	1,186,060,140
Total equity of UCFS	**674,567,140**	480,741,613
Aggregate financing to capital ratio	**2.3**	2.5

Under the terms of certain borrowing facilities, in addition to compliance with SAMA's requirements, UCFS 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 December 2022, the ratio of EBITDA to debt service was 1.6 (31 December 2021: 2.3), in compliance with the requirements of the minimum ratio as set out by the commercial banks.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statement for the year ended 31 December 2022
(All amounts in Saudi Riyals unless otherwise stated)

21 Financial instruments

As at 31 December 2022 and 2021, all financial assets and financial liabilities of the Group are categorized as held at amortized cost. Management believes that the fair values of the Group's financial assets and liabilities 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.

The breakdown of these financial assets and liabilities is as follows:

	2022	**2021**
Financial assets at amortized cost		
Cash and cash equivalents	**26,936,416**	37,643,577
Investment in Islamic financing contracts	**1,554,622,774**	1,186,060,140
Prepayments and other receivables	**1,782,029**	1,537,440
Total	**1,583,341,219**	1,225,241,157
Financial liabilities at amortized cost		
Borrowings	**837,473,437**	675,743,904
Lease Liabilities	**629,525**	1,249,085
Trade and other payables	**74,831,594**	73,844,834
Total	**912,934,556**	750,837,823

At 31 December 2022, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 13.8 million and Saudi Riyals 1.9 million (31 December 2021: Saudi Riyals 13.3 million and Saudi Riyals 6.6 million), respectively, have been excluded from prepayments and other receivables and trade and other payables, respectively.

22 Date of authorization for issue

The accompanying consolidated financial statements were authorized for issue by the Group's Board of Directors on 22 June 2023.

UNITED INTERNATIONAL HOLDING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND INDEPENDENT AUDITOR'S REPORT

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated financial statements
For the year ended 31 December 2023

Independent auditor's report to the shareholders of United International Holding Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of United International Holding Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Group's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of United International Holding Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

31 March 2024

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2023	**2022**
Assets			
Cash and cash equivalents	4	**24,787,908**	26,936,416
Prepayments and other receivables	5	**18,888,983**	15,618,270
Investment in Islamic financing contracts	6	**1,867,385,357**	1,554,622,774
Right-of-use assets		**2,574,856**	567,615
Property and equipment	7	**4,417,105**	5,268,110
Intangible assets	8	**18,858,104**	18,218,473
Goodwill		**528,692**	528,692
Total assets		**1,937,441,005**	1,621,760,350
Equity and liabilities			
Equity			
Share capital	9	**250,000,000**	250,000,000
Statutory reserve	10	**43,929,503**	22,713,040
Additional capital contribution	1	**200,990,787**	200,990,787
Retained earnings		**395,365,519**	204,417,351
Other reserves		**389,741**	284,299
Total equity		**890,675,550**	678,405,477
Liabilities			
Trade and other payables	11	**66,597,319**	76,710,932
Zakat payable	12	**24,423,377**	22,183,669
Lease liabilities		**2,574,856**	629,525
Borrowings	13	**945,351,417**	837,473,437
Employee benefit obligations	14	**7,818,486**	6,357,310
Total liabilities		**1,046,765,455**	943,354,873
Total equity and liabilities		**1,937,441,005**	1,621,760,350

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	**2022**
Income from Islamic financing contracts	16	**523,854,144**	416,957,233
Finance costs	13	**(63,243,271)**	(27,778,499)
Net income from Islamic financing contracts		**460,610,873**	389,178,734
General and administrative expenses	17	**(62,711,277)**	(50,853,432)
Selling and marketing expenses	18	**(102,497,004)**	(87,393,157)
Net impairment losses on financial assets	6	**(60,591,068)**	(40,753,588)
Finance costs on lease liabilities		**(20,823)**	(54,690)
Other income - net		**1,797,307**	4,134,411
Profit before zakat		**236,588,008**	214,258,278
Zakat expense	12	**(24,423,377)**	(21,512,882)
Profit for the year		**212,164,631**	192,745,396
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	14	**124,937**	438,233
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(19,495)**	(175,180)
Other comprehensive income for the year		**105,442**	263,053
Total comprehensive income for the year		**212,270,073**	193,008,449
Earnings per share			
Basic and diluted	19	**8.49**	7.71

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

						Other reserves			
	Note	**Share capital**	**Statutory reserve**	**Additional capital contribution**	**Retained earnings**	**Foreign currency translation reserve**	**Actuarial reserve**	**Total other reserves**	**Total**
At 1 January 2022		250,000,000	3,438,500	200,990,787	30,946,495	(25,194)	46,440	21,246	485,397,028
Profit for the year		-	-	-	192,745,396	-	-	-	192,745,396
Other comprehensive (loss) income for the year		-	-	-	-	(175,180)	438,233	263,053	263,053
Total comprehensive income (loss) for the year		-	-	-	192,745,396	(175,180)	438,233	263,053	193,008,449
Transfer to statutory reserve	10	-	19,274,540	-	(19,274,540)	-	-	-	-
At 31 December 2022		250,000,000	22,713,040	200,990,787	204,417,351	(200,374)	484,673	284,299	678,405,477
Profit for the year		-	-	-	212,164,631	-	-	-	**212,164,631**
Other comprehensive (loss) income for the year		-	-	-	-	(19,495)	124,937	105,442	**105,442**
Total comprehensive income (loss) for the year		-	-	-	212,164,631	(19,495)	124,937	105,442	**212,270,073**
Transfer to statutory reserve	10	-	21,216,463	-	(21,216,463)	-	-	-	-
At 31 December 2023		**250,000,000**	**43,929,503**	**200,990,787**	**395,365,519**	**(219,869)**	**609,610**	**389,741**	**890,675,550**

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UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2023	2022
Cash flows from operating activities			
Profit before zakat		**236,588,008**	214,258,278
Adjustments for:			
Depreciation and amortization	7, 8	**5,468,712**	4,773,643
Depreciation on right of use assets		**567,615**	568,002
Finance costs		**63,264,094**	27,833,188
Property and equipment written off	7	**-**	36,429
Net impairment losses on financial assets	6	**60,591,068**	40,753,588
Employee benefit obligations	14	**2,040,038**	1,887,798
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(373,353,651)**	(409,316,222)
Increase in prepayments and other receivables		**(3,270,713)**	(765,093)
Decrease in trade and other payables		**(10,133,108)**	(3,894,884)
Cash utilized in operations		**(18,237,937)**	(123,865,273)
Finance costs paid		**(62,989,031)**	(23,057,835)
Zakat paid	12	**(22,183,669)**	(14,752,876)
Employee benefit obligations paid	14	**(453,925)**	(1,347,582)
Net cash outflow from operating activities		**(103,864,562)**	(163,023,566)
Cash flows from investing activities			
Payments for purchases of property and equipment	7	**(1,372,053)**	(1,201,434)
Payments for additions to intangible assets	8	**(3,885,285)**	(2,816,770)
Net cash outflow from investing activities		**(5,257,338)**	(4,018,204)
Cash flows from financing activities			
Proceeds from long-term borrowings	13	**774,500,000**	396,000,000
Proceeds from short-term borrowings	13	**5,000,000**	250,000,000
Repayment of long-term borrowings	13	**(416,897,083)**	(489,045,831)
Repayment of short-term borrowings	13	**(255,000,000)**	-
Principal elements of lease payments		**(629,525)**	(619,560)
Net cash inflow from financing activities		**106,973,392**	156,334,609
Net decrease in cash and cash equivalents		**(2,148,508)**	(10,707,161)
Cash and cash equivalents at beginning of the year		**26,936,416**	37,643,577
Cash and cash equivalents at end of the year	4	**24,787,908**	26,936,416
Non-cash investing and financing activities:			
Right-of-use assets recorded against lease liabilities		**2,574,856**	-

The accompanying notes are an integral part of these consolidated financial statements.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

1 Legal status and operations

United International Holding Company ("the Company" or "UIHC") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2051237935 issued in Al-Khobar on 13 Rabie Al Awwal 1443 H (21 October 2021). The principal activities of UIHC and its subsidiaries (collectively referred to as the "Group") are investing in stocks and other securities, providing loans, guarantees, financing to its affiliated companies and various types of consumer and product finance services.

UIHC is a subsidiary of United Electronics Company ("UEC"), a Saudi Joint Stock Company, incorporated in the Kingdom of Saudi Arabia, which is principally engaged in the retail and wholesale of electric appliances and electronic gadgets etc. Also see Note 9.

During the year ended 31 December 2023, there were no significant changes in the terms of the financing arrangements offered by the Group such as profit rates, tenures of the financing contracts, criterion for finance amounts disbursed etc. However, during the year ended 31 December 2023, certain changes were made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) used by management in developing the model of computation of Expected Credit Loss ("ECL") on investment in Islamic financing contracts. A detailed analysis of such change in estimate has been included in Note 20. Also see Note 6.

The accompanying consolidated financial statements include accounts of UIHC and it's following wholly owned subsidiaries:

Subsidiaries	**Country of incorporation**
United Company for Financial Services ("UCFS")	Kingdom of Saudi Arabia
Procco Financial Services W.L.L. ("Procco")	Kingdom of Bahrain

Transfer of subsidiaries:

Effective 1 November 2021, UEC resolved to transfer the ownership of two subsidiaries namely UCFS and Procco including all their assets, rights, liabilities and obligations to the Group which were previously directly controlled by UEC.

The transfer of subsidiaries to UIHC represented a business combination under common control and was accounted for using the predecessor method of accounting. Since UIHC chose to apply the predecessor method retrospectively, an acquirer was not required to be identified.

Under the predecessor accounting method:

- The acquired entity's results and statement of financial position are incorporated as if both entities (acquirer and acquiree) had always been combined.
- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.
- Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

A number of factors are considered in determining the above accounting policy for accounting of transactions under common control. These factors relate to:

- Non-existence of non-controlling interest;
- Consideration of the transfer was determined based at book values; and
- The entities were under the same management before and after the combination.

As at 1 November 2021

Assets	
Cash and cash equivalents	**83,840,612**
Prepayment and other receivables	**22,643,170**
Investment in Islamic financing contracts	**1,106,396,199**
Goodwill	**528,692**
Right-of-use assets	**1,229,852**
Property and equipment	**6,003,589**
Intangible assets	**17,827,033**
Total assets	**1,238,469,147**
Liabilities	
Trade and other payables	**125,972,047**
Zakat payable	**11,237,808**
Lease liabilities	**1,393,133**
Borrowings	**642,585,187**
Employee benefit obligations	**6,290,185**
Total liabilities	**787,478,360**
Net assets transferred	**450,990,787**

On its incorporation, UIHC issued shares to UEC and received cash of Saudi Riyals 250.0 million. Such proceeds from the share issue were subsequently used to pay UEC against the transfer of the above net assets of UCFS and Procco by means of settlement in cash amounting to Saudi Riyals 250.0 million whereas the remaining amount of Saudi Riyals 201.0 million has been recognized against additional capital contribution from UEC.

Net assets transferred	**450,990,787**
Settlement of net assets transferred	
Settlement through cash	**250,000,000**
Additional capital contribution from UEC	**200,990,787**
	450,990,787

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

Legal status and operations of subsidiaries

UCFS:

UCFS 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). UCFS's head office is located in Al-Khobar, Kingdom of Saudi Arabia.

The principal business activities of UCFS 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. UCFS 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. UCFS's investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, UCFS 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.

Procco:

Procco is a limited liability Company registered and incorporated in the Kingdom of Bahrain on 12 September 2006 under Commercial Registration (CR) number 62406. Procco's registered head office is situated at Flat 401, Building 2504, Road 2832, Block 428, Al-Seef, Kingdom of Bahrain.

Procco has been granted an ancillary services license under volume 5 by the Central Bank of Bahrain ("CBB") and is licensed to provide remote processing and support services, data backup services, credit card payment services and technical services for financial institutions and other companies. Procco is currently engaged in providing call centre services, application processing and information technology support services to UCFS.

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to consolidated financial statements for the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

2 Material accounting policies

Material accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS"), that are endorsed in Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

b) Historical cost convention

These consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the relevant accounting policies below.

c) Basis of presentation

The Group's consolidated statement of financial position is not presented using a current/non-current classification. However, the following balances are classified as current: cash and cash equivalents, trade and other payables and zakat payable. The following balances are classified as non-current: property and equipment, intangible assets, right-of-use assets, and employee benefit obligations. As at 31 December 2023 and 2022, the balances which are of mixed in nature i.e., include both current and non-current portions include lease liabilities, prepayment and other receivables, investment in Islamic financing contracts and borrowings. See Notes 5, 6 and 13 for breakdown for the current/non-current classification for such balances.

d) New standards and amendment to standards and interpretations

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

- Narrow scope amendments to IAS 1 'Presentation of financial statements' ("IAS 1"), Practice statement 2 and IAS 8 'Accounting policies, accounting estimates and errors' ("IAS 8");
- Amendment to IAS 12 'Taxation' ("IAS 12") – deferred tax related to assets and liabilities arising from a single transaction;
- Amendment to IAS 12 – International tax reform; and
- IFRS 17 – Insurance contracts ("IFRS 17")

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

With respect to IFRS 17, pursuant to the regulations in Kingdom of Saudi Arabia, the Group is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 effective from 1 January 2023, the Group continues to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17, given it meets the scope exemption under IFRS 17. Accordingly, based on management's assessment, there was no impact upon adoption of IFRS 17 and the impact of such exposure under IFRS 9 is immaterial considering limited history of deceased customers.

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e) Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2023 reporting period and have not been early adopted by the Group.

- 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.

Management is in the process of assessing the impact of such new standards and interpretations on its consolidated financial statements.

2.2 Foreign currencies

a) Functional and presentation currency

The accompanying consolidated financial statements are presented in Saudi Riyals which is functional currency and presentation currency of the Group. Each subsidiary in the Group determines its own functional currency (which is the currency of the primary economic environment in which the subsidiary operates), and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

c) Group entities

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi riyals are translated into Saudi Riyals as follows:

i. Assets and liabilities for each of financial position presented are translated at the closing exchange rate at the date of that statement of financial position.
ii. Income and expenses for each profit or loss are translated at average exchange rates and
iii. Components of the equity accounts are translated at exchange rates in effect at the dates the related items originated

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of UIHC and its subsidiaries over which it has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. Specifically, the group control an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangement; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this result in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative transaction differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be if the group had directly disposed of the relates assets or liabilities.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transaction, are eliminated in preparing the consolidated financial statements, unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Property and equipment

Property and equipment principally includes furniture, fixtures, office equipment and computers etc. which are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Subsequent expenditures are capitalised only if future economic benefits that are attributable to the asset are expected to flow to the entity and the costs can be measured reliably.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.8 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective profit rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective profit rate method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

2.9 Employee benefit obligations

The level of benefit is based on the terms and conditions of the labor laws applicable to the Group on termination of their employment contracts.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to actuarial reserve in the statement of changes in equity in the period in which they occur.

Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Group has no further payment obligations once the contributions have been paid.

2.10 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the statement of financial position.

2.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

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2.12 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from Islamic financing contracts is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

The calculation of EPR includes transaction costs and processing fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets, such as costs pertaining to evaluation of customers' credit worthiness, sales commission etc. Processing fees is charged in respect of processing of Islamic financing contracts.

2.13 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Additional amounts, if any, are accounted for when determined to be required for payment.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.14 Expenses

Expenses, excluding finance costs, are presented in the statement of profit or loss and other comprehensive income by function, as permitted under the applicable financial reporting framework. All personnel costs of the sales department, costs required to enter into a financing contract and other associated expenses, advertising etc. are classified under "Selling and marketing expenses" whereas remaining expenses of administrative nature are classified under "General and administrative expenses".

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2.15 Financial Instruments

2.15.1 Financial Assets

a) Classification

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss ("FVTPL").

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

This classification is based on the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP").

b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Group's financial assets are at amortised cost. Financial income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Instances of modifications to the terms of the Group's financial assets are rare, considering that the acceptance of modification request from the customers is at the discretion of the Group, except for cases as mandated by SAMA regulations. Modifications to the investment in Islamic financing contracts have an immaterial impact on the accompanying consolidated financial statements. Also see Note 20.

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c) De-recognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the three-stage model for impairment of Investment in Islamic financing contracts, based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("Under-performing") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is 30 or more days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Group is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, which is fully aligned with the definition of credit-impaired under IFRS 9. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Group, when determining whether the credit risk on a financial asset has increased significantly since the initial recognition of the financial asset, considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

Financial assets are written-off only when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include amongst others, customers' failure to make contractual payments for a period of greater than 365 days past default, in accordance with SAMA's rules and regulations, and or engage with the Group's collection team. In any case, the Group ensures that all write-offs are only made upon exhaustion of reasonable collection efforts by management. Furthermore, all outstanding exposures from deceased customers are written off immediately.

Where financial assets are written-off, the Group continues to engage enforcement activities to attempt to recover the receivable due, except for balances written off for deceased customers, which are immaterial. Recoveries made, after write-off, are recognized in 'Net impairment losses on financial assets' in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 20.

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2.15.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.15.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements, when the Group has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.16 Investment in Islamic financing contracts

2.16.1 Tawarruq financing contracts

Tawarruq is an agreement wherein the Group sells a product to its customer which the Group has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement (“Tawarruq financing contracts”). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under Tawarruq financing contracts.

2.16.2 Murabaha financing contracts

Murabaha is an Islamic form of financing wherein, the Group based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Group’s cost-plus profit, payable on deferred basis in installments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

2.16.3 Islamic credit card receivables

Islamic credit card receivables are initially measured at the fair value-which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortized cost.

2.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Reportable segments are those operating segments, or aggregations of operating segments, for which segment information is separately reported. While the Board of Directors of the Group, considered as Chief Operating Decision Maker, review the internal management reports by type of products, however, these are not considered as separately identifiable reportable segments as discrete financial information is not available for such products. Accordingly, management has concluded that there are no reportable segments.

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2.18 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on liquidity. However, an asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Critical accounting estimate

(i) Measurement of ECL allowance on investment in Islamic financing contracts

Measurement of ECL allowance on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) in developing the model for computation of ECL on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been included in Note 20. Also see Note 6.

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b) Critical accounting judgements

(i) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management has exercised judgement in determining that its lease agreements for certain office spaces and other kiosks etc. are short term in nature considering expected expansion of workforce, insignificant leasehold improvements, analysis of utility of the kiosks and expectation of no significant business disruption. Accordingly, all rental expenses for such short-term leases have been charged to statement of profit or loss and other comprehensive income.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(ii) SPPP Test:

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default of payment of two consecutive installments by the customer, the entire contract amount becomes payable upon demand by the Group at its discretion. However, the Group pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

4 Cash and cash equivalents

	2023	**2022**
Cash in hand	**9,182**	6,648
Cash at bank	**24,778,726**	26,929,768
	24,787,908	26,936,416

Also see Note 20.

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5 Prepayments and other receivables

	Note	2023	2022
Prepaid expenses		**11,826,419**	13,504,571
Advances to employees		**763,489**	678,700
Advances to suppliers		**917,178**	193,067
Due from a related party	15	**14,010**	36,877
Value added tax receivable		**2,740,456**	-
Other receivables		**2,627,431**	1,205,055
		18,888,983	15,618,270
Classification of prepayments and other receivables is presented below:			
Due within 12 months		**17,394,610**	14,287,779
Due after 12 months		**1,494,373**	1,330,491
		18,888,983	15,618,270

Also see Note 15.2 and Note 20.

6 Investment in Islamic financing contracts

	2023	2022
Investment in Tawarruq financing contracts, net	**1,531,316,342**	1,149,837,518
Investment in Murabaha financing contracts, net	**272,873,307**	398,318,567
Investment in Islamic credit cards, net	**63,195,708**	6,466,689
	1,867,385,357	1,554,622,774
Less: Due after 12 months	**(1,028,152,040)**	(894,027,755)
Due within 12 months	**839,233,317**	660,595,019

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Gross investment in Islamic financing contracts	**2,317,297,899**	1,756,429,044	**362,169,051**	531,814,471	**65,726,549**	6,831,628	**2,745,193,499**	2,295,075,143
Unearned finance and processing fee income	**(736,619,032)**	(566,527,502)	**(77,646,235)**	(127,169,940)	**-**	-	**(814,265,267)**	(693,697,442)
Present value of investment in Islamic financing contracts ("P.V. of I.F.C.")	**1,580,678,867**	1,189,901,542	**284,522,816**	404,644,531	**65,726,549**	6,831,628	**1,930,928,232**	1,601,377,701
Allowance for ECL/net impairment on financial assets	**(49,362,525)**	(40,064,024)	**(11,649,509)**	(6,325,964)	**(2,530,841)**	(364,939)	**(63,542,875)**	(46,754,927)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	**1,531,316,342**	1,149,837,518	**272,873,307**	398,318,567	**63,195,708**	6,466,689	**1,867,385,357**	1,554,622,774
Net investment in I.F.C. - Due after 12 months	**(957,962,987)**	(773,390,465)	**(70,189,053)**	(120,637,290)	**-**	-	**(1,028,152,040)**	(894,027,755)
Net investment in I.F.C. - Due within 12 months	**573,353,355**	376,447,053	**202,684,254**	277,681,277	**63,195,708**	6,466,689	**839,233,317**	660,595,019

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

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Opening balance	**40,064,024**	23,932,886	**6,325,964**	9,430,785	**364,939**	-	**46,754,927**	33,363,671
Charge for the year	**52,655,193**	42,044,281	**16,583,715**	5,449,115	**2,721,177**	364,939	**71,960,085**	47,858,335
Amounts written-off	**(43,356,692)**	(25,913,143)	**(11,260,170)**	(8,553,936)	**(555,275)**	-	**(55,172,137)**	(34,467,079)
Closing balance	**49,362,525**	40,064,024	**11,649,509**	6,325,964	**2,530,841**	364,939	**63,542,875**	46,754,927

Certain amounts in the comparative column of the above disclosure have been adjusted to conform to 2023 presentation.

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6.2.1 Net impairment losses on financial assets:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Charge for the year	**52,655,193**	42,044,281	**16,583,715**	5,449,115	**2,721,177**	364,939	**71,960,085**	47,858,335
Recoveries amount of previously written off	**(7,745,163)**	(4,691,718)	**(3,623,854)**	(2,413,029)	**-**	-	**(11,369,017)**	(7,104,747)
Net impairment losses on financial assets	**44,910,030**	37,352,563	**12,959,861**	3,036,086	**2,721,177**	364,939	**60,591,068**	40,753,588

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6.3 Stage-wise analysis of Islamic financing contracts and the respective allowance for ECL/impairment are as follows:

31 December 2023	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

31 December 2022	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)	1,102,246,076	(10,499,979)	1,091,746,097	378,862,108	(1,407,515)	377,454,593	5,839,977	(46,764)	5,793,213	1,486,948,161	(11,954,258)	1,474,993,903
Under-performing (Stage 2)	18,729,566	(2,889,861)	15,839,705	4,759,049	(196,462)	4,562,587	496,110	(96,229)	399,881	23,984,725	(3,182,552)	20,802,173
Non-performing (Stage 3)	68,925,900	(26,674,184)	42,251,716	21,023,374	(4,721,987)	16,301,387	495,541	(221,946)	273,595	90,444,815	(31,618,117)	58,826,698
	1,189,901,542	(40,064,024)	1,149,837,518	404,644,531	(6,325,964)	398,318,567	6,831,628	(364,939)	6,466,689	1,601,377,701	(46,754,927)	1,554,622,774

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6.4 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
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**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-Performing (Stage 3)	Total
2022				
1 January 2022	7,738,119	2,641,437	22,984,115	33,363,671
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,865,745)	3,134,989	(145,754)	1,123,490
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(10,966,142)	(1,600,307)	30,266,609	17,700,160
Individual financial assets transferred to performing (12-month expected credit losses)	39,698	(361,128)	(328,977)	(650,407)
New financial assets originated	19,074,178	-	-	19,074,178
Amounts written-off	(63,444)	(127,666)	(34,275,969)	(34,467,079)
Other changes	(2,002,406)	(504,773)	13,118,093	10,610,914
31 December 2022	11,954,258	3,182,552	31,618,117	46,754,927

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

2023	Tawarruq finance Performing (Stage 1)	Tawarruq finance Under-performing (Stage 2)	Tawarruq finance Non-performing (Stage 3)	Murabaha finance Performing (Stage 1)	Murabaha finance Under-performing (Stage 2)	Murabaha finance Non-performing (Stage 3)	Islamic Credit Card Performing (Stage 1)	Islamic Credit Card Under-performing (Stage 2)	Islamic Credit Card Non-performing (Stage 3)	Total Performing (Stage 1)	Total Under-performing (Stage 2)	Total 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 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	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

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	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2022	**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	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	-	-	-	7,738,119	2,641,437	22,984,115
Individual financial assets transferred to												
- Stage 1	36,518	(273,720)	(222,316)	3,180	(87,408)	(106,661)	-	-	-	39,698	(361,128)	(328,977)
- Stage 2	(1,596,879)	2,837,283	(136,205)	(172,637)	201,477	(9,549)	(96,229)	96,229	-	(1,865,745)	3,134,989	(145,754)
- Stage 3	(8,827,555)	(1,312,838)	26,781,022	(1,916,641)	(287,469)	3,263,641	(221,946)	-	221,946	(10,966,142)	(1,600,307)	30,266,609
New financial assets originated	15,753,053	-	-	2,979,368	-	-	341,757	-	-	19,074,178	-	-
Amounts written-off	(53,355)	(80,777)	(24,639,667)	(10,089)	(46,889)	(9,636,303)	-	-	-	(63,444)	(127,666)	(34,275,970)
Other changes	(830,907)	(347,153)	9,044,634	(1,194,681)	(157,620)	4,073,460	23,182	-	-	(2,002,406)	(504,773)	13,118,094
At 31 December	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

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Following factors contributed to the change in the ECL allowance during the year ended 31 December 2023:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;

- During the year ended 31 December 2023, management has noted an overtime increase in Stage 2 and Stage 3 exposures which is consistent with the overall maturity of the portfolio of the Islamic financing contracts since the early years of incorporation of UCFS.

- During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) used by management in developing the model for computation of ECL on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been explained in Note 20;

- Additional allowances for new financial assets recognised during the year;

- 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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6.6 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		
2023	**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	1,102,246,076	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	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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	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2022	**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	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	-	-	-	1,154,146,642	14,963,124	50,314,045
Individual financial assets transferred to												
- Stage 1	1,783,037	(1,299,984)	(483,053)	929,621	(691,363)	(238,258)	-	-	-	2,712,658	(1,991,347)	(721,311)
- Stage 2	(19,832,054)	20,129,833	(297,779)	(5,498,757)	5,519,945	(21,188)	(496,110)	496,110	-	(25,826,921)	26,145,888	(318,967)
- Stage 3	(61,526,276)	(6,106,964)	67,633,240	(18,880,295)	(2,379,872)	21,260,167	(495,541)	-	495,541	(80,902,112)	(8,486,836)	89,388,948
New financial asset originated	666,016,546	-	-	283,447,479	-	-	6,831,628	-	-	956,295,653	-	-
Amounts written-off	(53,355)	(80,777)	(24,639,667)	(10,089)	(46,889)	(9,636,303)	-	-	-	(63,444)	(127,666)	(34,275,970)
Collections and other changes	(296,595,317)	(3,726,390)	(7,596,080)	(222,818,998)	(2,792,048)	(6,345,850)	-	-	-	(519,414,315)	(6,518,438)	(13,941,930)
At 31 December	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

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

	2023	2022
Gross investment in Islamic financing contracts		
Within one year	**1,034,366,835**	891,198,952
From one to two years	**808,227,507**	715,448,610
From two to three years	**479,714,718**	407,361,700
From three to four years	**295,255,542**	205,335,564
Four to five years	**127,628,897**	75,730,317
	2,745,193,499	2,295,075,143

	2023	2022
Present value of investment in Islamic financing contracts		
Within one year	**870,366,971**	673,915,155
From one to two years	**550,792,884**	492,312,721
From two to three years	**301,094,317**	263,912,900
From three to four years	**150,008,190**	126,930,843
Four to five years	**58,665,870**	44,306,082
	1,930,928,232	1,601,377,701

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7 Property and equipment

	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
31 December 2023				
Cost				
1 January	**21,230,612**	**2,167,807**	**-**	**23,398,419**
Additions	**1,370,309**	**1,744**	**-**	**1,372,053**
31 December	**22,600,921**	**2,169,551**	**-**	**24,770,472**
Accumulated depreciation				
1 January	**(16,422,459)**	**(1,707,850)**	**-**	**(18,130,309)**
Additions	**(2,073,430)**	**(149,628)**	**-**	**(2,223,058)**
31 December	**(18,495,889)**	**(1,857,478)**	**-**	**(20,353,367)**
Net book value	**4,105,032**	**312,073**	**-**	**4,417,105**

	Furniture, fixtures and office equipment	Leasehold improvements	Capital work-in-progress	Total
31 December 2022				
Cost				
1 January	20,172,903	1,889,792	212,777	22,275,472
Additions	923,419	278,015	-	1,201,434
Transfers	212,777	-	(212,777)	-
Write-offs	(78,487)	-	-	(78,487)
31 December	21,230,612	2,167,807	-	23,398,419
Accumulated depreciation				
1 January	(14,594,507)	(1,496,151)	-	(16,090,658)
Additions	(1,870,010)	(211,699)	-	(2,081,709)
Write-offs	42,058	-	-	42,058
31 December	(16,422,459)	(1,707,850)	-	(18,130,309)
Net book value	4,808,153	459,957	-	5,268,110

The estimated useful lives of assets are as follows:

	Number of years
• Furniture, fixtures and office equipment	2 - 5
• Leasehold improvements	3 - 5

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8 Intangible assets

	Computer software	Capital work-in-progress	Total
2023			
Cost			
1 January	**35,501,773**	**313,128**	**35,814,901**
Additions	**3,281,470**	**603,815**	**3,885,285**
Transfers	**488,547**	**(488,547)**	**-**
31 December	**39,271,790**	**428,396**	**39,700,186**
Accumulated amortisation			
1 January	**(17,596,428)**	**-**	**(17,596,428)**
Additions	**(3,245,654)**	**-**	**(3,245,654)**
31 December	**(20,842,082)**	**-**	**(20,842,082)**
Net book value	**18,429,708**	**428,396**	**18,858,104**

	Computer software	Capital work-in-progress	Total
2022			
Cost			
1 January	25,395,364	7,602,767	32,998,131
Additions	2,177,561	639,209	2,816,770
Transfers	7,928,848	(7,928,848)	-
31 December	35,501,773	313,128	35,814,901
Accumulated amortisation			
1 January	(14,904,494)	-	(14,904,494)
Additions	(2,691,934)	-	(2,691,934)
31 December	(17,596,428)	-	(17,596,428)
Net book value	17,905,345	313,128	18,218,473

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 2 - 10 years.

The Group's capital-work-in-progress as at 31 December 2023 principally comprises the costs incurred related to computer software which is expected to be completed by May 2024 with a total estimated cost of Saudi Riyals 0.6 million.

9 Share capital

The share capital of the Company as of 31 December 2023 and 2022 comprised 25 million shares stated at Saudi Riyals 10 per share.

Shareholder	Country of incorporation	31 December 2023	31 December 2022
United Electronics Company ("UEC")	Kingdom of Saudi Arabia	**99%**	99%
United Electronics Company - Extra W.L.L. (" eXtra Bahrain")	Kingdom of Bahrain	**1%**	1%
		100%	100%

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10 Statutory reserve

In accordance with the Group's By-laws, the Group is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals to 30% of its share capital. This reserve is currently not available for distribution to shareholders of the Group. The new Regulations for Companies, effective from 19 January 2023, no longer mandate maintaining any statutory reserve and the Group is in the process of updating its By-laws within the grace period allowed, in accordance with such regulations.

11 Trade and other payables

	Note	2023	2022
Due to related parties	15	**20,500,308**	37,339,822
Trade payables		**16,572,950**	15,719,561
Accrued salaries and other benefits		**13,829,743**	10,013,413
Accrued expenses		**10,580,842**	9,168,098
Accrued Board of Directors' fee		**3,854,778**	2,102,978
Value added tax payable		**587,567**	600,948
Others		**671,131**	1,766,112
		66,597,319	76,710,932

12 Zakat payable

The Group is subject to zakat. In accordance with the regulations of the ZATCA, zakat is payable at 2.578% on all components of the zakat base except for adjusted net profit for the year which is subject to zakat at the rate of 2.5%. UIHC and UCFS file separate zakat returns on a stand-alone basis whereas no zakat is applicable on Procco. For UCFS, zakat is payable at 2.577% of zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before zakat.

12.1 Components of approximate zakat base

The significant components of the zakat base under the applicable zakat regulations principally comprise shareholders' equity, provisions at the beginning of the year, long-term borrowings and adjusted net profit, less deduction for the net book value of property and equipment, investments and certain other items.

12.2 Provision for zakat

	2023	2022
Opening balance	**22,183,669**	15,423,663
Provision	**24,423,377**	21,512,882
Payments	**(22,183,669)**	(14,752,876)
Closing balance	**24,423,377**	22,183,669

12.3 Status of final assessments

UIHC has submitted its first zakat return with the ZATCA for the period from 21 October 2021 (date of incorporation) to 31 December 2022 which is currently under review by ZATCA and it has obtained zakat certificates from ZATCA for such period.

UCFS' zakat assessments since inception are currently under review by the ZATCA and it has obtained zakat certificates from ZATCA for the years through 2022.

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13 Borrowings

	2023	2022
Long-term borrowings		
Murabaha facilities	**939,536,250**	581,933,334
Short-term borrowings		
Murabaha facilities	-	250,000,000
	939,536,250	831,933,334
Accrued finance cost	**5,815,167**	5,540,103
	945,351,417	837,473,437

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	**280,613,917**	435,806,777
Due after 12 months	**664,737,500**	401,666,660
	945,351,417	837,473,437

13.1 The movement in the Group's borrowings is as follows:

	2023	2022
As at 1 January	**837,473,437**	675,743,904
Proceeds from long-term borrowings	**774,500,000**	396,000,000
Proceeds from short-term borrowings	**5,000,000**	250,000,000
Repayment of long-term borrowings	**(416,897,083)**	(489,045,831)
Repayment of short-term borrowings	**(255,000,000)**	-
Finance cost accrued	**63,243,271**	27,778,499
Finance cost paid	**(62,968,208)**	(23,003,135)
As at 31 December	**945,351,417**	837,473,437

13.2 The maturities of the Group's borrowings are as follows:

	2023	2022
Less than 6 months	**139,923,750**	352,633,342
Between 6 to 12 months	**134,875,000**	77,633,332
Between 1 and 2 years	**269,750,000**	155,266,664
Between 2 and 5 years	**394,987,500**	246,399,996
	939,536,250	831,933,334

Maturity profile of borrowings, including finance cost component, is disclosed in Note 20.

13.3 The Group 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 Group'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	2023	2022
Long-term borrowings			
Murabaha I	13.3.1	-	206,933,334
Murabaha III	13.3.2	-	25,000,000
Murabaha IV	13.3.3	**249,998,750**	350,000,000
Murabaha VI	13.3.4	**356,350,000**	-
Murabaha VII	13.3.5	**333,187,500**	-
Short-term borrowings			
Murabaha V	13.3.6	-	250,000,000
		939,536,250	831,933,334
Accrued finance cost		**5,815,167**	5,540,103
		945,351,417	837,473,437

The financial charges incurred during the period increased on account of increase in amount of borrowings and increase in SAIBOR since the second half of 2022. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Group was in compliance with at 31 December 2023.

During the year ended 31 December 2023, the Group made early repayments of borrowings under certain facilities and entered into a new facility agreement (Murabaha VI and Murabaha VII) with another commercial bank on favorable terms agreed under a separate agreement. There was no gain or loss on the extinguishment of the borrowings upon early repayment.

Details of the type of borrowings facilities as allocated to and availed by the Group are as follows:

Long-term borrowings:

13.3.1 Murabaha I

Total amount allocated to the Group under such facility is Saudi Riyals 300 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. During 2023, the Group made early repayment of borrowings in full amounting to Saudi Riyals 216.9 million (As at 31 December 2022, the Group had an outstanding loan balance of Saudi Riyals 206.9 against this facility).

13.3.2 Murabaha III

Total amount allocated to the Group under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. During 2023, the Group made early repayment of borrowings in full amounting to Saudi Riyals 33 million (31 December 2022: early repayment amounting to Saudi Riyals 360.8 million).

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13.3.3 Murabaha IV

Total amount allocated to the Group under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2023, the Group has an outstanding loan balance of Saudi Riyals 250 million against this facility (31 December 2022: Saudi Riyals 350.0 million).

Under the terms of this borrowing facility, the Group 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 December 2023, the ratio of EBITDA to debt service was 4.8 (31 December 2022: 1.6), in compliance with the requirements of the minimum ratio as set out in such facility agreement. The Group is also required to monitor the aggregate amount of financing offered by the Group 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 December 2023, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2022: 2.3), in compliance with the requirements of SAMA.

13.3.4 Murabaha VI

Total amount allocated to the Group 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 December 2023, the Group has an outstanding loan balance of Saudi Riyals 356.4 million against this facility (31 December 2022: Nil).

Under the terms of this new borrowing facility availed in 2023, the Group is required to maintain a minimum current ratio of 1.05. As at 31 December 2023, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

13.3.5 Murabaha VII

Total amount allocated to the Group 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 December 2023, the Group has an outstanding loan balance of Saudi Riyals 333.1 million against this facility (31 December 2022: Nil).

Under the terms of this new borrowing facility availed in 2023, the Group is required to maintain a minimum current ratio of 1.1. As at 31 December 2023, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

Short-term borrowings:

13.3.6 Murabaha V

Total amount allocated to the Group under such facility is Saudi Riyals 250 million. The tenure of the borrowing facility is less than one year. During 2023, the Group made early repayment of borrowings in full amounting to Saudi Riyals 255 million (31 December 2022: Saudi Riyals 250 million).

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14 Employee benefit obligations

14.1 General description of the plan

The Group operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2023.

14.2 Movement in net liability recognized in the statement of financial position

	2023	**2022**
Opening balance	**6,357,310**	6,255,327
Current service cost	**1,723,644**	1,666,444
Interest cost	**316,394**	221,354
Remeasurements	**(124,937)**	(438,233)
Payments	**(453,925)**	(1,347,582)
Closing balance	**7,818,486**	6,357,310

14.3 Amounts recognized in statement of profit or loss and other comprehensive income

	2023	**2022**
Current service cost	**1,723,644**	1,666,444
Interest cost	**316,394**	221,354
Total amount recognized in profit or loss	**2,040,038**	1,887,798
Remeasurements		
Loss (gain) due to change in financial assumptions	**21,998**	(544,987)
Gain due to change in demographic assumptions	**(531)**	(37,456)
(Gain) loss due to change in experience adjustments	**(146,404)**	144,210
Total amount recognized in other comprehensive income	**(124,937)**	(438,233)

14.4 Key actuarial assumptions

	2022	**2021**
Discount rate	**4.55% - 6.4%**	4.55% - 6.4%
Salary growth rate	**2%**	2%
Retirement age	**60 years**	60 years

14.5 Sensitivity analysis for significant actuarial assumptions

31 December 2023	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	**(108,093)**	**111,957**
Salary growth rate	0.50%	0.50%	**119,840**	**(116,717)**

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31 December 2022	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	(126,642)	132,661
Salary growth rate	0.50%	0.50%	135,445	(130,419)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The methods and assumptions used in preparing the sensitivity analysis for 2023 presented above are consistent.

14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 3.32 years (2022: 4.70 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	**1 - 2 years**	**2 - 5 years**	**5 - 10 years**	**Total**
2023	**2,128,417**	**2,055,282**	**5,550,185**	**6,200,780**	**15,934,664**
2022	1,416,961	1,369,491	3,328,356	9,720,162	15,834,970

15 Related party transactions and balances

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

15.1 Information about the related parties' balances as at 31 December and transactions in the ordinary course of business during the year were as follows:

Related party	**Relationship**
UEC	Shareholder
eXtra Bahrain	Shareholder

Due from related parties

	2023	**2022**
eXtra Bahrain	**14,010**	36,877

Due to related parties

	2023	**2022**
UEC	**20,500,308**	37,339,822

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Movement in balances due to UEC are as follows:

	2023	**2022**
UEC		
Opening balance	**37,339,822**	38,956,696
Customer purchases financed under Murabaha contracts	**254,752,989**	373,754,380
Payments to UEC	**(286,119,948)**	(400,575,980)
Collections made by UEC on behalf of the Group	**(18,368)**	(157,117)
Collections made by the Group on behalf of UEC	**48,985**	13,245,964
Expenses incurred by the Group on behalf of UEC	**-**	(9,580)
Rent expense	**2,925,000**	-
Expenses incurred by UEC on behalf of the Group	**10,436,697**	10,940,459
Information Technology support charges	**1,135,131**	1,085,000
Others	**-**	100,000
Closing balance	**20,500,308**	37,339,822

Nature of transactions:
The transactions are based on terms agreed as per signed agreements between the Group 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 Group include office rent, utilities and other expenses.
- Collections made by the Group on behalf of UEC represents collections for UEC's legacy financing portfolio.

Related party balances as at 31 December 2023 and 2022 bear no financial charges.

15.2 Key management compensation

	2023	**2022**
Short-term employee benefits	**10,303,308**	10,435,738
Employee benefit obligations	**399,752**	461,451
Board of Directors' fees	**2,854,650**	2,098,237
	13,557,710	12,995,426

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

As at 31 December 2023, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.3 million (31 December 2022: Saudi Riyals 0.2 million). Also see Note 5.

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16 Income from Islamic financing contracts

	2023	2022
Income from Tawarruq finance activities, net	**378,387,313**	270,351,997
Income from Murabaha finance activities, net	**140,317,015**	146,123,295
Income from Islamic credit card activities, net	**5,149,816**	481,941
	523,854,144	416,957,233

17 General and administrative expenses

	Note	2023	2022
Salaries and other benefits		**40,593,845**	31,696,860
Information technology support		**6,747,614**	5,048,436
Amortization of intangible assets	8	**3,065,035**	2,455,668
Professional fees		**2,583,000**	3,429,586
Depreciation on property and equipment	7	**1,288,139**	1,220,300
Utilities, printing and stationery		**1,741,128**	1,632,438
Rent		**1,050,803**	1,007,020
Depreciation on right-of-use assets		**200,371**	305,989
Others		**5,441,342**	4,057,135
		62,711,277	50,853,432

18 Selling and marketing expenses

	Note	2023	2022
Salaries and other benefits		**49,856,063**	47,578,770
Fee and subscription		**17,843,805**	14,620,570
Advertising		**17,215,060**	9,867,330
Collection charges		**8,546,298**	8,515,071
Rent		**3,399,399**	3,185,138
Depreciation on property and equipment	7	**934,919**	861,409
Depreciation on right-of-use assets		**367,244**	262,013
Amortisation of intangible assets	8	**180,619**	236,266
Others		**4,153,597**	2,266,590
		102,497,004	87,393,157

19 Basic and diluted earnings per share

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

	2023	2022
Profit for the year	**212,164,631**	192,745,396
Weighted average number of ordinary shares for basic and diluted earnings per share	**25,000,000**	25,000,000
Basic and diluted earnings per share	**8.49**	7.71

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20 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Group'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 Group's risk management framework. The Risk and Credit Management Committee and the Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group and their respective mitigating strategies are summarized below:

20.1 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 Group. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 December 2023, the Group has maintained an ECL allowance of Saudi Riyals 63.5 million (31 December 2022: Saudi Riyals 46.8 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:

20.1.1 Investment in Islamic financing contracts

Investment in Tawarruq and Murabaha finance contracts is generally exposed to significant credit risk. Therefore, the Group 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 Group 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 Group generally receives repayments through variable channels such as SADAD and bank transfers. The Group 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 Group 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.

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

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a. *Stage-wise analysis of gross investment in Islamic financing contracts as at 31 December, 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 December 2023				
Internal credit risk ratings				
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**

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2022				
Internal credit risk ratings				
Low risk	829,197,623	8,414,280	28,442,063	866,053,966
Medium risk	677,160,378	10,989,334	43,467,101	731,616,813
High risk	627,691,255	14,290,488	55,422,621	697,404,364
	2,134,049,256	33,694,102	127,331,785	2,295,075,143

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**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Not past due	**1,366,065,772**	1,067,030,105	**231,442,987**	368,275,414	**56,562,085**	5,650,607	**1,654,070,844**	1,440,956,126
Past due 1-30 days	**65,242,345**	35,759,594	**8,654,776**	11,019,678	**1,504,307**	189,370	**75,401,428**	46,968,642
Past due 31-90 days	**26,946,879**	19,074,046	**4,707,969**	4,496,158	**1,763,127**	496,110	**33,417,975**	24,066,314
Past due 91-180 days	**43,430,069**	34,893,005	**10,167,007**	9,421,114	**3,348,127**	495,541	**56,945,203**	44,809,660
Past due 181-364 days	**64,677,283**	24,579,623	**25,562,003**	8,350,489	**1,561,416**	-	**91,800,702**	32,930,112
Over 365 days	**14,316,519**	8,565,169	**3,988,074**	3,081,678	**987,487**	-	**19,292,080**	11,646,847
	1,580,678,867	1,189,901,542	**284,522,816**	404,644,531	**65,726,549**	6,831,628	**1,930,928,232**	1,601,377,701
Less: Impairment for Islamic financing contracts	**(49,362,525)**	(40,064,024)	**(11,649,509)**	(6,325,964)	**(2,530,841)**	(364,939)	**(63,542,875)**	(46,754,927)
Net investment in Islamic financing contracts	**1,531,316,342**	1,149,837,518	**272,873,307**	398,318,567	**63,195,708**	6,466,689	**1,867,385,357**	1,554,622,774

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20.1.2 Measurement of ECL

The Group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in Islamic financing contracts. 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 Group 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 Group 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 Group 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 Group has used each contract's effective profit rate. The Group's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

a) Generating the term structure of PD

PD measures the estimated likelihood of default over a time period. 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. Refer Section (d) below for further details regarding the methodology and changes made during the year.

b) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, management considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward-looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort, as it enters into Islamic Financing Contracts with individual customers only.

c) Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Refer Section (d) below for further details regarding the methodology and changes made during the year.

d) Changes in estimates and underlying judgements, including forward-looking information

During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions used for determination of ECL against Investment in Islamic financing contracts. The previous ECL model was developed in the initial phase of the Group's business activities and historical collection and default trends from the ultimate parent group's murabaha portfolio were used, being the best available information at that time. The Group's portfolio has matured since then and the ECL models have now been updated, to better reflect the changes in historical data, macroeconomic indicators, industry trends, credit quality and diversification in the portfolio. The summary of key changes made, along with their impact as at 31 December 2023, is as follows:

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- **Probability of default (PD):**

Probability of default is the likelihood that a borrower will default on their financial obligation. It is typically based on historical default rates and other forward looking information such as economic indicators or borrower-specific information. 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. During the year ended 31 December 2023, 'Through-the-Cycle' estimates were recalculated based on updated collection and default trends (until 31 December 2022, "Such Through-the-Cycle" PD rates are later converted to 'Point-in-time' PD rates by incorporating forward-looking information (see below) using the Vasicek framework.

Since numerous contracts in Tawarruq portfolio have completed their life cycle/tenure, management has now used Tawarruq specific collection and default trends to compute the PDs whereas previously used loss rates for Tawarruq portfolio were driven from historical data of murabaha given that sufficient historical data was not available for Tawarruq portfolio. Given the availability of more default related information and experience, management has now transitioned to a more comprehensive approach with separate PDs being derived for each portfolio (i.e. Murabaha, Tawarruq and credit cards).

Such change in PD inputs resulted in an increase of Saudi Riyals 20.2 million, in the ECL allowance as at 31 December 2023. The stage-wise analysis is as follows:

	Impact of change in PD
Performing (Stage 1)	4,982,632
Under-performing (Stage 2)	15,173,052
Non-performing (Stage 3)	-
	20,155,684

- **Loss given default (LGD):**

Loss given default is the amount of financial loss that an entity would incur if a borrower defaulted on their financial obligation. It is typically expressed as a percentage of the outstanding principal amount of the financial asset. The LGD component estimates the expected loss if the borrower defaults, taking into account the recovery rate that could be achieved from any collateral or other sources of recovery. Previously, the Group had used present value of historical recoveries from loss accounts of Murabaha Portfolio to arrive at the LGD of 28.11%. However, the LGD used for Tawarruq portfolio was 45% in accordance with the Basel guidelines considering that the Group had insufficient historical information.

During the year ended 31 December 2023, LGD inputs have been recalculated 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. Management also considered the use of Tawarruq specific LGD rates, however, while such portfolio has matured since the start of business activities, and sufficient historical information is available in relation to the default trends, management still believes that the recovery related information is insufficient as at 31 December 2023 and will be reassessed in the future reporting periods.

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Such change in LGD inputs resulted in a decrease of Saudi Riyals 22.1 million in the ECL allowance as at 31 December 2023. The stage-wise analysis is as follows:

	Impact of change in LGD
Performing (Stage 1)	(3,509,223)
Under-performing (Stage 2)	(1,477,343)
Non-performing (Stage 3)	(17,094,730)
	(22,081,296)

- **Macroeconomic factors:**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. During the year ended 31 December 2023, macroeconomic data containing 300 macroeconomic variables (including previously used 'crude oil price' and 'changes in unemployment statistics') were analysed from Economic Intelligence Unit (EIU) and weighted average default rates were calculated from the historical data to determine appropriate predictive variables.

Based on such analysis carried out by the management and as a result of more experience with the portfolio, real gross domestic product (% change per annum), an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, and government consumption (% change per annum), which is proportion of a country's total economic output that is spent by the government on goods and services, were identified as the most appropriate macroeconomic factors with the highest correlation to the historical collection and default trends.

The Group 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 (31 December 2022: 30%, 40% and 30% respectively) which are computed through statistical methodologies.

As at 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%)

As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 97.5, USD 88.2 and USD 69.7 per barrel respectively and the unemployment factor incorporated in the calculation of changes in unemployment statistics was 5.8%, which contributed to determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation.

Such changes in macroeconomic factors, scenario weightings and certain other factors resulted in a decrease of Saudi Riyals 7.0 million, in the ECL allowance as at 31 December 2023, which is further analysed in stages as follows:

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	Impact of change in LGD
Performing (Stage 1)	(1,595,630)
Under-performing (Stage 2)	(1,935,569)
Non-performing (Stage 3)	(3,406,324)
	(6,937,523)

a) Sensitivity analysis:

The table below illustrates the sensitivity of ECL to key factors, with all other variables held constant, noting that the macroeconomic factors present dynamic relationships between them:

	Impact on statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (in millions)
Key assumptions	
Macroeconomic factors (real gross domestic product and government consumption factors)	
Increase by 10%	**(0.5)**
Decrease by 10%	**0.5**
PD and LGD	
Increase by 10%	**(6.7)**
Decrease by 10%	**7.3**
Scenario weightings	
100% weightage assigned to base scenarios	**3.7**
100% weightage assigned to downside scenarios	**(22.1)**

20.1.3 Cash and cash equivalents and other receivables

The Group 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 December 2023 and 2022, 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 December 2023 and 2022, the ECL allowance on other financial assets was immaterial.

20.2 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 Group's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Group has profit bearing financial assets of Saudi Riyals 1,867.3 million (31 December 2022: Saudi Riyals 1,554.6 million). Further, the Group also has variable profit bearing financial liabilities of Saudi Riyals 945.3 million (31 December 2022: Saudi Riyals 837.5 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 18.2 million (31 December 2022: Saudi Riyals 9.7 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Group’s financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

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20.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. In addition, the Group has access to credit facilities as made available by the shareholder. Total unused credit facilities available to the Group as at 31 December 2023 were approximately Saudi Riyals 1,311 million (2022 Saudi Riyals 618.1 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group'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 Group does not breach borrowing limits on any of its borrowing facilities allocated by the shareholder. Such cash flow forecasts consider, among other items, that the Group 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 Group, during the year ended 31 December 2023, 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 on the next page summarises the Group'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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2023	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than three 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	24,787,908	-	-	-	24,787,908
		427,124,381	840,568,409	1,156,423,978	348,410,884	2,772,527,652
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	66,597,319	-	-	-	66,597,319
Lease liabilities	Profit bearing	21,025	483,574	1,934,296	644,765	3,083,660
		230,105,986	154,956,306	545,158,740	182,384,369	1,112,605,401
Net financial assets		197,018,395	685,612,103	611,265,238	166,026,515	1,659,922,251

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2022	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	278,406,728	744,972,668	1,017,093,320	254,602,427	2,295,075,143
Prepayments and other receivables	Non-profit bearing	798,745	257,789	725,495	-	1,782,029
Cash and cash equivalents	Non-profit bearing	26,936,416	-	-	-	26,936,416
		306,141,889	745,230,457	1,017,818,815	254,602,427	2,323,793,588
Financial liabilities						
Borrowings	Profit bearing	171,401,480	261,205,392	345,175,852	96,774,965	874,557,689
Trade and other payables	Non-profit bearing	74,831,594	-	-	-	74,831,594
Lease liabilities	Profit bearing	285,194	358,920	-	-	644,114
		246,518,268	261,564,312	345,175,852	96,774,965	950,033,397
Net financial assets		59,623,621	483,666,145	672,642,963	157,827,462	1,373,760,191

20.4 Net debt reconciliation

The net debt of the Group is as follows:

	2023	**2022**
Cash and cash equivalents	**24,787,908**	26,936,416
Lease liabilities	**(2,574,856)**	(629,525)
Borrowings	**(945,351,417)**	(837,473,437)
Total	**(923,138,365)**	811,166,546

The Group's net debt reconciliation is as follows:

2023	**At 1 January 2023**	**Cash inflows**	**Cash outflows**	**Others**	**At 31 December 2023**
Cash and cash equivalents	**26,936,416**	**1,148,019,535**	**(1,150,168,043)**	**-**	**24,787,908**
Lease liabilities	**(629,525)**	**-**	**650,348**	**(2,595,679)**	**(2,574,856)**
Borrowings	**(837,473,437)**	**(779,500,000)**	**734,865,291**	**(63,243,271)**	**(945,351,417)**
Net debt	**(811,166,546)**				**(923,138,365)**

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2022	**At 1 January 2022**	**Cash inflows**	**Cash outflows**	**Others**	**At 31 December 2022**
Cash and cash equivalents	37,643,577	936,110,926	(946,818,087)	-	26,936,416
Lease liabilities	(1,249,085)	-	672,355	(52,795)	(629,525)
Borrowings	(675,743,904)	(646,000,000)	512,048,966	(27,778,499)	(837,473,437)
Net debt	(639,349,412)				(811,166,546)

20.5 Capital risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus borrowings, which is analysed as follows:

	2023	**2022**
Total equity	**890,675,550**	678,405,477
Borrowings	**945,351,417**	837,473,437
Total	**1,836,026,967**	1,515,878,914
Gearing ratio	**51.5%**	55.25%

Further, the Group monitors aggregate amount of financing offered by UCFS 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.

	2023	**2022**
Net investment in Islamic financing contracts	**1,867,385,357**	1,554,622,774
Total equity of UCFS	**887,198,583**	674,567,140
Aggregate financing to capital ratio	**2.1**	2.3

Under the terms of certain borrowing facilities, in addition to compliance with SAMA's requirements, the Group is required to comply with certain financial covenants, which are disclosed in detail in Note 13.

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21 Financial instruments

As at 31 December 2023 and 2022, all financial assets and financial liabilities of the Group are categorized as held at amortized cost. Management believes that the fair values of the Group's financial assets and liabilities 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.

22 Date of authorization for issue

The accompanying consolidated financial statements were authorized for issue by the Group's Board of Directors on 31 March 2024.

UNITED INTERNATIONAL HOLDING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 AND REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Condensed consolidated interim financial information (Unaudited)
For the six-month period ended 30 June 2024

Report on review of Condensed Consolidated Interim Financial Information

To the Board of Directors of United International Holding Company
(A Saudi Closed Joint Stock Company)

Introduction
We have reviewed the accompanying condensed consolidated interim statement of financial position of United International Holding Company (the "Company") and its subsidiaries (the "Group") as of 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated 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 consolidated 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 consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter - Restriction on distribution and use
We draw attention to Note 2 to the accompanying condensed consolidated interim financial information which describes that the accompanying condensed consolidated interim financial information as at 30 June 2024 and for the six-month period then ended has been prepared for inclusion in the Company's initial public offering document to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia and should not be used for any other purpose. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Ali A. Alotaibi
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1 August 2024

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UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Assets			
Cash and cash equivalents	3	**48,169,773**	24,787,908
Prepayments and other receivables	4	**16,655,629**	18,888,983
Investment in Islamic financing contracts	5	**2,095,136,637**	1,867,385,357
Right-of-use assets		**2,320,069**	2,574,856
Property and equipment		**4,291,964**	4,417,105
Intangible assets		**18,448,988**	18,858,104
Goodwill		**528,692**	528,692
Total assets		**2,185,551,752**	1,937,441,005
Equity and liabilities			
Equity			
Share capital	10	**250,000,000**	250,000,000
Statutory reserve		**53,847,153**	43,929,503
Additional capital contribution		**200,990,787**	200,990,787
Retained earnings		**484,624,336**	395,365,519
Other reserves		**405,468**	389,741
Net equity		**989,867,744**	890,675,550
Liabilities			
Trade and other payables	6	**55,024,542**	66,597,319
Zakat payable	7	**11,355,197**	24,423,377
Lease liabilities		**2,474,307**	2,574,856
Borrowings	8	**1,118,040,098**	945,351,417
Employee benefit obligations		**8,789,864**	7,818,486
Total liabilities		**1,195,684,008**	1,046,765,455
Total equity and liabilities		**2,185,551,752**	1,937,441,005

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

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

	Note	For the six-month period ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Income from Islamic financing contracts	11	**289,258,788**	250,953,451
Finance costs	8	**(37,678,926)**	(29,053,629)
Net income from Islamic financing contracts		**251,579,862**	221,899,822
General and administrative expenses	12	**(32,929,421)**	(24,910,709)
Selling and marketing expenses	13	**(58,818,805)**	(52,319,990)
Net impairment losses on financial assets	5	**(49,273,158)**	(29,707,546)
Finance costs on lease liabilities		**(78,784)**	(14,485)
Other income - net		**42,058**	729,113
Profit before zakat		**110,521,752**	115,676,205
Zakat expense	7	**(11,345,289)**	(11,931,571)
Profit for the period		**99,176,463**	103,744,634
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**15,727**	3,549
Total comprehensive income for the period		**99,192,190**	103,748,183
Earnings per share			
Basic and diluted	14	**3.97**	4.15

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

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Additional capital contribution	Retained earnings	Other reserves: Foreign currency translation reserve	Other reserves: Actuarial reserve	Other reserves: Total other reserves	Total
At 1 January 2023 (Audited)	250,000,000	22,713,040	200,990,787	204,417,351	(200,374)	484,673	284,299	678,405,477
Profit for the period	-	-	-	103,744,634	-	-	-	103,744,634
Other comprehensive income for the period	-	-	-	-	3,549	-	3,549	3,549
Total comprehensive income for the period	-	-	-	103,744,634	3,549	-	3,549	103,748,183
Transfer to statutory reserve	-	10,374,463	-	(10,374,463)	-	-	-	-
At 30 June 2023 (Unaudited)	250,000,000	33,087,503	200,990,787	297,787,522	(196,825)	484,673	287,848	782,153,660
At 1 January 2024 (Audited)	250,000,000	43,929,507	200,990,787	395,365,519	(219,869)	609,610	389,741	890,675,554
Profit for the period	-	-	-	99,176,463	-	-	-	**99,176,463**
Other comprehensive income for the period	-	-	-	-	15,727	-	15,727	**15,727**
Total comprehensive income for the period	-	-	-	99,176,463	15,727	-	15,727	**99,192,190**
Transfer to statutory reserve	-	9,917,646	-	(9,917,646)	-	-	-	**-**
At 30 June 2024 (Unaudited)	**250,000,000**	**53,847,153**	**200,990,787**	**484,624,336**	**(204,142)**	**609,610**	**405,468**	**989,867,744**

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

UNITED INTERNATIONAL HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Cash flows from operating activities			
Profit before zakat		**110,521,752**	115,676,205
Adjustments for:			
Depreciation and amortization		**3,132,341**	2,586,296
Depreciation on right of use assets		**333,571**	283,533
Finance costs		**37,757,710**	29,068,114
Net impairment losses on financial assets	5	**49,273,158**	29,707,546
Employee benefit obligations		**1,491,364**	1,107,483
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(277,024,438)**	(217,145,934)
Decrease (increase) in prepayments and other receivables		**2,233,354**	(4,041,699)
(Decrease) increase in trade and other payables		**(11,557,047)**	10,542,469
Cash utilized in operations		**(83,838,235)**	(32,215,987)
Finance costs paid		**(35,557,779)**	(28,866,792)
Zakat paid	7	**(24,413,469)**	(22,183,669)
Employee benefit obligations paid		**(519,985)**	(139,212)
Net cash outflow from operating activities		**(144,329,468)**	(83,405,660)
Cash flows from investing activities			
Payments for purchases of property and equipment		**(1,091,038)**	(709,357)
Payments for additions to intangible assets		**(1,507,046)**	(2,146,275)
Net cash outflow from investing activities		**(2,598,084)**	(2,855,632)
Cash flows from financing activities			
Proceeds from long-term borrowings	8	**471,101,250**	679,500,000
Repayment of long-term borrowings	8	**(300,612,500)**	(299,933,334)
Principal elements of lease payments		**(179,333)**	(156,826)
Proceeds from short-term borrowings	8	**-**	5,000,000
Repayment of short-term borrowings	8	**-**	(255,000,000)
Net cash inflow from financing activities		**170,309,417**	129,409,840
Net increase in cash and cash equivalents		**23,381,865**	43,148,548
Cash and cash equivalents at beginning of the period		**24,787,908**	26,936,416
Cash and cash equivalents at end of the period	3	**48,169,773**	70,084,964

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

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1 Legal status and activities

United International Holding Company ("the Company" or "UIHC") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2051237935 issued in Al-Khobar on 13 Rabie Al Awwal 1443 H (21 October 2021). The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are investing in stocks and other securities, providing loans, guarantees, financing to its affiliated companies and various types of consumer and product finance services, such as 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 Group's investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, the Group does not have any significant concentration of credit risk. Murabaha financing arrangements are principally entered into with the customers of United Electronics Company ("UEC") but also include transactions with other retailers.

The Company is a subsidiary of UEC, a Saudi Joint Stock Company, incorporated in the Kingdom of Saudi Arabia, which is also the Group's ultimate controlling party and is principally engaged in the retail and wholesale of electric appliances and electronic gadgets etc. Also see Note 9.

During 2023, the Board of Directors of the Company recommended to the shareholders to initiate legal formalities to file for the Company's request for an Initial Public Offering ("IPO Application") with the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia. On 26 June 2024, CMA approved the Company's IPO Application. CMA's approval is valid for a period of six months from the date of such approval and will be deemed as cancelled if the offering and listing of the Company's shares are not completed within this six-month period.

The accompanying condensed consolidated interim financial information include accounts of the Company and its following wholly owned subsidiaries:

Subsidiaries	Country of incorporation
United Company for Financial Services ("UCFS")	Kingdom of Saudi Arabia
Procco Financial Services W.L.L. ("Procco")	Kingdom of Bahrain

During the six-month period ended 30 June 2024, there were no significant changes in the terms of the financing arrangements offered by the Group such as profit rates, tenures of the financing contracts, criterion for finance amounts disbursed etc.

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2 Basis of preparation

This condensed consolidated interim financial information of the Group as at and for the six -month period 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 consolidated 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 Group's last annual audited consolidated financial statements as at and for the year ended 31 December 2023. The material accounting policies applied in the preparation of condensed consolidated interim financial information of the Group are consistent with those of the previous financial year and corresponding interim reporting period.

This condensed consolidated interim financial information has been prepared for inclusion in the Company's initial public offering document to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia.

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

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2.3 Critical accounting estimates and judgements

The preparation of condensed consolidated 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 Group 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 consolidated interim financial information from those that were applied and disclosed in the annual consolidated financial statements for the year ended 31 December 2023. Also see Note 5 and Note 16.

3 Cash and cash equivalents

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Cash in hand	**11,993**	9,182
Cash at banks	**48,157,780**	24,778,726
	48,169,773	24,787,908

4 Prepayments and other receivables

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Prepaid expenses		**7,894,792**	11,826,419
Advances to suppliers		**6,615,625**	917,178
Advances to employees		**553,429**	763,489
Due from related parties	9.2	**53,236**	14,010
Value added tax receivable		**-**	2,740,456
Other receivables		**1,538,547**	2,627,431
		16,655,629	18,888,983
Classification of prepayments and other receivables is presented below:			
Due within 12 months		**15,373,180**	17,394,610
Due after 12 months		**1,282,449**	1,494,373
		16,655,629	18,888,983

5 Investment in Islamic financing contracts

	30 June 2024 (Unaudited)	31 December 2023 (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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5.1 Reconciliation between gross and net 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	
	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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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

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

30 June 2024 (Unaudited)	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Islamic credit card P.V. of I.F.C.	Islamic credit card Allowance for ECL	Islamic credit card Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total 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 P.V of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Islamic credit card P.V of I.F.C.	Islamic credit card Allowance for ECL	Islamic credit card Net investment in I.F.C.	Total P.V of I.F.C.	Total Allowance for ECL	Total 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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5.3 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
30 June 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**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-Performing (Stage 3)	Total
31 December 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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5.4 Category-wise movement in stage-wise ECL allowance/impairment is as follows:

30 June 2024 (Unaudited)	Tawarruq finance Performing (Stage 1)	Tawarruq finance Under-performing (Stage 2)	Tawarruq finance Non-performing (Stage 3)	Murabaha finance Performing (Stage 1)	Murabaha finance Under-performing (Stage 2)	Murabaha finance Non-performing (Stage 3)	Islamic Credit Card Performing (Stage 1)	Islamic Credit Card Under-performing (Stage 2)	Islamic Credit Card Non-performing (Stage 3)	Total Performing (Stage 1)	Total Under-performing (Stage 2)	Total Non-performing (Stage 3)
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

31 December 2023 (Audited)	Tawarruq finance Performing (Stage 1)	Tawarruq finance Under-performing (Stage 2)	Tawarruq finance Non-performing (Stage 3)	Murabaha finance Performing (Stage 1)	Murabaha finance Under-performing (Stage 2)	Murabaha finance Non-performing (Stage 3)	Islamic Credit Card Performing (Stage 1)	Islamic Credit Card Under-performing (Stage 2)	Islamic Credit Card Non-performing (Stage 3)	Total Performing (Stage 1)	Total Under-performing (Stage 2)	Total 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 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	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

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Following factors contributed to the change in the ECL allowance during the six-month period 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.

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		
30 June 2024 (Unaudited)	**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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5.5 Category-wise movement in stage-wise gross carrying amounts of net investment in Islamic financing contracts is as follows (continued):

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

	30 June 2024 (Unaudited)	31 December 2023 (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
	3,057,030,545	2,745,193,499
Present value of investment in Islamic financing contracts		
Within one year	**1,016,670,507**	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
	2,166,355,162	1,930,928,232

6 Trade and other payables

	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Accrued expenses		**16,593,999**	10,580,842
Trade payables		**17,511,664**	16,572,950
Due to related parties	9.1	**9,062,749**	20,500,308
Accrued salaries and other benefits		**8,061,249**	13,829,743
Accrued Board of Directors' fee		**2,132,979**	3,854,778
Value added tax payable		**735,165**	587,567
Others		**926,737**	671,131
		55,024,542	66,597,319

7 Zakat payable

	For the six - month period ended 30 June 2024 (Unaudited)	For the year ended 31 December 2023 (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	**11,355,197**	24,423,377

The Company's zakat assessments 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. UCFS has also obtained zakat certificates from ZATCA for the years through 2023, which are currently under review by ZATCA.

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8 Borrowings

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

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
	1,118,040,098	945,351,417

8.1 The movement in the Group's borrowing is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (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	**1,118,040,098**	945,351,417

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

	30 June 2024 (Unaudited)	31 December 2023 (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
	1,110,025,000	939,536,250

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

8.3 The Group 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 Group'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 (Unaudited)	31 December 2023 (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 Group was in compliance with at 30 June 2024.

Details of the type of borrowings facilities as allocated to and availed by the Group are as follows:

8.3.1 Murabaha IV

Total amount available to the Group 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 Group 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 Group 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 Group is also required to monitor the aggregate amount of financing offered by the Group 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 Group 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 Group has an outstanding loan balance of Saudi Riyals 318.0 million against this facility (31 December 2023: Saudi Riyals 356.4 million).

Under the terms of this borrowing facility, the Group 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 Group 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 Group has an outstanding loan balance of Saudi Riyals 392.0 million against this facility (31 December 2023: Saudi Riyals 333.1 million).

Under the terms of this borrowing facility, the Group 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 400.0 million, which is unutilized as at 30 June 2024.

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 Group'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).

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

Related party	**Relationship**
UEC	Shareholder
United Electronics Company - Extra W.L.L. ("eXtra Bahrain")	Shareholder

Nature of transaction	**For the six -month period ended 30 June**	
	2024	**2023**
	(Unaudited)	**(Unaudited)**
UEC		
Purchases from UEC to be financed to consumers under Murabaha contracts	**10,554,689**	160,417,048
Payments to UEC	**(29,963,248)**	(153,495,496)
Collections made by UEC on behalf of the Group	**(74,242)**	-
Collections made by Group on behalf of UEC	**700,830**	48,985
Expenses incurred by UEC on behalf of the Group	**7,728,850**	4,185,845

9.1 Due to related parties

	30 June 2024	**31 December 2023**
	(Unaudited)	**(Audited)**
UEC	**9,062,749**	20,500,308

9.2 Due from related parties

	30 June 2024	**31 December 2023**
	(Unaudited)	**(Audited)**
eXtra Bahrain	**53,236**	14,010

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Nature of transactions:

The transactions are based on terms agreed as per signed agreements between the Group 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 Group include office rent, utilities and other expenses.
- Collections made by the Group on behalf of UEC represents collections for UEC's legacy financing portfolio.

During the six -month period ended 30 June 2024, there were no changes in the terms of the agreement with UEC 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.

9.3 Key management personnel

	For the six -month period ended 30 June	
	2024	**2023**
	(Unaudited)	**(Unaudited)**
Short-term employee benefits	**4,290,147**	3,833,631
Employee benefit obligations	**186,200**	111,260
Board of Directors' fees	**868,673**	727,924
	5,345,020	4,672,815

Key management personnel include Chief Executive Officer and other department heads of the Company and UCFS.

As at the period ended 30 June 2024, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.2 million (31 December 2023: Saudi Riyals 0.3 million). Also see Note 4.

10 Share capital

The share capital of the Group as of 30 June 2024 and 31 December 2023 comprised 25,000,000 shares stated at Saudi Riyals 10 per share.

Shareholder	**Country of incorporation**	**30 June 2024**	**31 December 2023**
		(Unaudited)	**(Audited)**
UEC	Kingdom of Saudi Arabia	**99%**	99%
eXtra Bahrain	Kingdom of Bahrain	**1%**	1%
		100%	100%

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11 Income from islamic financing activities

	For the six -month period ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Income from tawarruq finance activities, net	**227,088,308**	175,650,005
Income from murabaha finance activities, net	**35,155,633**	74,540,705
Income from islamic credit card activities, net	**27,014,847**	762,741
	289,258,788	250,953,451

12 General and administrative expenses

	For the six -month period ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Salaries and other benefits	**19,853,384**	15,172,828
Information technology support	**7,012,520**	2,614,075
Amortization of intangible assets	**1,725,309**	1,386,630
Professional fees	**1,582,601**	1,680,773
Depreciation on property and equipment	**764,927**	719,190
Rent	**525,402**	525,401
Utilities, printing and stationery	**435,870**	532,752
Other	**1,029,408**	2,279,060
	32,929,421	24,910,709

13 Selling and marketing expenses

	For the six -month period ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Salaries and other benefits	**27,031,126**	29,552,687
Fee and subscription	**13,498,990**	6,124,095
Advertising	**10,933,966**	7,296,481
Collection charges	**1,411,232**	4,610,393
Rent	**1,710,443**	1,590,916
Depreciation on property and equipment	**633,001**	764,388
Other	**3,600,047**	2,381,030
	58,818,805	52,319,990

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14 Basic and diluted earnings per share

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

	For the six -month period ended 30 June	
	2024	**2023**
	(Unaudited)	**(Unaudited)**
Profit attributable to the shareholders of the Group for the period	**99,176,463**	103,744,634
Weighted average number of ordinary shares for basic and diluted earnings per share	**25,000,000**	25,000,000
Basic and diluted earnings per share	**3.97**	4.15

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 Group are categorized as held at amortized cost. Management believes that the fair values of the Group'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 six-month period ended 30 June 2024, there have been no significant market developments which might indicate towards a potential change in fair value of the Group's financial instruments.

16 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, profit rate risk and liquidity risk. The Group'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 Group's risk management framework. The Risk and Credit Management Committee and the Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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.

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The risks faced by the Group 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 Group. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 30 June 2024, the Group 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 Group 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 Group 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 Group generally receives repayments through variable channels such as regular and virtual bank transfers and SADAD. The Group 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 Group 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)				
Internal credit risk ratings				
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**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
31 December 2023 (Audited)				
Internal credit risk ratings				
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 Group monitors the credit quality of its exposures based on staging criteria and past due ageing of the exposures.

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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	**89,190,902**	65,242,345	**6,657,307**	8,654,776	**4,716,972**	1,504,307	**100,565,181**	75,401,428
Past due 31-90 days	**66,234,552**	26,946,879	**5,953,683**	4,707,969	**4,165,107**	1,763,127	**76,353,342**	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	**79,752,048**	64,677,283	**15,162,660**	25,562,003	**6,456,838**	1,561,416	**101,371,546**	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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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	
Macroeconomic factors (real gross domestic product and government consumption factors)	
Increase by 10%	**(0.1)**
Decrease by 10%	**0.7**
PD and LGD	
Increase by 10%	**(8.7)**
Decrease by 10%	**8.6**
Scenario weightings	
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 Group 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.

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 Group's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Group has profit bearing financial assets of Saudi Riyals 2,103.2 million (31 December 2023: Saudi Riyals 1,867.3 million). Further, the Group 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 Group's financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

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16.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

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

Total unused credit facilities available to the Group as at 30 June 2024 were approximately Saudi Riyals 490.0 million (31 December 2023: Saudi Riyals 1,311.0 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group'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 Group does not breach borrowing limits on any of its borrowing facilities allocated by UEC. Such cash flow forecasts consider, among other items, that the Group 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 Group, 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 Group'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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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	970,212	1,175,000	-	-	2,145,212
Cash and cash equivalents	Non-profit bearing	48,169,773	-	-	-	48,169,773
		668,360,987	826,678,984	1,215,524,276	396,781,283	3,107,345,530
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	53,362,639	-	-	-	53,362,639
Lease liabilities	Profit bearing	20,556	472,787	1,891,147	630,383	3,014,873
		144,041,720	290,599,666	736,958,930	130,961,996	1,302,562,312
Net financial assets		524,319,267	536,079,318	478,565,346	265,819,287	1,804,783,218

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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	24,787,908	-	-	-	24,787,908
		427,124,381	840,568,409	1,156,423,978	348,410,884	2,772,527,652
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	65,338,621	-	-	-	65,338,621
Lease liabilities	Profit bearing	21,025	483,574	1,934,296	644,765	3,083,660
		228,847,288	154,956,306	545,158,740	182,384,369	1,111,346,703
Net financial assets		198,277,093	685,612,103	611,265,238	166,026,515	1,661,180,949

17 Date of approval of condensed consolidated interim financial information

The accompanying condensed consolidated interim financial information was approved by the Group's Board of Directors on 28 July 2024.