

**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

	Page
Independent auditor's report	2 - 4
Consolidated statement of financial position	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of changes in equity	7 - 8
Consolidated statement of cash flows	9
Notes to the special purpose consolidated financial statements	10 - 49



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



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



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)

		As At 31 December	
	Note	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			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations	14	48,384	(598,467)
<i>Items that may be reclassified to profit or loss:</i>			
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)

	Note	Share capital	Statutory reserve	Additional capital contribution	Retained earnings	Other reserves				Total
						Foreign currency translation reserve	Actuarial reserve	Common control reserve	Total other reserves	
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
<u>Adjustments for:</u>			
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
<u>Changes in working capital:</u>			
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	<u>450,990,787</u>
Settlement of net assets transferred	
Settlement through cash	250,000,000
Additional capital contribution from UEC	200,990,787
	<u>450,990,787</u>

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 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.

**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 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 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 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 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.

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)

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.

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)

2.8 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.

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)

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.

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)

2.17 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.

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)

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.

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)

2.17.2 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.

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)

2.20 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.

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 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

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)

6.1 Reconciliation between gross and net invest 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

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)

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

31 December 2021	Tawarruq finance			Murabaha finance			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.
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			Murabaha finance			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.
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

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)

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
<u>2021</u>				
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
<u>2020</u>				
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

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)

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

	Tawarruq finance			Murabaha finance			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)
2021									
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

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)

	Tawarruq finance			Murabaha finance			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)
2020									
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;

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)

6.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows:

	Tawarruq finance			Murabaha finance			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)
2021									
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

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)

6.6 Category-wise movement in stage-wise gross investment in Islamic financing contracts is as follows: (continued)

2020	Tawarruq finance			Murabaha finance			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)
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

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)

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
	<u>1,804,178,095</u>	<u>1,110,307,133</u>
	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
	<u>1,219,423,811</u>	<u>723,783,892</u>

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)

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

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)

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%

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)

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.

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)

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).

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)

*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

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)

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
<u>Remeasurements</u>		
(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.

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)

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

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)

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

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)

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
		<u>77,806,430</u>	<u>53,329,332</u>

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	<u>25,000,000</u>	<u>25,000,000</u>
Basic and diluted earnings per share	<u>5.19</u>	<u>0.86</u>

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.

**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)

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.

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 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				
<i>Internal credit risk ratings</i>				
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				
<i>Internal credit risk ratings</i>				
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").

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 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.

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)

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.

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)

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

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)

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
		<u>179,234,710</u>	<u>312,506,850</u>	<u>512,029,109</u>	<u>168,987,865</u>	<u>1,172,758,534</u>
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
		<u>205,287,820</u>	<u>31,280,397</u>	<u>105,445,717</u>	<u>89,232,679</u>	<u>431,246,613</u>
Net financial assets		<u>(26,053,110)</u>	<u>281,226,453</u>	<u>406,583,392</u>	<u>79,755,186</u>	<u>741,511,921</u>

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)

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	<u>639,349,412</u>	<u>281,800,307</u>

The Group's net debt reconciliation is as follows:

	At 1 January	Cash inflows	Cash outflows	Others	At 31 December
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	<u>281,800,307</u>				<u>639,349,412</u>
2020					
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	<u>(18,819,709)</u>				<u>281,800,307</u>

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	<u>1,161,140,932</u>	<u>696,433,398</u>
 Gearing ratio	 58.20%	 48.92%

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)

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.