

**RAYA FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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Report on review of interim financial information

To the shareholders of Raya Financing Company:
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Raya Financing Company as of 31 March 2021 and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over the printed name.

Omar M. Al Sagga
License number 369

28 April 2021

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
Assets			
Non-current assets			
Right-of-use assets		3,344,801	3,508,125
Property and equipment		936,143	648,512
Intangible assets		5,053,912	5,411,618
Net investment in finance leases - non-current portion	3	162,422,719	158,640,928
Net investment in murabaha finance - non-current portion	4	59,717,178	48,052,879
Financial asset at fair value through other comprehensive income		892,850	892,850
Total non-current assets		232,367,603	217,154,912
Current assets			
Net investment in finance leases - current portion	3	91,830,794	85,405,462
Net investment in murabaha finance - current portion	4	46,631,766	36,217,034
Prepayments and other receivables	5	13,848,072	11,377,928
Cash and cash equivalents	6	95,035,569	148,452,810
Total current assets		247,346,201	281,453,234
Total assets		479,713,804	498,608,146
Liabilities and equity			
Liabilities			
Non-current liabilities			
Long-term borrowings	7	201,808,053	210,892,221
Lease liabilities - non-current portion		2,878,605	3,037,419
Employee benefit obligations		2,539,653	3,012,634
Total non-current liabilities		207,226,311	216,942,274
Current liabilities			
Current maturity of long-term borrowings	7	86,255,735	77,329,350
Accounts payable	9	46,094,579	64,630,414
Accrued and other liabilities	8	19,044,524	17,683,004
Lease liabilities - current portion		655,362	655,116
Zakat payable	10	1,634,296	1,216,458
Total current liabilities		153,684,496	161,514,342
Total liabilities		360,910,807	378,456,616
Equity			
Share capital		150,000,000	150,000,000
Accumulated losses		(31,197,003)	(29,848,470)
Net equity		118,802,997	120,151,530
Total liabilities and equity		479,713,804	498,608,146

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

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2021 (Unaudited)	2020 (Unaudited)
Income			
Finance revenue		12,748,380	12,416,310
Gain on modification of long-term borrowings		-	1,302,026
		12,748,380	13,718,336
Expenses			
Reversal of (provision for) impairment of financial assets	3, 4	649,187	(3,468,673)
Insurance and other cost of financed vehicles		(2,969,336)	(3,612,570)
Salaries and employee related expenses		(4,756,581)	(4,632,593)
Depreciation and amortization		(578,950)	(584,171)
Loss on modification of finance lease and murabaha finance receivables, net of grant income	11	(2,475,936)	(1,992,376)
Finance cost	7	(1,768,356)	(2,131,650)
Other expenses		(1,779,103)	(1,038,222)
Loss before zakat		(930,695)	(3,741,919)
Zakat expense		(417,838)	(237,905)
Loss for the period		(1,348,533)	(3,979,824)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,348,533)	(3,979,824)

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

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Accumulated losses	Total
Balance at 31 December 2020 - audited	150,000,000	(29,848,470)	120,151,530
Loss for the period	-	(1,348,533)	(1,348,533)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(1,348,533)	(1,348,533)
Balance at 31 March 2021 - unaudited	150,000,000	(31,197,003)	118,802,997
Balance at 31 December 2019 - audited	150,000,000	(35,620,720)	114,379,280
Loss for the period	-	(3,979,824)	(3,979,824)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(3,979,824)	(3,979,824)
Balance at 31 March 2020 - unaudited	150,000,000	(39,600,544)	110,399,456

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RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Loss before zakat		(930,695)	(3,741,919)
<u>Adjustments for</u>			
(Reversal of) provision for impairment of financial assets	3, 4	(649,187)	3,468,673
Depreciation		221,244	226,464
Amortization		357,706	357,707
Loss on disposal of property and equipment		-	22,442
Finance costs		1,768,356	2,131,650
Employee benefit obligations		(472,981)	118,446
Loss on modification of finance lease and murabaha finance receivables, net of grant income	11	2,475,936	1,992,376
Gain on modification of long-term borrowings		-	(1,302,026)
<u>Changes in working capital</u>			
Net investment in finance leases and murabaha finance		(34,112,903)	(1,188,921)
Prepayments and other receivables		(2,470,144)	6,217,226
Accounts payable		(18,535,835)	(51,044,578)
Accrued and other liabilities		1,361,520	(189,817)
Net cash used in operating activities		(50,986,983)	(42,932,277)
Cash flows from investing activity			
Payment for purchase of property and equipment		(345,551)	-
Cash flows from financing activities			
Proceeds from long-term borrowings	7	12,000,000	49,910,750
Repayment of long-term borrowings		(12,710,463)	(10,487,446)
Interest paid on long-term borrowings		(1,165,942)	(1,536,485)
Finance charges paid to a shareholder		-	(711,842)
Finance lease liabilities paid		(208,302)	(408,303)
Repayment of loan from a shareholder		-	(3,250,000)
Net cash (used in) generated from financing activities		(2,084,707)	33,516,674
Net change in cash and cash equivalents		(53,417,241)	(9,415,603)
Cash and cash equivalents at beginning of period		148,452,810	54,670,331
Cash and cash equivalents at end of period		95,035,569	45,254,728

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

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended 31 March 2021 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Raya Financing Company (the “Company”) is a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia under the Commercial Registration (“CR”) number 2050104609 issued in Dammam on 8 Rabi II 1436H (28 January 2015) and operating under the Saudi Arabian Monetary Authority (SAMA) approval number 351000153064 dated 25 Dhul Hijjah 1435H (19 October 2014). The Company has obtained the license from SAMA to conduct finance leasing activities on 14 Jumada II 1437H (23 March 2016). The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

The Company is a subsidiary of Al Majdouie Holding Company Limited, which is a Saudi limited liability company registered in the Kingdom of Saudi Arabia and is ultimately controlled by Sheikh Ali Ibrahim Saleh Al Majdouie.

2 Basis of preparation

The condensed interim financial information of the Company as at and for the three-month period ended 31 March 2021 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

The condensed interim financial information does not include all information and disclosures required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended 31 December 2020.

The principal accounting policies applied in the preparation of condensed interim financial information of the Company are consistent with those of the previous financial year and corresponding interim reporting period.

2.1 New and amended standards

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

3 Net investment in finance leases

Reconciliation between gross and net investment in finance leases is as follows:

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Gross investment in finance leases	329,850,917	319,007,621
Unearned finance income	(67,135,091)	(65,558,130)
Present value of minimum lease payments receivable	262,715,826	253,449,491
Provision for impairment of lease receivables	(8,462,313)	(9,403,101)
Net investment in finance leases	254,253,513	244,046,390
Net investment in finance leases - non-current portion	(162,422,719)	(158,640,928)
Net investment in finance leases - current portion	91,830,794	85,405,462

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The movement in provision for impairment of lease receivables is as follows:

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Opening balance	9,403,101	6,386,306
(Reversal) charge for the period / year	(940,788)	3,016,795
Closing balance	8,462,313	9,403,101

4 Net investment in murabaha finance

Reconciliation between gross and net murabaha finance is as follows:

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Gross investment in murabaha finance	124,467,500	98,778,908
Unearned murabaha finance income	(17,117,965)	(13,800,005)
	107,349,535	84,978,903
Provision for impairment	(1,000,591)	(708,990)
Net investment in murabaha finance	106,348,944	84,269,913
Investment in murabaha finance - non-current portion	(59,717,178)	(48,052,879)
Investment in murabaha finance - current portion	46,631,766	36,217,034

The movement in provision for impairment of murabaha finance receivables is as follows:

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Opening balance	708,990	69,081
Charge for the period / year	291,601	639,909
Closing balance	1,000,591	708,990

5 Prepayments and other receivables

	Note	31 March 2021	31 December 2020
		(Unaudited)	(Audited)
Advances to suppliers		4,854,296	1,545,392
Prepayments		2,684,506	3,880,361
Repossessed assets held for resale		1,263,575	707,022
Insurance claims		611,915	872,243
Advances to a related party	9	-	1,956,000
Advance repayments of long-term borrowings		1,136,991	1,136,991
Other		3,296,789	1,279,919
		13,848,072	11,377,928

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6 Cash and cash equivalents

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Cash in hand	37,676	110,424
Cash at bank	94,997,893	148,342,386
	95,035,569	148,452,810

7 Long-term borrowings

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Murabaha facilities	160,523,432	167,349,730
Social Development Bank ("SDB")	94,192,414	85,824,600
Payable to SAMA	30,451,984	32,680,262
Accrued finance cost	2,895,958	2,366,979
	288,063,788	288,221,571

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	86,255,735	77,329,350
Long-term borrowings	201,808,053	210,892,221
	288,063,788	288,221,571

During the three-months period ended 31 March 2021, the Company entered into agreement with SDB to provide financing facility amounting to Saudi Riyals 12.0 million to meet the working capital requirements of the Company, which was fully utilised during the period. Administrative fee is charged by SDB under the loan agreement.

The covenants of the borrowing facilities restrict the Company to utilise the loan amount for the purpose specified in the loan agreement. The carrying value of such long-term borrowing is denominated in Saudi Riyals. The repayment of such loans as per the repayment schedule is up to 2024.

Also see Note 11.

8 Accrued and other liabilities

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Advance from customers	9,247,712	7,602,234
Accrued liabilities	6,825,466	6,819,485
Net servicing liability under agency agreement	1,772,579	1,538,631
VAT payable	1,198,767	1,722,654
	19,044,524	17,683,004

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9 Related party transactions and balances

9.1 Significant transactions with related parties in the ordinary course of business during the period were as follows:

Nature of transaction	Relationship	For the three-month period ended 31 March	
		2021 (Unaudited)	2020 (Unaudited)
Purchases of motor vehicles	Shareholder	35,171,174	15,300,363
Commission income on lease of motor vehicles	Shareholder	795,899	-
Finance charges	Shareholder	-	610,068
Lease payments	Affiliate	106,156	111,303
Key management personnel			
Key management compensation		434,946	664,208
Employee benefit obligations		21,888	51,472
Board of Directors fees		17,000	45,000

9.2 Accounts payable include the following amounts due to related parties:

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Al Majdouie Motors Company Limited (“Motors”) - shareholder	35,121,322	51,373,238
Al Majdouie Holding Company Limited - Parent company	15,054	95,449
Al Majdouie Trading Establishment	-	30,906
Al Majdouie Manufacturing Company	1,109	1,109
Arjaa Travel and Tourism Company	5,167	3,185
Arsal Operation and Maintenance L.L.C (formerly “Majd Real Estate Development Company Limited”) - shareholder	25,578	47,606
Al Majdouie Logistics Company Limited - shareholder	1,155	14,028
	35,169,385	51,565,521

Balance payable to Motors outstanding for more than 30 days from the date of the respective underlying invoice bears financial charges at prevailing market rates.

9.3 Advances to a related party

Advances to a related party at 31 December 2020, represent advances given to Al Majdouie Manufacturing Company.

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10 Zakat payable

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Opening balance	1,216,458	(218,129)
Provision for the period / year	417,838	1,434,587
Closing balance	1,634,296	1,216,458

11 Impact of COVID-19 on expected credit losses (“ECL”) and SAMA and other public authorities’ programs

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are beginning to experience a second / third wave of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia (the “Government”) however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government. The Government has also approved number of vaccines for mass immunizations. The drive is in full swing and it is expected that majority of the population will be vaccinated in near future.

The Company continues to evaluate the current situation through analysis of expected movements of oil prices and its impact on key performance indicators in addition to other risk management practices to manage the impact COVID-19 outbreak may have on its operations and financial performance. The steps taken by management also include review of credit exposure concentrations, customer credit ratings and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

These current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolve around adjusting macroeconomic factors used by the Company in estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Company in ECL estimation. In 2020, the Company made certain adjustments to the macroeconomic factors and scenario weightings. The Company’s ECL model continues to be sensitive to macroeconomic variables. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgemental and the Company will continue to reassess its position and the related impact on a regular basis.

SAMA and other public authorities’ support programs and initiatives

In response to COVID-19, SAMA launched the *Private Sector Financing Support Program* (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H.

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021, and increasing the facility tenors accordingly. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

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The accounting impact of above changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to Saudi Riyals 17.2 million of which Saudi Riyals 2.5 million has been recorded in the current quarter which have been presented net of grant income, if any, in profit or loss. During the three-months period ended 31 March 2021, Saudi Riyals 3.5 million has been charged to profit or loss relating to unwinding of modification losses.

In order to compensate the related cost that the Company is expected to incur under the SAMA and other public authorities program, during 2020 the Company received profit free deposits from SAMA amounting to Saudi Riyals 35.3 million with varying maturities, which qualify as government grants. Management has determined based on the communication from SAMA that the government grants primarily relate to compensation for the modification losses incurred on the deferral of payments. The benefits of the subsidised funding rate have been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of such grant income. Total income of Saudi Riyals 2.1 million arose on these profit free deposits which was recognised as income in prior periods.

12 Date of authorization of issue

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 28 April 2021.