

**RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER CLOSED JOINT STOCK
COMPANY)**

**CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2022
AND REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

RAYA FINANCING COMPANY
(A Single Shareholder Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	Page
Report on review of interim financial information	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 11



Report on review of interim financial information

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Raya Financing Company as of 30 September 2022 and the related condensed statement of comprehensive income for the three-month and nine-month periods then ended and the condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2022 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 'Ali H. Al Basri', is written over a horizontal line.

Ali H. Al Basri
License Number 409

24 October 2022

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

	Note	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Assets			
Cash and cash equivalents	6	57,079,528	143,553,351
Prepayments and other receivables	5	17,564,859	11,479,196
Net investment in finance leases	3	343,895,416	292,064,061
Net investment in murabaha finance	4	110,813,529	113,274,294
Right-of-use assets		3,587,192	2,554,960
Property and equipment		2,048,360	818,971
Intangible assets		2,907,672	3,980,793
Financial asset at fair value through other comprehensive income		892,850	892,850
Total assets		538,789,406	568,618,476
Equity and liabilities			
Equity			
Share capital	1	230,000,000	230,000,000
Accumulated losses		(20,397,703)	(14,331,149)
Total equity		209,602,297	215,668,851
Liabilities			
Accounts payable	9	99,751,660	65,442,170
Accrued and other liabilities	8	23,208,193	16,735,917
Zakat payable	10	2,130,656	2,835,779
Long-term borrowings	7	197,271,875	262,413,111
Lease liabilities		3,835,288	2,775,624
Employee benefit obligations		2,989,437	2,747,024
Total liabilities		329,187,109	352,949,625
Total equity and liabilities		538,789,406	568,618,476

The accompanying notes from 1 to 11 form an integral part of this condensed interim financial information.

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

	Note	For the three-month		For the nine-month	
		period ended 30 September		period ended 30 September	
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income					
Finance revenue		15,691,675	11,562,551	43,227,889	37,646,917
Commission income		2,221,062	2,403,654	3,852,247	2,403,654
Gain on modification of long-term borrowings		-	981,572	-	1,530,720
		17,912,737	14,947,777	47,080,136	41,581,291
Expenses					
Allowance for expected credit losses ("ECL") on financial assets	3, 4	(3,390,634)	(6,411,250)	(13,796,553)	(6,887,141)
Insurance and other cost of financed vehicles		(4,388,921)	(2,639,425)	(11,343,856)	(8,537,758)
Salaries and employee related expenses		(5,434,192)	(4,397,633)	(14,985,282)	(14,693,124)
Depreciation and amortization		(542,942)	(545,786)	(1,593,449)	(1,632,587)
Loss on modification of finance lease and murabaha finance receivables, net of grant income		-	(715,678)	-	(2,877,295)
Finance cost		(1,269,933)	(1,813,385)	(4,052,886)	(5,479,828)
Other expenses		(2,554,395)	(1,696,625)	(6,481,135)	(5,514,902)
Profit (loss) before zakat		331,720	(3,272,005)	(5,173,025)	(4,041,344)
Zakat expense		195,812	(1,067,316)	(893,529)	(1,936,170)
Profit (loss) for the period		527,532	(4,339,321)	(6,066,554)	(5,977,514)
Other comprehensive income		-	-	-	-
Total comprehensive income (loss) for the period		527,532	(4,339,321)	(6,066,554)	(5,977,514)

The accompanying notes from 1 to 11 form an integral part of this condensed interim financial information.

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

	Share capital	Proposed increase in share capital	Accumulated losses	Total
Balance at 31 December 2021 - audited	230,000,000	-	(14,331,149)	215,668,851
Loss for the period	-	-	(6,066,554)	(6,066,554)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(6,066,554)	(6,066,554)
Balance at 30 September 2022 - unaudited	230,000,000	-	(20,397,703)	209,602,297
Balance at 31 December 2020 - audited	150,000,000	-	(29,848,470)	120,151,530
Proposed increase in share capital	-	100,000,000	-	100,000,000
Absorption of accumulated losses	-	(20,000,000)	20,000,000	-
Loss for the period	-	-	(5,977,514)	(5,977,514)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(5,977,514)	(5,977,514)
Balance at 30 September 2021 - unaudited	150,000,000	80,000,000	(15,825,984)	214,174,016

The accompanying notes from 1 to 11 form an integral part of this condensed interim financial information.

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

	Note	For the nine-month period ended 30 September	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Loss before zakat		(5,173,025)	(4,041,344)
<u>Adjustments for</u>			
Allowance for ECL on financial assets	3. 4	13,796,553	6,887,141
Depreciation		520,328	559,468
Amortization		1,073,121	1,073,119
Loss on derecognition of leases		-	21,450
Finance costs		4,052,886	5,479,828
Employee benefit obligations		242,413	(411,496)
Loss on modification of finance lease and murabaha finance receivables, net of grant income		-	2,877,295
Gain on modification of long-term borrowings		-	(1,530,720)
<u>Changes in working capital</u>			
Net investment in finance leases and murabaha finance		(63,167,143)	(57,010,177)
Prepayments and other receivables		(6,085,663)	(211,592)
Accounts payable		34,309,490	(6,815,485)
Accrued and other liabilities		6,398,203	(2,505,634)
Cash used in operations		(14,032,837)	(55,628,147)
Zakat paid	10	(1,598,652)	(779,115)
Net cash used in operating activities		(15,631,489)	(56,407,262)
Cash flows from investing activity			
Payment for purchases of property and equipment		(1,444,841)	(360,269)
Cash flows from financing activities			
Proceeds from long-term borrowings		4,591,324	45,216,891
Repayment of long-term borrowings		(70,437,276)	(50,771,149)
Interest paid on long-term borrowings		(3,112,324)	(3,650,061)
Lease liabilities paid		(439,217)	(422,557)
Proceeds against proposed increase in share capital		-	100,000,000
Net cash (used in) generated from financing activities		(69,397,493)	90,373,124
Net decrease in cash and cash equivalents		(86,473,823)	33,605,593
Cash and cash equivalents at beginning of period		143,553,351	148,452,810
Cash and cash equivalents at end of period		57,079,528	182,058,403
Supplemental cash flow information			
<u>Non-cash investing and financing activities:</u>			
Right-of-use assets recorded against lease liabilities		1,337,108	-
Derecognition of right-of-use assets upon termination of leases		-	438,194
Derecognition of lease liabilities upon termination of leases		-	416,744

The accompanying notes from 1 to 11 form an integral part of this condensed interim financial information.

RAYA FINANCING COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month and nine-month periods ended 30 September 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Raya Financing Company (the “Company”) is a single shareholder closed joint stock company, registered in the Kingdom of Saudi Arabia under the commercial registration number 2050104609 issued in Dammam on 8 Rabi II 1436H (28 January 2015) and operating under the Saudi Central Bank (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 controlled by Al Majdouie Motors Company Limited (the “Parent Company”), a limited liability company registered in the Kingdom of Saudi Arabia. The Parent Company is effectively owned by Ali Ibrahim Saleh Al Majdouie Company (the ‘Ultimate Parent Company’), which is ultimately controlled by Sheikh Ali Ibrahim Saleh Al Majdouie.

Until 31 December 2020, the Company was owned 68% by the Parent Company and 32% by certain other entities (Other Shareholders) of Al Majdouie group. During 2021, the shareholders of the Company unanimously resolved that 100% of the issued shares in the Company to be owned by the Parent Company. Accordingly, the Other Shareholders transferred their respective shareholding in the Company to the Parent Company, the legal formalities for such transfer were completed during the nine-month period ended 30 September 2022.

2 Basis of preparation

The condensed interim financial information of the Company as at 30 September 2022 and for the three-month and nine-month periods ended 30 September 2022 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 2021.

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 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 30 September 2022 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.

RAYA FINANCING COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month and nine-month periods ended 30 September 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

3 Net investment in finance leases

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

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Gross investment in finance leases	477,223,837	381,482,167
Unearned finance income	(111,814,266)	(76,308,994)
Present value of minimum lease payments receivable	365,409,571	305,173,173
Allowance for ECL	(21,514,155)	(13,109,112)
Net investment in finance leases	343,895,416	292,064,061
Net investment in finance leases - Due after 12 months	(232,727,629)	(175,010,171)
Net investment in finance leases - Due within 12 months	111,167,787	117,053,890

The movement in allowance for ECL on lease receivables is as follows:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Opening balance	13,109,112	9,403,101
Charge for the period / year	8,405,043	5,123,554
Amounts written-off	-	(1,417,543)
Closing balance	21,514,155	13,109,112

4 Net investment in murabaha finance

Reconciliation between gross and net murabaha finance is as follows:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Gross investment in murabaha finance	134,932,957	133,344,598
Unearned murabaha finance income	(15,188,669)	(16,531,055)
	119,744,288	116,813,543
Allowance for ECL	(8,930,759)	(3,539,249)
Net investment in murabaha finance	110,813,529	113,274,294
Investment in murabaha finance - Due after 12 months	(45,893,822)	(57,396,208)
Investment in murabaha finance - Due within 12 months	64,919,707	55,878,086

The movement in allowance for ECL on murabaha finance receivables is as follows:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Opening balance	3,539,249	708,990
Charge for the period / year	5,391,510	2,830,259
Closing balance	8,930,759	3,539,249

RAYA FINANCING COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month and nine-month periods ended 30 September 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

In accordance with the requirement of the applicable accounting framework, the management of the Company revisits all inputs and assumptions used for the determination of ECL on a periodic basis. During the nine-month period ended 30 September 2022, the management of the Company has performed an exercise to update the calculation and certain inputs and assumptions used for the determination of ECL. The adjustments primarily represent updates to the probabilities of default (PD), which are based on recovery patterns of the Company's receivable balances under its financing portfolio, and other macroeconomic factors.

5 Prepayments and other receivables

	Note	30 September 2022	31 December 2021
		(Unaudited)	(Audited)
Prepayments		8,694,899	4,820,478
Insurance claims		2,880,215	1,211,028
Advances to suppliers		2,182,013	1,814,989
Advances to a related party	9	1,454,891	1,454,891
Repossessed assets held for resale		844,085	1,279,253
Other		1,508,756	898,557
		17,564,859	11,479,196

6 Cash and cash equivalents

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Cash in hand	48,789	48,289
Cash at bank	57,030,739	143,505,062
	57,079,528	143,553,351

7 Long-term borrowings

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Murabaha facilities	108,866,667	136,915,762
Government bank loan	57,983,738	88,151,895
Payable to SAMA	30,218,543	37,021,179
Accrued finance cost	202,927	324,275
	197,271,875	262,413,111

Classification of borrowings is presented below:

Due within 12 months	93,812,449	98,315,829
Due after 12 months	103,459,426	164,097,282
	197,271,875	262,413,111

7.1 Payable to SAMA

During nine-month period ended 30 September 2022, the Company has received interest free loan amounting to Saudi Riyals 4.6 million.

RAYA FINANCING COMPANY
(A Single Shareholder Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month and nine-month periods ended 30 September 2022 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

8 Accrued and other liabilities

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Accrued expenses	10,933,500	7,519,089
Advance from customers	9,426,830	7,913,660
Value Added Tax payable	2,166,872	1,044,870
Net servicing liability under agency agreement	680,991	258,298
	23,208,193	16,735,917

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 30 September		For the nine-month period ended 30 September	
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Purchases of motor vehicles	Shareholder	34,580,133	21,915,645	110,580,129	90,919,808
Commission income on lease of motor vehicles	Shareholder	1,394,503	1,053,743	3,025,688	2,403,654
Lease payments	Affiliate	149,105	100,625	395,217	307,406

Key management personnel compensation

Short term employee benefits	429,028	700,401	1,248,834	1,682,548
Employee benefit obligations	13,405	32,581	36,236	117,324
Board of Directors fees	76,000	70,000	96,000	127,000

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

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Al Majdouie Motors Company Limited (“Motors”) - shareholder	72,650,943	48,630,108
Al Majdouie Holding Company Limited - intermediate parent company	589,084	77,469
Arjaa Travel and Tourism Company	50,960	24,850
Arsal Operation and Maintenance Company	15,979	16,527
Al Majdouie Logistics Company Limited	588	2,275
	73,307,554	48,751,229

9.3 Advances to a related party

Advances to a related party at 30 September 2022 and 31 December 2021, represent advances given to Al Majdouie Manufacturing Company.

RAYA FINANCING COMPANY**(A Single Shareholder Closed Joint Stock Company)****Notes to the condensed interim financial information****For the three-month and nine-month periods ended 30 September 2022 (Unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)

10 Zakat payable

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Opening balance	2,835,779	1,216,458
Provision for the period / year	893,529	2,835,779
Adjustment for prior period / year	-	(437,343)
Payments	(1,598,652)	(779,115)
Closing balance	2,130,656	2,835,779

10.1 Status of final assessments

The Company has filed its zakat declarations with the ZATCA upto 2021. ZATCA has finalized Company's assessments upto 2018, whereas assessments for 2019 and 2020 are currently under review by ZATCA.

11 Date of authorization of issue

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 24 October 2022.