

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

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020  
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 2020**

	<b>Page</b>
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 - 15



## *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 2020 and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies 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 blue ink signature of Omar M. Al Sagga, written in a cursive style.

Omar M. Al Sagga  
License number 369

14 May 2020

**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 2020 (Unaudited)	As at 31 December 2019 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets		<b>3,892,483</b>	4,068,668
Property and equipment		<b>495,178</b>	567,899
Intangible assets		<b>6,573,167</b>	6,930,874
Net investment in finance leases - non-current portion	4	<b>222,276,805</b>	216,696,617
Net investment in murabaha finance - non-current portion	5	<b>19,758,982</b>	9,163,477
Financial asset at fair value through other comprehensive income		<b>892,850</b>	892,850
		<b>253,889,465</b>	238,320,385
<b>Current assets</b>			
Net investment in finance leases - current portion	4	<b>74,603,684</b>	91,529,572
Net investment in murabaha finance - current portion	5	<b>2,038,641</b>	12,086,314
Prepayments and other receivables	6	<b>14,804,319</b>	14,713,934
Cash and cash equivalents	7	<b>45,254,728</b>	54,670,331
		<b>136,701,372</b>	173,000,151
<b>Total assets</b>		<b>390,590,837</b>	411,320,536
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	8	<b>149,449,135</b>	103,810,362
Lease liabilities - non-current portion		<b>3,335,825</b>	3,485,893
Loan from a shareholder - non-current portion	10	<b>48,750,000</b>	52,000,000
Employee benefit obligations		<b>2,803,667</b>	2,685,221
		<b>204,338,627</b>	161,981,476
<b>Current liabilities</b>			
Current maturity of long-term borrowings	8	<b>40,071,179</b>	47,657,378
Accounts payable	10	<b>11,710,739</b>	62,755,317
Accrued and other liabilities	9	<b>10,460,694</b>	10,650,511
Lease liabilities - current portion		<b>485,842</b>	690,276
Loan from a shareholder - current portion	10	<b>13,104,524</b>	13,206,298
Zakat payable	11	<b>19,776</b>	-
		<b>75,852,754</b>	134,959,780
<b>Total liabilities</b>		<b>280,191,381</b>	296,941,256
<b>Equity</b>			
Share capital		<b>150,000,000</b>	150,000,000
Accumulated losses		<b>(39,600,544)</b>	(35,620,720)
<b>Total equity</b>		<b>110,399,456</b>	114,379,280
<b>Total liabilities and equity</b>		<b>390,590,837</b>	411,320,536

The accompanying notes from 1 to 13 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	
		2020 (Unaudited)	2019 (Unaudited) Restated
<b>Income</b>			
Finance lease revenue	12	<b>10,423,934</b>	9,420,235
<b>Expenses</b>			
Provision for impairment of lease receivables	4	<b>(3,468,673)</b>	(439,688)
Insurance and other cost of financed vehicles		<b>(3,612,570)</b>	(3,383,451)
Salaries and employee related expenses		<b>(4,632,593)</b>	(4,699,850)
Depreciation and amortization		<b>(584,171)</b>	(545,888)
Finance cost	8, 10	<b>(2,131,650)</b>	(1,078,346)
Gain on modification of long-term borrowings	12	<b>1,302,026</b>	-
Other expenses		<b>(1,038,222)</b>	(1,058,884)
<b>Loss before zakat</b>		<b>(3,741,919)</b>	(1,785,872)
Zakat expense (reversal)		<b>(237,905)</b>	852,680
<b>Loss for the period</b>		<b>(3,979,824)</b>	(933,192)
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(3,979,824)</b>	(933,192)

The accompanying notes from 1 to 13 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)

	Note	Share capital	Accumulated losses	Total
Balance at 31 December 2019 - audited		150,000,000	(35,620,720)	114,379,280
Loss for the period		-	(3,979,824)	<b>(3,979,824)</b>
Other comprehensive income		-	-	-
Total comprehensive loss for the period		-	(3,979,824)	<b>(3,979,824)</b>
<b>Balance at 31 March 2020 - unaudited</b>		<b>150,000,000</b>	<b>(39,600,544)</b>	<b>110,399,456</b>
Balance at 1 January 2019 – audited, as previously reported		100,000,000	(38,502,357)	61,497,643
Restatement	3	-	4,167,678	4,167,678
Balance at 1 January 2019 – audited, as restated		100,000,000	(34,334,679)	65,665,321
Loss for the period, as restated	3	-	(933,192)	(933,192)
Other comprehensive income		-	-	-
Total comprehensive loss for the period, as restated	3	-	(933,192)	(933,192)
<b>Balance at 31 March 2019 - unaudited, as restated</b>		<b>100,000,000</b>	<b>(35,267,871)</b>	<b>64,732,129</b>

The accompanying notes from 1 to 13 form an integral part of this condensed interim financial information.

**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	
		2020 (Unaudited)	2019 (Unaudited) Restated
<b>Cash flows from operating activities</b>			
Loss before zakat	3	(3,741,919)	(1,785,872)
<u>Adjustments for</u>			
Provision for impairment of lease receivables and murabaha finance	4, 5	3,468,673	439,688
Depreciation		226,464	188,181
Amortization		357,707	357,707
Loss (gain) on disposal of property and equipment		22,442	(41,121)
Finance costs		2,131,650	1,078,346
Employee benefit obligations		118,446	258,763
Loss on modification of finance lease and murabaha finance receivable		8,518,116	-
Gain on modification of long-term borrowings		(1,302,026)	-
<u>Changes in working capital</u>			
Net investment in finance leases and murabaha finance	3	(1,188,921)	(37,189,041)
Prepayments and other receivable		(308,514)	(1,609,905)
Accounts payable		(51,044,578)	13,331,465
Accrued and other liabilities		(189,817)	3,800,313
Net cash used in operating activities		(42,932,277)	(21,171,476)
<b>Cash flows from investing activity</b>			
Proceeds from sale of property and equipment		-	57,486
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings	8	49,910,750	40,000,000
Repayment of long-term borrowings	8	(10,487,446)	(3,496,779)
Interest paid on long-term borrowings		(1,536,485)	(353,875)
Finance charges paid to a shareholder		(711,842)	-
Finance lease liabilities paid		(408,303)	(605,894)
Repayment of loan from a shareholder		(3,250,000)	-
Net cash generated from financing activities		33,516,674	35,543,452
<b>Net change in cash and cash equivalents</b>		<b>(9,415,603)</b>	14,429,462
Cash and cash equivalents at beginning of period		54,670,331	8,077,298
<b>Cash and cash equivalents at end of period</b>		<b>45,254,728</b>	22,506,760
<u>Supplemental cash flow information</u>			
<b>Non-cash financing activity-</b>			
Right-of-use assets recorded against lease liabilities		-	4,773,408

The accompanying notes from 1 to 13 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 2020 (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**

**2.1** The condensed interim financial information of the Company as at 31 March 2020 and for the three-month period ended 31 March 2020 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 Certified Public Accountants (SOCPA).

The condensed interim financial information of the Company as at and for the three-month period ended 31 March 2019, was prepared in compliance with the IAS 34, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax). As per the SAMA circular number 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax, zakat and income tax are to be accrued through shareholders’ equity under retained earnings.

On 18 July 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by SOCPA (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ in the annual financial statements for the year ended 31 December 2019. The Company has also changed the presentation of the comparative condensed interim financial information for the three-month period ended 31 March 2019, in the accompanying condensed interim financial information to reflect such change. The effects of this change in accounting policy on the condensed interim statements of comprehensive income and changes in equity for the three-month ended 31 March 2019 are disclosed in Note 3 below. This change in accounting policy did not have any effect on the statement of financial position as of 31 December 2019 and on the condensed interim statement of cash flows for the three-month period ended 31 March 2019.

**2.2** 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 2019.

**2.3** 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. Also see Note 2.1 above.



**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
 (All amounts in Saudi Riyals unless otherwise stated)

**2.4 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 2020 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.

**2.5 Government grant**

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the statement of comprehensive income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

**3 Restatement**

As explained in the annual audited financial statements for the year ended 31 December 2019, the Company's accounting policy, under the requirements of IFRS, required the Company to recognise the insurance income under the lease contracts, forming part of the minimum lease payments, over the lease term using the effective interest rate method. However, such insurance income was not being accurately calculated until 31 March 2019 in accordance with the Company's accounting policy but was retrospectively corrected for the purposes of the annual audited financial statements for the year ended 31 December 2019. Management has now corrected the related amounts, along with the restatement for the change in accounting policy related to zakat as explained in Note 2.1 above, as follows:

**Condensed interim statement of comprehensive income for the three-month period ended 31 March 2019:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
Finance lease revenue	8,802,912	617,323	9,420,235
Loss before zakat	(2,403,195)	617,323	(1,785,872)
Zakat reversal	-	852,680	852,680
Loss for the period	(2,403,195)	1,470,003	(933,192)
Total comprehensive loss for the period	(2,403,195)	1,470,003	(933,192)

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**Condensed interim statement of changes in equity for the three-month period ended 31 March 2019:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
<b>As of 1 January 2019:</b>			
Accumulated losses	(38,502,357)	4,167,678	(34,334,679)
<b>For the three-month period ended 31 March 2019:</b>			
Loss for the period	(2,403,195)	1,470,003	(933,192)
Zakat for the period	852,680	(852,680)	-
Total comprehensive loss for the period	(2,403,195)	1,470,003	(933,192)
<b>As of 31 March 2019:</b>			
Accumulated losses	(40,052,872)	4,785,001	(35,267,871)

**Condensed interim statement of cash flows for the three-month period ended 31 March 2019:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
Loss before zakat for the period	(2,403,195)	617,323	(1,785,872)
Net investment in finance leases	(36,571,718)	(617,323)	(37,189,041)

**4 Net investment in finance leases**

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

	<b>31 March 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in finance leases	<b>402,716,981</b>	410,638,282
Unearned finance income	<b>(96,167,636)</b>	(96,025,787)
Present value of minimum lease payments receivable	<b>306,549,345</b>	314,612,495
Provision for impairment of lease receivables	<b>(9,668,856)</b>	(6,386,306)
Net investment in finance leases	<b>296,880,489</b>	308,226,189
Net investment in finance leases - non-current portion	<b>(222,276,805)</b>	(216,696,617)
Net investment in finance leases - current portion	<b>74,603,684</b>	91,529,572

**RAYA FINANCING COMPANY**  
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**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

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

	Note	<b>31 March 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance		<b>6,386,306</b>	4,183,822
Charge for the period / year	12	<b>3,282,550</b>	2,202,484
Closing balance		<b>9,668,856</b>	6,386,306

**5 Net investment in murabaha finance**

Reconciliation between gross and net murabaha finance is as follows:

		<b>31 March 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in murabaha finance		<b>28,844,195</b>	24,757,803
Unearned murabaha finance income		<b>(6,791,368)</b>	(3,438,931)
		<b>22,052,827</b>	21,318,872
Provision for impairment		<b>(255,204)</b>	(69,081)
Net investment in murabaha finance		<b>21,797,623</b>	21,249,791
Investment in murabaha finance - non-current portion		<b>(19,758,982)</b>	(9,163,477)
Investment in murabaha finance - current portion		<b>2,038,641</b>	12,086,314

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

	Note	<b>31 March 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance		<b>69,081</b>	-
Charge for the period / year	12	<b>186,123</b>	69,081
Closing balance		<b>255,204</b>	69,081

**6 Prepayments and other receivable**

	Note	<b>31 March 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Grant receivable from SAMA	12	<b>6,525,740</b>	-
Advances to suppliers		<b>4,093,697</b>	2,176,697
Prepayments		<b>2,337,658</b>	5,007,054
Repossessed assets held for resale		<b>85,757</b>	618,922
Insurance claims		<b>678,952</b>	2,846,709
Advances to a related party	10	-	1,927,238
Zakat refundable		-	218,129
Other		<b>1,082,515</b>	1,919,185
		<b>14,804,319</b>	14,713,934

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**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**7 Cash and cash equivalents**

	<b>31 March 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	45,307	54,420
Cash at bank	45,209,421	54,615,911
	<b>45,254,728</b>	<b>54,670,331</b>

**8 Long-term borrowings**

	<b>31 March 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha facilities	153,675,169	113,581,698
Government bank loan	35,845,145	37,886,042
	<b>189,520,314</b>	<b>151,467,740</b>
Long-term borrowings are presented as follows:		
Current maturity shown under current liabilities	40,071,179	47,657,378
Long-term borrowings	149,449,135	103,810,362
	<b>189,520,314</b>	<b>151,467,740</b>

During the three-month period ended 31 March 2020, the Company has drawn Saudi Riyals 50 million from its existing Murabaha facilities. The loan is secured against corporate guarantee from certain related parties, collateral on receivables against certain leased vehicles covering at least 150% of the outstanding borrowing. The loan agreement contains covenant regarding maintenance of leverage ratio and the Company has complied with this covenant throughout the reporting period. The loan bears financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying value of such long-term borrowings is denominated in Saudi Riyals. The repayment of such loans as per the respective repayment schedule is up to 2025.

Further, subsequent to the three-month period ended 31 March 2020, the Company has settled the long-term borrowings of Saudi Riyals 61.3 million before their respective contractual maturities.

Also see Note 12.

**9 Accrued and other liabilities**

	<b>31 March 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Advance from customers	6,524,982	6,724,785
Accrued liabilities	3,688,708	3,445,403
VAT payable	247,004	480,323
	<b>10,460,694</b>	<b>10,650,511</b>

**RAYA FINANCING COMPANY**  
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**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**10 Related party transactions and balances**

**10.1** 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	
		2020 (Unaudited)	2019 (Unaudited)
Purchases of motor vehicles	Shareholder	<b>15,300,363</b>	21,447,712
Commission income on lease of motor vehicles	Shareholder	-	76,420
Finance charges	Shareholder	<b>610,068</b>	-
Lease payments	Affiliate	<b>111,303</b>	111,303
<b>Key management personnel</b>			
Key management compensation		<b>664,208</b>	684,176
Employee benefit obligations		<b>51,472</b>	43,752
Board of Directors fees		<b>45,000</b>	30,500

**10.2** Accounts payable include the following amounts due to related parties:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Al Majdouie Motors Company Limited ("Motors") - shareholder	<b>6,574,530</b>	55,876,672
Al Majdouie Holding Company Limited - Parent Company	<b>563,474</b>	389,532
Sheikh Ali Ibrahim Saleh Al Majdouie	<b>233,351</b>	-
Arjaa Travel and Tourism Company	<b>66,397</b>	44,270
Majd Real Estate Development Company Limited - shareholder	<b>11,807</b>	11,400
Al Majdouie Logistics Company Limited - shareholder	<b>403</b>	-
	<b>7,449,962</b>	56,321,874

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.

**10.3** Advances to a related party

Advances to a related party at 31 December 2019, represent advances given to Al Majdouie Manufacturing Company.

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**10.4 Loan from a shareholder**

	<b>31 March 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Motors	<b>61,750,000</b>	65,000,000
Accrued finance cost	<b>104,524</b>	206,298
	<b>61,854,524</b>	65,206,298
Loans from a shareholder is presented as follows:		
Loan from a shareholder - current portion	<b>13,104,524</b>	13,206,298
Loan from a shareholder - non-current portion	<b>48,750,000</b>	52,000,000
	<b>61,854,524</b>	65,206,298

The loan bears financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying value of such long-term borrowings is denominated in Saudi Riyals. The repayment of the loan as per the repayment schedule is up to 2024.

Subsequent to the three-month period ended 31 March 2020, the Company has settled the entire outstanding balance of loan from a shareholder before its contractual maturity.

**11 Zakat matters**

	<b>31 March 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Opening balance	<b>(218,129)</b>	-
Provision for the period / year	<b>237,905</b>	780,149
Reversal for prior years	-	(998,278)
	<b>237,905</b>	(218,129)
Closing balance	<b>19,776</b>	(218,129)

During the year ended 31 December 2019, the Company has received a settlement notice from the GAZT relating to the treatment of non-current portion of net investment in its finance lease for the purposes of determination of zakat base. The notice prescribes the method to calculate the Company's zakat liability for the year ended 31 December 2018 and states that applying the same principles, the Company is entitled to a credit of Saudi Riyals 1.18 million for the years from 2016, when the Company was provided a license from SAMA to be involved in the finance lease activities, and 2017, whereas there would be a charge of Saudi Riyals 0.18 million for the year ended 31 December 2018. Management has agreed to the settlement notice and has accordingly recorded a net zakat refundable of Saudi Riyals 1.0 million.

**12 Impact of COVID-19 on expected credit losses ("ECL") and SAMA and other public authorities' programs**

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated 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 potential business disruption due to COVID-19 outbreak that 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 would primarily revolve around either 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. The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of Saudi Riyals 2.3 million for the Company. 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.

At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the macroeconomic model underpinning the PD and LGD determinations. The Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**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 under the PSFSP, the Company is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. Similarly, the Company has deferred payments for twelve months on certain lending facilities to customers falling under government bank loan programs. 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 extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these 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 has resulted in the Company recognising a day 1 modification loss of Saudi Riyals 8.5 million as at 31 March 2020 and this has been presented as part of finance lease revenue. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

The Company has received Saudi Riyals 116 million of interest free deposit from SAMA repayable in 36 equal installments starting from 4 November 2020 and the interest free portion has been considered a government grant. Management has determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. Furthermore, it should be noted that management determined that whilst the period of the loan was initially 6 months, SAMA has clarified subsequent to period end that the period was intended to compensate for the modification loss and was adjusted to 36 months. This has been accounted for as a subsequent adjusting event as this merely clarified conditions existing at balance sheet date.

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended 31 March 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

The total modification loss of Saudi Riyals 8.5 million, including Saudi Riyals 2.0 million not compensated by government grant, and was recognised immediately in profit and loss. The benefit of the subsidized funding rate resulted in a day 1 gain of Saudi Riyals 9.3 million, of which Saudi Riyals 6.5 million has been recognised as part of finance lease revenue in the statement of income during the three-month period ended 31 March 2020 to compensate the Company for the modification loss recognised. The government grant was received in cash on 5 April 2020, but the conditions for the government grant were met as of 31 March 2020 and as such a grant receivable was accounted for in the statement of financial position.

The Company has also been allowed deferment of periodic instalments aggregating to Saudi Riyals 84.4 million upto twelve months on government bank loans and a murabaha loan, which resulted in a modification gain of Saudi Riyals 1.3 million on long-term borrowings.

Subsequent to the three-month period ended 31 March 2020, SAMA has issued further guidance around additional COVID-19 support measures for MSMEs that the Company will need to undertake in relation to MSMEs deferred payments program. The Company will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

**13 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 14 May 2020.