

**RAYA FINANCING COMPANY  
(A Saudi Closed Joint Stock Company)**

**CONDENSED INTERIM FINANCIAL  
INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH AND NINE-MONTH  
PERIODS ENDED 30 SEPTEMBER 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 AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020**

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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 30 September 2020 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 2020, 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 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

20 October 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 30 September 2020 (Unaudited)	As at 31 December 2019 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		557,045	567,899
Right-of-use assets		3,720,073	4,068,668
Intangible assets		5,857,754	6,930,874
Net investment in finance leases - non-current portion	3	219,055,855	216,696,617
Net investment in murabaha finance - non-current portion	4	31,509,266	9,163,477
Financial asset at fair value through other comprehensive income		892,850	892,850
		<b>261,592,843</b>	<b>238,320,385</b>
<b>Current assets</b>			
Net investment in finance leases - current portion	3	88,342,308	91,529,572
Net investment in murabaha finance - current portion	4	20,761,997	12,086,314
Prepayments and other receivables	5	17,454,857	14,713,934
Cash and cash equivalents	6	75,703,704	54,670,331
		<b>202,262,866</b>	<b>173,000,151</b>
<b>Total assets</b>		<b>463,855,709</b>	<b>411,320,536</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	7	217,158,721	103,810,362
Lease liabilities - non-current portion		3,184,992	3,485,893
Loan from a shareholder - non-current portion	9	-	52,000,000
Employee benefit obligations		3,021,201	2,685,221
		<b>223,364,914</b>	<b>161,981,476</b>
<b>Current liabilities</b>			
Current maturity of long-term borrowings	7	60,668,017	47,657,378
Accounts payable	9	65,913,873	62,755,317
Accrued and other liabilities	8	16,303,515	10,650,511
Lease liabilities - current portion		643,309	690,276
Loan from a shareholder - current portion	9	-	13,206,298
Zakat payable	10	847,234	-
		<b>144,375,948</b>	<b>134,959,780</b>
<b>Total liabilities</b>		<b>367,740,862</b>	<b>296,941,256</b>
<b>Equity</b>			
Share capital		150,000,000	150,000,000
Accumulated losses		(53,885,153)	(35,620,720)
<b>Total equity</b>		<b>96,114,847</b>	<b>114,379,280</b>
<b>Total liabilities and equity</b>		<b>463,855,709</b>	<b>411,320,536</b>

The accompanying notes from 1 to 12 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		For the nine-month period	
		ended 30 September		ended	
		2020	2019	2020	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Income</b>					
Finance revenue		<b>10,249,265</b>	12,351,579	<b>34,644,859</b>	33,465,130
Gain on modification of long-term borrowings	11	-	-	<b>1,322,570</b>	-
		<b>10,249,265</b>	12,351,579	<b>35,967,429</b>	33,465,130
<b>Expenses</b>					
Impairment of lease receivables and murabaha finance	3,4	<b>396,660</b>	(1,927,737)	<b>(6,728,793)</b>	(2,784,026)
Insurance and other cost of financed vehicles		<b>(3,330,495)</b>	(2,843,523)	<b>(10,256,296)</b>	(9,205,926)
Salaries and employee related expenses		<b>(4,740,651)</b>	(5,098,294)	<b>(15,332,776)</b>	(15,200,448)
Depreciation and amortization		<b>(619,062)</b>	(568,734)	<b>(1,910,134)</b>	(1,691,196)
Loss on modification of finance lease and murabaha finance receivables, net of grant income	11	<b>(6,957,100)</b>	-	<b>(10,719,334)</b>	-
Finance cost		<b>(431,699)</b>	(2,561,750)	<b>(4,741,034)</b>	(6,081,429)
Other expenses		<b>(602,349)</b>	(1,272,633)	<b>(3,478,132)</b>	(3,391,486)
<b>Loss before zakat</b>		<b>(6,035,431)</b>	(1,921,092)	<b>(17,199,070)</b>	(4,889,381)
Zakat	10	<b>(457,581)</b>	(521,026)	<b>(1,065,363)</b>	300,853
<b>Loss for the period</b>		<b>(6,493,012)</b>	(2,442,118)	<b>(18,264,433)</b>	(4,588,528)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(6,493,012)</b>	(2,442,118)	<b>(18,264,433)</b>	(4,588,528)

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.

**RAYA FINANCING COMPANY**  
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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
(All amounts in Saudi Riyals unless otherwise stated)

	<b>Share capital</b>	<b>Proposed increase in share capital</b>	<b>Accumulated losses</b>	<b>Total</b>
Balance at 31 December 2019 - audited	150,000,000	-	(35,620,720)	114,379,280
Loss for the period	-	-	(18,264,433)	<b>(18,264,433)</b>
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(18,264,433)	<b>(18,264,433)</b>
<b>Balance at 30 September 2020 - unaudited</b>	<b>150,000,000</b>	-	<b>(53,885,153)</b>	<b>96,114,847</b>
Balance at 1 January 2019 - audited	100,000,000	-	(34,334,679)	65,665,321
Loss for the period	-	-	(4,588,528)	(4,588,528)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(4,588,528)	(4,588,528)
Proposed increase in share capital	-	50,000,000	-	50,000,000
<b>Balance at 30 September 2019 - unaudited</b>	<b>100,000,000</b>	<b>50,000,000</b>	<b>(38,923,207)</b>	<b>111,076,793</b>

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.

**RAYA FINANCING COMPANY**  
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**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the nine-month period ended 30 September	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities</b>			
Loss before zakat		<b>(17,199,070)</b>	(4,889,381)
<u>Adjustments for</u>			
Provision for impairment of lease receivables and murabaha finance	3, 4	<b>6,728,793</b>	2,784,026
Depreciation		<b>837,014</b>	706,504
Amortization		<b>1,073,120</b>	984,692
Loss on disposal of property and equipment		-	316,052
Finance costs		<b>4,741,034</b>	6,081,429
Employee benefit obligations		<b>335,980</b>	526,540
Loss on modification of finance lease and murabaha finance receivables, net of grant income	11	<b>10,719,334</b>	-
Gain on modification of long-term borrowings	11	<b>(1,322,570)</b>	-
<u>Changes in working capital</u>			
Net investment in finance leases and murabaha finance		<b>(49,330,407)</b>	(95,301,839)
Prepayments and other receivables		<b>(2,664,510)</b>	(2,080,597)
Accounts payable		<b>3,158,556</b>	42,423,177
Accrued and other liabilities		<b>5,653,004</b>	7,955,692
Net cash used in operating activities		<b>(37,269,722)</b>	(40,493,705)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property and equipment		-	57,486
Payments for purchase of property and equipment		<b>(141,487)</b>	(485,242)
Net cash used in investing activities		<b>(141,487)</b>	(427,756)
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		<b>302,793,597</b>	110,000,000
Repayment of long-term borrowings		<b>(174,723,830)</b>	(18,330,863)
Interest paid on long-term borrowings		<b>(2,858,800)</b>	(3,590,172)
Finance charges paid to a shareholder		<b>(914,357)</b>	-
Finance lease liabilities paid		<b>(852,028)</b>	(727,910)
Repayment of loan from a shareholder	9	<b>(65,000,000)</b>	-
Net cash generated from financing activities		<b>58,444,582</b>	87,351,055
<b>Net increase in cash and cash equivalents</b>		<b>21,033,373</b>	46,429,594
Cash and cash equivalents at beginning of period		<b>54,670,331</b>	8,077,298
<b>Cash and cash equivalents at end of period</b>		<b>75,703,704</b>	54,506,892
<u>Supplemental cash flow information</u>			
<b>Non-cash investing and financing activities:</b>			
- Proposed increase in share capital		-	50,000,000
- Right-of-use assets recorded against lease liabilities		<b>336,078</b>	4,773,408

The accompanying notes from 1 to 12 form an integral part of this condensed interim financial information.

**RAYA FINANCING COMPANY**  
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**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended 30 September 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**

The condensed interim financial information of the Company as at 30 September 2020 and for the three-month and nine-month periods ended 30 September 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 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.

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 30 September 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.

### **2.2 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.



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**3 Net investment in finance leases**

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in finance leases	<b>416,061,193</b>	410,638,282
Unearned finance income	<b>(95,718,844)</b>	(96,025,787)
Present value of minimum lease payments receivable	<b>320,342,349</b>	314,612,495
Provision for impairment of lease receivables	<b>(12,944,186)</b>	(6,386,306)
Net investment in finance leases	<b>307,398,163</b>	308,226,189
Net investment in finance leases - non-current portion	<b>(219,055,855)</b>	(216,696,617)
Net investment in finance leases - current portion	<b>88,342,308</b>	91,529,572

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

	<b>Note</b>	<b>30 September 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	11	<b>6,557,880</b>	2,202,484
Closing balance		<b>12,944,186</b>	6,386,306

**4 Net investment in murabaha finance**

Reconciliation between gross and net murabaha finance is as follows:

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in murabaha finance	<b>61,124,572</b>	24,757,803
Unearned murabaha finance income	<b>(8,613,315)</b>	(3,438,931)
	<b>52,511,257</b>	21,318,872
Provision for impairment	<b>(239,994)</b>	(69,081)
Net investment in murabaha finance	<b>52,271,263</b>	21,249,791
Investment in murabaha finance - non-current portion	<b>(31,509,266)</b>	(9,163,477)
Investment in murabaha finance - current portion	<b>20,761,997</b>	12,086,314

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

	<b>Note</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance		<b>69,081</b>	-
Charge for the period / year	11	<b>170,913</b>	69,081
Closing balance		<b>239,994</b>	69,081

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(All amounts in Saudi Riyals unless otherwise stated)

**5 Prepayments and other receivables**

	Note	<b>30 September 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Prepayments		<b>6,631,695</b>	5,007,054
Advances to suppliers		<b>5,216,881</b>	2,176,697
Repossessed assets held for resale		<b>1,420,720</b>	618,922
Insurance claims		<b>802,231</b>	2,846,709
VAT refundable		<b>1,138,826</b>	-
Grant receivable from SAMA	11	<b>294,542</b>	-
Advances to a related party	9	-	1,927,238
Zakat refundable	10	-	218,129
Other		<b>1,949,962</b>	1,919,185
		<b>17,454,857</b>	14,713,934

**6 Cash and cash equivalents**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	<b>52,084</b>	54,420
Cash at bank	<b>75,651,620</b>	54,615,911
	<b>75,703,704</b>	54,670,331

**7 Long-term borrowings**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha facilities	<b>175,360,205</b>	113,581,698
Payable to SAMA	<b>16,361,199</b>	-
Government bank loan	<b>86,105,334</b>	37,886,042
	<b>277,826,738</b>	151,467,740

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	<b>60,668,017</b>	47,657,378
Long-term borrowings	<b>217,158,721</b>	103,810,362
	<b>277,826,738</b>	151,467,740

**7.1 Murabaha facilities**

During the nine-month period ended 30 September 2020, the Company has drawn Saudi Riyals 137.0 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, during the nine-month period ended 30 September 2020, the Company has settled long-term borrowings of Saudi Riyals 61.3 million before their respective contractual maturities.

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(All amounts in Saudi Riyals unless otherwise stated)

**7.2 Government bank loan**

During 2020, the Company entered into an agreement with a government bank to provide financing facility of Saudi Riyals 50.0 million to meet the working capital requirements of the Company, which was fully utilised during nine-month period ended 30 September 2020. Administrative fee is charged by government bank under the loan agreement.

The covenants of the borrowing facility restricts the Company to utilise the loan amount for the purpose specified in the loan agreement. The carrying value of such long-term borrowings 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**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Advance from customers	<b>11,005,066</b>	6,724,785
Accrued liabilities	<b>5,298,449</b>	3,445,403
VAT payable	-	480,323
	<b>16,303,515</b>	10,650,511

**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	
		2020	2019	2020	2019
		<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Purchases	Shareholders	<b>25,031,818</b>	19,523,947	<b>69,261,145</b>	62,583,169
Finance cost	Shareholders	-	879,087	<b>708,059</b>	2,005,421
Commission income on lease of motor vehicles	Shareholders	<b>1,229,142</b>	552,884	<b>1,229,142</b>	1,480,886
Lease payments	Affiliate	<b>111,303</b>	111,303	<b>333,909</b>	333,910
<b>Key management personnel compensation</b>					
Short term employee benefits		<b>683,697</b>	702,174	<b>2,100,584</b>	2,088,551
Employee benefit obligations		<b>55,087</b>	43,178	<b>132,355</b>	135,033
Board of Directors fees		<b>15,000</b>	45,500	<b>75,000</b>	118,000

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(All amounts in Saudi Riyals unless otherwise stated)

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Al Majdouie Motors Company Limited ("Motors") - shareholder	<b>56,749,483</b>	55,876,672
Al Majdouie Holding Company Limited - Parent Company	<b>254,322</b>	389,532
Majd Real Estate Development Company Limited - shareholder	<b>55,657</b>	11,400
Al Majdouie Trading Establishment	<b>30,906</b>	-
Arjaa Travel and Tourism Company	<b>17,280</b>	44,270
Al Majdouie Logistics Company Limited - shareholder	<b>4,764</b>	-
Al Majdouie Manufacturing Company Limited	<b>1,109</b>	-
	<b>57,113,521</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.

**9.3 Advances to a related party**

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

**9.4 Loan from a shareholder**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Motors	-	65,000,000
Accrued finance cost	-	206,298
	-	65,206,298
Loans from a shareholder is presented as follows:		
Loan from a shareholder - current portion	-	13,206,298
Loan from a shareholder - non-current portion	-	52,000,000
	-	65,206,298

During the nine-month period ended 30 September 2020, the Company has settled the entire outstanding balance of loan from a shareholder before its contractual maturity.

**10 Zakat matters**

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>(218,129)</b>	-
Provision for the period / year	<b>1,065,363</b>	780,149
Reversal for prior years	-	(998,278)
	<b>1,065,363</b>	(218,129)
Closing balance	<b>847,234</b>	(218,129)

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**For the three-month and nine-month periods ended 30 September 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

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 during 2019 in respect of prior years.

**11 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.

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 oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production coupled with increasing of demand as countries emerged from lockdowns. 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 has had 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 1.6 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 probability of default ("PD") and loss given default ("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.

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**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. Further, to give effect to the guidance issued by SAMA during April 2020, the Company has also deferred MSME customers classified as Stage 2 and some other stage 1 customers which have met the definition of MSME during Q2 2020. Similarly, the Company has deferred payments for twelve months on certain lending facilities to customers falling under government bank loan programs. As a compensation, the Company was allowed deferment of repayments on certain of its government bank loans for a period of 12 months. Also, the Company was allowed deferment of repayments on certain of its Murabaha loans for a period of 6 months under the SAMA program.

The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has affected the payment reliefs by extending the tenure of the applicable financing granted with no additional costs to be borne by its customers. The accounting impact of these changes in terms of the credit facilities and restructuring of long-term borrowings 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 recognizing day 1 modification losses of Saudi Riyals 9.4 million with respect to changes in terms of credit facilities (receivables). The modification losses have been presented net of grant income in the condensed interim statement of comprehensive income. In the absence of other factors, participation in the PSFSP by any customer is not considered a significant increase in credit risk.

Deferment of periodic instalments upto twelve months, allowed to the Company in respect of long-term borrowings, aggregating to Saudi Riyals 84.4 million has resulted in a modification gain of Saudi Riyals 1.3 million which has been presented separately in the condensed interim statement of comprehensive income.

In order to compensate the related cost that the Company is expected to incur under the SAMA program, the Company has received Saudi Riyals 116 million of interest free deposit from SAMA repayable in 36 equal instalments 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. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of Saudi Riyals 9.3 million, of which Saudi Riyals 5.2 million had been recognised on day 1 immediately and Saudi Riyals 0.3 million during Q2 2020 in the condensed interim statement of comprehensive income, with the remaining amount deferred and to be recognised over the remaining period for repayment of deposit from SAMA. Management has exercised certain judgements in the recognition and measurement of this grant income.

During Q3 2020, the Company in accordance with instructions from SAMA has repaid an amount of SAR 98.5 million from the initial interest free deposit received from SAMA and the remaining amount is repayable in 36 equal monthly instalments commencing November 2020. This has resulted in a reversal of Saudi Riyals 4.2 million in respect of grant income previously recognised in profit or loss that has been accounted for as change in accounting estimate during Q3 2020.

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Further, during September 2020, SAMA has instructed the Company to defer the periodic instalments as part of the deferred payments program under the PSFSP for the eligible customers for further three months. This has resulted in a further modification loss of Saudi Riyals 2.9 million. In order to compensate the related cost that the Company is expected to incur under this program, the Company has received Saudi Riyals 7.7 million of interest free deposit from SAMA repayable in 12 equal instalments starting from February 2021 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. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of Saudi Riyals 0.3 million recognised on day 1 immediately in the condensed interim statement of comprehensive income. Management has exercised certain judgements in the recognition and measurement of this grant income.

During the nine-month period ended 30 September 2020, Saudi Riyals 7.2 million has been recognised as part of finance lease revenue in the condensed interim statement of comprehensive income relating to unwinding of modification losses.

**12 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 20 October 2020.