

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIODS ENDED
31 MARCH 2024**

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024

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KPMG Professional Services

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Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخير ٣١٤٦ - ٣٤٤١٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Shareholder of Raya Financing Company

Introduction

We have reviewed the accompanying 31 March 2024 condensed interim financial statements of Raya Financing Company ("the Company"), which comprises:

- the condensed statement of financial position as at 31 March 2024;
- the condensed statements of profit or loss and other comprehensive income for the three-month period ended 31 March 2024;
- the condensed statement of changes in equity for the three-month period ended 31 March 2024;
- the condensed statement of cash flows for the three-month period ended 31 March 2024; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements 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 that are 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 31 March 2024 condensed interim financial statements of the company are not prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR 40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأسمالها (٤٠٠٠٠٠٠٠٠) ريال سعودي منوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة الجائزة محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent auditor's report on review of condensed interim financial statements (Continued)

To the Shareholder of Raya Financing Company (Continued)

Other Matter

The condensed interim financial statements of the company for the three-month period ended 31 March 2023, were reviewed by another auditor who expressed an un-qualified opinion on those condensed interim financial statement on 1 May 2023.

KPMG Professional Services

Mohammad Najeeb Alkhelaiwi
License No: 481

Al khobar, 1 May 2024,

Corresponding to 22 Shawwal 1445H



RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024
(Expressed in Saudi Riyals)

	Notes	31 March 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and cash equivalents	3	37,527,898	3,807,756
Prepayments and other receivables	4	18,385,570	17,686,147
Net investment in finance leases	5	947,699,568	771,555,739
Net investment in Murabaha finance	6	112,732,021	115,891,323
Right of use assets		6,339,896	6,685,562
Property and equipment		3,551,046	2,774,237
Intangible assets		1,133,660	1,305,253
Financial assets at fair value through other comprehensive income		892,850	892,850
TOTAL ASSETS		1,128,262,509	920,598,867
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		230,000,000	230,000,000
Additional capital contribution		100,000,000	-
Accumulated losses		(14,345,826)	(18,301,467)
TOTAL SHAREHOLDERS' EQUITY		315,654,174	211,698,533
LIABILITIES			
Accounts payable	8	237,404,686	187,936,119
Accrued expenses and other current liabilities	9	38,846,537	46,255,477
Provision for Zakat	10	2,010,512	1,795,500
Borrowings	11	524,459,302	462,427,043
Lease liabilities		6,776,401	7,010,597
Employees' end of service benefits		3,110,897	3,475,598
TOTAL LIABILITIES		812,608,335	708,900,334
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,128,262,509	920,598,867

These financial statements appearing on pages 1 to 16 were approved by the Board of Directors on 22 Shawwal 1445H corresponding to 1 May 2024G and have been signed on their behalf by:


Abdullah Ali Almajdouie
Chairman


Adel Saleh Alhowar
Chief Executive Officer


Mohammed Maghrabi
Chief Financial Officer

The accompanying notes from 1 to 19 appearing on pages 5 to 16 form an integral part of these condensed interim financial statements.

RAYA FINANCING COMPANY

(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in Saudi Riyals)

	For the three months period ended 31 March 2024 (Unaudited)	For the three months period ended 31 March 2023 (Unaudited)
INCOME		
Finance lease income (Note 12)	36,768,009	18,649,598
Commission income	10,659,454	2,777,625
Gain on interest free loans from SAMA	-	1,744,039
Total income	47,427,463	23,171,262
EXPENSES		
Provision for Expected Credit Losses ("ECL") on financial assets (Note 5 & 6)	(5,866,277)	(3,772,386)
Depreciation and amortization	(727,351)	(655,053)
Salaries and employee related expenses	(9,556,628)	(6,812,338)
Finance cost	(10,260,137)	(3,320,730)
Insurance and other cost of financed vehicles	(13,885,941)	(4,995,905)
Other expenses (Note 13)	(2,960,476)	(2,689,260)
Total expenses	(43,256,810)	(22,245,672)
Profit before Zakat	4,170,653	925,590
Zakat expense (Note 10)	(215,012)	(306,878)
Profit for the period	3,955,641	618,712
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Re-measurement gain on defined benefit plans	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	3,955,641	618,712

The accompanying notes from 1 to 19 appearing on pages 5 to 16 form an integral part of these condensed interim financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

	Share capital	Additional capital contribution	Accumulated losses	Total
Balance at 31 December 2023 (Audited)	230,000,000	-	(18,301,467)	211,698,533
Shareholder contribution (Un-audited)	-	100,000,000	-	100,000,000
Profit for the period (Un-audited)	-	-	3,955,641	3,955,641
Other comprehensive income (Un-audited)	-	-	-	-
	-	100,000,000	3,955,641	103,955,641
Balance at 31 March 2024 (Un-audited)	230,000,000	100,000,000	(14,345,826)	315,654,174
Balance at 31 December 2022 (Audited)	230,000,000	-	(25,314,687)	204,685,313
Profit for the period (Un-audited)	-	-	618,712	618,712
Other comprehensive income (Un-audited)	-	-	-	-
Total comprehensive income for the period (Un-audited)	-	-	618,712	618,712
Balance at 31 March 2023 (Un-audited)	230,000,000	-	(24,695,975)	205,304,025

The accompanying notes from 1 to 19 appearing on pages 5 to 16 form an integral part of these condensed interim financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

		For the three months period ended 31 March 2024 (Unaudited)	For the three months period ended 31 March 2023 (Unaudited)
	Notes		
Cash flows from operating activities			
Profit before Zakat		4,170,653	925,590
<i>Adjustments for:</i>			
- Provision for expected credit loss	5 & 6	5,866,277	3,772,386
- Depreciation		555,758	297,346
- Amortization		171,593	357,707
- Finance cost		10,260,137	3,320,730
- Employees' end of service benefits		(364,701)	109,870
<i>Changes in working capital:</i>			
- Net investment in finance lease		(178,850,804)	(88,964,957)
- Prepayments and other receivables		(699,423)	(14,448,662)
- Accounts payable		49,468,567	29,148,474
- Accrued expenses and other current liabilities		(7,787,579)	8,635,064
Cash used in operating activities		(117,209,522)	(56,846,452)
Zakat paid	10	-	-
Net cash used in operating activities		(117,209,522)	(56,846,452)
Cash flows from investing activities			
Acquisition of property and equipment		(986,901)	(388,423)
Net cash used in investing activities		(986,901)	(388,423)
Cash flows from financing activities			
Proceeds from long-term borrowings	11	97,500,000	105,478,612
Repayment of long-term borrowings	11	(36,956,837)	(27,048,808)
Interest paid on long-term borrowings	11	(8,292,592)	(2,488,985)
Share capital		100,000,000	-
Finance lease liabilities paid		(334,006)	(424,455)
Net cash from financing activities		151,916,565	75,516,364
Net change in cash and cash equivalents		33,720,142	18,281,489
Cash and cash equivalents at beginning of the period		3,807,756	16,404,400
Cash and cash equivalent at end of the period	3	37,527,898	34,685,889

SUPPLEMENTARY INFORMATION

Non-cash transactions:

Right of use assets recorded against lease liabilities

-	1,531,933
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The accompanying notes from 1 to 19 appearing on pages 5 to 16 form an integral part of these condensed interim financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION

Raya Financing Company (the “Company”) is a Single Shareholder 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 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). Further, the Company received no objection certificate from SAMA to conduct Murabaha finance business in the Kingdom of Saudi Arabia during 2019. The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

The Company is owned 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.

These financial statements include the operations of the Company and its following branches:

<u>Location</u>	<u>Commercial registration number</u>
Jeddah	4030296155
Riyadh	1010610746
Dammam	2050104609

2. BASIS OF PREPARATION, MATERIAL ACCOUNTING POLICIES AND ESTIMATES

2.1 Statement of compliance

These condensed interim financial statements (“Interim Financial Statements”) have been prepared in accordance with IAS 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”), and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2023 (“Last Annual Financial Statements”). These condensed interim financial statements do not include all of the information required for a complete set of IFRS financial statements; however, changes in accounting policies and selected explanatory notes (if any) are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

2.2 Historical cost convention

These condensed interim financial statements have been prepared on a historical cost basis, using going concern assumption, except for investment which is measured at fair value and employees’ end of service benefits which is measured at projected unit credit method.

2.3 Basis of presentation

The Company’s statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepayment and other receivables, accounts payables, accrued expenses and other liabilities and provision for Zakat. The following balances would generally be classified as non-current: property and equipment, intangible assets and employees’ end of service benefits. The balances which are of mixed in nature, i.e. include both current and non-current portions, include net investment in finance leases, net investment in Murabaha finance, lease liabilities and borrowings.

RAYA FINANCING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION, MATERIAL ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.4 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These condensed interim financial statements are presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Riyal, unless otherwise stated.

2.5 Significant accounting judgments, estimates and assumptions

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's material accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2023.

2.6 Standards, new pronouncements and interpretations:

a) New and revised standards with no material effect on the condensed financial statements.

There are certain new standards or amendments to existing standards which are effective from 1 January 2024, however, they do not have an impact or are applicable with respect to the Company's condensed interim financial statements for the three-month period ended 31 March 2024. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The new and revised standards with no material effect on the condensed financial statements are as follows;

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Lease liabilities in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

b) New and revised standards issued but not yet effective.

Certain new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board ("IASB") that are not mandatory for 31 March 2024 reporting period 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. The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below;

- Lack of exchangeability – Amendments to IAS 21, effective for annual periods beginning on or after 1 January 2025;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date yet to be determined

2.7 Accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2023.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

3. CASH AND CASH EQUIVALENTS

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Cash in hand	35,511	36,787
Cash at bank	37,492,387	3,770,969
	37,527,898	3,807,756

4. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Prepaid expenses	10,219,892	13,643,648
Insurance claims	4,478,923	2,799,547
Advances to suppliers	3,313,479	659,026
Repossessed assets held for resale	169,310	359,449
Others	203,966	224,477
	18,385,570	17,686,147

5. NET INVESTMENT IN FINANCE LEASES

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Gross investment in finance lease	1,373,521,013	1,119,826,549
Less: Unearned lease finance income	(388,724,289)	(313,049,907)
Present Value (PV) of minimum lease payments receivable	984,796,724	806,776,642
Provision for impairment of finance lease receivables (Note 5.2)	(37,097,156)	(35,220,903)
Net investment in finance leases	947,699,568	771,555,739
Due after one year	(764,495,869)	(615,520,355)
Due within one year	183,203,699	156,035,384

5.1 The maturity of the gross investment in finance leases as at 31 March 2024 is as follows:

	Gross investment in finance leases (Un-audited)	Unearned lease finance income (Un-audited)	PV of minimum lease payments (Un-audited)
Not later than one year	315,119,574	121,737,883	193,381,691
One to two years	281,408,794	105,425,037	175,983,757
Two to three years	265,507,120	80,723,183	184,783,937
Three to four years	225,779,670	53,765,033	172,014,637
Four to five years	285,705,855	27,073,153	258,632,702
	1,373,521,013	388,724,289	984,796,724

The maturity of the gross investment in finance leases as at 31 December 2023 is as follows:

	Gross investment in finance leases (Audited)	Unearned lease finance income (Audited)	PV of minimum lease payments (Audited)
Not later than one year	269,597,208	100,162,798	169,434,410
One to two years	229,071,183	85,233,051	143,838,132
Two to three years	220,884,303	62,986,502	157,897,801
Three to four years	187,591,727	42,908,619	144,683,108
Four to five years	212,682,128	21,758,937	190,923,191
	1,119,826,549	313,049,907	806,776,642

RAYA FINANCING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

5. NET INVESTMENT IN FINANCE LEASES (Continued)

5.2 The movement in the impairment of finance lease receivable was as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	35,220,903	27,197,422
Allowance for the period / year	5,969,405	12,652,655
Write-off during the period / year	(4,093,152)	(4,629,174)
Balance at the end of the period / year	37,097,156	35,220,903

5.3 Category wise movement in provision for impairment of lease receivables is as follows:

	For the three-month period ended 31 March 2024			
2024 (Un-audited)	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	19,602,016	2,891,127	12,727,760	35,220,903
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(778,095)	2,728,008	(398,530)	1,551,383
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(352,663)	(245,555)	1,621,094	1,022,876
Individual financial assets transferred to performing (12-month expected credit losses)	475,358	(1,572,718)	(622,072)	(1,719,432)
New financial assets originated	6,678,628	-	-	6,678,628
Collections / recoveries	(1,425,336)	(142,856)	(1,462,947)	(3,031,139)
Changes in assumptions	508,798	51,463	906,828	1,467,089
Write-off	-	-	(4,093,152)	(4,093,152)
Closing balance as at 31 March	24,708,706	3,709,469	8,678,981	37,097,156

	For the year ended 31 December 2023			
2023 (Audited)	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	9,737,124	1,915,625	15,544,673	27,197,422
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,903,185)	2,564,414	(531,293)	129,936
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(1,734,863)	(417,681)	4,593,673	2,441,129
Individual financial assets transferred to performing (12-month expected credit losses)	153,933	(607,909)	(662,429)	(1,116,405)
New financial assets originated	16,707,570	-	-	16,707,570
Collections / recoveries	(3,401,926)	(566,206)	(4,557,911)	(8,526,043)
Changes in assumptions	43,363	2,884	2,970,221	3,016,468
Amounts written off	-	-	(4,629,174)	(4,629,174)
Closing balance as at 31 December	19,602,016	2,891,127	12,727,760	35,220,903

5.4 Category wise gross lease receivables are as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Performing	1,291,824,862	1,039,265,106
Under-performing	49,245,454	42,914,943
Non-performing	32,450,697	37,646,500
	1,373,521,013	1,119,826,549

RAYA FINANCING COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024
(Expressed in Saudi Riyals)

5. NET INVESTMENT IN FINANCE LEASES (Continued)

5.5 Category wise movement in gross lease receivables is as follows:

<u>2024 (Un-audited)</u>	For the three-month period ended 31 March 2024			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	1,039,265,106	42,914,943	37,646,500	1,119,826,549
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(33,103,607)	35,068,163	(1,964,556)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(5,569,168)	(3,409,284)	8,978,452	-
Individual financial assets transferred to performing (12-month expected credit losses)	25,208,354	(22,123,154)	(3,085,200)	-
New financial assets originated	330,861,051	-	-	330,861,051
Write-off	-	-	(4,759,013)	(4,759,013)
Collections / recoveries	(64,836,874)	(3,205,214)	(4,365,486)	(72,407,574)
Closing balance as at 31 March	1,291,824,862	49,245,454	32,450,697	1,373,521,013

<u>2023 (Audited)</u>	For the year ended 31 December 2023			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	469,817,515	28,603,337	47,342,947	545,763,799
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(39,296,161)	41,899,816	(2,603,655)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(26,367,037)	(5,546,452)	31,913,489	-
Individual financial assets transferred to performing (12-month expected credit losses)	11,474,455	(8,180,692)	(3,293,763)	-
New financial assets originated	750,014,253	-	-	750,014,253
Write-off	-	-	(5,837,656)	(5,837,656)
Collections / recoveries	(126,377,919)	(13,861,066)	(29,874,862)	(170,113,847)
Closing balance as at 31 December	1,039,265,106	42,914,943	37,646,500	1,119,826,549

5.6 Category wise gross lease receivables net of impairment provision is as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Performing	1,267,116,156	1,019,663,090
Under-performing	45,535,985	40,023,816
Non-performing	23,771,716	24,918,740
	<u>1,336,423,857</u>	<u>1,084,605,646</u>

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6. NET INVESTMENT IN MURABAHA FINANCE

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Gross investment in Murabaha finance	138,259,918	143,449,814
Less: Unearned Murabaha finance income	(16,507,636)	(17,615,251)
Present Value (PV) of investment in Murabaha finance	121,752,282	125,834,563
Provision for impairment of Murabaha finance receivables (Note 6.2)	(9,020,261)	(9,943,240)
Net investment in Murabaha finance	112,732,021	115,891,323
Due after one year	(49,176,413)	(52,569,410)
Due within one year	63,555,608	63,321,913

6.1 The maturity of the gross investment in Murabaha finance as at 31 March 2024 is as follows:

	Gross investment in Murabaha Finance (Un-audited)	Unearned Murabaha finance income (Un-audited)	PV of investment in Murabaha Finance (Un-audited)
Not later than one year	80,981,001	11,015,148	69,965,853
One to two years	44,417,540	4,661,086	39,756,454
Two to three years	11,661,765	747,309	10,914,456
Three to four years	998,392	75,015	923,377
Four to five years	201,220	9,078	192,142
	138,259,918	16,507,636	121,752,282

The maturity of the gross investment in Murabaha finance as at 31 December 2023 is as follows:

	Gross investment in Murabaha Finance (Audited)	Unearned Murabaha finance income (Audited)	PV of investment in Murabaha Finance (Audited)
Not later than one year	81,721,818	11,507,608	70,214,210
One to two years	43,662,703	5,001,091	38,661,612
Two to three years	16,681,409	1,012,328	15,669,081
Three to four years	1,136,368	83,748	1,052,620
Four to five years	247,516	10,476	237,040
	143,449,814	17,615,251	125,834,563

6.2 The movement in the impairment of net investment in Murabaha finance is as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	9,943,240	9,692,661
Allowance for the period / year	(103,128)	353,309
Write-off during the period / year	(819,851)	(102,730)
Balance at the end of the period / year	9,020,261	9,943,240

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6. NET INVESTMENT IN MURABAHA FINANCE (Continued)

6.3 Category wise movement in provision for impairment of Murabaha finance is as follows:

2024 (Un-audited)	For the three-month period ended 31 March 2024			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	4,979,130	703,209	4,260,901	9,943,240
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(114,898)	205,620	(53,335)	37,387
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(9,907)	(243)	120,886	110,736
Individual financial assets transferred to performing (12-month expected credit losses)	9,222	(28,780)	-	(19,558)
New financial assets originated	616,228	-	-	616,228
Collections / recoveries	(1,126,615)	(192,331)	(75,607)	(1,394,553)
Changes in assumptions	164,859	4,529	377,244	546,632
Write-off	-	-	(819,851)	(819,851)
Closing balance as at 31 March	4,518,019	692,004	3,810,238	9,020,261

2023 (Audited)	For the year ended 31 December 2023			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	4,632,144	865,744	4,194,773	9,692,661
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(672,101)	698,921	(154,807)	(127,987)
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(866,468)	(97,384)	1,334,204	370,352
Individual financial assets transferred to performing (12-month expected credit losses)	101,886	(760,252)	(711,718)	(1,370,084)
New financial assets originated	4,223,434	-	-	4,223,434
Collections / recoveries	(2,439,765)	(3,820)	(302,190)	(2,745,775)
Changes in assumptions	-	-	3,369	3,369
Write-off	-	-	(102,730)	(102,730)
Closing balance as at 31 December	4,979,130	703,209	4,260,901	9,943,240

6.4 Category wise gross investment in Murabaha finance are as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Performing	120,502,295	126,412,626
Under-performing	9,290,424	7,572,631
Non-performing	8,467,199	9,464,557
	138,259,918	143,449,814

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6. NET INVESTMENT IN MURABAHA FINANCE (Continued)

6.5 Category wise movement in gross Murabaha finance is as follows:

<u>2024 (Un-audited)</u>	For the three-month period ended 31 March 2024			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	126,412,626	7,572,631	9,464,557	143,449,814
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(3,362,121)	3,480,642	(118,521)	-
Individual financial assets transferred to non - performing (credit-impaired financial assets)	(917,234)	(34,079)	951,313	-
Individual financial assets transferred to performing (12-month expected credit losses)	196,950	(196,950)	-	-
New financial assets originated	15,916,454	-	-	15,916,454
Write-off	-	-	(979,455)	(979,455)
Collections / recoveries	(17,744,380)	(1,531,820)	(850,695)	(20,126,895)
Closing balance as at 31 March	120,502,295	9,290,424	8,467,199	138,259,918

<u>2023 (Audited)</u>	For the year ended 31 December 2023			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	100,271,291	7,839,005	9,219,848	117,330,144
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(12,178,310)	12,522,325	(344,015)	-
Individual financial assets transferred to non - performing (credit-impaired financial assets)	(19,634,007)	(916,153)	20,550,160	-
Individual financial assets transferred to performing (12-month expected credit losses)	8,448,789	(6,867,193)	(1,581,596)	-
New financial assets originated	100,934,490	-	-	100,934,490
Write-off	-	-	(133,922)	(133,922)
Collections / recoveries	(51,429,627)	(5,005,353)	(18,245,918)	(74,680,898)
Closing balance as at 31 December	126,412,626	7,572,631	9,464,557	143,449,814

6.6 Category wise Murabaha finance net of impairment provision is as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Performing	115,984,276	121,433,499
Under-performing	8,598,420	6,869,421
Non-performing	4,656,961	5,203,654
	129,239,657	133,506,574

7. EXPECTED CREDIT LOSSES

In accordance with the requirements of 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 three-month period ended 31 March 2024, the management of the Company has performed an exercise to update the Probability of Default ("PD") calculation and certain inputs and assumptions used for the determination of ECL. The adjustment primarily represents updates to the PD, which are based on recovery patterns of the Company's receivable balances under its financing portfolio, and other macroeconomic factors.

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8. ACCOUNTS PAYABLE

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Accounts payable – third parties	129,542,868	87,867,602
Accounts payable – related parties	107,861,818	100,068,517
	237,404,686	187,936,119

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Accrued expenses	16,384,035	27,940,675
Advances from customers	15,256,479	11,685,148
VAT payable	5,004,976	5,169,185
Net servicing liability under agency agreement (Note 16)	2,201,047	1,460,469
	38,846,537	46,255,477

10. ZAKAT

a) Zakat charge for the period:

The Company is subject to Zakat in accordance with the regulations of the General Authority for Zakat, Tax, and Customs Authority (“ZATCA”). Zakat expense is charged to the statement of profit or loss and other comprehensive income. Zakat charge for three-month period ended 31 March comprises of the following:

	31 March 2024 (Un-audited)	31 March 2023 (Un-audited)
Zakat charge for the period	215,012	306,878

b) Provision for Zakat:

Movements in provision for Zakat for three months period ended 31 March and for the year ended 31 December are as follows:

	For the three months period ended 31 March 2024 (Un-audited)	For the year ended 31 December 2023 (Audited)
Balance at beginning of the period/year	1,795,500	1,844,833
Charge for the period/year	215,012	1,599,234
Adjustment for prior year	-	(1,187,323)
Payments during the period/year	-	(461,244)
Balance at end of the period/year	2,010,512	1,795,500

c) Zakat assessment status:

The Company has filed its zakat declarations with the ZATCA up to 2023. ZATCA has finalized Company’s assessments up to 2018, whereas assessments for 2019, 2020, 2021,2022 and 2023 are currently under review by ZATCA.

11. LONG TERM BORROWINGS

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Murabaha facilities	487,961,169	418,731,401
Government bank loan	13,604,290	19,960,549
Payable to SAMA	18,690,375	21,020,723
Accrued finance cost	4,203,468	2,714,370
	524,459,302	462,427,043
Due within one year	151,128,358	140,059,940
Due after one year	373,330,944	322,367,103
	524,459,302	462,427,043

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11. LONG TERM BORROWINGS (CONTINUED)

The movement in long term borrowings is as follows:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	462,427,043	184,809,837
Proceeds from long-term borrowings	97,500,000	425,478,612
Finance charges for the period / year	9,781,688	19,788,601
Less: repayments of principal	(36,956,837)	(148,305,973)
Less: repayments of finance charges	(8,292,592)	(17,599,995)
Discounting impact of interest free loan from SAMA	-	(1,744,039)
Balance at end of the period / year	524,459,302	462,427,043

11.1 The loan agreements contain covenants regarding maintenance of certain financial ratios and restriction on use of funds for specific purposes; the Company is in compliance with these covenants at the end of reporting period. Further, Murabaha facilities bear financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates; and administrative fee is charged by the Government bank under the loan agreement.

11.2 Murabaha facilities

During the three-month period ended 31 March 2024, the Company has drawn Saudi Riyals 97.5 million from its Murabaha facilities. The loans are secured against corporate guarantees from certain related parties, collateral on receivables against certain leased vehicles covering at least 125% to 150% of the outstanding borrowings. The loan agreements contain covenant regarding maintenance of leverage ratio and the Company is in compliance with this covenant at the end of reporting period. The loans bear financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying values of such long-term borrowings are denominated in Saudi Riyals. The repayment of such loans as per the respective repayment schedule is up to 2029.

11.3 Government bank loan

During 2022, the Company entered into agreements with a government bank to provide financing facilities aggregating to Saudi Riyals 15 million to meet the working capital requirements of the Company, which were fully utilised during the year. Administrative fee is charged by government bank under the loan agreements. The covenants of the borrowing facilities restrict the Company to utilise the loan amounts for the purpose specified in the loan agreements. The carrying values of such long-term borrowings are denominated in Saudi Riyals. The repayment of such loans as per the repayment schedule is up to 2026.

11.4 Payable to SAMA

During 2023, the Company has received interest free loans from SAMA amounting to SR 25.5 million (2022: Saudi Riyals 4.6 million) under the Guaranteed Financing Program to finance micro, small, and medium enterprises (MSMEs) to promote the financial stability of these businesses and boost economic growth. These loans are repayable in monthly installments over 3 years starting September 2023. These loans were initially recognized at their fair value resulting in a gain of SR 1.7 million recognized in profit or loss.

12. FINANCE LEASE INCOME

	31 March 2024 (Un-audited)	31 March 2023 (Un-audited)
Income from finance leases	32,934,326	15,190,185
Income from Murabaha finance	3,833,683	3,459,413
	36,768,009	18,649,598

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13. OTHER EXPENSES

	31 March 2024 (Un-audited)	31 March 2023 (Un-audited)
Professional fees	714,514	645,935
Advertising and marketing	659,665	463,438
Bank charges	385,816	207,924
Software license and support	370,735	615,388
KAFALA Program Fee	351,395	47,343
Collection Commission	288,559	225,495
Board of Directors fees	78,000	22,726
Others	111,792	461,011
	2,960,476	2,689,260

14. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personal of the Company, and entities controlled or significantly influenced by such parties. Amount due from / to related parties are disclosed in the statement of financial position.

Transactions with related parties mainly include collections on behalf of the Company, certain expenses and services which are undertaken at mutually agreed terms and conditions. These transactions are approved by management of the following entities and Board of Directors of the Company.

Transactions with related parties:

Nature of Transaction	Relationship	For the three-month period ended 31 March (Un-audited)	
		2024	2023
Purchases of motor vehicles	Shareholder	42,884,849	53,414,430
Commission income on lease of motor vehicles	Shareholder	3,579,344	1,693,361
Lease payments	Affiliate	254,406	172,855
Key management personnel compensation			
Short term employee benefits		1,334,153	436,802
Employees' end of service benefits		43,184	18,867
Board of Directors fees		78,000	22,726

The above-mentioned significant transactions with related parties resulted in the following balances:

Due to related parties:

	31 March 2024 (Un-audited)	31 December 2023 (Audited)
Al Majdouie Motors Company Limited ("Motors") – shareholder	106,925,561	99,416,372
Al Majdouie Holding Company Limited - intermediate parent Company	684,201	453,818
Arjaa Travel and Tourism Company	163,695	96,130
Arsal Operation and Maintenance Company	87,113	101,607
Al Majdouie Logistics Company Limited	1,248	590
	107,861,818	100,068,517

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15. FINANCIAL INSTRUMENTS

The Company's principal financial assets include cash and cash equivalents, finance lease receivable, Murabaha finance receivable and certain other receivables. The Company's principal financial liabilities comprise accounts payable, certain other payables and due to related parties.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

All financial assets and financial liabilities are measured at amortized cost except for equity investment which is classified under FVOCI. As at reporting date, the fair values of all financial assets and financial liabilities measured at amortized cost approximates their carrying values.

16. FINANCE LEASE RECEIVABLE – PURCHASE AND AGENCY AGREEMENT

During 2020, the Company sold its finance lease receivables under a purchase and agency agreement, amounting to SR 77.3 million to a financial institution and derecognized the same from its books, and recorded a net gain of SR16.6 million on the derecognition. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of financial institution.

Under the purchase and agency agreement, the Company has been appointed by a financial institution to service the receivables sold to such financial institution against a servicing fee. The Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value. The fair value of net servicing asset / liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of costs and the fixed servicing fees. The management assesses the cost of servicing at the end of each reporting period. Variations in one or a combination of these assumptions could affect the estimated values of a net servicing liability.

The outstanding position of sold finance lease receivables has been disclosed below.

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Finance lease receivables sold under securitization agreements	21,756,521	27,738,459
Due within one year	15,949,003	19,943,328
Due after one year	7,481,092	10,321,843
	23,430,095	30,265,171

17. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 31 March 2024 (31 December 2023: Nil).

18. EVENTS AFTER THE REPORTING DATE

There were no significant events between the date of condensed interim financial statements and its approval which requires adjustments /disclosure in these condensed interim financial statements.

19. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 22 Shawwal 1445H corresponding to 1 May 2024G.