

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIOD ENDED
30 JUNE 2024**

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 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
الخبير 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 30 June 2024 condensed interim financial statements of Raya Financing Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 June 2024;
- the condensed statements of profit or loss and other comprehensive income for the three and six months period ended 30 June 2024;
- the condensed statement of changes in shareholder's equity for the six months period ended 30 June 2024;
- the condensed statement of cash flows for the six months period ended 30 June 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 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 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 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.

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 مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي مطفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان 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 انجليزية 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

To the Shareholder of Raya Financing Company (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2024 condensed interim financial statements of Raya Financing Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in Kingdom of Saudi Arabia.

KPMG Professional Services

Mohammed Najeeb Alkhelaiwi
License No: 481



Al Khobar, 18 Muharram 1446H
Corresponding to: 24 July 2024G

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024
(Expressed in Saudi Riyals)

	Notes	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and cash equivalents	3	41,152,162	3,807,756
Prepayments and other current assets	4	36,340,616	17,686,147
Net investment in finance leases	5	1,144,482,797	771,555,739
Net investment in Murabaha finance	6	122,777,840	115,891,323
Right-of-use assets		5,994,233	6,685,562
Property and equipment		3,685,503	2,774,237
Intangible assets		962,067	1,305,253
Financial assets at fair value through other comprehensive income		892,850	892,850
TOTAL ASSETS		1,356,288,068	920,598,867
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1	330,000,000	230,000,000
Accumulated losses		(9,574,472)	(18,301,467)
TOTAL SHAREHOLDERS' EQUITY		320,425,528	211,698,533
LIABILITIES			
Accounts payable	8	198,131,916	187,936,119
Accrued expenses and other current liabilities	9	44,283,370	46,255,477
Provision for Zakat	10	1,199,103	1,795,500
Borrowings	11	782,193,902	462,427,043
Lease liabilities		6,379,639	7,010,597
Employees' end of service benefits		3,674,610	3,475,598
TOTAL LIABILITIES		1,035,862,540	708,900,334
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,356,288,068	920,598,867

These financial statements appearing on pages 1 to 16 were approved by the Board of Directors on 18 Muharram 1446H corresponding to 24 July 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 AND SIX MONTHS PERIOD ENDED 30 JUNE 2024**

(Expressed in Saudi Riyals)

	For the three months period ended 30 June 2024 (Unaudited)	For the three months period ended 30 June 2023 (Unaudited)	For the six months period ended 30 June 2024 (Unaudited)	For the six months period ended 30 June 2023 (Unaudited)
INCOME				
Finance lease income (Note 12)	43,315,493	22,247,739	80,083,502	40,897,337
Commission income	12,257,044	2,570,447	22,916,498	5,348,072
Gain on interest free loans from SAMA	-	-	-	1,744,039
Total income	55,572,537	24,818,186	103,000,000	47,989,448
EXPENSES				
Provision for Expected Credit Losses ("ECL") on financial assets (Note 5 & 6)	(4,141,242)	(1,247,164)	(10,007,519)	(5,019,550)
Insurance and other cost of financed vehicles	(15,413,554)	(6,766,727)	(29,299,495)	(11,762,632)
Finance cost	(13,073,154)	(4,373,748)	(23,333,291)	(7,694,478)
Salaries and employee related expenses	(10,638,573)	(6,789,687)	(20,195,201)	(13,602,025)
Depreciation and amortization	(738,715)	(693,917)	(1,466,066)	(1,348,970)
Other expenses (Note 13)	(6,007,696)	(2,770,799)	(8,968,172)	(5,460,059)
Total expenses	(50,012,934)	(22,642,042)	(93,269,744)	(44,887,714)
Profit before Zakat	5,559,603	2,176,144	9,730,256	3,101,734
Zakat expense (Note 10)	(788,249)	(404,321)	(1,003,261)	(711,199)
Profit for the period	4,771,354	1,771,823	8,726,995	2,390,535
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	4,771,354	1,771,823	8,726,995	2,390,535

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 SHAREHOLDER'S EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024
(Expressed in Saudi Riyals)

	Share capital	Accumulated losses	Total
Balance at 1 January 2024 (Audited)	230,000,000	(18,301,467)	211,698,533
Increase in share capital (Unaudited)	100,000,000	-	100,000,000
Profit for the period (Unaudited)	-	8,726,995	8,726,995
Other comprehensive income (Unaudited)	-	-	-
Total comprehensive income for the period (Unaudited)	100,000,000	8,726,995	108,726,995
Balance at 30 June 2024 (Unaudited)	330,000,000	(9,574,472)	320,425,528
Balance at 1 January 2023 (Audited)	230,000,000	(25,314,687)	204,685,313
Profit for the period (Unaudited)	-	2,390,535	2,390,535
Other comprehensive income (Unaudited)	-	-	-
Total comprehensive income for the period (Unaudited)	-	2,390,535	2,390,535
Balance at 30 June 2023 (Unaudited)	230,000,000	(22,924,152)	207,075,848

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 SIX MONTHS PERIOD ENDED 30 JUNE 2024
(Expressed in Saudi Riyals)

	Notes	For the six months period ended 30 June 2024 (Unaudited)	For the six months period ended 30 June 2023 (Unaudited)
Cash flows from operating activities			
Profit before Zakat		9,730,256	3,101,734
<i>Adjustments for:</i>			
- Depreciation		1,122,880	633,557
- Provision for expected credit loss	5 & 6	10,007,519	5,019,550
- Amortization		343,186	715,413
- Finance cost		23,333,291	7,694,478
- Employees' end of service benefits		199,012	390,208
<i>Changes in working capital:</i>			
- Net investment in finance lease		(389,821,094)	(166,608,904)
- Prepayments and other current assets		(18,654,469)	1,875,728
- Accounts payable		10,195,797	53,362,837
- Accrued expenses and other current liabilities		(2,632,619)	3,971,674
Cash used in operating activities		(356,176,241)	(89,843,725)
Finance cost paid	11	(19,064,806)	(5,895,049)
Zakat paid	10	(1,599,658)	(461,244)
Net cash used in operating activities		(376,840,705)	(96,200,018)
Cash flows from investing activities			
Acquisition of property and equipment		(1,342,817)	(512,148)
Net cash used in investing activities		(1,342,817)	(512,148)
Cash flows from financing activities			
Proceeds from long-term borrowings	11	392,500,000	195,478,612
Repayment of long-term borrowings	11	(76,146,472)	(53,681,641)
Proceeds from increase in share capital		100,000,000	-
Repayment of lease liabilities		(825,600)	(597,310)
Net cash from financing activities		415,527,928	141,199,661
Net change in cash and cash equivalents		37,344,406	44,487,495
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	41,152,162	60,891,895

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 SIX MONTHS PERIOD ENDED 30 JUNE 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.

As at 30 June 2024 the issued, subscribed and paid-up capital of the Company comprised 33 million shares (31 December 2023: 23 million shares) of Saudi Riyals 10 each held as follows;

<u>Party Name</u>	<u>Country of Incorporation</u>	<u>Shareholding %</u>	
		<u>30 June 2024</u>	<u>31 December 2023</u>
Al Majdouie Motors Company Limited	Saudi Arabia	100%	100%
		<u>Shareholding in Saudi Riyals</u>	
		<u>30 June 2024</u>	<u>31 December 2023</u>
		330,000,000	230,000,000

During the period ended 30 June 2024, the shareholder resolved to increase the Company’s share capital from 23 million shares to 33 million shares of Saudi Riyals 10 each.

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.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024
(Expressed in Saudi Riyals)

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

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 current assets, accounts payables, accrued expenses and other current 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.

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 six months period ended 30 June 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 30 June 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.
- IFRS 18 'Presentation and Disclosure in Financial Statements', effective for annual periods beginning on or after 1 January 2027.
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures' effective for annual periods beginning on or after 1 January 2027.
- Amendments to the Classification and Measurement of Financial Instruments, Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instrument: Disclosure', effective for annual periods beginning on or after 1 January 2026.

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 SIX MONTHS PERIOD ENDED 30 JUNE 2024
(Expressed in Saudi Riyals)

3. CASH AND CASH EQUIVALENTS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Cash in hand	35,511	36,787
Cash at bank	41,116,651	3,770,969
	41,152,162	3,807,756

4. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Prepaid expenses	15,227,896	13,643,648
Advances to suppliers	15,962,716	659,026
Insurance claims	4,242,494	2,799,547
Repossessed assets held for resale	246,933	359,449
Others	660,577	224,477
	36,340,616	17,686,147

5. NET INVESTMENT IN FINANCE LEASES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Gross investment in finance lease	1,659,471,424	1,119,826,549
Less: Unearned lease finance income	(473,286,058)	(313,049,907)
Present Value (PV) of minimum lease payments receivable	1,186,185,366	806,776,642
Provision for expected credit loss on finance lease receivables (Note 5.2)	(41,702,569)	(35,220,903)
Net investment in finance leases	1,144,482,797	771,555,739
Due after one year	(932,634,050)	(615,520,355)
Due within one year	211,848,747	156,035,384

5.1 The maturity of the gross investment in finance leases as at 30 June 2024 is as follows:

	Gross investment in finance leases (Unaudited)	Unearned lease finance income (Unaudited)	PV of minimum lease payments (Unaudited)
Not later than one year	368,561,645	146,152,583	222,409,062
One to two years	335,533,477	127,203,052	208,330,425
Two to three years	303,120,094	97,479,844	205,640,250
Three to four years	281,676,845	64,955,991	216,720,854
Four to five years	370,579,363	37,494,588	333,084,775
	1,659,471,424	473,286,058	1,186,185,366

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
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024
(Expressed in Saudi Riyals)

5. NET INVESTMENT IN FINANCE LEASES (Continued)

5.2 The movement in the expected credit loss of finance lease receivable was as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2023 (Unaudited)
Balance at the beginning of the period / year	35,220,903	27,197,422	27,197,422
Allowance for the period / year	10,574,818	12,652,655	3,580,842
Write-off during the period / year	(4,093,152)	(4,629,174)	(4,629,174)
Balance at the end of the period / year	41,702,569	35,220,903	26,149,090

5.3 Category wise movement in provision for expected credit loss on lease receivables is as follows:

	For the six months period ended 30 June 2024			
2024 (Unaudited)	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)	(1,889,735)	4,182,769	(434,893)	1,858,141
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(422,233)	(305,451)	2,943,158	2,215,474
Individual financial assets transferred to performing (12 month expected credit losses)	460,146	(1,690,100)	(912,448)	(2,142,402)
New financial assets originated	13,061,461	-	-	13,061,461
Collections / recoveries	(3,890,629)	(265,379)	(1,932,628)	(6,088,636)
Changes in assumptions	430,729	49,385	1,190,666	1,670,780
Write-off	-	-	(4,093,152)	(4,093,152)
Closing balance as at 30 June	27,351,755	4,862,351	9,488,463	41,702,569
	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
Write-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:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Performing	1,559,696,950	1,039,265,106
Under-performing	63,889,446	42,914,943
Non-performing	35,885,028	37,646,500
	1,659,471,424	1,119,826,549

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024
(Expressed in Saudi Riyals)

5. NET INVESTMENT IN FINANCE LEASES (Continued)

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

2024 (Unaudited)	For the six months period ended 30 June 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)	(54,116,363)	56,263,849	(2,147,486)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(11,983,939)	(4,503,097)	16,487,036	-
Individual financial assets transferred to performing (12 month expected credit losses)	28,489,981	(23,964,538)	(4,525,443)	-
New financial assets originated	684,331,361	-	-	684,331,361
Write-off	-	-	(4,759,013)	(4,759,013)
Collections / recoveries	(126,289,196)	(6,821,711)	(6,816,566)	(139,927,473)
Closing balance as at 30 June	1,559,696,950	63,889,446	35,885,028	1,659,471,424

2023 (Audited)	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 expected credit loss provision is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Performing	1,532,345,195	1,019,663,090
Under-performing	59,027,095	40,023,816
Non-performing	26,396,565	24,918,740
	1,617,768,855	1,084,605,646

6. NET INVESTMENT IN MURABAHA FINANCE

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Gross investment in Murabaha finance	150,989,031	143,449,814
Less: Unearned Murabaha finance income	(19,655,101)	(17,615,251)
Present Value (PV) of investment in Murabaha finance	131,333,930	125,834,563
Provision for expected credit loss on Murabaha finance receivables (Note 6.2)	(8,556,090)	(9,943,240)
Net investment in Murabaha finance	122,777,840	115,891,323
Due after one year	(56,313,572)	(52,569,410)
Due within one year	66,464,268	63,321,913

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6. NET INVESTMENT IN MURABAHA FINANCE (Continued)

6.1 The maturity of the gross investment in Murabaha finance as at 30 June 2024 is as follows:

	Gross investment in Murabaha Finance (Unaudited)	Unearned Murabaha finance income (Unaudited)	PV of investment in Murabaha Finance (Unaudited)
Not later than one year	84,924,806	12,457,792	72,467,014
One to two years	49,756,320	5,901,936	43,854,384
Two to three years	15,126,286	1,218,650	13,907,636
Three to four years	1,019,091	68,087	951,004
Four to five years	162,528	8,636	153,892
	<u>150,989,031</u>	<u>19,655,101</u>	<u>131,333,930</u>

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
	<u>143,449,814</u>	<u>17,615,251</u>	<u>125,834,563</u>

6.2 The movement in the expected credit loss on net investment in Murabaha finance is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)	30 June 2023 (Unaudited)
Balance at the beginning of the period / year	9,943,240	9,692,661	9,692,661
(Reversal)/ allowance for the period / year	(567,299)	353,309	1,438,708
Write-off during the period / year	(819,851)	(102,730)	(102,730)
Balance at the end of the period / year	<u>8,556,090</u>	<u>9,943,240</u>	<u>11,028,639</u>

6.3 Category wise movement in provision for expected credit loss on Murabaha finance is as follows:

	For the six months period ended 30 June 2024			
	Performing	Under-performing	Non-performing	Total
2024 (Unaudited)				
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)	(3,040)	3,040	-	-
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(145,815)	(4,890)	650,033	499,328
Individual financial assets transferred to performing (12 month expected credit losses)	164,843	(675,829)	-	(510,986)
New financial assets originated	1,465,475	-	-	1,465,475
Collections / recoveries	(2,308,190)	(4,765)	(96,395)	(2,409,350)
Changes in assumptions	2,456	8,365	377,413	388,234
Write-off	-	-	(819,851)	(819,851)
Closing balance as at 30 June	<u>4,154,859</u>	<u>29,130</u>	<u>4,372,101</u>	<u>8,556,090</u>

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6. NET INVESTMENT IN MURABAHA FINANCE (Continued)

<u>2023 (Audited)</u>	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:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Performing	139,424,613	126,412,626
Under-performing	166,664	7,572,631
Non-performing	11,397,754	9,464,557
	150,989,031	143,449,814

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

<u>2024 (Unaudited)</u>	For the six months period ended 30 June 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)	(33,513)	33,513	-	-
Individual financial assets transferred to non performing (credit-impaired financial assets)	(6,122,042)	(81,158)	6,203,200	-
Individual financial assets transferred to performing (12-month expected credit losses)	7,301,250	(7,301,250)	-	-
New financial assets originated	48,018,411	-	-	48,018,411
Write-off	-	-	(979,455)	(979,455)
Collections / recoveries	(36,152,119)	(57,072)	(3,290,548)	(39,499,739)
Closing balance as at 30 June	139,424,613	166,664	11,397,754	150,989,031

<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

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6. NET INVESTMENT IN MURABAHA FINANCE (Continued)

6.6 Category wise Murabaha finance net of expected credit loss provision is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Performing	135,269,754	121,433,499
Under-performing	137,534	6,869,421
Non-performing	7,025,653	5,203,654
	142,432,941	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 six months period ended 30 June 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.

8. ACCOUNTS PAYABLE

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Accounts payable – third parties	134,588,750	87,867,602
Accounts payable – related parties	63,543,166	100,068,517
	198,131,916	187,936,119

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Accrued expenses	20,031,501	27,940,675
Advances from customers	17,932,047	11,685,148
VAT payable	4,160,660	5,169,185
Net servicing liability under agency agreement (Note 16)	2,159,162	1,460,469
	44,283,370	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 six months period ended 30 June comprises of the following:

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Zakat charge for the period	1,003,261	711,199

b) Provision for Zakat:

Movements in provision for Zakat for six months period ended 30 June and for the year ended 31 December are as follows:

	For the six months period ended 30 June 2024 (Unaudited)	For the six months period ended 30 June 2023 (Unaudited)	For the year ended 31 December 2023 (Audited)
Balance at beginning of the period / year	1,795,500	1,844,833	1,844,833
Charge for the period / year	1,003,261	711,199	1,599,234
Adjustment for prior year	-	-	(1,187,323)
Payments during the period / year	(1,599,658)	(461,244)	(461,244)
Balance at end of the period / year	1,199,103	2,094,788	1,795,500

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10. ZAKAT (Continued)

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Murabaha facilities	749,961,231	418,731,401
Government bank loan	9,765,525	19,960,549
Payable to SAMA	16,339,445	21,020,723
Accrued finance cost	6,127,701	2,714,370
	782,193,902	462,427,043
Due within one year	207,133,499	140,059,940
Due after one year	575,060,403	322,367,103
	782,193,902	462,427,043

The movement in long term borrowings is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Balance at the beginning of the period / year	462,427,043	184,809,837
Proceeds from long-term borrowings	392,500,000	425,478,612
Finance charges for the period / year	22,478,137	19,788,601
Less: repayments of principal	(76,146,472)	(148,305,973)
Less: repayments of finance charges	(19,064,806)	(17,599,995)
Discounting impact of interest free loan from SAMA	-	(1,744,039)
Balance at end of the period / year	782,193,902	462,427,043

11.1 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. Further, the loan agreements contain certain covenants.

11.2 Murabaha facilities

During the six months period ended 30 June 2024, the Company has drawn Saudi Riyals 392.5 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 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 gain of SR 1.7 million recognized in profit or loss.

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12. FINANCE LEASE INCOME

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Income from finance leases	72,181,075	33,048,057
Income from Murabaha finance	7,902,427	7,849,280
	80,083,502	40,897,337

13. OTHER EXPENSES

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Professional fees	2,385,733	1,731,478
Software license and support	1,419,383	978,958
Advertising and marketing	896,465	513,475
Bank charges	792,149	449,366
KAFALA program fee	789,952	158,973
Collection commission	587,722	408,031
VAT expenses	547,442	431,838
Board of directors fees	288,500	135,226
Outsourced labor	254,697	56,528
Governmental and stamping fees	229,498	64,175
Others	776,631	532,011
	8,968,172	5,460,059

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 months period ended 30 June (Unaudited)		For the six months period ended 30 June (Unaudited)	
		2024	2023	2024	2023
Purchases of motor vehicles	Shareholder	43,484,037	46,852,904	86,368,886	100,267,334
Commission income on lease of motor vehicles	Shareholder	4,033,480	2,198,403	7,612,824	3,891,764
Additional share capital	Shareholder	-	-	100,000,000	-
Lease payments	Affiliate	264,094	172,855	518,500	345,710

Key management personnel compensation

Short term employee benefits	1,445,293	516,801	2,779,446	953,603
Employees' end of service benefits	109,855	21,990	153,038	40,857
Board of Directors fees	210,500	112,500	288,500	135,226

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

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14. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Due to related parties:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Al Majdouie Motors Company Limited (“Motors”) – shareholder	63,040,776	99,416,372
Al Majdouie Holding Company Limited - intermediate parent Company	230,927	453,818
Arsal Operation and Maintenance Company	239,712	101,607
Arjaa Travel and Tourism Company	30,740	96,130
Al Majdouie Logistics Company Limited	1,011	590
	63,543,166	100,068,517

15. FINANCIAL INSTRUMENTS

The Company’s principal financial assets include cash and cash equivalents, finance lease receivable, Murabaha finance receivable and certain other current assets. The Company’s principal financial liabilities comprise accounts payable, certain other current liabilities 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.

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Finance lease receivables sold under securitization agreements	17,063,694	27,738,459
Due within one year	13,732,588	19,943,328
Due after one year	4,362,157	10,321,843
	18,094,745	30,265,171

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17. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 30 June 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 18 Muharram 1446H corresponding to 24 July 2024G.