

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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019  
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019**

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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 31 March 2019 and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. 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 modified by SAMA for the accounting of zakat and income tax.

**PricewaterhouseCoopers**

Omar M. Al Sagga  
License Number 369

24 April 2019

**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 March 31,2019 (Unaudited)	As at December 31, 2018 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets		2,933,919	-
Property and equipment		497,241	567,185
Intangible assets		7,915,565	8,273,272
Net investment in finance leases - non-current portion	3	193,228,140	166,135,018
Financial asset at fair value through other comprehensive income		892,850	892,850
		<u>205,467,715</u>	<u>175,868,325</u>
<b>Current assets</b>			
Net investment in finance leases - current portion	3	57,198,829	48,159,921
Prepayments and other receivable	4	11,689,399	9,226,814
Cash and cash equivalents	5	22,506,760	8,077,298
		<u>91,394,988</u>	<u>65,464,033</u>
<b>Total assets</b>		<u>296,862,703</u>	<u>241,332,358</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	6	60,711,999	35,137,647
Lease liabilities		2,275,639	-
Employee benefit obligations		2,076,891	1,818,128
		<u>65,064,529</u>	<u>36,955,775</u>
<b>Current liabilities</b>			
Current maturity of long-term borrowings	6	26,253,695	14,891,087
Accounts payable	8	134,476,894	121,145,429
Accrued and other liabilities	7	10,642,737	6,842,424
Lease liabilities		477,720	-
		<u>171,851,046</u>	<u>142,878,940</u>
<b>Total liabilities</b>		<u>236,915,575</u>	<u>179,834,715</u>
<b>Equity</b>			
Share capital		100,000,000	100,000,000
Accumulated losses		(40,052,872)	(38,502,357)
<b>Total equity</b>		<u>59,947,128</u>	<u>61,497,643</u>
<b>Total liabilities and equity</b>		<u>296,862,703</u>	<u>241,332,358</u>

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

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

	Note	For the three-month period ended	
		2019	March 31,
		(Unaudited)	2018
			(Unaudited)
<b>Income</b>			
Finance lease revenue		8,802,912	4,332,119
<b>Expenses</b>			
Provision for impairment of lease receivables	3	(439,688)	(502,616)
Insurance and other cost of financed vehicles		(3,383,451)	(1,264,150)
Salaries and employee related expenses		(4,699,850)	(2,717,923)
Rent		-	(368,775)
Depreciation and amortization		(545,888)	(245,099)
Finance cost	6	(1,078,346)	(451,681)
Other expenses		(1,058,884)	(1,320,569)
<b>Loss for the period</b>		<b>(2,403,195)</b>	<b>(2,538,694)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(2,403,195)</b>	<b>(2,538,694)</b>

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

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

	Note	Share capital	Accumulated losses	Total
Balance at December 31, 2018 - audited		100,000,000	(38,502,357)	<b>61,497,643</b>
Total comprehensive loss for the period		-	(2,403,195)	<b>(2,403,195)</b>
Zakat for the period	9	-	852,680	<b>852,680</b>
<b>Balance at March 31, 2019 - unaudited</b>		<b>100,000,000</b>	<b>(40,052,872)</b>	<b>59,947,128</b>
Balance at January 1, 2018 - audited		100,000,000	(32,768,079)	67,231,921
Total comprehensive loss for the period		-	(2,538,694)	<b>(2,538,694)</b>
<b>Balance at March 31, 2018 - unaudited</b>		<b>100,000,000</b>	<b>(35,306,773)</b>	<b>64,693,227</b>

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

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

	Note	For the three-month period ended March 31,	
		2019	2018
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Loss for the period		(2,403,195)	(2,538,694)
<u>Adjustments for</u>			
Provision for impairment of lease receivables	3	439,688	502,616
Depreciation		188,181	58,985
Amortization		357,707	186,114
Gain on disposal of property and equipment		(41,121)	-
Finance costs		1,078,346	451,681
Employee benefit obligations		258,763	172,997
<u>Changes in working capital</u>			
Net investment in finance leases		(36,571,718)	(7,481,736)
Prepayments and other receivable		(1,609,905)	2,045,327
Accounts payable		13,331,465	(50,457,218)
Accrued and other liabilities		3,800,313	(292,443)
Net cash used in operating activities		(21,171,476)	(57,352,371)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property and equipment		57,486	-
Payments for purchase of intangible assets		-	(68,400)
Payments for purchase of property and equipment		-	(1,863)
Net cash generated from (used in) investing activities		57,486	(70,263)
<b>Cash flows from financing activities</b>			
Zakat paid	9	-	(1,551,018)
Proceeds from long-term borrowings	6	40,000,000	60,000,000
Repayment of long-term borrowings		(3,496,779)	-
Finance lease liabilities paid		(605,894)	-
Interest paid		(353,875)	-
Net cash generated from financing activities		35,543,452	58,448,982
<b>Net change in cash and cash equivalents</b>		14,429,462	1,026,348
Cash and cash equivalents at beginning of period		8,077,298	22,267,032
<b>Cash and cash equivalents at end of period</b>		22,506,760	23,293,380
<u>Supplemental cash flow information</u>			
<b>Non-cash financing activity-</b>			
- Zakat credited to shareholders' equity	9	852,680	-

The accompanying notes from 1 to 11 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 period ended March 31, 2019 (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 (January 28, 2015) and operating under the Saudi Arabian Monetary Authority (SAMA) approval number 351000153064 dated 25 Dhul Hijjah 1435H (October 19, 2014). The Company has obtained the license from SAMA to conduct finance leasing activities on 14 Jumada II 1437H (March 23, 2016). The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

The share capital of the Company is Saudi Riyals 100 million divided into 10 million shares of Saudi Riyals 10 each as of March 31, 2019 and December 31, 2018. The shareholders of the Company and their respective shareholding as at March 31, 2019 and December 31, 2018 are as follows:

Shareholder's name	Amount	Number of shares	Ownership percentage
Al Majdouie Motors Company Limited	20,000,000	2,000,000	20%
Al Majdouie Food Company Limited	20,000,000	2,000,000	20%
Majd Real Estate Development Company Limited	20,000,000	2,000,000	20%
Al Majdouie Logistics Company Limited	20,000,000	2,000,000	20%
Al Majdouie Education and Training Company Limited	20,000,000	2,000,000	20%
Total	100,000,000	10,000,000	100%

The Company is ultimately owned by Al Majdouie Holding Company Limited, which is a Saudi limited liability company registered in the Kingdom of Saudi Arabia.

At March 31, 2019, the Company's current liabilities exceeded its current assets by Saudi Riyals 80.5 million (2018: Saudi Riyals 77.4 million) which is primarily due to a balance payable to a shareholder. The Company's ultimate shareholder has provided a letter of support to provide sufficient and adequate financial support to the Company to enable the Company to repay its liabilities as they become due.

**2 Basis of preparation**

**2.1** The condensed interim financial information of the Company as at March 31, 2019 and for the three-month period ended March 31, 2019 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires, adoption of all International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per SAMA circular number 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued through shareholders' equity under retained earnings.

**2.2** The condensed interim financial information do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

**2.3** The principal accounting policies applied in the preparation of condensed interim financial information of the Company are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

**2.4 New and amended standards adopted by the Company**

A number of new or amended standards became applicable for the current reporting period, and the Company had to change its accounting policies as a result of adopting IFRS 16 Leases effective January 1, 2019.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 2.5 below. The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.



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**For the three month period ended March 31, 2019 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**2.5 Changes in accounting policies**

This note explains the impact of the adoption of IFRS 16 on the Company's financial statements and discloses the new accounting policies that have been applied from January 1, 2019.

The Company has adopted IFRS 16 retrospectively using the modified approach from January 1, 2019, and therefore has not restated comparative information, as permitted under the specific transitional provisions in the standard. The lease liabilities and right-of-use assets arising from the new leasing rules are therefore recognized in the opening statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.83%.

Reconciliation of operating lease commitments disclosed as at December 31, 2018 and lease liability recognized as at January 1, 2019:

	<b>Saudi Riyals</b>
Operating lease commitments disclosed as at 31 December 2018	852,500
Add: adjustments as a result of a different treatment of extension options	2,897,500
Discounted using the Company's incremental borrowing rate of at the date of initial application	<u>(681,479)</u>
Lease liability recognized as at January 1, 2019	<u>3,068,521</u>
Of which are:	
Current lease liabilities	471,003
Non-current lease liabilities	<u>2,597,518</u>
	<u>3,068,521</u>

The recognized right-of-use assets relate to properties. The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- right-of-use assets – increase by Saudi Riyals 3.1 million
- lease liabilities – increase by Saudi Riyals 3.1 million

*Practical expedients applied*

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

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**The Company's leasing activities and how these are accounted for**

The Company has leases in respect of offices and equipment. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

*Extension options*

Extension options are included in a number of property and equipment leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by mutual agreement of the Company and the respective lessor.

*Critical judgements in determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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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>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in finance leases	350,464,157	305,518,198
Unearned insurance income	(43,314,761)	(40,738,009)
Unearned finance income	(52,098,917)	(46,301,428)
Present value of minimum lease payments receivable	255,050,479	218,478,761
Provision for impairment of lease receivables	(4,623,510)	(4,183,822)
Net investment in finance leases	250,426,969	214,294,939
Net investment in finance leases - non-current portion	(193,228,140)	(166,135,018)
Net investment in finance leases - current portion	57,198,829	48,159,921

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	4,183,822	2,946,143
Charge for the period / year	439,688	1,237,679
Closing balance	4,623,510	4,183,822

**4 Prepayments and other receivable**

	<b>Note</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Prepayments		4,190,617	3,682,415
Margin against letter of guarantee		3,000,000	3,000,000
Insurance claims		1,955,231	1,420,569
Repossessed assets held for resale		1,363,476	651,154
Zakat refundable	9	852,680	-
Other		327,395	472,676
		11,689,399	9,226,814

**5 Cash and cash equivalents**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	15,000	5,000
Cash at bank	22,491,760	8,072,298
	22,506,760	8,077,298

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**6 Long-term borrowings**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha facilities	<b>86,077,534</b>	49,574,313
Accrued finance cost	<b>888,160</b>	454,421
	<b>86,965,694</b>	50,028,734

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	<b>26,253,695</b>	14,891,087
Long-term borrowings	<b>60,711,999</b>	35,137,647
	<b>86,965,694</b>	50,028,734

During 2018, the Company entered into an agreement with a local commercial bank to provide Murabaha financing facility of Saudi Riyals 100 million to meet the working capital requirements of the Company. The Company had drawn Saudi Riyals 60 million during the year ended December 31, 2018 and remaining balance of Saudi Riyals 40.0 million was utilized during the three-month period ended March 31, 2019. The loan is secured against corporate guarantee from certain related parties, collateral on receivables against certain leased vehicles covering at least 125% of the outstanding borrowing and 70% of loan instalments due within a year through minimum lease payments due on such receivables in the same 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 undiscounted contractual maturities of long term loans are as follows:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Less than 6 months	<b>15,075,668</b>	8,290,175
6 - 12 months	<b>14,771,177</b>	8,290,175
Between 1 and 2 years	<b>28,390,830</b>	16,580,349
Between 2 and 5 years	<b>37,250,574</b>	20,725,437
	<b>95,488,249</b>	53,886,136

**7 Accrued and other liabilities**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Accrued liabilities	<b>7,502,566</b>	1,760,370
Advance from customers	<b>2,868,074</b>	4,061,785
VAT payable	<b>272,097</b>	1,020,269
	<b>10,642,737</b>	6,842,424

**RAYA FINANCING COMPANY**  
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**Notes to the condensed interim financial information**  
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**8 Related party transactions and balances**

8.1 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	
		March 31, 2019	March 31, 2018
		(Unaudited)	(Unaudited)
Support service costs charged to the Company	Parent Company	-	104,713
Purchases	Shareholders	21,447,712	9,115,095
Commission income on lease of motor vehicles	Shareholder	76,420	-
Rent and other services charged to the Company	Shareholder	88,976	101,142
<b>Key management personnel</b>			
Key management compensation		684,176	255,000
Employee benefit obligations		43,752	70,413

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

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Al Majdouie Motors Company Limited - shareholder	108,463,028	94,348,042
Al Majdouie Manufacturing Company	-	5,284,200
Al Majdouie Holding Company Limited - ultimate parent company	648,384	644,750
Al Majdouie Trading Establishment	41,276	391,272
Arjaa Travel and Tourism Company	30,790	114,508
Majd Real Estate Development Company Limited - shareholder	55,301	29,067
Al Majdouie Logistics Company Limited - shareholder	16,086	-
Al Majdouie Food Company Limited – shareholder	-	1,854
	<b>109,254,865</b>	<b>100,813,693</b>

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(All amounts in Saudi Riyals unless otherwise stated)

**9 Zakat matters**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	-	1,551,018
Provision for the period / year	<b>145,598</b>	-
Reversal for prior years	<b>(998,278)</b>	-
Paid during the period / year	-	<b>(1,551,018)</b>
Closing balance	<b>(852,680)</b>	-

During the three-month period ended March 31, 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 December 31, 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 December 31, 2018. Management has agreed to the settlement notice and has accordingly recorded a net zakat refundable of Saudi Riyals 1.0 million.

**10 Comparative figures**

For better presentation, following reclassifications have been made in the statement of comprehensive income to conform to 2019 presentation.

	<b>Amount previously reported</b>	<b>Reclassification</b>	<b>Amount after reclassification</b>
Insurance and other cost of financed vehicles	(1,166,666)	(97,484)	(1,264,150)
Selling and marketing	(871,385)	871,385	-
General and administrative	(3,487,878)	3,487,878	-
Other expenses	(390,587)	(929,982)	(1,320,569)
Salaries and employee related expenses	-	(2,717,923)	(2,717,923)
Rent	-	(368,775)	(368,775)
Depreciation and amortization	-	(245,099)	(245,099)
	<b>(5,916,516)</b>	<b>-</b>	<b>(5,916,516)</b>

**11 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on April 24, 2019.