

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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018  
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018**

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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 2018 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**

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over a faint, light blue circular stamp or watermark.

Omar M. Al Sagga  
License Number 369  
26 April 2018

**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 31,2018 (Unaudited)	As at December 31, 2017 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		420,597	477,719
Intangible assets		7,233,437	7,351,151
Net investment in finance leases - non-current portion	3	95,078,468	92,598,497
		<u>102,732,502</u>	<u>100,427,367</u>
<b>Current assets</b>			
Net investment in finance leases - current portion	3	23,440,414	20,508,730
Prepayments and other receivable	4	2,726,412	4,771,739
Cash and cash equivalents	5	23,293,380	22,267,032
		<u>49,460,206</u>	<u>47,547,501</u>
<b>Total assets</b>		<u>152,192,708</u>	<u>147,974,868</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		100,000,000	100,000,000
Accumulated losses		(35,306,773)	(31,200,614)
<b>Total equity</b>		<u>64,693,227</u>	<u>68,799,386</u>
<b>Non-current liabilities</b>			
Long-term borrowings	6	46,035,120	-
Employee benefit obligations		1,560,468	1,387,471
		<u>47,595,588</u>	<u>1,387,471</u>
<b>Current liabilities</b>			
Current maturity of long-term borrowings	6	14,416,561	-
Accounts payable	7	23,401,377	73,858,595
Accrued and other liabilities		2,085,955	2,378,398
Zakat payable	8	-	1,551,018
		<u>39,903,893</u>	<u>77,788,011</u>
<b>Total liabilities</b>		<u>87,499,481</u>	<u>79,175,482</u>
<b>Total equity and liabilities</b>		<u>152,192,708</u>	<u>147,974,868</u>

The accompanying notes from 1 to 9 form an integral part of this condensed interim financial information.

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

	Note	For the three-month period ended	
		2018	March 31,
		(Unaudited)	(Unaudited)
Income from finance leases		4,332,119	1,337,566
<b>Expenses</b>			
Provision for impairment of lease receivables	3	(502,616)	(32,982)
Insurance and other cost of financed vehicles		(1,166,666)	(937,213)
General and administrative		(3,487,878)	(2,778,582)
Selling and marketing		(871,385)	(1,079,127)
Other (expense) / income		(390,587)	52,255
<b>Operating loss</b>		<b>(2,087,013)</b>	<b>(3,438,083)</b>
Finance costs	6	(451,681)	-
<b>Loss for the period</b>		<b>(2,538,694)</b>	<b>(3,438,083)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(2,538,694)</b>	<b>(3,438,083)</b>

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**RAYA FINANCING COMPANY**  
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**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, 2017 - audited		100,000,000	(31,200,614)	68,799,386
Adjustment on adoption of IFRS 9	3	-	(1,567,465)	(1,567,465)
Balance at January 1, 2018		100,000,000	(32,768,079)	67,231,921
Total comprehensive loss for the period		-	(2,538,694)	(2,538,694)
<b>Balance at March 31, 2018 - unaudited</b>		<b>100,000,000</b>	<b>(35,306,773)</b>	<b>64,693,227</b>
Balance at December 31, 2016 - audited		100,000,000	(20,352,693)	79,647,307
Total comprehensive loss for the period		-	(3,438,083)	(3,438,083)
Zakat charge for the period		-	(125,000)	(125,000)
<b>Balance at March 31, 2017 - unaudited</b>		<b>100,000,000</b>	<b>(23,915,776)</b>	<b>76,084,224</b>

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

	For the three-month period ended	
	March 31,	
Note	2018	2017
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>		
Loss for the period	(2,538,694)	(3,438,083)
<u>Adjustments for</u>		
Provision for impairment of lease receivables	502,616	32,982
Depreciation	58,985	222,561
Amortization	186,114	186,113
Finance costs	451,681	-
Employee benefit obligations	172,997	151,206
<u>Changes in working capital</u>		
Net investment in finance leases	(7,481,736)	(26,154,572)
Prepayments and other receivable	2,045,327	(194,916)
Accounts payable	(50,457,218)	5,710,501
Accrued and other liabilities	(292,443)	680,079
Net cash used in operating activities	<u>(57,352,371)</u>	<u>(22,804,129)</u>
<b>Cash flows from investing activities</b>		
Payments for purchase of intangible assets	(68,400)	(75,000)
Payments for purchase of property and equipment	(1,863)	(48,992)
Net cash used in investing activities	<u>(70,263)</u>	<u>(123,992)</u>
<b>Cash flows from financing activities</b>		
Zakat paid	(1,551,018)	-
Proceeds from long-term borrowings	4 60,000,000	-
Net cash generated from financing activities	<u>58,448,982</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>	<b>1,026,347</b>	<b>(22,928,121)</b>
Cash and cash equivalents at beginning of period	<u>22,267,032</u>	<u>65,679,614</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>23,293,380</u></b>	<b><u>42,751,493</u></b>
<b><u>Supplemental cash flow information</u></b>		
<b>Non-cash operating activity-</b>		
- Employee benefit obligations transferred, net	7.1 -	101,359
<b>Non-cash financing activity-</b>		
- Zakat provisions charged to shareholders' equity	-	125,000

The accompanying notes from 1 to 9 form an integral part of this condensed interim financial information.

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**For the three month period ended March 31, 2018 (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) and commenced its commercial operations during the nine-month period ended September 30, 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, 2018 and December 31, 2017. The shareholders of the Company and their respective shareholding as at March 31, 2018 and December 31, 2017 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%
<b>Total</b>	<b>100,000,000</b>	<b>10,000,000</b>	<b>100%</b>

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.

**2 Basis of preparation**

**2.1** The condensed interim financial information of the Company as at March 31, 2018 and for the three-month period ended March 31, 2018 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, 2017.

**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 Standards issued but not yet effective**

IFRS 16, 'Leases' was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard is mandatory for accounting periods beginning on or after January 1, 2019, but has not been early adopted by the Company. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Company is still in the process of assessing the impact of this standard.



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**2.5 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 9 Financial Instruments ("IFRS 9"). In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated and the adjustment arising from the new impairment rules has been recognised in the opening balance sheet on January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The impact of the adoption of this standard and the new accounting policies are disclosed in Note 3 and Note 2.6 respectively.

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**2.6 Changes in accounting policies**

**Financial Instruments**

(i) Classification

From January 1, 2018, the Company's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Company's financial assets are at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(iii) Impairment

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Previously, the Company was using incurred loss model.

For net investment in finance leases "lease receivables", the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 ("Under-performing") includes financial instruments that have had a significant increase in credit risk since initial recognition, unless they have low credit risk at the reporting date, but that do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

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The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Other instruments are considered as low risk and the Company uses a provision matrix in calculating the expected credit losses.

Financial assets are written off only when:

- (i) the lease or other receivable is at least one year past due, and
- (ii) there is no reasonable expectation of recovery.

Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

### 3 Net investment in finance leases

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in finance leases	177,260,147	169,292,136
Unearned finance income	<u>(55,292,506)</u>	<u>(54,806,231)</u>
Present value of minimum lease payments receivable	121,967,641	114,485,905
Provision for impairment of lease receivables	<u>(3,448,759)</u>	<u>(1,378,678)</u>
Net investment in finance leases	118,518,882	113,107,227
Investment in finance lease - non-current portion	<u>(95,078,468)</u>	<u>(92,598,497)</u>
Investment in finance lease - current portion	<u>23,440,414</u>	<u>20,508,730</u>

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	1,378,678	380,623
Adjustment on adoption of IFRS 9	<u>1,567,465</u>	<u>-</u>
	2,946,143	380,623
Charge for the period / year	<u>502,616</u>	<u>998,055</u>
Closing balance	<u>3,448,759</u>	<u>1,378,678</u>

As explained in Note 2, the Company elected not to restate prior period, and accordingly, the difference between previous amount of the provision for impairment calculated on incurred loss model and provision for impairment calculated on expected loss model has been recognized in the opening accumulated losses and has been presented in the condensed interim statement of changes in equity.

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

	<b>Performing</b>	<b>Under- performing</b>	<b>Non- performing</b>	<b>Total</b>
Balance as at January 1, 2018 - unaudited	608,998	164,883	2,172,262	2,946,143
(Reversal) charge for the period	<b>28,271</b>	<b>(9,350)</b>	<b>483,695</b>	<b>502,616</b>
Balance as at March 31, 2018 - unaudited	<b>637,269</b>	<b>155,533</b>	<b>2,655,957</b>	<b>3,448,759</b>

3.4 Category-wise gross carrying amounts of lease receivables are as follows:

	<b>March 31, 2018</b>	<b>January 1, 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Performing	148,771,274	143,172,646
Under-performing	17,069,266	17,436,555
Non-performing	11,419,607	8,682,935
	<b>177,260,147</b>	<b>169,292,136</b>

**4 Prepayments and other receivable**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Prepayments	1,058,278	2,258,851
Repossessed assets held for resale	403,831	953,803
Advance for investment	892,850	892,850
Insurance claims	329,507	512,593
Other	41,946	153,642
	<b>2,726,412</b>	<b>4,771,739</b>

**5 Cash and cash equivalents**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	5,000	5,000
Cash at bank	23,288,380	22,262,032
	<b>23,293,380</b>	<b>22,267,032</b>

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**6 Long-term borrowings**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha facilities	60,000,000	-
Accrued finance cost	451,681	-
	<b>60,451,681</b>	<b>-</b>

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	14,416,561	-
Long-term borrowings	46,035,120	-
	<b>60,451,681</b>	<b>-</b>

During 2018, the Company entered into an agreement with Bank Albilad to provide Murabaha Financing. The loan is secured against corporate guarantee from certain related parties, collateral on certain leased vehicles and bears financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying value of such long-term borrowing is denominated in Saudi Riyals.

The contractual maturities of long term loans are as follows:

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Less than 6 months	8,290,175	-
6 - 12 months	8,290,175	-
Between 1 and 2 years	16,580,349	-
Between 2 and 5 years	33,160,699	-
	<b>66,321,398</b>	<b>-</b>

**7 Related party transactions and balances**

7.1 Significant transactions with related parties in the ordinary course of business during the period were as follows:

	<b>For the three-month period ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Al Majdouie Holding Company Limited - Ultimate Holding Company</b>		
Support service costs charged to the Company	104,713	421,833
Employee benefit obligations transferred to the Company	-	153,610
<b>Al Majdouie Motors Company Limited - Shareholder</b>		
Purchases	9,115,095	27,924,797
Employee benefit obligations transferred from the Company	-	254,969
<b>Majd Real Estate Development Company Limited - Shareholder</b>		
Rent charged to the Company	101,142	96,429
<b>Key management personnel</b>		
Key management compensation	255,000	161,351
Employee benefit obligations	70,413	28,652

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Al Majdouie Motors Company Limited - Shareholder	20,135,701	68,039,735
Al Majdouie Holding Company Limited - Ultimate Holding Company	472,860	368,147
Sheikh Ali Ibrahim Saleh Al Majdouie	94,189	97,276
Middle East Logistics Institute	13,648	13,648
Al Majdouie Food Company Limited - Shareholder	1,854	1,854
Al Majdouie Logistics Company Limited - Shareholder	751	751
Arjaa Travel and Tourism Company	-	1,820
	<b>20,719,003</b>	<b>68,523,231</b>

**8 Zakat payable**

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	1,551,018	1,551,018
Paid during the period / year	<b>(1,551,018)</b>	-
Closing balance	-	1,551,018

**9 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on April 26, 2018.