

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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019  
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2019**

	<b>Page</b>
Report on review of interim financial information	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 16



## *Report on review of interim financial information*

To the shareholders of Raya Financing Company:  
(A Saudi Closed Joint Stock Company)

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Raya Financing Company as of 30 September 2019 and the related condensed statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2019, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**PricewaterhouseCoopers**

Omar M. Al Sagga  
License Number 369

27 October 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 30 September 2019 (Unaudited)	As at 31 December 2018 (Audited) (Restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets		4,244,853	-
Property and equipment		500,941	567,185
Intangible assets		7,288,580	8,273,272
Net investment in finance leases - non-current portion	3,4	219,798,542	171,323,509
Financial asset at fair value through other comprehensive income		892,850	892,850
		<u>232,725,766</u>	<u>181,056,816</u>
<b>Current assets</b>			
Net investment in finance leases - current portion	3,4	91,181,888	47,139,108
Prepayments and other receivable	5	11,608,264	9,226,814
Cash and cash equivalents	6	54,506,892	8,077,298
	1	<u>157,297,044</u>	<u>64,443,220</u>
<b>Total assets</b>		<u>390,022,810</u>	<u>245,500,036</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	7	99,189,505	35,137,647
Lease liabilities		3,605,658	-
Employee benefit obligations		2,344,668	1,818,128
		<u>105,139,831</u>	<u>36,955,775</u>
<b>Current liabilities</b>			
Current maturity of long-term borrowings	7	42,810,887	14,891,087
Accounts payable	8	115,574,027	121,145,429
Accrued and other liabilities	9	14,798,116	6,842,424
Lease liabilities		623,156	-
	1	<u>173,806,186</u>	<u>142,878,940</u>
<b>Total liabilities</b>		<u>278,946,017</u>	<u>179,834,715</u>
<b>Equity</b>			
Share capital		100,000,000	100,000,000
Proposed increase in share capital	1	50,000,000	-
Accumulated losses	3	(38,923,207)	(34,334,679)
<b>Total equity</b>		<u>111,076,793</u>	<u>65,665,321</u>
<b>Total liabilities and equity</b>		<u>390,022,810</u>	<u>245,500,036</u>

The accompanying notes from 1 to 13 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)

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2019	2018	2019	2018
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
			Restated		Restated
<b>Income</b>					
Finance lease revenue	3	12,351,579	8,166,899	33,465,130	19,583,996
<b>Expenses</b>					
Impairment of lease receivables	4	(1,927,737)	403,708	(2,784,026)	504,488
Insurance and other cost of financed vehicles		(2,843,523)	(2,367,426)	(9,205,926)	(5,257,889)
Salaries and employee related expenses		(5,098,294)	(3,624,252)	(15,200,448)	(9,585,311)
Rent		-	(484,869)	-	(1,211,605)
Depreciation and amortization		(568,734)	(243,858)	(1,691,196)	(732,885)
Finance cost		(2,561,750)	(602,803)	(6,081,429)	(1,791,016)
Other expenses		(1,272,633)	(320,850)	(3,391,486)	(2,090,671)
<b>(Loss) income before zakat</b>		<b>(1,921,092)</b>	926,549	<b>(4,889,381)</b>	(580,893)
Zakat	11	(521,026)	-	300,853	-
<b>(Loss) income for the period</b>		<b>(2,442,118)</b>	926,549	<b>(4,588,528)</b>	(580,893)
Other comprehensive income		-	-	-	-
<b>Total comprehensive (loss) income for the period</b>		<b>(2,442,118)</b>	926,549	<b>(4,588,528)</b>	(580,893)

The accompanying notes from 1 to 13 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	Proposed increase in share capital	Accumulated losses	Total
Balance at 31 December 2018 - audited, as previously reported		100,000,000	-	(38,502,357)	<b>61,497,643</b>
Restatement	3	-	-	4,167,678	<b>4,167,678</b>
Balance at 31 December 2018 - as restated		100,000,000	-	(34,334,679)	<b>65,665,321</b>
Loss for the period		-	-	(4,588,528)	<b>(4,588,528)</b>
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(4,588,528)	<b>(4,588,528)</b>
Proposed increase in share capital	1	-	50,000,000	-	<b>50,000,000</b>
<b>Balance at 30 September 2019 - unaudited</b>		<b>100,000,000</b>	<b>50,000,000</b>	<b>(38,923,207)</b>	<b>111,076,793</b>
Balance at 1 January 2018 - audited, as previously reported		100,000,000	-	(32,768,079)	67,231,921
Restatement	3	-	-	1,781,278	1,781,278
Balance at 1 January 2018 - as restated		100,000,000	-	(30,986,801)	69,013,199
Loss for the period, as restated	3	-	-	(580,893)	(580,893)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period, as restated	3	-	-	(580,893)	(580,893)
<b>Balance at 30 September 2018 - unaudited, as restated</b>		<b>100,000,000</b>	<b>-</b>	<b>(31,567,694)</b>	<b>68,432,306</b>

The accompanying notes from 1 to 13 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)

		For the nine-month period ended 30 September	
	Note	2019	2018
		(Unaudited)	(Unaudited) Restated
<b>Cash flows from operating activities</b>			
Loss before zakat for the period	3	(4,889,381)	(580,893)
<u>Adjustments for</u>			
Provision for impairment of lease receivables	4	2,784,026	(504,488)
Depreciation		706,504	174,544
Amortization		984,692	558,341
Finance costs		6,081,429	1,791,016
(Loss) gain on disposal of property and equipment		316,052	(28,571)
Employee benefit obligations		526,540	351,338
<u>Changes in working capital</u>			
Net investment in finance leases	3	(95,301,839)	(49,055,486)
Prepayments and other receivable		(2,080,597)	(5,978,395)
Accounts payable		42,423,177	(9,447,258)
Accrued and other liabilities		7,955,692	1,229,933
Net cash used in operating activities		(40,493,705)	(61,489,919)
<b>Cash flows from investing activities</b>			
Proceeds from sale of property and equipment		57,486	(360,400)
Payments for purchase of property and equipment		(485,242)	28,571
Payments for purchase of intangible assets		-	(171,332)
Net cash used in investing activities		(427,756)	(503,161)
<b>Cash flows from financing activities</b>			
Zakat paid	11	-	(1,551,018)
Proceeds from long-term borrowings	7	110,000,000	60,000,000
Repayment of long-term borrowings		(18,330,863)	(6,929,228)
Interest paid on long-term borrowings		(3,590,172)	(1,360,947)
Finance lease liabilities paid		(727,910)	-
Net cash generated from financing activities		87,351,055	50,158,807
<b>Net change in cash and cash equivalents</b>		<b>46,429,594</b>	<b>(11,834,273)</b>
Cash and cash equivalents at beginning of period		8,077,298	22,267,032
<b>Cash and cash equivalents at end of period</b>		<b>54,506,892</b>	<b>10,432,759</b>
<b><u>Supplemental cash flow information</u></b>			
<b>Non-cash investing activity-</b>			
Proposed increase in share capital	1	50,000,000	-

The accompanying notes from 1 to 13 form an integral part of this condensed interim financial information.

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 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 (28 January 2015) and operating under the Saudi Arabian Monetary Authority (SAMA) approval number 351000153064 dated 25 Dhul Hijjah 1435H (19 October 2014). The Company has obtained the license from SAMA to conduct finance leasing activities on 14 Jumada II 1437H (23 March 2016). The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

The share capital of the Company is Saudi Riyals 100 million divided into 10 million shares of Saudi Riyals 10 each as of 30 September 2019 and 31 December 2018. The shareholders of the Company and their respective shareholding as at 30 September 2019 and 31 December 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.

During the nine-month period ended 30 September 2019, the shareholders of the Company resolved to increase the Company's share capital through conversion of a balance payable to Al Majdouie Motors Company of Saudi Riyals 50,000,000 by increasing the number of issued shares held by Al Majdouie Motors Company. Legal formalities for such increase in share capital were not completed as of 30 September 2019.

At 30 September 2019, the Company's current liabilities exceeded its current assets by Saudi Riyals 16.5 million (31 December 2018: Saudi Riyals 78.4 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 30 September 2019 and for the three-month and nine month periods ended 30 September 2019 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

The financial statements of the Company as at and for the period and year ended 30 September 2018 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax).

On 18 July 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 2.5.2).



**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
 (All amounts in Saudi Riyals unless otherwise stated)

**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 31 December 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 changes in accounting policies as set out in Note 2.5.

**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 1 January 2019.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 2.5.1 below. The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

**2.5 Changes in accounting policies**

**2.5.1 Leases**

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 1 January 2019.

The Company has adopted IFRS 16 retrospectively using the modified approach from 1 January 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 1 January 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 1 January 2019. The Company's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.83%.

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

	Saudi Riyals
Operating lease commitments disclosed as at 31 December 2018	852,500
Add: adjustments as a result of a different treatment of extension options	5,129,066
Discounted using the Company's incremental borrowing rate of at the date of initial application	(1,208,158)
Lease liability recognized as at 1 January 2019	<u>4,773,408</u>
Of which are:	
Current lease liabilities	597,238
Non-current lease liabilities	<u>4,176,170</u>
	<u>4,773,408</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 31 December 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 1 January 2019:

- right-of-use assets – increase by Saudi Riyals 4.8 million
- lease liabilities – increase by Saudi Riyals 4.8 million

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

*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 1 January 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.

**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 1 January 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.

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
 (All amounts in Saudi Riyals unless otherwise stated)

**2.5.2 Zakat and taxes**

As mentioned above under Note 2.1, the basis of preparation has been changed for the period ended 30 September 2019, based on latest instructions from SAMA dated 18 July 2019. Previously, zakat was charged in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. As per SAMA instructions dated 18 July 2019, the zakat shall be charged in the interim statement of income. As there was no zakat charge during 2018 for the Company, this change in accounting policy does not have any effect on the statement of financial position as of 31 December 2018, the condensed interim statement of comprehensive income for three-month and nine-month periods ended 30 September 2018, and the statements of changes in equity and cash flows for the nine-month period ended 30 September 2018.

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

**3 Restatement**

The Company's accounting policy, under the requirements of IFRS, requires the Company to recognise the insurance income under the lease contracts, forming part of the minimum lease payments, over the lease term using the effective interest rate method. However, such insurance income was not being accurately calculated until 31 March 2019 in accordance with the Company's accounting policy. Accordingly, management has decided to restate the comparative amounts to record the correct amounts based on the detailed calculations in the accompanying condensed interim financial information as follows:

**Condensed interim statement of financial position as of 31 December 2018:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
Net investment in finance leases - non-current portion	166,135,018	5,188,491	171,323,509
Net investment in finance leases - current portion	48,159,921	(1,020,813)	47,139,108
Accumulated losses	(38,502,357)	4,167,678	(34,334,679)

**Condensed interim statement of comprehensive income for the three-month period ended 30 September 2018:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
Finance lease revenue	7,528,253	638,646	8,166,899
Income before zakat	287,903	638,646	926,549
Income for the period	287,903	638,646	926,549
Total comprehensive income for the period	287,903	638,646	926,549

**Condensed interim statement of comprehensive income for the nine-month period ended 30 September 2018:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
Finance lease revenue	17,812,694	1,771,302	19,583,996
Loss before zakat	(2,352,195)	1,771,302	(580,893)
Loss for the period	(2,352,195)	1,771,302	(580,893)
Total comprehensive loss for the period	(2,352,195)	1,771,302	(580,893)

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**Condensed interim statement of changes in equity:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
<b>As of 1 January 2018:</b>			
Accumulated losses	(32,768,079)	1,781,278	(30,986,801)
<b>For the nine-month period ended 30 September 2018:</b>			
Loss for the period	(2,352,195)	1,771,302	(580,893)
Total comprehensive loss for the period	(2,352,195)	1,771,302	(580,893)

**As of 30 September 2018:**

Accumulated losses	(35,120,274)	3,552,580	(31,567,694)
--------------------	--------------	-----------	--------------

**As of 31 December 2018:**

Accumulated losses	(38,502,357)	4,167,678	(34,334,679)
--------------------	--------------	-----------	--------------

**Condensed interim statement of cash flows for the nine-month period ended 30 September 2018:**

	<b>As previously stated</b>	<b>Effect of restatement</b>	<b>As restated</b>
Loss before zakat for the period	(2,352,195)	1,771,302	(580,893)
Net investment in finance leases	(47,284,184)	(1,771,302)	(49,055,486)

**4 Net investment in finance leases**

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Audited) Restated</b>
Gross investment in finance leases	<b>418,148,498</b>	305,518,198
Unearned finance income	<b>(100,200,220)</b>	(82,871,759)
Present value of minimum lease payments receivable	<b>317,948,278</b>	222,646,439
Provision for impairment of lease receivables	<b>(6,967,848)</b>	(4,183,822)
Net investment in finance leases	<b>310,980,430</b>	218,462,617
Net investment in finance leases - non-current portion	<b>(219,798,542)</b>	(171,323,509)
Net investment in finance leases - current portion	<b>91,181,888</b>	47,139,108

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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

	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>4,183,822</b>	2,946,143
Charge for the period / year	<b>2,784,026</b>	1,237,679
Closing balance	<b>6,967,848</b>	4,183,822

**5 Prepayments and other receivable**

	<b>Note</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Prepayments		<b>5,998,303</b>	3,682,415
Insurance claims		<b>2,625,621</b>	1,420,569
Repossessed assets held for resale		<b>331,198</b>	651,154
Zakat refundable	11	<b>300,853</b>	-
Margin against letter of guarantee		-	3,000,000
Other		<b>2,352,289</b>	472,676
		<b>11,608,264</b>	9,226,814

**6 Cash and cash equivalents**

	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash in hand	<b>46,909</b>	5,000
Cash at bank	<b>54,459,983</b>	8,072,298
	<b>54,506,892</b>	8,077,298

**7 Long-term borrowings**

	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha facilities	<b>121,600,560</b>	49,574,313
Government bank loan	<b>19,502,708</b>	-
Accrued finance cost	<b>897,124</b>	454,421
	<b>142,000,392</b>	50,028,734

Long-term borrowings are presented as follows:

Current maturity shown under current liabilities	<b>42,810,887</b>	14,891,087
Long-term borrowings	<b>99,189,505</b>	35,137,647
	<b>142,000,392</b>	50,028,734



**RAYA FINANCING COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the condensed interim financial information****For the three-month and nine-month periods ended September 30, 2019 (Unaudited)****(All amounts in Saudi Riyals unless otherwise stated)****7.1 Murabaha facilities**

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 31 December 2018 and remaining balance of Saudi Riyals 40.0 million was utilized during the nine-month period ended 30 September 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 repayment of such loans as per the respective repayment schedule is up to 2023.

Further during three-month period ended 30 September 2019, the Company entered into a new agreement with another local commercial bank to provide Murabaha financing facility of Saudi Riyals 200 million to meet the working capital requirements of the Company, out of which Saudi Riyals 150.0 million was unutilized as at 30 September 2019. The loan is secured against corporate guarantee from certain related parties, collateral on receivables against certain leased vehicles covering at least 150% of the outstanding borrowing. The loan bears financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying value of such long-term borrowings is denominated in Saudi Riyals. The repayment of such loans as per the respective repayment schedule is up to 2024.

**7.2 Government bank loan**

During 2019, the Company entered into an agreement with a government bank to provide financing facility of Saudi Riyals 20.0 million to meet the working capital requirements of the Company, which was fully utilised during nine-month period ended 30 September 2019. Administrative fee is charged by government bank under the loan agreement.

The covenants of the borrowing facility restricts the Company to utilise the loan amount for the purpose specified in the loan agreement. The carrying value of such long-term borrowings is denominated in Saudi Riyals. The repayment of such loan as per the repayment schedule is up to 2022.

The undiscounted contractual maturities of long term loans are as follows:

	30 September 2019	31 December 2018
	(Unaudited)	(Audited)
Less than 6 months	24,168,739	8,290,175
6 - 12 months	23,675,216	8,290,175
Between 1 and 2 years	45,903,021	16,580,349
Between 2 and 5 years	59,981,483	20,725,437
	<b>153,728,459</b>	<b>53,886,136</b>

**8 Accounts payable**

	30 September 2019	31 December 2018
	(Unaudited)	(Audited)
Trade	12,655,760	20,331,736
Related parties	102,918,267	100,813,693
	<b>115,574,027</b>	<b>121,145,429</b>

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**9 Accrued and other liabilities**

	30 September 2019	31 December 2018
	(Unaudited)	(Audited)
Accrued liabilities	11,158,815	1,760,370
Advance from customers	3,175,604	4,061,785
VAT payable	463,697	1,020,269
	<b>14,798,116</b>	<b>6,842,424</b>

**10 Related party transactions and balances**

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

Nature of transaction	Relationship	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2019	2018	2019	2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Purchases	Shareholder	19,523,947	24,266,081	62,583,169	48,495,361
Employee benefit obligations transferred from the Company	Shareholder	-	68,294	-	68,294
Commission income on lease of motor vehicles	Shareholder	552,884	-	1,480,886	-
Finance cost	Shareholder	879,087	-	2,005,421	-
Rent charged to the Company	Shareholder	111,303	85,314	333,910	205,971
<b>Key management personnel</b>					
Key management compensation		702,174	732,680	2,088,551	1,638,105
Employee benefit obligations		43,178	42,876	135,033	150,463

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

	Note	30 September 2019	31 December 2018
		(Unaudited)	(Audited)
Al Majdouie Motors Company Limited ("Motors") - shareholder	10.3	100,140,668	94,348,042
Al Majdouie Holding Company Limited - ultimate parent company		576,565	644,750
Al Majdouie Trading Establishment		116,869	391,272
Arjaa Travel and Tourism Company		23,040	114,508
Majd Real Estate Development Company Limited - shareholder		43,538	29,067
Al Majdouie Logistics Company Limited - shareholder		17,149	-
Al Majdouie Manufacturing Company		1,984,762	5,284,200
Ali Ibrahim Saleh Al Majdouie Charity for Community Services		15,676	-
Al Majdouie Food Company Limited - shareholder		-	1,854
		<b>102,918,267</b>	<b>100,813,693</b>

**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**10.3** During the nine-month period ended 30 September 2019, the Company and Motors entered into an arrangement with effect from 1 January 2019, whereby the balance payable to Motors outstanding for more than 30 days from the date of the respective underlying invoice, shall bear financial charges at prevailing market rates. Also see Note 1.

**11 Zakat matters**

	30 September 2019	31 December 2018
	(Unaudited)	(Audited)
Opening balance	-	1,551,018
Provision for the period / year	697,425	-
Reversal for prior years	(998,278)	-
Paid during the period / year	-	(1,551,018)
Closing balance	<u>(300,853)</u>	-

During the nine-month period ended 30 September 2019, the Company has received a settlement notice from the GAZT relating to the treatment of non-current portion of net investment in its finance lease for the purposes of determination of zakat base. The notice prescribes the method to calculate the Company's zakat liability for the year ended 31 December 2018 and states that applying the same principles, the Company is entitled to a credit of Saudi Riyals 1.18 million for the years from 2016, when the Company was provided a license from SAMA to be involved in the finance lease activities, and 2017, whereas there would be a charge of Saudi Riyals 0.18 million for the year ended 31 December 2018. Management has agreed to the settlement notice and has accordingly recorded a net zakat refundable of Saudi Riyals 1.0 million.

**12 Comparative figures**

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

**For the three-month period ended 30 September 2019**

	Amount previously reported	Reclassification	Amount after reclassification
Insurance and other cost of financed vehicles	(2,043,901)	(323,525)	(2,367,426)
Selling and marketing	(1,191,918)	1,191,918	-
General and administrative	(4,000,504)	4,000,504	-
Other expenses	195,068	(515,918)	(320,850)
Salaries and employee related expenses	-	(3,624,252)	(3,624,252)
Rent	-	(484,869)	(484,869)
Depreciation and amortization	-	(243,858)	(243,858)
	<u>(7,041,255)</u>	-	<u>(7,041,255)</u>



**RAYA FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month and nine-month periods ended September 30, 2019 (Unaudited)**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**For the nine-month period ended 30 September 2019**

	<b>Amount previously reported</b>	<b>Reclassification</b>	<b>Amount after reclassification</b>
Insurance and other cost of financed vehicles	(4,584,288)	(673,601)	(5,257,889)
Selling and marketing	(3,276,528)	3,276,528	-
General and administrative	(11,045,904)	11,045,904	-
Other expenses	28,359	(2,119,030)	(2,090,671)
Salaries and employee related expenses	-	(9,585,311)	(9,585,311)
Rent	-	(1,211,605)	(1,211,605)
Depreciation and amortization	-	(732,885)	(732,885)
	<u>(18,878,361)</u>	<u>-</u>	<u>(18,878,361)</u>

**13 Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issue by the Company's Board of Directors on 27 October 2019.