

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017
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 SEPTEMBER 30, 2017

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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 30 September 2017 and the related condensed statement of comprehensive loss for the three-month and nine-month periods ended 30 September 2017, and the condensed statements of changes in equity and cash flows for the nine-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") and Saudi Arabian Monetary Authority's ("SAMA") guidance on accounting for 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 and SAMA's guidance on accounting for zakat and income tax.

PricewaterhouseCoopers

A blue ink signature, appearing to read "Omar M. Al Saga", written over the PricewaterhouseCoopers text.

Omar M. Al Saga
License Number 369

25 October 2017

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 September 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Assets			
Non-current assets			
Property and equipment		413,040	586,751
Intangible assets		7,367,964	7,681,705
Net investment in finance leases - non-current portion	4	74,501,722	12,491,250
		<u>82,282,726</u>	<u>20,759,706</u>
Current assets			
Net investment in finance leases - current portion	4	15,000,084	2,163,323
Prepayments and other receivable	5	4,621,937	775,482
Cash and cash equivalents	6	32,850,139	65,679,614
		<u>52,472,160</u>	<u>68,618,419</u>
Total assets		<u>134,754,886</u>	<u>89,378,125</u>
Equity and liabilities			
Equity			
Share capital		100,000,000	100,000,000
Accumulated losses		(28,036,137)	(20,352,693)
Total equity		<u>71,963,863</u>	<u>79,647,307</u>
Non-current liabilities			
Employee benefit obligations		<u>1,289,532</u>	<u>1,188,133</u>
Current liabilities			
Accounts payable	7	57,331,127	5,683,847
Accrued and other liabilities		2,494,346	1,307,820
Zakat payable	8	1,676,018	1,551,018
		<u>61,501,491</u>	<u>8,542,685</u>
Total liabilities		<u>62,791,023</u>	<u>9,730,818</u>
Total equity and liabilities		<u>134,754,886</u>	<u>89,378,125</u>
Commitments	9		

The accompanying notes from 1 to 10 form an integral part of this condensed interim financial information.

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Income from finance leases	3,607,738	189,557	7,343,849	203,314
Expenses				
Provision for impairment of lease receivables	(215,456)	(55,396)	(523,456)	(63,158)
Insurance and other cost of financed vehicles	(1,479,235)	(121,946)	(3,407,709)	(134,296)
General and administrative	(2,691,758)	(1,843,866)	(8,217,677)	(5,692,939)
Selling and marketing	(1,067,399)	(400,931)	(2,806,327)	(815,292)
Operating loss	(1,846,110)	(2,232,582)	(7,611,320)	(6,502,371)
Other income	384	-	52,876	-
Loss for the period	(1,845,726)	(2,232,582)	(7,558,444)	(6,502,371)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(1,845,726)	(2,232,582)	(7,558,444)	(6,502,371)

The accompanying notes from 1 to 10 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 January 1, 2017 - audited		100,000,000	(20,352,693)	79,647,307
Total comprehensive loss for the period		-	(7,558,444)	(7,558,444)
Zakat charge for the period		-	(125,000)	(125,000)
Balance at September 30, 2017 - unaudited		100,000,000	(28,036,137)	71,963,863
Balance at January 1, 2016 - audited		100,000,000	(9,045,629)	90,954,371
Total comprehensive loss for the period - as restated	3	-	(6,502,371)	(6,502,371)
Zakat charge for the period		-	(1,875,000)	(1,875,000)
Balance at September 30, 2016 - unaudited		100,000,000	(17,423,000)	82,577,000

The accompanying notes from 1 to 10 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 September 30,	
Note		2017	2016
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
	Loss for the period	(7,558,444)	(6,502,371)
	<u>Adjustments for</u>		
	Provision for impairment of lease receivables	523,456	63,158
	Depreciation	323,578	72,890
	Amortization	558,341	-
	Employee benefit obligations	202,758	222,329
	<u>Changes in working capital</u>		
	Net investment in finance leases	(75,370,689)	(3,289,768)
	Prepayments and other receivable	(3,846,455)	(123,302)
	Accounts payable	51,545,921	(4,812,935)
	Accrued and other liabilities	1,186,526	380,389
	Net cash used in operating activities	<u>(32,435,008)</u>	<u>(13,989,610)</u>
Cash flows from investing activities			
	Payments for purchase of intangible assets	(244,600)	(7,189,617)
	Payments for purchase of property and equipment	<u>(149,867)</u>	<u>(78,143)</u>
	Net cash used in investing activities	<u>(394,467)</u>	<u>(7,267,760)</u>
	Net decrease in cash and cash equivalents	(32,829,475)	(21,257,370)
	Cash and cash equivalents at beginning of period	<u>65,679,614</u>	<u>99,999,900</u>
	Cash and cash equivalents at end of period	<u>32,850,139</u>	<u>78,742,530</u>
<u>Supplemental cash flow information</u>			
Non-cash operating activity-			
	Employee benefit obligations transferred from (to) related parties, net	7.1 <u>101,359</u>	<u>(33,350)</u>
Non-cash financing activity-			
	Zakat provisions charged to shareholders' equity	<u>125,000</u>	<u>1,875,000</u>

The accompanying notes from 1 to 10 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 six-month periods ended June 30, 2017 (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 September 30, 2017 and December 31, 2016. The shareholders of the Company and their respective shareholding as at September 30, 2017 and December 31, 2016 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 (formerly "Al Majdouie Manufacturing 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 September 30, 2017, the Company's current liabilities exceeded its current assets by Saudi Riyals 9.0 million primarily due to amounts payable to one of the shareholders. The Company has entered into an agreement with a local commercial bank for a long-term loan facility of Saudi Riyals 100 million to meet the working capital requirements of the Company.

2 Basis of preparation

- 2.1** During 2017, Saudi Arabian Monetary Authority ("SAMA") issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) (the "Circular") and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax. The impact of these amendments is that zakat will be recognized in the condensed interim statement of changes in equity instead of condensed interim statement of comprehensive loss.

The condensed interim financial information of the Company as at September 30, 2017 and for the three-month and nine-month periods ended September 30, 2017 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance on accounting for zakat as explained above.

Until 2016, the condensed interim financial information of the Company was prepared in accordance with IAS 34. This change in framework resulted in a change in accounting policy for zakat (as disclosed in Note 2.4) and the effects of this change are disclosed in Note 3 to the condensed interim financial information.

- 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, 2016.

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- 2.3** Except for the change in accounting policy as described below, the accounting and risk management policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2016. All financial assets and liabilities of the Company are categorized as held at amortized cost which reasonably approximate their fair value.

2.4 Accounting policies applied from January 1, 2017: Zakat and income tax

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. As explained in Note 2.1, provision for zakat is charged to the statement of changes in equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Until 2016, zakat was charged to the statement of comprehensive loss as per the requirements of International Financial Reporting Standards ("IFRS"). Therefore, the condensed interim financial information has been restated and the effects of the above change are disclosed in Note 3 to the condensed interim financial information.

2.5 New or amended standards and interpretations

The following new or amended standards are effective from January 1, 2017 and have no impact on the Company's condensed interim financial information:

<u>Standard</u>	<u>Description</u>
Amendments to IAS 1	Disclosure initiative
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
Amendments to IAS 16	Property, plant and equipment
Amendments to IFRS 10 and IAS 28	Investment entities: Applying the consolidation exception
Amendments to IAS 27	Equity method in separate financial statements
Amendments to IAS 38	Clarification of acceptable methods of amortization
Annual improvements 2014	

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing on or after September 30, 2017:

<u>Standard</u>	<u>Description</u>
Amendments to IAS 7	Statement of cash flows
Amendments to IFRS 4	Introduction of overlay approach and a deferral approach
Amendments to IAS 12	Deferred tax assets related to debt instruments
Amendments to IFRS 15	Revenue from contracts with customers
Amendments to IFRS 2	Clarification on how to accounts for certain types of share-based payment transactions
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance contracts
IAS 40	Investment property, relating to transfer of property
IFRIC 22	Foreign currency transaction and advance consideration
IFRIC 23	Uncertainty over income tax treatments
Annual improvements 2014 – 2016	

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(All amounts in Saudi Riyals unless otherwise stated)

2.6 Use of judgments and estimates

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements as at and for the year ended December 31, 2016.

3 Restatement due to change in accounting policy

The change in accounting policy for zakat (as explained in Note 2.4) has the following impacts on the condensed interim statements of comprehensive loss and changes in equity:

Condensed interim statement of comprehensive loss for the three-month period ended September 30, 2016:

	As previously stated	Effect of restatement	As restated
Zakat	625,000	(625,000)	-
Loss for the period	2,857,582	(625,000)	2,232,582
Total comprehensive loss for the period	2,857,582	(625,000)	2,232,582

Condensed interim statement of comprehensive loss for the nine-month period ended September 30, 2016:

	As previously stated	Effect of restatement	As restated
Zakat	1,875,000	(1,875,000)	-
Loss for the period	8,377,371	(1,875,000)	6,502,371
Total comprehensive loss for the period	8,377,371	(1,875,000)	6,502,371

Condensed interim statement of changes in equity for the nine-month period ended September 30, 2016:

	As previously stated	Effect of restatement	As restated
Total comprehensive loss for the period	8,377,371	(1,875,000)	6,502,371
Zakat charge for the period	-	1,875,000	1,875,000

The above change in accounting policy did not have any effect on the statement of financial position as of December 31, 2016 and the condensed interim statement of cash flows for the nine-month period ended September 30, 2016.

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(All amounts in Saudi Riyals unless otherwise stated)

4 Net investment in finance leases

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

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Gross investment in finance leases	135,801,050	23,312,599
Unearned finance income	(45,395,165)	(8,277,403)
Present value of minimum lease payments receivable	90,405,885	15,035,196
Provision for impairment of lease receivables	(904,079)	(380,623)
Net investment in finance leases	89,501,806	14,654,573
Investment in finance lease - non-current portion	(74,501,722)	(12,491,250)
Investment in finance lease - current portion	15,000,084	2,163,323

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

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Opening balance	380,623	-
Charge for the period / year	523,546	380,623
Closing balance	904,079	380,623

5 Prepayments and other receivable

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Prepayments	3,025,134	536,047
Repossessed assets held for resale	1,382,338	-
Other	214,465	239,435
	4,621,937	775,482

6 Cash and cash equivalents

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Cash in hand	5,000	5,000
Cash at bank	32,845,139	15,674,614
Term deposits	-	50,000,000
	32,850,139	65,679,614

Term deposits as of December 31, 2016 were held by commercial bank and yield financial income at prevailing market rates.

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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:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Al Majdouie Holding Company Limited - Ultimate Holding Company				
Support service costs charged to the Company	-	392,989	421,833	990,588
Employee benefit obligations transferred to the Company	-	-	153,610	-
Al Majdouie Motors Company Limited - Shareholder				
Purchases	22,784,468	2,840,041	77,095,046	3,753,355
Employee benefit obligations transferred from the Company	-	-	254,969	33,350
Support service costs charged to the Company	-	157,416	-	314,832
Majd Real Estate Development Company Limited - Shareholder				
Rent charged to the Company	100,429	99,469	289,286	198,937
Key management personnel				
Key management compensation	167,751	157,047	491,601	471,141
Employee benefit obligations	28,652	27,434	85,955	82,303

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

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Al Majdouie Motors Company Limited - Shareholder	54,375,872	4,581,299
Al Majdouie Holding Company Limited - Ultimate Holding Company	1,547,921	374,387
Majd Real Estate Development Company Limited - Shareholder	8,000	100,685
Arjaa Travels and Tourism - a related party	5,350	12,760
Al Majdouie Food Company Limited - Shareholder	917	727
Al Majdouie Logistics Company Limited - Shareholder	454	-

8 Provision for zakat

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Opening balance	1,551,018	-
Charge for the period / year	125,000	1,551,018
Closing balance	1,676,018	1,551,018

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9 Commitments

As at balance sheet date, the Company's commitment in respect of intangible assets contract amounted to Saudi Riyals 0.3 million (December 31, 2016: Nil).

10 Date of authorization of issue

The accompanying condensed interim financial information was authorized for issue by the Board of Directors on October 25, 2017.