

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND  
INDEPENDENT AUDITOR'S REVIEW REPORT

**MAALEM FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim financial statements (unaudited)**  
**For the nine-month period ended September 30, 2020**

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## **REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

To the Shareholders of Maalem Financing Company:  
(A Saudi Closed Joint Stock Company)

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Maalem Financing Company (A Saudi Closed Joint Stock Company) (the "Company") as at September 30, 2020 and the related interim statement of comprehensive loss for the three and nine month periods then ended, and interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended and other explanatory notes (the interim condensed financial information). Management is responsible for the preparation and presentation of these condensed interim financial statements 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 these condensed interim financial statements 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 statements 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 statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

### **PricewaterhouseCoopers**

A blue ink signature of Khalid A. Mahdhar, consisting of stylized, overlapping loops and lines.

Khalid A. Mahdhar  
License Number 368

October 27, 2020

**MAALEM FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Interim statement of financial position (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

		<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>			
Cash and cash equivalents		<b>191,246,041</b>	41,828,950
Murabaha receivable, net	5	<b>577,921,204</b>	339,282,650
Due from related parties	6	-	327,627
Prepayments and other receivables		<b>13,565,692</b>	10,863,885
Repossessed assets held for sale	7	<b>2,545,800</b>	2,545,800
Property and equipment		<b>8,444,442</b>	7,584,989
<b>Total assets</b>		<b>793,723,179</b>	402,433,901
<b>Liabilities</b>			
Sukuk	8	<b>57,242,425</b>	50,000,000
Loan from a related party	9	-	79,327,397
Long term loan	10	<b>223,453,250</b>	108,187,399
Loan from SAMA	14	<b>180,270,306</b>	-
Accrued and other liabilities		<b>74,751,999</b>	15,308,053
Provision for zakat	11	<b>1,961,149</b>	2,364,742
Employees' termination benefits	12	<b>606,900</b>	642,200
<b>Total liabilities</b>		<b>538,286,029</b>	255,829,791
<b>Shareholders' equity</b>			
Share capital	13	<b>300,000,000</b>	150,000,000
Statutory reserve		<b>2,080,046</b>	2,080,046
Accumulated losses		<b>(46,642,896)</b>	(5,475,936)
<b>Total shareholders' equity</b>		<b>255,437,150</b>	146,604,110
<b>Total liabilities and shareholders' equity</b>		<b>793,723,179</b>	402,433,901

The notes on pages 6 to 15 form an integral part of these interim condensed financial statements.

**MAALEM FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Interim statement of comprehensive loss** (Unaudited)  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2020	2019	2020	2019
Revenue		18,498,446	13,371,583	45,108,758	35,421,987
Management Fee, Income		619,223	916,661	2,524,835	2,281,778
Modification loss on restructuring of financings and borrowings net of grant income	14	(14,609,701)	-	(18,722,024)	-
Financial charges		(3,709,302)	(4,702,008)	(21,030,379)	(14,567,757)
		<b>798,666</b>	9,586,236	<b>7,881,190</b>	23,136,008
<b>Operating expenses</b>					
Other general and administrative		(5,372,816)	(3,005,873)	(15,426,334)	(10,349,750)
Provision for doubtful debts	5	(1,764,658)	(1,656,749)	(17,020,058)	(552,630)
Salaries and other benefits		(7,944,686)	(3,497,263)	(17,426,665)	(11,219,160)
(Loss) / profit from operations		(14,283,494)	1,426,351	(41,991,867)	(1,014,468)
Other income		725,775	-	952,570	-
<b>Net (loss) / income for the period before zakat</b>		(13,557,719)	1,426,351	(41,039,297)	1,014,468
Zakat (charge) / reversal for the period		139,226	3,303,021	(127,663)	3,075,654
<b>Net (loss) / income for the period after zakat</b>		(13,418,493)	4,729,372	(41,166,960)	4,090,122
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>		(13,418,493)	4,729,372	(41,166,960)	4,090,122
<b>Basic (loss) / earnings per share (Saudi Riyals)</b>		(0.86)	0.32	(2.70)	0.27
Weighted average number of shares		15,652,174	15,000,000	15,218,978	15,000,000

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**MAALEM FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Interim statement of changes in shareholders' equity**  
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses	Total
<b>January 1, 2019 (Audited)</b>	150,000,000	2,080,046	(10,218,339)	141,861,707
<b>Comprehensive loss:</b>				
Net income for the period after zakat	-	-	4,090,122	4,090,122
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	4,090,122	4,090,122
<b>September 30, 2019 (Unaudited)</b>	150,000,000	2,080,046	(6,128,217)	145,951,829
<b>January 1, 2020 (Audited)</b>	150,000,000	2,080,046	(5,475,936)	146,604,110
<b>Comprehensive loss:</b>				
Increase in share capital	150,000,000	-	-	150,000,000
Net loss for the period after zakat	-	-	(41,166,960)	(41,166,960)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	150,000,000	-	(41,166,960)	108,833,040
<b>September 30, 2020 (Unaudited)</b>	300,000,000	2,080,046	(46,642,896)	255,437,150

The notes on pages 6 to 15 form an integral part of these interim condensed financial statements.

**MAALEM FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Interim statement of cash flows** (unaudited)  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the nine-month period ended September 30,	
		2020	2019
<b>Cash flow from operating activities</b>			
Net (loss) / income for the period before zakat		(41,039,297)	1,014,468
<u>Adjustments for non-cash items</u>			
Depreciation		1,747,974	1,070,702
Financial interest charges		21,030,379	12,782,567
Modification loss on restructuring of financings and borrowings net of grant income		18,722,024	
Provision for doubtful debts		17,020,058	552,630
Provision for employee termination benefits	12	195,525	393,122
<u>Changes in working capital</u>			
Murabaha receivable		(273,417,586)	(82,708,416)
Prepayments and other assets		(2,701,807)	4,593,462
Due from related parties		327,627	36,360
Accrued and other liabilities		48,433,346	(2,824,661)
Zakat paid		(531,256)	-
Employee termination benefits paid	12	(230,825)	(331,322)
Net cash utilized in operating activities		<u>(210,443,838)</u>	<u>(65,421,088)</u>
<b>Cash flow from investing activity</b>			
Purchase of property and equipment		(2,607,427)	(2,080,431)
Net cash utilized in investing activity		<u>(2,607,427)</u>	<u>(2,080,431)</u>
<b>Cash flow from financing activities</b>			
Increase in share capital		150,000,000	-
Long term loan proceeds		50,000,000	97,893,900
Long term loan payments		(10,232,859)	(12,222,677)
Sukuk proceeds		100,000,000	
Sukuk repayment		(21,663,582)	(25,511,310)
Sukuk redemption		(80,500,000)	-
Loan proceeds from SAMA		196,685,487	-
Financial charges paid		(21,820,690)	(5,550,000)
Net cash generated from financing activities		<u>362,468,356</u>	<u>54,609,913</u>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		149,417,091	(12,891,606)
		<u>41,828,950</u>	<u>77,134,350</u>
<b>Cash and cash equivalents at end of period</b>			
		<u>191,246,041</u>	<u>64,242,744</u>

The notes on pages 6 to 15 form an integral part of these interim condensed financial statements.

**MAALEM FINANCING COMPANY**  
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**Notes to the interim condensed financial statements (unaudited)**  
**For the nine-month period ended September 30, 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 General information**

Maalem Financing Company (formerly known as Maalem Al Taqseet Company) (the "Company") is a Saudi closed joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010262141 issued in Riyadh on Safar 9, 1430H (corresponding to February 4, 2009).

The Company is principally engaged in providing Shari'ah-compliant commercial and consumer financing solutions, in particular to small-to-medium enterprises (SMEs) in the Kingdom of Saudi Arabia as per the Saudi Arabian Monetary Authority ("SAMA") license No. 45/HA/201605 dated 2 Sha'ban 1437H (corresponding to May 9, 2016).

The Company's registered office is located in Riyadh at the following address:

Maalem Financing Company  
P.O. Box 271188, Riyadh 11352  
Kingdom of Saudi Arabia

The accompanying interim condensed financial statements were authorized for issue by the management on October 25, 2020.

These condensed interim financial statements have been reviewed, not audited.

**2 Summary of significant accounting policies**

**2.1 Basis of preparation**

The interim condensed consolidated financial statements of the Company as at and for the period ended 30 September 2020 have 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 condensed interim statement of financial position is stated broadly in order of liquidity. These condensed interim financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019. The interim results may not be an indicator of the annual results of the Company.

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2019, except for accounting policies with respect to government grant as mentioned below:

**Accounting policy for government grant:**

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate grant is recognized and measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the grant determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognized in the interim statement of comprehensive income on a systematic basis over the periods in which, the Company recognizes as expenses, the related costs which the grants is intended to compensate.



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**3 Adoption of new standards and amendments to existing accounting standards**

New accounting standards and amendments to existing accounting standards effective from January 1, 2020 and onwards do not have any significant effect on the Company's interim condensed financial statements.

**4 Significant accounting judgments, estimates and assumptions**

The preparation of interim condensed financial statements 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 these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the statutory financial statements as at and for the year ended December 31, 2019, except for the estimates described below:

**Measurement of the expected credit loss allowance**

In preparation of these condensed interim financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss ("ECL"). Explanation of such inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 14. However, in view of the current uncertainty as explained in Note 14, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

**5 Murabaha receivable, net**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Murabaha receivable	<b>704,996,886</b>	412,030,624
Less: Unearned revenue	<b>(105,334,986)</b>	(64,900,325)
Less: Modification loss on restructuring of financings	<b>(10,541,250)</b>	-
Murabaha receivable, net	<b>589,120,650</b>	347,130,299
Less: Provision for Murabaha losses	<b>(11,199,446)</b>	(7,847,649)
	<b>577,921,204</b>	339,282,650
Current portion of Murabaha receivable	<b>295,777,217</b>	197,493,696
Non-current portion of Murabaha receivable	<b>293,343,433</b>	149,636,603
	<b>589,120,650</b>	347,130,299
Less: Provision for Murabaha losses	<b>(11,199,446)</b>	(7,847,649)
	<b>577,921,204</b>	339,282,650

The movement in Provision for Murabaha losses was as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening balance at beginning of the period / year	<b>7,847,649</b>	16,106,979
Charge / (Reversal) for the period / year	<b>17,020,058</b>	(1,248,856)
Written off during the period / year	<b>(13,668,261)</b>	(7,010,474)
Closing balance at end of the period / year	<b>11,199,446</b>	7,847,649

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The net carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Performing	480,113,121	248,717,507
Underperforming	81,618,588	80,385,130
Non-performing	27,388,941	18,027,662
Total net loan receivables	<u>589,120,650</u>	<u>347,130,299</u>
Less: Provision for Murabaha losses	<u>(11,199,446)</u>	<u>(7,847,649)</u>
Loan receivables net of expected credit losses	<u><b>577,921,204</b></u>	<u>339,282,650</u>

The provision of Murabaha for customers as at September 30, 2020 reconciles to the opening loss allowance for that provision as follows:

	<b>Performing</b>	<b>Under- performing</b>	<b>Non- performing</b>	<b>Total</b>
Opening loss allowance as at January 1, 2020	297,551	547,195	7,002,903	7,847,649
Write-Off	-	-	(13,668,261)	(13,668,261)
Charge / (reversal) for the period	<u>4,241,779</u>	<u>10,429,500</u>	<u>2,348,779</u>	<u>17,020,058</u>
<b>Closing loss allowance as at September 30, 2020</b>	<u><b>4,539,330</b></u>	<u><b>10,976,695</b></u>	<u><b>(4,316,579)</b></u>	<u><b>11,199,446</b></u>

## 6 Due from related parties

Due from related parties represents due amounts from Company's shareholder against obtaining finance in form of murabaha contracts. The terms of the contract was approved by the Company's Board of Directors. Due from shareholders is stated as follows:

	<b>Relationship</b>	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Ayman Amin Sajini	Shareholder	-	327,627
		<u>-</u>	<u>327,627</u>
		<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Due from related parties		-	405,000
Less: Unearned revenue		<u>-</u>	<u>(77,373)</u>
		<u>-</u>	<u>327,627</u>

## 7 Repossessed assets held for sale

This represents real estate received from a Company's customer during 2019 to settle part of his outstanding balance. The legal procedures needed to transfer the ownership of real estate to the Company has been completed during 2019. The Company expects to liquidate the repossessed real estate in 2020.

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**8 Sukuk**

During the year 2018, the Company obtained SAMA approval to issue private Sukuk Certificates (Sukuk) with total amount of Saudi Riyal 500 million. The first phase of Sukuk issuance amounted to Saudi Riyal 100 million was issued in 2018. During the three-month period ended March 31, 2020 the Company issued the second phase of Sukuk amounting to Saudi Riyal 100 million. During the nine-month period ended September 30, 2020, the Company redeemed Sukuk amounting to Saudi Riyal 80.5 million and paid additional interest of 3 months plus SAIBOR amounting to Saudi Riyal 2.1 million on redemption.

The total tenure of the both phases of Sukuk is three years with payments (principal and profits) payable quarterly in advance. The profit distribution on the first phase and second phase Sukuk is based on three month SIBOR plus a spread of 10% and 5.5% respectively. The Company has not defaulted on any of payments (profit/principal) due during the year and the Company has complied with terms of the covenants pertaining to the Sukuk. Further, there are no conversion options to equity relating to the Sukuk.

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Current portion	<b>32,696,969</b>	33,333,333
Non-current portion	<b>24,545,456</b>	16,666,667
	<b>57,242,425</b>	50,000,000

**9 Loan from a related party**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening balance	<b>79,327,397</b>	79,327,397
Loan obtained	-	-
Financial charges	<b>3,365,859</b>	4,500,000
Financial charges paid	<b>(4,500,000)</b>	(4,500,000)
Transfer to long term loans	<b>(78,193,256)</b>	-
	<b>-</b>	79,327,397

During 2016, the Company signed an agreement with a related party to obtain a new long term loan to finance the growth of its lending portfolio in order to provide a wide range of financing products to both individual and corporate clients in the Kingdom of Saudi Arabia, with products being tailored to meet a wider base of clients. The Company obtained the loan amounting Saudi Riyals 75 million, the loan is subject to 6% annual murabaha rate. This principal amount of the loan will be paid in one instalment after five years and the interest repayment is on annual basis @ 6%. For details please refer Note 10.3 and 13.

**10 Long term loans**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Long term loan – Monshaat Loans <b>(Note 10.1)</b>	<b>137,521,919</b>	100,293,499
Long term bank loan <b>(Note 10.2)</b>	<b>7,738,075</b>	7,893,900
Long term loan from non-bank entity <b>(Note 10.3)</b>	<b>78,193,256</b>	-
	<b>223,453,250</b>	108,187,399

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**10.1 Long term loan – Monshaat Loans**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening balance	94,989,483	30,037,500
Add: Loan obtained during the period	50,000,000	90,000,000
Add: Loan management fee accrued during the period	3,991,135	1,735,028
Less: Principal payment during the period	(9,871,041)	(20,202,423)
Less: Loan management fee paid during the period	(361,818)	(831,950)
Less: Deferred income on initial recognition of interest free loans	(3,113,774)	(5,748,672)
Less: Modification gain on restructuring of borrowings	(6,004,187)	-
Closing balance	129,629,798	94,989,483
Add: Deferred income on interest free loans (10.1.1)	7,892,121	5,304,016
	<b>137,521,919</b>	<b>100,293,499</b>
	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Current portion	25,722,587	40,212,050
Non-current portion	111,799,332	60,081,449
	<b>137,521,919</b>	<b>100,293,499</b>

**10.1.1 Deferred income on interest free loans**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening balance	5,304,016	-
Deferred income on initial recognition of interest free loans	3,113,774	5,748,672
Amortized during the period/ year	(525,669)	(444,656)
Closing balance	7,892,121	5,304,016

The Company received five interest free loans from Social Development Bank to finance small and medium entities in the Kingdom of Saudi Arabia amounting Saudi Riyals 140 million for three years. These loans carry a fixed special commission rate that is significantly lower than currently prevailing market rate. These loans provided to the Company carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit amounting to Saudi Riyal 7.8 million being the impact of "lower than market value" loan obtained by the Company has been identified and accounted for as a "government grant".

Such benefit is being recognised in the statement of comprehensive income of the Company on a systematic basis as the expense for which such grant is intended to compensate, is recognised.

As a compensation for deferring payments for the customers under Monshaat programme for 12 months, the Company has received deferment of repayments on its Monsha'at loans from the Social Development Bank for a period of 12 months starting from April 1, 2020. For details please refer note 14.

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**10.2 Long term bank loan**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening balance	7,893,900	-
Add: Loan obtained during the period / year	-	7,893,900
Add: Loan management fee accrued during the period / year	270,152	114,335
Less: Principal payment during the period / year	(350,840)	-
Less: Loan management fee paid during the period / year	(75,137)	(114,335)
	<b>7,738,075</b>	<b>7,893,900</b>
	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Current portion	1,949,215	2,105,040
Non-current portion	5,788,860	5,788,860
	<b>7,738,075</b>	<b>7,893,900</b>

**10.3** During the period ended September 30, 2020, the shareholders as at December 31, 2019 sold their shareholding to new shareholders as explained in Note 13 resulting in transferring of loan from a related party to long term loan from non-bank entity.

**11 Provision for zakat**

**11.1** The movement in the zakat provision is as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
January 1	2,364,742	4,530,918
Charge during the period/ year	828,419	1,232,012
Provision reversal during the period / year	(700,756)	(3,398,188)
	127,663	(2,166,176)
Payments made during the period / year	(531,256)	-
September 30	<b>1,961,149</b>	<b>2,364,742</b>

**11.2 Status of assessments**

The Company filed its zakat returns with GAZT for the years until 2019. During the year ended December 31, 2019, the Company received a letter from GAZT in which the Company was offered a refund of Saudi Riyals 1,396,396 relating to tax years 2016 and 2017. During year 2018, the Company reversed provisions for the year 2016 and 2017 amounting to Saudi Riyal 4,432,535 in relation to refunds offered by GAZT. Further, during 2019 in relation to year 2009 to 2015, the Company reversed provisions amounting to Saudi Riyal 3,398,188 based on the recommendation of zakat consultant.

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**12 Employees' termination benefits**

Provision for employees' termination benefits is made in accordance with the Saudi Arabian labour law assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

The following tables summaries the components of net benefits expenses recognised in the statement of comprehensive loss:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Opening balance at beginning of period / year	<b>642,200</b>	559,600
Service cost attributable to the current and past periods	<b>195,525</b>	549,857
End of service paid during the period / year	<b>(230,825)</b>	(467,257)
<b>Ending balance at end of period / year</b>	<b>606,900</b>	642,200

**13 Share capital**

Share capital consists of 30 million shares as of September 30, 2020 (December 31, 2019: 15 million shares). Each share has a book value of Saudi Riyals 10 as of September 30, 2020 (December 31, 2019: Saudi Riyals 10).

During the period ended September 30, 2020, the shareholders as at December 31, 2019 sold their shareholding to the following new shareholders. For details please refer below:

<b>Shareholders</b>	<b>Holding</b>	<b>No. of shares</b>	<b>Amount</b>
<b>As at September 30, 2020</b>			
Aman Company for Trade	<b>33.33%</b>	<b>10,000,000</b>	<b>100,000,000</b>
Thuraya Investment Company	<b>33.33%</b>	<b>10,000,000</b>	<b>100,000,000</b>
Mayasem Investment Company	<b>33.33%</b>	<b>10,000,000</b>	<b>100,000,000</b>
	<b>100%</b>	<b>30,000,000</b>	<b>300,000,000</b>
<b>As at December 31, 2019</b>			
Saleh Abdullah Alsayari	34%	5,107,999	51,079,990
Majed Romi Al Romi	21%	3,212,776	32,127,760
Abdulaziz Abdulrahman Alromi	18%	2,668,507	26,685,070
Other	27%	4,010,718	40,107,180
	<b>100%</b>	<b>15,000,000</b>	<b>150,000,000</b>

During the period ended September 30, 2020, the Company has received SAMA non-objection through letter number 42005698 dated 29/01/1442H corresponding to September 17, 2020 on the Company's intention to increase capital from Saudi Riyal 150,000,000 to Saudi Riyal 300,000,000 through cash injection. The Company has received the approval from shareholders of the Company in an Extraordinary General Assembly meeting dated 10/2/1442H corresponding to September 27, 2020 and consequently the Company has increased its share capital with a total value of Saudi Riyals 150 million by issuing 15 million new shares to all new shareholders.

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### **14 Impact of COVID-19 on expected credit losses ("ECL") and SAMA programs**

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The Company has also revised certain inputs and assumptions used for the determination of expected credit losses ("ECL"). The revisions mainly revolved around:

- adjusting macroeconomic factors/inputs used by the Company in its ECL model including observed default rates; and
- revisions to the scenario probabilities.

The Company's ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement exercise. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

### **SAMA support programs and initiatives**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program, the Company is required to defer payments for six months starting from March 14, 2020 on lending facilities to those borrowers that qualify as Micro Small and Medium Enterprises (MSME) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The Company has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer and by deferring the instalments falling due within the period from March 14, 2020 to September 14, 2020 for a period of six months without increasing the facility tenure, whichever is applicable. Similarly, the Company is also required to defer payments for twelve months on lending facilities funded through Monsha'at loans to those borrowers that qualify as MSME. The Company has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement.

Further to the above, on September 1, 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until December 14, 2020. The Company has affected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer and by deferring the instalments falling due within the period from September 15, 2020 to December 14, 2020 for a period of additional three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Company recognizing an additional modification loss of Saudi Riyal 4.8 million during the period ended September 30, 2020.

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Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Company has recognized Saudi Riyal 31 million of related modification losses of which Saudi Riyal 20.8 million have been unwound.

In order to offset the modification loss that the Company is expected to incur in deferring the payments, the Company received Saudi Riyal 154.1 million of interest free deposit during April 2020 from SAMA repayable in 36 equal installments starting from November 3, 2020. The total grant income recognized during the six month period ended June 30, 2020 amounted to Saudi Riyal 16.9 million. Further, during July 2020 the Company refunded to SAMA Saudi Riyal 102.1 million which was received in excess to the installments deferred for MSMEs as eligible under the deferred payments program which resulted in the reversal of grant income booked amounting to Saudi Riyal 11 million. The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements which resulted in a day 1 gain of Saudi Riyal 5.7 million recognized during the nine month period ended September 30, 2020. The Company is also expecting to receive Saudi Riyal 21.1 million of interest free deposit from SAMA in support of the extension of deferred payment program. The modification gain for support against extension of deferred program amounts to Saudi Riyal 1 million which has been accounted for in the interim condensed financial statements for the period ended September 30, 2020.

Further, as a compensation, the Company has received deferment of repayments on its Monsha'at loans from the Social Development Bank for a period of 12 months starting from April 1, 2020. This resulted in a total income of Saudi Riyal 6 million. The management has exercised certain judgements in the recognition and measurement of the above grant income. During the nine months period ended September 30, 2020, Saudi Riyal 1.29 million has been charged to the interim statement of comprehensive loss relating to unwinding of the day 1 income.

	<b>For the three month period ended September 30 (Unaudited)</b>		<b>For nine-month period ended September 30 (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Modification loss on financing	<b>(4,836,500)</b>	-	<b>(31,427,234)</b>	-
Modification gain / (loss) on restructuring of Monsh'at loans	<b>447,013</b>	-	<b>6,004,187</b>	-
Grant income	<b>(10,220,214)</b>	-	<b>6,701,023</b>	-
	<b>(14,609,701)</b>	-	<b>(18,722,024)</b>	-

As of September 30, 2020, the Company has also participated in SAMA's funding for one of its lending program. The Company has received five interest free deposits amounting to a total of Saudi Riyal 145 million each against all of its financing given to the SME customers at an interest rate of 4%. The net impact of the interest free deposit from SAMA and interest charged on financing to SME customers with a low interest rate is not significant to the interim statement of comprehensive loss.

	<b>For the nine-month period end and as at September 30 (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
SAMA Grant	<b>51,685,487</b>	-
SAMA funding for lending program	<b>145,000,000</b>	-
Deferred income on initial recognition of interest free loans	<b>(11,010,600)</b>	-
Grant income	<b>(6,701,023)</b>	-
Unwinding of SAMA Grant	<b>1,296,442</b>	-
	<b>180,270,306</b>	-

The deferred income on initial recognition of interest free loans amounting to Saudi Riyal 11 million has been classified under accrued and other liabilities.



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**15 Capital management**

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of murabaha financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and debt covenants and, as at the statement of financial position date, the Company was is in compliance with the prescribe requirements. At financial position date, the management analysis of gearing ratio was as follows:

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Debt	<b>460,971,981</b>	237,514,796
Shareholders' equity	<b>255,437,150</b>	146,604,110
Debt to Equity Ratio	<b>180%</b>	162%