

MAALEM FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

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

MAALEM FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
Condensed interim financial statements (unaudited)
For the six-month period ended June 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 June 30, 2020 and the related interim statement of comprehensive loss for the three and six month periods then ended, and interim statements of changes in shareholders' equity and cash flows for the six-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 handwritten signature in blue ink, appearing to be 'Khalid A. Mahdhar', written over a light blue circular stamp or watermark.

Khalid A. Mahdhar
License Number 368

July 28, 2020

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

		December 31,	
	Note	June 30, 2020	2019
		(Unaudited)	(Audited)
Assets			
Cash and cash equivalents		174,587,061	41,828,950
Murabaha receivable, net	5	377,240,934	339,282,650
Due from related parties	6	-	327,627
Prepayments and other receivables		12,137,247	10,863,885
Repossessed assets held for sale	7	2,545,800	2,545,800
Property and equipment		8,145,534	7,584,989
Total assets		574,656,576	402,433,901
Liabilities			
Sukuk	8	65,416,667	50,000,000
Loan from a related party	9	77,071,338	79,327,397
Long term loan	10	114,321,825	108,187,399
Loan from SAMA	14	179,137,622	-
Accrued and other liabilities		16,501,547	15,308,053
Provision for zakat	11	2,631,631	2,364,742
Employees' termination benefits	12	720,300	642,200
Total liabilities		455,800,930	255,829,791
Shareholders' equity			
Share capital	13	150,000,000	150,000,000
Statutory reserve		2,080,046	2,080,046
Accumulated losses		(33,224,400)	(5,475,936)
Total shareholders' equity		118,855,646	146,604,110
Total liabilities and shareholders' equity		574,656,576	402,433,901

The notes on pages 6 to 14 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 June 30,		For the six-month period ended June 30,	
		2020	2019	2020	2019
Murabaha revenue		12,716,112	12,347,583	26,610,312	22,050,404
Management Fee, Income		964,732	832,233	1,905,612	1,365,117
Modification loss on restructuring of financings and borrowings net of grant income		(9,833,249)	-	(4,112,323)	-
Financial charges		(12,092,313)	(4,864,738)	(17,321,077)	(9,865,749)
		(8,244,718)	8,315,078	7,082,524	13,549,772
Operating expenses					
Other general and administrative (Provision)/ reversal of provision for		(6,650,833)	(2,433,981)	(10,287,826)	(7,343,877)
Murabaha losses	5	(9,104,433)	(890,366)	(15,255,399)	1,104,119
Salaries and other benefits		(4,064,268)	(3,643,424)	(9,247,669)	(7,721,897)
(Loss)/ income from operations		(28,064,252)	1,347,307	(27,708,370)	(411,883)
Interest income on deposits		69,421	-	69,421	-
Other income		157,374	-	157,374	-
Net (loss)/ income for the period before zakat charge		(27,837,457)	1,347,307	(27,481,575)	(411,883)
Zakat charge for the period		(59,640)	(177,345)	(266,889)	(227,367)
Net (loss)/ income for the period after zakat		(27,897,097)	1,169,962	(27,748,464)	(639,250)
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/ income for the period		(27,897,097)	1,169,962	(27,748,464)	(639,250)
Basic (loss)/ earning per share (Saudi Riyals)		(1.86)	0.08	(1.85)	(0.04)
Weighted average number of shares		15,000,000	15,000,000	15,000,000	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)

	Note	Share capital	Statutory reserve	Accumulated losses	Total
January 1, 2019 (Audited)		150,000,000	2,080,046	(10,218,339)	141,861,707
Comprehensive loss:					
Net loss for the period after zakat		-	-	(639,250)	(639,250)
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the period		-	-	(639,250)	(639,250)
June 30, 2019 (Unaudited)		<u>150,000,000</u>	<u>2,080,046</u>	<u>(10,857,589)</u>	<u>141,222,457</u>
January 1, 2020 (Audited)		150,000,000	2,080,046	(5,475,936)	146,604,110
Comprehensive loss:					
Net loss for the period after zakat		-	-	(27,748,464)	(27,748,464)
Other comprehensive loss		-	-	-	-
Total comprehensive loss for the period		-	-	(27,748,464)	(27,748,464)
June 30, 2020 (Unaudited)		<u>150,000,000</u>	<u>2,080,046</u>	<u>(33,224,400)</u>	<u>118,855,646</u>

The notes on pages 6 to 14 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 six-month period ended June 30,	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Net loss for the period before zakat		(27,481,575)	(411,883)
<u>Adjustments for non-cash items</u>			
Depreciation		1,172,341	702,754
Financial charges		17,321,077	8,675,622
Modification loss on restructuring of financings and borrowings net of grant income		4,112,323	-
Provision / (reversal of provision) for Murabaha losses	5	15,255,399	(1,104,119)
Provision for employees' termination benefits	12	141,646	309,122
<u>Changes in working capital</u>			
Murabaha receivable		(79,804,417)	(71,390,258)
Due from related parties		327,627	49,643
Prepayments and other receivables		(1,273,362)	2,547,922
Accrued and other liabilities		1,193,494	(10,159,741)
Employee termination benefits paid	12	(63,546)	(326,322)
Zakat paid		-	-
Net cash utilized in operating activities		(69,098,993)	(71,107,260)
Cash flow from investing activity			
Purchase of property and equipment		(1,732,886)	(2,075,778)
Net cash utilized in investing activity		(1,732,886)	(2,075,778)
Cash flows from financing activities			
Long term loan proceeds		20,000,000	40,000,000
Long term loan payments		(10,585,360)	(6,253,463)
Sukuk proceeds		100,000,000	-
Sukuk repayment		(14,546,351)	(22,833,241)
Sukuk redemption		(80,500,000)	-
Loan proceeds from SAMA		194,150,000	-
Financial charges paid		(4,928,299)	(4,500,000)
Net cash generated from financing activities		203,589,990	6,413,296
Net change in cash and cash equivalents			
Cash and cash equivalents at beginning of period		132,758,111	(66,769,742)
		41,828,950	77,134,350
Cash and cash equivalents at end of period			
		174,587,061	10,364,608

The notes on pages 6 to 14 form an integral part of these interim condensed financial statements.

MAALEM FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the interim condensed financial statements (unaudited)
For the six-month period ended June 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 Board of Directors in their meeting held in April 24, 2017 resolved to increase the Company's share capital by an amount of Saudi Riyals 50 million to become Saudi Riyals 150 million (Note 11). Also, they resolved to change the Company's Arabic name from Maalem Al Taqseet Company to become Maalem Financing Company. The legal procedures have been finalized during the third quarter of 2017.

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

These interim condensed 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 June 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 13, 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.

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5 Murabaha receivable, net

	June 30, 2020	December 31,
	(Unaudited)	2019
		(Audited)
Murabaha receivable	492,390,272	412,030,624
Less: Unearned revenue	(76,229,456)	(64,900,325)
Less: Modification loss on restructuring of financings	(15,816,834)	-
Murabaha receivable, net	<u>400,343,982</u>	<u>347,130,299</u>
Less: Provision for Murabaha losses	<u>(23,103,048)</u>	<u>(7,847,649)</u>
	377,240,934	339,282,650
Current portion of Murabaha receivable	185,520,113	197,493,696
Non-current portion of Murabaha receivable	<u>214,823,869</u>	<u>149,636,603</u>
	400,343,982	347,130,299
Less: Provision for Murabaha losses	<u>(23,103,048)</u>	<u>(7,847,649)</u>
	377,240,934	339,282,650

The movement in Provision for Murabaha losses was as follows:

	June 30, 2020	December 31,
	(Unaudited)	2019
		(Audited)
Opening balance at beginning of the period / year	7,847,649	16,106,979
(Reversal) / Charge for the period / year	15,255,399	(1,248,856)
Written off during the period / year	-	(7,010,474)
Closing balance at end of the period / year	<u>23,103,048</u>	<u>7,847,649</u>

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

	June 30, 2020	December 31,
	(Unaudited)	2019
		(Audited)
Performing	309,317,517	248,717,507
Underperforming	38,471,846	80,385,130
Non-performing	52,554,619	18,027,662
Total net loan receivables	<u>400,343,982</u>	<u>347,130,299</u>
Less: Provision for Murabaha losses	<u>(23,103,048)</u>	<u>(7,847,649)</u>
Loan receivables net of expected credit losses	377,240,934	339,282,650

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

	Performing	Under-	Non-	Total
		performing	performing	
Opening loss allowance as at January 1, 2020	297,551	547,195	7,002,903	7,847,649
Charge / (reversal) for the period	<u>244,607</u>	<u>(53,189)</u>	<u>15,063,981</u>	<u>15,255,399</u>
Closing loss allowance as at June 30, 2020	542,158	494,006	22,066,884	23,103,048

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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. During 2019, the Company obtained the loan amounting Saudi Riyals 75 million, the loan is subject to 6% annual murabaha rate. The loan is secured by pledging the Company's shares to the financier. This principal amount of the loan will be paid in one instalment after five years and the interest repayment is on annual basis @ 6%.

10 Long term loans

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Long term loan – Monshaat Loans (Note 10.1)	106,654,566	100,293,499
Long term bank loan (Note 10.2)	7,667,259	7,893,900
	114,321,825	108,187,399

10.1 Long term loan – Monshaat Loans

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Opening balance	94,989,483	30,037,500
Add: Loan obtained during the period	20,000,000	90,000,000
Add: Loan management fee accrued during the period	2,676,767	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	(1,097,440)	(5,748,672)
Less: Modification gain on restructuring of borrowings	(5,557,173)	-
Closing balance	100,778,778	94,989,483
Add: Deferred income on interest free loans (10.1.1)	5,875,788	5,304,016
	106,654,566	100,293,499

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current portion	8,725,434	40,212,050
Non-current portion	97,929,132	60,081,449
	106,654,566	100,293,499

10.1.1 Deferred income on interest free loans

Opening balance	5,304,016	-
Deferred income on initial recognition of interest free loans	1,097,440	5,748,672
Amortized during the period/ year	(525,668)	(444,656)
Closing balance	5,875,788	5,304,016

The Company received four 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 SR 5.9 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.

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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:

	June 30, 2020	December 31,
	(Unaudited)	2019
		(Audited)
Opening balance at beginning of period / year	642,200	559,600
Service cost attributable to the current and past periods	141,646	549,857
End of service paid during the period / year	(63,546)	(467,257)
Ending balance at end of period / year	720,300	642,200

13 Share capital

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

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

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

These current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Company in ECL estimation. In Q1 2020, the Company made certain adjustments to the macroeconomic factors and scenario weightings. For the period ended 30 June 2020, the macroeconomic factors update resulted in an additional ECL of SR 1.1 million. The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. 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. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis. At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the macroeconomic model underpinning the PD and LGD determinations. The Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

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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 and classified in Bucket 1 to 3 (i.e. from 0 to 90 days overdue). 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 payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. 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 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenure, whichever is applicable. 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.

This has resulted in the Company recognising a day 1 modification loss of SR 11.5 million as at 31 March 2020. Further, the Company deferred payments for the customers under Monshaat programme for an additional 6 months which resulted in additional modification loss of SR 15.01 million. This has been presented as part of Modification gain on restructuring of financings and borrowings net of grant income in the interim statement of comprehensive income. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

In order to compensate all the related cost that the Company is expected to incur under the SAMA and other public authorities program, the Company received Saudi Riyals 154.1 million of profit free deposit from SAMA. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of Saudi Riyals 16.9 million, of which Saudi Riyals 11.5 million has been recognised in the statement of income as at 31 March 2020 immediately, with the remaining amount of SR 5.4 million recognized in the three-month period ended June 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 Riyals 5.5 million. The management has exercised certain judgements in the recognition and measurement of this grant income.

	For three-month period ended March 31 (Unaudited)		For the three month period ended June 30 (Unaudited)		For six-month period ended June 30 (Unaudited)	
	2020	2019	2020	2019	2020	2019
Modification loss on financing	(11,571,714)	-	(15,019,020)	-	(26,590,734)	-
Modification gain / (loss) on restructuring of Monsh’at loans	5,720,926	-	(163,752)	-	5,557,174	-
Grant income	11,571,714	-	5,349,523	-	16,921,237	-
	5,720,926	-	(9,833,249)	-	(4,112,323)	-

As at 31 March 2020, the Company is yet to participate in SAMA’s funding for lending and loan guarantee programs. Furthermore, the POS and e-commerce service fee programs have had an immaterial impact to the Company’s financial statements.

During April 2020, SAMA has issued a guidance around Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Company will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

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As of June 30, 2020, the Company has also participated in SAMA's funding for one of its lending program. The Company has received two interest free deposits of SR 20 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 income.

	For the six-month period end and as at June 30 (Unaudited)	
	2020	2019
SAMA Grant	154,150,000	-
SAMA funding for lending program	40,000,000	-
Grant income	(16,921,237)	-
Unwinding of SAMA Grant	1,908,859	-
	179,137,622	-

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:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Debt	435,947,452	237,514,796
Shareholders' equity	118,855,646	146,604,110
Debt to Equity Ratio	367%	162%