

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month and nine-month
periods ended 30 September 2018
together with the
Independent Auditors' Review Report



KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report On Review Of Interim Financial Statements

**To the Shareholders of
Leejam Sports Company- Saudi Joint Stock Company
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying 30 September 2018 condensed interim financial statements of **Leejam Sports Company** ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2018;
- the condensed statement of profit or loss for the three-month and nine-month periods ended 30 September 2018;
- the condensed statement of comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed statement of changes in equity for the nine month period ended 30 September 2018;
- the condensed statement of cash flows for the nine month period ended 30 September 2018; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is 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 the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is 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 that are 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 30 September 2018 condensed interim financial statements of Leejam Sports Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

Al Riyadh, 25 October 2018G
Corresponding to: 16 Safar 1440H



KPMG Al Fozan & Partners Certified Public Accountants, is a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

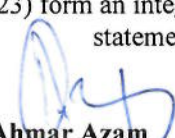
LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018
(Expressed in Saudi Arabian Riyals)

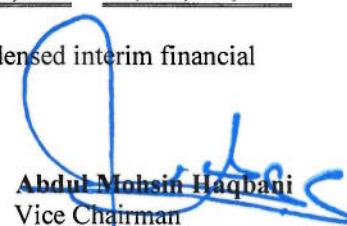
	<i>Notes</i>	30 September 2018 (Unaudited)	31 December 2017 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property and equipment	(4)	1,367,349,516	1,285,102,266
Goodwill		9,445,544	9,445,544
Investment in an unconsolidated subsidiary	(1a)	47,500	47,500
Long term prepayments		10,523,015	11,723,015
Total non-current assets		1,387,365,575	1,306,318,325
Current assets			
Prepayments and other assets	(5)	134,772,115	116,636,174
Due from a related party	(6)	--	35,450
Trade receivables	(7)	18,832,211	8,922,683
Short term investment		50,000,000	17,000,000
Cash and bank balances		40,178,639	56,021,973
Total current assets		243,782,965	198,616,280
Total assets		1,631,148,540	1,504,934,605
 <u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Share capital	(8)	523,833,610	523,833,610
Statutory reserve	(9)	30,043,379	17,419,888
Retained earnings		157,665,327	87,689,705
Total shareholders' equity		711,542,316	628,943,203
Liabilities			
Non-current liabilities			
Loans and borrowings – non-current	(10)	380,568,778	366,151,163
Defined benefit obligation – employee benefits		29,092,701	23,930,307
Deferred rent liability – non-current		57,551,804	53,128,602
Total non-current liabilities		467,213,283	443,210,072
Current liabilities			
Loans and borrowings – current	(10)	99,631,031	76,493,562
Deferred rent liability – current		3,937,887	3,167,641
Accounts payable		25,737,680	37,305,070
Accrued expenses and other liabilities		64,055,763	49,751,780
Deferred revenue		255,671,881	261,575,595
Provision for Zakat	(11)	3,358,699	4,487,682
Total current liabilities		452,392,941	432,781,330
Total liabilities		919,606,224	875,991,402
Total shareholders' equity and liabilities		1,631,148,540	1,504,934,605

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

So

Waris Sarfaraz
Finance Manager


Ahmar Azam
Chief Executive Officer


Abdul Mohsin Haqqani
Vice Chairman


LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF PROFIT OR LOSS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2018 (Unaudited)	2017 (Audited)	2018 (Unaudited)	2017 (Audited)
Revenue	(12)	210,291,296	184,832,957	574,806,874	538,438,643
Costs of revenue	(13)	(124,513,073)	(114,207,557)	(363,584,278)	(330,709,221)
Gross profit		85,778,223	70,625,400	211,222,596	207,729,422
Advertising and marketing expenses		(4,417,583)	(6,757,079)	(16,414,807)	(19,549,605)
General and administrative expenses		(22,493,897)	(16,858,648)	(58,120,964)	(50,562,362)
Other income		2,091,752	1,509,714	7,073,741	3,344,034
Operating profit		60,958,495	48,519,387	143,760,566	140,961,489
Finance costs		(5,676,018)	(5,425,586)	(15,590,467)	(13,169,827)
Net profit before Zakat		55,282,477	43,093,801	128,170,099	127,791,662
Zakat	(11)	(1,519,876)	82,423	(1,935,188)	(2,084,548)
Net profit for the period		53,762,601	43,176,224	126,234,911	125,707,114
Earnings per share	(14)	1.03	0.82	2.41	2.40

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

Soe

Waris Sarfaraz
Finance Manager


Ahmar Azam
Chief Executive Officer


Abdul Mohsin Haqbani
Vice Chairman

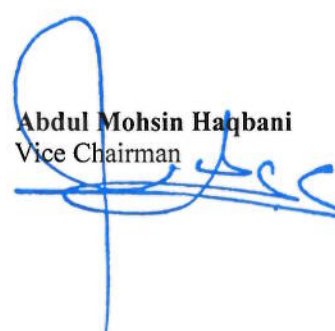
LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

	For the three month period ended 30 September		For the nine month period ended 30 September	
	<u>2018</u> (Unaudited)	<u>2017</u> (Audited)	<u>2018</u> (Unaudited)	<u>2017</u> (Audited)
Net profit for the period	53,762,601	43,176,224	126,234,911	125,707,114
<i>Other comprehensive loss</i>				
<i>Items that will not be reclassified to profit or loss</i>				
Re-measurement of actuarial losses on defined benefit obligation – employee benefits	<u>(231,227)</u>	<u>(194,195)</u>	<u>(693,675)</u>	<u>(582,585)</u>
Total comprehensive income for the period	<u>53,531,374</u>	<u>42,982,029</u>	<u>125,541,236</u>	<u>125,124,529</u>

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.


Waris Sarfaraz
Finance Manager


Ahmar Azam
Chief Executive Officer


Abdul Mohsin Haqqani
Vice Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2017 – (audited)	195,000,000	64,497,724	264,266,835	523,764,559
Net profit for the period – (audited)	--	--	125,707,114	125,707,114
Other comprehensive loss – (audited)	--	--	(582,585)	(582,585)
Total comprehensive income for the period	--	--	125,124,529	125,124,529
Transfer to statutory reserve	--	12,570,711	(12,570,711)	--
Increase in share capital	328,833,610	(64,497,724)	(264,335,886)	--
Interim dividend declared for Q1 2017	--	--	(25,119,010)	(25,119,010)
Interim dividend declared for Q2 2017	--	--	(19,781,332)	(19,781,332)
Total interim dividend declared during the period	--	--	(44,900,342)	(44,900,342)
Balance as at 30 September 2017 - audited	523,833,610	12,570,711	67,584,425	603,988,746
Balance as at 1 January 2018 - audited	523,833,610	17,419,888	87,689,705	628,943,203
Net profit for the period – (unaudited)	--	--	126,234,911	126,234,911
Other comprehensive loss– (unaudited)	--	--	(693,675)	(693,675)
Total comprehensive income for the period	--	--	125,541,236	125,541,236
Transfer to statutory reserve	--	12,623,491	(12,623,491)	--
Final dividend declared for 2017	--	--	(25,417,116)	(25,417,116)
Interim dividend declared for Q1 2018	--	--	(17,525,007)	(17,525,007)
Total interim dividend declared during the period	--	--	(42,942,123)	(42,942,123)
Balance as at 30 September 2018 – (unaudited)	523,833,610	30,043,379	157,665,327	711,542,316

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.



Waris Sarfaraz
Finance Manager



Ahmar Azam
Chief Executive Officer

Abdul Mohsin Haqbani
Vice Chairman



LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS
For the nine month period ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

	For the nine month period ended 30 September 2018 (Unaudited)	For the nine month period ended 30 September 2017 (Audited)
	<i>Notes</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before Zakat	128,170,099	127,791,662
<i>Adjustments for non-cash items:</i>		
Depreciation	80,817,064	69,435,385
Property and equipment written off – net	4,329,976	370,297
Charge / (reversal) of allowance for impairment in trade receivables, net	872,156	(1,198,559)
Reversal of provision for advances to suppliers and contractors	--	(223,948)
Reversal of provision for other current assets	--	(449,000)
Employee benefits	5,341,817	4,639,323
	219,531,112	200,365,160
<i>Changes in operating assets and liabilities</i>		
Increase in prepayments and other assets	(16,935,941)	(38,665,163)
Increase in trade receivables	(10,781,684)	(1,699,434)
Increase in deferred rentals	5,193,448	2,512,492
(Decrease) / increase in accounts payable	(11,531,940)	2,971,351
Increase in accrued expenses and other liabilities	14,303,983	17,324,218
(Decrease) / increase in deferred revenue	(5,903,714)	31,832,807
<i>Cash from operations</i>	193,875,264	214,641,431
Employee benefits paid	(873,098)	(509,728)
Zakat paid	(3,064,171)	(5,474,884)
Net cash generated from operating activities	189,937,995	208,656,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(168,267,234)	(181,064,808)
Sale proceeds of assets disposed off	872,944	33,000
Net cash used in investing activities	(167,394,290)	(181,031,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(42,942,123)	(77,498,393)
Proceeds from loans and borrowings	131,490,765	105,471,334
Repayments of loans and borrowings	(93,935,681)	(70,196,881)
Net cash used in financing activities	(5,387,039)	(42,223,940)
Net increase / (decrease) in cash and cash equivalents	17,156,666	(14,598,929)
Cash and cash equivalents at beginning of the period	73,021,973	111,608,616
Cash and cash equivalents at the end of the period	90,178,639	97,009,687

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.


Waris Sarfaraz
Finance Manager


Ahmar Azam
Chief Executive Officer


Abdul Mohsin Haqbani
Vice Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES

Leejam Sport Company ("the Company") (previously incorporated in the Kingdom of Saudi Arabia as a closed joint stock company), is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange with effect from 10 September 2018. The Company was established in accordance with the Ministry of Commerce and Industry resolution No. 146/S dated 29 Rabie II, 1429H (May 6, 2008) and registered under commercial registration number 4030180323 dated 19 Jumada II 1429H. In 2012, the Company's head office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration number 1010337986 dated 14 Jumada II, 1433H (May 6, 2012).

The Company has following branches, which are operating under a separate CRs;

<u>Location</u>	<u>C.R.</u>	<u>Date</u>
Riyadh	1010337986	14/6/1433H
Riyadh	1010439237	11/2/1437H
Riyadh	1010439239	11/2/1437H
Dammam	2050108503	15/5/1437H
Jaizan	5900035652	21/3/1438H
Jeddah	4030248720	23/7/1434H
Jeddah	4030180323	19/6/1429H
Najran	5950032239	2/3/1437H
Taif	4032050910	29/1/1438H
Riyadh	1010612788	13/02/1439H
Jubail	2055025936	07/08/1438H
AlDirirya	1010934125	25/05/1439H

UAE trade licenses:

- Dubai Branch	724509	21/3/1436H
- Rashidya Branch (Ajman)	78538	21/11/1437H
- Ras Al-Khaimah Branch	41352	16/7/1438H

The objectives of the Company are the construction, management and operation of sports and entertaining centers and wholesale and retail trading in sports' clothes and equipment and owning real estate and constructing buildings necessary to achieve its purposes and advertising, construction, management and owning hotels and furnished apartments and other activities that the Company needs to use. The Company's current activity is confined to managing sport centers according to the Deputy General President for Sport Affairs letter No.549 and renting out premises.

- a) The Company acquired 95% of the outstanding shares of Fitness Time for Trading Company Limited in order to acquire the trademark "Fitness Time", owned by it and registered the same under the Company's name with the Ministry of Commerce & Industry/Department of trademark registration under the registration certificate number 142905699 originally dated 1429/05/22. The trademark is renewable for a period of 10 years or periods at the option of the Company for a nominal fee. Fitness Time discontinued its operations after the trademark was transferred to the Company. The management believes that Fitness Time is immaterial to the Company hence; do not consolidate the results of operations of Fitness Time and its financial position in the condensed interim financial statements of the Company.

The address of the Company's registered office is as follows:

Thumamah Street
PO Box 295245
Riyadh 11351
Kingdom of Saudi Arabia.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements ("interim financial statements") have been prepared in accordance with *IAS 34 Interim Financial Reporting* that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2017 ("last annual Financial Statements"). These condensed interim financial statements do not include all of the information required for a complete set of IFRS Financial Statements. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance since the last annual Financial Statements.

The comparative figures presented in the statement of profit or loss, comprehensive income, change in equity and cash flows, and the related notes thereto, are audited.

Significant changes from the last annual financial statements are described in Note 3.

(b) Basis of measurement

These interim financial statements have been prepared on a going concern basis under the historical cost convention.

(c) Functional and presentation currency

These interim financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of these interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are described in note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2017, except as described below for the application of new accounting standards being effective from 01 January 2018.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

The Company has initially applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (see a) and (see b) from 1 January 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect of initially applying these standards is explained below:

a. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has no effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. The Company has no such equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018.
(Expressed in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. IFRS 9 Financial Instruments (continued)

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Company has no such assets.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Company has its financial assets under this category as disclosed in table below.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Company has no such investments.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Company has no such investments.

The following table explains the classification and measurement of the financial assets of the Company under IAS 39 and IFRS 9.

<u>Financial Assets</u>	<u>Classified as loans and receivables under IAS 39</u> <u>As of 31 December 2017</u>	<u>Classified as "At Amortized Cost" under IFRS 9</u> <u>As at 1 January 2018</u>
Other assets	2,731,318	2,731,318
Due from a related party	35,450	35,450
Trade receivables	11,308,156	11,308,156
Short term investment	17,000,000	17,000,000
Bank balances	53,157,747	53,157,747

There is no material effect of adopting IFRS 9 financial instruments on Company's interim financial statements.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. IFRS 9 Financial Instruments (continued)

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of short term investment, bank balances, trade receivables, due from a related party and other assets.

Under IFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances and short term investments, for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Company has elected to measure loss allowances for trade receivables and other assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 1 year past due.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Company recognizes revenue as and when services to the customers are rendered, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting IFRS 15 on the recognition of Revenue of the Company.

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

There are no impact of adopting IFRS 15 on the Company's condensed statement of financial position as of 30 September 2018 and condensed statement of profit or loss and other comprehensive income for the nine months period ended 30 September 2018.

c. New Standards, Amendments and Standards issued and not yet effective:

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these interim financial statements.

i. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted.

The Company is currently assessing the potential impact of adopting IFRS 16 on its financial statements.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. IFRS 16 Leases (continued)

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019.

As a lessor, the Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

ii. Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 – Uncertainty over tax treatments
- Prepayment features with negative compensation (amendments to IFRS 9)
- Long term interests in associates and joint ventures (amendments to IAS 28)
- Planned amendments, curtailments or settlement (amendments to IAS 19)
- Annual Improvements to IFRSs 2015–2017 Cycle – various standards.
- Amendments to reference to conceptual framework in IFRS standard.
- IFRS 17 – Insurance contracts.

4. PROPERTY AND EQUIPMENT

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Cost:		
Balance at beginning of the period / year	1,674,811,122	1,453,478,847
Additions during the period / year	168,267,234	241,146,797
Disposals/Write offs during the period / year (Note 4.1)	<u>(11,470,987)</u>	<u>(19,814,522)</u>
Balance at end of the period / year	<u>1,831,607,369</u>	<u>1,674,811,122</u>
Accumulated depreciation:		
Balance at beginning of the period / year	(389,708,856)	(307,555,089)
Charge for the period / year	(80,817,064)	(95,112,150)
Eliminated on disposal / write offs	<u>6,268,067</u>	<u>12,958,383</u>
Balance at end of the period / year	<u>(464,257,853)</u>	<u>(389,708,856)</u>
Net book value	<u>1,367,349,516</u>	<u>1,285,102,266</u>

- 4.1 The charge in respect of write offs of property and equipment is included in the general and administrative expenses, net off of disposal proceeds.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

5. PREPAYMENTS AND OTHER ASSETS

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Prepaid expenses:		
- Rent	40,398,766	40,380,914
- Housing	2,366,629	4,502,607
- Others	11,555,190	5,304,694
- Current portion of long term prepayment	1,200,000	1,200,000
	<u>55,520,585</u>	<u>51,388,215</u>
Advances to suppliers and contractors	64,455,844	50,517,116
Consumables	13,615,496	13,231,143
Initial public offering cost recoverable from existing shareholders (Note 5.1)	-	175,000
Other receivables	2,411,808	2,556,318
Impairment allowance for doubtful receivables	(1,231,618)	(1,231,618)
	<u>1,180,190</u>	<u>1,324,700</u>
	<u>134,772,115</u>	<u>116,636,174</u>

5.1. This represented consultancy fees and other similar expenses incurred in relation to the initial public offering (IPO) of the Company, agreed to be borne by the shareholders. The Company incurred cost of SAR 8.13 million in this respect which has been fully recovered through;

- a) deduction of SAR 0.71 million from dividends; and
- b) funds provided by existing shareholders from IPO proceeds they received.

The unpaid invoices of IPO costs are included in accrued expenses & other liabilities balances amounting to SAR 4.97 million as of 30 September 2018 and will be paid by the Company out of the amounts received from shareholders as explained above.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of its shareholders, unconsolidated subsidiary company, key management personnel and other affiliates having common shareholders. The transactions with related parties are carried out in ordinary course of business and are based on terms mutually agreed between the parties. In addition, the Company has also disclosed its transactions and balances with companies under common directorship.

During the period, the significant transactions with these related parties are as follows:

	For the nine month period ended 30 September 2018 <u>(Unaudited)</u>	For the nine month period ended 30 September 2017 <u>(Audited)</u>
Remuneration of key management personnel	11,585,195	11,294,605
Lease rentals paid to a shareholder	3,400,000	3,400,000
Initial public offering cost recovered / recoverable from shareholders (Note 5.1)	8,136,185	2,199,828
Purchase of sports equipment from companies where shareholders have interest		
- Sporta Spa and Fitness Equipment	2,852,325	1,572,605
Sales to companies under common directorship:		
- Etihad Etisalat Company (Mobily)	-	2,691,370
- Al Elm Information Security	2,311,827	2,496,447
- The Mediterranean and Gulf Cooperation (MEDGULF)	490,920	761,163
Proceeds from disposal of sports equipment to Sporta Spa and Fitness Equipment	828,302	294,700
Custom clearance services received from Skat logistics	1,688,368	4,114,965
Car rental services received from Theeb – rent a car	843,943	437,150
Construction services received from Fidwah Contractor	2,979,232	210,030

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The above transactions resulted in the following balances with these related parties:

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
<u>Due from a related party</u>		
Fitness Time For Trading Company Limited	—	35,450
<u>Advances to related parties included in prepayments and other assets</u>		
Skat Logistics	574,439	419,583
Fidwah Contractor	1,123,954	438,453
Sporta Spa and Fitness Equipment	2,280,425	751,779
	<u>3,978,818</u>	<u>1,609,815</u>
<u>Payables to related parties included in accounts payable</u>		
Theeb – rent a car	88,821	—
<u>Receivable from companies under common directorship, included in trade receivables</u>		
- Etihad Etisalat Company (Mobily)	—	197,330
- Al Elm Information security	928,102	664,572
- The Mediterranean and Gulf Cooperation (MEDGULF)	138,174	—
	<u>1,066,276</u>	<u>861,902</u>

7. TRADE RECEIVABLES

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Subscriptions and membership receivables	15,621,938	8,159,607
Rental receivables	6,467,902	3,148,549
	<u>22,089,840</u>	<u>11,308,156</u>
Allowance for impairment (Note 7.1)		
- Subscriptions and membership receivables	(232,312)	(625,976)
- Rentals receivables	(3,025,317)	(1,759,497)
	<u>(3,257,629)</u>	<u>(2,385,473)</u>
	<u>18,832,211</u>	<u>8,922,683</u>

7.1. Movement in allowance for impairment in trade receivables is as follows:

	30 September 2018 <u>(Unaudited)</u>		31 December 2017 <u>(Audited)</u>	
	Subscription and membership receivables	Rental receivables	Subscription and membership receivables	Rental receivables
Balance at beginning of the period/year (Reversal) / Charge for the period / year	625,976	1,759,497	3,812,679	911,270
	(393,664)	1,265,820	(2,876,222)	848,227
	232,312	3,025,317	936,457	1,759,497
Write-off against provision	—	—	(310,481)	—
Balance at end of the period / year	<u>232,312</u>	<u>3,025,317</u>	<u>625,976</u>	<u>1,759,497</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

8. SHARE CAPITAL

The share capital of the Company is SAR 523.8 million (December 2017: SAR 523.8 million) divided into 52.3 million (December 2017: 52.3 million) shares with a nominal value of SAR 10 each. Out of the total issued capital, 30% of the shares are traded on Saudi Stock Exchange with effect from 10 September 2018.

9. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to set aside 10% of its net income to statutory reserve until such reserve equals to 30% of the share capital.

The statutory reserve is not available for distribution to the shareholders. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital.

10. LOANS AND BORROWINGS

The Company has credit facilities from local banks in the form of short-term and long-term loans, letters of credit and letters of guarantee.

These facilities are subject to various floating commission rates ranging from SIBOR + 1.5% to SIBOR + 2% and fixed commission rates ranging from 3.4% to 5.17%. These facilities are secured by promissory notes and unconditional personal guarantees issued by some major shareholders of the Company. These facilities are due to mature on or before 01 May 2025 and have been classified into current and non-current based on their contractual maturities.

As of 30 September 2018, 46% of the total loans and borrowings are obtained under floating commission rate arrangements and 54% under fixed commission rates.

The following amounts are outstanding in relation to these facilities:

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Non-current liabilities		
Non-current portion of long term loans	380,568,778	366,151,163
Current liabilities		
Current portion of long term loans	99,631,031	76,493,562
Total loans and borrowings	<u>480,199,809</u>	<u>442,644,725</u>

11. ZAKAT

Provision for Zakat

The principal elements of the Company's Zakat base for the period / year are as follows:

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Share capital	523,833,610	523,833,610
Retained earnings	157,665,327	87,689,705
Reserves	30,043,379	17,419,888
Adjusted income for the period / year	86,860,590	118,090,289
Non-current assets	1,387,365,575	1,306,318,325

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

11 ZAKAT (CONTINUED)

The movement in provision for Zakat is as follow:

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Balance at beginning of the period / year	4,487,682	6,613,663
Charge for the period / year	3,358,699	4,487,682
Reversal in respect of excess provision	<u>(1,423,511)</u>	<u>(1,138,779)</u>
	1,935,188	3,348,903
Paid during the period / year	<u>(3,064,171)</u>	<u>(5,474,884)</u>
Balance at end of the period / year	<u>3,358,699</u>	<u>4,487,682</u>

Status of final Zakat assessments

The Company has submitted Zakat returns for the years up to 2017. The Company has received Zakat certificates from the General Authority of Zakat and Income Tax ("GAZT") for all the years upto 31 December 2017 and has received final assessments from GAZT for the years upto 2015.

12. REVENUE

	For the nine month period ended 30 September	
	2018 <u>(Unaudited)</u>	2017 <u>(Audited)</u>
Revenue		
- Subscriptions and membership income	526,663,158	497,993,984
- Personal training	40,491,625	32,452,017
- Rentals	<u>7,652,091</u>	<u>7,992,642</u>
	<u>574,806,874</u>	<u>538,438,643</u>

13. COSTS OF REVENUE

	For the nine month period ended 30 September	
	2018 <u>(Unaudited)</u>	2017 <u>(Audited)</u>
Salaries and related benefits	127,184,925	114,819,237
Depreciation	77,830,282	67,005,469
Rent expenses	58,211,223	53,785,962
Water and electricity	45,323,627	45,804,435
Cleaning and services expenses	27,394,883	24,801,177
Consumables	8,565,455	6,694,460
Maintenance and repair	4,700,032	6,175,736
Governmental and recruiting expenses	5,332,468	4,485,808
Security and safety	2,742,632	1,934,492
Stationery	1,568,125	1,410,312
Others	<u>4,730,626</u>	<u>3,792,133</u>
	<u>363,584,278</u>	<u>330,709,221</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period ended 30 September 2018 and 30 September 2017, by the weighted average number of shares outstanding at the end of the respective period, which consisted of 52.38 million shares as at 30 September 2018 (30 September 2017: 52.38 million shares).

The weighted average number of shares for the periods ended 30 September 2018 and 30 September 2017, have been arrived at by taking the effect of increase in the share capital from the beginning of the earliest period presented (i.e. 1 January 2017), in order to comply with the requirements of IAS 33.

Weighted average number of shares

Number of issued shares on 1 January 2017	19,500,000
Effect of increase in share capital	32,883,361
Weighted average number of shares on 1 January 2017	<u>52,383,361</u>

15. COMMITMENTS AND CONTINGENCIES

The Company has capital commitments for contracts for setting up fitness centers amounting to SAR 149.6 million (31 December 2017: SAR 56.7 million) and letters of guarantees issued amounting to SAR 4.05 million (31 December 2017: SAR 4.6 million) against land lease.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Less than one year	98,954,418	86,604,638
More than one year and less than five years	399,629,165	386,492,569
More than five years	842,816,832	872,894,782
	<u>1,341,400,415</u>	<u>1,345,991,989</u>

16. CASH AND CASH EQUIVALENTS

	30 September 2018 <u>(Unaudited)</u>	30 September 2017 <u>(Audited)</u>
Short term investment	50,000,000	42,000,000
Cash and bank balances	40,178,639	55,009,687
	<u>90,178,639</u>	<u>97,009,687</u>

17. DIVIDEND

The Board of Directors, in their meetings held on 26 February 2018 and 1 May 2018, recommended the distribution of SAR 25.42 million as final dividend for 2017 and SAR 17.52 million as interim dividend for the period ended 31 March 2018.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

18. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the Board of Directors. The Company's activities consist solely of the provision of high quality health, fitness facilities and personal training services.

For management purposes, the Company is organized into business units based on their geographical distribution and market segmentation (male and female centers).

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the interim financial statements.

<u>Geographical Segments</u>					
<u>For the period ended 30 September 2018 – Unaudited</u>	<u>Headquarter & Central Region</u>	<u>Western Region</u>	<u>Eastern Region</u>	<u>International Region - UAE</u>	<u>Total</u>
Revenue	283,260,893	189,107,565	89,167,278	13,271,138	574,806,874
Costs of revenue	(167,054,135)	(126,252,093)	(58,048,869)	(12,229,181)	(363,584,278)
Gross profit	116,206,758	62,855,472	31,118,409	1,041,957	211,222,596
Comprehensive income	69,372,028	37,522,875	18,576,778	69,555	125,541,236
Depreciation	(35,047,764)	(30,039,670)	(13,106,532)	(2,623,098)	(80,817,064)
<u>As at 30 Sept 2018 - Unaudited</u>					
Total assets	749,244,150	592,553,432	234,478,972	54,871,986	1,631,148,540
Total liabilities	540,546,097	269,980,379	75,264,749	33,814,999	919,606,224
<u>Geographical Segments</u>					
<u>For the period ended 30 September 2017 – Audited</u>	<u>Headquarter & Central Region</u>	<u>Western Region</u>	<u>Eastern Region</u>	<u>International Region - UAE</u>	<u>Total</u>
Revenue	275,246,141	186,525,908	67,295,008	9,371,586	538,438,643
Costs of revenue	(153,035,414)	(117,639,679)	(48,938,153)	(11,095,975)	(330,709,221)
Gross profit/ (loss)	122,210,727	68,886,229	18,356,855	(1,724,389)	207,729,422
Comprehensive income/ (loss)	74,654,592	42,080,376	11,213,611	(2,824,050)	125,124,529
Depreciation	(32,059,672)	(25,068,712)	(10,503,398)	(1,803,603)	(69,435,385)
<u>As at 31 December 2017 - Audited</u>					
Total assets	697,462,068	538,629,876	212,809,390	56,033,271	1,504,934,605
Total liabilities	563,603,624	243,572,840	34,782,401	34,032,537	875,991,402

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

18. OPERATING SEGMENTS (CONTINUED)

	Market Segments					
	For the nine month period ended 30 September		For the nine month period ended 30 September		For the nine month period ended 30 September	
	2018	2017	2018	2017	2018	2017
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	Male Fitness Centers		Female Fitness Centers		Total	
Revenue	497,728,943	534,539,069	77,077,931	3,899,574	574,806,874	538,438,643
Costs of revenue	(325,089,264)	(328,222,124)	(38,495,014)	(2,487,097)	(363,584,278)	(330,709,221)
Gross profit	172,639,679	206,316,945	38,582,917	1,412,477	211,222,596	207,729,422
Comprehensive income	88,707,432	124,427,315	36,833,804	697,214	125,541,236	125,124,529
Depreciation	72,776,310	69,136,119	8,040,754	299,266	80,817,064	69,435,385

19. DETERMINATION OF FAIR VALUES

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purpose on the basis of accounting policies disclosed in the interim financial statements. At the reporting date, carrying value of the Company's financial and non-financial assets and liabilities reasonably approximate to their fair value.

20. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from financial instruments:

- (i) Credit risk;
- (ii) Liquidity risk; and
- (iii) Market risk.

Risk management framework

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to credit, liquidity and market risks.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors / Audit Committee

The apex of risk governance is the centralised oversight of the Board of Directors and Audit Committee providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management of the Company represented by CXO's are responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

(i) Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from Company's receivables and balances with banks.

Management of credit risk

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

Exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
<i>Financial assets</i>		
Other assets* (note 5)	2,411,808	2,731,318
Due from a related party (note 6)	---	35,450
Trade receivables, gross (note 7)	22,089,840	11,308,156
Short term investment	50,000,000	17,000,000
Bank balances	<u>37,537,769</u>	<u>53,157,747</u>
	<u>112,039,417</u>	<u>84,232,671</u>

* This includes IPO cost recoverable from shareholders amounting to Nil (31 December 2017: SAR 0.175 million) and other receivables amounting to SAR 2.412 million (31 December 2017: SAR 2.556 million).

Other current assets

The management believes that the Company is not significantly exposed to credit risk on its other current assets. The Company believes that unimpaired amounts that are past due by more than 30 days are still collectible in full based on historical behavior and extensive analysis of customer credit risk.

Trade receivables

The ageing of trade receivables that were not impaired at the reporting date is as follows:

	30 September 2018 <u>(Unaudited)</u>	31 December 2017 <u>(Audited)</u>
Neither past due nor impaired	13,236,101	6,451,372
Past due but not impaired:		
0-30 days	1,323,849	1,753,201
31-60 days	716,624	331,517
61-90 days	1,533,273	115,205
> 90 days	<u>2,022,364</u>	<u>271,388</u>
Total receivables	<u>18,832,211</u>	<u>8,922,683</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk (continued)

The credit quality of trade receivables is assessed based on a credit policy established by the Company. The Company monitors customer credit risk by grouping trade receivables based on their characteristics.

Cash and cash equivalents

The Company held balances with banks of SAR 37,537,769 and short term investment of SAR 50,000,000 as at 30 September 2018, which represents their maximum exposure on these assets. These balances are held with banks having strong credit rating.

Geographical concentration of risk of financial assets with credit risk exposure

The Company is not exposed to significant credit risk based on its geographical concentration as the Company's operations are principally based in the Kingdom of Saudi Arabia and all financial assets carrying credit risk are concentrated within the Kingdom of Saudi Arabia except for immaterial balance with a bank in United Arab Emirates.

(ii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company limits its liquidity risk by monitoring its funding requirements and ensuring that bank facilities are available.

As at 30 September 2018, current liabilities of the Company have exceeded its current assets by SAR 208.61 million. However, the current liabilities includes SAR 255.67 million of deferred revenue representing subscription fee received in advance, SAR 3.94 million of deferred rentals and SAR 2.03 million of advances from customers, which the Company does not expect and is not legally required to repay as at 30 September 2018. Further, the Company has unutilized banking facility of SAR 45 million as of 30 September 2018, which the management can avail in case of any shortfall. Therefore, the Company is not exposed to any significant liquidity risk in the foreseeable future.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 30 September 2018 based on contractual undiscounted gross cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

Analysis of financial liabilities by remaining contractual maturities

30 September 2018 (Unaudited)	<i>Within 3 Months</i>	<i>3 to 12 months</i>	<i>1 to 5 Years (SAR)</i>	<i>No fixed maturity</i>	<i>Total</i>
Loans and borrowing*	28,171,259	94,279,177	416,419,114	--	538,869,550
Accounts payables	25,737,680	--	--	--	25,737,680
Accrued expenses and other liabilities	62,023,604	--	--	--	62,023,604
	<u>115,932,543</u>	<u>94,279,177</u>	<u>416,419,114</u>	<u>--</u>	<u>626,630,834</u>
	<i>Within 3 Months</i>	<i>3 to 12 months</i>	<i>1 to 5 Years (SAR)</i>	<i>No fixed maturity</i>	<i>Total</i>
31 December 2017 (Audited)					
Loans and borrowing*	23,199,347	71,203,737	401,114,929	--	495,518,013
Accounts payables	37,305,070	--	--	--	37,305,070
Accrued expenses and other liabilities	48,646,988	--	--	--	48,646,988
	<u>109,151,405</u>	<u>71,203,737</u>	<u>401,114,929</u>	<u>--</u>	<u>581,470,071</u>

* The loan and borrowing include finance cost of SAR 58.67 million (31 December 2017: SAR 52.87 million).

(iii) Market risk.

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates and foreign exchange rates. A significant portion of the loans and borrowings of the Company is subject to a fixed mark-up rate, hence the Company is not significantly exposed to any changes in the market mark-up rate. Further, these loans and borrowings are carried at amortized cost and hence the Company is not exposed to changes in their fair values.

21. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the growth of business, asset quality risks and return on capital as well as the level of dividends to shareholders.

The Board of Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital using a ratio of net debt to equity. For this purpose, net debt is defined as total liabilities, comprising commission-bearing loans and borrowings less cash and cash equivalents. Equity comprises all components of equity.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2018
(Expressed in Saudi Arabian Riyals)

22. CORRESPONDING FIGURES

Certain corresponding figures in these interim financial statements have been rearranged and reclassified, wherever necessary, for better presentation and disclosures. However, impact of these adjustments are not material to these interim financial statements.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 25 October 2018, corresponding to 16 Safar 1440H.