

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month period ended 31 March 2019
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 auditor's report on review of condensed interim financial statements

To the Shareholders of Leejam Sports Company

Introduction

We have reviewed the accompanying 31 March 2019 condensed interim financial statements of Leejam Sports Company ("the Company") which comprises:

- the condensed statement of financial position as at 31 March 2019;
- the condensed statement of profit or loss for the three-month period ended 31 March 2019;
- the condensed statement of comprehensive income for the three-month period ended 31 March 2019;
- the condensed statement of changes in equity for the three-month period ended 31 March 2019;
- the condensed statement of cash flows for the three-month period ended 31 March 2019 ; 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 31 March 2019 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

Dr. Abdullah Hamad Al Fozan
License No: 348

Al Riyadh, 9 May 2019
Corresponding to: 4 Ramadhan 1440



LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Expressed in Saudi Arabian Riyals)

<u>ASSETS</u>	<u>Notes</u>	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Non-current assets			
Property and equipment	(5)	1,444,868,421	1,418,514,216
Right-of-use assets	(3)	885,178,507	--
Goodwill		9,445,544	9,445,544
Long term prepayments		--	10,523,015
Long term trade receivable		2,224,566	881,747
Total non-current assets		2,341,717,038	1,439,364,522
Current assets			
Prepayments and other assets	(6)	69,007,574	130,416,810
Trade receivables	(8)	20,677,645	19,435,753
Cash and bank balances		19,380,900	19,415,381
Total current assets		109,066,119	169,267,944
Total assets		2,450,783,157	1,608,632,466
 <u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Share capital	(9)	523,833,610	523,833,610
Statutory reserve	(10)	39,388,803	35,429,133
Retained earnings		66,847,464	154,405,707
Total shareholders' equity		630,069,877	713,668,450
Liabilities			
Non-current liabilities			
Loans and borrowings – non-current	(11)	368,394,887	376,323,389
Lease liability on right-of-use assets – non-current	(3)	926,174,009	--
Defined benefit obligation – employee benefits		29,069,035	27,426,552
Deferred rent liability – non-current	(3)	--	60,891,074
Total non-current liabilities		1,323,637,931	464,641,015
Current liabilities			
Loans and borrowings – current	(11)	116,880,491	107,853,383
Lease liability on right-of-use assets– current	(3)	50,905,704	--
Deferred rent liability – current	(3)	--	3,700,268
Accounts payable		41,919,736	36,554,283
Accrued expenses and other liabilities		39,696,482	35,604,298
Deferred revenue		243,292,553	243,228,177
Provision for Zakat	(12)	4,380,383	3,382,592
Total current liabilities		497,075,349	430,323,001
Total liabilities		1,820,713,280	894,964,016
Total shareholders' equity and liabilities		2,450,783,157	1,608,632,466

The accompanying notes (1) to (24) form an integral part of these condensed interim financial statements.


Waris Sarfaraz
Finance Director



Ahmar Azam
Chief Executive Officer

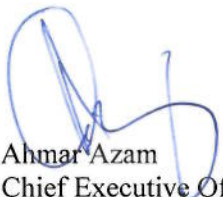

Ali Hamad AlSagri
Chairman


LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF PROFIT OR LOSS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	For the three month period ended 31 March 2019 <u>(Unaudited)</u>	For the three month period ended 31 March 2018 <u>(Unaudited)</u>
Revenue	(13)	217,316,661	177,525,194
Costs of revenue	(14)	<u>(142,222,476)</u>	<u>(119,283,431)</u>
Gross profit		75,094,185	58,241,763
Advertising and marketing expenses		(3,610,145)	(5,965,030)
General and administrative expenses		(20,165,267)	(17,698,058)
Impairment loss on trade receivables		(140,000)	(149,014)
Other income		<u>2,379,001</u>	<u>2,619,442</u>
Operating profit		53,557,774	37,049,103
Finance costs	(15)	<u>(12,963,280)</u>	<u>(4,836,947)</u>
Net profit before Zakat		40,594,494	32,212,156
Zakat	(12)	<u>(997,791)</u>	<u>498,476</u>
Net profit for the period		<u>39,596,703</u>	<u>32,710,632</u>
Earnings per share	(16)	<u>0.76</u>	<u>0.62</u>

The accompanying notes (1) to (24) form an integral part of these condensed interim financial statements.


Waris Sarfaraz
Finance Director


Ahmar Azam
Chief Executive Officer

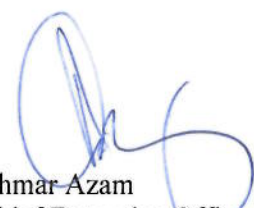

Ali Hamad AlSagri
Chairman

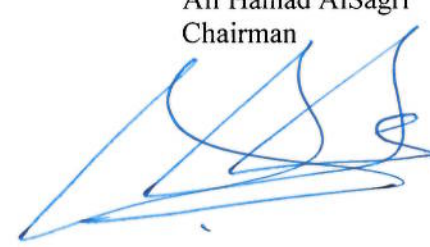
LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

	For the three month period ended 31 March 2019 <u>(Unaudited)</u>	For the three month period ended 31 March 2018 <u>(Unaudited)</u>
Net profit for the period	39,596,703	32,710,632
<i>Other comprehensive income / (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>(549,859)</u>	<u>(231,224)</u>
Total comprehensive income for the period	<u>39,046,844</u>	<u>32,479,408</u>

The accompanying notes (1) to (24) form an integral part of these condensed interim financial statements.


Waris Sarfaraz
Finance Director


Ahmar Azam
Chief Executive Officer


Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2019
(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 2018 – (audited)	523,833,610	17,419,888	87,689,705	628,943,203
Net profit for the period – (unaudited)	--	--	32,710,632	32,710,632
Other comprehensive loss – (unaudited)	--	--	(231,224)	(231,224)
Total comprehensive income for the period	--	--	32,479,408	32,479,408
Transfer to statutory reserve	--	3,271,063	(3,271,063)	--
Final dividend declared for Q4 2017	--	--	(25,417,116)	(25,417,116)
Balance as at 31 March 2018 - unaudited	523,833,610	20,690,951	91,480,934	636,005,495
Balance as at 1 January 2019 – as previously reported	523,833,610	35,429,133	154,405,707	713,668,450
Adjustment on initial application of IFRS 16 (Note 3)	--	--	(94,465,804)	(94,465,804)
Adjusted balance as at 1 January 2019	523,833,610	35,429,133	59,939,903	619,202,646
Net profit for the period – (unaudited)	--	--	39,596,703	39,596,703
Other comprehensive loss– (unaudited)	--	--	(549,859)	(549,859)
Total comprehensive income for the period	--	--	39,046,844	39,046,844
Transfer to statutory reserve	--	3,959,670	(3,959,670)	--
Final dividend declared for Q4 2018	--	--	(28,179,613)	(28,179,613)
Balance as at 31 March 2019 – (unaudited)	523,833,610	39,388,803	66,847,464	630,069,877

The accompanying notes (1) to (24) form an integral part of these condensed interim financial statements.


Ahmar Azam
Chief Executive Officer


Waris Sarfaraz
Finance Director


Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS
For the three month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

	For the three month period ended 31 March 2019 (Unaudited)	For the three month period ended 31 March 2018 (Unaudited)
<i>Notes</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before Zakat	40,594,494	32,212,156
<i>Adjustments for:</i>		
Depreciation – property and equipment	30,933,364	26,429,622
Depreciation - right-of-use assets	14,821,561	--
Finance cost	12,963,280	4,836,947
Property and equipment written off – net	--	1,248,573
Gain on disposal of property and equipment	(18,860)	--
Charge of allowance for impairment in trade receivables, net	140,000	149,014
Employee benefits	1,490,787	1,627,983
	100,924,626	66,504,295
<i>Changes in:</i>		
- Prepayments and other assets	3,989,716	15,103,482
- Trade receivables	(2,724,711)	(4,483,765)
- Deferred rentals	--	1,129,087
- Accounts payable	5,365,453	(7,804,289)
- Accrued expenses and other liabilities	4,231,510	(363,360)
- Deferred revenue	64,376	(38,605,510)
<i>Cash generated from operations</i>	111,850,970	31,479,940
Employee benefits paid	(398,163)	(113,337)
Zakat paid	--	(13,254)
Net cash from operating activities	111,452,807	31,353,349
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(55,894,560)	(52,109,644)
Sale proceeds of assets disposed off	99,334	211,510
Net cash used in investing activities	(55,795,226)	(51,898,134)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	37,455,958	28,019,110
Repayments of loans and borrowings	(36,357,352)	(15,166,359)
Finance cost paid	(6,649,675)	(6,028,353)
Lease payments	(21,961,380)	--
Dividends paid	(28,179,613)	(25,417,116)
Net cash used in financing activities	(55,692,062)	(18,592,718)
Net decrease in cash and cash equivalents	(34,481)	(39,137,503)
Cash and cash equivalents at beginning of the period	19,415,381	73,021,973
Cash and cash equivalents at the end of the period	19,380,900	33,884,470

The accompanying notes (1) to (24) form an integral part of these condensed interim financial statements.

Waris Sarfaraz
Finance Director

Ahmar Azam
Chief Executive Officer

Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(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
Aldiriyah	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.

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 period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES (CONTINUED)

- 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.

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 2018 ("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.

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. Amounts in the descriptive notes are expressed to the nearest million Saudi Riyal.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

(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 the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 3.

3. CHANGES IN 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 2018, except as described below for the application of new accounting standards being effective from 1 January 2019.

The changes in accounting policies are also expected to be reflected in the Company's annual financial statements as at and for the year ending 31 December 2019.

The Company has adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's interim financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

b) As a lessee

As a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

c) Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of staff accommodations that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

d) Transition

Previously, the Company classified land leases as operating leases under IAS 17. These include land for fitness centers. The leases typically run for a period of 15 to 20 years. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to all its land lease for fitness centers.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Transition

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impacts on transition

On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in the financial statements	900,000,068
Lease liabilities on right-of-use assets	
- Current	(46,895,683)
- non-current	(944,218,996)
Adjustments for prepayments and advances	(67,942,535)
Adjustments for deferred rent liability	64,591,342
Retained earnings	<u>(94,465,804)</u>

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.362%.

Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	1,340,863,600
Adjustment for advance	(16,192,016)
Adjusted operating lease commitment	<u>1,324,671,584</u>
Discounted using the incremental borrowing rate at 1 January 2019	<u>991,114,679</u>
Lease liabilities recognised at 1 January 2019	<u>991,114,679</u>

Impact for the period ended 31 March 2019

Right-of-use assets	
Balance as at 1 January 2019	900,000,068
Depreciation charge for the period	(14,821,561)
Balance at the end of the period	<u>885,178,507</u>
Lease liabilities	
Balance as at 1 January 2019	991,114,679
Lease payments	(21,961,380)
Interest expense for the period	7,926,414
Balance at the end of the period	<u>977,079,713</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Transition (continued)

Amount recognized in the statement of profit or loss

	For the three month period ended 31 March 2019
Depreciation on right-of-use assets	(14,821,561)
Interest expense on lease liabilities (included in finance costs)	<u>(7,926,414)</u>
Total	<u>22,747,975</u>

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Effective date	New standards and amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards
	Definition of a Business (Amendments to IFRS 3)
	Definition of Material (Amendments to IAS 1 and IAS 8)
1 January 2021	IFRS 17 Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

5. PROPERTY AND EQUIPMENT

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Cost:		
Balance at beginning of the period / year	1,911,102,984	1,674,811,122
Additions during the period / year	57,368,043	248,953,266
Disposals / write offs during the period / year (Note 5.1)	<u>(782,960)</u>	<u>(12,661,404)</u>
Balance at end of the period / year	<u>1,967,688,067</u>	<u>1,911,102,984</u>
Accumulated depreciation:		
Balance at beginning of the period / year	(492,588,768)	(389,708,856)
Charge for the period / year	(30,933,364)	(109,585,988)
Eliminated on disposal / write offs	<u>702,486</u>	<u>6,706,076</u>
Balance at end of the period / year	<u>(522,819,646)</u>	<u>(492,588,768)</u>
Net book value	<u>1,444,868,421</u>	<u>1,418,514,216</u>

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

6. PREPAYMENTS AND OTHER ASSETS

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Prepaid expenses:		
- Rent (note 6.1)	--	45,533,731
- Housing	2,238,962	4,173,211
- Others	12,251,640	11,438,283
- Current portion of long term prepayment	<u>--</u>	<u>1,200,000</u>
	<u>14,490,602</u>	<u>62,345,225</u>
Advances to suppliers and contractors	35,952,197	51,527,462
Consumables	14,735,856	14,564,979
Other receivables	<u>5,060,537</u>	<u>3,210,762</u>
Impairment allowance for doubtful receivables	<u>(1,231,618)</u>	<u>(1,231,618)</u>
	<u>3,828,919</u>	<u>1,979,144</u>
	<u>69,007,574</u>	<u>130,416,810</u>

- 6.1. This has been adjusted against retained earnings as part of transition adjustments related to IFRS-16 (see note 3)

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise its shareholders having control or significant influence, unconsolidated subsidiary company and key management personnel. 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 three-month period ended 31 March 2019 <u>(Unaudited)</u>	For the three-month period ended 31 March 2018 <u>(Unaudited)</u>
Remuneration of directors and key management personnel	2,223,278	3,565,644
Lease rentals paid to a shareholder	3,400,000	3,400,000
Initial public offering cost recovered / recoverable from shareholders	--	700,624
Sales to companies under common directorship:		
- The Mediterranean and Gulf Cooperation (MEDGULF)	2,992	127,330
Sales to companies where shareholders had interest:		
- Al Sagri Holding	-	33,800

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

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
<u>Receivable from companies under common directorship, included in trade receivables</u>		
- The Mediterranean and Gulf Cooperation (MEDGULF)	<u>888</u>	<u>74,869</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

8. TRADE RECEIVABLES

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Subscriptions and membership receivables	17,987,033	16,904,420
Rental receivables	<u>7,443,559</u>	<u>7,144,280</u>
	25,430,592	24,048,700
Allowance for impairment (Note 8.1)		
- Subscriptions and membership receivables	(593,528)	(212,488)
- Rentals receivables	(4,159,419)	(4,400,459)
	<u>(4,752,947)</u>	<u>(4,612,947)</u>
	<u>20,677,645</u>	<u>19,435,753</u>

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

	For the three month period ended 31 March 2019 (Unaudited)		For the year ended 31 December 2018 (Audited)	
	Subscription and membership receivables	Rental receivables	Subscription and membership receivables	Rental receivables
Balance at beginning of the period / year	212,488	4,400,459	625,976	1,759,497
Charge / (reversal) for the period / year	<u>381,040</u>	<u>(241,040)</u>	<u>(413,488)</u>	<u>2,640,962</u>
Balance at end of the period / year	<u>593,528</u>	<u>4,159,419</u>	<u>212,488</u>	<u>4,400,459</u>

9. SHARE CAPITAL

The share capital of the Company is SAR 523.8 million (31 December 2018: SAR 523.8 million) divided into 52.3 million (31 December 2018: 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.

10. 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.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

11. 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.

The following amounts are outstanding in relation to these facilities:

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Non-current liabilities		
Non-current portion of long term loans	368,394,887	376,323,389
Current liabilities		
Current portion of long term loans	<u>116,880,491</u>	<u>107,853,383</u>
Total loans and borrowings	<u>485,275,378</u>	<u>484,176,772</u>

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
Bank loans - unsecured					
- fixed commission rates	SAR	4.17% to 5.17%	2020 to 2023	224,084,965	241,736,572
- variable commission rates	SAR	(SIBOR+1.5%) to (SIBOR + 2%)	2022 to 2024	<u>261,190,413</u>	<u>242,440,200</u>
Total				<u>485,275,378</u>	<u>484,176,772</u>

The outstanding balance of accrued financial costs as at 31 March 2019 is SAR 0.1 million (31 December 2018: SAR 0.15 million) which is included in accrued expense. In addition, the Company has unutilized loan facilities from local banks of SAR 100 million expiring in 2019 and renewable as per the terms of agreement.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

12. ZAKAT

Provision for Zakat

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

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Share capital	523,833,610	523,833,610
Retained earnings	66,847,464	154,405,707
Reserves	39,388,803	35,429,133
Adjusted income for the period / year	39,310,291	134,512,654
Non-current assets	2,341,717,038	1,439,364,522

The movement in provision for Zakat is as follow:

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Balance at beginning of the period / year	3,382,592	4,487,682
Charge for the period / year	997,791	3,362,816
Reversal in respect of excess provision	--	(1,403,735)
	997,791	1,959,081
Paid during the period / year	--	(3,064,171)
Balance at end of the period / year	<u>4,380,383</u>	<u>3,382,592</u>

Status of final Zakat assessments

The Company has submitted Zakat returns for the years up to 2018. 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.

13. REVENUE

	For the three month period ended 31 March	
	2019 <u>(Unaudited)</u>	2018 <u>(Unaudited)</u>
Revenue		
- Subscriptions and membership income	193,548,674	162,227,442
- Personal training	21,549,465	12,649,203
- Rentals	2,218,522	2,648,549
	<u>217,316,661</u>	<u>177,525,194</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

13. REVENUE (CONTINUED)

Disaggregation of revenue from contract with customers

Revenue from contract with customers is further disaggregated based on male and female centers offerings and segmented by primary geographical regions in the table below:

	Subscriptions and membership income		Personal training income		Rental income	
	For the three month period ended 31 March		For the three month period ended 31 March		For the three month period ended 31 March	
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Type of customers						
Gender wise						
Male Centers	146,759,988	144,547,974	17,727,415	12,526,615	1,939,461	2,409,521
Female Centers	46,788,686	17,679,468	3,822,050	122,588	279,061	239,028
Total	193,548,674	162,227,442	21,549,465	12,649,203	2,218,522	2,648,549
Geographical markets						
Central Region	98,191,242	87,744,606	10,322,576	6,316,115	1,297,510	1,531,147
Western Region	63,149,356	49,675,187	6,599,295	3,423,786	787,806	979,880
Eastern Region	29,074,455	21,760,026	3,587,710	2,105,787	125,232	131,810
UAE	3,133,621	3,047,623	1,039,884	803,515	7,974	5,712
Total	193,548,674	162,227,442	21,549,465	12,649,203	2,218,522	2,648,549

In addition, the Company separately presents segment information in accordance with IFRS-8 (see note 19).

Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	31 March <u>2019</u> <u>(Unaudited)</u>	31 December <u>2018</u> <u>(Audited)</u>
Trade receivables, gross (Note 8)	25,430,592	24,048,700
Deferred revenue	(243,292,553)	(243,228,177)

Deferred revenue relates to advance consideration received from customers for memberships sold at centers, corporates, personal training and rental income which will be recognized in future periods based on performance obligation of the services to be rendered and simultaneous receiving of benefits by the customers.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

14. COSTS OF REVENUE

	For the three month period ended 31 March	
	2019 <u>(Unaudited)</u>	2018 <u>(Unaudited)</u>
Salaries and related benefits	52,353,579	40,610,954
Depreciation		
– property and equipment	29,950,939	25,482,603
– right-of-use of assets	14,664,105	--
Rent expenses (note 14.1)	--	19,905,287
Water and electricity	17,608,820	15,631,023
Cleaning and services expenses	11,856,268	8,908,549
Consumables	3,610,186	1,709,210
Maintenance and repair	3,392,985	1,833,926
Governmental and recruiting expenses	4,017,231	1,945,880
Security and safety	1,370,360	795,922
Stationery	1,074,359	427,700
Others	2,323,644	2,032,377
	<u>142,222,476</u>	<u>119,283,431</u>

- 14.1. Upon adoption of the new accounting standard on leases – IFRS 16, lease rentals expenses previously reported under IAS 17 are no longer required to be recognize as rent expense. Instead, depreciation on right of use asset and financial charges on lease liability are recognized under new IFRS 16.

15. FINANCE COSTS

	For the three month period ended 31 March	
	2019 <u>(Unaudited)</u>	2018 <u>(Unaudited)</u>
Interest on loans and borrowings	4,486,051	4,421,454
Interest expense on lease liabilities under IFRS 16	7,926,414	--
Bank charges	550,815	415,493
	<u>12,963,280</u>	<u>4,836,947</u>

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period ended 31 March 2019 and 31 March 2018, by the weighted average number of shares outstanding at the end of the respective period, which consisted of 52.38 million shares as at 31 March 2019 (31 March 2018: 52.38 million shares).

17. CONTINGENCIES AND COMMITMENTS

The Company has capital commitments for contracts for setting up fitness centers amounting to SAR 108.6 million (31 December 2018: SAR 121.7 million) and letters of guarantees issued amounting to SAR 4.05 million (31 December 2018: SAR 3.17 million) against land lease.

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

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
	Less than one year	--
More than one year and less than five years	--	412,852,426
More than five years	--	831,279,036
	<u>--</u>	<u>1,340,863,600</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

18. DIVIDEND

The Board of Directors, in their meetings held on 26 February 2019, recommended the distribution of SAR 28.18 million as final dividends for the quarter ended 31 December 2018, for the shareholder approval in this Annual General Meeting to be held on 7 May 2019.

19. 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.

For the period ended 31 March 2019 – Unaudited	<u>Geographical Segments</u>				<u>Total</u>
	<u>Headquarters & Central Region</u>	<u>Western Region</u>	<u>Eastern Region</u>	<u>International Region – UAE</u>	
Revenue	109,811,328	70,536,457	32,787,397	4,181,479	217,316,661
Costs of revenue	(63,348,366)	(52,576,781)	(22,522,983)	(3,774,346)	(142,222,476)
Gross profit	46,462,962	17,959,676	10,264,414	407,133	75,094,185
Comprehensive income / (loss)	24,409,066	9,435,019	5,392,354	(189,595)	39,046,844
Depreciation					
- property and equipment	(12,892,908)	(12,234,856)	(4,921,699)	(883,901)	(30,933,364)
- right of use of assets	(6,384,595)	(5,215,865)	(2,682,201)	(538,900)	(14,821,561)
As at 31 March 2019 – Unaudited					
Total assets	1,033,848,252	1,005,914,518	323,970,298	87,050,089	2,450,783,157
Total liabilities	1,064,661,241	505,772,977	194,685,868	55,593,194	1,820,713,280

For the period ended 31 March 2018 – Unaudited	<u>Geographical Segments</u>				<u>Total</u>
	<u>Headquarters & Central Region</u>	<u>Western Region</u>	<u>Eastern Region</u>	<u>International Region – UAE</u>	
Revenue	95,591,868	54,078,853	23,997,623	3,856,850	177,525,194
Costs of revenue	(53,429,280)	(43,352,567)	(17,910,860)	(4,590,724)	(119,283,431)
Gross profit/ (loss)	42,162,588	10,726,286	6,086,763	(733,874)	58,241,763
Comprehensive income/ (loss)	23,784,845	6,050,934	3,433,677	(790,048)	32,479,408
Depreciation	(11,446,078)	(10,012,346)	(4,097,784)	(873,414)	(26,429,622)
As at 31 December 2018 - Audited					
Total assets	724,761,649	614,475,860	217,223,712	52,171,245	1,608,632,466
Total liabilities	685,268,151	112,465,927	66,592,106	30,637,832	894,964,016

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

19. OPERATING SEGMENTS (CONTINUED)

	Market Segments					
	For the three month period ended 31 March		For the three month period ended 31 March		For the three month period ended 31 March	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
	Male Fitness Centers		Female Fitness Centers		Total	
Revenue	166,426,864	159,484,110	50,889,797	18,041,084	217,316,661	177,525,194
Costs of revenue	(112,982,532)	(110,977,580)	(29,239,944)	(8,305,851)	(142,222,476)	(119,283,431)
Gross profit	53,444,332	48,506,530	21,649,853	9,735,233	75,094,185	58,241,763
Comprehensive income*	20,718,585	23,067,903	18,328,259	9,411,505	39,046,844	32,479,408
Depreciation - property and equipment	(24,212,705)	(24,502,970)	(6,720,659)	(1,926,652)	(30,933,364)	(26,429,622)
- right of use of assets	(11,654,110)	--	(3,167,451)	--	(14,821,561)	--

* Comprehensive income relating to male fitness centers is net of head office costs.

20. 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.

21. 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 period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

21 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.

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
<i>Financial assets</i>		
Other receivables (note 6)	5,060,537	3,210,762
Trade receivables, gross (note 8)	25,430,592	24,048,700
Bank balances	18,705,100	17,255,491
	<u>49,196,229</u>	<u>44,514,953</u>

Cash and cash equivalents

The Company held balances with banks of SAR 18,705,100 as at 31 March 2019, which represents their maximum exposure on these assets. These balances are held with banks having strong credit ratings. The Company has assessed expected credit losses on bank balances using the life-time approach and have determined that the balances are not impaired.

Trade receivables

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

	31 March 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Neither past due nor impaired	12,653,863	15,322,658
Past due but not impaired:		
- 1 to 30 days	4,143,162	1,392,482
- 31 to 60 days	1,152,862	649,098
- 61 to 90 days	606,256	593,719
- 91 to 120 days	601,059	843,815
- 121 to 180 days	277,718	96,634
- 181 to 360 days	1,242,725	537,347
Total trade receivables	<u>20,677,645</u>	<u>19,435,753</u>

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk (continued)

Set out below is the detailed analysis of the credit risk exposure on the Company's trade receivables as of 31 March 2019 using a provision matrix as per IFRS 9 effective from 1 January 2018:

31 March 2019 (Unaudited)	Trade receivables – subscription and membership								Total
	Current	1-30 Days	31-60 Days	61-90 Days	Day past due				
					91-120 Days	121-180 Days	181-360 Days	>360 Days	
Gross carrying amount	11,750,009	3,825,890	806,242	341,412	269,319	362,632	444,923	186,606	17,987,033
Expected credit loss rate	0.0%	0.9%	3.6%	8.9%	13.4%	24.3%	49.1%	84.17%	
Expected credit loss	--	(34,316)	(28,805)	(30,467)	(36,116)	(88,315)	(218,447)	(157,062)	(593,528)
Net carrying amount	11,750,009	3,791,574	777,437	310,945	233,203	274,317	226,476	29,544	17,393,505

31 March 2019 (Unaudited)	Trade receivables – rental								Total
	Current	1-30 Days	31-60 Days	61-90 Days	Day past due				
					91-120 Days	121-180 Days	181-360 Days	>360 Days	
Gross carrying amount	903,854	543,953	462,347	371,168	555,236	91,672	1,996,385	2,518,944	7,443,559
Less: specifically assessed and fully provided	--	(154,575)	(27,090)	--	--	(85,785)	(805,057)	(1,405,377)	(2,477,884)
Carrying amount assessed for provision matrix	903,854	389,378	435,257	371,168	555,236	5,887	1,191,328	1,113,567	4,965,675
Expected credit loss rate	0.0%	6.95%	12.94%	20.44%	33.75%	42.22%	53.1%	61.57%	
Expected credit loss	--	(37,790)	(59,832)	(75,857)	(187,380)	(2,486)	(632,607)	(685,583)	(1,681,535)
Total allowance for impairment	--	(192,365)	(86,922)	(75,857)	(187,380)	(88,271)	(1,437,664)	(2,090,960)	(4,159,419)
Net carrying amount	903,854	351,588	375,425	295,311	367,856	3,401	558,721	427,984	3,284,140
Total trade receivables	12,653,863	4,143,162	1,152,862	606,256	601,059	277,718	785,197	457,528	20,677,645

Other current assets

The management believes that the Company is not significantly exposed to credit risk on its other current assets as the balance is not significant. 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.

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.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 31 March 2019, current liabilities of the Company have exceeded its current assets by SAR 388.01 million. However, the current liabilities includes SAR 243.29 million of deferred revenue representing subscription fee received in advance and SAR 1.45 million of advances from customers, which the Company does not expect and is not legally required to repay as at 31 March 2019. Further, the Company has total unutilized banking facilities of SAR 145 million as of 31 March 2019, which the management can avail in case of any shortfall. Further, operational funds which currently are partly utilized to finance certain capex requirements, optimizing the cost of borrowings, can be directed towards meeting working capital requirements. 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 31 March 2019 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.

Analysis of financial liabilities by remaining contractual maturities

31 March 2019 (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*	33,793,370	104,157,193	405,962,716	--	543,913,279
Accounts payables	41,919,736	--	--	--	41,919,736
Accrued expenses and other liabilities	37,699,268	--	--	--	37,699,268
	<u>113,412,374</u>	<u>104,157,193</u>	<u>405,962,716</u>	--	<u>623,532,283</u>
31 December 2018 (Audited)	<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*	31,891,930	101,637,278	408,491,612	--	542,020,820
Accounts payables	36,554,283	--	--	--	36,554,283
Accrued expenses and other liabilities	33,930,177	--	--	--	33,930,177
	<u>102,376,390</u>	<u>101,637,278</u>	<u>408,491,612</u>	--	<u>612,505,280</u>

* The loan and borrowing include finance cost of SAR 58.64 million (31 December 2018: SAR 57.8 million).

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2019
(Expressed in Saudi Arabian Riyals)

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

22. 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 adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising commission-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

23. 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.

24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 09 May 2019, corresponding to 4th Ramadan 1440H.