

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)

For the three-month and nine-month periods ended 30 September 2019
together with the
Independent Auditor's Review Report



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Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Leejam Sports Company

Introduction

We have reviewed the accompanying 30 September 2019 condensed interim financial statements of Leejam Sports Company ("the Company") which comprise:

- the condensed statement of financial position as at 30 September 2019;
- the condensed statement of profit or loss for the three-month and nine-month periods ended 30 September 2019;
- the condensed statement of comprehensive income for the three-month and nine-month periods ended 30 September 2019;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed statement of cash flows for the nine-month period ended 30 September 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 30 September 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, 12 Rabi' I 1441H
Corresponding to: 9 November 2019



LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019
(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	30 September 2019 (Unaudited)	31 December 2018 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property and equipment	(5)	1,453,129,221	1,418,514,216
Right-of-use assets	(3)	853,938,496	--
Goodwill		9,445,544	9,445,544
Long term prepayments		--	10,523,015
Long term trade receivable		1,657,657	881,747
Total non-current assets		2,318,170,918	1,439,364,522
Current assets			
Prepayments and other assets	(6)	64,112,987	130,416,810
Trade receivables	(8)	30,407,022	19,435,753
Short term investment		134,000,000	--
Cash and bank balances		45,221,101	19,415,381
Total current assets		273,741,110	169,267,944
Total assets		2,591,912,028	1,608,632,466
 <u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
Shareholders' equity			
Share capital	(9)	523,833,610	523,833,610
Statutory reserve	(10)	49,229,181	35,429,133
Retained earnings		106,810,484	154,405,707
Total shareholders' equity		679,873,275	713,668,450
Liabilities			
Non-current liabilities			
Loans and borrowings – non-current	(11)	324,326,905	376,323,389
Lease liability on right-of-use assets – non-current	(3)	903,569,503	--
Defined benefit obligation – employee benefits		31,875,756	27,426,552
Deferred rent liability – non-current	(3)	--	60,891,074
Total non-current liabilities		1,259,772,164	464,641,015
Current liabilities			
Loans and borrowings – current portion	(11)	127,417,120	107,853,383
Lease liability on right-of-use assets– current portion	(3)	58,925,743	--
Deferred rent liability – current portion	(3)	--	3,700,268
Accounts payable		42,614,015	36,554,283
Accrued expenses and other liabilities		45,242,079	35,604,298
Deferred revenue		374,479,698	243,228,177
Provision for Zakat	(12)	3,587,934	3,382,592
Total current liabilities		652,266,589	430,323,001
Total liabilities		1,912,038,753	894,964,016
Total shareholders' equity and liabilities		2,591,912,028	1,608,632,466

The accompanying notes (1) to (25) form an integral part of these condensed interim financial statements.

Mohammad Merajuddin
Chief Financial Officer



Justin Musgrove
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 and nine-month periods ended 30 September 2019
(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue	(13)	238,373,920	210,291,296	674,721,516	574,806,874
Costs of revenue	(14)	(153,349,037)	(124,513,073)	(433,087,313)	(363,584,278)
Gross profit		85,024,883	85,778,223	241,634,203	211,222,596
Advertising and marketing expenses		(3,186,482)	(4,417,583)	(10,271,990)	(16,414,807)
General and administrative expenses		(19,147,366)	(21,163,279)	(53,605,528)	(57,093,808)
Impairment loss on trade receivables		(695,023)	(1,330,618)	(1,685,020)	(1,027,156)
Other income		3,059,585	2,091,752	8,074,635	7,073,741
Operating profit		65,055,597	60,958,495	184,146,300	143,760,566
Finance costs	(15)	(14,971,381)	(5,676,018)	(42,565,678)	(15,590,467)
Net profit before Zakat		50,084,216	55,282,477	141,580,622	128,170,099
Zakat	(12)	(1,271,000)	(1,519,876)	(3,580,141)	(1,935,188)
Net profit for the period		48,813,216	53,762,601	138,000,481	126,234,911
Earnings per share	(16)	0.93	1.03	2.63	2.41

The accompanying notes (1) to (25) form an integral part of these condensed interim financial statements.

Mohammad Merajuddin
Chief Financial Officer



Justin Musgrove
Chief Executive Officer



Ali Hamad AlSagri
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 2019
(Expressed in Saudi Arabian Riyals)

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net profit for the period	48,813,216	53,762,601	138,000,481	126,234,911
<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>(549,858)</u>	<u>(231,227)</u>	<u>(1,649,576)</u>	<u>(693,675)</u>
Total comprehensive income for the period	<u>48,263,358</u>	<u>53,531,374</u>	<u>136,350,905</u>	<u>125,541,236</u>

The accompanying notes (1) to (25) form an integral part of these condensed interim financial statements.


Mohammad Merajuddin
Chief Financial Officer



Justin Musgrove
Chief Executive Officer



Ali Hamad AlSagri
Chairman



LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 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)	--	--	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 Q4 2017	--	--	(25,417,116)	(25,417,116)
Interim dividend declared for Q1 2018	--	--	(17,525,007)	(17,525,007)
Balance as at 30 September 2018 – unaudited	523,833,610	30,043,379	157,665,327	711,542,316
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)	--	--	138,000,481	138,000,481
Other comprehensive loss – (unaudited)	--	--	(1,649,576)	(1,649,576)
Total comprehensive income for the period	--	--	136,350,905	136,350,905
Transfer to statutory reserve	--	13,800,048	(13,800,048)	--
Final dividend declared for Q4 2018 (Note 19)	--	--	(28,179,613)	(28,179,613)
Interim dividend declared for Q1 2019 (Note 19)	--	--	(21,052,304)	(21,052,304)
Interim dividend declared for Q2 2019 (Note 19)	--	--	(26,448,359)	(26,448,359)
Balance as at 30 September 2019 – (unaudited)	523,833,610	49,229,181	106,810,484	679,873,275

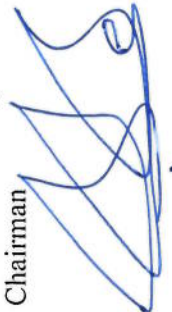
The accompanying notes (1) to (25) form an integral part of these condensed interim financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
Chief Executive Officer

Ali Hamad AlSagari
Chairman





LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2019
(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	For the nine-month period ended 30 September 2019 (Unaudited)	For the nine-month period ended 30 September 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before Zakat		141,580,622	128,170,099
<i>Adjustments for:</i>			
Depreciation – property and equipment		102,993,809	80,817,064
Depreciation - right-of-use assets		46,790,441	--
Finance costs		42,565,678	15,590,467
Property and equipment written off – net		108,726	4,329,976
Loss on disposal of property and equipment		(18,860)	--
Charge of allowance for impairment in trade receivables, net		1,685,020	872,156
Provision for legal cases		1,773,749	--
Employee benefits		5,086,109	5,341,817
		<u>342,565,294</u>	<u>235,121,579</u>
<i>Changes in:</i>			
- Prepayments and other assets		8,884,303	(16,935,941)
- Trade receivables		(13,432,199)	(10,781,684)
- Deferred rental liability		--	5,193,448
- Accounts payable		6,059,732	(11,531,940)
- Accrued expenses and other liabilities		7,911,390	14,673,999
- Deferred revenue		131,251,521	(5,903,714)
<i>Cash generated from operating activities</i>		<u>483,240,041</u>	<u>209,835,747</u>
Employee benefits paid		(2,286,481)	(873,098)
Zakat paid	(12)	(3,374,799)	(3,064,171)
Net cash from operating activities		<u>477,578,761</u>	<u>205,898,478</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(120,040,746)	(165,537,013)
Proceeds from sales of property and equipment		138,724	872,944
Net cash used in investing activities		<u>(119,902,022)</u>	<u>(164,664,069)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings		83,455,068	131,490,765
Repayments of loans and borrowings		(115,887,815)	(93,935,681)
Finance costs paid		(20,860,613)	(18,690,704)
Payment of lease liabilities		(68,897,383)	--
Dividends paid		(75,680,276)	(42,942,123)
Net cash used in financing activities		<u>(197,871,019)</u>	<u>(24,077,743)</u>
Net increase in cash and cash equivalents		<u>159,805,720</u>	<u>17,156,666</u>
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	(17)	<u>179,221,101</u>	<u>90,178,639</u>

The accompanying notes (1) to (25) form an integral part of these condensed interim financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
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 and nine-month periods ended 30 September 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 (CR) 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 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
Al Madina	4650211820	22/10/1440H
Al Madina	4650211821	22/10/1440H
Makkah	4031228724	22/10/1440H
Makkah	4031228725	22/10/1440H
Jeddah	4030358958	22/10/1440H

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 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 and nine-month periods ended 30 September 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 SAR.

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 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 that are endorsed in the Kingdom of Saudi Arabia 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 and nine-month periods ended 30 September 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.

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.

c) 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
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For the three-month and nine-month periods ended 30 September 2019
(Expressed in Saudi Arabian Riyals)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Transition (continued)

The Company 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:

	<u>1 January</u> <u>2019</u>
Right-of-use assets presented in the interim 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	<u>(16,192,016)</u>
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 30 September 2019

Right-of-use assets	
Balance as at 1 January 2019	900,000,068
Additions during the period	8,512,546
Depreciation	
- charge for the period	(46,790,441)
- capitalized for under construction fitness centers	(7,783,677)
Balance at the end of the period	<u>853,938,496</u>
Lease liabilities	
Balance as at 1 January 2019	991,114,679
Additions during the period	8,512,546
Lease payments for the period	(68,897,383)
Interest expense for the period	24,787,642
Interest capitalized for under construction fitness centers	6,977,762
Balance at the end of the period	<u>962,495,246</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2019
(Expressed in Saudi Arabian Riyals)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Transition (continued)

Amount recognized in the condensed statement of profit or loss

**For the nine-
month period
ended
30 September
2019**

Depreciation on right-of-use assets	46,790,441
Interest expense on lease liabilities (included in finance costs)	24,787,642
Total	71,578,083

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 interim 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)

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5. PROPERTY AND EQUIPMENT

	30 September 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	137,837,404	248,953,266
Disposals / write offs during the period / year (Note 5.1)	<u>(1,692,533)</u>	<u>(12,661,404)</u>
Balance at end of the period / year	<u>2,047,247,855</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	(102,993,809)	(109,585,988)
Eliminated on disposal / write offs	<u>1,463,943</u>	<u>6,706,076</u>
Balance at end of the period / year	<u>(594,118,634)</u>	<u>(492,588,768)</u>
Net book value:	<u>1,453,129,221</u>	<u>1,418,514,216</u>

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

6. PREPAYMENTS AND OTHER ASSETS

	30 September 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Prepaid expenses:		
- Rent (Note 6.1)	--	45,533,731
- Government expenses	8,837,986	6,364,407
- Housing	2,220,023	4,173,211
- Others	8,875,169	5,073,876
- Current portion of long-term prepayment (Note 6.1)	--	1,200,000
	<u>19,933,178</u>	<u>62,345,225</u>
Advances to suppliers and contractors	26,574,395	51,527,462
Consumables	14,669,709	14,564,979
Other receivables	<u>4,167,323</u>	<u>3,210,762</u>
Impairment allowance for doubtful receivables	<u>(1,231,618)</u>	<u>(1,231,618)</u>
	<u>2,935,705</u>	<u>1,979,144</u>
	<u>64,112,987</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).

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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 nine- month period ended 30 September 2019 <u>(Unaudited)</u>	For the nine- month period ended 30 September 2018 <u>(Unaudited)</u>
Remuneration of directors and key management personnel	6,788,377	11,585,195
Lease rentals paid to a shareholder	3,400,000	3,400,000
Initial public offering cost recovered / recoverable from shareholders	--	8,136,185
Sales to companies where shareholders have interest:		
- Al Sagri Holding	73,316	78,505

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

	30 September 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
<u>Receivable from companies under common directorship, included in trade receivables</u>		
- Al Sagri Holding	<u>15,299</u>	<u>---</u>

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8. TRADE RECEIVABLES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Subscriptions and membership receivables	27,000,378	16,904,420
Rental receivables	9,704,611	7,144,280
	36,704,989	24,048,700
Allowance for impairment (Note 8.1)		
- Subscriptions and membership receivables	(1,166,132)	(212,488)
- Rentals receivables	(5,131,835)	(4,400,459)
	(6,297,967)	(4,612,947)
	30,407,022	19,435,753

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

	For the nine-month period ended 30 September 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	953,644	731,376	(413,488)	2,640,962
Balance at end of the period / year	1,166,132	5,131,835	212,488	4,400,459

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.

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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:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Non-current liabilities		
Non-current portion of long-term loans	324,326,905	376,323,389
Current liabilities		
Current portion of long-term loans	<u>127,417,120</u>	<u>107,853,383</u>
Total loans and borrowings	<u>451,744,025</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>30 September 2019</u>	<u>31 December 2018</u>
Bank loans - unsecured					
- fixed commission rates	SAR	4.17% to 5.17%	2020 to 2023	188,663,648	241,736,572
- variable commission rates	SAR	(SIBOR+1.5%) to (SIBOR + 2%)	2022 to 2024	<u>263,080,377</u>	<u>242,440,200</u>
Total				<u>451,744,025</u>	<u>484,176,772</u>

The outstanding balance of accrued financial costs as at 30 September 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.

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12. ZAKAT

Provision for Zakat

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

	30 September 2019 <u>(Unaudited)</u>	31 December 2018 <u>(Audited)</u>
Share capital	523,833,610	523,833,610
Retained earnings	106,810,484	154,405,707
Reserves	49,229,181	35,429,133
Adjusted income for the period / year	146,251,553	134,512,654
Non-current assets	2,318,170,918	1,439,364,522

The movement in provision for Zakat is as follow:

	30 September 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	3,580,141	3,362,816
Reversal in respect of excess provision	--	(1,403,735)
	3,580,141	1,959,081
Paid during the period / year	<u>(3,374,799)</u>	<u>(3,064,171)</u>
Balance at end of the period / year	<u>3,587,934</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 up to 31 December 2018 and has received final assessments from GAZT for the years up to 2015.

13. REVENUE

	For the nine-month period ended 30 September	
	2019 <u>(Unaudited)</u>	2018 <u>(Unaudited)</u>
Revenue		
- Subscriptions and membership income	605,141,424	526,663,158
- Personal training	62,868,476	40,491,625
- Rentals	6,711,616	7,652,091
	<u>674,721,516</u>	<u>574,806,874</u>

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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 nine-month period ended 30 September		For the nine-month period ended 30 September		For the nine-month period ended 30 September	
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Type of customers						
Gender wise						
Male Centers	464,653,676	453,063,819	48,656,120	37,933,685	5,425,710	6,904,322
Female Centers	140,487,748	73,599,339	14,212,356	2,557,940	1,285,906	747,769
Total	605,141,424	526,663,158	62,868,476	40,491,625	6,711,616	7,652,091
Geographical markets						
Central Region	297,241,129	279,172,500	29,920,984	20,238,516	3,895,039	4,596,041
Western Region	195,894,818	158,273,265	19,240,984	11,081,003	2,415,913	2,662,760
Eastern Region	101,532,671	78,242,816	10,525,933	6,886,561	390,899	382,274
UAE	10,472,806	10,974,577	3,180,575	2,285,545	9,765	11,016
Total	605,141,424	526,663,158	62,868,476	40,491,625	6,711,616	7,652,091

In addition, the Company separately presents segment information in accordance with IFRS-8 (see note 20).

Assets and liabilities related to contracts with customers

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

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables, gross (Note 8)	36,704,989	24,048,700
Deferred revenue	(374,479,698)	(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.

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14. COSTS OF REVENUE

	For the nine-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Salaries and related benefits	159,011,520	127,184,925
Depreciation		
– property and equipment	100,001,081	77,830,282
– right-of-use of assets	46,318,074	--
Rent expenses (note 14.1)	--	56,702,745
Water and electricity	52,059,806	45,323,627
Cleaning and services expenses	34,954,816	27,394,883
Consumables	7,585,772	8,565,455
Maintenance and repair	8,719,013	4,700,032
Governmental and recruiting expenses	10,614,610	5,332,468
Security and safety	4,649,733	2,742,632
Stationery	2,109,717	1,568,125
Others	7,063,171	6,239,104
	<u>433,087,313</u>	<u>363,584,278</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 recognized as rent expense. Instead, depreciation on right of use asset and financial charges on lease liability are recognized.

15. FINANCE COSTS

	For the nine-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Interest on loans and borrowings	14,369,909	13,296,262
Interest expense on lease liabilities	24,787,642	--
Bank charges	3,408,127	2,294,205
	<u>42,565,678</u>	<u>15,590,467</u>

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period ended 30 September 2019 and 30 September 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 30 September 2019 (30 September 2018: 52.38 million shares).

17. CASH AND CASH EQUIVALENTS

	For the nine-month period ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Short term investment	134,000,000	50,000,000
Cash and bank balances	45,221,101	40,178,639
	<u>179,221,101</u>	<u>90,178,639</u>

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18. CONTINGENCIES AND COMMITMENTS

18.1. Contingencies

- a) During 2017, the Company purchased land costing SR 24.31 million. During the current quarter, the previous owner of the land has filed a case in the court against the Company and the person who sold the land to the Company on the basis that her legal representative sold the land to the seller without her consent. Ensuig to the case, the Company has submitted the original land deed and other related documents to the Ministry of Justice for verification and confirmation of the Company's ownership of the land. The Company's management and the in-house legal advisor are of the view that the Company has valid grounds to prove the beneficial ownership of the land in the Company's name and the matter will be decided in the favor of the Company by the court. Accordingly, no provision has been recorded in these condensed interim financial statements in this regard.
- b) Certain lawsuits amounting to SAR 3.63 million have been filed in various courts against the Company by its sub-contractors and suppliers. The management, based upon the best estimate of its legal department, has recorded a provision aggregating to SAR 1.77 million against these cases.
- c) The Company has issued letters of guarantees amounting to SAR 2.83 million (31 December 2018: SAR 3.17 million) against land lease.

18.2. Commitments

The Company has capital commitments for contracts for setting up fitness centers amounting to SAR 76.32 million (31 December 2018: SAR 121.7 million).

19. DIVIDEND

The Board of Directors, in their meetings held on 26 February 2019, 12 May 2019 and 2 September 2019, recommended the distribution of SAR 28.18 million as final dividend for the year ended 31 December 2018 and SAR 21.05 million and 26.45 as interim dividend for the periods ended 31 March 2019 and 30 June 2019 respectively.

The shareholders approved final dividend for 2018 in the Annual General Meeting held on 7 May 2019.

20. 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.

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20. OPERATING SEGMENTS (CONTINUED)

For the period ended 30 September 2019 – Unaudited	Geographical Segments				Total
	Headquarters & Central Region	Western Region	Eastern Region	International Region - UAE	
Revenue	331,057,152	217,551,715	112,449,503	13,663,146	674,721,516
Costs of revenue	(188,228,598)	(166,753,121)	(66,274,889)	(11,830,705)	(433,087,313)
Gross profit	142,828,554	50,798,594	46,174,614	1,832,441	241,634,203
Comprehensive income	104,395,430	16,706,263	31,723,994	3,099	152,828,786
Unallocated head office cost					(16,477,881)
Depreciation					
- property and equipment	(42,421,288)	(42,257,779)	(15,660,793)	(2,653,949)	(102,993,809)
- right of use of assets	(19,210,365)	(18,023,376)	(8,007,924)	(1,548,776)	(46,790,441)
As at 30 September 2019 – Unaudited					
Total assets	1,186,385,092	996,780,340	312,188,195	96,558,401	2,591,912,028
Total liabilities	1,078,363,256	559,981,229	208,963,113	64,731,155	1,912,038,753

For the period ended 30 September 2018 – Unaudited	Geographical Segments				Total
	Headquarters & Central Region	Western Region	Eastern Region	International Region – UAE	
Revenue	304,007,057	172,017,028	85,511,651	13,271,138	574,806,874
Costs of revenue	(168,169,046)	(126,252,093)	(56,933,958)	(12,229,181)	(363,584,278)
Gross profit	135,838,011	45,764,935	28,577,693	1,041,957	211,222,596
Comprehensive income	99,305,816	22,173,018	17,219,930	69,555	138,768,319
Unallocated head office cost					(13,227,083)
Depreciation	(35,047,764)	(30,039,670)	(13,106,532)	(2,623,098)	(80,817,064)
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

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20. OPERATING SEGMENTS (CONTINUED)

	For the nine-month period ended 30 September		For the nine-month period ended 30 September		For the nine-month period ended 30 September	
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Male Fitness Centers		Female Fitness Centers		Total	
Revenue	518,735,506	497,901,826	155,986,010	76,905,048	674,721,516	574,806,874
Costs of revenue	(335,032,816)	(325,166,303)	(98,054,497)	(38,417,975)	(433,087,313)	(363,584,278)
Gross profit	183,702,690	172,735,523	57,931,513	38,487,073	241,634,203	211,222,596
Comprehensive income	109,702,694	105,210,255	43,126,092	33,558,064	152,828,786	138,768,319
Unallocated head office cost	--	--	--	--	(16,477,881)	(13,227,083)
Depreciation - property and equipment	76,902,886	72,776,310	26,090,923	8,040,754	102,993,809	80,817,064
- right of use of assets	36,349,738	--	10,440,703	--	46,790,441	--

21. DETERMINATION OF FAIR VALUES

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purposes 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.

22. 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.

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

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.

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 2019 (Unaudited)	31 December 2018 (Audited)
<i>Financial assets</i>		
Other receivables (note 6)	4,167,323	3,210,762
Trade receivables, gross (note 8)	36,704,989	24,048,700
Short term investment	134,000,000	--
Bank balances	43,067,864	17,255,491
	<u>217,940,176</u>	<u>44,514,953</u>

Cash and cash equivalents

The Company held balances with banks of SAR 43,067,864 and short-term investment of SAR 134,000,000 as at 30 September 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.

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Trade receivables

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

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Neither past due nor impaired	24,038,704	15,322,658
Past due but not impaired:		
- 1 to 30 days	1,818,499	1,392,482
- 31 to 60 days	965,911	649,098
- 61 to 90 days	400,269	593,719
- 91 to 120 days	494,775	843,815
- 121 to 180 days	1,090,312	96,634
- 181 to 360 days	1,381,474	537,347
- 360 days plus	217,078	---
Total trade receivables	30,407,022	19,435,753

Set out below is the detailed analysis of the credit risk exposure on the Company's trade receivables as of 30 September 2019 using a provision matrix as per IFRS 9 effective from 1 January 2018:

30 September 2019 (Unaudited)	Trade receivables – subscription and membership								Total
	Current	1-30 Days	31-60 Days	61-90 Days	Day past due			>360 Days	
					91-120 Days	121-180 Days	181-360 Days		
Gross carrying amount	22,550,882	1,136,690	612,678	441,012	4,252	646,388	1,396,656	211,820	27,000,378
Expected credit loss rate		0.93%	3.79%	9.91%	14.96%	27.52%	49.99%	100%	
Expected credit loss	--	(10,600)	(23,222)	(43,710)	(636)	(177,910)	(698,234)	(211,820)	(1,166,132)
Net carrying amount	22,550,882	1,126,090	589,456	397,302	3,616	468,478	698,422	--	25,834,246
30 September 2019 (Unaudited)	Trade receivables – rental								Total
	Current	1-30 Days	31-60 Days	61-90 Days	Day past due			>360 Days	
					91-120 Days	121-180 Days	181-360 Days		
Gross carrying amount	1,499,110	762,918	444,997	3,750	1,069,081	1,079,396	1,549,457	3,295,902	9,704,611
Less: specifically assessed and fully provided	(11,288)	(11,288)	(11,288)	--	(312,321)	--	(139,965)	(2,773,767)	(3,259,917)
Carrying amount assessed for provision matrix	1,487,822	751,630	433,709	3,750	756,760	1,079,396	1,409,492	522,135	6,444,694
Expected credit loss rate		7.88%	13.20%	20.74%	35.10%	42.39%	51.54%	58.43%	
Expected credit loss	--	(59,221)	(57,254)	(783)	(265,601)	(457,562)	(726,440)	(305,057)	(1,871,918)
Total allowance for impairment	(11,288)	(70,509)	(68,542)	(783)	(577,922)	(457,562)	(866,405)	(3,078,824)	(5,131,835)
Net carrying amount	1,487,822	692,409	376,455	2,967	491,159	621,834	683,052	217,078	4,572,776
Total trade receivables	24,038,704	1,818,499	965,911	400,269	494,775	1,090,312	1,381,474	217,078	30,407,022

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk (continued)

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.

(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 2019, current liabilities of the Company have exceeded its current assets by SAR 378.52 million. However, the current liabilities include SAR 374.48 million of deferred revenue representing subscription fee received in advance and SAR 1.02 million of advances from customers, which the Company does not expect and is not legally required to repay as at 30 September 2019. Further, the Company has total unutilized banking facilities of SAR 125 million as of 30 September 2019, which the management can avail in case of any shortfall. Also, 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 30 September 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.

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

30 September 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 borrowings*	35,121,501	112,039,851	355,942,803	--	503,104,155
Accounts payables	42,614,015	--	--	--	42,614,015
Accrued expenses and other liabilities	42,448,457	--	--	--	42,448,457
	<u>120,183,973</u>	<u>112,039,851</u>	<u>355,942,803</u>	<u>--</u>	<u>588,166,627</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 2018 (Audited):					
Loans and borrowings*	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>--</u>	<u>612,505,280</u>

* The loans and borrowings include finance cost of SAR 51.4 million (31 December 2018: SAR 57.8 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.

23. 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.

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24. 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.

25. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 09 November 2019, corresponding to 12 Rabi' I 1441H.