

**LEEJAM SPORTS COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed Interim Financial Statements**  
**(Unaudited)**  
**For the three-month period ended 31 March 2020**  
**together with the**  
**Independent Auditors' Review Report**



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
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License No. 45/11/323 issued 11/3/1997

# 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 2020 condensed interim financial statements of Leejam Sports Company ("the Company") which comprise:

- the condensed statement of financial position as at 31 March 2020;
- the condensed statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed statement of comprehensive income for the three-month period ended 31 March 2020;
- the condensed statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed statement of cash flows for the three-month period ended 31 March 2020; 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 2020 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.



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

To the Shareholders of Leejam Sports Company (continued)

## Material Uncertainty Related to Going Concern

We draw attention to note 1c to the condensed interim financial statements which indicates that with the outbreak of Covid-19 has caused a significant deterioration in the economic condition for the Company. The Company had to temporarily close all its fitness centers and there is uncertainty over the severity and the length of the closure period. The current outbreak has resulted in lower revenue and margins and have negatively impacted the financial performance and cash flows of the Company. These events and conditions, along with other matters as set forth in note 1c, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

For KPMG Al Fozan & Partners  
Certified Public Accountants

Dr. Abdullah Hamad Al Fozan  
License No: 348


Al Riyadh, 24 Ramadhan 1441H  
Corresponding to: 17 May 2020

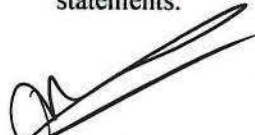


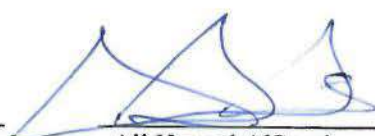
**LEEJAM SPORTS COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2020  
(Expressed in Saudi Arabian Riyals)

<u>ASSETS</u>	<i>Notes</i>	<b>31 March 2020 (Unaudited)</b>	31 December 2019 (Audited)
<b>Non-current assets</b>			
Property and equipment	(4)	1,521,531,609	1,512,013,931
Right-of-use assets	(5)	821,941,943	840,332,792
Goodwill		9,445,544	9,445,544
Long term trade receivable		1,388,757	1,525,391
<b>Total non-current assets</b>		<u>2,354,307,853</u>	<u>2,363,317,658</u>
<b>Current assets</b>			
Prepayments and other assets	(6)	62,355,738	59,430,456
Trade receivables	(8)	18,728,343	25,480,876
Cash and bank balances		140,956,927	68,070,348
<b>Total current assets</b>		<u>222,041,008</u>	<u>152,981,680</u>
<b>Total assets</b>		<u>2,576,348,861</u>	<u>2,516,299,338</u>
 <b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' equity</b>			
Share capital	(9)	523,833,610	523,833,610
Statutory reserve	(10)	56,645,895	56,021,218
Retained earnings		147,131,388	141,919,268
<b>Total shareholders' equity</b>		<u>727,610,893</u>	<u>721,774,096</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings – non-current	(11)	362,251,751	293,444,653
Lease liability on right-of-use assets – non-current	(5)	878,168,386	893,772,931
Defined benefit obligation – employee benefits		34,426,093	33,013,250
<b>Total non-current liabilities</b>		<u>1,274,846,230</u>	<u>1,220,230,834</u>
<b>Current liabilities</b>			
Loans and borrowings – current	(11)	130,601,135	131,241,548
Lease liability on right-of-use assets– current	(5)	64,615,525	62,498,559
Accounts payable		52,056,379	29,012,761
Accrued expenses and other liabilities		58,195,377	43,405,077
Deferred revenue		262,522,888	302,405,529
Provision for Zakat	(12)	5,900,434	5,730,934
<b>Total current liabilities</b>		<u>573,891,738</u>	<u>574,294,408</u>
<b>Total liabilities</b>		<u>1,848,737,968</u>	<u>1,794,525,242</u>
<b>Total shareholders' equity and liabilities</b>		<u>2,576,348,861</u>	<u>2,516,299,338</u>

The accompanying notes (1) to (22) 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 period ended 31 March 2020  
*(Expressed in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>For the three-month period ended 31 March 2020 (Unaudited)</b>	<b>For the three-month period ended 31 March 2019 (Unaudited)</b>
Revenue	(13)	196,108,270	217,316,661
Costs of revenue	(14)	<u>(145,670,866)</u>	<u>(142,222,476)</u>
<b>Gross profit</b>		<b>50,437,404</b>	<b>75,094,185</b>
Advertising and marketing expenses		(8,646,309)	(3,610,145)
General and administrative expenses		(20,940,971)	(20,165,267)
Impairment loss on trade receivables	(8.1)	(280,000)	(140,000)
Other income		<u>1,560,163</u>	<u>2,379,001</u>
<b>Operating profit</b>		<b>22,130,287</b>	<b>53,557,774</b>
Finance costs	(15)	<u>(15,714,016)</u>	<u>(12,963,280)</u>
<b>Net profit before Zakat</b>		<b>6,416,271</b>	<b>40,594,494</b>
Zakat	(12)	<u>(169,500)</u>	<u>(997,791)</u>
<b>Net profit for the period</b>		<b><u>6,246,771</u></b>	<b><u>39,596,703</u></b>
<b>Earnings per share</b>	(16)	<b><u>0.12</u></b>	<b><u>0.76</u></b>

The accompanying notes (1) to (22) form an integral part of these condensed interim financial statements.



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Mohammad Merajuddin  
Chief Financial Officer


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Justin Musgrove  
Chief Executive Officer



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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 2020  
*(Expressed in Saudi Arabian Riyals)*

	<b>For the three-month period ended 31 March 2020 (Unaudited)</b>	<b>For the three-month period ended 31 March 2019 (Unaudited)</b>
Net profit for the period	6,246,771	39,596,703
<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>(409,974)</u>	<u>(549,859)</u>
<b>Total comprehensive income for the period</b>	<b><u>5,836,797</u></b>	<b><u>39,046,844</u></b>

The accompanying notes (1) to (22) form an integral part of these condensed interim financial statements.


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Mohammad Merajuddin  
Chief Financial Officer


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Justin Musgrove  
Chief Executive Officer



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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 2020  
(Expressed in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance as at 1 January 2019 – as previously reported – (audited)</b>	523,833,610	35,429,133	154,405,707	713,668,450
Adjustment on initial application of IFRS 16	--	--	(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)
<b>Balance as at 31 March 2019 – unaudited</b>	<b>523,833,610</b>	<b>39,388,803</b>	<b>66,847,464</b>	<b>630,069,877</b>
<b>Balance as at 1 January 2020 – (audited)</b>	<b>523,833,610</b>	<b>56,021,218</b>	<b>141,919,268</b>	<b>721,774,096</b>
Net profit for the period – (unaudited)	--	--	6,246,771	6,246,771
Other comprehensive loss – (unaudited)	--	--	(409,974)	(409,974)
Total comprehensive income for the period	--	--	5,836,797	5,836,797
Transfer to statutory reserve	--	624,677	(624,677)	--
<b>Balance as at 31 March 2020 – (unaudited)</b>	<b>523,833,610</b>	<b>56,645,895</b>	<b>147,131,388</b>	<b>727,610,893</b>

The accompanying notes (1) to (22) form an integral part of these condensed interim financial statements.

  
Mohammad Merajuddin  
Chief Financial Officer

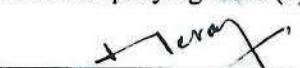
  
Justin Musgrove  
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**LEEJAM SPORTS COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED STATEMENT OF CASH FLOWS**  
For the three-month period ended 31 March 2020  
(Expressed in Saudi Arabian Riyals)

	<b>For the three- month period ended 31 March 2020 (Unaudited)</b>	<b>For the three- month period ended 31 March 2019 (Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before Zakat	6,416,271	40,594,494
<i>Adjustments for:</i>		
Depreciation		
– property and equipment	33,651,160	30,933,364
– right-of-use assets	16,268,289	14,821,561
Finance cost	15,714,016	12,963,280
Property and equipment written off – net	41,282	–
Gain on disposal of property and equipment	–	(18,860)
Charge of allowance for impairment in trade receivables, net	280,000	140,000
Employee benefits	1,764,845	1,490,787
	<u>74,135,863</u>	<u>100,924,626</u>
<i>Changes in:</i>		
- Prepayments and other assets	(2,925,282)	3,989,716
- Trade receivables	6,609,167	(2,724,711)
- Accounts payable	23,043,618	5,365,453
- Accrued expenses and other liabilities	11,979,920	4,231,510
- Deferred revenue	(39,882,641)	64,376
<i>Cash generated from operations</i>	<u>72,960,645</u>	<u>111,850,970</u>
Employee benefits paid	(761,976)	(398,163)
<b>Net cash from operating activities</b>	<u><b>72,198,669</b></u>	<u><b>111,452,807</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(39,276,058)	(55,894,560)
Sale proceeds of assets disposed off	–	99,334
<b>Net cash used in investing activities</b>	<u><b>(39,276,058)</b></u>	<u><b>(55,795,226)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	95,305,420	37,455,958
Repayments of loans and borrowings	(27,138,735)	(36,357,352)
Finance cost paid	(4,563,019)	(6,649,675)
Lease payments	(23,639,698)	(21,961,380)
Dividends paid	–	(28,179,613)
<b>Net cash generated from / (used in) financing activities</b>	<u><b>39,963,968</b></u>	<u><b>(55,692,062)</b></u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u><b>72,886,579</b></u>	<u><b>(34,481)</b></u>
Cash and cash equivalents at beginning of the period	<u><b>68,070,348</b></u>	<u><b>19,415,381</b></u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>140,956,927</b></u>	<u><b>19,380,900</b></u>

The accompanying notes (1) to (22) 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)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2020  
*(Expressed in Saudi Arabian Riyals)*

**I. ORGANIZATION, OWNERSHIP AND ACTIVITIES**

- a) 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 period ended 31 March 2020  
(Expressed in Saudi Arabian Riyals)

**1. ORGANIZATION, OWNERSHIP AND ACTIVITIES (CONTINUED)**

- b) 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.
- e) The consequences of the COVID-19 pandemic have materially affected the Company's business since the Company has temporarily closed all fitness centers as a result of enforcement action by the Saudi Government on 15th March 2020. This has resulted in the suspension of sales of subscriptions to the customers as well as the suspension of revenue recognition while the Company continues to incur certain fixed and semi-variable expenditures that has impacted the financial performance and cash flows of the Company.

In assessing the going concern position of the Company, the management, along with the oversight of the BOD, has developed comprehensive cash flow projections ensuring the existence of sufficient and adequate funds in order to meet the Company's obligations for a period of at-least next twelve months. This assessment has taken in to account the current measures being put in place by the Company to preserve cash and reduce discretionary expenditure during the period of closure. In particular, the Directors have considered (i) additional reductions in expenditure at certain times to improve liquidity; (ii) announcements by the Saudi Government to assist companies with the impact of the Covid-19 pandemic including financial support to pay 50% of wages for certain staff retained and flexibility on tax payments; (iii) the potential for the Company to agree with its landlords deferrals in the timing of rental payments.

The Directors have considered the impact of additional downside scenarios with a greater length of closure and a more severe impact on the Company's cash flows and liquidity as a result of additional loss of membership and revenue. The Directors currently believe the Company can maintain sufficient liquidity and can satisfy its bank covenant levels over the next 12 months. As of 31 March 2020, the Company has SAR 190 million in the form of unutilized credit facilities that the Directors believe are enough to meet the funding requirements of the Company. Moreover, the Company is also in the process of signing new facilities with its banks.

As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown in respect of future levels of revenues resulting from possible changes in the behaviours of members once gyms would be allowed to open. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. However, considering the aforesaid assessment made by the Company's Directors, the interim financial statements for the period ended 31 March 2020 have been prepared on a going concern basis.

**LEEJAM SPORTS COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2020  
*(Expressed in Saudi Arabian Riyals)*

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

These condensed interim financial statements (“interim financial statements”) have been prepared in accordance with *IAS 34 Interim Financial Reporting* that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2019 (“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.

**(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.

**(d) New standards, amendments to standards effective during the period**

Certain amendments to standards became effective on 01 January 2020, however, these do not have any impact on the Company.

**(e) 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.

**3. 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.

<b>Effective date</b>	<b>New standards and amendments</b>
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)*

**4. PROPERTY AND EQUIPMENT**

	31 March 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
<b>Cost:</b>		
Balance at beginning of the period / year	2,135,418,081	1,911,102,984
Additions during the period / year	43,210,120	238,808,638
Disposals / write offs during the period / year (Note 4.1)	<u>(41,533)</u>	<u>(14,493,541)</u>
Balance at end of the period / year	<u>2,178,586,668</u>	<u>2,135,418,081</u>
<b>Accumulated depreciation:</b>		
Balance at beginning of the period / year	(623,404,150)	(492,588,768)
Charge for the period / year	(33,651,160)	(136,902,386)
Eliminated on disposal / write offs	<u>251</u>	<u>6,087,004</u>
Balance at end of the period / year	<u>(657,055,059)</u>	<u>(623,404,150)</u>
<b>Net book value</b>	<u>1,521,531,609</u>	<u>1,512,013,931</u>

- 4.1 The charge in respect of write offs of property and equipment is included in the general and administrative expenses.

**5. LEASES**

**Right-of-use assets**

	31 March 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
Balance at beginning of the period / year	840,332,792	900,000,068
Additions during the period / year	—	13,560,240
Depreciation		
- charge for the period / year	(16,268,289)	(63,321,278)
- capitalized for under construction fitness centers	<u>(2,122,560)</u>	<u>(9,906,238)</u>
Balance at end of the period / year	<u>821,941,943</u>	<u>840,332,792</u>

**Lease liabilities**

Balance at beginning of the period / year	956,271,490	991,114,679
Additions during the period / year	—	13,560,240
Lease payments for the period / year	(23,639,698)	(90,954,540)
Interest expense for the period / year	8,340,617	34,450,571
Interest capitalized for under construction fitness centers	1,811,502	8,100,540
Balance at the end of the period / year	<u>942,783,911</u>	<u>956,271,490</u>

**Lease liabilities as at period / year end are as follows:**

Lease liability on right-of-use assets – non-current portion	878,168,386	893,772,931
Lease liability on right-of-use assets – current portion	64,615,525	62,498,559
Total	<u>942,783,911</u>	<u>956,271,490</u>

**LEEJAM SPORTS COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month period ended 31 March 2020  
*(Expressed in Saudi Arabian Riyals)*

**5. LEASES (CONTINUED)**

Amounts recognized in the statement of profit or loss are as follows:

	For the three- month period ended 31 March 2020 <u>(Unaudited)</u>	For the three-month period ended 31 March 2019 <u>(Unaudited)</u>
Depreciation on right-of-use assets	16,268,289	14,821,561
Interest expense on lease liabilities (Note 15)	8,340,617	7,926,414
<b>Total</b>	<b><u>24,608,906</u></b>	<b><u>22,747,975</u></b>

**6. PREPAYMENTS AND OTHER ASSETS**

	31 March 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
Prepayments:		
- Government charges	9,467,895	8,201,872
- Housing	1,799,877	3,728,184
- Others	7,129,328	7,583,443
	<u>18,397,100</u>	<u>19,513,499</u>
Advances to suppliers and contractors	30,899,566	24,612,764
Provision for doubtful advances	(1,030,646)	(1,000,000)
	<u>29,868,920</u>	<u>23,612,764</u>
Consumables	13,260,282	15,218,897
Provision for obsolete consumables	(1,817,013)	(1,966,215)
	<u>11,443,269</u>	<u>13,252,682</u>
Other receivables	3,878,067	4,283,129
Impairment allowance for doubtful receivables	(1,231,618)	(1,231,618)
	<u>2,646,449</u>	<u>3,051,511</u>
	<b><u>62,355,738</u></b>	<b><u>59,430,456</u></b>

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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:

	<b>For the three-month period ended 31 March 2020 <u>(Unaudited)</u></b>	<b>For the three-month period ended 31 March 2019 <u>(Unaudited)</u></b>
Remuneration of directors and key management personnel	1,661,112	2,223,278
Lease rentals paid to a shareholder	3,400,000	3,400,000
Sales to companies where shareholders have interest:		
- Al Sagri Holding	16,065	--

The above transactions resulted in the following balance due from abovementioned related party that is included in trade receivables:

	<b>31 March 2020 <u>(Unaudited)</u></b>	<b>31 December 2019 <u>(Audited)</u></b>
- Al Sagri Holding	<u>23,882</u>	<u>7,817</u>

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**8. TRADE RECEIVABLES**

	31 March 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
Subscriptions and membership receivables	15,350,937	21,157,467
Rental receivables	9,197,311	9,863,314
	<u>24,548,248</u>	<u>31,020,781</u>
Allowance for impairment (Note 8.1)		
- Subscriptions and membership receivables	<u>(32,780)</u>	<u>(727,201)</u>
- Rentals receivables	<u>(5,787,125)</u>	<u>(4,812,704)</u>
	<u>(5,819,905)</u>	<u>(5,539,905)</u>
	<u>18,728,343</u>	<u>25,480,876</u>

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

	31 March 2020 (Unaudited)			31 December 2019 (Audited)		
	Subscription and membership receivables	Rental receivables	Total	Subscription and membership receivables	Rental receivables	Total
Balance at beginning of the period / year	727,201	4,812,704	5,539,905	212,488	4,400,459	4,612,947
(Reversal) / charge for the period / year	(694,421)	974,421	280,000	514,713	412,245	926,958
Balance at end of the period / year	<u>32,780</u>	<u>5,787,125</u>	<u>5,819,905</u>	<u>727,201</u>	<u>4,812,704</u>	<u>5,539,905</u>

**9. SHARE CAPITAL**

The share capital of the Company is SAR 523.8 million (31 December 2019: SAR 523.8 million) divided into 52.3 million (31 December 2019: 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:

	<b>31 March 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>Non-current liabilities</b>		
Non-current portion of long-term loans	362,251,751	293,444,653
<b>Current liabilities</b>		
Current portion of long-term loans	<u>130,601,135</u>	<u>131,241,548</u>
<b>Total loans and borrowings</b>	<u><b>492,852,886</b></u>	<u><b>424,686,201</b></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 2020</u>	<u>31 December 2019</u>
<b>Bank loans – unsecured</b>					
- fixed commission rates	SAR	4.17% to 5.17%	2020 to 2023	153,411,440	171,037,629
- variable commission rates	SAR	(SIBOR+1.5%) to (SIBOR + 2%)	2022 to 2026	<u>339,441,446</u>	<u>253,648,572</u>
<b>Total</b>				<u><b>492,852,886</b></u>	<u><b>424,686,201</b></u>

The outstanding balance of accrued financial costs as at 31 March 2020 is SAR 2.91 million (31 December 2019: SAR 0.10 million, included in accrued expense). In addition, the Company has unutilized loan facilities from local banks of SAR 190 million.



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**12. PROVISION FOR ZAKAT**

*Provision for Zakat*

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

	31 March 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
Share capital	523,833,610	523,833,610
Retained earnings	147,131,388	141,919,268
Statutory reserves	56,645,895	56,021,218
Adjusted income for the period / year	8,359,507	226,524,862
Non-current assets	2,354,307,853	2,363,317,658

The movement in provision for Zakat is as follow:

	31 March 2020 <u>(Unaudited)</u>	31 December 2019 <u>(Audited)</u>
Balance at beginning of the period / year	5,730,934	3,382,592
Charge for the period / year	169,500	5,723,141
Paid during the period / year	—	(3,374,799)
Balance at end of the period / year	<u>5,900,434</u>	<u>5,730,934</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 2019 and has received final assessments from GAZT for the years up to 2015.

**13. REVENUE**

	For the three-month period ended 31 March	
	2020 <u>(Unaudited)</u>	2019 <u>(Unaudited)</u>
Revenue from contract with customers		
- Subscriptions and membership income	175,233,698	193,548,674
- Personal training	19,074,330	21,549,465
- Rentals	1,800,242	2,218,522
	<u>196,108,270</u>	<u>217,316,661</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 three-month period ended 31 March		For the three-month period ended 31 March		For the three-month period ended 31 March	
	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Type of customers</b>						
<b>Gender wise</b>						
Male Centers	128,264,565	146,759,988	13,737,355	17,727,415	1,353,136	1,939,461
Female Centers	46,969,133	46,788,686	5,336,975	3,822,050	447,106	279,061
<b>Total</b>	<b>175,233,698</b>	<b>193,548,674</b>	<b>19,074,330</b>	<b>21,549,465</b>	<b>1,800,242</b>	<b>2,218,522</b>
<b>Geographical markets</b>						
Central Region	82,812,663	98,191,242	9,386,734	10,322,576	934,728	1,297,510
Western Region	64,247,102	63,149,356	5,879,135	6,599,295	777,484	787,806
Eastern Region	25,440,952	29,074,455	2,953,497	3,587,710	81,283	125,232
UAE	2,732,981	3,133,621	854,964	1,039,884	6,747	7,974
<b>Total</b>	<b>175,233,698</b>	<b>193,548,674</b>	<b>19,074,330</b>	<b>21,549,465</b>	<b>1,800,242</b>	<b>2,218,522</b>

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 contract assets and contract liabilities related to contracts with customers:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables, gross (Note 8)	24,548,248	31,020,781
Deferred revenue	<u>(262,522,888)</u>	<u>(302,405,529)</u>
	<u>(237,974,640)</u>	<u>(271,384,748)</u>

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**

	<b>For the three-month period ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries and related benefits	50,269,341	52,353,579
Depreciation		
– property and equipment	32,582,133	29,950,939
– right-of-use of assets	16,110,833	14,664,105
Water and electricity	15,672,150	17,608,820
Cleaning and services expenses	12,374,271	11,856,268
Governmental and recruiting expenses	5,721,459	4,017,231
Consumables	4,282,211	3,610,186
Maintenance and repair	3,865,780	3,392,985
Security and safety	1,687,433	1,370,360
Stationery	1,016,320	1,074,359
Others	2,088,935	2,323,644
	<b>145,670,866</b>	<b>142,222,476</b>

**15. FINANCE COSTS**

	<b>For the three-month period ended 31 March</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on loans and borrowings	6,137,683	4,486,051
Interest expense on lease liabilities under IFRS 16	8,340,617	7,926,414
Bank charges	1,235,716	550,815
	<b>15,714,016</b>	<b>12,963,280</b>

**16. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit for the period ended 31 March 2020 and 31 March 2019, 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 2020 (31 March 2019: 52.38 million shares).

**17. CONTINGENCIES AND COMMITMENTS**

**17.1 Contingencies**

- a) The Company has issued letters of guarantees amounting to SAR 4.05 million (31 December 2019: SAR 4.05 million) against land lease.

**17.2 Commitments**

- a) *Operating leases*

	<b>31 March</b>	<b>31 March</b>
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Payments under short term operating leases recognized as an expense during the year	861,821	742,532

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**17. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**17.2 Commitments (continued)**

The amounts recognised in the statement of profit or loss for short term leases have been allocated as follows:

	<b>31 March 2020 (Unaudited)</b>	<b>31 March 2019 (Unaudited)</b>
Costs of revenue	845,706	704,882
General and administrative expenses	15,615	37,650
	<b>861,321</b>	<b>742,532</b>

- b) The Company has capital commitments for contracts for setting up fitness centers amounting to SAR 50.86 million (31 December 2019: SAR 70.13 million).

**18. OPERATING SEGMENTS**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the Executive Management and 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 has four reportable operating segments as follows:

- Headquarters and central region
- Western region
- Eastern region
- International Region UAE

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**18. OPERATING SEGMENTS (CONTINUED)**

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 2020 – Unaudited	Geographical Segments				Total
	Headquarters & Central Region	Western Region	Eastern Region	International Region - UAE	
Revenue	93,134,125	70,903,721	28,475,732	3,594,692	196,108,270
Costs of revenue	(63,162,660)	(56,697,326)	(21,935,367)	(3,875,513)	(145,670,866)
Gross profit/(loss)	29,971,465	14,206,395	6,540,365	(280,821)	50,437,404
Comprehensive income/(loss)	18,426,357	2,470,127	2,325,665	(911,288)	22,310,861
Unallocated head office cost	--	--	--	--	(16,474,064)
Depreciation					
- property and equipment	(13,820,700)	(13,955,197)	(4,985,489)	(889,774)	(33,651,160)
- right-of-use assets	(6,393,545)	(6,632,571)	(2,669,308)	(572,865)	(16,268,289)
As at 31 March 2020 – Unaudited					
Total assets	1,190,616,961	990,062,813	302,014,039	93,655,048	2,576,348,861
Total liabilities	1,080,058,721	514,553,802	189,933,118	64,192,327	1,848,737,968

For the period ended 31 March 2019 – Unaudited	Geographical Segments				Total
	Headquarters & Central Region	Western Region	Eastern Region	International Region - UAE	
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)	34,573,727	7,981,638	5,950,069	(173,586)	48,331,848
Unallocated head office cost	--	--	--	--	(9,285,004)
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 December 2019 – Audited					
Total assets	1,116,410,016	997,893,980	307,199,064	94,796,278	2,516,299,338
Total liabilities	999,621,636	534,644,556	195,491,160	64,767,890	1,794,525,242

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**18. 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	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
	Male Fitness Centers		Female Fitness Centers		Total	
Revenue	143,355,056	166,426,864	52,753,214	50,889,797	196,108,270	217,316,661
Costs of revenue	(109,166,044)	(112,982,532)	(36,504,822)	(29,239,944)	(145,670,866)	(142,222,476)
Gross profit	34,189,012	53,444,332	16,248,392	21,649,853	50,437,404	75,094,185
Comprehensive income	11,340,359	31,805,466	10,970,502	16,526,382	22,310,861	48,331,848
Unallocated head office cost					(16,474,064)	(9,285,004)
Depreciation - property and equipment	(24,807,448)	(24,212,705)	(8,843,712)	(6,720,659)	(33,651,160)	(30,933,364)
- right of use of assets	(12,054,547)	(11,654,110)	(4,213,742)	(3,167,451)	(16,268,289)	(14,821,561)

**19. DETERMINATION OF FAIR VALUES**

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

**20. FINANCIAL RISK MANAGEMENT**

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

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

**Risk management framework**

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

*Risk management structure*

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

*Board of Directors / Audit Committee*

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

*Senior management*

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

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**20 FINANCIAL RISK MANAGEMENT (CONTINUED)**

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

**(i) Credit risk**

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

*Management of credit risk*

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

*Exposure to credit risk*

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

<i>Financial assets</i>	<b>31 March 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Other receivables (note 6)	3,878,067	4,283,129
Trade receivables, gross (note 8)	24,548,248	31,020,781
Bank balances	140,956,927	65,349,582
	<u>169,383,242</u>	<u>100,653,492</u>

*Cash and cash equivalents*

The Company held balances with banks of SAR 140,956,927 as at 31 March 2020, 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:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Neither past due nor impaired	12,379,931	19,239,526
Past due but not impaired:		
- 1 to 30 days	1,025,020	1,399,637
- 31 to 60 days	202,561	495,843
- 61 to 90 days	3,888,133	635,533
- 91 to 120 days	154,387	1,490,595
- 121 to 150 days	24,456	443,918
- 151 to 180 days	316,263	2,854
- 181 to 210 days	359,748	573,710
- 211 to 240 days	110,981	277,149
- 241 to 270 days	--	333,039
- 271 to 300 days	98,146	504,830
- 301 to 330 days	111,754	--
- 331 to 360 days	56,963	84,242
- 360 days plus	--	--
<b>Total trade receivables</b>	<u>18,728,343</u>	<u>25,480,876</u>

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**20. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk**

Set out below is the detailed analysis of the credit risk exposure on the Company's trade receivables using a provision matrix as per IFRS 9:

	Trade receivables — subscription and membership													
	Day past due												Total	
	1-30	31-60	61-90	91-120	121-150	151-180	181-210	211-240	241-270	271-300	301-330	331-360		>360 Days
Current	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	
31 March 2020														
Gross carrying amount	11,111,073	451,277	203,645	3,539,380	19,931	--	--	--	--	--	--	--	25,631	15,350,937
Expected credit loss rate	0.0%	0.04%	0.53%	0.16%	0.29%	--	--	--	--	--	--	--	100%	
Expected credit loss	--	(202)	(1,084)	(5,806)	(57)	--	--	--	--	--	--	--	(25,631)	(32,780)
Net carrying amount	11,111,073	451,075	202,561	3,533,574	19,874	--	--	--	--	--	--	--	--	15,318,157
	Trade receivables — rental													
	Day past due												Total	
	1-30	31-60	61-90	91-120	121-150	151-180	181-210	211-240	241-270	271-300	301-330	331-360		>360 Days
	Current	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	Days	
31 March 2020														
Gross carrying amount	1,268,858	574,719	--	355,584	341,955	375,601	159,447	--	1,038,864	222,506	341,238	4,152,564	9,197,311	
Less: specifically assessed and fully provided	--	--	--	(207,008)	(11,288)	(11,288)	(45,691)	--	(930,891)	(79,590)	(24,045)	(3,190,504)	(4,511,592)	
Carrying amount assessed for provision matrix	1,268,858	574,719	--	355,584	341,947	364,313	113,756	--	107,973	142,916	317,193	962,060	4,685,719	
Expected credit loss rate	0.00%	0.13%	--	0.29%	0.32%	0.81%	2.44%	--	9.10%	21.8%	82.04%	100%		
Expected credit loss	--	(774)	--	(1,025)	(434)	(2,587)	(2,775)	--	(9,827)	(31,162)	(260,230)	(962,060)	(1,275,533)	
Total allowance for impairment	--	(774)	--	(1,025)	(434)	(2,587)	(2,775)	--	(9,827)	(31,162)	(260,230)	(962,060)		
Net carrying amount	1,268,858	573,945	--	354,559	341,513	359,748	110,981	--	98,146	111,754	56,963	--	3,410,186	
Total trade receivables	12,379,931	1,025,020	202,561	3,888,133	154,387	359,748	110,981	--	98,146	111,754	56,963	--	18,728,343	



**LEEJAM SPORTS COMPANY**  
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**20 FINANCIAL RISK MANAGEMENT (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 31 March 2020, current liabilities of the Company have exceeded its current assets by SAR 351.85 million. However, the current liabilities include SAR 262.52 million of deferred revenue representing subscription fee received in advance and SAR 0.62 million of advances from customers, which the Company does not expect and is not legally required to repay as at 31 March 2020. Further, the Company has total unutilized banking facilities of SAR 190 million as of 31 March 2020, 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 2020 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**

<b>31 March 2020</b> <b>(Unaudited)</b>	<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*	18,510,264	127,202,444	385,975,691	--	531,688,399
Accounts payables	52,056,379	--	--	--	52,056,379
Accrued expenses and other liabilities	57,575,800	--	--	--	57,575,800
	<b>128,142,443</b>	<b>127,202,444</b>	<b>385,975,691</b>	<b>--</b>	<b>641,320,578</b>
	<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>
<b>31 December 2019</b> <b>(Audited)</b>					
Loans and borrowing*	40,201,003	108,289,255	314,096,725	--	462,586,983
Accounts payables	29,012,761	--	--	--	29,012,761
Accrued expenses and other liabilities	40,219,863	--	--	--	40,219,863
	<b>109,433,627</b>	<b>108,289,255</b>	<b>314,096,725</b>	<b>--</b>	<b>531,819,607</b>

\* The loan and borrowing include finance cost of SAR 38.84 million (31 December 2019: SAR 37.9 million).

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**21. CAPITAL MANAGEMENT**

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

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

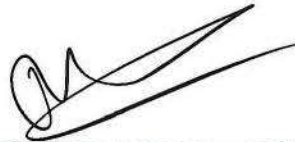
The Company monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising commission-bearing loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

**22. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements have been approved by the Board of Directors on 16 May 2020, corresponding to 23 Ramadan 1441H.



Mohammad Merajuddin  
Chief Financial Officer



Justin Musgrove  
Chief Executive Officer



Ali Hamad AlSagri  
Chairman