

**LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED) FOR THE THREE-MONTH AND
SIX-MONTH PERIODS ENDED 30 JUNE 2020
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REVIEW REPORT**

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020

	Page
Report on review of condensed interim financial statements	1
Condensed interim statement of financial position	2
Condensed interim statement of profit or loss	3
Condensed interim statement of comprehensive (loss) / income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial statements	7 - 16



Report on review of condensed interim financial statements

To the Shareholders of Leejam Sports Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Leejam Sports Company (the "Company") as of 30 June 2020 and the related condensed interim statements of profit or loss and comprehensive (loss) / income for the three-month and six-month periods ended 30 June 2020 and the condensed interim statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other matter

The condensed interim financial statements of the Company for the quarter and six-month period ended 30 June 2019 and the financial statements for the year ended 31 December 2019 were reviewed and audited by another auditor, whose review report dated 31 July 2019 and audit report dated 10 March 2020 express an unmodified conclusion and opinion respectively.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471


24 August 2020

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

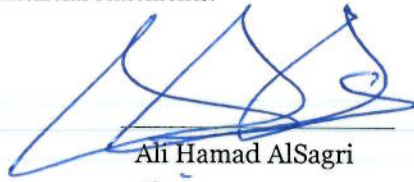
Condensed interim statement of financial position
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Non-current assets			
Property and equipment	5	1,503,437,907	1,512,013,931
Right-of-use assets	6	807,412,639	840,332,792
Goodwill		9,445,544	9,445,544
Long term trade receivable		1,250,494	1,525,391
Total non-current assets		2,321,546,584	2,363,317,658
Current assets			
Prepayments and other assets		64,318,748	59,430,456
Trade receivables	8	14,117,540	25,480,876
Cash and cash equivalents	9	177,777,250	68,070,348
Total current assets		256,213,538	152,981,680
Total assets		2,577,760,122	2,516,299,338
EQUITY AND LIABILITIES			
Equity			
Share capital		523,833,610	523,833,610
Statutory reserve		56,021,218	56,021,218
Retained earnings		56,322,371	141,919,268
Total equity		636,177,199	721,774,096
Liabilities			
Non-current liabilities			
Loans	10	398,321,311	293,444,653
Lease liabilities	6	890,385,347	893,772,931
Employees' end of service benefits		35,259,278	33,013,250
Total non-current liabilities		1,323,965,936	1,220,230,834
Current liabilities			
Loans	10	159,183,845	131,241,548
Lease liabilities	6	66,119,630	62,498,559
Accounts payable		61,056,369	29,012,761
Accrued expenses and other liabilities		47,757,121	43,405,077
Deferred revenue		277,769,088	302,405,529
Provision for Zakat	11	5,730,934	5,730,934
Total current liabilities		617,616,987	574,294,408
Total liabilities		1,941,582,923	1,794,525,242
Total equity and liabilities		2,577,760,122	2,516,299,338

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 interim statements of profit or loss (Unaudited)
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2020	2019	2020	2019
Revenue	12	23,779,806	219,030,935	219,888,076	436,347,596
Costs of revenue	13	(87,017,883)	(137,515,800)	(232,688,749)	(279,738,276)
Gross (loss)/ profit		(63,238,077)	81,515,135	(12,800,673)	156,609,320
Advertising and marketing expenses		(1,036,558)	(3,475,363)	(9,682,867)	(7,085,508)
General and administrative expenses		(13,040,560)	(14,292,895)	(33,981,531)	(34,458,162)
Impairment loss on financial assets	8.1	(888,744)	(849,997)	(1,168,744)	(989,997)
Other income		973,814	2,636,049	2,533,977	5,015,050
Operating (loss)/ profit		(77,230,125)	65,532,929	(55,099,838)	119,090,703
Finance costs		(13,963,094)	(14,631,017)	(29,677,110)	(27,594,297)
(Loss)/ profit before Zakat		(91,193,219)	50,901,912	(84,776,948)	91,496,406
Reversal of/ (charge for) Zakat	11	169,500	(1,311,350)	-	(2,309,141)
Net (loss)/ profit for the period		(91,023,719)	49,590,562	(84,776,948)	89,187,265
(Loss)/ earnings per share	14	(1.74)	0.95	(1.62)	1.70

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 interim statement of comprehensive (loss)/ income (Unaudited)
 (All amounts are in Saudi Arabian Riyals unless otherwise stated)

	<u>For the three-month period ended 30 June</u>		<u>For the six-month period ended 30 June</u>	
	2020	2019	2020	2019
Net (loss)/ profit for the period	(91,023,719)	49,590,562	(84,776,948)	89,187,265
Other comprehensive loss				
<i>Items that will not be reclassified to profit or loss</i>				
Re-measurement of defined benefit obligation - employee benefits	<u>(409,975)</u>	<u>(549,859)</u>	<u>(819,949)</u>	<u>(1,099,718)</u>
Total comprehensive (loss)/ income for the period	<u>(91,433,694)</u>	<u>49,040,703</u>	<u>(85,596,897)</u>	<u>88,087,547</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

u

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

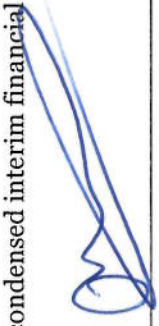
Condensed interim statement of changes in equity (Unaudited)
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2019 – as previously reported – (audited)	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	-	-	89,187,265	89,187,265
Other comprehensive loss	-	-	(1,099,718)	(1,099,718)
Total comprehensive income for the period	-	-	88,087,547	88,087,547
Transfer to statutory reserve	-	8,918,727	(8,918,727)	-
Final dividend declared for Q4 2018	-	-	(28,179,613)	(28,179,613)
Interim dividend declared for Q1 2019	-	-	(21,052,304)	(21,052,304)
Balance as at 30 June 2019	523,833,610	44,347,860	89,876,806	658,058,276
Balance as at 1 January 2020 – (audited)	523,833,610	56,021,218	141,919,268	721,774,096
Net loss for the period	-	-	(84,776,948)	(84,776,948)
Other comprehensive loss	-	-	(819,949)	(819,949)
Total comprehensive loss for the period	-	-	(85,596,897)	(85,596,897)
Transfer to statutory reserve	-	-	-	-
Balance as at 30 June 2020	523,833,610	56,021,218	56,322,371	636,177,199

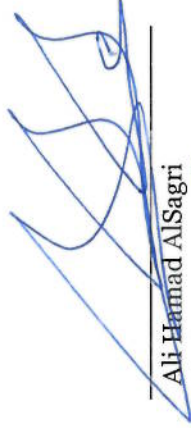
The accompanying notes (1) to (22) form an integral part of these condensed interim financial statements.



Mohammad Merajuddin
Chief Financial Officer



Justin Musgrove
Chief Executive Officer




Ali Hamad AlSagri
Chairman


LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

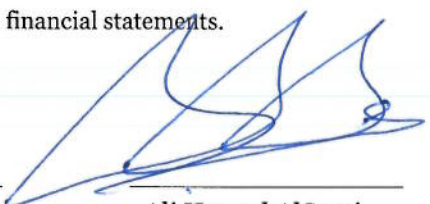
Condensed interim statement of cash flows (Unaudited)
For the six-month period ended 30 June
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ profit before Zakat		(84,776,948)	91,496,406
<i>Adjustments for:</i>			
<i>Depreciation on:</i>			
- property and equipment	5	68,236,265	63,684,105
- right-of-use assets	6	34,070,082	30,251,946
Finance costs		29,677,110	27,594,297
Property and equipment written off – net	5	473,937	-
Gain on disposal of property and equipment		-	(18,860)
Charge for impairment of trade receivables, net	8.1	1,168,744	989,997
Provision for employees' end of service benefits		3,177,892	3,083,030
		52,027,082	217,080,921
<i>Changes in:</i>			
- Prepayments and other assets		(4,888,292)	7,091,919
- Trade and long-term receivables		10,469,489	(9,107,259)
- Accounts payable		32,043,608	5,692,640
- Accrued expenses and other liabilities		4,352,044	2,041,469
- Deferred revenue		(24,636,441)	(153,671)
Employee benefits paid		(1,751,813)	(1,314,048)
Zakat paid		-	(3,374,799)
Net cash generated from operating activities		67,615,677	217,957,172
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(53,177,209)	(97,429,691)
Sale proceeds of assets disposed off		-	99,334
Net cash used in investing activities		(53,177,209)	(97,330,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		165,304,820	83,455,068
Repayments of loans		(32,485,865)	(88,598,581)
Finance costs paid		(13,406,075)	(13,566,677)
Lease payments	6	(24,144,446)	(46,558,008)
Dividends paid		-	(49,231,917)
Net cash generated/ (used in) financing activities		95,268,434	(114,500,115)
Net increase in cash and cash equivalents		109,706,902	6,126,700
Cash and cash equivalents at beginning of the period		68,070,348	19,415,381
Cash and cash equivalents at the end of the period	9	177,777,250	25,542,081
Supplement schedule of non-cash information			
Additions to right-of-use assets	6	3,988,353	-

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)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

Leejam Sports Company ("the Company") is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange with effect from 10 September 2018. The address of the Company's head office, the number of branches and the principal activities of the Company remain the same as disclosed in the Company's annual financial statements for the year ended 31 December 2019.

All amounts in these condensed interim financial statements are presented in Saudi Riyals (hereinafter referred to as "SR") unless otherwise stated.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 - "Interim Financial Reporting" ("IAS-34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These condensed interim financial statements should be read in conjunction with the Company's annual audited financial statements as at and for the year ended 31 December 2019. These do not include all of the information required for a complete set of financial statements under IFRS, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.

The interim results may not be an indicator of the annual results of the Company.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

As at 30 June 2020, management believes that, other than significant changes in the assumptions used to determine the recoverable amount of the cash generating units, goodwill, and judgement in relation to existence or non-existence of material uncertainty relating to going concern, all other sources of estimation uncertainty remain similar to those disclosed in the Company's annual financial statements for the year ended 31 December 2019. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods (also see note 17, 18 and 19).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's last annual audited financial statements as at and for the year ended 31 December 2019.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 New standards, amendments to standards and interpretations applicable from 1 January 2020

There are no new standards applicable to the Company. However, there are a number of amendments to existing standards such as:

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Definition of a Business - Amendments to IFRS 3 Business Combinations
Amendments to References to the Conceptual Framework in IFRS Standards
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reforms

which are effective from 1 January 2020 and have been explained in the Company's last annual financial statements, but they do not have a material effect on these condensed interim financial statements.

4.2 New IFRS standards, amendments to standards and interpretations not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

5. PROPERTY AND EQUIPMENT

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cost:		
Opening balance	2,135,418,081	1,911,102,984
Additions during the period/ year (Note 5.1)	60,134,178	238,808,638
Disposals/ write offs during the period/year (Note 5.2)	<u>(1,186,888)</u>	<u>(14,493,541)</u>
Closing balance	<u>2,194,365,371</u>	<u>2,135,418,081</u>
Accumulated depreciation:		
Opening balance	(623,404,150)	(492,588,768)
Charge for the period/year	(68,236,265)	(136,902,386)
Disposals/ write offs during the period/year	712,951	6,087,004
Closing balance	<u>(690,927,464)</u>	<u>(623,404,150)</u>
Net book value	<u>1,503,437,907</u>	<u>1,512,013,931</u>

5.1 The total borrowing costs capitalised under capital work in progress during the period amounted to SR 1.7 million (31 December 2019: SR 4.01 million).

5.2 The charge in respect of write offs of property and equipment, if any, is included in the general and administrative expenses.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

6. LEASES

	30 June (Unaudited)	31 December (Audited)
<u>Right-of-use assets</u>		
Opening balance	840,332,792	900,000,068
Additions during the period / year	3,988,353	13,560,240
Depreciation		
- charge for the period / year	(34,070,082)	(63,321,278)
- capitalized for under construction fitness centers	(2,838,424)	(9,906,238)
Closing balance	<u>807,412,639</u>	<u>840,332,792</u>
Opening balance	956,271,490	991,114,679
Additions during the period / year	3,988,353	13,560,240
Lease payments for the period / year	(24,144,446)	(90,954,540)
Interest expense for the period / year	17,965,032	34,450,571
Interest capitalized for under construction fitness centers	2,424,548	8,100,540
Closing balance	<u>956,504,977</u>	<u>956,271,490</u>
Lease liability:		
Non-current portion	890,385,347	893,772,931
Current portion	<u>66,119,630</u>	<u>62,498,559</u>
	<u>956,504,977</u>	<u>956,271,490</u>

Depreciation recognized in the statement of profit or loss for the six-month period ended was as follows:

	30 June 2020	30 June 2019
Depreciation on right-of-use assets	34,070,082	30,251,946
Interest expense on lease liabilities	17,965,032	16,300,010
Total	<u>52,035,114</u>	<u>46,551,956</u>

7. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

During the six-month period, the significant transactions with related parties were as follows:

	30 June 2020	30 June 2019
Remuneration of directors and key management personnel	3,022,605	3,917,426
Lease rentals paid to a shareholder	3,400,000	3,400,000

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

8. TRADE RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Subscriptions and membership receivables	8,858,207	21,157,467
Rental receivables	<u>11,967,982</u>	<u>9,863,314</u>
	20,826,189	31,020,781
Allowance for impairment (Note 8.1)		
- Subscriptions and membership receivables	<u>(32,621)</u>	<u>(727,201)</u>
- Rentals receivables	<u>(6,676,028)</u>	<u>(4,812,704)</u>
	(6,708,649)	(5,539,905)
	<u>14,117,540</u>	<u>25,480,876</u>

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Opening balance	5,539,905	4,612,947
Charge for the period / year	<u>1,168,744</u>	<u>926,958</u>
Closing balance	6,708,649	5,539,905

9. CASH AND CASH EQUIVALENTS

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash in hand		1,351,803	2,720,766
Cash at bank – current accounts		96,425,447	65,349,582
Short term deposits	9.1	<u>80,000,000</u>	-
		177,777,250	68,070,348

9.1 These are placed with a local bank as interest bearing deposits which are based on prevailing market interest rates and have original maturity of less than three months.

10. LOANS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank loans	557,505,156	424,686,201
Less: current portion of term loans	<u>(159,183,845)</u>	<u>(131,241,548)</u>
Non-current portion of term loans	398,321,311	293,444,653

As at 30 June 2020, the Company had unutilised bank financing facilities amounting to SR 320 million (31 December 2019: SR 125 million) to manage its short term and long-term liquidity requirements and for construction of the fitness centers.

All borrowings are denominated in Saudi Riyals and are under Islamic financing mode. The borrowing arrangement contain certain covenants which are monitored on a monthly basis by the management. The Banks monitors and evaluates compliance with the debt covenants by the Company on an annual basis.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

11. ZAKAT

The status of zakat assessments was disclosed in note 19 to the annual financial statements for the year ended 31 December 2019. There is no change in the status of Zakat assessments of the Company since 31 December 2019. Subsequent to 30 June 2020, the Company submitted its zakat return for the year ended 31 December 2019.

The movement in provision for Zakat is as follow:	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Opening balance	5,730,934	3,382,592
Charge for the period/ year	-	5,723,141
Paid during the period/ year	-	(3,374,799)
Closing balance	<u>5,730,934</u>	<u>5,730,934</u>

The Company is expecting that there would not be a positive zakat base as of 30 June 2020 and therefore no charge for the period has been recognized in these condensed interim financial statements.

12. REVENUE

	For the six-month period ended 30 June	
	2020	2019
Revenue from contracts with customers		
- Subscriptions and membership income	198,045,515	390,586,754
- Personal training	20,339,146	41,300,705
- Rentals	1,503,415	4,460,137
	<u>219,888,076</u>	<u>436,347,596</u>

Disaggregation of revenue from contract with customers

Revenue, for the six-month period ended 30 June, 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	
	2020	2019	2020	2019	2020	2019
Type of customers						
Male Centers	144,900,003	299,240,880	14,678,237	32,881,689	1,164,096	3,681,195
Female Centers	53,145,512	91,345,874	5,660,909	8,419,016	339,319	778,942
Total	<u>198,045,515</u>	<u>390,586,754</u>	<u>20,339,146</u>	<u>41,300,705</u>	<u>1,503,415</u>	<u>4,460,137</u>
Geographical markets						
Central Region	93,176,937	194,462,412	9,895,291	19,626,875	696,105	2,596,265
Western Region	72,734,552	125,692,498	6,198,884	12,534,729	731,537	1,594,310
Eastern Region	28,580,987	63,951,124	3,155,054	7,106,118	69,026	256,545
UAE	3,553,039	6,480,720	1,089,917	2,032,983	6,747	13,017
Total	<u>198,045,515</u>	<u>390,586,754</u>	<u>20,339,146</u>	<u>41,300,705</u>	<u>1,503,415</u>	<u>4,460,137</u>

In addition, the Company separately presents segment information in accordance with IFRS-8 (see note 16).

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated).

13. COST OF REVENUES

	For the six-month period ended	
	30 June	
	2020	2019
Salaries and related benefits	71,107,960	103,934,873
Depreciation	99,848,368	91,630,994
Water and electricity	21,839,708	35,826,408
Cleaning and service expenses	13,672,032	22,729,488
Other	26,220,681	25,616,513
	<u>232,688,749</u>	<u>279,738,276</u>

14. LOSS / EARNINGS PER SHARE

Basic loss/ earnings per share is calculated by dividing the net loss /profit for the period ended 30 June 2020 and 30 June 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 30 June 2020 (30 June 2019: 52.38 million shares).

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

There have been no significant changes in the contingencies from those disclosed in annual audited financial statements of the Company for the year ended 31 December 2019.

15.2 Commitments

There have been no significant changes in operating lease commitments from those disclosed in annual audited financial statements of the Company for the year ended 31 December 2019. The Company has capital commitments on contracts for setting up fitness centers amounting to SR 44 million as at 30 June 2020 (31 December 2019: SR 70 million).

el

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

16. OPERATING SEGMENTS

16.1 Market segment information for the six-month period ended 30 June is as follows:

	Male Fitness Centers		Female Fitness Centers		Total	
	2020	2019	2020	2019	2020	2019
	Amount in SR in '000'					
Revenue	160,742	335,803	59,146	100,544	219,888	436,347
Costs of revenue	(172,450)	(219,612)	(60,239)	(60,126)	(232,689)	(279,738)
Gross (loss)/ profit	(11,708)	116,191	(1,093)	40,418	(12,801)	156,609
Total comprehensive (loss)/ income	(53,166)	68,028	(12,558)	30,394	(65,724)	98,422
Unallocated head office cost					(19,873)	(10,334)
Depreciation on						
- property and equipment	49,457	49,559	18,779	14,125	68,236	63,684
- right of use assets	24,390	23,573	9,680	6,679	34,070	30,252

16.2 Geographical segment information for the six-month period ended 30 June is as follows:

	Headquarter & Central Region	Western Region	Eastern Region	International Region – UAE	Total
	Amount in SR in '000'				
30 June 2020					
Revenue	103,768	79,665	31,805	4,650	219,888
Costs of revenue	(99,853)	(91,139)	(34,805)	(6,892)	(232,689)
Gross (loss) / profit	3,915	(11,474)	(3,000)	(2,242)	(12,801)
Total comprehensive loss	(17,877)	(33,590)	(10,945)	(3,312)	(65,724)
Unallocated head office cost	-	-	-	-	(19,873)
Depreciation on					
- property and equipment	28,277	28,049	10,111	1,799	68,236
- right of use assets	13,815	13,561	5,389	1,305	34,070
As at 30 June 2020 – Unaudited					
Total assets	1,211,008	972,558	294,889	99,305	2,577,760
Total liabilities	1,152,527	524,198	192,099	72,759	1,941,583
30 June 2019					
Revenue	216,686	139,822	71,314	8,525	436,347
Costs of revenue	(122,721)	(106,144)	(43,609)	(7,264)	(279,738)
Gross profit	93,965	33,678	27,705	1,261	156,609
Total comprehensive income	68,479	11,601	18,245	97	98,422
Unallocated head office cost	-	-	-	-	(10,334)
Depreciation on					
- property and equipment	26,518	25,603	9,795	1,768	63,684
- right of use assets	12,802	11,172	5,268	1,010	30,252
As at 31 December 2019 – Audited					
Total assets	1,116,410	997,894	307,199	94,796	2,516,299
Total liabilities	999,622	534,645	195,491	64,767	1,794,525

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

17. IMPAIRMENT ASSESSMENTS

As result of Covid-19, all the fitness centers of the Company remained closed from 15 March 2020 to 20 June 2020 and as a result the Company incurred a loss of SR 91 million during the three - month period ended 30 June 2020 which was considered as an impairment indicator. Accordingly, an impairment review has been performed across all cash generating units ("CGUs") by the management of the Company.

During 2016, the Company acquired two fitness centers namely Dwadmi and Alkhaleej with goodwill recognised on the acquisition of these fitness centers amounting to SR 4.6 million and 4.8 million respectively and these were also tested for impairment.

The recoverable amounts of the CGUs have been determined based on a value in use model, using a discounted cash flow analysis. The cash flow projections span over the period of the remaining lease term of the specific CGU which ranges from 1 to 24 years.

No impairment loss has been recognised on any of the non-financial assets and goodwill in these condensed interim financial statements as sufficient headroom was available in respect each CGU as a result of impairment exercise carried by the management of the Company.

The key assumptions made in performing the impairment reviews includes a pre-tax discount rate used at the rate of 10% for all the CGUs and a revenue growth rate up to 9.7 % for all the CGUs excluding goodwill. The revenue growth rate used for CGUs against which goodwill is allocated was 6.9 % and 6.7 % for Dwadmi and Alkhaleej respectively.

Assumptions in value in use calculation for each CGU

The assumptions used in the projections for the impairment testing, relate to the average revenue and growth, operating costs, replacement CAPEX and earnings before interest, taxes, depreciation and amortization (EBITDA) and pre-tax discount rate.

For average revenue growth, replacement CAPEX and EBITDA, the assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Discount rate represents the weighted average cost of capital (WACC) of the Company adjusted to reflect specific risks relating to the industry and the country in which the client operates. The discount rate used by the management in the annual impairment exercise performed during the year ended 31 December 2019 was 7.2% and that was adjusted during the current period to reflect risk profile of the industry and the Company after the outbreak of Covid-19.

Sensitivity analysis

As at 30 June 2020, the possible changes in the key assumptions, with all other variables constant, such as increase in discount rate from 10% to 11% and decrease in average revenue growth rate by 1% will not result in any impairment loss to be recorded on any of the CGUs including the CGUs where the goodwill was allocated.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

18. LIQUIDITY RISK AND GOING CONCERN

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

At the statement of financial position date, gearing ratio and current ratio were as follows:

	30 June 2020 (Unaudited) SR in million	31 December 2019 (Audited) SR in million
Equity	<u>636</u>	<u>722</u>
Liabilities (excluding deferred revenue)	<u>1,664</u>	<u>1,492</u>
Total capital structure (including deferred revenue)	<u>2,578</u>	<u>2,516</u>
Gearing ratio	<u>64.55%</u>	<u>59.30%</u>
Current ratio (excluding deferred revenue)	<u>0.75</u>	<u>0.56</u>

In relation to liquidity risk and going concern assessment of the Company, the management has developed comprehensive monthly cash flow projections ensuring the existence of sufficient funds in order to meet the Company's obligations for a period of at-least next twelve months from the reporting date. As of 30 June 2020, the management also analyses the liquidity risk as follows:

	SR in million
Current liabilities excluding deferred revenue	340
Less: current financial assets	<u>(195)</u>
Net current liability position*	<u>145</u>

* The management believes that this net current liability is not expected to significantly impact the Company's ability to meet its obligation as:

- (a) During 2019, the net cash generated from operating activities was amounted to SR 545 million. Due to the impact of Covid-19 particularly due to the closure of fitness centers from 15 March 2020 to 20 June 2020, the Company was unable to generate budgeted subscriptions and revenue during the first half of the year and therefore incurred a net loss of SR 91 million during the three-month period ended 30 June 2020. However, subsequent to the period end, the Company was able to achieve subscriptions, which approximates to the same level of subscriptions achieved in the previous comparable period. Moreover, the Company also achieved profitable results during the month of July 2020; and
- (b) The Company manages its liquidity risk by ensuring that as of 30 June 2020 unutilized bank borrowing facilities of SR 85 million were available from multiple banks for managing the working capital requirements.

In addition to the above, in assessing the going concern position of the Company, the management has developed a 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 expenditures.

The management is not aware of any material uncertainty that may cast significant doubt upon the Company's ability to continue as going concern. Therefore, these condensed interim financial statements have been prepared on a going concern basis.

LEEJAM SPORTS COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed interim financial statements (Unaudited)

For the three-month and six-month periods ended 30 June 2020

(All amounts are in Saudi Arabian Riyals unless otherwise stated)

19. SIGNIFICANT EVENT DURING THE PERIOD

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 causing disruptions to businesses and economic activity across the globe. In response to the spread of the Covid-19 in KSA and UAE where Company operates and its resulting disruptions to the social and economic activities in those markets, Leejam's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well.

The consequences of the Covid-19 pandemic have materially affected the Company's business since all the Company's fitness centers remained closed from 15 March 2020 to 20 June 2020. This resulted in the suspension of sales of subscriptions to the customers as well as the suspension of revenue recognition during the aforementioned period while the Company continues to incur certain fixed and semi-variable expenditures that has impacted the financial performance and cash flows of the Company.

Leejam's management has considered potential impacts of the current economic uncertainties and volatility in determination of the reported amounts of the Group's financial and non-financial assets and these are considered to represent management's best assessment based on observable information on the period end date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

It is currently expected that disruptions to a broad range of economic activities will slow economic growth particularly in the coming few months and later the situation will improve. However, if COVID-19 outbreak will be prolonged then it could have effect on the future business performance and impairment assessments of the Company's non-current assets. Leejam's management continues to monitor the situation closely.

20. SEASONALITY OF THE COMPANY'S BUSINESS


The Company's business performance during fourth quarter of the year is generally better than other quarters of the year because of several factors including conducive weather conditions and the Company offers attractive discounts to its customers on Saudi National Day (i.e. September 23) which boosts the Company's sales and profitability and improves the financial performance of the Company.

21. CAPITAL MANAGEMENT AND FINANCIAL RISKS

The Company's capital and financial risk management strategies have not changed significantly since the last year end. All financial assets and financial liabilities of the Company are classified and measured at amortized cost.

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS


These condensed interim financial statements were approved by the Company's Board of Director on 23 August 2020.



Mohammad Merajuddin
Chief Financial Officer



Justin Musgrove
Chief Executive Officer



Ali Hamad AlSagri
Chairman