

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) FOR THE THREE-MONTH AND  
NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER**  
**2020**

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## *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 September 2020 and the related condensed interim statements of profit or loss and comprehensive income for the three-month and nine-month periods ended 30 September 2020 and the condensed interim statements of changes in equity and cash flows for the nine-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.

### **PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over a faint, stylized blue logo that resembles a bird or a winged figure.

Omar M. Al Sagga  
License Number 369

2 November 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 September 2020 (Unaudited)	31 December 2019 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	1,491,696,039	1,512,013,931
Right-of-use assets	6	789,964,202	840,332,792
Goodwill	19	9,445,544	9,445,544
Advances to suppliers		14,136,759	15,712,389
Long term trade receivable		1,114,407	1,525,391
<b>Total non-current assets</b>		<b>2,306,356,951</b>	<b>2,379,030,047</b>
<b>Current assets</b>			
Prepayments and other assets		40,084,368	30,465,385
Trade receivables	8	18,972,484	25,480,876
Inventory		15,713,456	13,252,682
Cash and cash equivalents	9	289,223,776	68,070,348
<b>Total current assets</b>		<b>363,994,084</b>	<b>137,269,291</b>
<b>Total assets</b>		<b>2,670,351,035</b>	<b>2,516,299,338</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		523,833,610	523,833,610
Statutory reserve		56,021,218	56,021,218
Retained earnings		82,480,175	141,919,268
<b>Total equity</b>		<b>662,335,003</b>	<b>721,774,096</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	10	375,644,952	293,444,653
Lease liabilities	6	891,343,882	893,772,931
Employees' end of service benefits		36,780,795	33,013,250
<b>Total non-current liabilities</b>		<b>1,303,769,629</b>	<b>1,220,230,834</b>
<b>Current liabilities</b>			
Loans	10	183,418,714	131,241,548
Lease liabilities	6	72,266,568	62,498,559
Accounts payable		35,426,598	28,538,924
Accrued expenses and other liabilities	11	80,710,128	43,878,914
Deferred revenue		328,558,051	302,405,529
Provision for Zakat	12	3,866,344	5,730,934
<b>Total current liabilities</b>		<b>704,246,403</b>	<b>574,294,408</b>
<b>Total liabilities</b>		<b>2,008,016,032</b>	<b>1,794,525,242</b>
<b>Total equity and liabilities</b>		<b>2,670,351,035</b>	<b>2,516,299,338</b>

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

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020	2019	2020	2019
Revenue	13	209,533,858	238,373,920	429,421,934	674,721,516
Costs of revenue	14	<u>(146,414,513)</u>	<u>(153,349,037)</u>	<u>(379,103,262)</u>	<u>(433,087,313)</u>
<b>Gross profit</b>		<b>63,119,345</b>	<b>85,024,883</b>	<b>50,318,672</b>	<b>241,634,203</b>
Advertising and marketing expenses		(3,677,175)	(3,186,482)	(13,360,042)	(10,271,990)
General and administrative expenses		(17,406,950)	(19,147,366)	(51,388,481)	(53,605,528)
Impairment loss on financial assets	8.1	(517,279)	(695,023)	(1,686,023)	(1,685,020)
Other (expenses) / income – net	15	<u>(1,168,123)</u>	<u>3,052,585</u>	<u>1,365,854</u>	<u>8,074,635</u>
<b>Operating profit / (loss)</b>		<b>40,349,818</b>	<b>65,055,597</b>	<b>(14,750,020)</b>	<b>184,146,300</b>
Finance costs		<u>(13,782,040)</u>	<u>(14,971,381)</u>	<u>(43,459,150)</u>	<u>(42,565,678)</u>
<b>Profit / (loss) before Zakat</b>		<b>26,567,778</b>	<b>50,084,216</b>	<b>(58,209,170)</b>	<b>141,580,622</b>
Reversal of/ (charge for) Zakat	12	-	(1,271,000)	-	(3,580,141)
<b>Net profit / (loss) for the period</b>		<b><u>26,567,778</u></b>	<b><u>48,813,216</u></b>	<b><u>(58,209,170)</u></b>	<b><u>138,000,481</u></b>
<b>Earnings / (loss) per share</b>	16	<b><u>0.51</u></b>	<b><u>0.93</u></b>	<b><u>(1.11)</u></b>	<b><u>2.63</u></b>

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

	<b>For the three-month period ended 30 September</b>		<b>For the nine-month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net profit / (loss) for the period	<b>26,567,778</b>	48,813,216	<b>(58,209,170)</b>	138,000,481
<b>Other comprehensive loss</b> <i>Items that will not be reclassified to profit or loss</i>				
Re-measurement of defined benefit obligation - employee benefits	<b>(409,974)</b>	(549,858)	<b>(1,229,923)</b>	(1,649,576)
<b>Total comprehensive income / (loss) for the period</b>	<b>26,157,804</b>	48,263,358	<b>(59,439,093)</b>	136,350,905

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

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total equity</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	-	-	138,000,481	138,000,481
Other comprehensive loss	-	-	(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	-	-	(28,179,613)	(28,179,613)
Interim dividend declared for Q1 2019	-	-	(21,052,304)	(21,052,304)
Interim dividend declared for Q2 2019	-	-	(26,448,359)	(26,448,359)
<b>Balance as at 30 September 2019</b>	<u>523,833,610</u>	<u>49,229,181</u>	<u>106,810,484</u>	<u>679,873,275</u>
<b>Balance as at 1 January 2020 – (audited)</b>	<u>523,833,610</u>	<u>56,021,218</u>	<u>141,919,268</u>	<u>721,774,096</u>
Net loss for the period	-	-	(58,209,170)	(58,209,170)
Other comprehensive loss	-	-	(1,229,923)	(1,229,923)
Total comprehensive loss for the period	-	-	(59,439,093)	(59,439,093)
Transfer to statutory reserve	-	-	-	-
<b>Balance as at 30 September 2020</b>	<u>523,833,610</u>	<u>56,021,218</u>	<u>82,480,175</u>	<u>662,335,003</u>

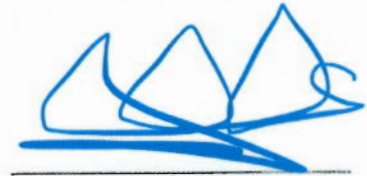
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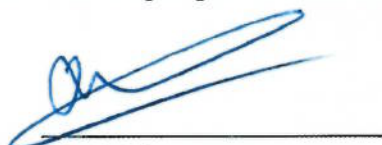
**Condensed interim statement of cash flows (Unaudited)**  
**For the nine-month period ended 30 September**  
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/ profit before zakat		<b>(58,209,170)</b>	141,580,622
<i>Adjustments for:</i>			
<i>Depreciation on:</i>			
- property and equipment	5	<b>102,793,529</b>	102,993,809
- right-of-use assets	6	<b>50,686,524</b>	46,790,441
Finance costs		<b>43,459,150</b>	42,565,678
Rent concessions	6,15	<b>(3,614,548)</b>	-
Property and equipment written off – net	5	<b>473,937</b>	108,726
Impairment of property and equipment	5,15	<b>6,631,010</b>	-
Gain on disposal of property and equipment		-	(18,860)
Charge for impairment of trade receivables	8.1	<b>1,686,023</b>	1,685,020
Provision for legal cases		-	1,773,749
Provision for employees' end of service benefits		<b>4,887,454</b>	5,086,109
<i>Changes in:</i>			
- Prepayments and other assets		<b>(9,618,983)</b>	8,989,033
- Trade and long-term receivables		<b>5,233,353</b>	(13,432,199)
- Inventory		<b>(2,460,774)</b>	(104,730)
- Accounts payable		<b>5,700,622</b>	7,383,371
- Accrued expenses and other liabilities		<b>36,871,114</b>	7,911,390
- Deferred revenue		<b>26,152,522</b>	131,251,521
Employee benefits paid		<b>(2,349,832)</b>	(2,286,481)
Zakat paid	12	<b>(1,864,590)</b>	(3,374,799)
<b>Net cash generated from operating activities</b>		<b>206,457,341</b>	478,902,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		<b>(75,759,823)</b>	(121,364,385)
Sale proceeds of assets disposed off		-	138,724
<b>Net cash used in investing activities</b>		<b>(75,759,823)</b>	(121,225,661)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		<b>177,120,290</b>	83,455,068
Repayments of loans		<b>(42,742,825)</b>	(115,887,815)
Finance costs paid		<b>(19,077,126)</b>	(20,860,613)
Lease payments	6	<b>(24,844,429)</b>	(68,897,383)
Dividends paid		-	(75,680,276)
<b>Net cash generated/ (used in) financing activities</b>		<b>90,455,910</b>	(197,871,019)
<b>Net increase in cash and cash equivalents</b>		<b>221,153,428</b>	159,805,720
Cash and cash equivalents at beginning of the period		<b>68,070,348</b>	19,415,381
<b>Cash and cash equivalents at the end of the period</b>	9	<b>289,223,776</b>	179,221,101
<b>Supplement schedule of non-cash information</b>			
Additions to right-of-use assets	6	<b>5,103,654</b>	8,512,546

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 (Unaudited)**

**For the three-month and nine-month periods ended 30 September 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 September 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 19, 20 and 21).

#### **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, except for the following:

**LEEJAM SPORTS COMPANY**  
(A Saudi Joint Stock Company)

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

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company has early adopted the COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020, effective for annual periods beginning on or after 1 June 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient. The Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020. Also, please refer note 15 to these condensed interim financial statements.

**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 which are effective from 1 January 2020 and have been explained in the Company's last annual financial statements, but 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, except as disclosed in note 4.1 above. These standards are not expected to have a material impact on the Company's financial statements in the current or future reporting periods.

**5. PROPERTY AND EQUIPMENT**

	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>Cost:</b>		
Opening balance	2,135,418,081	1,911,102,984
Additions during the period/ year (Note 5.1)	89,580,584	238,808,638
Disposals/ write offs during the period/year (Note 5.2)	(1,186,888)	(14,493,541)
Closing balance	<u>2,223,811,777</u>	<u>2,135,418,081</u>
<b>Accumulated depreciation / impairment:</b>		
Opening balance	(623,404,150)	(492,588,768)
Charge for the period/year	(102,793,529)	(136,902,386)
Impairment (Note 5.3)	(6,631,010)	-
Disposals/ write offs during the period/year	712,951	6,087,004
Closing balance	<u>(732,115,738)</u>	<u>(623,404,150)</u>
<b>Net book value</b>	<u><b>1,491,696,039</b></u>	<u><b>1,512,013,931</b></u>

- 5.1 The total borrowing costs capitalised under capital work in progress during the period amounted to SR 2.2 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.
- 5.3 During the current period, the Company has recorded an impairment charge amounting to SR 6.6 million (2019: Nil) against the closure of one of the fitness center which is expected to be closed in the last quarter of year. Subsequent to the period ended 30 September 2020, the management has filed a compensation claim with the lessor for vacating the fitness center premises before the expiry of the lease term
- 5.4 During the current period, the Company made a transfer of SR 78.9 million (31 December 2019: SR 147 million) from capital work-in-progress to property and equipment.

**LEEJAM SPORTS COMPANY**  
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**Notes to the condensed interim financial statements (Unaudited)**  
**For the three-month and nine-month periods ended 30 September 2020**  
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

**6. LEASES**

	<b>30 September</b> <b>(Unaudited)</b>	<b>31 December</b> <b>(Audited)</b>
<b><u>Right-of-use assets</u></b>		
Opening balance	840,332,792	900,000,068
Additions during the period / year	5,103,654	13,560,240
Depreciation		
- charge for the period / year	(50,686,524)	(63,321,278)
- capitalized for under construction fitness centers	(4,785,720)	(9,906,238)
Closing balance	<u>789,964,202</u>	<u>840,332,792</u>
<b><u>Lease liabilities</u></b>		
Opening balance	956,271,490	991,114,679
Additions during the period / year	5,103,654	13,560,240
Lease payments for the period / year	(24,844,429)	(90,954,540)
Rent concessions on lease payments (Note 15)	(3,614,548)	-
Interest expense for the period / year	26,595,653	34,450,571
Interest capitalized for under construction fitness centers	4,098,630	8,100,540
Closing balance	<u>963,610,450</u>	<u>956,271,490</u>
<b><u>Lease liabilities:</u></b>		
Non-current portion	891,343,882	893,772,931
Current portion	<u>72,266,568</u>	<u>62,498,559</u>
	<b>963,610,450</b>	<b>956,271,490</b>

Expense recognized in the statement of profit or loss in relation to leases for the nine-month period ended was as follows:

	<b>30 September</b> <b>2020</b>	<b>30 September</b> <b>2019</b>
Depreciation on right-of-use assets	50,686,524	46,790,441
Interest expense on lease liabilities	26,595,653	24,787,642
Total	<u>77,282,177</u>	<u>71,578,083</u>

**7. SIGNIFICANT RELATED PARTY TRANSACTIONS**

During the nine-month period, the significant transactions with related parties are as follows:

	<b>30 September</b> <b>2020</b>	<b>30 September</b> <b>2019</b>
Remuneration of directors and key management personnel	4,703,102	6,788,377
Lease rentals paid to a shareholder	3,400,000	3,400,000

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

**8. TRADE RECEIVABLES**

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Subscriptions and membership receivables	13,213,418	21,157,467
Rental receivables	<u>12,984,994</u>	<u>9,863,314</u>
	<b>26,198,412</b>	<b>31,020,781</b>
Allowance for impairment (Note 8.1)		
- Subscriptions and membership receivables	<u>(95,739)</u>	<u>(727,201)</u>
- Rentals receivables	<u>(7,130,189)</u>	<u>(4,812,704)</u>
	<b>(7,225,928)</b>	<b>(5,539,905)</b>
	<u><b>18,972,484</b></u>	<u><b>25,480,876</b></u>

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

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Opening balance	5,539,905	4,612,947
Charge for the period / year	<u>1,686,023</u>	<u>926,958</u>
Closing balance	<u><b>7,225,928</b></u>	<u><b>5,539,905</b></u>

**9. CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Cash in hand		2,175,330	2,720,766
Cash at bank – current accounts		127,048,446	65,349,582
Short term deposits	9.1	<u>160,000,000</u>	-
		<u><b>289,223,776</b></u>	<u><b>68,070,348</b></u>

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**

	<b>30 September 2020 (Unaudited)</b>	31 December 2019 (Audited)
Bank loans	559,063,666	424,686,201
Less: current portion of term loans	<u>(183,418,714)</u>	<u>(131,241,548)</u>
Non-current portion of term loans	<u><b>375,644,952</b></u>	<u><b>293,444,653</b></u>

As at 30 September 2020, the Company had unutilized bank financing facilities amounting to SR 312 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 arrangements 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.



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**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Accrued expenses (Note 11.1)	78,851,120	40,693,700
Advances from customers	1,859,008	3,185,214
	<b>80,710,128</b>	<b>43,878,914</b>

11.1 Accrued expenses include Value added tax ("VAT") payable amounting to SR 20.7 million pertaining to KSA (31 December 2019: SR 0.6 million payable) and VAT receivable amounting to SR 0.3 million (31 December 2019: SR 0.1 million payable) pertaining to UAE.

**12. 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. During the three-month period ended 30 September 2020, the Company submitted its zakat return for the year ended 31 December 2019.

	<b>30 September 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
The movement in provision for Zakat is as follow:		
Opening balance	5,730,934	3,382,592
Charge for the period/ year	-	5,723,141
Paid during the period/ year	(1,864,590)	(3,374,799)
Closing balance	<b>3,866,344</b>	<b>5,730,934</b>

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

**13. REVENUE**

	<b>For the nine-month period ended 30 September</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
- Subscriptions and membership income	382,391,505	605,141,424
- Personal training	43,453,134	62,868,476
- Rentals	3,577,295	6,711,616
	<b>429,421,934</b>	<b>674,721,516</b>

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**13. REVENUE (continued)**

**Disaggregation of revenue from contract with customers**

Revenue, for the nine-month period ended 30 September, 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
<b>Type of customers</b>						
Male Centers	284,622,239	464,653,676	30,982,074	48,656,120	2,863,338	5,425,710
Female Centers	97,769,266	140,487,748	12,471,060	14,212,356	713,957	1,285,906
<b>Total</b>	<b>382,391,505</b>	<b>605,141,424</b>	<b>43,453,134</b>	<b>62,868,476</b>	<b>3,577,295</b>	<b>6,711,616</b>
<b>Geographical markets</b>						
Central Region	180,450,339	297,241,129	20,689,628	29,920,984	2,125,875	3,895,039
Western Region	139,997,920	195,894,818	13,586,528	19,240,984	1,337,156	2,415,913
Eastern Region	55,409,237	101,532,671	6,792,906	10,525,933	107,476	390,899
UAE	6,534,009	10,472,806	2,384,072	3,180,575	6,788	9,765
<b>Total</b>	<b>382,391,505</b>	<b>605,141,424</b>	<b>43,453,134</b>	<b>62,868,476</b>	<b>3,577,295</b>	<b>6,711,616</b>

In addition, the Company separately presents segment information in accordance with IFRS-8 (see note 18).

**14. COST OF REVENUES**

	For the nine-month period ended 30 September	
	2020	2019
Salaries and related benefits	122,423,989	159,011,520
Depreciation	150,083,763	146,319,155
Water and electricity	41,391,750	52,059,806
Cleaning and service expenses	25,597,504	34,954,816
Others	39,606,256	40,742,016
	<b>379,103,262</b>	<b>433,087,313</b>

**15. OTHER INCOME / (EXPENSES) - NET**

	For the nine-month period ended 30 September	
	2020	2019
Impairment of property and equipment (Note 5.3)	(6,631,010)	-
Rent concessions on lease payments (Note 15.1)	3,614,548	-
Revenue from advertising services	1,944,444	5,631,603
Others	2,437,872	2,443,032
	<b>1,365,854</b>	<b>8,074,635</b>

15.1 Other income includes an amount of SR 3.6 million (2019: Nil) recognized during the three-months period ended 30 September 2020, in respect of rent concessions received, as one-off reduction, on certain leases as a direct consequence of the COVID-19 pandemic.

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**15. OTHER INCOME / (EXPENSES), NET (continued)**

The Company has elected to apply the "Covid-19-Related Rent Concessions – Amendment to IFRS 16" practical expedient issued by the International Accounting Standards Board "IASB" in May 2020. The rent concessions reduce only lease payments originally due on or before June 2021. There are no other substantial changes to the terms and conditions of any of the lease contracts entered into by the Company.

**16. EARNINGS / (LOSS) PER SHARE**

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

**17. CONTINGENCIES AND COMMITMENTS**

**17.1 Contingencies**

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

**17.2 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 37 million as at 30 September 2020 (31 December 2019: SR 70 million).

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**18. OPERATING SEGMENTS**

18.1 Operating segment information for the nine-month period ended 30 September is as follows:

	Male Fitness Centers		Female Fitness Centers		Total	
	2020	2019	2020	2019	2020	2019
	<b>Amount in SR in '000'</b>					
Revenue	318,468	518,736	110,954	155,986	429,422	674,722
Costs of revenue	(281,923)	(335,033)	(97,180)	(98,054)	(379,103)	(433,087)
Gross profit	36,545	183,703	13,774	57,932	50,319	241,635
Total comprehensive (loss)/ income	(15,944)	109,702	(7,107)	43,126	(23,051)	152,828
Unallocated head office cost					(36,388)	(16,477)
Depreciation on						
- property and equipment	74,112	76,903	28,682	26,091	102,794	102,994
- right of use assets	36,717	36,350	13,970	10,440	50,687	46,790

18.2 Geographical segment information for the nine-month period ended 30 September is as follows:

	Headquarter & Central Region	Western Region	Eastern Region	International Region – UAE	Total
		<b>Amount in SR in '000'</b>			
<b>30 September 2020</b>					
Revenue	203,265	154,922	62,310	8,925	429,422
Costs of revenue	(162,758)	(148,267)	(56,576)	(11,502)	(379,103)
Gross profit	40,507	6,655	5,734	(2,577)	50,319
Total comprehensive income / (loss)	6,784	(21,205)	(5,494)	(3,136)	(23,051)
Unallocated head office cost	-	-	-	-	(36,388)
Depreciation on					
- property and equipment	42,412	42,427	15,247	2,708	102,794
- right of use assets	20,465	20,194	8,083	1,945	50,687
<b>As at 30 September 2020 – Unaudited</b>					
Total assets	1,109,476	1,142,141	318,102	100,632	2,670,351
Total liabilities	1,003,008	723,469	207,286	74,253	2,008,016
<b>30 September 2019</b>					
Revenue	331,057	217,552	112,450	13,663	674,722
Costs of revenue	(188,229)	(166,753)	(66,274)	(11,831)	(433,087)
Gross profit	142,828	50,799	46,176	1,832	241,635
Total comprehensive income	104,395	16,706	31,724	3	152,828
Unallocated head office cost	-	-	-	-	(16,477)
Depreciation on					
- property and equipment	42,421	42,258	15,661	2,654	102,994
- right of use assets	19,210	18,023	8,008	1,549	46,790
<b>As at 31 December 2019 – Audited</b>					
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



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**19. 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 consequently the Company incurred a net loss of SR 84.7 million during the first half of 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 September 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.

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**20. 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 condensed interim statement of financial position date, gearing ratio and current ratio were as follows:

	<b>30 September 2020 (Unaudited) SR in million</b>	<b>31 December 2019 (Audited) SR in million</b>
Equity	<u>662</u>	<u>722</u>
Liabilities (excluding deferred revenue)	<u>1,679</u>	<u>1,492</u>
Total capital structure (excluding deferred revenue)	<u>2,341</u>	<u>2,214</u>
Gearing ratio	<u>71.72%</u>	<u>67.39%</u>
Current ratio (excluding deferred revenue)	<u>0.97</u>	<u>0.50</u>

As of 30 September 2020, the management also analyses the liquidity risk as follows:

	<b>30 September 2020 (Unaudited) SR in million</b>	<b>30 June 2020 (Unaudited) SR in million</b>
Current financial assets	<u>310</u>	<u>195</u>
Current liabilities excluding deferred revenue	<u>(376)</u>	<u>(340)</u>
Net current financial liability position	<u>(66)</u>	<u>(145)</u>

As evident from the above analysis, the liquidity position of the Company has significantly improved as compared to the period ended 30 June 2020. Further, the Company manages its liquidity risk by ensuring sufficient un-availed borrowing facilities. As of 30 September 2020, unutilized bank borrowing facilities of SR 45 million were available from multiple banks for managing the working capital requirements.

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.

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.

**21. 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.

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**21. SIGNIFICANT EVENT DURING THE PERIOD (continued)**

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 Company'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.

**22. 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), the revenue against which is primarily recognised in the fourth quarter of the year which ultimately boosts the Company's sales and profitability and improves the financial performance of the Company during the last quarter of the year.

**23. CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT**

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.


**24. COMPARATIVES**

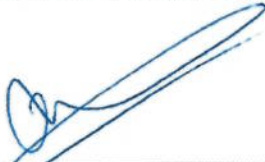
Certain comparative period amounts have been reclassified for the purpose of better presentation. However, the effect of those reclassification was not significant. The key reclassifications were as follows:

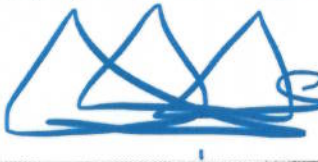
<b>Reclassification from</b>	<b>Reclassification to</b>	<b>Amount (SR in million)</b>
<b><u>Condensed interim statement of financial position</u></b>		
Prepayments and other assets	Inventory – consumables	13.3
Prepayments and other assets	Advances to suppliers - Non-current assets	15.7
<b><u>Condensed interim statement of cashflows</u></b>		
Increase in cashflows from operating activities		1.3
Decrease in cashflows from investing activities		(1.3)

**25. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved by the Company's Board of Director on 1<sup>st</sup> November 2020.

  
\_\_\_\_\_  
Mohammad Merajuddin  
Chief Financial Officer

  
\_\_\_\_\_  
Justin Musgrove  
Chief Executive Officer

  
\_\_\_\_\_  
Ali Hamad AlSagri  
Chairman