LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2019
together with the
INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Partners
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Independent Auditor's Report

To the Shareholders of Leejam Sports Company

Opinion

We have audited the financial statements of Leejam Sports Company ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

To the Shareholders of Leejam Sports Company (continued)

Key Audit Matters (continued)

Revenue recognition

See Note 4(j) to the financial statements for the accounting policy relating to revenue recognition and Note 20 to the financial statements for the related disclosures.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2019, the Company has recognized total revenue of SAR 942.1 million (2018: SAR 799.9 million). Subscriptions and membership fees are recognized as revenue systematically over the term of the subscription period. Revenue recognition is considered as a key audit matter since revenue is a key measure of the Company's performance and is susceptible to the risk of misstatement resulting from either ineffective manual and / or IT related controls, or possibility of these controls being overridden to recognize revenue.	Our audit procedures in this area, included among others: - Assessing the Company accounting policies by considering the requirements of relevant accounting standards; - Assessing the design and implementation, and testing the effectiveness of the Company's controls including IT related controls, over the recognition of revenue including controls over: a) Input of contract details in the system. b) System configuration changes. c) Manual adjustments in revenue account. - Developing an expectation of the current year revenue balance using details of subscriptions, average subscription fee and terms of contract. We then compared this expectation to the actual revenue and analysed the variance; - Performing reconciliation of revenue per the oracle system report and calculated revenue and deferred revenue on sample basis. Further examined system generated invoices, receipt vouchers and parameters for the selected samples; - On a sample basis, checking the daily reconciliations prepared by management to reconcile the cash deposited in the bank with the sales of subscriptions; - Checking the reconciliation of amounts charged to customers on payments through debit/credit cards with the amounts credited in the Company's bank accounts on sample basis; - Testing manual journal entries posted to revenue account to identify any unusual or irregular items; and - Reviewing the adequacy, appropriateness and sufficiency of disclosures included in the financial statements in respect of revenue recognition.

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Independent Auditor's Report

To the Shareholders of Leejam Sports Company (continued)

Key Audit Matters (continued)

Implementation of IFRS 16 "Leases"

See Note 3 to the financial statements for the accounting policy relating to leases and Note 6 to the financial statements for the related disclosures.

The key audit matter	How the matter was addressed in our audit
The Company has adopted IFRS 16 "Leases" with effect from 1 January 2019 which supersedes the requirement of IAS 17 "Leases". IFRS 16 introduces a new lease accounting model, where lessees are required to recognize a Right-of-Use (ROU) asset and a lease liability arising from a lease on its statement of financial position. The Company has applied IFRS 16 initially on 01 January 2019 using the modified retrospective approach. Therefore, the cumulative impact of adopting IFRS 16 has been recognized as an adjustment to the opening Retained Earnings at 1 January 2019, with no comparative restatement. As a result, the Company has recognized ROU assets of SAR 900 million, lease liabilities of SAR 991 million and a decrease in Retained Earnings of SR 94.5 million. The application and adoption of IFRS 16 was considered as a key audit matter given the high volume of lease arrangements. Significant judgement is required in the assumptions and estimates made in order to determine the ROU assets and lease liabilities. The assumptions and estimates include assessment of lease term and the determination of appropriate discount rates.	Our audit procedures in this area, included among others: - Reviewing the management's assessment of the impact of IFRS 16 in term of the classification and measurement of its right-of-use assets and lease liabilities and understand the approach taken towards implementation; - Assessing the accuracy of the lease data captured by management by agreeing sample of leases to the original contracts; - Testing lease schedules, on a sample basis by recalculating the amounts underlying the right of use assets and lease liabilities, based on the terms of the lease contracts; - Assessing the appropriateness of the discount rates applied by management in determining lease liabilities with input from our internal specialists; and - Reviewing the appropriateness of the related disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report

To the Shareholders of Leejam Sports Company (continued)

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

To the Shareholders of Leejam Sports Company (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Leejam Sports Company ("the Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamad Al Fozan
License No: 348

Al Riyadh, 15 Rajab 1441H
Corresponding to: 10 March 2020

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Expressed in Saudi Arabian Riyals)

	Notes	**2019**	2018
ASSETS			
Non-current assets			
Property and equipment	*(5)*	**1,512,013,931**	1,418,514,216
Right-of-use of assets	*(6)*	**840,332,792**	--
Goodwill	*(7)*	**9,445,544**	9,445,544
Long-term prepayments	*(3)*	--	10,523,015
Long-term trade receivable		**1,525,391**	881,747
Total non-current assets		**2,363,317,658**	1,439,364,522
Current assets			
Prepayments and other assets	*(8)*	**59,430,456**	130,416,810
Trade receivables	*(10)*	**25,480,876**	19,435,753
Cash and bank balances	*(11)*	**68,070,348**	19,415,381
Total current assets		**152,981,680**	169,267,944
Total assets		**2,516,299,338**	1,608,632,466
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	*(12)*	**523,833,610**	523,833,610
Statutory reserve	*(13)*	**56,021,218**	35,429,133
Retained earnings		**141,919,268**	154,405,707
Total shareholders' equity		**721,774,096**	713,668,450
Liabilities			
Non-current liabilities			
Loans and borrowings – non-current	*(14)*	**293,444,653**	376,323,389
Lease liability on right-of-use assets – non-current	*(6)*	**893,772,931**	--
Defined benefit obligation – employee benefits	*(15)*	**33,013,250**	27,426,552
Deferred rent liability – non-current	*(3)*	--	60,891,074
Total non-current liabilities		**1,220,230,834**	464,641,015
Current liabilities			
Loans and borrowings – current portion	*(14)*	**131,241,548**	107,853,383
Lease liability on right-of-use assets– current portion	*(6)*	**62,498,559**	--
Deferred rent liability – current portion	*(3)*	--	3,700,268
Accounts payable	*(16)*	**29,012,761**	36,554,283
Accrued expenses and other liabilities	*(17)*	**43,405,077**	35,604,298
Deferred revenue	*(18)*	**302,405,529**	243,228,177
Provision for Zakat	*(19)*	**5,730,934**	3,382,592
Total current liabilities		**574,294,408**	430,323,001
Total liabilities		**1,794,525,242**	894,964,016
Total shareholders' equity and liabilities		**2,516,299,338**	1,608,632,466

The accompanying notes (1) to (34) form an integral part of these financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
Chief Executive Officer

Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019
(Expressed in Saudi Arabian Riyals)

	Notes	**2019**	2018
Revenue	*(20)*	**942,075,242**	799,946,833
Costs of revenue	*(21)*	**(582,772,726)**	(494,612,578)
Gross profit		**359,302,516**	305,334,255
Advertising and marketing expenses	*(22)*	**(19,345,293)**	(21,409,855)
General and administrative expenses	*(23)*	**(80,020,266)**	(91,710,208)
Impairment loss on trade receivables	*(10.1)*	**(926,958)**	(2,227,474)
Other income		**10,300,683**	13,131,976
Operating profit		**269,310,682**	203,118,694
Finance costs	*(25)*	**(57,666,696)**	(21,067,168)
Net profit before Zakat		**211,643,986**	182,051,526
Zakat	*(19)*	**(5,723,141)**	(1,959,081)
Net profit for the year		**205,920,845**	180,092,445
Earnings per share- basic and diluted	*(26)*	**3.93**	3.44

The accompanying notes (1) to (34) form an integral part of these financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
Chief Executive Officer

Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Expressed in Saudi Arabian Riyals)

	Notes	**2019**	2018
Net profit for the year		**205,920,845**	180,092,445
Other comprehensive income/ (loss)			
Items that will not be reclassified to profit or loss			
Re-measurement of actuarial losses on defined benefit obligation – employee benefits	*(15)*	**(1,639,897)**	(2,199,435)
Total comprehensive income for the year		**204,280,948**	177,893,010

The accompanying notes (1) to (34) form an integral part of these financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
Chief Executive Officer

Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2019
(Expressed in Saudi Arabian Riyals)

	Notes	**Share capital**	**Statutory reserve**	**Retained earnings**	**Total**
Balance at 1 January 2018		523,833,610	17,419,888	87,689,705	628,943,203
Net profit for the year		--	--	180,092,445	180,092,445
Other comprehensive loss		--	--	(2,199,435)	(2,199,435)
Total comprehensive income for the year		--	--	177,893,010	177,893,010
Transfer to statutory reserve		--	18,009,245	(18,009,245)	--
Transactions with the owners of the Company					
Final dividend declared for 2017		--	--	(25,417,116)	(25,417,116)
Interim dividend declared for Q1 2018		--	--	(17,525,007)	(17,525,007)
Interim dividend declared for Q2 2018		--	--	(21,332,572)	(21,332,572)
Interim dividend declared for Q3 2018		--	--	(28,893,068)	(28,893,068)
Total transactions with the owners of the Company		--	--	(93,167,763)	(93,167,763)
Balance at 31 December 2018		523,833,610	35,429,133	154,405,707	713,668,450
Balance as at 1 January 2019		**523,833,610**	**35,429,133**	**154,405,707**	**713,668,450**
Adjustment on initial application of IFRS 16 (Note 3)		--	--	**(94,465,804)**	**(94,465,804)**
Adjusted balance as at 1 January 2019		**523,833,610**	**35,429,133**	**59,939,903**	**619,202,646**
Net profit for the year		--	--	**205,920,845**	**205,920,845**
Other comprehensive loss		--	--	**(1,639,897)**	**(1,639,897)**
Total comprehensive income for the year		--	--	**204,280,948**	**204,280,948**
Transfer to statutory reserve		--	**20,592,085**	**(20,592,085)**	--
Transactions with the owners of the Company					
Final dividend declared for 2018	*(28)*	--	--	**(28,179,613)**	**(28,179,613)**
Interim dividend declared for Q1 2019	*(28)*	--	--	**(21,052,304)**	**(21,052,304)**
Interim dividend declared for Q2 2019	*(28)*	--	--	**(26,448,359)**	**(26,448,359)**
Interim dividend declared for Q3 2019	*(28)*	--	--	**(26,029,222)**	**(26,029,222)**
Transactions with the owners of the Company		--	--	**(101,709,498)**	**(101,709,498)**
Balance as at 31 December 2019		**523,833,610**	**56,021,218**	**141,919,268**	**721,774,096**

The accompanying notes (1) to (34) form an integral part of these financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
Chief Executive Officer

Ali Hamad AlSagri
Chairman

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(Expressed in Saudi Arabian Riyals)

	Notes	2019	2018
Cash flows from operating activities			
Net profit before Zakat		**211,643,986**	182,051,526
Adjustments for non-cash items:			
Depreciation			
– property and equipment	*(5)*	**136,902,386**	109,585,988
– right-of-use assets	*(6)*	**63,321,278**	--
Finance costs	*(25)*	**57,666,696**	21,067,168
Property and equipment written off	*(23)*	**8,177,947**	4,787,196
Loss on disposal of property and equipment		**87,485**	--
Charge to allowance for impairment in trade receivables	*(10.1)*	**926,958**	2,227,474
Provision for obsolete consumables	*(8)*	**1,966,215**	--
Write off of Advances	*(8)*	**1,000,000**	--
Employee benefits	*(15)*	**7,938,812**	13,683,714
		489,631,763	333,403,066
Changes in:			
- Prepayments and other assets		**10,600,618**	(11,621,063)
- Trade receivables		**(7,615,725)**	(13,711,832)
- Deferred rent liability		**--**	8,295,099
- Accounts payable		**(7,547,332)**	(718,620)
- Accrued expenses and other liabilities		**7,850,131**	(13,916,618)
- Deferred revenue		**59,177,352**	(18,257,877)
Cash generated from operating activities		**552,096,807**	283,472,155
Employee benefits paid	*(15)*	**(3,992,011)**	(12,386,904)
Zakat paid	*(19)*	**(3,374,799)**	(3,064,171)
Net cash generated from operating activities		**544,729,997**	268,021,080
Cash flows from investing activities			
Additions to property and equipment		**(216,790,378)**	(244,652,101)
Sale proceeds of assets disposed off		**141,105**	256,059
Net cash used in investing activities		**(216,649,273)**	(244,396,042)
Cash flows from financing activities			
Dividends paid		**(101,703,688)**	(93,164,480)
Finance costs paid		**(27,276,958)**	(25,599,197)
Payments for lease liabilities	*(6)*	**(90,954,540)**	--
Proceeds from loans and borrowings		**83,455,068**	182,466,491
Repayments of loans and borrowings		**(142,945,639)**	(140,934,444)
Net cash used in financing activities		**(279,425,757)**	(77,231,630)
Net increase / (decrease) in cash and cash equivalents		**48,654,967**	(53,606,592)
Cash and cash equivalents at beginning of the year		**19,415,381**	73,021,973
Cash and cash equivalents at the end of the year	*(11)*	**68,070,348**	19,415,381

The accompanying notes (1) to (34) form an integral part of these financial statements.

Mohammad Merajuddin
Chief Financial Officer

Justin Musgrove
Chief Executive Officer

Ali Hamad AlSagri
Chairman

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES

Leejam Sport Company ("the Company") (previously incorporated in the Kingdom of Saudi Arabia as a closed joint stock company), is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange with effect from 10 September 2018. The Company was established in accordance with the Ministry of Commerce and Industry resolution No. 146/S dated 29 Rabie II, 1429H (May 6, 2008) and registered under commercial registration (CR) number 4030180323 dated 19 Jumada II 1429H. In 2012, the Company's head office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration number 1010337986 dated 14 Jumada II, 1433H (May 6, 2012).

The Company has following branches, which are operating under separate CRs:

Location	C.R.	Date
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
Aldiririya	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

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES (CONTINUED)

a) The Company acquired 95% of the outstanding shares of Fitness Time for Trading Company Limited in order to acquire the trademark "Fitness Time", owned by it and registered the same under the Company's name with the Ministry of Commerce & Industry/Department of trademark registration under the registration certificate number 142905699 originally dated 1429/05/22. The trademark is renewable for a period of 10 years or periods at the option of the Company for a nominal fee. Fitness Time discontinued its operations after the trademark was transferred to the Company. The management believes that Fitness Time is immaterial to the Company hence; do not consolidate the results of operations of Fitness Time and its financial position in the financial statements of the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA").

This is the first set of the Company's annual financial statements in which IFRS 16 leases has been applied. The related changes to significant accounting policies are described in Note 3.

(b) Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention.

(c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional and presentational currency of the Company. Amounts in the descriptive notes are expressed to the nearest million Saudi Riyal.

(d) Use of judgments and estimates

In preparing these financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statement is included in the following notes;

- Note 3 – lease term: whether the company is reasonably certain to exercise existence option.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes:

- Note 7 and Note 4(c) – Impairment of goodwill: key assumptions underlying recoverable amounts
- Note 10 and Note 4(e) - (measurement of ECL allowance for trade receivables): key assumptions in determining the weighted-average loss rate.
- Note 27 (recognition and measurement of provision and contingencies): key assumptions about the likelihood and magnitude of an outflow of resources.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

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

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

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

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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

c) Transition

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

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

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

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

	1 January 2019
Right-of-use assets recognized in transition	**900,000,068**
Lease liabilities on right-of-use assets	
- Current	**(46,895,683)**
- non-current	**(944,218,996)**
Adjustments for prepayments and advances	**(67,942,535)**
Adjustments for deferred rent liability	**64,591,342**
Adjustment to retained earnings	**(94,465,804)**

4. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements:

a. Property and equipment

Property and equipment except land, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost less estimated residual value of property and equipment if any, is depreciated on a straight-line basis over the estimated useful lives of the respective assets. Land is stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs, during construction phase.

The estimated useful lives of the principal classes of property and equipment are as follows:

Buildings	4% – 12%
Motor vehicles	20%
Sports tool and equipment	10%
Electrical equipment and air conditioners	10%
Furniture and office equipment	12.5%
Computers	20%

Any gain or loss on disposal of an item of property and equipment is recognized in the statement of profit or loss.

Subsequent costs

Subsequent costs are capitalized only if it is probable that the future economic benefits associated with the cost will flow to the Company. All other subsequent costs are charged to profit or loss when incurred.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the statement of profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Capital work in progress

Capital work in progress is stated at cost and includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

c. Goodwill

Initial recognition

The Company measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree.

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

Subsequent measurement

Subsequently, goodwill is measured at cost less accumulated impairment losses.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, used by the Company in the management of its short-term commitments and are available to the Company without any restriction.

e. Financial instruments

i) Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. The Company has no such equity investments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

i) Classification and measurement of financial assets and financial liabilities (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Company has no such assets.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Company has bank balances and trade receivables as its financial assets under this category.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Company has no such investments.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Company has no such investments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

ii) Impairment of financial assets

The financial assets at amortised cost consist of bank balances, trade receivables, due from a related party and other assets.

Loss allowances are measured on either of the following bases:

- *12-month ECLs:* these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs:* these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances and short term investments, for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Company has elected to measure loss allowances for trade receivables and other assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:
- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 1 years past due.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are presented on the face of the statement of profit or loss.

iii) Derecognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

f. Borrowings
Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction and / or development of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed, otherwise, such costs are charged to the statement of profit or loss.

g. Defined benefit obligation- employee benefits
The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The remeasurement of the defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in other comprehensive income which are not reclassified to profit or loss in the subsequent periods. The Company determines the interest expense on defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the – then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Interest expense and other expense related to defined benefit plan are recognized in the profit or loss.

h. Dividends
Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders in the General Assembly.

i. Zakat
The Company is subject to Zakat in accordance with the Zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is recognized in the statement of profit or loss. Zakat is levied at a fixed rate of 2.5% of the higher of zakat base or adjusted taxable income as defined in the Zakat regulations.

The Company's management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Revenue

Type of Product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Subscriptions and membership income	Performance obligation is satisfied over time during the subscription period. For Individual customers, payment is received in advance. For corporates, consideration is received based on credit terms agreed with the corporate customers.	Subscriptions and membership fee are recognized as revenue systematically over the terms of the subscription period. The subscription fee, received in advance, is initially recognized as deferred revenue and subsequently amortized over the subscription period.
Personal training	Performance obligation is satisfied over time based on personal training (PT) sessions and payment is received in advance.	Personal training fee are recognized as revenue as and when related services are rendered and performance obligation are satisfied. Fee received in advance is initially recognized as deferred revenue and subsequently recognized when PT sessions are conducted.
Rentals income	Performance obligation is satisfied over time during the lease period and payment is received based on contractual terms with the tenants.	Rental income is recognized on a straight line basis over the terms of the lease agreements.

k. Expenses

Expenses include direct and indirect costs not specifically part of cost of revenue. Allocations between cost of revenue, advertising and marketing and general and administration expenses, when required, are made on a consistent basis depending upon the nature of the expense.

l. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, management of the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

m. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the liability.

n. Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the statement of profit or loss currently.

o. Earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Standards issued but not yet effective:

Standards issued but not yet effective
Following are the new amendments to standards which are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements and are not expected to have a significant impact on the Company's financial statements.

- Definition of a Business (Amendment to IFRS 3)
- Amendments to reference to conceptual framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 – Insurance contracts.

5. PROPERTY AND EQUIPMENT

	Land	Buildings	Motor vehicles	Sports tools and equipment	Electrical equipment and air conditioners	Computers	Furniture and office equipment	Capital work in progress (Note 5.2)	Total
Cost									
Balance at 1 January 2018	73,251,525	1,015,533,920	3,247,577	341,279,764	84,952,794	16,124,792	10,213,635	130,207,115	1,674,811,122
Additions during the year	--	35,423,275	169,510	1,069,050	2,588,491	1,732,771	1,730,809	206,239,360	248,953,266
Transfers during the year	--	88,235,963	--	34,614,839	2,548,131	3,005,682	3,994,221	(132,398,836)	--
Write offs during the year (Note 5.3)	--	--	(235,197)	(12,235,867)	(47,101)	(41,850)	(101,389)	--	(12,661,404)
Balance at 31 December 2018	73,251,525	1,139,193,158	3,181,890	364,727,786	90,042,315	20,821,395	15,837,276	204,047,639	1,911,102,984
Balance at 1 January 2019	**73,251,525**	**1,139,193,158**	**3,181,890**	**364,727,786**	**90,042,315**	**20,821,395**	**15,837,276**	**204,047,639**	**1,911,102,984**
Additions during the year	**58,577,657**	**40,253,505**	--	**94,243**	**1,522,753**	**3,192,959**	**746,908**	**134,420,613**	**238,808,638**
Transfers during the year	--	**95,912,315**	--	**26,728,359**	**18,155,913**	**1,686,033**	**4,451,476**	**(146,934,096)**	--
Disposal during the year	--	--	**(65,544)**	**(1,572,036)**	**(37,503)**	**(81,325)**	**(1,670)**	--	**(1,758,078)**
Write offs during the year (Note 5.3)	--	**(816,582)**	--	**(5,733,070)**	--	--	--	**(6,185,811)**	**(12,735,463)**
Balance at 31 December 2019	**131,829,182**	**1,274,542,396**	**3,116,346**	**384,245,282**	**109,683,478**	**25,619,062**	**21,033,990**	**185,348,345**	**2,135,418,081**
Accumulated depreciation									
Balance at 1 January 2018	--	(224,869,344)	(2,767,628)	(115,757,233)	(34,942,692)	(7,284,791)	(4,087,168)	--	(389,708,856)
Charge for the year	--	(61,457,981)	(285,028)	(34,483,524)	(8,784,082)	(3,067,196)	(1,508,177)	--	(109,585,988)
Eliminated on write offs (Note 5.3)	--	--	235,197	6,369,344	33,756	39,321	28,458	--	6,706,076
Balance at 31 December 2018	--	(286,327,325)	(2,817,459)	(143,871,413)	(43,693,018)	(10,312,666)	(5,566,887)	--	(492,588,768)
As at 1 January 2019	--	**(286,327,325)**	**(2,817,459)**	**(143,871,413)**	**(43,693,018)**	**(10,312,666)**	**(5,566,887)**	--	**(492,588,768)**
Charge for the year	--	**(83,016,220)**	**(126,263)**	**(38,025,803)**	**(9,726,606)**	**(3,665,377)**	**(2,342,117)**	--	**(136,902,386)**
Disposal during the year	--	--	**65,544**	**1,354,348**	**32,718**	**75,944**	**934**	--	**1,529,488**
Eliminated on write offs (Note 5.3)	--	**404,785**	--	**4,152,731**	--	--	--	--	**4,557,516**
Balance at 31 December 2019	--	**(368,938,760)**	**(2,878,178)**	**(176,390,137)**	**(53,386,906)**	**(13,902,099)**	**(7,908,070)**	--	**(623,404,150)**
NBV at 31 December 2018	73,251,525	852,865,833	364,431	220,856,373	46,349,297	10,508,729	10,270,389	204,047,639	1,418,514,216
NBV at 31 December 2019	**131,829,182**	**905,603,636**	**238,168**	**207,855,145**	**56,296,572**	**11,716,963**	**13,125,920**	**185,348,345**	**1,512,013,931**

5. PROPERTY AND EQUIPMENT (CONTINUED)

5.1. The depreciation charge for the year is allocated as follows:

	2019	2018
Costs of revenue (Note 21)	**132,848,172**	105,667,481
General and administrative expenses (Note 23)	**4,054,214**	3,918,507
	136,902,386	109,585,988

5.2. The Capital Work-in-Progress (CWIP) as of 31 December 2019 represents construction costs and capital equipment amounting to SAR 143.84 million and SAR 41.51 million (December 2018: SAR 140.6 million and SAR 63.4 million), respectively. The construction costs include an amount of SAR 0.71 million (December 2018: SAR 1.6 million) in respect of borrowing costs capitalized during the construction period. The total borrowing cost capitalized under CWIP during the year amount to SAR 4.01 million, and the capitalization rate was 4.0% (December 2018: 4.55%). The capital equipment mainly includes gym equipment, which have been procured but are not currently available for use. In addition, the Company has capitalized depreciation on right-of-use asset amounting to SAR 9.9 million (December 2018: Nil) and interest expense on lease liabilities amounting to SAR 8.1 million (December 2018: Nil) due to adoption of IFRS 16.

5.3. The charge in respect of write off of property and equipment is included in the general and administrative expenses.

6. LEASES

Right-of-use assets

Balance as at 1 January 2019 (Note 3)	**900,000,068**
Additions during the year	**13,560,240**
Depreciation	
- charge for the year	**(63,321,278)**
- capitalized for under construction fitness centers	**(9,906,238)**
Balance as at 31 December 2019	**840,332,792**

Lease liabilities

Balance as at 1 January 2019 (Note 3)	**991,114,679**
Additions during the year	**13,560,240**
Lease payments for the year	**(90,954,540)**
Interest expense for the year (Note 25)	**34,450,571**
Interest capitalized for under construction fitness centers	**8,100,540**
Balance as at 31 December 2019	**956,271,490**

Lease liabilities as at year end are as follows:

Lease liability on right-of-use assets – non-current portion	**893,772,931**
Lease liability on right-of-use assets – current portion	**62,498,559**
Total	**956,271,490**

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

	For the year ended 31 December 2019
Depreciation on right-of-use assets (Note 24)	**63,321,278**
Interest expense on lease liabilities (Note 25)	**34,450,571**
Total	**97,771,849**

7. GOODWILL

This represents goodwill recognized during 2016 as a result of a business combination through acquisition of two running fitness centers located in the cities of Dwadmi and Riyadh. The acquisition enabled the Company to save time required to construct new centers. The total consideration paid for the acquisition of these centers amounted to SAR 24.5 million, which resulted in goodwill of SAR 9.45 million.

Impairment test
The Company performed the impairment testing of goodwill as of 31 December 2019. The recoverable amount of the two acquired centers was calculated based on a value in use calculation using cash flow projections for next 9 and 16 years, approved by the Board of Directors. The recoverable amount exceeded the carrying amount of goodwill even at a stressed discount rate of 14%, hence the goodwill is not considered to be impaired at 31 December 2019.

Management determined forecast revenue growth based on past performance and its expectations of market development. The discount rate reflects management's estimate of the specific risks relating to the centers. The calculation of value in use is most sensitive to the assumptions on revenue growth rate and costs of revenue used to extrapolate cash flows as well as the factors used in computing Terminal Value. The growth rate used for terminal value computation is 2%.

Sensitivity to Changes in Assumptions
With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the goodwill to materially exceed its recoverable amount.

8. PREPAYMENTS AND OTHER ASSETS

	2019	2018
Prepaid expenses:		
- Rent (Note 8.1)	--	45,533,731
- Government expenses	**8,201,872**	6,364,407
- Housing	**3,728,184**	4,173,211
- Others	**7,583,443**	5,073,876
- Current portion of long-term prepayment (Note 8.1)	--	1,200,000
	19,513,499	62,345,225
Advances to suppliers and contractors	**24,612,764**	51,527,462
Write off of Advances	**(1,000,000)**	--
	23,612,764	51,527,462
Consumables	**15,218,897**	14,564,979
Provision for obsolete consumables	**(1,966,215)**	--
	13,252,682	14,564,979
Other receivables	**4,283,129**	3,210,762
Impairment allowance for doubtful receivables	**(1,231,618)**	(1,231,618)
	3,051,511	1,979,144
	59,430,456	130,416,810

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

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of 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.

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the period, the significant transactions with these related parties are as follows:

	2019	2018
Remuneration of directors and key management personnel	**8,856,840**	13,862,056
Lease rentals paid to a shareholder	**3,400,000**	3,400,000
Initial public offering cost recovered / recoverable from shareholders	--	8,136,185
Sales to a company where a shareholder has interest:		
- Al Sagri Holding	**125,774**	103,537

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

	31 December 2019	31 December 2018
- Al Sagri Holding	**7,817**	--

10. TRADE RECEIVABLES

	2019	2018
Subscriptions and membership receivables	**21,157,467**	16,904,420
Rentals receivables	**9,863,314**	7,144,280
	31,020,781	24,048,700
Allowance for impairment (Note 10.1)		
- Subscriptions and membership receivables	**(727,201)**	(212,488)
- Rentals receivables	**(4,812,704)**	(4,400,459)
	(5,539,905)	(4,612,947)
	25,480,876	19,435,753

10.1 Movement in allowance for impairment in trade receivables is as follows:

	2019			2018		
	Subscription and membership receivables	**Rental receivables**	**Total**	Subscription and membership receivables	Rental receivables	Total
Balance at beginning of the year	**212,488**	**4,400,459**	**4,612,947**	625,976	1,759,497	2,385,473
Charge / (reversal) for the year	**514,713**	**412,245**	**926,958**	(413,488)	2,640,962	2,227,474
Balance at end of the year	**727,201**	**4,812,704**	**5,539,905**	212,488	4,400,459	4,612,947

11. CASH AND BANK BALANCES

	2019	2018
Cash in hand	**2,720,766**	2,159,890
Cash at bank – current accounts	**65,349,582**	17,255,491
	68,070,348	19,415,381

12. SHARE CAPITAL

The share capital of the Company is SAR 523.8 million (31 December 2018: SAR 523.8 million) divided into 52.3 million (31 December 2018: 52.3 million) shares with a nominal value of SAR 10 each. Out of the total issued capital, 30% of the shares are traded on Saudi Stock Exchange with effect from 10 September 2018.

13. 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.

14. 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:

	2019	2018
Non-current liabilities		
Non-current portion of long term loans	**293,444,653**	376,323,389
Current liabilities		
Current portion of long term loans	**131,241,548**	107,853,383
Total loans and borrowings	**424,686,201**	484,176,772

Terms and repayments schedule

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2019	2018
Bank loans - unsecured					
- fixed commission rates	SAR	4.3% to 5.17%	2020 to 2023	**171,037,629**	241,736,572
- variable commission rates	SAR	(SIBOR+1.5%) to (SIBOR + 2%)	2020 to 2026	**253,648,572**	242,440,200
Total				**424,686,201**	484,176,772

The outstanding balance of accrued financial costs as at 31 December 2019 is SAR 0.10 million (31 December 2018: SR 0.15 million) which is included in accrued expense. In addition, the Company has unutilized loan facilities from local banks amounting to SAR 125 million.

15. DEFINED BENEFIT OBLIGATION – EMPLOYEE BENEFITS

	2019	2018
Present value of the defined benefit obligation	**33,013,250**	27,426,552

Movement in the present value of the defined benefit obligation is as follows:

	2019	2018
Balance at beginning of the year	**27,426,552**	23,930,307
Benefits paid during the year	**(3,992,011)**	(12,386,904)
Current service costs and interest	**7,938,812**	13,683,714
Remeasurement of actuarial losses recognized in OCI	**1,639,897**	2,199,435
Balance at the end of year	**33,013,250**	27,426,552

Expense recognized in the statement of profit or loss		
Current service cost	**6,802,490**	6,723,682
Past service cost	**76,258**	6,312,637
Interest on obligation	**1,060,064**	647,395
	7,938,812	13,683,714

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

	2019	2018
Costs of revenue (Note 21.1)	**5,354,858**	5,777,412
Advertising and marketing expenses (Note 22.2)	**185,369**	157,349
General and administrative expenses (Note 23.1)	**2,398,585**	7,748,953
	7,938,812	13,683,714

	2019	2018
Key actuarial assumptions		
- Discount rate used	**2.50%**	4.20%
- Future growth in salary	**2.00%**	2.50%

Sensitivity analysis
Reasonable possible changes at the reporting date to one of the relevant actuarial assumption, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase	Decrease
2019		
Discount rate (1% movement)	**(1,768,736)**	**1,982,879**
Future salary increase (1% movement)	**2,055,022**	**(1,865,153)**
2018		
Discount rate (1% movement)	(1,439,344)	1,606,017
Future salary increase (1% movement)	1,692,282	(1,541,626)

Risks associated with defined benefit obligation

Salary increase risk:
The most common type of defined benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

15. DEFINED BENEFIT OBLIGATION – EMPLOYEE BENEFITS (CONTINUED)

Withdrawal risk:
The risk of actual withdrawals varying with the valuation assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

16. ACCOUNTS PAYABLE

	2019	2018
Accounts payable to:		
- Trade suppliers	**12,644,650**	29,009,922
- Contractors	**16,368,111**	7,544,361
	29,012,761	36,554,283

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019	2018
Accrued expenses	**40,219,863**	33,930,177
Advances from customers	**3,185,214**	1,674,121
	43,405,077	35,604,298

18. DEFERRED REVENUE

	2019	2018
Deferred subscription income from:		
- membership fee	**284,855,055**	227,987,612
- personal training fee	**14,582,277**	11,525,253
	299,437,332	239,512,865
Deferred rental income	**2,968,197**	3,715,312
	302,405,529	243,228,177

The deferred revenue of amount SAR 302.40 million as at 31 December 2019 out of which SAR 298.54 million will be recognised as revenue for the year ended 31 December 2020.

19. PROVISION FOR ZAKAT

The principal elements of the Company's Zakat base for the years ended December 31 are as follows:

	2019	2018
Share capital	**523,833,610**	523,833,610
Retained earnings	**141,919,268**	154,405,707
Statutory reserve	**56,021,218**	35,429,133
Adjusted income for the year	**226,524,862**	134,512,654
Non-current assets	**2,363,317,658**	1,439,364,522

19. PROVISION FOR ZAKAT (CONTINUED)

The movement in provision for Zakat is as follow:

	2019	2018
Balance at beginning of the year	**3,382,592**	4,487,682
Charge for the year	**5,723,141**	3,362,816
Reversal of prior year over provision	**--**	(1,403,735)
	5,723,141	1,959,081
Paid during the year	**(3,374,799)**	(3,064,171)
Balance at end of the year	**5,730,934**	3,382,592

Status of final zakat assessments
The Company has submitted Zakat returns for the years up to 2018. The Company has received Zakat certificates from the General Authority of Zakat and Income tax ("GAZT") for all the years up to 31 December 2018 and has received final assessments from GAZT for the years up to 2015.

20. REVENUE

	For the year ended 31 December	
	2019	2018
Revenue from contracts with customers		
- Subscriptions and membership income	**845,262,604**	730,469,425
- Personal training income	**87,736,345**	59,575,917
- Rental income	**9,076,293**	9,901,491
	942,075,242	799,946,833

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	
	2019	2018	2019	2018	2019	2018
Type of customers						
Gender wise						
Male Centers	**641,872,736**	612,567,499	**66,935,049**	54,378,653	**7,301,499**	8,945,577
Female Centers	**203,389,868**	117,901,926	**20,801,296**	5,197,264	**1,774,794**	955,914
Total	**845,262,604**	730,469,425	**87,736,345**	59,575,917	**9,076,293**	9,901,491
Geographical markets						
Central Region	**411,945,950**	368,668,896	**41,764,111**	29,465,013	**5,311,679**	5,879,481
Western Region	**281,556,887**	221,559,981	**27,521,817**	16,599,878	**3,224,765**	3,472,645
Eastern Region	**137,305,948**	125,990,196	**14,140,965**	10,272,217	**515,218**	507,506
UAE	**14,453,819**	14,250,352	**4,309,452**	3,238,809	**24,631**	41,859
Total	**845,262,604**	730,469,425	**87,736,345**	59,575,917	**9,076,293**	9,901,491

In addition, the Company separately presents segment information in accordance with IFRS-8 (see note 29).

20. REVENUE (CONTINUED)

Assets and liabilities related to contracts with customers

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

	2019	2018
Trade receivables, gross (Note 10)	**31,020,781**	24,048,700
Deferred revenue (Note 18)	**(302,405,529)**	(243,228,177)
	(271,384,748)	(219,179,477)

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.

21. COSTS OF REVENUE

	For the year ended 31 December	
	2019	2018
Salaries and related benefits (Note 21.1)	**213,657,952**	173,104,497
Depreciation		
– property and equipment (Note 5.1)	**132,848,172**	105,667,481
– right-of-use assets (Note 24)	**62,691,455**	--
Rent expenses (Note 21.2)	--	76,055,524
Water and electricity	**70,472,394**	61,429,079
Cleaning and services expenses	**46,874,448**	37,326,509
Governmental and recruiting expenses	**15,623,780**	8,079,084
Maintenance and repair	**11,210,648**	6,867,296
Consumables	**10,630,070**	11,482,873
Security and safety	**6,350,073**	3,922,619
Stationery	**2,898,457**	2,210,047
Others	**9,515,277**	8,467,569
	582,772,726	494,612,578

21.1 This includes defined benefits obligation – employee benefits amounting to SAR 5.35 million (31 December 2018: SAR 5.78 million).

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

22. ADVERTISING AND MARKETING EXPENSES

	For the year ended 31 December	
	2019	2018
Advertising and marketing	**13,964,496**	12,647,434
FC Barcelona license and commercial fees (Note 22.1)	--	4,102,033
Salaries and related benefits (Note 22.2)	**5,380,797**	4,660,388
	19,345,293	21,409,855

22.1 This represents contractual fees incurred in respect of commercial rights and licenses under regional partnership agreement with Football Club Barcelona. The contract was expired on 30 June 2018 and has not been renewed by the Company.

22.2 This includes defined benefits obligation - employee benefits amounting to SAR 0.18 million (31 December 2018: SAR 0.15 million).

23. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2019	2018
Salaries and related benefits (Note 23.1)	**42,581,541**	62,344,490
Water, electricity and telecommunication	**7,469,592**	8,294,052
Professional fees	**4,772,426**	2,793,586
Depreciation		
– property and equipment (Note 5.1)	**4,054,214**	3,918,507
– right-of-use assets (Note 24)	**629,823**	--
Governmental and recruiting expenses	**4,181,579**	5,222,205
Rent expenses (Note 23.2)	**--**	907,900
Property and equipment written off (Note 5.3)	**8,177,947**	4,787,196
Loss on disposal of property and equipment	**87,485**	--
Maintenance, repair and cleaning	**1,399,955**	655,825
Provision for obsolete consumables	**1,966,215**	--
Write off of Advances	**1,000,000**	--
Stationery	**613,446**	326,676
Others	**3,086,043**	2,459,771
	80,020,266	91,710,208

23.1. This includes defined benefits obligation – employee benefits amounting to SAR 2.4 million (31 December 2018: SAR 7.75 million).

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

24. EXPENSES BY NATURE

	For the year ended 31 December 2019				For the year ended 31 December 2018			
	Costs of revenue	Advertising and marketing expenses	General and administrative expenses	Total	Costs of revenue	Advertising and marketing expenses	General and administrative expenses	Total
Salaries and related benefits	213,657,952	5,380,797	42,581,541	261,620,290	173,104,497	4,660,388	62,344,490	240,109,375
Depreciation								
– property and equipment (Note 5)	132,848,172	--	4,054,214	136,902,386	105,667,481	--	3,918,507	109,585,988
– right-of-use of assets (Note 6)	62,691,455	--	629,823	63,321,278	--	--	--	--
Rent expenses	--	--	--	--	76,055,524	--	907,900	76,963,424
Water, electricity and telephone	70,472,394	--	7,469,592	77,941,986	61,429,079	--	8,294,052	69,723,131
Cleaning and services expenses	46,874,448	--	--	46,874,448	37,326,509	--	--	37,326,509
Maintenance and repair and cleaning	11,210,648	--	1,399,955	12,610,603	6,867,296	--	655,825	7,523,121
Consumables	10,630,070	--	--	10,630,070	11,482,873	--	--	11,482,873
Governmental and recruiting expenses	15,623,780	--	4,181,579	19,805,359	8,079,084	--	5,222,205	13,301,289
Security and safety	6,350,073	--	--	6,350,073	3,922,619	--	--	3,922,619
Stationery	2,898,457	--	613,446	3,511,903	2,210,047	--	326,676	2,536,723
Advertising and marketing	--	13,964,496	--	13,964,496	--	12,647,434	--	12,647,434
FCB Barcelona license and commercial fees	--	--	--	--	--	4,102,033	--	4,102,033
Professional fees	--	--	4,772,426	4,772,426	--	--	2,793,586	2,793,586
Provision for obsolete consumables (Note 8)	--	--	1,966,215	1,966,215	--	--	--	--
Write off of Advances (Note 8)	--	--	1,000,000	1,000,000	--	--	--	--
Property and equipment written off (Note 5)	--	--	8,177,947	8,177,947	--	--	4,787,196	4,787,196
Loss on disposal of property and equipment	--	--	87,485	87,485				
Others	9,515,277	--	3,086,043	12,601,320	8,467,569	--	2,459,771	10,927,340
	582,772,726	19,345,293	80,020,266	682,138,285	494,612,578	21,409,855	91,710,208	607,732,641

25. FINANCE COSTS

	For the year ended 31 December	
	2019	2018
Interest on loans and borrowings	**17,949,953**	17,763,832
Interest expense on lease liabilities (Note 6)	**34,450,571**	--
Bank charges	**5,266,172**	3,303,336
	57,666,696	21,067,168

26. EARNINGS PER SHARE- BASIC AND DILUTED

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

27. COMMITMENTS AND CONTINGENCIES

27.1 Contingencies

a) During 2017, the Company purchased land costing SR 24.31 million. During the year, previous owner of the land has filed a case against the Company on the basis that the land was sold without her consent. Ensuing to the case, the Company has submitted the original land deed and other related documents to the Ministry of Justice for verification and confirmation of the Company's ownership of the land. The Company's management and the legal advisor are of the view that the Company has valid grounds to prove the beneficial ownership of the land in the Company's name and the matter will be decided in the favor of the Company. Accordingly, no provision has been recorded in these financial statements for the year ended 31 December 2019.

b) The Company has issued letters of guarantees amounting to SAR 2.84 million (31 December 2018: SAR 3.17 million) against land lease.

27.2 Commitments

a) Operating leases

	For the year ended 31 December	
	2019	2018
Payments under short term operating leases recognized as an expense during the year	**2,967,291**	2,181,532

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

	For the year ended 31 December	
	2019	2018
Costs of revenue	**2,857,727**	2,074,628
General and administrative expenses	**109,564**	106,904
	2,967,291	2,181,532

27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

27.2 Commitments (continued)

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

	2019	2018
Minimum lease payments – less than one year	**2,967,291**	96,732,138
Minimum lease payments – between one and five years	--	412,852,426
Minimum lease payments – more than five years	--	831,279,036

b) The Company has capital commitments for contracts for setting up fitness centers amounting to SAR 70.13 million (31 December 2018: SAR 121.7 million).

28. DIVIDEND

The Board of Directors, in their meetings held on 26 February 2019, 12 May 2019, 2 September 2019 and 01 December 2019, recommended the distribution of SAR 28.18 million as final dividend for the year ended 31 December 2018 and SAR 21.05 million, 26.45 million and 26.03 as interim dividend for the periods ended 31 March 2019, 30 June 2019 and 30 September, respectively.

The shareholders approved final dividend for the year ended 31 December 2018 in the Annual General Meeting held on 7 May 2019.

29. 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

29. OPERATING SEGMENTS (CONTINUED)

Segment performance is evaluated based on profit or loss, which in certain respects, is also measured differently from profit or loss in the financial statements.

As at and for year ended 31 December 2019	Geographical Segments Headquarters & Central Region	Western Region	Eastern Region	International Region - UAE	Total
Revenue	459,021,740	312,303,469	151,962,131	18,787,902	942,075,242
Costs of revenue	(252,727,539)	(226,467,857)	(87,595,386)	(15,981,944)	(582,772,726)
Gross profit	206,294,201	85,835,612	64,366,745	2,805,958	359,302,516
Comprehensive income	152,814,754	36,917,388	44,400,561	274,645	234,407,348
Unallocated head office cost					(30,126,400)
Depreciation					
- property and equipment	(56,263,195)	(56,417,282)	(20,678,648)	(3,543,261)	(136,902,386)
- right-of-use assets	(25,628,586)	(24,893,817)	(10,677,233)	(2,121,642)	(63,321,278)
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

As at and for year ended 31 December 2018	Segment Headquarters & Central Region	Western Region	Eastern Region	International Region - UAE	Total
Revenue	404,013,390	241,632,504	136,769,919	17,531,020	799,946,833
Costs of revenue	(224,429,671)	(173,329,795)	(80,238,114)	(16,614,998)	(494,612,578)
Gross profit	179,583,719	68,302,709	56,531,805	916,022	305,334,255
Comprehensive income / (loss)	126,784,581	31,355,338	38,344,795	(236,612)	196,248,102
Unallocated head office cost					(18,355,092)
Depreciation					
- property and equipment	(47,248,431)	(40,964,244)	(17,868,150)	(3,505,163)	(109,585,988)
Total assets	724,761,649	614,475,860	217,223,712	52,171,245	1,608,632,466
Total liabilities	685,268,151	112,465,927	66,592,106	30,637,832	894,964,016

	Market Segments					
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2019	2018	2019	2018	2019	2018
	Male Fitness Centers		Female Fitness Centers		Total	
Revenue	716,109,284	675,891,729	225,965,958	124,055,104	942,075,242	799,946,833
Costs of revenue	(450,310,621)	(432,384,635)	(132,462,105)	(62,227,943)	(582,772,726)	(494,612,578)
Gross profit	265,798,663	243,507,094	93,503,853	61,827,161	359,302,516	305,334,255
Comprehensive income	161,629,806	143,548,724	72,777,542	52,699,378	234,407,348	196,248,102
Unallocated head office cost	--	--	--	--	(30,126,400)	(18,355,092)
Depreciation						
- property and equipment	102,320,798	96,537,139	34,581,588	13,048,849	136,902,386	109,585,988
- right-of-use assets	48,795,372	--	14,525,906	--	63,321,278	--

30. 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 financial statements. At the reporting date, carrying value of the Company's financial and non-financial assets and liabilities reasonably approximate to their fair values.

31. 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 is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

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

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

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

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

	31 December 2019	31 December 2018
Financial assets – at amortised cost		
Other assets *(note 8)*	**4,283,129**	3,210,762
Trade receivables, gross *(note 10)*	**31,020,781**	24,048,700
Bank balances *(note 11)*	**65,349,582**	17,255,491
	100,653,492	44,514,953

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash and cash equivalents
The Company held balances with banks of SAR 65,349,582 as at 31 December 2019, which represents their maximum exposure on these assets. These balances are held with banks having strong credit ratings. The Company has assessed expected credit losses on bank balances using the life-time approach and have determined that the balances are not impaired.

Trade receivables

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

	31 December 2019	31 December 2018
Neither past due nor impaired	**19,239,526**	15,322,658
Past due but not impaired:		
- 1 to 30 days	**1,399,637**	1,392,482
- 31 to 60 days	**495,843**	649,098
- 61 to 90 days	**635,533**	593,719
- 91 to 120 days	**1,490,595**	843,815
- 121 to 150 days	**443,918**	--
- 151 to 180 days	**2,854**	96,634
- 181 to 210 days	**573,710**	161,630
- 211 to 240 days	**277,149**	--
- 241 to 270 days	**333,039**	138,862
- 271 to 300 days	**504,830**	63,980
- 301 to 330 days	**--**	90,766
- 331 to 360 days	**84,242**	82,109
- 360 days plus	**--**	--
Total trade receivables	**25,480,876**	19,435,753

31. 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												
31 December 2019	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181-210 Days	211-240 Days	241-270 Days	271-300 Days	301-330 Days	331-360 Days	>360 Days	Total
Gross carrying amount	17,545,867	857,132	282,973	319,177	957,531	--	2,993	319,177	182,066	137,112	469,838	--	64,211	19,390	21,157,467
Expected credit loss rate	0.0%	0.12%	0.29%	0.42%	0.69%	--	4.64%	17.26%	35.67%	65.57%	91.36%	--	91.36%	100%	
Expected credit loss	--	(1,013)	(811)	(1,345)	(6,632)	--	(139)	(55,103)	(64,945)	(89,905)	(429,252)	--	(58,666)	(19,390)	(727,201)
Net carrying amount	17,545,867	856,119	282,162	317,832	950,899	--	2,854	264,074	117,121	47,207	40,586	--	5,545	--	20,430,266

Trade receivables – rental

		Day past due												
31 December 2019	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121-180 Days	151-180 Days	181-210 Days	211-240 Days	241-270 Days	271-300 Days	301-330 Days	331-360 Days	>360 Days	Total
Gross carrying amount	1,693,659	555,736	225,488	330,138	598,792	445,660	--	1,007,416	217,350	301,266	506,139	--	487,279	3,494,391	9,863,314
Less: specifically assessed and fully provided	--	(11,288)	(11,288)	(11,288)	(56,978)	--	--	(693,000)	(52,500)	--	--	--	(78,211)	(2,703,169)	(3,617,722)
Carrying amount assessed for provision matrix	1,693,659	544,448	214,200	318,850	541,814	445,660	--	314,416	164,850	301,266	506,139	--	409,068	791,222	6,245,592
Expected credit loss rate	0.00%	0.17%	0.24 %	0.36%	0.39%	0.39%	--	1.52%	2.93%	5.12%	8.28%	--	80.76%	100%	
Expected credit loss	--	(930)	(519)	(1,149)	(2,118)	(1,742)	--	(4,780)	(4,822)	(15,434)	(41,895)	--	(330,371)	(791,222)	(1,194,982)
Total allowance for impairment	--	(12,218)	(11,807)	(12,437)	(59,096)	(1,742)	--	(697,780)	(57,322)	(15,434)	(41,895)	--	(408,582)	(3,494,391)	(4,812,704)
Net carrying amount	1,693,659	543,518	213,681	317,701	539,696	443,918	--	309,636	160,028	285,832	464,244	--	78,697	--	5,050,610
Total trade receivables	**19,239,526**	**1,399,637**	**495,843**	**635,533**	**1,490,595**	**443,918**	**2,854**	**573,710**	**277,149**	**333,039**	**504,830**	**--**	**84,242**	**--**	**25,480,876**

31. 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 December 2019, current liabilities of the Company have exceeded its current assets by SAR 421.31 million. However, the current liabilities include SAR 302.40 million of deferred revenue representing subscription fee received in advance and SAR 3.18 million of advances from customers, which the Company does not expect and is not legally required to repay as at 31 December 2019. Further, the Company has total unutilized banking facilities of SAR 125 million as of 31 December 2019, which the management can avail in case of any shortfall. Also, operational funds which currently are partly utilized to finance certain capex requirements, optimizing the cost of borrowings, can be directed towards meeting working capital requirements. Therefore, the Company is not exposed to any significant liquidity risk in the foreseeable future.

Analysis of financial liabilities by remaining contractual maturities
The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2019 based on contractual undiscounted gross cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

31 December 2019	*Within 3 months*	*3 to 12 months*	*1 to 5 Years (SAR)*	*No fixed maturity*	*Total*
Loans and borrowings*	**40,201,003**	**108,289,255**	**314,096,725**	--	**462,586,983**
Accounts payable	**29,012,761**	--	--	--	**29,012,761**
Accrued expenses	**40,219,863**	--	--	--	**40,219,863**
	109,433,627	**108,289,255**	**314,096,725**	--	**531,819,607**

31 December 2018	*Within 3 months*	*3 to 12 months*	*1 to 5 Years (SAR)*	*No fixed maturity*	*Total*
Loans and borrowings*	31,891,930	101,637,278	408,491,612	--	542,020,820
Accounts payable	36,554,283	--	--	--	36,554,283
Accrued expenses	33,930,177	--	--	--	33,930,177
	102,376,390	101,637,278	408,491,612	--	612,505,280

* The loans and borrowings include finance cost of SAR 37.9 million (31 December 2018: SAR 57.8 million).

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates and foreign exchange rates.

Interest rate risk

The interest rate profile of the Company's interest bearing financial instruments are as follow:

	2019	2018
Fixed rate instruments		
Financial liabilities	**171,037,629**	241,736,572
Variable rate instruments		
Financial liabilities	**253,648,572**	242,440,200

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	100 bp increase	**100 bp decrease**
31 December 2019		
Variable rate instruments	**(2,536,428)**	**2,536,428**
31 December 2018		
Variable rate instruments	(3,666,207)	3,666,207

32. 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.

33. CORRESPONDING FIGURES

Certain corresponding figures in these financial statements have been rearranged and reclassified, wherever necessary, for better presentation and disclosures. However, impact of these adjustments are not material to these financial statements.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been authorized for issue by the Board of Directors on 09 March 2020, corresponding to 14 Rajab 1441H.