

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Leejam Sports Company ("the Company") as at 31 March 2023, and the related interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

Emphasis of a matter:

We draw attention to note 16 to the interim condensed financial statements. As stated therein, during the year ended 31 December 2021, management has received an assessment order from the Zakat, Tax and Customs Authority ("ZATCA") on the ground that part of the Company's profits for the years 2015, 2016, 2017 and 2018 were subject to income tax. Our conclusion is not modified in respect of this matter.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 24 Shawwal 1444H
(14 May 2023)



LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

	Note	For the three-months period ended 31 March	
		2023 SR	2022 SR
Revenue			
Cost of revenue	5	276,972,367	231,621,174
GROSS PROFIT	6	(168,268,761)	(145,903,196)
		108,703,606	85,717,978
General and administrative expenses			
Advertising and marketing expenses		(28,007,990)	(22,762,072)
Allowance for expected credit losses		(3,067,098)	(3,837,134)
OPERATING PROFIT		-	(62,987)
		77,628,518	59,055,785
Finance cost, net	7	(13,384,536)	(11,864,411)
PROFIT BEFORE ZAKAT		64,243,982	47,191,374
Zakat	16	(1,581,210)	(1,177,000)
PROFIT FOR THE PERIOD		62,662,772	46,014,374
EARNINGS PER SHARE			
Basic and diluted earnings per share	8	1.19623	0.87842



Assim Al Attas
Chief Financial Officer



Adnan Abdullah Al Khalaf
Chief Executive Officer



Ali Hamad AlSagri
Chairman

The attached notes 1 to 24 form an integral part of these interim condensed financial statements.

LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)
 INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

	2023	2022
	SR	SR
Net profit for the period	62,662,772	46,014,374
Other comprehensive income		
<i>Item that will not be reclassified to statement of profit or loss in subsequent periods:</i>		
Re-measurement (loss) / gain on employees end of service benefits obligation		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	62,662,772	46,014,374


 Assim Al Atlas
 Chief Financial Officer


 Adnan Abdullah Al Khalaf
 Chief Executive Officer


 Ali Hamad AlSagri
 Chairman

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LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	9	1,543,252,210	1,534,965,640
Right-of-use assets	10	733,633,515	753,692,120
Intangible assets		3,161,128	3,277,167
Goodwill		9,445,544	9,445,544
Advances to suppliers and contractors		33,294,995	34,938,555
TOTAL NON- CURRENT ASSETS		2,322,787,392	2,336,319,026
CURRENT ASSETS			
Inventories		9,774,906	8,000,691
Prepayments and other current assets		39,867,728	30,394,060
Trade receivables	12	19,412,604	22,809,309
Cash and cash equivalents	13	283,880,468	300,626,898
TOTAL CURRENT ASSETS		352,935,706	361,830,958
TOTAL ASSETS		2,675,723,098	2,698,149,984
EQUITY AND LIABILITIES			
EQUITY			
Share capital		523,833,610	523,833,610
Statutory reserve		102,349,153	102,349,153
Retained earnings		316,873,587	312,356,345
TOTAL EQUITY		943,056,350	938,539,108
NON-CURRENT LIABILITIES			
Borrowings	14	166,108,548	165,952,119
Lease liabilities	10	815,971,376	831,922,280
Employees' end of service benefits		44,343,916	43,213,239
TOTAL NON-CURRENT LIABILITIES		1,026,423,840	1,041,087,638
CURRENT LIABILITIES			
Borrowings	14	98,784,162	94,275,829
Lease liabilities	10	79,905,489	78,650,791
Accounts payable		59,317,212	62,328,705
Accrued expenses and other current liabilities	15	74,055,495	79,651,896
Deferred revenue		385,095,647	396,112,324
Provision for zakat	16	9,084,903	7,503,693
TOTAL CURRENT LIABILITIES		706,242,908	718,523,238
TOTAL LIABILITIES		1,732,666,748	1,759,610,876
TOTAL EQUITY AND LIABILITIES		2,675,723,098	2,698,149,984


Assim Al Attas
Chief Financial Officer


Adnan Abdullah Al Khalaf
Chief Executive Officer


Ali Hamad Al Sagri
Chairman

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LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

	Share Capital SR	Statutory Reserve SR	Retained earnings SR	Total SR
As at 1 January 2022	523,833,610	76,623,240	204,112,819	804,569,669
Profit for the period	-	-	46,014,374	46,014,374
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	46,014,374	46,014,374
Dividends (note 21)	-	-	(45,573,524)	(45,573,524)
As at 31 March 2022	523,833,610	76,623,240	204,553,669	805,010,519
As at 1 January 2023	523,833,610	102,349,153	312,356,345	938,539,108
Profit for the period	-	-	62,662,772	62,662,772
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	62,662,772	62,662,772
Dividends (note 21)	-	-	(58,145,530)	(58,145,530)
As at 31 March 2023	523,833,610	102,349,153	316,873,587	943,056,350



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Chief Executive Officer



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Chairman

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LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)
 INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
 FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

	Note	For the three-months period ended 31 March	
		2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before zakat		64,243,982	47,191,374
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property and equipment		39,477,484	36,912,071
Depreciation of right-of-use assets	10	19,614,699	18,576,528
Amortization of intangible assets		351,618	410,230
Rent concessions on lease payments		-	(1,246,537)
Allowance for expected credit losses		-	62,987
Finance costs, net	7	13,384,536	11,864,411
Provision for employees' end of service benefits		2,348,776	2,313,115
		<u>139,421,095</u>	<u>116,084,179</u>
Working capital changes:			
Inventories		(1,774,215)	(397,129)
Prepayments and other current assets		(9,473,668)	9,200,631
Trade receivables		3,396,705	(2,492,640)
Accounts payable		(3,011,493)	(5,013,403)
Accrued expenses and other current liabilities		(5,621,311)	(108,518)
Deferred revenue		(11,016,677)	(23,609,642)
Cash from operations		<u>111,920,436</u>	<u>93,663,478</u>
Employees' end of service benefits paid		(1,218,099)	(1,367,269)
Net cash from operating activities		<u>110,702,337</u>	<u>92,296,209</u>
INVESTING ACTIVITIES			
Property and equipment	9	(47,019,178)	(27,967,534)
Advances to suppliers and contractors		1,643,560	(313,040)
Intangible assets		(235,579)	(746,623)
Net cash used in investing activities		<u>(45,611,197)</u>	<u>(29,027,197)</u>
FINANCING ACTIVITIES			
Proceeds from borrowings		33,851,913	4,606,309
Repayments of borrowings		(29,187,151)	(30,664,387)
Finance cost paid		(4,334,824)	(2,219,194)
Dividend paid		(58,145,530)	(45,573,524)
Payment of lease liabilities		(24,021,978)	(20,988,950)
Net cash used in financing activities		<u>(81,837,570)</u>	<u>(94,839,746)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(16,746,430)</u>	<u>(31,570,734)</u>
Cash and cash equivalents at the beginning of the period		300,626,898	179,886,073
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>283,880,468</u>	<u>148,315,339</u>

The attached notes 1 to 24 form an integral part of these interim condensed financial statements.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)
 INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
 FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023


For the three-months period ended
 31 March

SIGNIFICANT NON-CASH TRANSACTIONS

	2023 SR	2022 SR
Capitalization of borrowing cost	41,865	119,704
Capitalization of right-of-use depreciation	443,906	1,190,945
Interest on lease liabilities capitalized for under construction fitness centers	259,105	390,636


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 Chief Financial Officer


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 Chairman

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LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

1 CORPORATE INFORMATION

Leejam Sports Company ("the Company") is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange Market. The Company was established in accordance with the Ministry of Commerce and Industry resolution No. 146/S dated 29 Rabi Al-Thani 1429H (corresponding to 5 May 2008) and registered under Commercial Registration (CR) numbered 4030180323 dated 19 Jumada Al-Akhirah 1429H (corresponding to 23 June 2008). The address of the Company's registered office is Thumamah Street, P.O. Box 295245, Riyadh 11351, Kingdom of Saudi Arabia. In 2012, The Company's head office was transferred from Jeddah to Riyadh, the Company obtained amended CR numbered 1010337986 dated 14 Jumada Al-Akhirah 1433H (corresponding to 6 May 2012).

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 operations are located in the Kingdom of Saudi Arabia and United Arab Emirates.

The Company acquired 95% of the outstanding shares of Fitness Time for Trading Company Limited in order to acquire the trademark "Fitness Time". 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.

During the year ended 31 December 2022, the Company has established new subsidiary "Al Rasn investment Company" for investment activities, currently the subsidiary has not started its operations yet, accordingly the management believes that Al Rasn investment Company is immaterial to the Company and hence did not consolidate the results of operations of Al Rasn investment Company and its financial position in the financial statements of the Company.

The interim condensed financial statements of the Company for the three months period ended 31 March 2023 were authorized for issuance in accordance with the Board of Directors resolution on 18 Shawwal 1444H (corresponding to 8 May 2023).

2 BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2022. In addition the results of the operations for the period ended 31 March 2023 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2023.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

2 BASIS OF PREPARATION (continued)

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed financial statements are prepared using historical cost convention. These interim condensed financial statements are presented in Saudi Riyals ("SR") which is also the functional and presentation currency of the Company.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

As at 31 March 2023, management believes that, all judgments and sources of estimation uncertainty remain similar to those disclosed in the Company's annual financial statements for the year ended 31 December 2022.

4 SIGNIFICANT ACCOUNTING POLICES AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.1 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022.

4.2 New standards, amendments to standards and interpretations applicable from 1 January 2023

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2023. The management has assessed that the amendments have no significant impact on the Company's interim condensed financial statements.

IFRS 17, 'Insurance contracts' This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

4 SIGNIFICANT ACCOUNTING POLICES AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.2 New standards, amendments to standards and interpretations applicable from 1 January 2023 (continued)

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

4.3 Standards and amendments issued and not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's condensed financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<i>Effective for annual financial periods beginning on or after</i>	<i>Standard, amendment or interpretation</i>	<i>Summary of requirements</i>
1 January 2024	Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period and non-current liabilities with covenants.
1 January 2024	Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	The amendments require seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

5 REVENUE

<i>Type of services</i>	<i>For the three-months period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR (Unaudited)</i>	<i>SR (Unaudited)</i>
Subscriptions and membership	240,035,223	201,489,159
Personal training	31,308,716	24,271,206
Rental income	3,921,798	3,159,617
Others	1,706,630	2,701,192
	<u>276,972,367</u>	<u>231,621,174</u>

Set out below is the disaggregation of the Company's revenue from contracts with customers, for the three-months period ended 31 March, based on male and female centers offerings and segmented by primary geographical regions:

	<i>Subscriptions and membership</i>		<i>Personal training</i>		<i>Rental income</i>	
	<i>For the three-months period ended 31 March</i>					
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>SR (Unaudited)</i>					
<i>Types of customers</i>						
Male centers	184,218,989	154,850,466	20,476,402	16,376,482	2,254,149	1,971,914
Female centers	55,816,234	46,638,693	10,832,314	7,894,724	1,667,649	1,187,703
	<u>240,035,223</u>	<u>201,489,159</u>	<u>31,308,716</u>	<u>24,271,206</u>	<u>3,921,798</u>	<u>3,159,617</u>
<i>Geographical markets</i>						
Central region	106,567,516	85,961,171	14,099,326	10,734,305	2,365,353	1,810,505
Western region	93,488,036	80,715,300	10,056,155	8,093,103	1,278,519	1,161,308
Eastern region	34,516,260	30,876,111	5,598,113	4,048,642	187,504	187,804
UAE	5,463,411	3,936,577	1,555,122	1,395,156	90,422	-
	<u>240,035,223</u>	<u>201,489,159</u>	<u>31,308,716</u>	<u>24,271,206</u>	<u>3,921,798</u>	<u>3,159,617</u>

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

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

6 COST OF REVENUE

	<i>For the three-months period ended 31 March</i>	
	2023	2022
	SR	SR
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries and related benefits	63,872,037	55,139,017
Depreciation of property and equipment	38,213,325	36,220,998
Cleaning and maintenance	19,641,003	16,019,445
Depreciation of right-of-use assets	19,155,037	18,326,045
Utilities	17,595,342	13,079,073
Others	9,792,017	8,365,155
Rent concessions on lease payments (note 10)	-	(1,246,537)
	<u>168,268,761</u>	<u>145,903,196</u>

7 FINANCE COST, NET

	<i>For the three-months period ended 31 March</i>	
	2023	2022
	SR	SR
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance cost on lease liabilities (note 10)	9,066,667	9,573,428
Finance commission	3,900,899	369,700
Profit on borrowings	4,094,528	2,048,366
Profit from deposits	(3,677,558)	(127,083)
	<u>13,384,536</u>	<u>11,864,411</u>

8 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit the period ended 31 March 2023 and 31 March 2022, by the weighted average number of shares outstanding at the end of the respective period, which consisted of 52.383 million shares as at 31 March 2023 (31 March 2022: 52.383 million shares).

9 PROPERTY AND EQUIPMENT

During the three-months period ended 31 March 2023, the Company has purchased assets with a cost of SR 47 million (three-months period ended 31 March 2022: SR 28 million). Depreciation charge for the three months period ended 31 March 2023 amounted SR 39.47 million (three-months period ended 31 March 2022: SR 36.91 million).

The total borrowing costs capitalised under capital work in progress during the period amounted to SR 0.04 million (three-months period ended 31 March 2022: SR 0.1 million).

As at 31 March 2023 and 31 December 2022, the Company had secured borrowings against mortgages on land (note 14) owned by the Company with a cost of SR 58.5 million.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

10 LEASES

Expense recognised in the statement of profit or loss in relation to leases for the three-months period was as follows:

	<i>For the three-months period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Depreciation on right-of-use assets:</i>		
Depreciation charge for the period	20,058,605	19,767,473
Capitalised for under construction fitness centers	(443,906)	(1,190,945)
	<u>19,614,699</u>	<u>18,576,528</u>
Interest expense on lease liabilities		
Interest expense for the period	9,325,772	9,964,064
Capitalised for under construction fitness centers	(259,105)	(390,636)
	<u>9,066,667</u>	<u>9,573,428</u>
Total amount recognized in profit or loss	<u>28,681,366</u>	<u>28,149,956</u>

The total rent concessions on lease payments recognised during the three-months period ended 31 March 2023 is nil (three-months period ended 31 March 2022: SR 1.2 million). These have recognised under cost of revenue in the interim condensed statement of profit or loss.

11 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The following are the details of the major related party transactions occurred during the three months period ended 31 March:

<i>Name of Related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>2023</i>	<i>2022</i>
			<i>SR</i>	<i>SR</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Key management personnel	Key management personnel	Salaries and other benefits	1,356,651	1,145,720
		Post-employment benefits	51,351	43,666
Board of Directors	Directors	Remuneration	806,124	757,959
Hamad Ali AlSagri	Shareholder	Lease rentals paid to a shareholder	3,400,000	3,400,000
AlSagri Holding	Shareholder affiliate	Subscriptions sold	310,549	81,992

Amounts due from related parties as of 31 March 2023 amounting to SR 131,877 (31 December 2022: SR 70,080) are included in trade receivables in the statement of financial position.

Pricing policies and terms of payments of transactions with related parties are approved by the Board of Directors. Outstanding balances at the period-end are unsecured, interest free and settled in cash.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

12 TRADE RECEIVABLES

	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Subscriptions and membership receivables	13,990,388	16,073,394
Rental receivables	<u>11,503,780</u>	<u>12,817,479</u>
	25,494,168	28,890,873
Less: Allowance for expected credit losses		
- Subscriptions and membership receivables	(7,089)	(7,089)
- Rental receivables	<u>(6,074,475)</u>	<u>(6,074,475)</u>
	<u>19,412,604</u>	<u>22,809,309</u>

13 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Cash in hand	603,868	215,866
Cash at bank – current accounts	48,276,600	150,411,032
Short term deposits (note a)	<u>235,000,000</u>	<u>150,000,000</u>
	<u>283,880,468</u>	<u>300,626,898</u>

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

14 BORROWINGS

	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Non-current portion of long-term borrowings	166,108,548	165,952,119
Current portion of long-term borrowings	98,784,162	94,275,829
	<u>264,892,710</u>	<u>260,227,948</u>

As at 31 March 2023, the Company had unutilized bank financing facilities amounting to SR 839.7 million (31 December 2022: SR 852.42 million) to manage its short-term and long-term liquidity requirements and for construction of the fitness centers. The facilities have been secured by promissory note issued by the Company.

All borrowings are denominated in Saudi Riyals and are under Islamic financing mode being Murabaha and Tawaruq loans. The above borrowings and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and also notify the bank of any breach or probable breach immediately. As at 31 March 2023 the Company is in compliance with borrowings covenants.

The Company has entered into an interest rate swap (IRS) with notional amount of SR 15 million with a local commercial bank. The IRS agreement require the Company to pay a fixed rate of interest of 3.68% as on 31 March 2023 in exchange for floating rate interest payments based on Saudi Inter Bank Offer Rate (SIBOR). The IRS contract will mature on 31 July 2023.

As at 31 March 2023 and 31 December 2022, the Company had secured borrowings against mortgages on land (note 9) owned by the Company with a cost of SR 58.5 million.

15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Accrued expenses	62,111,041	60,526,876
Value added tax (VAT) payable	8,670,761	16,044,913
Advances from customers	3,273,693	3,080,107
	<u>74,055,495</u>	<u>79,651,896</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

16 ZAKAT

16.1 Charge for the period

During the period, a zakat charge of SR 1.58 million (three-months period ended 31 March 2022: SR 1.18 million) have been recognised in the interim condensed statement of profit or loss based on the expected zakat base for the year 2023.

16.2 Status of assessments

The Company has submitted its zakat returns for the years up to 2022. The Company has received zakat certificates from the Zakat, Tax and Customs Authority ("ZATCA") valid up to 30 April 2024 and has received final assessments from ZATCA for the years up to 2014.

However, the Company received notification from ZATCA on 30 April 2021 for the years 2015, 2016, 2017 and 2018 claiming an additional liability regarding the ownership of shares by Target Opportunities for Trading Company, one of the shareholders in the Company, for the years 2015, 2016, 2017 and 2018, that there are certain taxes on the Company. ZATCA's view based on certain assumptions, is that the Company is partially subject to income tax. ZATCA assumed that the aforementioned former shareholder is owned directly or indirectly by non-GCC nationals and accordingly, the estimated amount of income tax exposure based on the notification for the years 2015, 2016, 2017 and 2018 is SR 32.7 million excluding late payment penalties. The Company received the assessment orders for the years 2015, 2016 and 2017 on that basis, 2018 assessment is still under review. The former shareholder was a shareholder of the Company until and including the year ended 31 December 2018.

The Company has filed an objection with ZATCA against this assessment. ZATCA did not respond to the objection. Accordingly, the Company filed a lawsuit against ZATCA before the General Secretariate of Zakat, Tax and Customs Committees "GSTC" and during the year 2022, the GSTC issued its ruling in the favor of ZATCA. During 2022, the Company filed an appeal against this ruling which is still in progress.

The management position is that the Company as a 100% zakatable Company on the basis of its ownership structure with all direct and indirect shareholders being either GCC nationals, or companies that were established within the GCC and whose shareholders consist wholly of GCC nationals. Further, dividends distributions to the above-mentioned former shareholder, in management view, are not subject to withholding tax as it is a resident Company in the Kingdom of Saudi Arabia (as a Saudi limited liability Company on the basis of the incorporation documents). Moreover, in case of any ruling in favor of ZATCA, in addition to any relevant fines and delay penalties, the above-mentioned former shareholder has provided to the Company an indemnity undertaking letter to bear any amounts related to the liability that might be imposed on the Company by ZATCA in connection with the above matter. Therefore, based on the management assessment and formal advice received from an independent legal advisor that decision of the appeal will be probably in favor of the Company, in addition to the indemnity undertaking letter from the above-mentioned former shareholder, no provision has been recorded in the interim condensed financial statements by the management.

The Company's zakat assessments for the years from 2019 to 2021 are currently under review by the ZATCA. On 9 June 2021, ZATCA raised some queries related to the years 2019 and 2020, which were responded. ZATCA has not issued a final assessment to date.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

In the normal course of the business, the Company's certain suppliers and contractors have commenced an action against the Company for claims and additional payments. The Company has consulted its legal advisor and for probable cash out flows, adequate provisions have been recorded. For certain cases where the legal counsel has advised that it is only possible, but not probable, that the action will succeed, no provision for any liability has been made in these interim condensed financial statements.

The Company's bankers have issued letters of guarantees amounting to SR 8.67 million as at 31 March 2023 (31 December 2022: SR 9.77 million) against land lease and letter of credit amounting to SR 62.77 million as at 31 March 2023 (31 December 2022: SR 64.5 million).

17.2 Capital commitments

The Company has capital commitments on contracts for setting up fitness centers amounting to SR 25.83 million as at 31 March 2023 (31 December 2022: SR 20.6 million).

18 SEGMENTAL INFORMATION

18.1 Geographical segments

For management purposes, the Company is organized into business units based on their geographical distribution and has four reportable operating segments as follows:

- Central Region
- Western Region
- Eastern Region
- International Region UAE

The following tables present revenue and profit / (loss) information for the geographical segments for period end.

As at and for period ended 31 March 2023

For the three-months period ended 31 March 2023

	<i>Central Region</i>	<i>Western Region</i>	<i>Eastern Region</i>	<i>International Region - UAE</i>	<i>Total</i>
	<i>SR (Unaudited)</i>				
Revenues	123,949,942	105,380,192	40,512,387	7,129,846	276,972,367
Depreciation on property and equipment	(18,184,390)	(14,357,516)	(5,525,716)	(1,409,862)	(39,477,484)
Depreciation of right-of-use assets	(8,833,330)	(7,315,281)	(2,953,948)	(512,140)	(19,614,699)
Other Operating costs	(62,772,401)	(54,209,933)	(20,770,459)	(3,760,026)	(141,512,819)
Segment profit	34,159,821	29,497,462	11,262,264	1,447,818	76,367,365

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

18 SEGMENTAL INFORMATION (continued)

18.1 Geographical segments (continued)

For the three-months period ended 31 March 2022

	Central Region	Western Region	Eastern Region	International Region - UAE	Total
	<i>SR (Unaudited)</i>				
Revenues	100,483,697	90,430,947	35,298,453	5,408,077	231,621,174
Depreciation on property and equipment	(16,297,714)	(13,894,182)	(5,135,247)	(1,584,928)	(36,912,071)
Depreciation of right-of-use assets	(7,947,631)	(7,088,005)	(2,776,386)	(764,506)	(18,576,528)
Other Operating costs	(49,454,232)	(45,906,162)	(16,234,464)	(4,160,033)	(115,754,891)
Segment profit / (loss)	26,784,120	23,542,598	11,152,356	(1,101,390)	60,377,684

18.2 Market segments

The following tables present revenue and profit (loss) information for the operating segments for three-months period ended 31 March 2023 and 2022, respectively:

	Male Fitness Centers		Female Fitness Centers		Total	
	2023	2022	2023	2022	2023	2022
	<i>SR (Unaudited)</i>					
Revenue	208,113,142	175,446,683	68,859,225	56,174,491	276,972,367	231,621,174
Depreciation - property & equipment	(27,197,940)	(25,101,541)	(12,279,544)	(11,810,530)	(39,477,484)	(36,912,071)
- right-of-use assets	(14,286,492)	(12,929,569)	(5,328,207)	(5,646,959)	(19,614,699)	(18,576,528)
Other operating costs	(104,302,637)	(84,085,867)	(37,210,182)	(31,669,024)	(141,512,819)	(115,754,891)
Segment profit	62,326,073	53,329,706	14,041,292	7,047,978	76,367,365	60,377,684

18.3 Reconciliation of segment results to profit or loss

Head office expenses and other income are not allocated to individual segments as these are managed on an overall at Company level. Below is the reconciliation

	For the three-months period ended 31 March	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Segment profit	76,367,365	60,377,684
Unallocated head office costs		
Advertising and marketing expenses	(3,067,098)	(3,837,134)
General and administration expenses	(9,056,285)	(9,349,176)
Profit before zakat	64,243,982	47,191,374

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

18 SEGMENTAL INFORMATION (continued)

18.4 Seasonality of the Company's business

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

19 LIQUIDITY RISK AND GOING CONCERN

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. At the condensed interim statement of financial position date, management assessment of adjusted gearing ratio and adjusted current ratio were as follows:

	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Equity	943,056,350	938,539,108
Liabilities (excluding deferred revenue)	1,347,571,101	1,363,498,552
Total capital structure (excluding deferred revenue)	<u>2,290,627,451</u>	<u>2,302,037,660</u>
Gearing ratio	58.83%	59.23%
Current ratio (excluding deferred revenue)	1.10	1.12

As at 31 March, the management also analyses the liquidity risk as follows:

	31 March 2023 SR (Unaudited)	31 December 2022 SR (Audited)
Current financial assets	303,293,072	323,491,760
Current liabilities excluding deferred revenue	<u>(321,147,261)</u>	<u>(322,410,914)</u>
Adjusted net current financial (liability) asset position	<u>(17,854,189)</u>	<u>1,080,846</u>

The Company manages its liquidity risk by ensuring sufficient un-availed borrowing facilities. As of 31 March 2023, unutilised bank borrowing facilities of SR 839.7 million (31 December 2022: SR 852.4 million) were available from multiple banks for managing the working capital requirements. Moreover, the Company generated SR 110.7 million of cash flows from operating activities.

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

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

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

20 CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

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

21 DIVIDENDS

On 17 Sha'ban 1444H (corresponding to 9 March 2023), the Board of Directors, resolved to distribute interim cash dividends of SR 1.11 per share amounting to SR 58.14 million for the fourth quarter of 2022. Dividends have been fully paid during the period and it will be subject to approval at annual general assembly meeting.

On 9 Rajab 1443H (corresponding to 10 February 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.87 per share amounting to SR 45.6 million for the fourth quarter of 2021. Dividends had been fully paid during the period ended 31 March 2022 and was approved at annual general assembly meeting.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Company has assessed that fair value of the financial instruments, comprising of trade and other receivables, short-borrowings, cash and cash equivalents, accounts payables and other current liabilities approximate their carrying values significantly due to the short maturities of these financial instruments.

The fair value of financial assets and liabilities is recognised as the amount for which the instrument can be exchanged in an existing transaction between willing parties, other than a forced sale or liquidation. The Company uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition, for the financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a- Level "1" inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- b- Level "2" inputs are other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c- Level "3" inputs are unobservable inputs either directly or indirectly.

23 COMPARATIVE FIGURES

Certain comparative period amounts have been reclassified and represented for the purpose of better presentation. However, such reclassification have not resulted in any additional impact on equity or profit for comparative figures. The key reclassifications were as follows:

<i>Reclassification from</i>	<i>Reclassification to</i>	<i>Amount (SR)</i>
General and administrative expenses - Finance commission	Finance costs	369,700

24 EVENTS AFTER THE REPORTING PERIOD

In the opinion of management, there have been no further significant subsequent events since the period ended 31 March 2023 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.