LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month and six-month periods ended 30 June 2018
together with the
Independent Auditors' Review Report

KPMG

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Licence No. 46/11/323 issued 11/3/1992

Independent Auditors' Report On Review Of Interim Financial Statements

To the Shareholders of
Leejam Sports Company- Closed Joint Stock Company
Riyadh
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2018 condensed interim financial statements of Leejam Sports Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 June 2018;
- the condensed statement of profit or loss for the three-month and six-month periods ended 30 June 2018;
- the condensed statement of comprehensive income for the three-month and six-month periods ended 30 June 2018;
- the condensed statement of changes in equity for the six month period ended 30 June 2018;
- the condensed statement of cash flows for the six month period ended 30 June 2018; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed interim financial statements of Leejam Sports Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

Al Riyadh, 25 July 2018
Corresponding to: 12 Dhul Qadah 1439H

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Certified Public Accountants
KPMG Al Fozan & Partners

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018
(Expressed in Saudi Arabian Riyals)

ASSETS	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Non-current assets			
Property and equipment	(4)	**1,328,657,535**	1,285,102,266
Goodwill		**9,445,544**	9,445,544
Investment in an unconsolidated subsidiary	(1a)	**47,500**	47,500
Long term prepayment		**11,723,015**	11,723,015
Total non-current assets		**1,349,873,594**	1,306,318,325
Current assets			
Prepayments and other assets	(5)	**139,985,209**	116,636,174
Due from a related party	(6)	**--**	35,450
Trade receivables	(7)	**19,263,936**	8,922,683
Short term investment		**--**	17,000,000
Cash and bank balances		**40,568,553**	56,021,973
Total current assets		**199,817,698**	198,616,280
Total assets		**1,549,691,292**	1,504,934,605
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	(8)	**523,833,610**	523,833,610
Statutory reserve	(9)	**24,667,119**	17,419,888
Retained earnings		**109,510,213**	87,689,705
Total shareholders' equity		**658,010,942**	628,943,203
Liabilities			
Non-current liabilities			
Loans and borrowings – non-current	(10)	**399,815,842**	366,151,163
Defined benefit obligation – employee benefits		**26,615,297**	23,930,307
Deferred rentals		**54,973,626**	53,128,602
Total non-current liabilities		**481,404,765**	443,210,072
Current liabilities			
Loans and borrowings – current portion	(10)	**114,963,831**	76,493,562
Deferred rentals – current portion		**3,567,900**	3,167,641
Accounts payable		**22,166,169**	37,305,070
Accrued expenses and other liabilities		**56,116,110**	49,751,780
Deferred revenue		**211,622,752**	261,575,595
Provision for Zakat	(11)	**1,838,823**	4,487,682
Total current liabilities		**410,275,585**	432,781,330
Total liabilities		**891,680,350**	875,991,402
Total shareholders' equity and liabilities		**1,549,691,292**	1,504,934,605

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

		For the three month period ended 30 June		**For the six month period ended 30 June**	
	Notes	**2018**	2017	**2018**	2017
Revenue	*(12)*	**187,210,385**	176,297,866	**364,515,578**	353,605,686
Costs of revenue	*(13)*	**(119,787,774)**	(110,086,096)	**(239,071,205)**	(216,501,664)
Gross profit		**67,422,611**	66,211,770	**125,444,373**	137,104,022
Advertising and marketing expenses		**(6,032,194)**	(5,345,693)	**(11,997,224)**	(12,792,526)
General and administrative expenses		**(17,779,995)**	(17,283,678)	**(35,627,067)**	(33,703,714)
Other income		**2,142,546**	1,280,360	**4,981,989**	1,834,320
Operating profit		**45,752,968**	44,862,759	**82,802,071**	92,442,102
Finance costs		**(5,077,502)**	(3,358,108)	**(9,914,449)**	(7,744,241)
Net profit before Zakat		**40,675,466**	41,504,651	**72,887,622**	84,697,861
Zakat	*(11)*	**(913,788)**	(1,032,971)	**(415,312)**	(2,166,971)
Net profit for the period		**39,761,678**	40,471,680	**72,472,310**	82,530,890
Earnings per share	*(14)*	**0.76**	0.77	**1.38**	1.58

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and six-month periods ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

	For the three month period ended 30 June		**For the six month period ended 30 June**	
	2018	2017	**2018**	2017
Net profit for the period	**39,761,678**	40,471,680	**72,472,310**	82,530,890
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Re-measurement of actuarial losses on defined benefit obligation – employee benefits	**(231,224)**	(194,195)	**(462,448)**	(388,390)
Total comprehensive income for the period	**39,530,454**	40,277,485	**72,009,862**	82,142,500

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2017 - audited	195,000,000	64,497,724	264,266,835	523,764,559
Net profit for the period	--	--	82,530,890	82,530,890
Other comprehensive income	--	--	(388,390)	(388,390)
Total comprehensive income for the period	--	--	82,142,500	82,142,500
Transfer to statutory reserve	--	8,253,089	(8,253,089)	--
Increase in share capital	328,833,610	(64,497,724)	(264,335,886)	--
Interim dividend declared for Q1 2017	--	--	(25,119,010)	(25,119,010)
Balance as at 30 June 2017	523,833,610	8,253,089	48,701,350	580,788,049
Balance as at 1 January 2018 - audited	**523,833,610**	**17,419,888**	**87,689,705**	**628,943,203**
Net profit for the period	**--**	**--**	**72,472,310**	**72,472,310**
Other comprehensive income	**--**	**--**	**(462,448)**	**(462,448)**
Total comprehensive income for the period	**--**	**--**	**72,009,862**	**72,009,862**
Transfer to statutory reserve	**--**	**7,247,231**	**(7,247,231)**	**--**
Interim dividend declared for Q4 2017	**--**	**--**	**(25,417,116)**	**(25,417,116)**
Interim dividend declared for Q1 2018	**--**	**--**	**(17,525,007)**	**(17,525,007)**
Balance as at 30 June 2018	**523,833,610**	**24,667,119**	**109,510,213**	**658,010,942**

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six month period ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

	Notes	**For the six month period ended 30 June 2018**	For the six month period ended 30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before Zakat		**72,887,622**	84,697,861
Adjustments for non-cash items:			
Depreciation		**53,503,007**	44,971,875
Property and equipment written off – net		**3,035,177**	--
Reversal of allowance for impairment in trade receivables, net		**(303,462)**	(178,105)
Reversal of provision for advances to suppliers and contractors		**--**	(223,948)
Reversal of provision for other current assets		**--**	(449,000)
Employee benefits		**2,888,172**	3,081,068
		132,010,516	131,899,751
Changes in operating assets and liabilities			
Increase in prepayments and other assets		**(23,349,035)**	(22,998,196)
Increase in trade receivables		**(10,037,791)**	(4,360,996)
Increase in deferred rentals		**2,245,283**	1,483,681
Decrease in accounts payable		**(15,103,451)**	(826,650)
Increase in accrued expenses and other liabilities		**6,364,330**	10,920,252
Decrease in deferred revenue		**(49,952,843)**	(19,946,587)
Cash from operations		**42,177,009**	96,171,255
Employee benefits paid		**(665,630)**	(268,364)
Zakat paid	*(11)*	**(3,064,171)**	(5,474,884)
Net cash generated from operating activities		**38,447,208**	90,428,007
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(100,924,997)**	(109,353,694)
Salvage proceeds of assets written off		**831,544**	--
Net cash used in investing activities		**(100,093,453)**	(109,353,694)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(42,942,123)**	(57,717,061)
Proceeds from loans and borrowings		**114,949,608**	53,134,610
Repayments of loans and borrowings		**(42,814,660)**	(52,410,257)
Net cash generated from / (used in) financing activities		**29,192,825**	(56,992,708)
Net decrease in cash and cash equivalents		**(32,453,420)**	(75,918,395)
Cash and cash equivalents at beginning of the period		**73,021,973**	111,608,616
Cash and cash equivalents at the end of the period	*(16)*	**40,568,553**	35,690,221

The accompanying notes (1) to (23) form an integral part of these condensed interim financial statements.

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES

Leejam Sport Company is a Saudi Closed Joint Stock company ("the Company") which 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 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 a 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
Aldirirya	1010934125	25/05/1439H

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 the 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.

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 dated 1429/05/22. The trademark is renewable for a period of 10 years or periods at the option of the Company for a nominal fee. Fitness Time discontinued its operations after the trademark was transferred to the Company. The management believes that Fitness Time is immaterial to the Company hence; do not consolidate the results of operations of Fitness Time and its financial position in the condensed interim financial statements of the Company.

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES (CONTINUED)

The share capital of the Company is SAR 523.8 million divided into 52.38 million shares of SAR 10 each. As at 30 June 2018 and 31 December 2017, the shareholders and their respective holdings are as follows:

	No. of shares	**Share capital**
Hamad Ali Al-Sagri	31,670,150	316,701,500
Target Opportunities for Trading Company	13,148,224	131,482,240
Latifa Mohammed Al-Haqbani	2,315,006	23,150,060
Abdulmohsin Ali Al-Haqbani	1,655,991	16,559,910
Salih Mohammed Al-Haqbani	844,893	8,448,930
Nahla Ali Al-Haqbani	675,915	6,759,150
Khalid Ali Al-Haqbani	544,956	5,449,560
Ali Hamad Al-Sagri	379,696	3,796,960
Shadan Hamad Al-Sagri	379,696	3,796,960
Noura Fahad Al-Qahtani	177,426	1,774,260
Waleed Ali Al-Haqbani	168,978	1,689,780
Hessa Zaid Al-Nasser	135,184	1,351,840
Fahad Ali Al-Haqbani	88,595	885,950
Al Jazi Abdulaziz Al-Nasser	84,490	844,900
Noura Abdulaziz Al-Nasser	63,467	634,670
Nada Ali Al-Haqbani	50,694	506,940
	52,383,361	**523,833,610**

The address of the Company's registered office is as follows:
Thumamah Street
PO Box 295245
Riyadh 11351
Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements ("interim financial statements") have been prepared in accordance with *IAS 34 Interim Financial Reporting* that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2017 ("last annual Financial Statements"). These condensed interim financial statements do not include all of the information required for a complete set of IFRS Financial Statements. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance since the last annual Financial Statements.

Significant changes from the last annual financial statements are described in Note 3.

2. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

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

(c) Functional and presentation currency

These interim financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of these interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are described in note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2017, except as described below for the application of new accounting standards being effective from 1 January 2018.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

The Company has initially adopted *IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers* (see a) and (see b) from 1 January 2018.

a. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments*: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. IFRS 9 Financial Instruments (continued)

The adoption of IFRS 9 has no effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, 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 under IFRS 9 is generally based on the business model in 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 both of 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.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. IFRS 9 Financial Instruments (continued)

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 its financial assets under this category as disclosed in table below.
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.

The following table explains the classification and measurement of the financial assets of the Company under IAS 39 and IFRS 9.

Financial Assets	Classified as Loans and receivables under IAS 39 As of 31 December 2017	Classified as Amortized cost under IFRS 9 As at 1 January 2018
Other assets	2,731,318	2,731,318
Due from a related party	35,450	35,450
Trade receivables	11,308,156	11,308,156
Short term investment	17,000,000	17,000,000
Bank balances	53,157,747	53,157,747

There is no material effect of adopting IFRS 9 financial instruments on Company’s interim financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. IFRS 9 Financial Instruments (continued)

ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

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

Under IFRS 9, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Company recognizes revenue as and when services to the customers are rendered, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting IFRS 15 on the recognition of Revenue of the Company.

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

There are no impact of adopting IFRS 15 on the Company's condensed statement of financial position as of 30 June 2018 and condensed statement of profit or loss and other comprehensive income for the six months period ended 30 June 2018.

c. New Standards, Amendments and Standards issued and not yet effective:

Standards issued but not yet effective
Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these interim financial statements.

i. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted.

The Company is initially assessing the potential impact on its financial statement.

Determining whether an arrangement contains a lease
On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. IFRS 16 Leases (continued)

Transition
As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019.

As a lessor, the Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

ii. Annual Improvements to IFRSs 2015–2017 Cycle

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

iii. IFRIC 23 Uncertainty over Income Tax Treatments

Seeks to bring clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether it’s probable that the tax authority will accept the Company’s chosen tax treatment.

iv. Other Amendments

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Company’s Financial Statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

4. PROPERTY AND EQUIPMENT

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Cost:		
Balance at beginning of the period / year	**1,674,811,122**	1,453,478,847
Additions during the period / year	**100,924,997**	241,146,797
Write offs during the period / year (Note 4.1)	**(9,644,657)**	(19,814,522)
Balance at end of the period / year	**1,766,091,462**	1,674,811,122
Accumulated depreciation:		
Balance at beginning of the period / year	**(389,708,856)**	(307,555,089)
Charge for the period / year	**(53,503,007)**	(95,112,150)
Eliminated on write offs during the period / year	**5,777,936**	12,958,383
Balance at end of the period / year	**(437,433,927)**	(389,708,856)
Net book value	**1,328,657,535**	1,285,102,266

4.1 The charge in respect of write offs of property and equipment is included in the general and administrative expenses, net off of salvage proceeds.

5. PREPAYMENTS AND OTHER ASSETS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Prepaid expenses:		
- Rent	**39,967,522**	41,580,914
- Housing	**4,531,999**	4,502,607
- Others	**11,099,412**	5,304,694
	55,598,933	51,388,215
Advances to suppliers and contractors	**68,360,194**	50,517,116
Consumables	**13,776,950**	13,231,143
Initial public offering cost recoverable from existing shareholders (Note 5.1)	**475,245**	175,000
Other receivables	**3,005,505**	2,556,318
Provision for doubtful receivables	**(1,231,618)**	(1,231,618)
	1,773,887	1,324,700
	139,985,209	116,636,174

5.1 This represents consultancy fees and other similar expenses incurred in relation to the initial public offering of the Company are agreed to be borne by the shareholders. During the period ended 30 June 2018, the Company had incurred further costs of SAR 1.014 million and has deducted an amount of SAR 0.713 million from the interim dividend distributed to the shareholders for the quarter ended 31 December 2017.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of its shareholders, subsidiary company, key management personnel and other affiliates. The transactions and balances with related parties are made on terms mutually agreed between the parties in the ordinary course of business. In addition, the Company has also disclosed its transactions and balances with companies under common directorship.

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

	For the six month period ended 30 June 2018 (Unaudited)	For the six month period ended 30 June 2017 (Unaudited)
Remuneration of key management personnel	**7,166,138**	7,505,031
Lease rentals paid to a shareholder	**3,400,000**	3,400,000
Initial public offering cost recovered / recoverable from existing shareholders (Note 5.1)	**1,013,369**	1,594,183
Purchase of sports equipment from companies where shareholders have interest		
- Sporta Spa and Fitness Equipment	**2,132,077**	387,374
Sales to companies under common directorship:		
- Etihad Etisalat Company (Mobily)	**--**	1,960,170
- Al Elm Information Security	**2,094,584**	1,574,937
- The Mediterranean and Gulf Cooperation (MEDGULF)	**369,604**	674,043
Proceeds from disposal of sports equipment to Sporta Spa and Fitness Equipment	**784,531**	--
Custom clearance services received from Skat logistics	**1,061,823**	2,109,331
Car rental services received from Theeb – rent a car	**354,877**	206,769
Construction services received from Fidwah Contractor	**1,434,194**	--
Reimbursement from shareholders of professional fee paid to Alix partners	**574,500**	--
Receipt / (Payments) from / (to) affiliated companies:		
- Sporta Spa and Fitness Equipment	**(3,311,923)**	(897,364)
- Skat Logistic	**(1,216,679)**	(2,176,867)
- Theeb – rent a car	**(280,460)**	(232,896)
- Fidwah Contractor	**(2,631,070)**	(63,009)
- Etihad Etisalat Company (Mobily)	**197,330**	1,602,970
- Al Elm Information security	**2,043,226**	1,100,100
- The Mediterranean and Gulf Cooperation (MEDGULF)	**242,983**	717,780

6 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The above transactions resulted in the following balances with these related parties:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Due from a related party		
Fitness Time For Trading Company Limited	**--**	35,450
Advances to related parties included in prepayments and other assets		
Skat Logistics	**574,439**	419,583
Fidwah Contractor	**1,635,329**	438,453
Sporta Spa and Fitness Equipment	**2,716,157**	751,779
	4,925,925	1,609,815
Payables to related parties included in accounts payable		
Theeb – rent a car	**74,417**	--
Receivable from companies under common directorship, included in trade receivables		
- Etihad Etisalat Company (Mobily)	**--**	197,330
- Al Elm Information security	**715,929**	664,572
- The Mediterranean and Gulf Cooperation (MEDGULF)	**126,620**	--
	842,549	861,902

7. TRADE RECEIVABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Subscriptions and membership receivables	**14,325,171**	8,159,607
Rental receivables	**7,020,776**	3,148,549
	21,345,947	11,308,156
Allowance for impairment (Note 7.1)		
- Subscriptions and membership receivables	**(194,889)**	(625,976)
- Rentals receivables	**(1,887,122)**	(1,759,497)
	(2,082,011)	(2,385,473)
	19,263,936	8,922,683

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

	30 June 2018 (Unaudited)		**31 December 2017 (Audited)**	
	Subscription and membership receivables	**Rental receivables**	Subscription and membership receivables	Rental receivables
Balance at beginning of the period/year	**625,976**	**1,759,497**	3,812,679	911,270
(Reversal) / Charge for the period / year	**(431,087)**	**127,625**	(2,876,222)	848,227
	194,889	**1,887,122**	936,457	1,759,497
Write-off against provision	**--**	**--**	(310,481)	--
Balance at end of the period / year	**194,889**	**1,887,122**	625,976	1,759,497

8. SHARE CAPITAL

Authorized issued and paid up share capital
The authorized, issued and paid up share capital of the Company is SAR 523.8 million (December 2017: SAR 523.8 million) divided into 52.3 million (December 2017: 52.3 million) shares with a nominal value of SAR 10 each.

9. 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.

10. 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.

These facilities are subject to various floating and fixed Saudi interbank prevailing commercial commission rates ranging from SIBOR + 1.5% to SIBOR + 2.5% and range of fixed commission rate of 3.4% to 5.17%. These facilities are secured by promissory notes and unconditional personal guarantees issued by some major shareholders of the Company. These facilities are due to mature on or before 23 January 2025 and have been classified into current and non-current based on their contractual maturities.

The following amounts are outstanding in relation to these facilities:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Non-current liabilities		
Non-current portion of long term loans	**399,815,842**	366,151,163
Current liabilities		
Short term loan	**20,000,000**	--
Current portion of long term loans	**94,963,831**	76,493,562
	114,963,831	76,493,562
Total loans and borrowings	**514,779,673**	442,644,725

11. ZAKAT

Provision for Zakat

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Share capital	**523,833,610**	523,833,610
Retained earnings	**109,510,213**	87,689,705
Reserves	**24,667,119**	17,419,888
Adjusted income for the period / year	**72,425,174**	177,547,787
Non-current assets	**1,349,873,594**	1,306,318,325

11 ZAKAT (CONTINUED)

The movement in provision for Zakat is as follow:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Balance at beginning of the period / year	**4,487,682**	6,613,663
Charge for the period / year	**1,736,312**	4,487,682
Reversal in respect of excess provision	**(1,321,000)**	(1,138,779)
	415,312	3,348,903
Paid during the period / year	**(3,064,171)**	(5,474,884)
Balance at end of the period / year	**1,838,823**	4,487,682

Status of final Zakat assessments

The Company has filed its Zakat returns for the year ended 31 December 2017. However GAZT has not yet issued the final assessment.

12. REVENUE

	For the six month period ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Revenue		
- Subscriptions and membership income	**334,504,586**	329,161,561
- Personal training	**24,899,169**	19,173,400
- Rentals	**5,111,823**	5,270,725
	364,515,578	353,605,686

13. COSTS OF REVENUE

	For the six month period ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Salaries and related benefits	**83,808,729**	74,241,787
Depreciation	**51,499,362**	43,397,084
Rent expenses	**39,143,045**	35,018,749
Water and electricity	**30,025,873**	29,949,595
Cleaning and services expenses	**17,750,492**	16,222,131
Consumables	**4,145,699**	5,594,922
Maintenance and repair	**3,310,630**	4,340,157
Governmental and recruiting expenses	**2,811,202**	3,097,432
Security and safety	**1,708,445**	1,213,705
Stationery	**926,403**	1,104,348
Others	**3,941,325**	2,321,754
	239,071,205	216,501,664

14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period ended 30 June 2018 and 30 June 2017, by the weighted average number of shares outstanding at the end of the respective period, which consisted of 52.38 million shares as at 30 June 2018 (30 June 2017: 52.38 million shares).

The weighted average number of shares for the period ended 30 June 2018, have been arrived at by taking the effect of increase in the share capital from the beginning of the earliest period presented (i.e. 1 January 2017), in order to comply with the requirements of IAS 33.

Weighted average number of shares

Number of issued shares on 1 January 2017	19,500,000
Effect of increase in share capital	32,883,361
Weighted average number of shares on 1 January 2017	**52,383,361**

15. COMMITMENTS AND CONTINGENCIES

The Company has capital commitments for contracts for setting up fitness centers and clubs amounting to SAR 114.8 million (31 December 2017: SAR 56.7 million) and letter of guarantees issued amounting to SAR 4.05 million (31 December 2017: SAR 4.6 million) against land lease.

16. CASH AND CASH EQUIVALENTS

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Short term investment	**--**	15,000,000
Cash and bank balances	**40,568,553**	20,690,221
	40,568,553	35,690,221

17. DIVIDEND

The Board of Directors, in their meetings held on 26 February 2018 and 1 May 2018, recommended the distribution of SAR 25.42 million as final dividend for Q4 2017 and SAR 17.52 million as interim dividend for the period ended 31 March 2018 respectively.

18. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the 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 market segmentation (male and female centers).

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

18 OPERATING SEGMENTS (CONTINUED)

For the period ended 30 June 2018 – Unaudited	**Geographical Segments**				
	Headquarter & Central Region	**Western Region**	**Eastern Region**	**International Region - UAE**	**Total**
Revenue	**177,850,586**	**122,100,875**	**55,508,513**	**9,055,604**	**364,515,578**
Costs of revenue	**(110,106,132)**	**(84,034,393)**	**(37,295,530)**	**(7,635,150)**	**(239,071,205)**
Gross profit	**67,744,454**	**38,066,482**	**18,212,983**	**1,420,454**	**125,444,373**
Comprehensive income	**38,914,022**	**21,866,290**	**10,461,970**	**767,580**	**72,009,862**
Depreciation	**23,165,071**	**20,052,055**	**8,538,197**	**1,747,684**	**53,503,007**
As at 30 June 2018 - Unaudited					
Total assets	**682,260,492**	**582,561,508**	**230,877,167**	**53,992,125**	**1,549,691,292**
Total liabilities	**583,553,270**	**234,845,036**	**42,278,662**	**31,003,382**	**891,680,350**

For the period ended 30 June 2017 - Unaudited	Geographical Segments				
	Headquarter & Central Region	Western Region	Eastern Region	International Region – UAE	Total
Revenue	179,703,778	126,614,198	42,147,477	5,140,233	353,605,686
Costs of revenue	(102,360,343)	(75,709,679)	(31,230,172)	(7,201,470)	(216,501,664)
Gross profit/ (loss)	77,343,435	50,904,519	10,917,305	(2,061,237)	137,104,022
Comprehensive income/ (loss)	47,066,561	30,795,314	6,604,558	(2,323,933)	82,142,500
Depreciation	21,376,315	15,718,234	6,788,503	1,088,823	44,971,875
As at 31 December 2017 Audited					
Total assets	697,462,068	538,629,876	212,809,390	56,033,271	1,504,934,605
Total liabilities	563,603,624	243,572,840	34,782,401	34,032,537	875,991,402

	Market Segments					
	For the six month period ended 30 June		**For the six month period ended 30 June**		**For the six month period ended 30 June**	
	2018 (Unaudited)	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
	Male Fitness Centers		**Female Fitness Centers**		**Total**	
Revenue	**323,067,561**	353,499,743	**41,448,017**	105,943	**364,515,578**	353,605,686
Costs of revenue	**(217,730,142)**	(215,861,763)	**(21,341,063)**	(639,901)	**(239,071,205)**	(216,501,664)
Gross profit	**105,337,419**	137,637,980	**20,106,954**	(533,958)	**125,444,373**	137,104,022
Comprehensive income	**52,595,160**	83,122,251	**19,414,702**	(979,751)	**72,009,862**	82,142,500
Depreciation	**48,889,764**	44,893,156	**4,613,243**	78,719	**53,503,007**	44,971,875

19. DETERMINATION OF FAIR VALUES

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

20. FINANCIAL RISK MANAGEMENT

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

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

Risk management framework

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

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

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

Senior management
Senior management 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.

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

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

Financial assets	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
Other assets* *(note 5)*	**3,480,750**	2,731,318
Due from a related party *(note 6)*	**--**	35,450
Trade receivables, gross *(note 7)*	**21,345,947**	11,308,156
Short term investment	**--**	17,000,000
Bank balances	**39,499,909**	53,157,747
	64,326,606	84,232,671

***** *This includes IPO cost recoverable from existing shareholders and other receivables.*

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.

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Neither past due nor impaired	**12,936,562**	6,451,372
Past due but not impaired:		
0-30 days	**2,349,025**	1,753,201
31-60 days	**1,347,477**	331,517
61-90 days	**707,208**	115,205
91- Over 120 days	**1,923,664**	271,388
Total trade receivables	**19,263,936**	8,922,683

The credit quality of trade receivables is assessed based on a credit policy established by the Company. The Company monitors customer credit risk by grouping trade receivables based on their characteristics.

Cash and cash equivalents
The Company held balances with banks of SAR 39,499,909 as at 30 June 2018, which represents their maximum exposure on these assets. These balances are held with banks having strong credit rating.

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.

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 30 June 2018, current liabilities of the Company have exceeded its current assets by SAR 210.45 million. However, the current liabilities includes SAR 211.62 million of deferred revenue representing subscription fee received in advance, SAR 3.57 million of deferred rentals and SAR 2.77 million of advances from customers, which the Company does not expect and is not legally required to repay as at 30 June 2018. Further, the Company has unutilized banking facility of SAR 45 million as of 30 June 2018, which the management can avail in case of any shortfall. 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 30 June 2018 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.

30 June 2018 (Unaudited)	***Within 3 Months***	***3 to 12 months***	***1 to 5 Years (SAR)***	***No fixed maturity***	***Total***
Loans and borrowing*	**29,683,944**	**93,988,304**	**439,617,069**	**--**	**563,289,317**
Accounts payables	**22,166,169**	**--**	**--**	**--**	**22,166,169**
Accrued expenses and other liabilities	**53,343,485**	**--**	**--**	**--**	**53,343,485**
	105,193,598	**93,988,304**	**439,617,069**	**--**	**638,798,971**

31 December 2017 (Audited)	*Within 3 Months*	*3 to 12 months*	*1 to 5 Years (SAR)*	*No fixed maturity*	*Total*
Loans and borrowing*	23,199,347	71,203,737	401,114,929	--	495,518,013
Accounts payables	37,305,070	--	--	--	37,305,070
Accrued expenses and other liabilities	48,646,988	--	--	--	48,646,988
	109,151,405	71,203,737	401,114,929	--	581,470,071

***** The loan and borrowing include finance cost of SAR 48.51 million (31 December 2017: SAR 52.87 million).

20 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. A significant portion of the loans and borrowings of the Company is subject to a fixed mark-up rate, hence the Company is not significantly exposed to any changes in the market mark-up rate. Further, these loans and borrowings are carried at amortized cost and hence the Company is not exposed to changes in their fair values.

21. CAPITAL MANAGEMENT

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

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

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

22. COMPARATIVE FIGURES

The interim financial statements of the Company for the three month and six month periods ended 30 June 2017, approved on 28 August 2017, included salary expense of SAR 1.13 million which was capitalized under the property and equipment instead of charging it to profit & loss account. The management has adjusted the comparative figures of property and equipment as of 30 June 2017 and the salary expense in the statement of profit or loss for the six-month period ended 30 June 2017 by the said amount in these condensed interim financial statements. In addition, the excess depreciation of SAR 1,452 charged previously has also been reversed retrospectively.

Further, the management already adjusted the expense amount and balance of property and equipment within 2017 and hence the interim financial statements for the period ended 30 September 2017 and the annual period ended 31 December 2017 were reported correctly.

Further, certain comparative figures have been reclassified in order to conform to the current period classification and presentation.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements have been approved by the Board of Directors on 25 July 2018.