

# **Palms Sports PJSC**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**SIX MONTHS PERIOD ENDED 30 JUNE 2021**



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## **REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

### **TO THE BOARD OF DIRECTORS OF PALMS SPORTS PJSC**

#### *Introduction*

We have reviewed the accompanying interim condensed financial statements of Palms Sports PJSC (the “Company”) as at 30 June 2021, comprising of the interim condensed statement of financial position as at 30 June 2021, and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). 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*”. 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 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, “*Interim Financial Reporting*”.

#### *Other matter*

The accompanying interim condensed statements of comprehensive income, changes in equity and cash flows for the six months period ended 30 June 2020 and explanatory notes, were not reviewed by an auditor and are presented for comparison purposes only.

Signed by:  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No 811

28 July 2021  
Abu Dhabi

# Palms Sports PJSC

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		(Unaudited) 30 June 2021 AED	(Audited) 31 December 2020 AED
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	494,988	629,701
Intangible assets		5,184	12,789
Right-of-use asset		<u>623,138</u>	<u>660,715</u>
		<u>1,123,310</u>	<u>1,303,205</u>
<b>Current assets</b>			
Inventories		854,022	920,440
Trade and other receivables	5	151,361,099	139,644,162
Due from related parties	9.1	20,000,000	20,009,000
Cash and bank balances	6	<u>146,741,100</u>	<u>119,814,724</u>
		<u>318,956,221</u>	<u>280,388,326</u>
<b>TOTAL ASSETS</b>		<u>320,079,531</u>	<u>281,691,531</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	150,000,000	150,000,000
Legal reserve	8	8,453,407	8,453,407
Retained earnings		<u>111,419,961</u>	<u>76,840,952</u>
<b>Total equity</b>		<u>269,873,368</u>	<u>235,294,359</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits		28,185,717	25,960,225
Lease liability		<u>538,930</u>	<u>538,930</u>
		<u>28,724,647</u>	<u>26,499,155</u>
<b>Current liabilities</b>			
Trade and other payables		21,331,978	19,789,911
Due to related parties	9.1	70,438	49,905
Lease liability		<u>79,100</u>	<u>58,201</u>
		<u>21,481,516</u>	<u>19,898,017</u>
<b>Total liabilities</b>		<u>50,206,163</u>	<u>46,397,172</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>320,079,531</u>	<u>281,691,531</u>

Chief Executive Officer

Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

# Palms Sports PJSC

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months period ended 30 June 2021

	<i>Notes</i>	<i>Six months period ended 30 June</i>	
		<i>2021 AED</i>	<i>2020 AED</i>
Revenue from contracts with customers	11	<b>136,164,293</b>	138,177,594
Cost of sales	12	<b><u>(94,234,695)</u></b>	<u>(87,313,347)</u>
<b>GROSS PROFIT</b>		<b>41,929,598</b>	50,864,247
General and administrative expenses		<b>(6,895,981)</b>	(15,103,822)
Finance income		<b>125,638</b>	1,651,599
Finance costs		<b>(580,246)</b>	(501,323)
Other income		<b><u>-</u></b>	<u>28,571</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>34,579,009</u></b>	<u>36,939,273</u>
<b>Basic earnings per share</b>	13	<b><u>0.23</u></b>	<u>0.25</u>

The attached notes 1 to 15 form part of these interim condensed financial statements.

## Palms Sports PJSC

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months period ended 30 June 2021

	<i>Share capital AED</i>	<i>Legal reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance at 1 January 2020 (audited)	300,000	150,000	235,987,697	236,437,697
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>36,939,273</u>	<u>36,939,273</u>
Balance at 30 June 2020 (unaudited)	<u>300,000</u>	<u>150,000</u>	<u>272,926,970</u>	<u>273,376,970</u>
Balance at 1 January 2021 (audited)	150,000,000	8,453,407	76,840,952	235,294,359
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>34,579,009</u>	<u>34,579,009</u>
Balance at 30 June 2021 (unaudited)	<u><b>150,000,000</b></u>	<u><b>8,453,407</b></u>	<u><b>111,419,961</b></u>	<u><b>269,873,368</b></u>

The attached notes 1 to 15 form part of these interim condensed financial statements.

# Palms Sports PJSC

## INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2021

	<i>Notes</i>	<i>Six months period ended 30 June</i>	
		<i>2021</i>	<i>2020</i>
		<i>AED</i>	<i>AED</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>34,579,009</b>	36,939,273
Adjustments for:			
Depreciation of property, plant and equipment	4	<b>150,851</b>	118,829
Amortisation of intangible assets		<b>7,605</b>	7,606
Depreciation of right-of-use asset		<b>37,577</b>	37,577
Gain on disposal of property, plant and equipment	4	<b>-</b>	(28,571)
Provision for employees' end of service benefits		<b>3,021,362</b>	2,889,937
Allowance for expected credit losses		<b>611,774</b>	935,385
Finance costs		<b><u>580,246</u></b>	<u>501,321</u>
		<b>38,988,424</b>	41,401,357
Working capital changes:			
Decrease (increase) in inventories		<b>66,418</b>	(141,882)
Increase in trade and other receivables		<b>(12,326,821)</b>	(17,465,820)
Decrease (increase) in due from related parties		<b>9,000</b>	(12,700,626)
Increase (decrease) in trade and other payables		<b>1,542,067</b>	(22,995,300)
Increase (decrease) in due to related parties		<b><u>20,533</u></b>	<u>(702,618)</u>
Cash generated from (used in) operations		<b>28,299,621</b>	(12,604,889)
Employees' end of service benefits paid		<b>(795,870)</b>	(516,647)
Finance cost paid		<b><u>(559,346)</u></b>	<u>(478,521)</u>
Net cash generated from (used in) operating activities		<b><u>26,944,405</u></b>	<u>(13,600,057)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	<b>(16,138)</b>	(25,645)
Proceeds from sale of property, plant and equipment		<b>-</b>	28,571
(Increase) decrease in fixed deposits		<b><u>(61,154,099)</u></b>	<u>17,932,561</u>
Net cash (used in) generated from investing activities		<b><u>(61,170,237)</u></b>	<u>17,935,487</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>(34,225,832)</b>	4,335,430
Cash and cash equivalents at beginning of the period		<b><u>66,133,749</u></b>	<u>26,035,640</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<b><u>31,907,917</u></b>	<u>30,371,070</u>

The attached notes 1 to 15 form part of these interim condensed financial statements.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### 1 GENERAL INFORMATION

Palms Sports PJSC (the “Company”) is a private joint stock company incorporated in Abu Dhabi under the UAE Federal Law No. (2) of 2015. The address of its registered office is at P.O. Box 39877, Abu Dhabi, United Arab Emirates. International Holding Company PJSC is the Parent and Royal Group Holding LLC is the Ultimate Parent of the Company.

The Company’s principal activities are providing sport enterprises investment, institution and management.

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 28 July 2021.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting issued by International Accounting Standards Board (“IASB”).

The interim condensed financial statements do not include all information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company’s annual financial statements as at 31 December 2020. In addition, results for the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

These interim condensed financial statements have been prepared on the historical cost basis.

The interim condensed financial statements are presented in United Arab Emirates Dirhams (“AED”), which is the functional currency of the Company.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those applied by the Company in the preparation of the financial statements as at and for the year ended 31 December 2020, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no significant impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### 3.2 Significant accounting estimates and judgements

The preparation of the interim condensed financial statements in conformity with the International Financial Reporting Standards requires management to make judgment, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These judgments, estimates and assumptions also affect the revenue, expenses and provisions as well as fair value changes. Actual results may differ from these estimates.

These judgments, estimates and assumptions may affect the reported amounts in subsequent financial years. Estimates and judgments are currently evaluated and are based on historical experience and other factors.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements as at and for the year ended 31 December 2020.

#### *Impact of Covid-19*

The outbreak of novel coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activity. There has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The Company is monitoring the evolution of the COVID 19 pandemic and will continue to assess further impacts going forward.

The currently known impacts of COVID-19 on the Company are the slight delays in customers collections due to Covid-19 but management is closely monitoring the situation and has kept adequate provision for expected credit losses. However, these factors have not significantly impacted the results of the Company for the six months period ended 30 June 2021, due to specific nature of business of the Company. The management does not anticipate a future material impact of this outbreak on the Company's financial statements at this stage.

### 4 PROPERTY AND EQUIPMENT

During the period, additions to property and equipment amounted to AED 16,138 (period ended 30 June 2020: AED 25,645). Depreciation charge for the period ended 30 June 2021 amounted to AED 150,851 (period ended 30 June 2020: AED 118,829). No disposals were made during the six months period ended 30 June 2021 (period ended 30 June 2020, assets with a net book value of nil were disposed, resulting in a net gain on disposal of AED 28,571).

### 5 TRADE AND OTHER RECEIVABLES

	<i>(Unaudited)</i> <b>30 June</b> <b>2021</b> <b>AED</b>	<i>(Audited)</i> <b>31 December</b> <b>2020</b> <b>AED</b>
Trade receivables	<b>156,570,710</b>	143,773,484
Less: allowance for expected credit losses	<u><b>(7,187,655)</b></u>	<u>(6,577,771)</u>
	<b>149,383,055</b>	137,195,713
Prepayments and deposits	<b>1,193,507</b>	1,190,382
Advances to suppliers	<b>677,732</b>	131,413
Other receivables	<u><b>106,805</b></u>	<u>1,126,654</u>
	<u><b>151,361,099</b></u>	<u>139,644,162</u>



# Palms Sports PJSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### 5 TRADE AND OTHER RECEIVABLES continued

As at 30 June 2021, trade receivables of AED 7,187,655 (2020: AED 6,577,771) were impaired. Movements in the allowance for expected credit losses were as follows:

	<i>(Unaudited)</i> <b>2021</b> <i>AED</i>	<i>(Audited)</i> <b>2020</b> <i>AED</i>
At 1 January	<b>6,577,771</b>	4,949,050
Charge for the period / year	<u><b>609,884</b></u>	<u>1,628,721</u>
At 30 June / 31 December	<u><b>7,187,655</b></u>	<u>6,577,771</u>

### 6 CASH AND BANK BALANCES

	<i>(Unaudited)</i> <b>30 June</b> <b>2021</b> <i>AED</i>	<i>(Audited)</i> <b>31 December</b> <b>2020</b> <i>AED</i>
Cash on hand	<b>225,100</b>	225,100
Cash at bank - current account	<u><b>31,682,817</b></u>	<u>65,908,649</u>
Cash and cash equivalents	<b>31,907,917</b>	66,133,749
Fixed deposits with an original maturity of more than three months	<u><b>114,867,428</b></u>	<u>53,713,329</u>
	<b>146,775,345</b>	119,847,078
Less: allowance for expected credit losses	<u><b>(34,245)</b></u>	<u>(32,354)</u>
Cash and bank balances	<u><b>146,741,100</b></u>	<u>119,814,724</u>

Cash and cash equivalents as at 30 June 2020 (unaudited) amounted to AED 30,371,070.

Fixed deposits comprise short term deposits placed with commercial banks bearing interest rates ranging from 0.20% per annum to 2.70% per annum (2020: 0.50% per annum to 2.70% per annum).

### 7 SHARE CAPITAL

	<i>(Unaudited)</i> <b>30 June</b> <b>2021</b> <i>AED</i>	<i>(Audited)</i> <b>31 December</b> <b>2020</b> <i>AED</i>
<i>Authorised, issued and fully paid shares</i>		
150,000,000 ordinary shares		
(31 December 2020: 150,000,000 shares)		
of AED 1 each (31 December 2020: AED 1 each)	<u><b>150,000,000</b></u>	<u>150,000,000</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

### 8 LEGAL RESERVE

In accordance with the UAE Federal Law No. (2) of 2015, and the Company's Articles of Association, 10% of the profit for the year is transferred to legal reserve, which is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the share capital of the Company.

### 9 RELATED PARTY TRANSACTIONS AND BALANCES

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in the International Accounting Standard (IAS) 24 Related Party Disclosures.

Related parties represent the associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

#### Terms and conditions of transactions with related parties

The Company enters into transactions with related parties in the ordinary course of business at mutually agreed rates. Outstanding balances at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the period ended 30 June 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### 9.1 Balances

Balances with related parties included in the interim statement of financial position are as follows:

		<i>(Unaudited)</i> <b>30 June</b> <b>2021</b> <b>AED</b>	<i>(Audited)</i> <b>31 December</b> <b>2020</b> <b>AED</b>
<b>Right-of-use asset</b>	Entity under common control	<u><b>623,138</b></u>	<u>660,715</u>
<b>Due from related parties:</b>			
International Holding Company PJSC	Parent Company	<b>20,000,000</b>	20,000,000
Al Jaraf Travel and Tourism	Entity under common control	<u>-</u>	<u>9,000</u>
		<u><b>20,000,000</b></u>	<u>20,009,000</u>
<b>Balances with a financial institution</b>	Other related party	<u><b>141,919,496</b></u>	<u>71,402,729</u>
<b>Due to related parties:</b>			
Al Jaraf Travel and Tourism	Entity under common control	<b>23,200</b>	-
Multi Service Typing LLC	Entity under common control	<b>14,380</b>	21,000
Zee Stores PJSC	Entity under common control	<b>6,384</b>	5,459
Royal Group Procurement RSC LTD	Entity under common control	<b>4,424</b>	3,100
Corporate Solutions Consultants LLC	Entity under common control	<b>15,750</b>	-
Tafawuq Facilities Management Co LLC	Entity under common control	<b>6,300</b>	-
International Holding Company PJSC	Parent Company	<u>-</u>	<u>20,346</u>
		<u><b>70,438</b></u>	<u>49,905</u>
<b>Lease liability</b>	Entity under common control	<u><b>618,030</b></u>	<u>597,131</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**9 RELATED PARTY TRANSACTIONS AND BALANCES** continued

**9.2 Transactions**

During the period, the Company entered into the following significant transactions with related parties:

	<i>Six months period ended 30 June</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
<i>Transactions with International Holding Company PJSC</i>		
Interest income on loan	-	1,104,310
Funds transferred – net	-	20,000,000
<i>Transactions with ultimate parent and other related parties</i>		
Revenue	<b>1,906,623</b>	1,142,624
Purchase of goods and services	<b>959,994</b>	813,135
Interest income on bank deposits	<b>91,978</b>	128,692
Finance costs	<b>580,246</b>	501,321

**9.3 Transactions with key management personnel**

	<i>Period ended 30 June</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
Salaries and short-term benefits	<b>920,300</b>	735,104
End of service benefits	<b>128,290</b>	24,393
Management remuneration	<b>-</b>	<b>7,036,051</b>
	<b><u>1,048,950</u></b>	<b><u>7,795,548</u></b>

Transactions with related parties were entered into on terms agreed with management.

**10 CONTINGENT LIABILITIES**

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
Bank guarantees	<b><u>81,040,570</u></b>	<b><u>95,108,385</u></b>

The above bank guarantees have been issued from a local bank in the ordinary course of business on which the bank charges a fee of 1% per annum.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2021 (Unaudited)

**11 REVENUE FROM CONTRACTS WITH CUSTOMERS**

	<i>(Unaudited)</i> 30 June 2021 AED	<i>(Unaudited)</i> 30 June 2020 AED
<i>Types of goods or service</i>		
Coaching and training services	135,793,575	137,363,810
Sale of material	<u>370,718</u>	<u>813,784</u>
	<u><b>136,164,293</b></u>	<u><b>138,177,594</b></u>
<i>Geographical markets</i>		
United Arab Emirates	<u><b>136,164,293</b></u>	<u><b>138,177,594</b></u>
<i>Timing of revenue recognition</i>		
Revenue over time	135,793,575	137,363,810
Revenue at a point in time	<u>370,718</u>	<u>813,784</u>
	<u><b>136,164,293</b></u>	<u><b>138,177,594</b></u>

**12 COST OF SALES**

	<i>(Unaudited)</i> 30 June 2021 AED	<i>(Unaudited)</i> 30 June 2020 AED
Staff costs	85,751,413	83,168,042
Material cost and others	<u>8,483,282</u>	<u>4,145,305</u>
	<u><b>94,234,695</b></u>	<u><b>87,313,347</b></u>

**13 BASIC EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the total profit for the period of the Company by the weighted average number of shares in issue throughout the period as follows:

	<i>Six months period ended</i> 30 June	
	<i>(Unaudited)</i> 2021 AED	<i>(Unaudited)</i> 2020 AED
Profit attributable to the owners of the Company (AED)	<u><b>34,579,009</b></u>	<u><b>36,939,273</b></u>
Weighted average number of shares (shares)	<u><b>150,000,000</b></u>	<u><b>150,000,000*</b></u>
Basic earnings per share for the period (AED)	<u><b>0.23</b></u>	<u><b>0.25</b></u>

\*The weighted average number of shares takes into account the weighted average effect of increase in number of shares during the 2020.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2021 (Unaudited)

**14 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and bank balances, amounts due from related parties and trade and other receivables. Financial liabilities consist of trade accounts payable, lease liability and amounts due to related parties.

The fair values of the Company's financial assets and liabilities as at 30 June 2021 are not materially different from their carrying values at the same date.

**15 SEASONALITY OF RESULTS**

The nature of Company's business is such that the income and expenditure are incurred in a manner, which is not impacted by any forms of seasonality. These interim condensed financial statements were prepared based upon accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.