

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

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

**FOR THE THREE AND NINE MONTHS PERIODS ENDED
30 SEPTEMBER 2022**

LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022

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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 30 September 2022, and the related interim condensed statements of profit or loss and comprehensive income for the three and nine months periods ended 30 September 2022, and the related interim condensed statement of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies 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") 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" 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 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.

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, the management has received an assessment order from the Zakat, Tax and Customs Authority ("ZATCA") on 30/04/2021 and 25/04/2022 for years 2015 and 2016 respectively, on the ground that part of the Company's profits in these years 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: 5 Rabi Al-Thani 1444H
30 October 2022



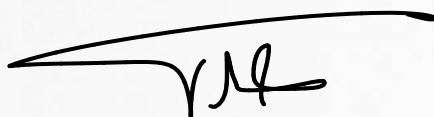
LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022

	Notes	For the three months period ended 30 September		For the nine months period ended 30 September	
		2022	2021	2022	2021
		SR	SR	SR	SR
Revenue	5	264,452,088	253,838,710	729,066,732	624,253,904
Cost of revenue	6	(157,271,814)	(125,383,671)	(458,121,206)	(376,593,145)
GROSS PROFIT		107,180,274	128,455,039	270,945,526	247,660,759
General and administrative expenses		(24,639,195)	(25,909,720)	(69,657,421)	(66,772,366)
Advertising and marketing expenses		(2,941,197)	(2,513,898)	(10,072,647)	(10,609,186)
Reverse / (allowance) for expected credit losses		2,653,567	572,627	(71,221)	1,043,120
Impairment loss on property and equipment		-	(10,906,321)	-	(12,939,441)
OPERATING PROFIT		82,253,449	89,697,727	191,144,237	158,382,886
Finance costs	7	(12,463,983)	(11,591,043)	(37,260,692)	(35,125,864)
PROFIT BEFORE ZAKAT		69,789,466	78,106,684	153,883,545	123,257,022
Zakat	16	(1,731,263)	(1,912,000)	(3,788,434)	(3,142,021)
PROFIT FOR THE PERIOD		68,058,203	76,194,684	150,095,111	120,115,001
EARNINGS PER SHARE					
Basic and diluted earnings per share	8	<u>1.30</u>	<u>1.45</u>	<u>2.87</u>	<u>2.29</u>



Assim Al Attas
Chief Financial Officer



Adnan Abdullah Al Khalaf
Chief Executive Officer



Ali Hamad AlSagri
Chairman

The attached notes 1 to 23 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 AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2022

	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
	2022 SR	2021 SR	2022 SR	2021 SR
Net profit for the period	68,058,203	76,194,684	150,095,111	120,115,001
Other comprehensive income				
<i>Item that will not be reclassified to statement of profit or loss in subsequent periods:</i>				
Re-measurement gain on employees end of service benefits obligation	1,060,351	-	2,103,367	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	69,118,554	76,194,684	152,198,478	120,115,001

Assim Al Attas
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 30 SEPTEMBER 2022

	Notes	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	9	1,551,239,681	1,509,992,894
Right-of-use assets	10	728,082,127	787,384,535
Intangible assets		2,569,655	3,058,447
Goodwill		9,445,544	9,445,544
Advances to suppliers and contractors		38,384,667	33,741,377
TOTAL NON-CURRENT ASSETS		2,329,721,674	2,343,622,797
CURRENT ASSETS			
Inventories		10,948,753	10,222,768
Prepayments and other current assets		34,684,924	36,333,370
Trade receivables	12	48,327,175	23,753,088
Cash and cash equivalents	13	232,954,321	179,886,073
TOTAL CURRENT ASSETS		326,915,173	250,195,299
TOTAL ASSETS		2,656,636,847	2,593,818,096
EQUITY AND LIABILITIES			
EQUITY			
Share capital		523,833,610	523,833,610
Statutory reserve		76,623,240	76,623,240
Retained earnings		266,683,367	204,112,819
TOTAL EQUITY		867,140,217	804,569,669
NON-CURRENT LIABILITIES			
Borrowings	14	173,307,216	238,038,485
Lease liabilities	10	814,988,843	861,584,948
Employees' end of service benefits		42,817,087	41,421,197
TOTAL NON-CURRENT LIABILITIES		1,031,113,146	1,141,044,630
CURRENT LIABILITIES			
Borrowings	14	109,512,478	126,912,106
Lease liabilities	10	79,638,857	79,898,303
Accounts payable		75,181,592	80,865,297
Accrued expenses and other current liabilities	15	69,586,917	54,425,849
Deferred revenue		420,525,981	300,032,726
Provision for zakat	16	3,937,659	6,069,516
TOTAL CURRENT LIABILITIES		758,383,484	648,203,797
TOTAL LIABILITIES		1,789,496,630	1,789,248,427
TOTAL EQUITY AND LIABILITIES		2,656,636,847	2,593,818,096



Assim Al Attas
Chief Financial Officer



Adnan Abdulrah 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 CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

	<i>Capital</i> SR	<i>Statutory</i> <i>Reserve</i> SR	<i>Retained</i> <i>earnings</i> SR	<i>Total</i> SR
As at 1 January 2021	523,833,610	56,021,218	84,629,236	664,484,064
Profit for the period	-	-	120,115,001	120,115,001
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	120,115,001	120,115,001
Dividends	-	-	(23,572,512)	(23,572,512)
As at 30 September 2021	<u>523,833,610</u>	<u>56,021,218</u>	<u>181,171,725</u>	<u>761,026,553</u>
As at 1 January 2022	523,833,610	76,623,240	204,112,819	804,569,669
Profit for the period	-	-	150,095,111	150,095,111
Other comprehensive income	-	-	2,103,367	2,103,367
Total comprehensive income for the period	-	-	152,198,478	152,198,478
Dividends (note 22)	-	-	(89,627,930)	(89,627,930)
As at 30 September 2022	<u>523,833,610</u>	<u>76,623,240</u>	<u>266,683,367</u>	<u>867,140,217</u>



Assim Al Attas
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 CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

	<i>For the nine months period ended</i>	
	<i>30 September</i>	
	2022	2021
Notes	SR	SR
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit before zakat	153,883,545	123,257,022
Adjustments to reconcile profit before zakat to net cash flows:		
Depreciation of property and equipment	113,441,350	99,863,072
Depreciation of right-of-use assets	10 56,436,275	51,624,244
Amortization of intangible assets	1,297,635	1,846,045
Finance cost	7 37,260,692	35,125,864
Gain on lease cancellations	-	(107,176)
Impairment loss of property and equipment	-	12,939,441
Rent concessions on lease payments	(1,706,965)	(17,411,058)
Allowance / (reverse) for expected credit losses	71,221	(1,043,120)
Provision for employees' end of service benefits	6,288,179	6,292,471
	<u>366,971,932</u>	<u>312,386,805</u>
Working capital changes:		
Inventories	(725,985)	671,873
Prepayments and other current assets	1,648,446	(12,481,802)
Trade receivables	(24,645,308)	(8,563,152)
Accounts payable	(5,683,705)	17,309,228
Accrued expenses and other current liabilities	15,709,064	(5,639,176)
Deferred revenue	120,493,255	50,773,631
Cash from operations	<u>473,767,699</u>	<u>354,457,407</u>
Employees' end of service benefits paid	(3,473,479)	(4,724,116)
Zakat paid	(5,920,291)	-
Net cash from operating activities	<u>464,373,929</u>	<u>349,733,291</u>
INVESTING ACTIVITIES		
Property and equipment, net	(150,417,735)	(150,047,611)
Advances to suppliers and contractors	(4,643,290)	(2,984,947)
Intangible assets	(808,844)	(804,315)
Net cash used in investing activities	<u>(155,869,869)</u>	<u>(153,836,873)</u>
FINANCING ACTIVITIES		
Proceeds from borrowings	15,159,919	12,711,139
Repayments of borrowings	(97,290,816)	(98,999,960)
Finance cost paid	(9,341,410)	(11,957,080)
Dividend paid	(89,627,930)	(23,572,512)
Payment of lease liabilities	(74,335,575)	(62,511,067)
Net cash used in financing activities	<u>(255,435,812)</u>	<u>(184,329,480)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>53,068,248</u>	<u>11,566,938</u>
Cash and cash equivalents at the beginning of the period	<u>179,886,073</u>	<u>258,073,877</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>232,954,321</u>	<u>269,640,815</u>

The attached notes 1 to 23 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

For the nine months period ended
30 September

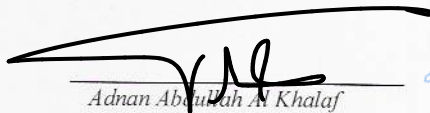
2022	2021
SR	SR

SIGNIFICANT NON-CASH TRANSACTIONS

Additions to right-of-use assets and corresponding lease liability	-	75,933,550
Capitalization of lease liability finance cost	983,153	2,443,732
Capitalization of borrowing cost	421,115	1,526,451
Capitalization of right-of-use depreciation	2,866,133	5,126,492



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Chief Executive Officer



Ali Hamad AlSagri
Chairman

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

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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' II, 1429H (corresponding to 5 May 2008) and registered under commercial registration (CR) No 4030180323 dated 19 Jumada' II 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.

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 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 immaterial to the Company; hence, do 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 nine months period ended 30 September 2022 were authorized for issuance in accordance with the Board of Directors resolution on 2 Rabi Al-Thani 1444H (corresponding to 27 October 2022).

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 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 2021. In addition the results of the operations for the period ended 30 September 2022 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2022.

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, except for employees and other post-employment benefits, actuarial present value calculations are used.

These interim condensed financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Company.

LEEJAM SPORTS COMPANY (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

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 30 September 2022, 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 2021.

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 2021.

4.2 New standards, amendments to standards and interpretations applicable from 1 January 2022

There are no new standards applicable to the Company. However, there are a number of amendments to existing standards which are effective from 1 January 2022, but do not have a material effect on these interim condensed financial statements.

4.2.1 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Company's interim condensed financial statements.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

4 SIGNIFICANT ACCOUNTING POLICES AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

4.2.2 Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

4.2.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

4.2.4 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

LEEJAM SPORTS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

5 REVENUE

<i>Type of services</i>	<i>For the nine months period ended 30 September</i>	
	2022	2021
	SR (Unaudited)	SR (Unaudited)
Subscriptions and membership	634,414,171	546,728,946
Personal training	71,088,395	62,582,652
Rental income	14,456,022	7,598,836
Others	9,108,144	7,343,470
	<u>729,066,732</u>	<u>624,253,904</u>

Set out below is the disaggregation of the Company's revenue from contracts with customers, for the nine months period ended 30 September, 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 nine months period ended 30 September</i>					
	2022	2021	2022	2021	2022	2021
	<i>SR (Unaudited)</i>					
<i>Types of customers</i>						
Male centers	491,869,375	414,562,139	48,195,068	42,357,822	8,547,161	5,327,229
Female centers	142,544,796	132,166,807	22,893,327	20,224,830	5,908,861	2,271,607
	<u>634,414,171</u>	<u>546,728,946</u>	<u>71,088,395</u>	<u>62,582,652</u>	<u>14,456,022</u>	<u>7,598,836</u>
<i>Geographical markets</i>						
Central region	277,522,786	234,910,519	32,399,504	29,671,083	8,099,729	4,187,527
Western region	245,396,872	215,337,216	22,723,966	18,951,727	5,772,004	3,036,786
Eastern region	98,005,883	87,881,881	11,922,965	9,560,241	584,289	374,523
UAE	13,488,630	8,599,330	4,041,960	4,399,601	-	-
	<u>634,414,171</u>	<u>546,728,946</u>	<u>71,088,395</u>	<u>62,582,652</u>	<u>14,456,022</u>	<u>7,598,836</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) (Continued)
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022

6 COST OF REVENUE

	<i>For the nine months period ended 30 September</i>	
	2022	2021
	SR	SR
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries and related benefits	179,544,293	152,766,851
Depreciation of property and equipment	111,138,810	98,128,146
Depreciation of right-of-use assets (note 10)	55,684,828	51,104,185
Water and electricity	46,392,753	42,484,927
Cleaning, maintenance and consumables	47,807,634	33,676,254
Others	19,259,853	15,843,840
Rent Concession on lease payment	(1,706,965)	(17,411,058)
	<u>458,121,206</u>	<u>376,593,145</u>

7 FINANCE COST

	<i>For the nine months period ended 30 September</i>	
	2022	2021
	SR	SR
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance cost on lease liabilities (note 10)	28,203,836	27,725,094
Borrowing cost	8,372,299	7,400,770
Finance cost on employees end of service benefits	684,557	-
	<u>37,260,692</u>	<u>35,125,864</u>

8 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the periods ended 30 September 2022 and 30 September 2021, by the weighted average number of shares outstanding at the end of the respective period, which consisted of 52.38 million shares as at 30 September 2022 (30 September 2021: 52.38 million shares).

9 PROPERTY AND EQUIPMENT

During the nine months period ended 30 September 2022, the Company has additions on property and equipment with a cost of SR 154.7 million (nine months period ended 30 September 2021: SR 159.3 million). Depreciation charge for the nine months period ended 30 September 2022 amounted SR 113.4 million and for the three months period ended 30 September 2022 amounted SR 38.5 million (nine months period ended 30 September 2021: SR 99.8 million and three months period ended 30 September 2021: SR 33.7 million).

The total borrowing costs capitalised under capital work in progress during the period amounted to SR .4 million (nine months period ended 30 September 2021: SR 1. 5 million).

During the current period, the Company has not recorded an impairment charge (nine months period ended 30 September 2021: SR 2 million against the closure of certain fitness centers and recorded an impairment loss of SR 10.9 million against under construction fitness centers due to suspension of construction).

As at 30 September 2022, the Company had secured borrowings against mortgages on land (Note 14) owned by the Company with a cost of SR 58.5 million.

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10 LEASES

During the nine month period ended 30 September 2022, the Company has recognised right-of-use assets against lease of land for construction of new fitness centres facilities amounting to none (nine months period ended 30 September 2021: SR 75.93 million). The lease liabilities recognised against these right of use assets amounted to non (nine months period ended 30 September 2021: SR 75.93 million).

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

	<i>For the nine months period ended 30 September</i>	
	<i>2022</i>	<i>2021</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	59,302,408	56,750,736
Capitalised under construction fitness centres	(2,866,133)	(5,126,492)
	<u>56,436,275</u>	<u>51,624,244</u>
<i>Interest expense on lease liabilities</i>		
Interest expense for the period	29,186,989	30,168,826
Capitalised under construction fitness centres	(983,153)	(2,443,732)
	<u>28,203,836</u>	<u>27,725,094</u>
Total amount recognized in profit or loss	<u>84,640,111</u>	<u>79,349,338</u>

The total rent concessions on lease payments recognised during the period amounted to SR 1.7 million (nine months period ended 30 September 2021: SR 17.4 million). These have recognised under cost of revenue in the interim condensed statement of profit or loss.

During the period, the Company cancelled some of lease contracts due to closure of certain fitness centres and accordingly the right-of-use assets and lease liabilities derecognised are as follows:

	<i>For the nine months period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Right of use assets derecognized	-	1,312,874
Lease liabilities derecognized	-	(1,420,050)

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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 nine months period ended 30 September 2022:

<i>Name of Related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>For the three months periods ended 30 September</i>		<i>For the nine months periods ended 30 September</i>	
			<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
			<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Senior management and directors	Key management personnel	Remuneration	2,234,333	1,650,197	6,449,642	5,321,553
Hamad Ali AlSagri	Shareholder	Lease rentals paid to a shareholder	-	-	3,584,167	2,487,123
AlSagri Holding	Shareholder affiliate	Subscriptions sold	65,608	19,666	197,424	83,606

Amounts due from related parties as of 30 September 2022 amounting to SR 31,010 (31 December 2021: SR 45,443) 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

12 TRADE RECEIVABLES

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Subscriptions and membership receivables	39,553,485	14,642,908
Rental receivables	15,043,506	15,308,806
	54,596,991	29,951,714
Less: Allowance for expected credit losses		
- Subscriptions and membership receivables	-	(77,343)
- Rental receivables	(6,269,816)	(6,121,283)
	48,327,175	23,753,088

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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:

	<i>30 September 2022</i>	<i>31 December 2021</i>
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash in hand	1,631,712	1,481,434
Cash at bank – current accounts	231,322,609	128,404,639
Short term deposits (note a)	-	50,000,000
	<u>232,954,321</u>	<u>179,886,073</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.

14 BORROWINGS

	<i>30 September 2022</i>	<i>31 December 2021</i>
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current portion of long-term borrowings	173,307,216	238,038,485
Current portion of long-term borrowings	109,512,478	126,912,106
	<u>282,819,694</u>	<u>364,950,591</u>

As at 30 September 2022, the Company had unutilized bank financing facilities amounting to SR 978.8 million (31 December 2021: SR 193.6 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 certain restriction on dividend distribution and also notify the bank of any breach or probable breach immediately.

The Company has entered into an interest rate swap (“IRS”) with notional amount of SR 20 million with a local commercial bank. The IRS agreement require the Company to pay a fixed rate of interest of 3.68% as on 30 September 2022 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 30 September 2022, the Company had secured borrowings against mortgages on land (Note 9) owned by the Company with a cost of SR 58.5 million.

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15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>30 September</i> 2022 SR (Unaudited)	<i>31 December</i> 2021 SR (Audited)
Accrued expenses	40,933,700	42,267,901
Value added tax (VAT) payable	25,654,202	5,281,707
Advances from customers	2,999,015	6,876,241
	<u>69,586,917</u>	<u>54,425,849</u>

16 ZAKAT

16.1 Charge for the period

During the period, a zakat charge of SR 3.79 million (nine months period ended 30 September 2021: SR 3.14 million) have been recognised in the interim condensed statement of profit or loss based on the expected zakat base for the year 2022.

16.2 Status of assessments

The Company has submitted its zakat returns for the years up to 2021. The Company has received zakat certificates from the Zakat, Tax and Customs Authority ("ZATCA") for all the years up to 31 December 2021, the Company has a certificate valid up to 30 April 2023 and has received final assessments from ZATCA for the years up to 2014.

However, the Company received two assessment orders from ZATCA on 30/04/2021 for the year 2015 and on 25/04/2022 for the year 2016, claiming an additional liability regarding the ownership of shares by Target Opportunities for Trading Company, one of the shareholders in the Company during the years 2015 and 2016, that there are certain possible taxes on the Company. ZATCA's view based on certain assumptions, is that the Company is partially subject to income tax. In the above-mentioned assessment, ZATCA assumed that the above-mentioned shareholder is owned directly or indirectly by non-GCC nationals and accordingly, the amount of income tax exposure as stated by ZATCA is SR 9.48 million and SR 17.09 million for income tax for the years 2015 and 2016 respectively. The former shareholder was a share

holder of the Company until and including the year ended 31 December 2018 and consequently there are further potential exposures to the Company, if ZATCA applies the same principle to subsequent years. The Company has filed an objection with ZATCA against this assessment. No provision has been recorded in the financial statements as the management believes that, based on their assessment and formal advice received from an independent legal advisor, the decision of the objection will be in favor of the Company.

The Company's zakat assessments for the years from 2017 to 2020 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.

Zakat has been computed based on the Company's understanding and interpretation of the zakat regulations enforced in the Kingdom of Saudi Arabia. The ZATCA continues to issue circulars to clarify certain zakat regulations which are usually enforced on all open years. The zakat regulations in Saudi Arabia are subject to different interpretations and new zakat regulations have been issued by the ZATCA dated 1 Jumada II 1438H (corresponding to 28 February 2017). The zakat liability as computed by the Company could be different from zakat liability as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

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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 outflows, 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 5.4 million as at 30 September 2022 (31 December 2021: SAR 4.99 million) against land lease and letter of credit amounting to SR 50.4 million (31 December 2021: 41.2).

17.2 Capital commitments

The Company has capital commitments on contracts for setting up fitness centers amounting to SR 30.2 million as at 30 September 2022 (31 December 2021: SR 41.8 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.

For the nine months period ended 30 September 2022

	<i>Central Region</i>	<i>Western Region</i>	<i>Eastern Region</i>	<i>International Region – UAE</i>	<i>Total</i>
	<i>SR (Unaudited)</i>				
Revenue	324,641,101	275,462,890	111,253,361	17,709,380	729,066,732
Depreciation on property and equipment	(50,842,645)	(42,209,818)	(15,609,003)	(4,779,884)	(113,441,350)
Depreciation of right-of-use assets	(24,488,516)	(21,325,087)	(8,329,156)	(2,293,516)	(56,436,275)
Other operating costs	(160,692,147)	(141,638,760)	(52,509,492)	(12,418,175)	(367,258,574)
Segment profit / (loss)	88,617,793	70,289,225	34,805,710	(1,782,195)	191,930,533

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18 SEGMENTAL INFORMATION (Continued)

18.1 Geographical segments (continued)

For the nine months period ended 30 September 2021

	Central Region	Western Region	Eastern Region	International Region – UAE	Total
	<i>SR (Unaudited)</i>				
Revenue	274,813,839	238,178,150	98,195,119	13,066,796	624,253,904
Depreciation on property and equipment	(42,678,209)	(39,823,593)	(14,460,036)	(2,901,234)	(99,863,072)
Depreciation of right-of-use assets	(20,713,912)	(20,909,403)	(8,083,064)	(1,917,865)	(51,624,244)
Other operating costs	(144,187,518)	(119,026,997)	(45,055,538)	(8,353,239)	(316,623,292)
Segment profit	67,234,200	58,418,157	30,596,481	(105,542)	156,143,296

The following table presents assets and liabilities information for the Company's operating segments as at 30 September 2022 and 31 December 2021, respectively:

As at 30 September 2022

	Central Region	Western Region	Eastern Region	International Region – UAE	Total
	<i>SR (Unaudited)</i>				
Total assets	1,203,816,357	1,057,582,768	277,561,705	117,676,017	2,656,636,847
Total Liabilities	1,245,714,240	386,622,429	52,717,256	104,442,705	1,789,496,630

As at 31 December 2021

	Central Region	Western Region	Eastern Region	International Region – UAE	Total
	<i>SR (Audited)</i>				
Total assets	1,124,927,221	1,059,011,246	291,738,340	118,141,289	2,593,818,096
Total Liabilities	850,379,020	664,557,578	174,346,331	99,965,498	1,789,248,427

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18 SEGMENTAL INFORMATION (Continued)

18.2 Market segments

The following tables present revenue and profit (loss) information for the operating segments for nine months period ended 30 September 2022 and 2021, respectively:

	Male Fitness Centers		Female Fitness Centers		Total	
	2022	2021	2022	2021	2022	2021
	SR	SR	SR	SR	SR	SR
Revenue	556,168,607	468,861,897	172,898,125	155,392,007	729,066,732	624,253,904
Depreciation - property & equipment	(77,203,736)	(67,344,976)	(36,237,614)	(32,518,096)	(113,441,350)	(99,863,072)
- right-of-use assets	(39,328,817)	(35,489,368)	(17,107,458)	(16,134,876)	(56,436,275)	(51,624,244)
Other operating costs	(269,455,039)	(233,163,290)	(97,803,535)	(83,460,002)	(367,258,574)	(316,623,292)
Segment profit	170,181,015	132,864,263	21,749,518	23,279,033	191,930,533	156,143,296

The following table presents assets and liabilities information for the Company's operating segments as at 30 September 2022 and 31 December 2021, respectively:

	Male Fitness Centers		Female Fitness Centers		Total	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021	30 September 2022	31 December 2021
	SR	SR	SR	SR	SR	SR
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Total assets	734,111,353	886,498,602	1,922,525,494	1,707,319,494	2,656,636,847	2,593,818,096
Total Liabilities	1,514,895,485	1,343,095,840	274,601,145	446,152,587	1,789,496,630	1,789,248,427

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 nine months period ended 30 September	
	2022 SR (Unaudited)	2021 SR (Unaudited)
Segment profit	191,930,533	156,143,296
Unallocated head office costs		
Advertising and marketing expenses	(10,072,647)	(10,609,186)
General and administration expenses	(27,974,341)	(22,277,088)
Profit before zakat	153,883,545	123,257,022

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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. September 23), 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:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Equity	867,140,217	804,569,669
Liabilities (excluding deferred revenue)	1,368,970,649	1,489,215,701
Total capital structure (excluding deferred revenue)	<u>2,236,110,866</u>	<u>2,293,785,370</u>
Gearing ratio	61.22%	64.92%
Current ratio (excluding deferred revenue)	0.97	0.72

As at 30 September 2022, the management also analyses the liquidity risk as follows:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Current financial assets	281,281,496	203,639,161
Current liabilities excluding deferred revenue	(337,857,503)	(348,171,071)
Adjusted net current financial liability position	<u>(56,576,007)</u>	<u>(144,531,910)</u>

The Company manages its liquidity risk by ensuring sufficient un-availed borrowing facilities. As of 30 September 2022, unutilised bank borrowing facilities of SR 978.8 million (31 December 2021: SR 193.6 million) were available from multiple banks for managing the working capital requirements. Moreover, the Company generated SR 464.4 million of cash flows from operating activities during the nine months period ended 30 September.

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 interim condensed financial statements have been prepared on a going concern basis.

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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 18 Ramadan 1443H (corresponding to 19 April 2022), the ordinary general assembly meeting, approved to distribute cash dividends of SR 0.87 per share amounting to SR 45.6 million for the year ended of 2021.

On 25 Ramadan 1443H (corresponding to 26 April 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.471 per share amounting to SR 24.7 million for the first quarter of 2022. Dividends have been fully paid during the period and it will be subject to approval in annual general assembly meeting.

On 6 Muharram 1444H (corresponding to 4 August 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.37 per share amounting to SR 19.4 million for the second quarter of 2022. Dividends have been fully paid during the period and it will be subject to approval in annual general assembly meeting.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Company has assessed that fair values of the financial instruments comprising of trade and other receivables, short-borrowings, cash and cash equivalents, and trade and other payables 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 inputs, 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 EVENTS AFTER REPORTING PERIOD

Other than disclosed above, there have been no further significant subsequent events since the period ended 30 September 2022 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.