LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Leejam Sports Company
(A Saudi Joint Stock Company)

Opinion
We have audited the financial statements of Leejam Sports Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

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

Emphasis of a matter:
We draw attention to note 28 to the financial statements. As stated therein, during the year ended 31 December 2021, management has received an assessment order from the Zakat, Tax and Customs Authority ("ZATCA") on the ground that part of the Company's profits for the year 2015 were subject to income tax. Our opinion is not modified in respect of this matter.

Other matter
The financial statements of the Company for the year ended 31 December 2020, were audited by another auditor who expressed an unqualified opinion on those financial statements on 2 Rajab 1442 (corresponding to 14 February 2021).

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of Leejam Sports Company (continued)
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition	
The Company reported revenue of SR 885 million from subscriptions and membership fees of fitness training centers and related activities for the year ended 31 December 2021. We considered this a key audit matter due to the application of accounting standard for revenue recognition in the fitness training sector requires revenue to be recognized over the term of subscription period. Additionally, there are inherent risks about the accuracy of revenues recorded due to either ineffective manual and / or IT related controls. Refer to note 4.1 for the accounting policy related to revenue recognition and note 6 for the related disclosures.	Our audit procedures included, among others, the following: • Evaluated the appropriateness of revenue recognition policies. • Involved our IT specialists in testing the design, implementation and operating effectiveness of system internal controls related to revenue recognition. • Tested the accuracy of customer invoice generation on a sample basis and tested a sample of the discounts and promotions applied to customer invoice. • Tested cash receipts for a sample of customers back to the invoice. • Performed analytical procedures by comparing expectations of revenue with actual revenue and analyzing variances. • Assessed the appropriateness of the relevant disclosures in the financial statements.
Uncertain Zakat provision	
During the year, the Zakat, Tax and Custom Authority ("ZATCA") issued an assessment for the year 2015 on the ground that part of the Company's profits for the year 2015 were subject to income tax. The company has filled an appeal against the assessment. The Company's management is of view that they will win this appeal and based on that they did not account for additional zakat liability. The accounting for this uncertain zakat provision comprise significant judgment by the management mainly in the areas whether to recognise this uncertain provision as a contingent liability or as a provision. Given the high level of management's judgment we considered this area to be important for our audit. Refer to note 28	We performed the following procedures in relation to the additional assessed zakat liability: • Gained the understanding of the process management followed to assess the impact of the assessment. • Evaluated the zakat opinion of management's expert obtained by the Company on the respective case. • Evaluated the reasonableness of management's assessment for the accounting of the uncertain zakat provision in the light of zakat regulation, recent practices of ZATCA and merits of the appeal filed with the ZATCA against the assessment raised. • Assessed the appropriateness of the disclosures made in relation to the contingent liability in respect of the additional liability for the Zakat assessed and the status of the related appeal.

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INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholders of Leejam Sports Company (continued)
(A Saudi Arabian Joint Stock Company)

Other information included in the Company's 2021 Annual Report

Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2021 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Company's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENTAUDITOR'S REPORT (continued)
To the Shareholders of Leejam Sports Company (continued)
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

Riyadh: 5 Rajab 1443H
6 February 2022

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	*2021* SR	*2020* SR
Revenue	6	**885,283,139**	662,599,232
Cost of revenue	7	**(512,960,369)**	(522,708,769)
GROSS PROFIT		**372,322,770**	139,890,463
General and administrative expenses	8	**(88,322,770)**	(76,914,400)
Advertising and marketing expenses	9	**(14,405,763)**	(16,473,288)
Impairment of non-financial assets	12	**(12,945,904)**	(6,631,011)
Write-off of non-financial assets		**-**	(43,582,965)
Reverse /(allowance) for expected credit losses	19	**1,683,594**	(2,342,315)
OPERATING PROFIT / (LOSS)		**258,331,927**	(6,053,516)
Finance costs	10	**(46,379,354)**	(52,670,076)
PROFIT / (LOSS) BEFORE ZAKAT		**211,952,573**	(58,723,592)
Zakat	28	**(5,932,354)**	-
PROFIT / (LOSS) FOR THE YEAR		**206,020,219**	(58,723,592)
EARNINGS / (LOSS) PER SHARE			
Basic and diluted earnings / (loss) per share	11	3.93	(1.12)

Mohammad Merajuddin
Chief Financial Officer

Anthony Craig Elliott
Acting Chief Executive Officer

Ali Hamad AlSagri
Chairman

The attached notes 1 to 38 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	***2021*** ***SR***	*2020* *SR*
Net profit / (loss) for the year		**206,020,219**	(58,723,592)
Other comprehensive income *Item that will not be reclassified to statement of profit or loss in subsequent periods:*			
Re-measurement (loss) / gain on employees end of service benefits obligation	24	**(1,503,080)**	1,433,560
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**204,517,139**	(57,290,032)

Mohammad Merajuddin
Chief Financial Officer

Anthony Craig Elliott
Acting Chief Executive Officer

Ali Hamad AlSagri
Chairman

The attached notes 1 to 38 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	**2021 SR**	2020 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	12	**1,509,992,894**	1,445,944,434
Right-of-use assets	13	**787,384,535**	771,477,155
Intangible assets	14	**3,058,447**	1,971,114
Goodwill	15	**9,445,544**	9,445,544
Advances to suppliers and contractors	16	**33,741,377**	13,272,419
TOTAL NON- CURRENT ASSETS		**2,343,622,797**	2,242,110,666
CURRENT ASSETS			
Inventories		**10,222,768**	10,559,104
Prepayments and other current assets	17	**36,333,370**	35,328,396
Trade receivables	19	**23,753,088**	21,245,194
Cash and cash equivalents	20	**179,886,073**	258,073,877
TOTAL CURRENT ASSETS		**250,195,299**	325,206,571
TOTAL ASSETS		**2,593,818,096**	2,567,317,237
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	**523,833,610**	523,833,610
Statutory reserve	22	**76,623,240**	56,021,218
Retained earnings		**204,112,819**	84,629,236
TOTAL EQUITY		**804,569,669**	664,484,064
NON-CURRENT LIABILITIES			
Borrowings	23	**238,038,485**	348,648,639
Lease liabilities	13	**861,584,948**	852,863,246
Employees' end of service benefits	24	**41,421,197**	37,158,533
TOTAL NON-CURRENT LIABILITIES		**1,141,044,630**	1,238,670,418
CURRENT LIABILITIES			
Borrowings	23	**126,912,106**	138,937,826
Lease liabilities	13	**79,898,303**	67,888,714
Accounts payable	25	**80,865,297**	52,660,018
Accrued expenses and other current liabilities	26	**54,425,849**	78,516,737
Deferred revenue	27	**300,032,726**	326,022,298
Provision for zakat	28	**6,069,516**	137,162
TOTAL CURRENT LIABILITIES		**648,203,797**	664,162,755
TOTAL LIABILITIES		**1,789,248,427**	1,902,833,173
TOTAL EQUITY AND LIABILITIES		**2,593,818,096**	2,567,317,237

Mohammad Merajuddin
Chief Financial Officer

Anthony Craig Elliott
Acting Chief Executive Officer

Ali Hamad AlSagri
Chairman

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Capital *SR*	*Statutory Reserve* *SR*	*Retained earnings* *SR*	*Total* *SR*
As at 1 January 2020	523,833,610	56,021,218	141,919,268	721,774,096
Loss for the year	-	-	(58,723,592)	(58,723,592)
Other comprehensive income	-	-	1,433,560	1,433,560
Total comprehensive loss for the year	-	-	(57,290,032)	(57,290,032)
As at 31 December 2020	523,833,610	56,021,218	84,629,236	664,484,064
Profit for the year	-		**206,020,219**	**206,020,219**
Other comprehensive income	-	-	**(1,503,080)**	**(1,503,080)**
Total comprehensive income for the year	-	-	**204,517,139**	**204,517,139**
Transfer to statutory reserve	-	**20,602,022**	**(20,602,022)**	-
Dividends (Note 30)	-	-	**(64,431,534)**	**(64,431,534)**
As at 31 December 2021	**523,833,610**	**76,623,240**	**204,112,819**	**804,569,669**

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LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 SR	2020 SR
OPERATING ACTIVITIES			
Profit / (loss) before zakat		**211,952,573**	(58,723,592)
Adjustments to reconcile profit / (loss) before zakat to net cash flows:			
Depreciation of property and equipment	12	**137,684,889**	137,733,791
Depreciation of right-of-use assets	13	**69,764,264**	68,024,883
Amortization of intangible assets	14	**116,342**	11,149
Impairment loss of property and equipment	12	**12,945,904**	6,631,011
Rent concessions on lease payments	13	**(18,933,943)**	(8,116,850)
Gain on lease cancellations		**(2,056,638)**	-
Loss on disposal of property and equipment		**581,580**	-
Write-off of non-financial assets	12	**-**	43,582,965
Reverse / (allowance) for expected credit losses	19	**(1,683,594)**	2,342,315
Finance costs	10	**46,379,354**	52,670,076
Provision for employees' end of service benefits	24	**9,097,595**	9,090,103
		465,848,326	253,245,851
Working capital changes:			
Inventories		**336,336**	2,693,578
Prepayments and other current assets		**(1,004,974)**	(7,848,860)
Trade receivables		**(824,300)**	3,418,758
Accounts payable		**28,205,279**	29,336,274
Accrued expenses and other current liabilities		**(22,099,652)**	34,637,823
Deferred revenue		**(25,989,572)**	23,616,769
Cash from operations		**444,471,443**	339,100,193
Employees' end of service benefits paid	24	**(6,338,011)**	(3,511,260)
Zakat paid	28	**-**	(5,593,772)
Net cash from operating activities		**438,133,432**	329,995,161
INVESTING ACTIVITIES			
property and equipment, net		**(226,496,710)**	(109,799,923)
Intangible assets		**(1,203,675)**	(29,800)
Net cash used in investing activities		**(227,700,385)**	(109,829,723)
FINANCING ACTIVITIES			
Proceeds from borrowings	23	**20,907,440**	182,537,287
Repayments of borrowings	23	**(143,543,314)**	(119,637,023)
Finance cost paid		**(11,101,780)**	(19,776,740)
Payment of lease liabilities	13	**(90,451,663)**	(73,285,433)
Dividend paid	30	**(64,431,534)**	-
Net cash used in financing activities		**(288,620,851)**	(30,161,909)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(78,187,804)**	190,003,529
Cash and cash equivalents at the beginning of the year		**258,073,877**	68,070,348
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**179,886,073**	258,073,877

The attached notes 1 to 38 form an integral part of these financial statements.

SIGNIFICANT NON-CASH TRANSACTIONS

Additions to right-of-use assets and corresponding lease liability	**97,931,453**	5,103,653
Transfers to property and equipment from capital work-in-progress	**145,056,611**	135,360,483
Capitalization of borrowing cost	**2,085,642**	2,655,581
Capitalization of right-of-use depreciation	**6,387,300**	5,934,407
Interest on lease liabilities capitalized for under construction fitness centers	**2,845,784**	5,093,525

Mohammad Merajuddin
Chief Financial Officer

Anthony Craig Elliott
Acting Chief Executive Officer

Ali Hamad AlSagri
Chairman

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.

The financial statements of the Company for the year ended 31 December 2021 were authorized for issuance in accordance with the Board of Directors resolution on ٤ Rajab 1443H (corresponding to ٥ February 2022)

2 BASIS OF PREPARATION

2.1 *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements as endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA").

2.2 *Basis of measurement*

These financial statements have been prepared under the historical cost basis, except otherwise indicated.

2.3 *Functional and presentation currency*

The financial statements are presented in Saudi Riyal ("SR") which is the Company's functional and presentation currency, and all values are stated in full, except when otherwise indicated.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 *New standards, amendments to standards and interpretations applicable from 1 January 2021*

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 financial statements.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). 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.
- 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 impact of the Company's financial statements.

Covid-19 Related Rent Concessions and Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The Company applied the practical expedient available under the amendment on its annual financial statements for the year ended 31 December 2020. The Company applied the amendment prospectively and it had no impact on retained earnings at 1 January 2020.

In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021 with earlier adoption permitted.

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying the 2020 amendment or 2021 amendment.

In view of the above extension to the amendment, the Company continues apply the practical expedient available under the amendment on its financial statements for the year ended 31 December 2021. Also refer to note 13 of these financial statements.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

3.2 *New IFRS standards, amendments to standards and interpretations not yet effective*

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

3.2 New IFRS standards, amendments to standards and interpretations not yet effective (continued)

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The amendments are not expected to have a material impact on the Company's accounting policies disclosures.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

4.1 *Revenue*

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 *Cost of revenue and other expenses*

Costs of revenue consists of direct and indirect costs arising in connection with the generation of revenue. Allocations between costs of revenue, advertising and marketing and general and administration expenses, when required, are made on a consistent basis depending upon the nature of the expense

4.3 *Current versus non-current classification*

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current

4.4 *Property and equipment*

(i) Initial recognition and subsequent measurement

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

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property and equipment (continued)

(ii) Depreciation

The estimated depreciation rates of the principal classes of property and equipment are as follows:

Buildings	4% – 12% or the lease term
Motor vehicles	20%
Sports tools and equipment	10%
Electrical equipment and air conditioners	10%
Computers	20%
Furniture and office equipment	12.5%

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

(iii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of income during the reporting period in which they are incurred.

(iv) Impairment of non-financial assets including intangible assets

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

(v) Derecognition

Property and equipment are de-recognized when they have been disposed or no future economic benefits are expected to arise from their use or disposal. Gains or losses arising from de-recognition of an item of property and equipment is included in the statement of income at the time the item is de-recognized.

4.5 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful life are not amortized and carried at cost less accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, are amortized at straight line method with an estimated useful life of 10 years.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangible assets (continued)

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statement of profit or loss when the asset is derecognized

Software costs associated with maintaining software programs are recognized as an expense as incurred.

- It is technically feasible to complete the Software so that it will be available for use.
- Management intends to complete the software and use or sell it.
- There is an ability to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

4.6 Goodwill

(i) Initial recognition

The Company measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree.
- over the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

(ii) Subsequent measurement

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

(iii) Impairment of goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value maybe impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised

Impairment losses relating to goodwill is not reversed cannot be reversed in future periods.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Financial instruments*

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.7.1 *Financial assets*

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Company classifies its financial assets as financial assets at amortized cost.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivable, amounts due from related parties, bank balances, and contract assets.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Financial instruments (continued)*

4.7.1 *Financial assets (continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses ("ECL"s) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivable and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company's policy measures ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Financial instruments (continued)*

4.7.2 *Financial liabilities*

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payable, contract liabilities and amounts due to related parties.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to trade payables.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

4.7.3 *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.8 *Fair value measurement*

The Company measures financial instruments at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, assuming that market participants act in their economic best interest.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 *Fair value measurement (continued)*

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

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

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

The Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

4.9 *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and bank balances comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of changes in values.

4.10 *Statutory reserve*

As required by the Company's By-law and in compliance with Saudi Arabian Companies' Law,10% of its income in each year until it has built up a reserve equal to 30% of the capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution.

4.11 *Inventories*

Inventories comprises consumables (shampoos, sanitizers, spare parts and other related stuff) kept at the fitness centers. Inventories are stated at the lower of cost and net realizable value. Cost includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts if any.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

<u>The Company as a lessee</u>

At the lease commencement date, the Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets, for which the Company recognizes the lease payments as an operating expense (unless they are incurred to produce assets) on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. In general, the Company uses its incremental borrowing rate as the discount rate which has been used to measure all the lease liabilities recognized.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position, classified as current and non-current.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the economic useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Lease (continued)

The right-of-use assets are presented as a separate line in the statement of financial position, unless the right-of-use asset meet the definition of investment property and in such case, it is presented in the statement of financial position within investment property.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset, and the related payments are recognized as an expense (unless they are incurred to produce assets) in the period in which the event or condition that triggers those payments occurs.

The Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. In such case the lease is a finance lease, otherwise it is an operating lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the finance lease receivables.

Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term as part of other income.

4.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the Borrowings using the effective interest rate method. Borrowings are recognized within finance charges in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs that are directly attributable to the construction and / or development of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed; otherwise, such costs are charged to the statement of profit or loss.

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit or loss as other income or finance costs.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 *Employees' end of service benefits*

Short-term employee benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation

The Company operates a post-employment benefit scheme plans driven by the labor laws of the Kingdom of Saudi Arabia.

The post-employment benefits plans are not funded. Valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately as "Employee costs" in profit or loss while unwinding of the liability at discount rates used are recorded as "Financial charges". Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

Valuations of the obligations under the plan are carried out using actuarial techniques on the projected unit credit method. The costs relating to such plan primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the statement of profit or loss while unwinding of the liability at discount rates used are recorded as financial cost.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to other reserves in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the respective countries in which the Company operates.

4.15 *Zakat and indirect taxes*

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia on an accruals basis and charged to profit or loss. Differences, if any, resulting from final assessments are adjusted in the year of their finalization.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 *Zakat and indirect taxes (continued)*

Value-added tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in case of receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of financial position.

4.16 *Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS as endorsed in KSA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Assumption and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the projects' useful lives and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made using ECL model which involves evaluation of credit rating and days past due information. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

Useful lives of property and equipment

The Company's management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Employees end of service benefits

The present value of the employees end of service benefits is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a DBO is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Discount rate

There is no deep corporate bond or government bond market in Saudi Arabia. Therefore, for selecting the discount rate, we have considered the yield available on Citi Pension Liability Index ("CPLI") of duration equal to the duration of the liability.

Mortality rate

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes.

Salary and future pension increase

Estimates of future salary increase, takes into account inflation, seniority, promotion and past history.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 SR	2020 SR
Type of services		
Subscriptions and membership	**774,516,173**	581,223,075
Personal training	**90,408,121**	69,857,070
Rental income	**10,484,753**	5,718,540
Others	**9,874,092**	5,800,547
	885,283,139	662,599,232

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

	Subscriptions and membership		*Personal training*		*Rental income*	
	2021	2020	**2021**	2020	**2021**	2020
Types of customers						
Male centers	**587,497,619**	436,986,159	**61,262,659**	50,189,203	**7,435,046**	4,524,401
Female centers	**187,018,554**	144,236,916	**29,145,462**	19,667,867	**3,049,707**	1,194,139
	774,516,173	581,223,075	**90,408,121**	69,857,070	**10,484,753**	5,718,540
Geographical markets						
Central region	**333,682,915**	271,828,046	**44,102,228**	33,163,098	**5,836,023**	3,443,851
Western region	**305,309,437**	215,116,487	**26,823,245**	22,181,495	**4,085,458**	2,114,806
Eastern region	**123,794,011**	84,701,744	**13,778,307**	10,735,188	**563,272**	152,925
UAE	**11,729,810**	9,576,798	**5,704,341**	3,777,289	**-**	6,958
	774,516,173	581,223,075	**90,408,121**	69,857,070	**10,484,753**	5,718,540

7 COST OF REVENUE

	2021 SR	2020 SR
Salaries and related benefits	**184,858,581**	179,163,403
Depreciation of property and equipment	**132,896,880**	133,252,233
Depreciation of right-of-use assets	**68,762,334**	67,209,006
Utility	**57,305,551**	58,407,197
Cleaning and services	**32,849,435**	37,377,822
Government and recruitment expenses	**27,115,189**	19,243,849
Maintenance and repair	**9,661,289**	12,363,548
Consumables	**3,136,871**	8,897,038
Security and safety	**8,395,076**	5,586,782
Stationary	**1,863,120**	3,027,791
Others	**5,049,986**	6,296,950
Rent concessions (note 13)	**(18,933,943)**	(8,116,850)
	512,960,369	522,708,769

8 GENERAL AND ADMINSTRATIVE EXPENSES

	2021 SR	2020 SR
Salaries and related benefits	43,363,389	34,959,633
Government and recruiting expenses	6,132,299	11,448,953
Water, electricity, and telecommunication	9,857,230	7,704,074
Professional fees	6,789,479	5,074,276
Bank charges and commission	9,036,977	4,861,438
Depreciation- property and equipment	4,788,009	4,481,558
Depreciation- right of use assets	1,001,930	815,877
Amortization of intangible assets	116,342	11,149
Maintenance, repair, and cleaning	1,031,243	2,057,625
Stationary	1,103,329	1,357,714
Others	5,102,543	4,142,103
	88,322,770	76,914,400

9 ADVERTISING AND MARKETING EXPENSES

	2021 SR	2020 SR
Advertising and marketing	8,246,756	12,106,858
Salary and related benefits	6,159,007	4,366,430
	14,405,763	16,473,288

10 FINANCE COST

	2021 SR	2020 SR
Profit on borrowings	9,110,544	16,984,501
Finance cost on lease liabilities (note 13)	37,268,810	35,685,575
	46,379,354	52,670,076

11 EARNINGS / (LOSS) PER SHARE

The following is the calculation of basic and diluted earnings per share for the year ended 31 December:

	2021 SR	2020 SR
Profit / (loss) for the year	206,020,219	(58,723,592)
Number of shares	52,383,361	52,383,361
Earnings / (Loss) Per Share	3.93	(1.12)

There has been no item of dilution affecting the weighted average number of ordinary shares.

12 PROPERTY AND EQUIPMENT

	Land	*Buildings*	*Motor vehicles*	*Sports tools and equipment*	*Electrical Equipment, and air conditioner*	*Computers*	*Furniture and office equipment*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:									
At 1 January 2021	131,829,182	1,382,813,915	3,116,346	308,082,842	110,134,035	16,221,204	25,796,462	131,589,503	2,109,583,489
Additions	49,714,422	29,465,349	763,112	33,355,739	6,615,632	3,343,954	2,086,120	89,916,505	215,260,833
Transfers	-	135,285,713	-	5,724,311	2,179,793	275,260	1,591,534	(145,056,611)	-
Disposals	-	(12,275)	-	(543,146)	-	(987,812)	-	-	(1,543,233)
Impairment	-	(6,043,659)	-	-	(1,088,440)	-	-	(10,896,247)	(18,028,346)
At 31 December 2021	181,543,604	1,541,509,043	3,879,458	346,619,746	117,841,020	18,852,606	29,474,116	65,553,150	2,305,272,743
Accumulated depreciation:									
At 1 January 2021	-	443,512,980	2,968,235	135,970,914	61,735,227	8,825,325	10,626,374	-	663,639,055
Charge for the year	-	91,457,644	144,375	29,429,997	9,464,910	4,219,253	2,968,710	-	137,684,889
Disposals	-	(1,927)	-	(369,832)	-	(589,894)	-	-	(961,653)
Impairment	-	(4,340,659)	-	-	(741,783)	-	-	-	(5,082,442)
At 31 December 2021	-	530,628,038	3,112,610	165,031,079	70,458,354	12,454,684	13,595,084	-	795,279,849
Net book value									
At 31 December 2021	181,543,604	1,010,881,005	766,848	181,588,667	47,382,666	6,397,922	15,879,032	65,553,150	1,509,992,894

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

12 PROPERTY AND EQUIPMENT (Continued)

	Land	*Buildings*	*Motor vehicles*	*Sports tools and equipment*	*Electrical Equipment, and air conditioner*	*Computers*	*Furniture and office equipment*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:									
At 1 January 2020	131,829,182	1,274,542,396	3,116,346	384,245,282	109,683,478	14,652,137	21,033,990	185,348,345	2,124,451,156
Additions	-	26,110,434	-	7,683,935	1,982,082	1,220,122	2,246,670	81,601,641	120,844,884
Transfer	-	98,221,860	-	32,996,805	1,014,373	428,121	2,699,324	(135,360,483)	-
Write off	-	(627,556)	-	(116,843,180)	(838,363)	(79,176)	(183,522)	-	(118,571,797)
Impairment	-	(15,433,219)	-	-	(1,707,535)	-	-	-	(17,140,754)
At 31 December 2020	131,829,182	1,382,813,915	3,116,346	308,082,842	110,134,035	16,221,204	25,796,462	131,589,503	2,109,583,489
Accumulated depreciation:									
At 1 January 2020	-	368,938,760	2,878,178	176,390,137	53,386,906	4,887,637	7,908,070	-	614,389,688
Charge for the year	-	84,532,441	90,057	36,373,011	9,972,373	3,964,219	2,801,690	-	137,733,791
Write off	-	(616,403)	-	(76,792,234)	(456,127)	(26,531)	(83,386)	-	(77,974,681)
Impairment	-	(9,341,818)	-	-	(1,167,925)	-	-	-	(10,509,743)
At 31 December 2020	-	443,512,980	2,968,235	135,970,914	61,735,227	8,825,325	10,626,374	-	663,639,055
Net book value									
At 31 December 2020	131,829,182	939,300,935	148,111	172,111,928	48,398,808	7,395,879	15,170,088	131,589,503	1,445,944,434

The depreciation charge for the year is allocated as follows:

	2021	*2020*
	SR	*SR*
Cost of revenue (note 7)	**132,896,880**	133,252,233
General and administrative expenses (note 8)	**4,788,009**	4,481,558
	137,684,889	137,733,791

12 PROPERTY AND EQUIPMENT (continued)

The Capital Work-in-Progress ("CWIP") as of 31 December 2021 represents construction costs and capital equipment amounting to SAR 18.63 million and SAR 46.93 million (2020: SAR 106.86 million and SAR 24.72 million), respectively.

The total borrowing cost capitalized under CWIP during the year amount to SAR 2.09 million (2020: SAR 2.66 million), and the capitalization rate was 2.22% (2020: 2.41%). In addition, interest in respect lease liability amounting to SAR 2.8 million (2020: SAR 5.1 million) was capitalized for under construction fitness centers.

During the current year, the Company has recorded an impairment charge amounting to SAR 12.9 million (2020: SAR 6.6 million) against the closure of four of the fitness centers.

Net book value of buildings amounting to SAR 9.4 million (2020: SAR 5.8 million) are constructed on land owned by the Company.

During the year ended 31 December 2020, the Company's management conducted a comprehensive assessment of sports and other equipment kept at the fitness centers. The assessment included physical count, determining the assets' condition, evaluating the operational status and the potential future economic benefits of these assets. Based on this assessment, the Company has written off an amount of SAR 40.6 million as the Company's management determined that there are no future economic benefits that can be availed from the use of those assets. Further, advances to contractors and suppliers amounting to SAR 3 million were written off.

As at 31 December 2021, the Company had secured borrowings against mortgages on land (Note 23) owned by the Company with a cost of SR 58.5.

13 LEASES

The Company holds various properties on leases on which fitness centers where constructed. Rental contract periods range between 2 and 24 years. Lease term are negotiated on an individual basis and contain a wide range of different terms and conditions.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	2021	*2020*
	SR	*SR*
Opening balance	**771,477,155**	840,332,792
Addition during the year	**97,931,453**	5,103,653
Depreciation charge for the year	**(69,764,264)**	(68,024,883)
Capitalized for under construction fitness centers	**(6,387,297)**	(5,934,407)
Disposal	**(5,872,512)**	-
Closing balance	**787,384,535**	771,477,155

Movement in lease liabilities is as follows:

	2021	*2020*
	SR	*SR*
Opening balance	**920,751,960**	956,271,490
Addition during the year	**97,931,453**	5,103,653
Lease payments for the year	**(90,451,663)**	(73,285,433)
Rent concessions on lease payments (note 7)	**(18,933,943)**	(8,116,850)
Interest expense for the year (note 10)	**37,268,810**	35,685,575
Disposal	**(7,929,150)**	-
Interest capitalized for under construction fitness centers	**2,845,784**	5,093,525
Closing balance	**941,483,251**	920,751,960

13 LEASES (continued)

Lease liability included in the statement of financial position:

	2021 **SR**	2020 SR
Non-current	**861,584,948**	852,863,246
Current	**79,898,303**	67,888,714
	941,483,251	920,751,960

The maturity analysis of lease liabilities is disclosed in note 32.

14 INTANGIBLE ASSETS

	2021 **SR**	2020 SR
Cost:		
At 1 January	**10,996,725**	10,966,925
Additions	**1,203,675**	29,800
At 31 December	**12,200,400**	10,996,725
Accumulated amortization:		
At 1 January	**9,025,611**	9,014,462
Charge for the year	**116,342**	11,149
At 31 December	**9,141,953**	9,025,611
Carrying amount	**3,058,447**	1,971,114

15 GOODWILL

During 2016, the Company acquired two fitness centers namely Dwadmi and Alkhaleej with goodwill recognised on the acquisition of these fitness centers amounting to SAR 4.6 million and 4.8 million respectively. As at 31 December 2021 the management conducted an impairment test to assess if the recoverable amount of the goodwill is lower than its carrying value. Based on the impairment test the goodwill carrying value is lower than the fair value and accordingly there is no impairment is required.

16 ADVANCES TO SUPPLIERS AND CONTRACTORS

	2021 **SR**	2020 SR
Advances to contractors in respect of construction of fitness center	**19,447,830**	10,120,199
Advances to suppliers against purchase of sport equipment	**14,293,547**	3,152,220
Total	**33,741,377**	13,272,419

17 PREPAYMENT AND OTHER ASSETS

	2021 SR	2020 SR
Prepayments	13,643,010	15,630,895
Advances to suppliers	22,128,840	18,731,439
Other prepayments	7,265,319	5,183,529
	43,037,169	39,545,863
Less: Allowance against prepayments and other assets	(6,703,799)	(4,217,467)
	36,333,370	35,328,396

Allocation of allowance of prepayments and other assets is as follow:

	2021	2020
Advances to suppliers	5,705,125	2,985,849
Other prepayments	998,674	1,231,618
	6,703,799	4,217,467

Movement in Allowance prepayments and other assets is as follows:

	2021 SR	2020 SR
At the beginning of the year	4,217,467	1,231,618
(Reversal) / charge during the year	2,486,332	2,985,849
Closing balance	6,703,799	4,217,467

18 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 year:

Related party	Nature of relationship	Nature of transactions	2021 SR	2020 SR
Directors and key management personnel	Key management personnel	Remuneration	7,042,098	6,797,812
Hamad Ali AlSagri	Shareholder	Lease rentals paid to a shareholder	2,487,123	3,400,000
AlSagri Holding	Shareholder affiliate	Subscription sold	197,831	143,171

Amounts due from related parties - (included in trade receivables) are as follows:

	2021 SR	2020 SR
AlSagri Holding	45,443	150,988

19 TRADE RECEIVABLES

	2021 SR	2020 SR
Subscriptions and membership receivables	14,642,908	18,839,805
Rental receivables	15,308,806	10,287,609
	29,951,714	29,127,414
Less: Allowance for expected credit losses		
- Subscriptions and membership receivables	(77,343)	(966,469)
- Rental receivables	(6,121,283)	(6,915,751)
	23,753,088	21,245,194

Movement in the Allowance for expected credit losses of trade receivables is as follows

	2021 SR	2020 SR
At the beginning of the year	7,882,220	5,539,905
(Reversal) / charge during the year	(1,683,594)	2,342,315
Closing balance	6,198,626	7,882,220

Information about the credit exposures on trade receivables is disclosed in note 32.

20 CASH AND CASH EQUIVALENTS

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

	2021 SR	2020 SR
Cash in hand	1,481,434	2,101,053
Cash at bank – current accounts	128,404,639	155,972,824
Short term deposits (note a)	50,000,000	100,000,000
	179,886,073	258,073,877

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.

21 SHARE CAPITAL

The share capital of the Company is SAR 523.8 million (31 December 2020: SAR 523.8 million) divided into 52.3 million shares (31 December 2020: 52.3 million shares) with a nominal value of SAR 10 each.

22 STATUTORY RESERVE

In accordance with Companies' Law 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.

23 BORROWINGS

	2021	*2020*
	SR	*SR*
Non-current portion of long-term borrowings	**238,038,485**	348,648,639
Current portion of long-term borrowings	**126,912,106**	138,937,826
	364,950,591	487,586,465

The movements in the borrowings during the year was as follow:

	2021	*2020*
	SR	*SR*
At 1 January	**487,586,465**	424,686,201
Receipts during the year	**20,907,440**	182,537,287
Repayments during the year	**(143,543,314)**	(119,637,023)
	364,950,591	487,586,465

As at 31 December 2021, the Company had unutilized bank financing facilities amounting to SR 193.6 million (31 December 2020: SR 257.4 million) to manage its short-term and long-term liquidity requirements and for construction of the fitness centers. The facilities have been secured by the Company and a joint and several guarantee from certain shareholders of 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. As at 31 December 2021 the Company is in compliance with borrowings covenants.

The Company has entered into an interest rate swap (IRS) with notional amount of SR 35 million with a local commercial bank. The IRS agreement require the Company to pay a fixed rate of interest of 3.68% as on 31 December 2021 in exchange for floating rate interest payments based on Saudi Inter Bank Offer Rate (SIBOR). The IRS contract will mature on 31 July 2023.

As at 31 December 2021, the Company had secured borrowings against mortgages on land (Note 12) owned by the Company with a cost of SR 58.5.

24 EMPLOYEES' END OF SERVICE BENEFITS

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2021 and 31 December 2020 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The following tables summarize the components of net benefits expense recognized in the statement of comprehensive income and balances reported in the statement of financial position.

	2021	*2020*
	SR	*SR*
Present value of end of service benefits (Statement of financial position)		
Present value of employees' end of service benefits liabilities	**41,421,197**	37,158,533

	2021	*2020*
	SR	*SR*
Statement of profit or loss		
Current service costs	**8,380,416**	8,318,209
Finance costs	**717,179**	771,894

24 EMPLOYEES' END OF SERVICE BENEFITS (continued)

Reconciliation of present value of liability

	2021	*2020*
	SR	*SR*
As at 1 January	**37,158,533**	33,013,250
Current service cost	**8,380,416**	8,318,209
Interest cost	**717,179**	771,894
Actuarial loss / (gain) (charged to other comprehensive income)	**1,503,080**	(1,433,560)
Payments during the year	**(6,338,011)**	(3,511,260)
As at 31 December	**41,421,197**	37,158,533

	2021	*2020*
Discount rate	**2.30%**	2.11%
Future salary increment rate (0% for 1st year, 2% thereafter)	**2.00%**	2.11%
Retirement age	**60 years**	60 years

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is as follows:

	2021	*2020*
	SR	*SR*
Increase in discount Rate 1%	**(2,280,878)**	(2,639,978)
Decrease in discount Rate 1%	**2,553,999**	4,380,787
Increase in long term Salary Increases 1%	**2,645,273**	1,812,059
Decrease in long term Salary Increases 1%	**(2,404,123)**	(2,741,421)

The weighted average duration of the defined benefit obligation is 5.84 years (31 December 2020: 8 years). The expected maturity analysis of undiscounted defined benefit obligation is as follows (time in years):

	2021	*2020*
	SR	*SR*
Within the next 12 months (next annual reporting period)	**5,948,586**	5,262,164
Between 2 and 5 years	**17,492,145**	15,252,275
Beyond 5 years	**24,341,878**	21,964,339
Total expected payments	**47,782,609**	42,478,778

25 ACCOUNTS PAYABLE

	2021	*2020*
	SR	*SR*
Trade suppliers	**73,139,215**	41,507,087
Contractors in respect of construction of fitness centers	**7,726,082**	11,152,931
	80,865,297	52,660,018

26 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021 SR	2020 SR
Accrued expenses	42,267,901	57,588,486
Advances from customers	6,876,241	4,393,374
Value added tax (VAT) payable	5,281,707	16,534,877
	54,425,849	78,516,737

27 DEFERRED REVENUE

	2021 SR	2020 SR
Deferred subscription income from:		
Membership fee	282,679,186	305,498,646
Personal training fee	13,631,940	17,586,443
	296,311,126	323,085,089
Deferred rental income	3,721,600	2,937,209
	300,032,726	326,022,298

28 ZAKAT

28.1 Charge for the year

The charge for the year is as follows:

	2021 SR	2020 SR
Provision for the year	5,932,354	-

28.2 Movements in zakat provision

	2021 SR	2020 SR
At the beginning of the year	137,162	5,730,934
Charge during the year	5,932,354	-
Payments during the year	-	(5,593,772)
At the end of the year	6,069,516	137,162

28 ZAKAT (continued)

28.3 The principal elements of the Company's Zakat base for the year ending 31 December are as follows:

	2021 *SR*	*2020* *SR*
Share capital	**523,833,610**	523,833,610
Retained earnings	**204,112,819**	84,629,236
Statutory reserve	**76,623,240**	56,021,218
Adjusted net profit / (loss) for the year	**232,971,268**	(34,824,420)
Book value of non-current assets	**2,337,631,727**	2,242,110,666

28.4 Adjusted net (loss) / income

	2021 *SR*	*2020* *SR*
Profit / (loss) for the year before zakat	**211,952,573**	(58,723,592)
Provision for employees end of service benefits	**9,097,584**	9,090,103
Impairment of non-financial assets	**12,945,904**	6,631,011
(Reversal) / provision for expected credit losses	**(1,683,594)**	2,342,315
Others	**658,801**	5,835,743
At the end of the year	**232,971,268**	(34,824,420)

28.5 Status of assessments

The Company has submitted its zakat returns for the years up to 2020. The Company has received zakat certificates from the Zakat, Tax and Customs Authority ("ZATCA") for all the years up to 31 December 2020 and has received final assessments from ZATCA for the years up to 2015.

However, during the year, the Company received an assessment order from ZATCA for the year 2015 claiming an additional liability regarding the ownership of shares by Target Opportunities for Trading Company, one of the shareholders in the Company during 2015, 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 total amount of income tax exposure as stated by ZATCA is SR 9.48 million for income tax for the year 2015. The former shareholder was a shareholder of the Company until and including the year ended 31 December 2018 and consequently there are further potential exposures to the Company, if the 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 favour of the Company.

The Company's zakat assessments for the years from 2016 to 2020 are currently under review by the ZATCA. On 9 June 2021, the ZATCA raised some queries related to the years 2019 and 2020, which were responded. The 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.

29 CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

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

The Company's bankers have issued letters of guarantees amounting to SR 4.99 million as at 31 December 2021 (31 December 2020: SAR 2.9 million) against land lease and letter of credit amounting to SR 41.2 million (2020: Zero).

29.2 Commitments

The Company has capital commitments on contracts for setting up fitness centers amounting to SR 41.8 million as at 31 December 2021 (31 December 2020: SR 42.6 million)

30 DIVIDENDS

On 27 Dhul Hijjah 1442H (corresponding to 06 August 2021), the Board of Directors, resolved to distribute interim cash dividends of SR 0.45 per share amounting to SR 23.57 million for the first half of 2021. Dividends have been fully paid during the year.

On 29 Rabi ul Awal 1443H (corresponding to 04 November 2021), the Board of Directors, resolved to distribute interim cash dividends of SR 0.78 per share amounting to SR 40.86 million for the period ended 30 September 2021. Dividends have been fully paid during the year.

31 SEGMENTAL INFORMATION

31.1 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

31 SEGMENTAL INFORMATION (continued)

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

As at and for year ended 31 December 2021

	Central Region *SR '000*	**Western Region** *SR '000*	**Eastern Region** *SR '000*	**International Region – UAE** *SR '000*	**Total** *SR '000*
Revenues	**391,364**	**337,655**	**138,732**	**17,532**	**885,283**
Costs of revenue	**(220,751)**	**(199,082)**	**(75,319)**	**(17,808)**	**(512,960)**
Gross profit	**170,613**	**138,573**	**63,413**	**(276)**	**372,323**
Reverse for expected credit losses	**1,684**	**-**	**-**	**-**	**1,684**
Impairment of non-financial assets	**800**	**12,146**	**-**	**-**	**12,946**

As at and for year ended 31 December 2020

	Central Region *SR '000*	Western Region *SR '000*	Eastern Region *SR '000*	International Region – UAE *SR '000*	Total *SR '000*
Revenue	314,235	239,413	95,590	13,361	662,599
Costs of revenue	(223,109)	(205,119)	(78,147)	(16,334)	(522,709)
Gross profit / (loss)	91,126	34,294	17,443	(2,973)	139,890
Impairment of non-financial assets	(6,631)	-	-	-	(6,631)
Write-off of non-financial assets	(22,712)	(10,941)	(9,220)	(710)	(43,583)

Market segments

The following tables present revenue and profit / (loss) information for the Market segments

	Male Fitness Centers		***Female Fitness Centers***		***Total***	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
	SR '000	*SR '000*	***SR '000***	*SR '000*	***SR '000***	*SR '000*
Revenue	**664,804**	496,768	**220,479**	165,831	**885,283**	662,599
Costs of revenue	**(363,574)**	(386,340)	**(149,386)**	(136,369)	**(512,960)**	(522,709)
Gross profit	**301,230**	110,428	**71,093**	29,462	**372,323**	139,890
Comprehensive income / (loss)	**212,594**	(14,260)	**39,548**	(492)	**252,412**	(14,752)
Unallocated head office costs					**(47,895)**	(42,538)
Depreciation						
- property & equipment	**(93,431)**	(94,139)	**(44,371)**	(39,113)	**(137,802)**	(133,252)
- right-of-use assets	**(47,753)**	(48,536)	**(22,011)**	(18,673)	**(69,764)**	(67,209)

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Company's principal financial liabilities comprise of non-conventional short-term loans, long term loans, lease liabilities and accounts payable. The main purpose of these financial liabilities is to raise funds for the Company's operations and capital expenditure. The Company has a certain portion of prepayments and other current assets, trade receivable and bank balances that arise directly from its operations.

The Company is exposed to credit risk, market risk and liquidity risk. The Company risk governance oversees the management of these risks. The Company risk governance manifested in a set of established policies, procedures and controls which uses the existing organizational 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.

Risk management structure
A cohesive organizational 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.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, amounts due from related parties and bank balances.

Expected credit loss assessment for trade receivables
Trade receivables generally exposed to significant credit risk, therefore, the Company has established a number of procedures to manage credit risk exposure including limiting transactions with specific counter-parties, evaluation of the customers' credit worthiness, formal credit approvals.

The Company follows a credit classification mechanism, primarily driven by the day's delinquency as a tool to manage the quality of credit risk of trade receivables. Further, the Company has categorized its trade receivables into sub-categorized on the basis of similar credit risk characteristic. Exposures within each credit risk category by services provided classification and an ECL is calculated for each service provided based on the delinquency status and actual credit loss experience over the past years. These rates are multiplied by scaler factors to reflect differences between economic conditions, current conditions and the Company's view of economic conditions over the expected lives of trade receivables.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Cash and cash equivalents
The company held balances with banks of SR 179.9 million as at 31 December 2021, which represents their maximum exposure on these assets. These balances are held with banks having strong credit ratings. While cash and cash equivalents are also subject to the expected credit loss (ECL)requirements of IFRS 9, the identified ECL was immaterial.

Trade receivables are amount due from customers for membership sold or other services rendered in the ordinary course of business. The average credit period is less than one year and therefore are all classified as current. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortized cost using effective interest method.

Due to the shorter nature of the current receivables, they are carrying amount is considered to be the same as they are fair value.

The company has applied IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and is based on the ageing of the days the receivables are past due and the rates as calculated in the provision matrix. On that basis, the allowance as 31 December 2021 and 2020 was determined as follows:

Membership receivables - Corporate customers.

31 December 2021

	Within credit period	*1-180 days past due*	*181-365 days past due*	*Total*
Gross carrying amount	**14,183,277**	**290,961**	**168,670**	**14,642,908**
Expected credit loss range (%)	**0.00%**	**0.02-0.63%**	**1.8%-**	
Loss allowance	-	**50**	**77,293**	**77,343**
Specific provision	-	-	-	-

31 December 2020

	Within Credit Period	*1-180 days past due*	*181-365 days past due*	*Total*
Gross carrying amount	17,788,963	84,410	966,432	18,839,805
Expected credit loss range (%)	0.00%	0.1-1.3%	4.3%-87.1%	
Loss allowance	-	37	-	37
Specific provision	-	-	966,432	966,432

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Rent receivables

31 December 2021

	Within credit period	*1-180 days past due*	*181-365 days past due*	*More than 1 year past due*	*Total*
Gross carrying amount	**2,637,838**	**4,235,817**	**3,079,041**	**5,356,110**	**15,308,806**
Expected credit loss range (%)	**0%**	**0.33% - 1.64%**	**2.40% - 61.01%**	**100%**	
Loss allowance	-	-	-	**2,434,963**	**2,434,963**
Specific provision	-	**765,173**	-	**2,921,147**	**3,686,320**

31 December 2020

	Within credit period	*1-180 days past due*	*181-365 days past due*	*More than 1 year past due*	*Total*
Gross carrying amount	504,215	3,518,463	1,011,056	5,253,875	10,287,609
Expected credit loss range (%)	0%	0.27% - 1.33%	1.90% - 68.55%	100%	
Loss allowance	-	-	-	607,087	607,087
Specific provision	-	1,320,626	341,250	4,646,788	6,308,664

The Company is not significantly exposed to credit risk on its other current asset as the employee loans are secured against end of service balance and the remaining balance is not significant.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and commodity risk. Financial instruments affected by market risk include short-term loans. The sensitivity analyses in the following sections relate to the position as at 31 December 2021 and 2020.

Interest rate risk

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

	2021 SR	*2020 SR*
Borrowings		
Fixed rate instruments	**35,000,000**	115,333,633
Variable rate instruments	**329,956,212**	372,252,832

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	2021	*2020*
	SR	*SR*
Variable rate instruments		
100 bp Increase	**(3,649,506)**	(3,722,528)
100 bp Decrease	**3,649,506**	3,722,528

Liquidity risk

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 realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company manages its liquidity risk by ensuring that bank facilities are available.

The table below summarizes the maturity profile of the Group's financial liabilities, excluding lease liability, based on contractual undiscounted payments.

31 December 2021

	Within 3 Months SR	***3 to 12 months SR***	***2 to 5 years SR***	***More than 5 years SR***	***Total SR***
Borrowings*	**32,895,394**	**101,777,724**	**247,893,377**	**-**	**382,566,495**
Accounts payable	**80,865,297**	**-**	**-**	**-**	**80,865,297**
Accrued expenses	**43,818,490**	**-**	**-**	**-**	**43,818,490**
Lease liabilities	**38,719,364**	**77,438,727**	**531,194,036**	**503,760,715**	**1,151,112,842**
	196,298,545	**179,216,451**	**779,087,413**	**503,760,715**	**1,658,363,124**

31 December 2020

	Within 3 Months SR	*3 to 12 months SR*	*2 to 5 years SR*	*More than 5 years SR*	*Total SR*
Borrowings*	35,151,520	117,482,186	368,834,321	-	521,468,027
Accounts payable	52,660,018	-	-	-	52,660,018
Accrued expenses	57,588,486	-	-	-	57,588,486
Lease liabilities	25,901,376	77,704,128	502,521,805	530,277,314	1,136,404,623
	171,301,400	195,186,314	871,356,126	530,277,314	1,768,121,154

*Borrowings include finance cost of SR 17.62 million (31 December 2020: SR 34.9 million).

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

At the statement of financial position date, gearing ratio and current ratio were as follows:

	2021 ***SR***	*2020* *SR*
Equity	**804,569,669**	664,484,064
Liabilities (excluding deferred revenue)	**1,489,215,701**	1,576,810,875
	2,293,785,370	2,241,294,939

	2021 ***SR***	*2020* *SR*
Gearing ratio	**64.92%**	70.37%
Current ratio (excluding deferred revenue)	**0.73**	0.96

As of 31 December 2021, the management also analyses the liquidity risk as follows:

	2021 ***SR***	*2020* *SR*
Current financial assets	**203,639,161**	283,270,982
Current liabilities excluding deferred revenue	**(348,171,071)**	(338,140,457)
Net current financial liability position	**(144,531,910)**	(54,869,475)

The Company manages liquidity risk by ensuring sufficient un-availed borrowing facilities. As at 31 December 2021, unutilized bank borrowing facilities of SR 193.5 million were available from multiple banks for managing the working capital requirements. Moreover, the Company generated cash flow from operating activities amounting to SR 438 million for the year 2021.

In relation to the liquidity risk of the Company, the management monitors the Company's cash flow to ensure 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 name cast significant doubt up on the company's ability to continue as going concern there for these financial statements have been prepared on a going concern basis

33 CAPITAL MANAGEMENT

The primary objective of the Company capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2021 and the year ended 31 December 2020. Capital comprises share capital, additional equity contribution, statutory reserve, retained earnings and other reserves and is measured at SR 804.6 million as at 31 December 2021 (2020: SR 664 million).

34 COVID-19 IMPACT ASSESSMENT

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 causing disruptions to businesses and economic activity across the globe. In response to the spread of the Covid-19 in KSA and UAE, where the Company operates, and its resulting disruptions to the social and economic activities in those markets, Leejam's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes to ensure the health and safety of its employees, customers, consumers and wider community as well.

The consequences of the Covid-19 pandemic have materially affected the Company's business since all the Company's fitness centers remained closed from 5 February 2021 to 6 March 2021 i.e. 30 days (2020: 15 March 2020 to 20 June 2020 i.e. 98 days). This resulted in the suspension of sales of subscriptions to the customers as well as the suspension of revenue recognition during the aforementioned period while the Company continued to incur certain fixed and semi-variable expenditures that has impacted the financial performance and cash flows of the Company.

Leejam's management has considered potential impacts of the current economic uncertainties and volatility in determination of the reported amounts of the Company's financial and non-financial assets and these are considered to represent management's best assessment based on observable information on the period-end date. Markets however remain volatile, and the recorded amounts remain sensitive to market fluctuations.

35 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the classification used for the year ended 31 December 2021. However, such reclassification have not resulted in any additional impact on equity or loss for comparative figures. The key reclassifications were as follows:

Reclassification from	***Reclassification to***	***Amount (SR)***
Other expenses- Impairment loss	Impairment loss on property and equipment	6,631,010
Other income- Advertising income	Revenue from contracts with customers	2,970,137
Other income - rent concessions	Cost of revenue	8,116,850
Property and equipment – Intangible assets	Intangible assets	1,971,114

36 EVENTS AFTER THE REPORTING PERIOD

No events have arisen subsequent to 31 December 2021 and before the date of issuing the financial statements that could have a significant effect on the financial statements as at 31 December 2021.

37 BRANCHES OF THE COMPANY

The Company has the following branches, which are operating under separate CR

Location	C.R.	Issuance Date
Riyadh	1010337986	14/06/1433H
Riyadh	1010439237	11/02/1437H
Riyadh	1010439239	11/02/1437H
Dammam	2050108503	15/05/1437H
Jaizan	5900035652	21/03/1438H
Jeddah	4030248720	23/07/1434H
Jeddah	4030180323	19/06/1429H
Najran	5950032239	02/03/1437H
Taif	4032050910	29/01/1438H
Riyadh	1010612788	13/02/1439H
Jubail	2055025936	07/08/1438H
Riyadh	1010934125	25/05/1439H
Al Madina	4650211820	22/10/1440H
Al Madina	4650211821	22/10/1440H
Makkah	4031228724	22/10/1440 H
Makkah	4031228725	22/10/1440H
Jeddah	4030358958	22/10/1440H
Skaka	3400120275	02/03/1442 H
Riyadh	1010649568	07/01/14424H
Khamis	5855346933	22/06/1441 H
Hail	3350147653	22/06/1441 H
Buraidah	1131308370	14/02/1442 H
Riyadh	1010739641	29/01/1443 H

UAE trade licenses

Dubai Branch	724509	11/1/2015
Ras Al-Khaimah Branch	41352	3/3/2015
Rashidya Branch (Ajman)	78538	24/08/2016
Hazana (Sharjah)	786703	26/10/2021

38 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for issuance by the Company's Board of Directors on 5 Rajab 1443H (corresponding to 6 February 2022).

Mohammad Merajuddin
Chief Financial Officer

Anthony Craig Elliott
Acting Chief Executive Officer

Ali Hamad AlSagri
Chairman