LEEJAM SPORTS COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

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

FOR THE THREE MONTH AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2023

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Leejam Sports Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three month and nine month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, *"Interim Financial Reporting"* ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review:

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

Conclusion:

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

Emphasis of a matter:

We draw attention to note 18 to the interim condensed consolidated financial statements. As stated therein, during the year ended 31 December 2021, management has received an assessment order from the Zakat, Tax and Customs Authority ("ZATCA") on the ground that part of the Company's profits for the years 2015, 2016, 2017 and 2018 were subject to income tax. Our conclusion is not modified in respect of this matter.

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

EY
سجل تجاري ١٠١٠٣٨٣٨٢١
CR.1010383821
Ernst & Young Professional Services (Professional LLC)

Riyadh: 16 Rabi Al-Thani 1445H
(31 October 2023)

LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023

		For the three months period ended 30 September		*For the nine months period ended 30 September*	
		2023	2022	**2023**	2022
	Note	***SR***	*SR*	***SR***	*SR*
Revenue	6	**348,214,831**	264,452,088	**926,958,086**	729,066,732
Cost of revenue	7	**(188,274,074)**	(157,271,814)	**(534,120,914)**	(458,121,206)
GROSS PROFIT		**159,940,757**	107,180,274	**392,837,172**	270,945,526
General and administrative expenses		**(29,364,670)**	(21,435,187)	**(85,316,928)**	(64,250,317)
Advertising and marketing expenses		**(3,589,887)**	(2,941,197)	**(10,334,833)**	(10,072,647)
(Allowance for)/ reversal of expected credit losses		**(502,901)**	2,653,567	**(948,729)**	(71,221)
OPERATING PROFIT		**126,483,299**	85,457,457	**296,236,682**	196,551,341
Other income		**731,429**	-	**1,548,096**	-
Write-off of non-financial assets, net	10,11	**(11,422,381)**	-	**(11,422,381)**	-
Finance costs		**(24,129,160)**	(15,667,991)	**(62,648,669)**	(42,794,879)
Profit from short term Murabaha		**3,180,164**	-	**10,048,383**	127,083
PROFIT BEFORE ZAKAT		**94,843,351**	69,789,466	**233,762,111**	153,883,545
Zakat	18	**(2,660,332)**	(1,731,263)	**(6,445,405)**	(3,788,434)
PROFIT FOR THE PERIOD		**92,183,019**	68,058,203	**227,316,706**	150,095,111
EARNINGS PER SHARE					
Basic and diluted earnings per share	9	**1.76**	1.30	**4.34**	2.87

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023

	For the three month period ended 30 September		*For the nine month period ended 30 September*	
	2023	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*
Net profit for the period	**92,183,019**	68,058,203	**227,316,706**	150,095,111
Other comprehensive income				
Item that will not be reclassified to statement of profit or loss in subsequent periods:				
Re-measurement gain on employees end of service benefits obligation	**751,648**	1,060,351	**2,254,943**	2,103,367
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**92,934,667**	69,118,554	**229,571,649**	152,198,478

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

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LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Note	*30 September 2023 SR (Unaudited)*	*31 December 2022 SR (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	10	**1,542,651,733**	1,534,965,640
Right-of-use assets	11	**944,790,710**	753,692,120
Investment in an associate	12	**1,220,781**	-
Intangible assets		**3,454,545**	3,277,167
Goodwill	5	**16,580,434**	9,445,544
Advances to suppliers and contractors		**89,865,736**	34,938,555
TOTAL NON- CURRENT ASSETS		**2,598,563,939**	2,336,319,026
CURRENT ASSETS			
Inventories		**14,397,940**	8,000,691
Prepayments and other current assets		**42,078,981**	30,394,060
Trade receivables	14	**27,002,425**	22,809,309
Cash and cash equivalents	15	**389,597,773**	300,626,898
TOTAL CURRENT ASSETS		**473,077,119**	361,830,958
TOTAL ASSETS		**3,071,641,058**	2,698,149,984
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**523,833,610**	523,833,610
Statutory reserve		**102,349,153**	102,349,153
Retained earnings		**410,969,593**	312,356,345
TOTAL EQUITY		**1,037,152,356**	938,539,108
NON-CURRENT LIABILITIES			
Borrowings	16	**166,635,784**	165,952,119
Lease liabilities	11	**1,001,548,637**	831,922,280
Employees' end of service benefits		**45,201,194**	43,213,239
TOTAL NON-CURRENT LIABILITIES		**1,213,385,615**	1,041,087,638
CURRENT LIABILITIES			
Borrowings	16	**85,210,750**	94,275,829
Lease liabilities	11	**92,489,377**	78,650,791
Accounts payable		**59,689,182**	62,328,705
Accrued expenses and other current liabilities	17	**86,766,667**	79,651,896
Deferred revenue		**490,296,411**	396,112,324
Provision for zakat	18	**6,650,700**	7,503,693
TOTAL CURRENT LIABILITIES		**821,103,087**	718,523,238
TOTAL LIABILITIES		**2,034,488,702**	1,759,610,876
TOTAL EQUITY AND LIABILITIES		**3,071,641,058**	2,698,149,984

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

	Share Capital SR	*Statutory Reserve SR*	*Retained earnings SR*	*Total SR*
As at 31 December 2021 (Audited)	523,833,610	76,623,240	204,112,819	804,569,669
Profit for the period	-	-	150,095,111	150,095,111
Other comprehensive income	-	-	2,103,367	2,103,367
Total comprehensive income for the period	-	-	152,198,478	152,198,478
Dividends (note 22)	-	-	(89,627,930)	(89,627,930)
As at 30 September 2022 (Unaudited)	523,833,610	76,623,240	266,683,367	867,140,217
As at 31 December 2022 (Audited)	**523,833,610**	**102,349,153**	**312,356,345**	**938,539,108**
Profit for the period	-	-	**227,316,706**	**227,316,706**
Other comprehensive income	-	-	**2,254,943**	**2,254,943**
Total comprehensive income for the period	-	-	**229,571,649**	**229,571,649**
Dividends (note 22)	-	-	**(130,958,401)**	**(130,958,401)**
As at 30 September 2023 (Unaudited)	**523,833,610**	**102,349,153**	**410,969,593**	**1,037,152,356**

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

		For the nine months period ended 30 September	
		2023	*2022*
	Note	***SR***	*SR*
OPERATING ACTIVITIES			
Profit before zakat		**233,762,111**	153,883,545
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property and equipment	10	**119,623,228**	113,441,350
Depreciation of right-of-use assets	11	**63,811,748**	56,436,275
Amortization of intangible assets		**1,023,649**	1,297,635
Rent concessions on lease payments		**-**	(1,706,965)
Allowance for expected credit losses		**948,729**	71,221
Finance costs		**62,648,669**	42,794,879
Profit from short term Murabaha		**(10,048,383)**	(127,083)
Gain on lease cancellations	11	**(2,312,034)**	-
Write-off of property and equipment	10	**13,734,415**	-
Provision for employees' end of service benefits		**5,977,003**	6,288,179
		489,169,135	372,379,036
Working capital changes:			
Inventories		**(6,397,249)**	(725,985)
Prepayments and other current assets		**(9,438,206)**	1,648,446
Trade receivables		**(3,154,473)**	(24,645,308)
Accounts payable		**(4,079,527)**	(5,683,705)
Accrued expenses and other current liabilities		**6,139,852**	15,709,064
Deferred revenue		**93,281,534**	120,493,255
Cash from operations		**565,521,066**	479,174,803
Employees' end of service benefits paid		**(3,495,286)**	(3,473,479)
Zakat paid		**(7,298,398)**	(5,920,291)
Net cash from operating activities		**554,727,382**	469,781,033
INVESTING ACTIVITIES			
Addition in property and equipment	10	**(133,020,848)**	(150,417,735)
Advances to suppliers and contractors		**(54,927,181)**	(4,643,290)
Proceeds from short term Murabaha profit		**9,180,985**	127,083
Acquisition of a subsidiary	5	**(11,936,435)**	-
Investment in an associate	12	**(1,220,781)**	-
Addition to intangible assets		**(1,201,027)**	(808,844)
Net cash used in investing activities		**(193,125,287)**	(155,742,786)
FINANCING ACTIVITIES			
Proceeds from borrowings		**136,617,991**	15,159,919
Repayments of borrowings		**(146,107,778)**	(97,290,816)
Finance cost paid		**(29,270,335)**	(14,875,597)
Dividend paid		**(130,958,401)**	(89,627,930)
Payment of lease liabilities		**(102,912,697)**	(74,335,575)
Net cash used in financing activities		**(272,631,220)**	(260,969,999)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**88,970,875**	53,068,248
Cash and cash equivalents at the beginning of the period		**300,626,898**	179,886,073
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**389,597,773**	232,954,321

The attached notes 1 to 25 form an integral part of these interim condensed consolidated financial statements.

		For the nine months period ended 30 September	
		2023	2022
	Note	**SR**	SR
SIGNIFICANT NON-CASH TRANSACTIONS			
Additions to right-of-use assets and corresponding lease liability		**260,474,527**	-
Capitalization of borrowing cost	10	**245,635**	421,115
Capitalization of lease liability finance cost	11	**732,177**	983,153
Capitalization of right-of-use depreciation	11	**1,162,428**	2,866,133

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board 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 Al-Thani 1429H (corresponding to 5 May 2008) and registered under Commercial Registration (CR) numbered 4030180323 dated 19 Jumada Al-Alkhirah 1429H (corresponding to 23 June 2008). The address of the Company's registered office is Thumamah Street, P.O. Box 295245, Riyadh 11351, Kingdom of Saudi Arabia. In 2012, The Company's head office was transferred from Jeddah to Riyadh, the Company obtained amended CR numbered 1010337986 dated 14 Jumada Al-Alkhirah 1433H (corresponding to 6 May 2012).

The objectives of the Company and its subsidiaries ("the Group") 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 Group needs to use. The Group's operations are located in the Kingdom of Saudi Arabia and United Arab Emirates.

The subsidiaries included in these interim condensed consolidated financial statements are as follows:

		Ownership percentage			
		30 September 2023		31 December 2022	
Name	***Country of incorporation***	***Direct***	***Indirect***	*Direct*	*Indirect*
Al Rasn investment Company	Kingdom of Saudi Arabia	**100%**	**-**	100%	-
Altathir Al-Riyadiyeh Company	Kingdom of Saudi Arabia	**-**	**100%**	-	-
Padel X Sports Company	Kingdom of Saudi Arabia	**-**	**51%**	-	-

During 2016, the Group acquired 95% of the outstanding shares of Fitness Time for Trading Company Limited ("the Subsidiary") 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 Group for a nominal fee. The Subsidiary discontinued its operations after the trademark was transferred to the Group. The management believes that the Subsidiary is immaterial to the Group; hence, do not consolidate the results of operations of the Subsidiary and its financial position in the consolidated financial statements of the Group.

During current period ended 30 September 2023, the Group established a new Subsidiary "Padel X Sports Company (Limited Liability Company)" with a capital of fifty thousand Saudi Riyals, the Group ownership percentage is 51%, in partnership with World Wide Padel, for the purpose of investing in padel sports in the Kingdom of Saudi Arabia by building and operating padel courts. The management believes that the new subsidiary balances is immaterial to the Group as the new subsidiary has not started operations yet; hence, the Group does not present balance of non-controlling interest in its consolidated financial statements of the Group.

The interim condensed consolidated financial statements of the Group for the nine months period ended 30 September 2023 were authorized for issuance in accordance with the Board of Directors resolution on 11 Rabi Al-Thani 1445H (corresponding to 26 October 2023).

2 BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated as at 31 December 2022. In addition the results of the operations for the nine months period ended 30 September 2023 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2023.

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

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

Basis of consolidation

The consolidated financial statements of the Group comprise the financial information of the Company and its subsidiaries (note 1).

Subsidiaries are companies controlled by the Group. Control is achieved when the Group has:

- Power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee)
- Exposure to risk, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

In general, there is a presumption that a majority of voting rights result in control. In support of this assumption, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into consideration all relevant facts and circumstances when determining whether it exercises control over the investee, including:

- Arrangement(s) with other voting rights holders in the investee company.
- Rights arising from other contractual arrangements.
- Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

Basis of preparation (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired (or disposed) of during the year are included (or derecognized) in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

As at 30 September 2023, management believes that, all judgments and sources of estimation uncertainty remain similar to those disclosed in the Company’s annual financial statements for the year ended 31 December 2022.

4 MATERIAL ACCOUNTING POLICY INFORMATION AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.1 Material accounting policy information

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

Business combinations

Business combinations are accounted for using the acquisition method upon transfer of control to the Group.

The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in the consolidated statement of profit or loss as incurred.

When the Group acquires a business, it assesses the identifiable assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with limited exceptions.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then a gain on bargain purchase at a differential price is recognized in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing for goodwill acquired from the business combination and from the date of acquisition, it will be allocated to cash-generating units ("CGU") that are expected to benefit from the consolidation regardless of whether the other assets or liabilities acquired have been allocated to those units.

If goodwill is not allocated to designated cash-generating units because of an incomplete initial calculation, the initial impairment loss will not be tested unless impairment indicators are available to enable the Group to distribute the carrying amount of the goodwill to the cash generating units or the group of cash generating units expected to benefit from business combination. Where goodwill is allocated to the cash generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the value of a similar disposed operation and the remaining portion of the cash-generating unit.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

4 MATERIAL ACCOUNTING POLICY INFORMATION AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

4.1 Material accounting policy information (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

Any contingent consideration to be paid (if any) will be recognized at fair value at the acquisition date and classified as equity or a financial liability. Contingent consideration classified as a financial liability is subsequently remeasured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group presents the items whose value calculation has not been completed in a temporary manner in the consolidated financial statements. During the measurement period, which is not more than one year from the acquisition date, the temporary value recognized on the acquisition date is retroactively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that this will affect the measurement of amounts recognized as of that date.

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends once the group obtains all information that existed at the acquisition date or as soon as it becomes sure of the absence of more information.

Investments in associates

An associate is an entity over which the Group has significant influence but does not have control or joint control over. Significant influence is the Group’s ability to participate in the financial and operating policy decisions of the investee but not to control or jointly control those policies.

Factors to determine significant influence include holding directly or indirectly voting power of the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making processes including participation in decisions about dividends or other distributions, material transactions between the entity and the investee, interchange of managerial personnel or provision of essential technical information.

The investment in associates are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The investment in associates in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group’s share of the profit and loss and other comprehensive income of the associate adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate exceeds

4 MATERIAL ACCOUNTING POLICY INFORMATION AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

4.1 Material accounting policy information (continued)

Investments in associates (continued)

the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses.

Additional losses are recognized and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gain or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.
On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss in the acquisition year.

The requirements of IFRSs endorsed in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate. The carrying amount of the investment in an associate or a joint venture is tested for impairment in accordance with the policy.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to the consolidated statement of profit or loss the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss includes the disposal of the related assets or liabilities.

When any entity within the Group transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4 MATERIAL ACCOUNTING POLICY INFORMATION AND NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

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

Following are the standards and amendments effective on 1 January 2023 or after (unless otherwise stated): and do not have a material impact on the Group's interim condensed consolidated financial statements.

Standard, Amendment or Interpretation	*Effective date*
- IFRS (17) Insurance Contracts	1 January 2023
- Definition of Accounting Estimates- Amendments to IAS (8)	1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS (12)	1 January 2023
- Disclosure of Accounting Policies - Amendments to IAS (1) and IFRS Practice Statement (2)	1 January 2023

4.3 Standards and amendments issued and not yet effective

The new amended, issued standards and interpretations, which are not effective yet have not been adopted early by the Group and will be adopted on their effective date as applicable. The adoption of these standards and interpretations is not expected to have any material impact on the Group on the effective date:

Standard, Amendment or Interpretation	*Effective date*
- Amendments to IAS (1): Classification of Liabilities as Current or Non-current	1 January 2024
- Amendments to IAS (16): lease liabilities from sale and leaseback	1 January 2024
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
- Lack of exchangeability - Amendments to IAS 21	1 January 2025

5 ACQUISITION OF A SUBSIDIARY

On 25 Dhu Al-Qi’dah 1444H (corresponding to 14 June 2023), Al Rasn investment Company acquired a 100% stake in Altathir Al-Riyadiyeh Company, a Limited Liability Company (Owned by One person) and registered under Commercial Registration (CR) numbered 1010458137 dated 23 Dhu Al-Hijjah 1439H (corresponding to 3 September 2018), its head office is registered in Riyadh, Kingdom of Saudi Arabia. Transaction costs of SR 224,000 were expensed and are included in administrative expenses. It is engaged in educational activities of sports academics including trainings related to swimming and martial arts along with other sports clubs activities. The acquisition value amounted to SR 12 million. The interim condensed consolidated financial statements include the results of Altathir Al-Riyadiyeh Company from the acquisition date.

5 ACQUISITION OF A SUBSIDIARY (continued)

The following table shows book value of total assets acquired and liabilities assumed at acquisition date:

	14 June 2023 SR (Unaudited)
Assets	
Property and equipment	**5,882,648**
Right-of-use assets	**12,223,612**
Prepayments and other current assets	**1,379,317**
Trade receivables *	**1,987,372**
Cash and cash equivalents	**63,565**
Total assets	**21,536,514**
Liabilities	
Borrowings	**1,108,373**
Lease liabilities	**12,223,612**
Employees' end of service benefits	**450,947**
Accounts payable	**1,440,004**
Accrued expenses and other current liabilities	**545,915**
Deferred revenue	**902,553**
Total liabilities	**16,671,404**
Total identifiable net assets at book value	**4,865,110**
Provisional goodwill arising on acquisition	**7,134,890**
Purchase consideration paid	**12,000,000**

*The book value and gross amount of the trade receivables amounts to SR 1,987,372 and it is expected to be fully collected.

Analysis of cash flows on acquisition:

	14 June 2023 SR (Unaudited)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**63,565**
Cash paid	(**12,000,000**)
Net cash outflow on acquisition	**(11,936,435)**

The Group is currently in the process of allocating the purchase consideration to the Altathir Al-Riyadiyeh Company assets and liabilities. The process is expected to be completed within 12 month from the acquisition date whereby part of the goodwill balance may be reclassified to certain other assets identified during the process.

A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period is presented below:

	Goodwill SR
Gross carrying amount	
At 31 December 2022 (audited)	**9,445,544**
Acquisition of a subsidiary	**7,134,890**
At 30 September 2023 (unaudited)	**16,580,434**

6 REVENUE

	For the three month period ended 30 September		*For the nine month period ended 30 September*	
	2023	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Type of services				
Subscriptions and membership	**305,323,912**	234,173,592	**807,779,626**	634,414,171
Personal training	**37,114,284**	22,822,923	**100,319,221**	71,088,395
Rental income	**3,899,728**	4,125,152	**11,836,186**	14,456,022
Others	**1,876,907**	3,330,421	**7,023,053**	9,108,144
	348,214,831	264,452,088	**926,958,086**	729,066,732

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the nine months period ended 30 September, based on male and female centers offerings and segmented by primary geographical regions:

	Subscriptions and membership		*Personal training*		*Rental income*	
	For the nine months period ended 30 September					
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
	SR (Unaudited)					
Types of customers						
Male centers	**622,436,887**	491,869,375	**66,036,829**	48,195,068	**7,849,406**	8,547,161
Female centers	**185,342,739**	142,544,796	**34,282,392**	22,893,327	**3,986,780**	5,908,861
	807,779,626	634,414,171	**100,319,221**	71,088,395	**11,836,186**	14,456,022
Geographical markets						
Central region	**360,236,520**	277,522,786	**45,740,832**	32,399,504	**7,574,354**	8,099,729
Western region	**310,101,734**	245,396,872	**31,709,707**	22,723,966	**3,293,294**	5,772,004
Eastern region	**118,910,041**	98,005,883	**17,647,564**	11,922,965	**786,195**	584,289
UAE	**18,531,331**	13,488,630	**5,221,118**	4,041,960	**182,343**	-
	807,779,626	634,414,171	**100,319,221**	71,088,395	**11,836,186**	14,456,022

6 REVENUE (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers, for the three months period ended 30 September, based on male and female centers offerings and segmented by primary geographical regions:

	Subscriptions and membership		*Personal training*		*Rental income*	
	For the three-months period ended 30 September					
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
	SR (Unaudited)					
Types of customers						
Male centers	**234,900,979**	179,874,864	**24,638,397**	15,271,018	**3,213,391**	2,192,765
Female centers	**70,422,933**	54,298,728	**12,475,887**	7,551,905	**686,337**	1,932,387
	305,323,912	234,173,592	**37,114,284**	22,822,923	**3,899,728**	4,125,152
Geographical markets						
Central region	**136,035,879**	103,723,381	**16,880,795**	10,661,705	**2,474,434**	2,819,787
Western region	**116,311,513**	88,289,647	**11,668,470**	6,979,330	**996,222**	1,116,725
Eastern region	**45,686,105**	36,495,358	**6,466,091**	3,688,324	**393,374**	188,640
UAE	**7,290,415**	5,665,206	**2,098,928**	1,493,564	**35,698**	-
	305,323,912	234,173,592	**37,114,284**	22,822,923	**3,899,728**	4,125,152

In addition, the Group separately presents segment information in accordance with IFRS-8 (note 20).

7 COST OF REVENUE

	For the three month period ended 30 September		*For the nine month period ended 30 September*	
	2023	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Salaries and related benefits	**68,917,070**	56,684,218	**201,383,445**	168,068,504
Depreciation of property and equipment	**39,091,271**	37,730,616	**116,012,641**	111,138,810
Depreciation of right-of-use assets	**21,972,268**	18,750,813	**62,526,812**	55,684,828
Water and electricity	**21,066,884**	17,604,637	**56,368,840**	46,392,753
Cleaning and maintenance	**20,825,138**	14,196,257	**61,021,472**	44,181,860
Rent Concession on lease payment	**-**	(432,466)	**-**	(1,706,965)
Others	**16,401,443**	12,737,739	**36,807,704**	34,361,416
	188,274,074	157,271,814	**534,120,914**	458,121,206

8 SEGMENTAL INFORMATION

8.1 Geographical segments

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

- Central Region of the Kingdom of Saudi Arabia
- Western Region of the Kingdom of Saudi Arabia
- Eastern Region of the Kingdom of Saudi Arabia
- International Region UAE

The following tables present revenue and profit / (loss) information for the geographical segments for period ended 30 September 2023.

	For the nine-months period ended 30 September 2023				
	Central Region	*Western Region*	*Eastern Region*	*International Region – UAE*	*Total*
			SR (Unaudited)		
Revenues	**417,606,100**	**347,116,761**	**138,147,424**	**24,087,801**	**926,958,086**
Depreciation on property and equipment	**(51,493,808)**	**(43,323,881)**	**(17,165,549)**	**(4,029,403)**	**(116,012,641)**
Depreciation of right-of-use assets	**(27,418,291)**	**(23,605,907)**	**(9,966,196)**	**(1,536,418)**	**(62,526,812)**
Other costs of revenue	**(164,082,817)**	**(130,298,887)**	**(50,559,136)**	**(10,640,621)**	**(355,581,461)**
Segment profit	**174,611,184**	**149,888,086**	**60,456,543**	**7,881,359**	**392,837,172**

	For the nine-months period ended 30 September 2022				
	Central Region	*Western Region*	*Eastern Region*	*International Region – UAE*	*Total*
			SR (Unaudited)		
Revenues	324,641,101	275,462,890	111,253,361	17,709,380	729,066,732
Depreciation on property and equipment	(48,540,105)	(42,209,818)	(15,609,003)	(4,779,884)	(111,138,810)
Depreciation of right-of-use assets	(23,737,069)	(21,325,087)	(8,329,156)	(2,293,516)	(55,684,828)
Other cost of revenue	(129,389,814)	(109,680,977)	(40,985,019)	(11,241,758)	(291,297,568)
Segment profit / (loss)	122,974,113	102,247,008	46,330,183	(605,778)	270,945,526

8 SEGMENTAL INFORMATION (continued)

8.1 Geographical segments (continued)

For the three-months period ended 30 September 2023

	Central Region	*Western Region*	*Eastern Region*	*International Region – UAE*	*Total*
			SR (Unaudited)		
Revenues	**156,226,583**	**129,663,908**	**52,825,392**	**9,498,948**	**348,214,831**
Depreciation on property and equipment	**(17,456,002)**	**(14,499,873)**	**(5,846,191)**	**(1,289,205)**	**(39,091,271)**
Depreciation of right-of-use assets	**(9,407,404)**	**(8,303,624)**	**(3,749,101)**	**(512,139)**	**(21,972,268)**
Other cost of revenue	**(59,755,121)**	**(46,132,982)**	**(17,926,140)**	**(3,396,292)**	**(127,210,535)**
Segment profit	**69,608,056**	**60,727,429**	**25,303,960**	**4,301,312**	**159,940,757**

For the three-months period ended 30 September 2022

	Central Region	*Western Region*	*Eastern Region*	*International Region – UAE*	*Total*
			SR (Unaudited)		
Revenues	119,713,306	96,885,481	40,640,911	7,212,390	264,452,088
Depreciation on property and equipment	(16,674,897)	(14,222,216)	(5,256,616)	(1,576,887)	(37,730,616)
Depreciation of right-of-use assets	(8,091,382)	(7,118,542)	(2,776,384)	(764,505)	(18,750,813)
Other cost of revenue	(45,218,064)	(37,364,229)	(14,321,443)	(3,886,649)	(100,790,385)
Segment profit	49,728,963	38,180,494	18,286,468	984,349	107,180,274

8.2 Market segments

The following tables present revenue and profit (loss) information for the operating segments for nine months period ended 30 September 2023 and 2022, respectively:

	Male Fitness Centers		*Female Fitness Centers*		*Total*	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*
Revenue	**701,454,197**	556,168,607	**225,503,889**	172,898,125	**926,958,086**	729,066,732
- property & equipment	**(78,453,359)**	(74,901,196)	**(37,559,282)**	(36,237,614)	**(116,012,641)**	(111,138,810)
- right-of-use assets	**(45,165,417)**	(38,577,370)	**(17,361,395)**	(17,107,458)	**(62,526,812)**	(55,684,828)
Other cost of revenue	**(265,549,394)**	(216,155,849)	**(90,032,067)**	(75,141,719)	**(355,581,461)**	(291,297,568)
Segment profit	**312,286,027**	226,534,192	**80,551,145**	44,411,334	**392,837,172**	270,945,526

8 SEGMENTAL INFORMATION (continued)

8.2 Market segments (continued)

The following tables present revenue and profit information for the operating segments for three-months period ended 30 September 2023 and 2022, respectively:

	Male Fitness Centers		*Female Fitness Centers*		*Total*	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
			SR (Unaudited)			
Revenue	**264,073,756**	200,119,786	**84,141,075**	64,332,302	**348,214,831**	264,452,088
Depreciation						
- property & equipment	**(26,294,114)**	(24,819,356)	**(12,797,157)**	(12,911,260)	**(39,091,271)**	(37,730,616)
- right-of-use assets	**(16,001,939)**	(12,830,710)	**(5,970,329)**	(5,920,103)	**(21,972,268)**	(18,750,813)
Other cost of revenue	**(94,883,915)**	(74,687,434)	**(32,326,620)**	(26,102,951)	**(127,210,535)**	(100,790,385)
Segment profit	**126,893,788**	87,782,286	**33,046,969**	19,397,988	**159,940,757**	107,180,274

8.3 Reconciliation of segment results to profit or loss

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

	For the nine months period ended 30 September	
	2023	*2022*
	SR	*SR*
	(Unaudited)	*(Unaudited)*
Segment profit	**392,837,172**	270,945,526
Advertising and marketing expenses	**(10,334,833)**	(10,072,647)
Finance costs	**(62,648,669)**	(42,794,879)
Profit from short term Murabaha	**10,048,383**	127,083
General and administration expenses and others	**(96,139,942)**	(64,321,538)
Profit before zakat	**233,762,111**	153,883,545

8.4 Seasonality of the Group's business

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

9 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the period ended 30 September 2023 and 30 September 2022, by the weighted average number of shares outstanding at the end of the respective period, which consisted of 52.383 million shares as at 30 September 2023 (30 September 2022: 52.383 million shares).

10 PROPERTY AND EQUIPMENT

During the nine-months period ended 30 September 2023, the Group has purchased assets with a cost of SR 135.16 million (nine-month period ended 30 September 2022: SR 154.73 million). Depreciation charge for the nine months period ended 30 September 2023 amounted SR 119.6 million and for the three months period ended 30 September 2023 amounted SR 40.17 million (nine-month period ended 30 September 2022: SR 113.4 million and three month period ended 30 September 2022: SR 38.5 million).

The total borrowing costs capitalised under capital work in progress during the period amounted to SR 0.24 million (nine-month period ended 30 September 2022: SR 0.4 million).

As at 30 September 2023 and 31 December 2022, the Group had secured borrowings against mortgages on land (note 16) owned by the Group with a cost of SR 58.5 million.

During the current period, the Group closed two centers covered within the expropriated areas in favor of the Governmental project. The Group has written off an amount SR 13.73 million for closing these centers.

11 LEASES

Expense recognized in the interim condensed consolidated statement of profit or loss in relation to leases for the nine-months period was as follows:

	For the nine months period ended 30 September	
	2023	*2022*
	SR	*SR*
	(Unaudited)	*(Unaudited)*
Depreciation on right-of-use assets:		
Depreciation charge for the period	**64,974,176**	59,302,408
Capitalised for under construction fitness centers	**(1,162,428)**	(2,866,133)
	63,811,748	56,436,275
Interest expense on lease liabilities		
Interest expense for the period	**32,616,908**	29,186,989
Capitalised for under construction fitness centers	**(732,177)**	(983,153)
	31,884,731	28,203,836
Total amount recognized in profit or loss	**95,696,479**	84,640,111

The total rent concessions on lease payments recognized during the three month and nine month periods ended 30 September 2023 is nil (three month and nine month periods ended 30 September 2022: SR 0.43 million and SR 1.7 million respectively). These have been recognised under cost of revenue in the interim condensed consolidated statement of profit or loss.

The Group has written off right-of-use assets and lease liabilities amounting to SR 4.4 million and SR 6.7 million respectively and this resulted in gain of SR 2.3 million, in respect of the closure of two centres as referred in note 10.

12 INVESTMENT IN ASSOCIATE

On 25 Dhu Al-Qi'dah 1444H (corresponding to 14 June 2023),the Group has made an arrangement with Burjeel Holding Company to establish an entity named as Integrated Medical Care Services Company ("Investee Company"). According to the laws of the Kingdom of Saudi Arabia, the Parent Company and Burjeel Holding Company both will hold 50% ownership in the investee company. The Group has assessed whether this arrangement is in the nature of joint venture or an associate.

For this purpose, the Group assess whether it has significant influence or control not only on the basis of its ownership percentage but also on the existence of qualitative factors such as representation of the board of directors of the investee, its participation in decision making processes, interchange of managerial personnel and access to technical information. Burjeel Holding Company has higher representation in board of directors of the Investee Company and hence has power over the investee Company and thus concluded to have control over the investee Company. Since the Group does not have control over the entity based on qualitative factors, the Group considers this Investment as Investment in associate accounted under the equity method.

Integrated Medical Care Services Company has been incorporated as per Saudi Regulations and registered in Riyadh under commercial registration number 1010888848 on 25 Dhu Al-Qi'dah 1444H (corresponding to 14 June 2023), with a share capital at an amount of SR 100,000 divided into 100 shares with SR 1,000 each. This partnership aimed to establish and operate a network of physiotherapy, rehabilitation and sports health care clinics within and outside the Company's centers in the Kingdom. It will also include the provision of physiotherapy and related wellness services, with a special focus on sports medicine and advanced rehabilitation therapies. The Associate has not yet started the commercial operations.

The following is the carrying amount of the Group's investment in associate:

	Ownership			
	30 September 2023	*31 December 2022*	***30 September 2023***	*31 December 2022*
	%	*%*	***SR***	*SR*
			(Unaudited)	*(Audited)*
Integrated Medical Care Services Company	**50%**	-	**1,220,781**	-

13 RELATED PARTIES TRANSACTIONS AND BALANCES

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

The following are the details of the major related party transactions occurred during the three month and nine month periods ended 30 September:

Name of Related party	*Nature of relationship*	*Nature of transactions*	*For the three months periods ended 30 September*		*For the nine months periods ended 30 September*	
			2023	*2022*	***2023***	*2022*
			SR	*SR*	***SR***	*SR*
			(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Key management personnel	Key management personnel	Salaries and other benefits	**1,426,240**	1,421,746	**4,278,721**	4,033,719
		Post-employment benefits	**54,038**	53,957	**162,112**	152,046
Board of Directors	Directors	Remuneration	**766,000**	756,877	**2,337,419**	2,263,877
Hamad Ali AlSagri	Shareholder	Lease rentals to a shareholder	**850,000**	**850,000**	**2,550,000**	2,550,000
AlSagri Holding	Shareholder affiliate	Subscriptions sold	**41,743**	65,608	**157,674**	197,424

13 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Amount due from AlSagri Holding as of 30 September 2023 amounting to SR 30,363 (31 December 2022: SR 70,080) is included in trade receivables in the interim condensed consolidated statement of financial position.

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

14 TRADE RECEIVABLES

	30 September 2023 SR (Unaudited)	*31 December 2022 SR (Audited)*
Subscriptions and membership receivables	**20,716,096**	16,073,394
Rental receivables	**13,316,622**	12,817,479
	34,032,718	28,890,873
Less: Allowance for expected credit losses		
- Subscriptions and membership receivables	**(1,978)**	(7,089)
- Rental receivables	**(7,028,315)**	(6,074,475)
	27,002,425	22,809,309

15 CASH AND CASH EQUIVALENTS

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

	30 September 2023 SR (Unaudited)	*31 December 2022 SR (Audited)*
Cash in hand	**183,268**	215,866
Cash at bank – current accounts	**144,414,505**	150,411,032
Short term Murabaha (note a)	**245,000,000**	150,000,000
	389,597,773	300,626,898

a) These are placed in Islamic Murabaha accounts with a local bank as interest bearing Murabaha which are based on prevailing market interest rates and have original maturity of less than three months.

16 BORROWINGS

	30 September 2023 SR (Unaudited)	*31 December 2022 SR (Audited)*
Non-current portion of long-term borrowings	**166,635,784**	165,952,119
Current portion of long-term borrowings	**85,210,750**	94,275,829
	251,846,534	260,227,948

16 BORROWINGS (continued)

As at 30 September 2023, the Group had unutilized bank financing facilities amounting to SR 801.64 million (31 December 2022: SR 852.42 million) to manage its short-term and long-term liquidity requirements and for construction of the fitness centers. The facilities have been secured by promissory note issued by the Group.

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 Group to maintain certain levels of current and leverage ratios and also notify the bank of any breach or probable breach immediately. As at 30 September 2023 the Group is in compliance with borrowings covenants.

As at 30 September 2023 and 31 December 2022, the Group had secured borrowings against mortgages on land (note 10) owned by the Group with a cost of SR 58.5 million.

17 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 September 2023 SR (Unaudited)	*31 December 2022 SR (Audited)*
Accrued expenses	**55,146,135**	60,526,876
Value added tax (VAT) payable	**29,028,887**	16,044,913
Advances from tenants	**2,591,645**	3,080,107
	86,766,667	79,651,896

18 ZAKAT

18.1 Charge for the period

During the period, a zakat charge of SR 6.45 million (nine-months period ended 30 September 2022: SR 3.79 million) have been recognised in the interim condensed consolidated statement of profit or loss.

18.2 Status of assessments

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

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

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

18 ZAKAT (continued)

18.2 Status of assessments (continued)

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

The Group 's zakat assessments for the years from 2019 to 2022 are currently under review by the ZATCA. On 9 June 2021, ZATCA raised some queries related to the years 2019 and 2020, which were responded. ZATCA has not issued a final assessment to date.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

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

The Group's bankers have issued letters of guarantees amounting to SR 15.18 million as at 30 September 2023 (31 December 2022: SR 9.77 million) against land lease and letter of credit amounting to SR 68.93 million as at 30 September 2023 (31 December 2022: SR 64.5 million).

19.2 Capital commitments

The Group has capital commitments on contracts for setting up fitness centers amounting to SR 98.1 million as at 30 September 2023 (31 December 2022: SR 20.6 million).

20 LIQUIDITY RISK AND GOING CONCERN

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

	30 September 2023	*31 December 2022*
	SR	*SR*
	(Unaudited)	*(Audited)*
Equity	**1,037,152,356**	938,539,108
Liabilities (excluding deferred revenue)	**1,544,192,291**	1,363,498,552
Total capital structure (excluding deferred revenue)	**2,581,344,647**	2,302,037,660
Gearing ratio	**59.82%**	59.23%
Current ratio (excluding deferred revenue)	**1.44**	1.12

The management also analyses the liquidity risk as follows:

	30 September 2023	*31 December 2022*
	SR	*SR*
	(Unaudited)	*(Audited)*
Current financial assets	**416,600,198**	323,491,760
Current liabilities excluding deferred revenue	**(330,806,676)**	(322,410,914)
Adjusted net current financial asset position	**85,793,522**	1,080,846

The Group manages its liquidity risk by ensuring sufficient un-availed credit facilities. As of 30 September 2023, unutilised bank credit facilities of SR 801.64 million (31 December 2022: SR 852.42 million) were available from multiple banks for managing the working capital requirements. Moreover, the Group generated SR 554.73 million of cash flows from operating activities.

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

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

21 CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

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

22 DIVIDENDS

In its meeting held on 14 Shawwal 1444H (corresponding to 4 May 2023), the Ordinary General Assembly of the Company has authorized the Board of Directors to distribute interim dividends on a quarterly or semi-annual basis for the fiscal year 2023.

On 12 Muharram 1445H (corresponding to 30 July 2023), the Board of Directors, resolved to distribute interim cash dividends of SR 0.75 per share amounting to SR 39.29 million for the second quarter of 2023. Dividends have been fully paid during the period and it will be subject to approval at annual general assembly meeting.

On 26 Shawwal 1444H (corresponding to 16 May 2023), the Board of Directors, resolved to distribute interim cash dividends of SR 0.64 per share amounting to SR 33.52 million for the first quarter of 2023. Dividends have been fully paid during the period and it will be subject to approval at annual general assembly meeting.

On 17 Sha'ban 1444H (corresponding to 9 March 2023), the Board of Directors, resolved to distribute interim cash dividends of SR 1.11 per share amounting to SR 58.14 million for the fourth quarter of 2022 and approved at annual general assembly meeting.

On 6 Muharram 1444H (corresponding to 4 August 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.37 per share amounting to SR 19.4 million for the second quarter of 2022 and approved at annual general assembly meeting.

On 25 Ramadhan 1443H (corresponding to 26 April 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.471 per share amounting to SR 24.7 million for the first quarter of 2022 and approved at annual general assembly meeting.

On 9 Rajab 1443H (corresponding to 10 February 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.87 per share amounting to SR 45.6 million for the fourth quarter of 2021 and approved at annual general assembly meeting.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

24 COMPARATIVE FIGURES

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

Reclassification from	***Reclassification to***	*Amount (SR)*
General and administrative expenses - Finance commission	Finance costs	5,407,104

25 EVENTS AFTER THE REPORTING PERIOD

On 11 Rabi Al-Thani 1445H (corresponding to 26 October 2023), the Board of Directors, resolved to distribute interim cash dividend of SR 0.95 per share amounting to SR 49.764 million for the three month period ended 30 September 2023.

Other than disclosed above, there have been no further significant subsequent events since the period ended 30 September 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.