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

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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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 consolidated financial statements of Leejam Sports Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

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Independent Auditor's Report
To the Shareholders of Leejam Sports Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Revenue recognition	
The Group reported revenue of SR 1,325 million from subscriptions and membership fees of fitness training centers and related activities for the year ended 31 December 2023. 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 4.3 for the accounting policy related to revenue recognition and note 7 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. • Performed analytical procedures by comparing expectations of revenue with actual revenue and analyzing variances. • Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report
To the Shareholders of Leejam Sports Company
(A Saudi Joint Stock Company) (continued)

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of the consolidated 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 Company's By-laws, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's 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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

- 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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Independent Auditor's Report
To the Shareholders of Leejam Sports Company
(A Saudi Joint Stock Company) (continued)

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

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current period 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

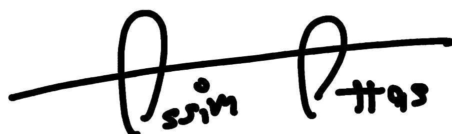
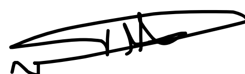
Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 16 Ramadan 1445H
26 March 2024

LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	***2023 SR***	*2022 (Restated – note 37) SR*
Revenue	7	**1,325,407,138**	1,065,788,788
Cost of revenue	8	**(740,858,478)**	(632,168,482)
GROSS PROFIT		**584,548,660**	433,620,306
General and administrative expenses	9	**(115,739,634)**	(93,002,848)
Advertising and marketing expenses	10	**(17,363,817)**	(13,650,113)
(Allowance for)/ reversal of expected credit losses	22	**(948,731)**	117,062
OPERATING PROFIT		**450,496,478**	327,084,407
Other income	11	**1,779,079**	7,157,637
Finance cost	12	**(83,059,338)**	(59,600,388)
Impairment of non-financial assets, net	18, 14 &15	**(2,146,109)**	(12,655,947)
Write-off of non-financial assets, net	14 &15	**(11,422,381)**	-
Profit from short term Murabaha	23a	**13,657,602**	127,083
Share in net results of investment in an associate	17	**(2,946,469)**	-
PROFIT BEFORE ZAKAT		**366,358,862**	262,112,792
Zakat	31	**(10,549,611)**	(7,354,469)
PROFIT FOR THE YEAR		**355,809,251**	254,758,323
NET PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent company		**356,244,132**	254,758,323
Non- Controlling Interests		**(434,881)**	-
		355,809,251	254,758,323
EARNINGS PER SHARE			
Basic and diluted earnings per share	13	**6.80**	4.86

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	***2023*** ***SR***	*2022* *SR* *(Restated– note 37)*
Net profit for the year		**355,809,251**	254,758,323
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	27	**(1,061,502)**	3,006,590
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**354,747,749**	257,764,913
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders for the parent company		**355,182,630**	257,764,913
Non- Controlling Interest		**(434,881)**	**-**
		354,747,749	257,764,913

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

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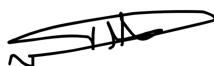
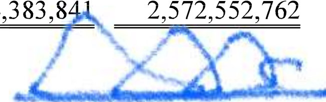
LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	***2023 SR***	*2022 SR (Restated – Note 37)*	*2021 SR (Restated – note 37)*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	14	**1,705,519,606**	1,511,199,497	1,488,727,560
Right-of-use assets	15	**1,152,169,605**	753,692,120	787,384,535
Intangible assets	16	**3,935,499**	3,277,167	3,058,447
Investment in an associate	17	**1,845,765**	-	-
Goodwill	18	**11,932,513**	9,445,544	9,445,544
Advances to suppliers and contractors	19	**100,970,616**	34,938,555	33,741,377
TOTAL NON- CURRENT ASSETS		**2,976,373,604**	2,312,552,883	2,322,357,463
CURRENT ASSETS				
Inventories		**15,011,177**	8,000,691	10,222,768
Prepayments and other current assets	20	**103,939,351**	30,394,060	36,333,370
Trade receivables	22	**29,083,762**	22,809,309	23,753,088
Cash and cash equivalents	23	**276,810,098**	300,626,898	179,886,073
TOTAL CURRENT ASSETS		**424,844,388**	361,830,958	250,195,299
TOTAL ASSETS		**3,401,217,992**	2,674,383,841	2,572,552,762
EQUITY AND LIABILITIES				
EQUITY				
Share capital	24	**523,833,610**	523,833,610	523,833,610
Statutory reserve	25	**135,596,952**	99,972,539	74,496,707
Retained earnings		**429,801,989**	290,966,816	184,974,018
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY		**1,089,232,551**	914,772,965	783,304,335
Non-controlling interests		**2,530,051**	-	-
TOTAL EQUITY		**1,091,762,602**	914,772,965	783,304,335
NON-CURRENT LIABILITIES				
Borrowings	26	**180,207,547**	165,952,119	238,038,485
Lease liabilities	15	**1,178,488,669**	831,922,280	861,584,948
Employees' end of service benefits	27	**49,803,255**	43,213,239	41,421,197
TOTAL NON-CURRENT LIABILITIES		**1,408,499,471**	1,041,087,638	1,141,044,630
CURRENT LIABILITIES				
Borrowings	26	**122,601,656**	94,275,829	126,912,106
Lease liabilities	15	**114,052,331**	78,650,791	79,898,303
Accounts payable	28	**104,641,011**	62,328,705	80,865,297
Accrued expenses and other current liabilities	29	**105,276,723**	79,651,896	54,425,849
Deferred revenue	30	**443,623,557**	396,112,324	300,032,726
Provision for zakat	31	**10,760,641**	7,503,693	6,069,516
TOTAL CURRENT LIABILITIES		**900,955,919**	718,523,238	648,203,797
TOTAL LIABILITIES		**2,309,455,390**	1,759,610,876	1,789,248,427
TOTAL EQUITY AND LIABILITIES		**3,401,217,992**	2,674,383,841	2,572,552,762

Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

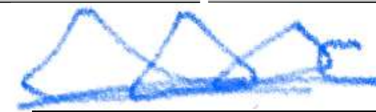
Ali Hamad AlSagri
Board Chairman

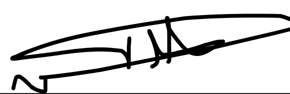
The attached notes 1 to 40 form an integral part of these consolidated financial statements.

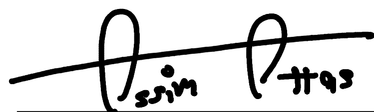
LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital *SR*	*Statutory reserve* *SR*	*Retained earnings* *SR*	*Total*	*Non-Controlling Interest (NCI)*	*Total* *SR*
As at 1 January 2022 – as previously reported	523,833,610	76,623,240	204,112,819	804,569,669	-	804,569,669
Impact of restatement (note 37)	-	(2,126,533)	(19,138,801)	(21,265,334)	-	(21,265,334)
As at 1 January 2022 – as restated	523,833,610	74,496,707	184,974,018	783,304,335	-	783,304,335
Profit for the year	-	-	254,758,323	254,758,323	-	254,758,323
Other comprehensive income	-	-	3,006,590	3,006,590	-	3,006,590
Total comprehensive income for the year	-	-	257,764,913	257,764,913	-	257,764,913
Transfer to statutory reserve	-	25,475,832	(25,475,832)	-	-	-
Dividends (note 33)	-	-	(126,296,283)	(126,296,283)	-	(126,296,283)
As at 31 December 2022	523,833,610	99,972,539	290,966,816	914,772,965	-	914,772,965
Profit for the year	-	-	**356,244,132**	**356,244,132**	**(434,881)**	**355,809,251**
Other comprehensive loss	-	-	**(1,061,502)**	**(1,061,502)**	-	**(1,061,502)**
Total comprehensive income for the year	-	-	**355,182,630**	**355,182,630**	**(434,881)**	**354,747,749**
Transfer to statutory reserve	-	**35,624,413**	**(35,624,413)**	-	-	-
Dividends (note 33)	-	-	**(180,723,044)**	**(180,723,044)**	-	**(180,723,044)**
Formation of a subsidiary (note 1)	-	-	-	-	**24,500**	**24,500**
Additional investment by NCI	-	-	-	-	**2,940,432**	**2,940,432**
As at 31 December 2023	**523,833,610**	**135,596,952**	**429,801,989**	**1,089,232,551**	**2,530,051**	**1,091,762,602**


Assim Al Attas
Chief Financial Officer


Adnan Abdullah Al Khalaf
Chief Executive Officer


Ali Hamad AlSagri
Board Chairman

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

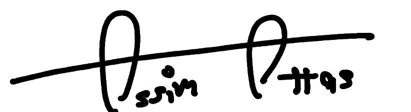
	Note	***2023 SR***	*2022 (Restated – note 37) SR*
OPERATING ACTIVITIES			
Profit before zakat		**366,358,862**	262,112,792
Adjustments to reconcile profit before zakat to net cash flows:			
Gain on lease cancellations	15	**(2,312,034)**	(6,172,248)
Finance costs	12	**83,059,338**	59,600,388
Depreciation of property and equipment	14	**156,485,183**	151,379,123
Impairment of non-financial assets, net	18, 14 & 15	**2,146,109**	12,655,947
Depreciation of right-of-use assets	15	**94,470,832**	79,417,268
Profit from short term Murabaha		**(13,657,602)**	(127,083)
Rent concessions on lease payments	15	**-**	(1,706,965)
Amortization of intangible assets	16	**1,355,624**	1,608,308
Write-off of property and equipment		**13,734,415**	-
Allowance for prepayments and other assets		**1,499,597**	1,202,406
Allowance for/(reversal) of expected credit losses	22	**948,731**	(117,062)
Share in net results of investment in an associate	17	**2,946,469**	-
Provision for employees' end of service benefits	27	**8,570,971**	9,029,524
Provision for impairment for advances to suppliers	19	**-**	4,226,297
Provision for slow moving inventories		**1,014,110**	-
Loss on disposal of property and equipment		**625,450**	-
		717,246,055	573,108,695
Working capital changes:			
Inventories		**(8,024,596)**	2,222,077
Prepayments and other current assets		**(72,728,746)**	4,736,904
Trade receivables		**(5,235,812)**	1,060,841
Accounts payable		**(3,284,478)**	(18,536,592)
Accrued expenses and other current liabilities		**23,891,243**	25,773,569
Deferred revenue		**46,608,680**	96,079,598
Cash from operations		**698,472,346**	684,445,092
Employees' end of service benefits paid	27	**(5,206,214)**	(5,124,646)
Zakat paid	31	**(7,300,683)**	(5,920,292)
Net cash from operating activities		**685,965,449**	673,400,154
INVESTING ACTIVITIES			
Addition in property and equipment		**(307,067,584)**	(176,740,513)
Advances to suppliers and contractors		**(66,032,061)**	(5,423,475)
Proceeds from short term Murabaha profit		**12,720,777**	127,083
Acquisition of a subsidiary	6	**(11,936,435)**	-
Investment in an associate	17	**(4,792,234)**	-
Proceeds from disposal of PPE		**440,652**	-
Addition to intangible assets	16	**(2,013,956)**	(1,827,028)
Net cash used in investing activities		**(378,680,841)**	(183,863,933)

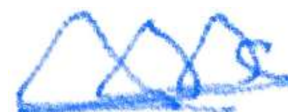
The attached notes 1 to 40 form an integral part of these consolidated financial statements.

LEEJAM SPORTS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	***2023 SR***	*2022 SR (Restated – Note 37)*
FINANCING ACTIVITIES			
Proceeds from borrowings	26	**255,291,076**	45,148,333
Repayments of borrowings	26	**(214,149,825)**	(149,870,976)
Finance cost paid		**(39,621,370)**	(22,612,875)
Transaction with NCI		**2,964,932**	-
Payment of lease liabilities	15	**(154,863,177)**	(115,163,595)
Dividend paid	33	**(180,723,044)**	(126,296,283)
Net cash used in financing activities		**(331,101,408)**	(368,795,396)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(23,816,800)**	120,740,825
Cash and cash equivalents at the beginning of the year		**300,626,898**	179,886,073
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**276,810,098**	300,626,898
SIGNIFICANT NON-CASH TRANSACTIONS			
Additions to right-of-use assets and corresponding lease liability	15	**394,780,980**	96,025,479
Lease Modification	15	**90,345,487**	-
Transfers to property and equipment from capital work-in-progress	14	**84,917,511**	65,891,780
Capitalization of borrowing cost	14	**934,537**	661,214
Interest on lease liabilities capitalized for under construction fitness centers	15	**4,730,817**	1,697,814
Addition in property and equipment and payable		**44,488,411**	-





Assim Al Attas
Chief Financial Officer

Adnan Abdullah Al Khalaf
Chief Executive Officer

Ali Hamad AlSagri
Board Chairman

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

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 consolidated financial statements are as follows:

		Ownership percentage			
		31 December 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 (note 6)	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, does not consolidate the results of operations of the Subsidiary and its financial position in the consolidated financial statements of the Group.

On 24 Thul-Hijjah 1444H (corresponding to 12 July 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 through its Saudi subsidiary (Padelbolaget Sports Company), owns a 49% stake, for the purpose of investing in padel sports in the Kingdom of Saudi Arabia by building and operating padel courts and registered under Commercial Registration (CR) numbered 1010906234 dated 5 Muharram 1445H (corresponding to 14 August 2023), its head office is registered in Riyadh, Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION AND CONSOLIDATION

The material accounting policies (note 4) applied in preparing these consolidated financial statements are consistent with those applied in comparative periods presented.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.1 Statement of compliance

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

2.3 Functional and presentation currency

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

2.4 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.

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.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.4 Basis of consolidation (continued)

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 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

3.1 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 consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts; IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

3.1 New standards, amendments to standards and interpretations applicable from 1 January 2023 (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

3.2 New and amended standards and interpretations 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 IFRS (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

4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information adopted, consistent with those applied in comparative periods presented except for capitalisation of depreciation of right of use assets during the period of construction of the building in the leasehold property as referred in note 4.6 and 37, are as follows:

4.1 Business combinations and goodwill measurement

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 Business combinations and goodwill measurement (continued)

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.

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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 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 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 (continued)

4.3 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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.4 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

4.5 Current versus non-current classification

The Group presents assets and liabilities in the consolidated 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 Group classifies all other liabilities as non-current.

4.6 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 Group 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.

During the year, SOCPA in their clarifications published a reply that depreciation on right of use assets (related to lands) during the period of construction of property and equipment has to be expensed and not capitalised. Accordingly, management has reassessed the accounting policy to align with the SOCPA clarification. Previously, the Group had capitalised the depreciation of lands right of use assets during the period of construction of property and equipment. Consequently, a retrospective restatement has been done to align with SOCPA clarification, refer to note 37.

(ii) Depreciation

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

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

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

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 Property and equipment (continued)

(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 Group 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss.

(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 consolidated statement of profit or loss at the time the item is de-recognized.

4.7 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 5 years.

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 consolidated 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Intangible assets (continued)

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.

4.8 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.

4.8.1 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 Group's business model for managing them. With the exception of trade receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group'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 Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortized cost

The Group 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.8 Financial instruments (continued)

4.8.1 Financial assets (continued)

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

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 Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group has retained.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") 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 Group 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group'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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.8 Financial instruments (continued)

4.8.2 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 Group'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 consolidated 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 consolidated 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 consolidated statement of profit or loss and other comprehensive income.

4.8.3 Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

4.9 ***Fair value measurement***

The Group 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 Group .

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 Group 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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.9 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated financial statements at fair value on a recurring basis, the Group 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 Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

The Group 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 Group 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.

4.10 Cash and cash equivalents

For the purposes of the consolidated 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 Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of changes in values.

4.11 Statutory reserve

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

4.12 Inventories

Inventories comprises consumables (shampoos, sanitizers, spare parts and towels and other related items) 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 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.13 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.

The Group as a lessee

At the lease commencement date, the Group 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 Group 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 Group uses its incremental borrowing rate. In general, the Group 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 consolidated 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 Group 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.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.13 Lease (continued)

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 Group 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.

The right-of-use assets are presented as a separate line in the consolidated 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 consolidated 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 Group as a lessor

When the Group 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 Group 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 Group 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 Group applies IFRS 15 to allocate the consideration in the contract. The Group 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.

4.14 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 consolidated 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 Group 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 consolidated statement of profit or loss.

Borrowings are derecognized from the consolidated 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 consolidated statement of profit or loss as other income or finance costs.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.15 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 Group 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 Group 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 consolidated 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 consolidated 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 consolidated 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 Group operates.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.16 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.

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 consolidated statement of financial position.

4.17 Provisions

Provisions are recognized when the Group 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 ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the consolidated 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 Group 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

5 SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (continued)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets to ensure that there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating units). If there is an indication that an asset may be impaired, then the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in consolidated profit or loss in the consolidated statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

For non-financial assets, except goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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 Group 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 Group 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 Group '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 Group 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 Group'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.

5 SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (continued)

Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group 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 Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

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

The Group 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 Group has several lease contracts that include extension and termination options. The Group 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 Group 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).

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

For selecting the discount rate, we have considered the yield on Government bonds 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.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated 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 ACQUISITION OF A SUBSIDIARY

On 25 Thul-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 Thul-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 consolidated financial statements include the results of Altathir Al-Riyadiyeh Company from the acquisition date.

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

	14 June 2023 *SR*
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	**1,440,004**
Lease liabilities	**12,223,612**
Employees' end of service benefits	**450,947**
Accounts payable	**1,108,373**
Accrued expenses and other current liabilities	**537,895**
Deferred revenue	**902,553**
Provision for zakat	**8,020**
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*
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.

7 REVENUE

	2023 SR	2022 SR
Type of services		
Subscriptions and membership	**1,152,657,980**	931,945,890
Personal training	**147,858,879**	103,079,984
Rental income	**16,151,206**	18,187,850
Others	**8,739,073**	12,575,064
	1,325,407,138	1,065,788,788

Set out below is the disaggregation of the Group'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*	
	2023 SR	2022 SR	**2023 SR**	2022 SR	**2023 SR**	2022 SR
Types of customers						
Male centers	**883,525,972**	718,183,993	**96,535,300**	68,945,031	**10,959,794**	10,677,476
Female centers	**269,132,008**	213,761,897	**51,323,579**	34,134,953	**5,191,412**	7,510,374
	1,152,657,980	931,945,890	**147,858,879**	103,079,984	**16,151,206**	18,187,850
Geographical markets						
Central region	**532,896,939**	416,831,091	**70,169,640**	46,856,842	**10,611,171**	10,664,641
Western region	**425,991,193**	352,332,627	**45,677,807**	33,320,246	**4,281,945**	6,791,074
Eastern region	**168,906,940**	142,774,391	**24,849,387**	17,403,738	**1,037,331**	732,135
UAE	**24,862,908**	20,007,781	**7,162,045**	5,499,158	**220,759**	-
	1,152,657,980	931,945,890	**147,858,879**	103,079,984	**16,151,206**	18,187,850

8 COST OF REVENUE

	2023	2022 (Restated – note 37)
	SR	SR
Salaries and related benefits	**278,929,958**	227,170,392
Depreciation of property and equipment (note 14)	**152,409,177**	148,010,922
Depreciation of right-of-use assets	**93,468,956**	78,415,338
Utility	**75,723,845**	64,930,738
Cleaning and services	**59,238,369**	47,012,071
Government and recruitment expenses	**28,007,133**	22,367,837
Maintenance and repair	**24,853,678**	19,181,901
Security and safety	**12,758,701**	11,661,264
Consumables	**5,168,640**	5,329,293
Stationary	**83,446**	925,107
Others	**10,216,575**	8,870,584
Rent concessions (note 15)	**-**	(1,706,965)
	740,858,478	632,168,482

9 GENERAL AND ADMINSTRATIVE EXPENSES

	2023	2022
	SR	SR
Salaries and related benefits	**62,718,040**	43,710,280
IT Maintenance	**12,625,608**	11,775,898
Government and recruiting expenses	**6,545,008**	3,914,407
Professional fees	**5,989,154**	4,840,781
Bank charges and commission	**4,314,967**	6,569,091
Depreciation of property and equipment (note 14)	**4,076,006**	3,368,201
Board of Directors remuneration (note 21)	**3,076,000**	2,965,000
Depreciation- right of use assets	**1,001,876**	1,001,930
Amortization of intangible assets	**1,355,624**	1,608,308
Stationary	**75,054**	857,038
Others	**13,962,297**	12,391,914
	115,739,634	93,002,848

10 ADVERTISING AND MARKETING EXPENSES

	2023	2022
	SR	SR
Advertising and marketing	**9,776,840**	6,393,107
Salary and related benefits	**7,586,977**	7,257,006
	17,363,817	13,650,113

11 OTHER INCOME

	2023	*2022*
	SR	*SR*
Gain on lease cancellations	**-**	6,172,248
Others	**1,779,079**	985,389
	1,779,079	7,157,637

12 FINANCE COST

	2023	*2022*
	SR	*SR*
Finance cost on lease liabilities (note 15)	**41,464,006**	37,302,495
Finance cost on borrowings	**17,955,263**	11,380,761
Finance commission	**21,927,259**	10,023,378
Interest on employees' defined benefit liabilities (note 27)	**1,712,810**	893,754
	83,059,338	59,600,388

13 EARNINGS PER SHARE

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

	2023	*2022 (Restated – note 37)*
	SR	*SR*
Profit for the year	**356,244,132**	254,758,323
Number of shares	**52,383,361**	52,383,361
Earnings Per Share	**6.80**	4.86

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

14 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 2023	**243,994,789**	**1,575,715,414**	**4,067,458**	**399,396,689**	**127,792,470**	**21,374,795**	**32,657,192**	**57,145,535**	**2,462,144,342**
Additions	**67,754,000**	**64,010,984**	**179,400**	**32,643,758**	**14,195,945**	**1,720,098**	**1,657,830**	**175,059,334**	**357,221,349**
Transfers	**-**	**57,891,559**	**-**	**24,855,877**	**758,234**	**318,688**	**1,093,153**	**(84,917,511)**	**-**
Effect of acquisition of new subsidiary (note 6)	**-**	**5,266,302**	**318,109**	**1,503,008**	**-**	**9,504**	**247,044**	**-**	**7,343,967**
Disposal	**-**	**-**	**-**	**(2,987,967)**	**-**	**(713)**	**-**	**-**	**(2,988,680)**
Reversal of impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,501,812**	**2,501,812**
Write off	**-**	**(23,926,621)**	**-**	**(25,385)**	**(221,312)**	**(53,397)**	**(121,491)**	**-**	**(24,348,206)**
At 31 December 2023	**311,748,789**	**1,678,957,638**	**4,564,967**	**455,385,980**	**142,525,337**	**23,368,975**	**35,533,728**	**149,789,170**	**2,801,874,584**
Accumulated depreciation:									
At 1 January 2023	**-**	**634,214,181**	**3,319,782**	**201,390,965**	**80,163,404**	**14,818,244**	**17,038,269**	**-**	**950,944,845**
Charge for the year	**-**	**102,696,542**	**267,452**	**37,762,471**	**9,695,610**	**2,491,517**	**3,571,591**	**-**	**156,485,183**
Effect of acquisition of new subsidiary (note 6)	**-**	**851,384**	**112,884**	**436,622**	**-**	**4,541**	**55,888**	**-**	**1,461,319**
Disposal	**-**	**-**	**-**	**(1,922,316)**	**-**	**(262)**	**-**	**-**	**(1,922,578)**

Write off	**-**	**(10,355,620)**	**-**	**(20,768)**	**(112,172)**	**(44,783)**	**(80,448)**	**-**	**(10,613,791)**
At 31 December 2023	**-**	**727,406,487**	**3,700,118**	**237,646,974**	**89,746,842**	**17,269,257**	**20,585,300**	**-**	**1,096,354,978**
Net book value									
At 31 December 2023	**311,748,789**	**951,551,151**	**864,849**	**217,739,006**	**52,778,495**	**6,099,718**	**14,948,428**	**149,789,170**	**1,705,519,606**

14 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 2022 – as previously reported	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
Impact of restatement (note 37)	-	(21,538,581)	-	-	-	-	-	(689,361)	(22,227,942)
At 1 January 2022 – as restated	181,543,604	1,519,970,462	3,879,458	346,619,746	117,841,020	18,852,606	29,474,116	64,863,789	2,283,044,801
Additions	62,451,185	26,301,289	188,000	20,172,946	8,298,770	2,350,982	1,162,843	58,173,526	179,099,541
Transfer	-	29,443,663	-	32,603,997	1,652,680	171,207	2,020,233	(65,891,780)	-
At 31 December 2022	243,994,789	1,575,715,414	4,067,458	399,396,689	127,792,470	21,374,795	32,657,192	57,145,535	2,462,144,342
Accumulated depreciation:									
At 1 January 2022 – as previously reported	-	530,628,038	3,112,610	165,031,079	70,458,354	12,454,684	13,595,084	-	795,279,849
Impact of restatement (note 37)	-	(962,608)	-	-	-	-	-	-	(962,608)
At 1 January 2022 – as restated	-	529,665,430	3,112,610	165,031,079	70,458,354	12,454,684	13,595,084	-	794,317,241
Charge for the year	-	100,254,581	207,172	35,405,575	9,705,050	2,363,560	3,443,185	-	151,379,123
Impairment	-	4,294,170	-	954,311	-	-	-	-	5,248,481
At 31 December 2022	-	634,214,181	3,319,782	201,390,965	80,163,404	14,818,244	17,038,269	-	950,944,845
Net book value									
At 31 December 2022 (restated)	243,994,789	941,501,233	747,676	198,005,724	47,629,066	6,556,551	15,618,923	57,145,535	1,511,199,497
At 31 December 2021 (restated)	181,543,604	990,305,032	766,848	181,588,667	47,382,666	6,397,922	15,879,032	64,863,789	1,488,727,560

The depreciation charge for the year is allocated as follows:

	2023	*2022 Restated*
	SR	*SR*
Cost of revenue (note 8)	**152,409,177**	148,010,922
General and administrative expenses (note 9)	**4,076,006**	3,368,201
	156,485,183	151,379,123

14 PROPERTY AND EQUIPMENT (continued)

The Capital Work-in-Progress ("CWIP") as of 31 December 2023 represents construction costs and capital equipment amounting to SR 52.48 million and SR 103.63 million (2022: SR 30.69 million and SR 27.68 million), respectively.

The total borrowing cost capitalized under CWIP during the year amount to SR 0.93 million (2022: SR 0.66 million), and the capitalization rate was 6.24% (2022: 5.9%). In addition, interest in respect lease liability amounting to SR 4.7 million (2022: SR 1.7 million) was capitalized for under construction fitness centers.

During prior year, the Group has recorded an impairment charge amounting to SR 5.2 million against the closure of one of the fitness centers in Ras Al Khaimah-UAE.

During the current year, 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.

Net book value of buildings amounting to SR7.9 million (2022: SR 8.2 million) are constructed on land owned by the Group.

As at 31 December 2023 and 2022, the Group had secured borrowings against mortgages on land (note 26) owned by the Group with a cost of SR 58.5 million.

During the year ended 31 December 2023, the Group reversed impairment amounting to SR 2.5 million in respect of a previously impaired fitness centre as the centre became operational in 2023.

15 LEASES

The Group 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:

	2023	*2022*
	SR	*SR*
Opening balance	**753,692,120**	787,384,535
Addition during the year	**394,780,980**	96,025,479
Effect of acquisition of new subsidiary (note 6)	**12,223,612**	-
Depreciation charge for the year	**(94,470,832)**	(79,417,268)
Lease Modification	**90,345,487**	-
Lease cancelation	**-**	(42,893,160)
Impairment	**-**	(7,407,466)
Write off *	**(4,401,762)**	-
Closing balance	**1,152,169,605**	753,692,120

15 LEASES (continued)

Movement in lease liabilities is as follows:

	2023	*2022*
	SR	*SR*
Opening balance	**910,573,071**	941,483,251
Addition during the year	**394,780,980**	96,025,479
Effect of acquisition of new subsidiary (Note 6)	**12,223,612**	-
Lease payments for the year	**(154,863,177)**	(115,163,595)
Lease Modification	**90,345,487**	-
Rent concessions on lease payments (note 8)	**-**	(1,706,965)
Interest expense for the year (note 12)	**41,464,006**	37,302,495
Lease cancelation	**-**	(49,065,408)
Interest capitalized for under construction fitness centers	**4,730,817**	1,697,814
Write off *	**(6,713,796)**	-
Closing balance	**1,292,541,000**	910,573,071

* 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 centers as referred in note 14.

Lease liability included in the consolidated statement of financial position:

	2023	*2022*
	SR	*SR*
Non-current	**1,178,488,669**	831,922,280
Current	**114,052,331**	78,650,791
	1,292,541,000	910,573,071

The maturity analysis of lease liabilities is disclosed in note 35.

16 INTANGIBLE ASSETS

	2023	*2022*
	SR	*SR*
Cost:		
At 1 January	**14,027,428**	12,200,400
Additions	**2,013,956**	1,827,028
At 31 December	**16,041,384**	14,027,428
Accumulated amortization:		
At 1 January	**10,750,261**	9,141,953
Charge for the year	**1,355,624**	1,608,308
At 31 December	**12,105,885**	10,750,261
Carrying amount	**3,935,499**	3,277,167

17 INVESTMENT IN ASSOCIATE

On 25 Thul-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 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 Thul-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.

	Ownership			
	2023	*2022*	***2023***	*2022*
	%	*%*	***SR***	*SR*
Integrated Medical Care Services Company	**50%**	-	**1,845,765**	-

Movement in the Group's investment account:

	2023	*2022*
	SR	*SR*
At the beginning of the year	**-**	-
Addition during the year	**4,792,234**	-
The Group's share of the associate results	**(2,946,469)**	-
At the end of the year	**1,845,765**	-

Summarized statement of financial position of the associate:

	2023	*2022*
	SR	*SR*
Current assets	**2,480,360**	-
Non-current assets	**9,109,344**	-
Current liabilities	**6,062,281**	-
Non-current liabilities	**18,585**	-
Equity	**5,508,838**	**-**
Group's share in equity	**1,845,765**	**-**

17 INVESTMENT IN ASSOCIATE (continued)

Summarized statement of profit or loss and other comprehensive income of the associate:

	2023 ***SR***	*2022* *SR*
Revenue	**1,287,817**	-
Net loss for the year	**(5,892,939)**	-
Total comprehensive loss for the year	**(5,892,939)**	-
Group's share of loss for the year	**(2,946,469)**	-

18 GOODWILL

- During 2016 the Group acquired two fitness centers namely Dwadmi and Alkhaleej with goodwill recognised on the acquisition of these fitness centers amounting to SR 4.6 million and 4.8 million respectively. As at 31 December 2023, 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 more than the fair value for fitness center Dwadmi and accordingly the management recorded an impairment amounting to SR 4.6 million.

- During the year, the Group acquired Altathir Al-Riyadiyeh Company with goodwill recognised on the acquisition of this Company amounting to SR 7.1 million.

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 the beginning of the year	**9,445,544**
Acquisition of a subsidiary (note 6)	**7,134,890**
Impairment	**(4,647,921)**
Closing balance	**11,932,513**

19 ADVANCES TO SUPPLIERS AND CONTRACTORS

	2023 ***SR***	*2022* *SR*
Advances to contractors in respect of construction of fitness center	**99,747,248**	19,539,176
Advances to suppliers against purchase of sport equipment	**5,449,665**	19,625,676
	105,196,913	39,164,852
Less: Allowance for impairment loss	**(4,226,297)**	(4,226,297)
	100,970,616	34,938,555

Movement in the allowance for impairment loss of advances to suppliers and contractors is as follows:

	2023 ***SR***	*2022* *SR*
At the beginning of the year	**4,226,297**	-
Charge during the year	**-**	4,226,297
Closing balance	**4,226,297**	4,226,297

20 PREPAYMENT AND OTHER ASSETS

	2023	*2022*
	SR	*SR*
Advances to suppliers	**50,405,320**	16,596,692
Other receivable	**40,724,443**	6,720,398
Prepayments	**22,215,390**	14,983,175
	113,345,153	38,300,265
Less: Allowance against prepayments and other assets	**(9,405,802)**	(7,906,205)
	103,939,351	30,394,060
Allocation of allowance of prepayments and other assets is as follow:		
Advances to suppliers	**8,407,128**	6,907,531
Other prepayments	**998,674**	998,674
	9,405,802	7,906,205

Movement in Allowance prepayments and other assets is as follows:

	2023	*2022*
	SR	*SR*
At the beginning of the year	**7,906,205**	6,703,799
Charge during the year	**1,499,597**	1,202,406
Closing balance	**9,405,802**	7,906,205

21 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 year:

Related party	***Nature of relationship***	***Nature of transactions***	***2023***	*2022*
			SR	*SR*
Key management personnel	Key management personnel	Salaries and other benefits	**5,704,961**	5,477,383
		Post-employment benefits	**216,150**	206,960
Board of Directors	Directors	Remuneration (note 9)	**3,076,000**	2,965,000
Hamad Ali AlSagri	Shareholder	Lease rentals paid to a shareholder	**3,400,000**	3,400,000
AlSagri Holding	Shareholder affiliate	Subscription sold	**188,656**	191,051
Dhaoq Almanzel Trading Est	Shareholder affiliate	Purchase of furniture	**87,652**	-

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

	2023	*2022*
	SR	*SR*
AlSagri Holding	**61,345**	70,080

22 TRADE RECEIVABLES

	2023	*2022*
	SR	*SR*
Subscriptions and membership receivables	**23,307,565**	16,073,394
Rental receivables	**12,806,492**	12,817,479
	36,114,057	28,890,873
Less: Allowance for expected credit losses		
- Subscriptions and membership receivables	**(5,664)**	(7,089)
- Rental receivables	**(7,024,631)**	(6,074,475)
	29,083,762	22,809,309

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

	2023	*2022*
	SR	*SR*
At the beginning of the year	**6,081,564**	6,198,626
Allowance provided /(reversal) during the year	**948,731**	(117,062)
Closing balance	**7,030,295**	6,081,564

Information about the credit exposures on trade receivables is disclosed in note 35.

23 CASH AND CASH EQUIVALENTS

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

	2023	*2022*
	SR	*SR*
Cash in hand	**268,049**	215,866
Cash at bank – current accounts	**86,542,049**	150,411,032
Short term deposits (note a)	**190,000,000**	150,000,000
	276,810,098	300,626,898

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.

24 SHARE CAPITAL

The share capital of the Group is SR 523.8 million (31 December 2022: SR 523.8 million) divided into 52.3 million shares (31 December 2022: 52.3 million shares) with a nominal value of SR 10 each.

25 STATUTORY RESERVE

In accordance with Company's By-laws, 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.

26 BORROWINGS

	2023	*2022*
	SR	*SR*
Non-current portion of long-term borrowings	**180,207,547**	165,952,119
Current portion of long-term borrowings	**122,601,656**	94,275,829
	302,809,203	260,227,948

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

	2023	*2022*
	SR	*SR*
At 1 January	**260,227,948**	364,950,591
Effect of acquisition of new subsidiary (Note 6)	**1,440,004**	-
Receipts during the year	**255,291,076**	45,148,333
Repayments during the year	**(214,149,825)**	(149,870,976)
	302,809,203	260,227,948

As at 31 December 2023, the Group had unutilized bank financing facilities amounting to SR 1,048 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 31 December 2023 the Group is in compliance with borrowings covenants.

As at 31 December 2023 and 2022, the Group had secured borrowings against mortgages on land (note 14) owned by the Group with a cost of SR 58.5 million.

27 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 2023 and 31 December 2022 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 consolidated statement of comprehensive income and balances reported in the statement of financial position.

	2023	*2022*
	SR	*SR*
Present value of end of service benefits (consolidated statement of financial position)		
Present value of employees' end of service benefits liabilities	**49,803,255**	43,213,239

	2023	*2022*
	SR	*SR*
Consolidated statement of profit or loss		
Current service costs	**8,570,971**	9,029,524
Finance costs	**1,712,810**	893,754

27 EMPLOYEES' END OF SERVICE BENEFITS (continued)

Reconciliation of present value of liability

	2023	*2022*
	SR	*SR*
As at 1 January	**43,213,239**	41,421,197
Effect of acquisition of new subsidiary (note 6)	**450,947**	-
Current service cost	**8,570,971**	9,029,524
Interest cost	**1,712,810**	893,754
Actuarial loss / (gain) (charged to other comprehensive income)	**1,061,502**	(3,006,590)
Payments during the year	**(5,206,214)**	(5,124,646)
As at 31 December	**49,803,255**	43,213,239

	2023	*2022*
Discount rate	4.7%	4.2%
Future salary increment rate	3.00%	3.00%
Retirement age	60 years	60 years

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

	2023	*2022*
	SR	*SR*
Increase in discount rate 1%	**(3,204,918)**	(2,883,253)
Decrease in discount rate 1%	**3,665,123**	3,311,747
Increase in long term salary increases 1%	**3,797,849**	3,425,840
Decrease in long term salary increases 1%	**(3,373,099)**	(3,031,141)

The weighted average duration of the defined benefit obligation is 6.89 years (31 December 2022: 7.17 years). The expected maturity analysis of undiscounted defined benefit obligation is as follows (time in years):

	2023	*2022*
	SR	*SR*
Within the next 12 months (next annual reporting period)	**7,157,966**	6,053,203
Between 2 and 5 years	**20,091,096**	16,510,422
Beyond 5 years	**45,723,339**	38,624,109
Total expected payments	**72,972,401**	61,187,734

28 ACCOUNTS PAYABLE

	2023	*2022*
	SR	*SR*
Trade suppliers	**94,794,045**	56,215,496
Contractors in respect of construction of fitness centers	**9,846,966**	6,113,209
	104,641,011	62,328,705

29 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023 *SR*	*2022* *SR*
Accrued expenses	**91,463,986**	60,526,876
Value added tax (VAT) payable	**13,192,866**	16,044,913
Advances from tenants	**619,871**	3,080,107
	105,276,723	79,651,896

30 DEFERRED REVENUE

	2023 *SR*	*2022* *SR*
Deferred subscription income from:		
Membership fee	**412,407,409**	372,809,131
Personal training fee	**27,324,255**	20,603,243
	439,731,664	393,412,374
Deferred rental income	**3,891,893**	2,699,950
	443,623,557	396,112,324

31 ZAKAT

31.1 Charge for the year

The charge for the year is as follows:

	2023 *SR*	*2022* *SR*
Provision for the year	**10,549,611**	7,354,469

31.2 Movements in zakat provision

	2023 *SR*	*2022* *SR*
At the beginning of the year	**7,503,693**	6,069,516
Effect of acquisition of new subsidiary (note 6)	**8,020**	-
Charge during the year	**10,549,611**	7,354,469
Payments during the year	**(7,300,683)**	(5,920,292)
At the end of the year	**10,760,641**	7,503,693

31.3 The principal elements of the Group’s Zakat base for the year ending 31 December are as follows:

	2023 *SR*	*2022* *SR*
Share capital	**523,833,610**	523,833,610
Retained earnings	**110,243,772**	77,816,536
Statutory reserve	**99,972,539**	76,623,240
Adjusted net profit for the year	**389,615,724**	291,935,947

Book value of non-current assets	**2,875,402,988**	2,301,380,471

31 ZAKAT (continued)

31.4 Adjusted net income

	2023 ***SR***	*2022* *SR*
Profit for the year before zakat	**366,358,862**	264,613,601
Provision for employees end of service benefits	**10,283,781**	9,923,278
Impairment of non-financial assets	**4,647,921**	12,655,947
Allowance (reversal) for expected credit losses	**948,731**	(117,062)
Others	**7,376,429**	4,860,183
At the end of the year	**389,615,724**	291,935,947

31.5 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 said years, 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 investment funds that could be ultimately owned 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 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 has been rejected. The Group is in the process of filing a cassation appeal as a final stage in the litigation process.

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, dividend distribution to the above-mentioned former shareholder, in management view, is 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).

However, the Group recorded a liability of SR 32.7 million as a result of rejection of the appeal. 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, an equal amount of reimbursable receivable is recorded from the above-mentioned former shareholder as of 31 December 2023.

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

32 CONTINGENCIES AND COMMITMENTS

32.1 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 consolidated financial statements.

The Group's bankers have issued letters of guarantees amounting to SR 10.6 million as at 31 December 2023 (31 December 2022: SR 9.77million) against land lease and letter of credit amounting to SR 104.93 million as at 31 December 2023 (2022: SR 64.5 million).

32.2 Commitments

The Group has capital commitments on contracts for setting up fitness centers amounting to SR 102.7 million as at 31 December 2023 (31 December 2022: SR 20.6 million).

33 DIVIDENDS

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

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 third quarter of 2023. Dividends have been fully paid during the year.

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 year.

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 year.

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.

On 5 Rabi Al-Thani 1444H (corresponding to 30 October 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.7017 per share amounting to SR 36.7 million for the third quarter of 2022.

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.

On 25 Ramadan 1443H (corresponding to 26 April 2022), the Board of Directors, resolved to distribute interim cash dividends of SR 0.471 per share amounting to SR 24.7 million for the first quarter of 2022.

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.

34 SEGMENTAL INFORMATION

The Group carries out its activities in the Kingdom of Saudi Arabia and UAE. The Group has determined its business segments on the basis of location and market services rendered by the Group's business segments and reported to the Group's Chief Operation Decision Maker for the purposes of resource allocation and assessment of segment performance.

For executive management purposes, the Group is organized in the following business segments:

34.1 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
- Western Region
- Eastern Region
- International Region UAE

The following tables present revenue and profit information for the geographical segments for year end.

For year ended 31 December 2023

	Central Region *SR '000*	**Western Region** *SR '000*	**Eastern Region** *SR '000*	**International Region – UAE** *SR '000*	**Total** *SR '000*
Revenues	**615,503**	**480,696**	**196,767**	**32,441**	**1,325,407**
Depreciation on property and equipment	**(69,287)**	**(55,509)**	**(22,118)**	**(5,495)**	**(152,409)**
Depreciation of right-of-use assets	**(42,561)**	**(33,980)**	**(14,858)**	**(2,070)**	**(93,469)**
Other costs of revenue	**(234,945)**	**(175,268)**	**(70,222)**	**(14,545)**	**(494,980)**
Segment profit	**268,710**	**215,939**	**89,569**	**10,331**	**584,549**

For year ended 31 December 2022

	Central Region SR '000	Western Region *SR '000*	Eastern Region *SR '000*	International Region – UAE *SR '000*	Total *SR '000*
Revenues	483,553	394,581	161,918	25,737	1,065,789
Depreciation on property and equipment	(66,234)	(54,580)	(20,903)	(6,294)	(148,011)
Depreciation of right-of-use assets	(35,535)	(27,891)	(11,931)	(3,058)	(78,415)
Other costs of revenue	(186,680)	(147,100)	(57,032)	(14,931)	(405,743)
Segment profit	195,104	165,010	72,052	1,454	433,620

34 SEGMENTAL INFORMATION (continued)

34.2 Market segments (continued)

The following tables present revenue and profit information for the Market segments

	Male Fitness Centers		*Female Fitness Centers*		*Total*	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
	SR '000	*SR '000*	***SR '000***	*SR '000*	***SR '000***	*SR '000*
Revenue	**997,105**	808,158	**328,302**	257,631	**1,325,407**	1,065,789
Depreciation						
- property & equipment	**(103,807)**	(100,235)	**(48,602)**	(47,776)	**(152,409)**	(148,011)
- right-of-use assets	**(68,438)**	(55,849)	**(25,031)**	(22,566)	**(93,469)**	(78,415)
Other cost of revenue	**(369,622)**	(301,534)	**(125,358)**	(104,209)	**(494,980)**	(405,743)
Segment profit	**455,238**	350,540	**129,311**	83,080	**584,549**	433,620

34.3 Reconciliation of segment results to profit.

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.

	2023	*2022*
	SR	*SR*
Segment profit	**584,548,660**	433,620,306
Advertising and marketing expenses	**(17,363,817)**	(13,650,113)
Finance costs	**(83,059,338)**	(59,600,388)
Profit from short term Murabaha	**13,657,602**	127,083
General and administration expenses and others	**(131,424,245)**	(98,384,096)
Profit before zakat	**366,358,862**	262,112,792

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Group'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 Group's operations and capital expenditure. The Group has a certain portion of prepayments and other current assets, trade receivable and bank balances that arise directly from its operations.

The Group is exposed to credit risk, market risk and liquidity risk. The Group risk governance oversees the management of these risks. The Group risk governance manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Group'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 Group 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 Group's pre-defined risk appetite.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 Group 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 Group 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 Group 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 Group 's view of economic conditions over the expected lives of trade receivables.

Cash and cash equivalents
The Group held balances with banks and short-term deposit of SR 86.6 million and 190 million as at 31 December 2023 respectively, 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 Group 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 Group 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 2023 and 2022 was determined as follows:

Membership receivables

31 December 2023

	Within Credit period	*1-180 days Past Due*	*181-365 days past due*	*Total*
	SR	*SR*	*SR*	*SR*
Gross carrying amount	**14,229,060**	**7,374,007**	**1,704,498**	**23,307,565**
Expected credit loss range (%)	**0.009%**	**0.06%**	**-**	
Loss allowance	**1,258**	**4,406**	**-**	**5,664**

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

31 December 2022

	Within Credit period SR	*1-180 days Past Due SR*	*181-365 days past due SR*	*Total SR*
Gross carrying amount	10,220,037	5,853,357	-	16,073,394
Expected credit loss range (%)	0.013%	0.098%	-	
Loss allowance	1350	5,739	-	7,089

Rent receivables

31 December 2023

	Within credit period SR	***1-180 days Past Due SR***	***181-365 days past due SR***	***More than days 1 year past Due SR***	***Total SR***
Gross carrying amount	**848,054**	**2,016,403**	**2,102,774**	**7,839,261**	**12,806,492**
Expected credit loss range (%)	**12%**	**16%**	**46%**	**72%**	
Loss allowance	**102,238**	**317,019**	**969,767**	**5,635,607**	**7,024,631**

31 December 2022

	Within credit period SR	*1-180 days Past due SR*	*181-365 days past due SR*	*More than days 1 year past due SR*	*Total SR*
Gross carrying amount	1,114,203	3,451,577	1,882,135	6,369,564	12,817,479
Expected credit loss range (%)	7%	11%	34%	78%	
Loss allowance	78,705	379,039	645,718	4,971,013	6,074,475

The Group 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 2023 and 2022.

Interest rate risk

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

	2023 SR	*2022 SR*
Borrowings		
Fixed rate instruments	**-**	15,000,000
Variable rate instruments	**112,809,203**	95,227,948

35 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.

	2023 SR	*2022 SR*
Variable rate instruments		
100 bp Increase	**(1,128,092)**	(952,280)
100 bp Decrease	**1,128,092**	952,280

Liquidity risk

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 realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group 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 2023

	Within 3 Months SR	***3 to 12 months SR***	***2 to 5 years SR***	***More than 5 years SR***	***Total SR***
Borrowings	**60,503,595**	**79,737,627**	**198,377,754**	**1,183,779**	**339,802,755**
Accounts payable	**104,641,011**	**-**	**-**	**-**	**104,641,011**
Accrued expenses	**58,752,665**	**-**	**-**	**-**	**58,752,665**
Lease liabilities	**40,968,340**	**122,905,020**	**655,493,437**	**962,325,146**	**1,781,691,943**
	264,865,611	**202,642,647**	**853,871,191**	**963,508,925**	**2,284,888,374**

31 December 2022

	Within 3 Months SR	*3 to 12 months SR*	*2 to 5 years SR*	*More than 5 years SR*	*Total SR*
Borrowings	28,260,803	79,347,287	181,918,556	-	289,526,646
Accounts payable	62,328,705	-	-	-	62,328,705
Accrued expenses	60,526,876	-	-	-	60,526,876
Lease liabilities	37,412,344	74,824,688	518,262,807	478,286,301	1,108,786,140
	188,528,728	154,171,975	700,181,363	478,286,301	1,521,168,367

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	2023	*2022*
	SR	*SR*
Equity	**1,091,762,602**	914,772,965
Liabilities (excluding deferred revenue)	**1,865,831,833**	1,363,498,552
	2,957,594,435	2,278,271,517

	2023	*2022*
	SR	*SR*
Gearing ratio	**63.1%**	59.85%
Current ratio (excluding deferred revenue)	**0.93**	1.12

As of 31 December 2023, the management also analyses the liquidity risk as follows:

	2023	*2022*
	SR	*SR*
Current financial assets	**305,893,860**	323,436,207
Current financial liabilities excluding deferred revenue	**(400,047,629)**	(295,782,201)
Net current financial (liability) asset position	**(94,153,769)**	27,654,006

The Group manages liquidity risk by ensuring sufficient un-availed borrowing facilities. As at 31 December 2023, unutilized bank borrowing facilities of SR 1,048 million were available from multiple banks for managing the working capital requirements. Moreover, the Group generated cash flow from operating activities amounting to SR 685.9 million for the year 2023.

In relation to the liquidity risk of the Group, the management monitors the Group's cash flow to ensure 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 management is not aware of any material uncertainty that name cast significant doubt up on the Group's ability to continue as going concern there for these consolidated financial statements have been prepared on a going concern basis

36 CAPITAL MANAGEMENT

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

The Group 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 2023 and the year ended 31 December 2022. Capital comprises share capital, statutory reserve, retained earnings and non-controlling interests and is measured at SR 1,091.8 million as at 31 December 2023 (2022: SR 914.8 million).

37 RESTATEMENT

The Group, in its normal course of business, obtains lands on leases and constructs buildings on them. Since the adoption of IFRS 16, the Group had been capitalising the depreciation of right-of-use assets related to the lands to the cost of buildings during the time of construction. In November 2023, SOCPA's published a clarification related to the capitalisation of depreciation of right of use assets, in relation to a leased land, to the cost of building during the construction period surfaced as a result of an enquiry it received. As a consequence, the Group applied the SOCPA's clarification retrospectively by restating prior years. Hence, cost of revenue was understated during those years. Based on the surfaced clarification, the Group has accounted for the effect of this clarification in these consolidated financial statements in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

The resultant impact of the above mentioned restatement on each of the impacted consolidated financial statements line items for the prior periods is reflected in the table below:

Effect on the statement of financial position as of 1 January 2022	***As previously reported***	***Restatement***	***As restated***
	SR	***SR***	***SR***
Property and equipment	1,509,992,894	(21,265,334)	1,488,727,560
Retained earnings	204,112,819	(19,138,801)	184,974,018
Statutory reserve	76,623,240	(2,126,533)	74,496,707

Effect on the statement of financial position as of 31 December 2022	***As previously reported***	***Restatement***	***As restated***
	SR	***SR***	***SR***
Property and equipment	1,534,965,640	(23,766,143)	1,511,199,497
Retained earnings	312,356,345	(21,389,529)	290,966,816
Statutory reserve	102,349,153	(2,376,614)	99,972,539

Effect on the statement of profit or loss for the year ended 31 December 2022	***As previously reported***	***Restatement***	***As restated***
	SR	***SR***	***SR***
Cost of revenue	629,667,673	2,500,809	632,168,482
Basic and diluted earnings per share	4.91	(0.05)	4.86

38 EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end the Group acquired 60% of Champs Sports and Fitness Club LLC, which primarily engaged in the provision of comprehensive fitness and wellness services including but not limited to gym, fitness classes, basketball academy, football academy and facilities rentals, having commercial license numbered 865400 issued by the Dubai Economy Department. The legal procedures for transferring ownership were completed on 1 February 2024.

On 4 Ramadan 1445H (corresponding to 14 March 2024), the Board of Directors recommended the repurchase of up to 200,000 shares to allocate to the employees' long term incentive plan. The Board of Directors recommendation will be presented to the shareholders at the upcoming extraordinary general meeting.

On 8 Ramadan 1445H (corresponding to 18 March 2024), the Board of Directors, resolved to distribute cash dividend of SR 1.33 per share amounting to SR 69.7 million for the three month period ended 31 December 2023.

38 EVENTS AFTER THE REPORTING PERIOD (continued)

Other than mentioned above no events have arisen subsequent to 31 December 2023 and before the date of issuing the consolidated financial statements that could have a significant effect on the consolidated financial statements as at 31 December 2023.

39 BRANCHES OF THE GROUP

The Group has the following branches, which are operating under separate Commercial Registration ("CR").

Location	CR	Issuance Date
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	02/03/1442H
Riyadh	1010649568	07/01/1442H
Khamis	5855346933	22/06/1441H
Hail	3350147653	22/06/1441H
Buraidah	1131308370	14/02/1442H
Riyadh	1010739641	29/01/1443H
Riyadh	1010738515	22/1/1443H
Tabuk	3550145682	22/11/1443H
Arar	3450181275	04/06/1444H
Riyadh	1010905657	24/12/1444H
UAE trade licenses		
Dubai Branch	724509	11/01/2015
Ras Al-Khaimah Branch	41352	3/3/2015
Rashidya Branch (Ajman)	78538	24/08/2016
Hazana (Sharjah)	786703	26/10/2021

40 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved for issuance by the Group's Board of Directors on 8 Ramadan 1445H (corresponding to 18 March 2024).