

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT**

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2024

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Sport Clubs Company
(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the 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, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

**Independent Auditor's Report on the Audit of the Consolidated Financial Statements of Sport Clubs Company
(Saudi Joint Stock Company) for the year ended 31 December 2024 (continued)**

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 ISAs 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 ISAs 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.
- 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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

For Dr. Mohamed Al-Amri & Co.



Gihad Mohamed Al-Amri
Certified Public Accountant
License Number 362



Riyadh on: 27 Ramadan 1446 (H)
Corresponding to: 27 March 2025 (G)

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(Saudi Riyals)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	(6)	465,149,962	408,073,520
Right of use assets	(7.1)	252,668,719	309,180,796
Intangible assets	(8)	5,385,723	5,341,104
TOTAL NON-CURRENT ASSETS		723,204,404	722,595,420
CURRENT ASSETS			
Inventory	(9)	9,927,245	8,209,467
Trade receivables	(10)	28,769,607	4,407,617
Prepayments and other receivables	(11)	31,478,944	13,239,299
Cash and cash equivalents	(12)	5,026,406	8,641,035
TOTAL CURRENT ASSETS		75,202,202	34,497,418
TOTAL ASSETS		798,406,606	757,092,838
EQUITY AND LIABILITIES			
EQUITY			
Share capital	(13)	104,000,000	104,000,000
Statutory reserve	(33)	-	15,904,683
Share issuance reserve	(35)	(1,026,540)	-
Retained earnings		65,835,410	23,505,781
TOTAL EQUITY		168,808,870	143,410,464
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities - non-current portion	(7.2)	279,672,885	333,420,462
Long term loans - non-current portion	(14)	84,031,227	60,677,133
Employees' benefits	(15)	24,676,110	21,825,791
Contracts liabilities - non-current portion	(16)	731,953	700,324
TOTAL NON-CURRENT LIABILITIES		389,112,175	416,623,710
CURRENT LIABILITIES			
Lease liabilities - current portion	(7.2)	42,249,645	36,029,454
Long term loans - current portion	(14)	58,942,123	41,948,849
Trade payables		26,096,223	29,118,347
Accrued expenses and other payables	(17)	18,532,482	13,531,095
Provision for Zakat	(18)	1,008,151	802,549
Contracts liabilities - current portion	(16)	93,656,937	75,628,370
TOTAL CURRENT LIABILITIES		240,485,561	197,058,664
TOTAL LIABILITIES		629,597,736	613,682,374
TOTAL EQUITY AND LIABILITIES		798,406,606	757,092,838

The accompanying notes from (1) to (36) form an integral part of these consolidated financial statements.

Chief Finance Officer
Abdullah Altahan

Chief Executive Officer
Wael El Merhabi

Chairman of the board
Ammar Al Khudairy

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2024**

(Saudi Riyals)

	Note	2024	2023
Revenue	(19)	327,425,956	270,620,715
Cost of revenue	(20)	(228,880,727)	(198,235,704)
GROSS PROFIT		98,545,229	72,385,011
Marketing expenses	(21)	(8,119,254)	(7,797,602)
General and administrative expenses	(22)	(21,209,709)	(14,540,824)
OPERATING PROFIT		69,216,266	50,046,585
Listing and Initial Public Offering Expenses	(35)	(2,851,615)	-
Other income / (expenses) – net	(23)	4,086,603	2,832,523
Finance costs	(24)	(31,447,381)	(26,982,462)
PROFIT BEFORE ZAKAT FOR THE YEAR		39,003,873	25,896,646
Zakat expense	(18)	(934,132)	(808,231)
PROFIT FOR THE YEAR		38,069,741	25,088,415
OTHER COMPREHENSIVE INCOME:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Re-measurement of provision for end of service benefits		(5,644,795)	(1,583,379)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		(5,644,795)	(1,583,379)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		32,424,946	23,505,036
BASIC AND DILUTED EARNINGS PER SHARE (SR)	(34)	0.37	0.24

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements.

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Chairman of the board
Ammar Al Khudairy

SPORT CLUBS COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(Saudi Riyals)

		Share capital	Statutory reserve	Share issuance reserve	Retained earnings	Total
<u>For the year ended 31 December 2024</u>						
Balances at 1 January 2024		104,000,000	15,904,683	-	23,505,781	143,410,464
Profit for the year		-	-	-	38,069,741	38,069,741
Other comprehensive income for the year		-	-	-	(5,644,795)	(5,644,795)
Total comprehensive income for the year		-	-	-	32,424,946	32,424,946
Dividends paid	32	-	-	-	(6,000,000)	(6,000,000)
Share issuance reserve		-	-	(1,026,540)	-	(1,026,540)
Transferred from statutory reserve to retained earnings	33	-	(15,904,683)	-	15,904,683	-
Balance as at 31 December 2024		104,000,000	-	(1,026,540)	65,835,410	168,808,870
<u>For the year ended 31 December 2023</u>						
Balance as at 1 January 2023		104,000,000	13,395,841	-	8,509,587	125,905,428
Profit for the year		-	-	-	25,088,415	25,088,415
Other comprehensive income for the year		-	-	-	(1,583,379)	(1,583,379)
Total comprehensive income for the year		-	-	-	23,505,036	23,505,036
Dividends paid	32	-	-	-	(6,000,000)	(6,000,000)
Transferred to statutory reserve from retained earnings		-	2,508,842	-	(2,508,842)	-
Balance as at 31 December 2023		104,000,000	15,904,683	-	23,505,781	143,410,464

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements.

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SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Saudi Riyals)

	Note	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before zakat for the year		39,003,873	25,896,646
Adjustments for:			
Depreciation of property plant and equipment and right of use assets	6,7	64,029,044	59,150,212
(Profits) / loss from disposal of property and equipment	23	(18,044)	(282,739)
Amortization of intangible	8	755,023	146,997
Provision for slow-moving and obsolete inventory	9	521,060	-
Provision for employees' benefits	15	3,927,000	5,232,000
Finance cost	24	31,447,381	26,982,462
Termination of lease contracts during the period		(2,643,538)	(2,008,616)
Discounts on rent expenses	23	(600,699)	(1,231,981)
		136,421,100	113,884,981
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Inventory		(2,238,838)	(2,015,643)
Trade receivables		(24,361,990)	(592,135)
Prepayments and other receivables		(19,347,168)	2,168,385
Contracts liabilities – net		18,060,196	6,974,250
Trade payables		(3,022,124)	25,552,814
Accrued expenses and other payables		6,020,706	(6,067,653)
Zakat paid	18	(728,530)	(698,817)
Employees' benefits paid	15	(7,740,795)	(5,029,494)
Net cash generated from operating activities		103,143,540	134,176,688
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(91,437,505)	(66,040,164)
Purchase of intangible assets – net		(799,642)	(2,042,030)
Proceeds from sale of property and equipment		2,242,233	777,473
Net cash used in investing activities		(89,994,914)	(67,304,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans	14	(109,388,648)	(62,899,336)
Proceeds from loans	14	149,736,016	40,000,000
Payment of lease liability – net	7	(34,747,597)	(34,716,942)
Payment of finance costs		(16,363,026)	(11,911,967)
Dividends paid	32	(6,000,000)	(6,000,000)
Net cash used in financing activities		(16,763,255)	(75,528,245)
Net change in cash and cash equivalents		(3,614,629)	(8,656,278)
Cash and cash equivalents at the beginning of the year	12	8,641,035	17,297,313
Cash and cash equivalents at the end of the year	12	5,026,406	8,641,035
Non cash transactions			
Interest on lease liabilities capitalized during the year	24	(4,081,536)	(3,818,134)
Finance cost capitalized during the year	24	(3,108,715)	(1,521,589)
Depreciation of right-of-use assets capitalized during the year	7	(1,092,572)	(715,755)
Additions to right-of-use assets	7	(2,036,848)	(94,527,403)
Share issuance reserve	35	(1,026,540)	-
Transfer (from)/to statutory reserve (to)/from retained earnings	33	(15,904,683)	2,508,842

The accompanying notes (1) to (36) form an integral part of these consolidated financial statements.

Chief Financial Officer
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Ammar Al Khudairy

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

(All amounts are presented in Saudi Riyals unless otherwise stated)

1. INCORPORATION AND PRINCIPLE ACTIVITIES

Sports Clubs Company was established as a limited liability company in accordance with the Companies Law in the Kingdom of Saudi Arabia, and operates under Commercial Registration No. 1010167892 dated on 26 Rabi-Al-Thani 1422 H (18 July 2001 G) in Riyadh.

The principle activities of the company are the wholesale and retail trade in sports equipment, tools and clothing, the purchase of lands for the construction of buildings on them and their investment by sale or rent for the benefit of the company, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

In the partners' meeting held on Rabi' Al-Awwal 1, 1444 H, corresponding to (September 26, 2022 G), the partners unanimously agreed to convert the legal entity of the company from a limited liability company to a closed Saudi joint stock company while retaining the number, name and date of the commercial registration of the company and its branches, and on 2 Rabi' Al-Awwal 1444 H corresponding to (27 September 2022 G), The statutory procedures to amend the company's articles of incorporation and articles of association have been completed.

The head office of the group is located at the following address:

P.O Box 270079-Riyadh 11352 - Kingdom of Saudi Arabia

The following are the details of the subsidiary included in these consolidated financial statements:

Name of Subsidiary	Commercial Registration	Country of Incorporation	Direct ownership percentage as at		Activity
			30 December 2024	2023	
Third Amaken Sports Company	1010334139	Kingdom of Saudi Arabia	100%	100%	Building cleaning and maintenance

The Group also exercises its activities through branches of sports clubs that operate under the following commercial registrations for regions or for each individually as follows:

<u>Serial Number</u>	<u>City / Region</u>	<u>Commercial Registration Number</u>	<u>Commercial Registration Date</u>
1	Riyadh	1010167892	26/4/1422
2	Al-Qassim	1131028467	27/3/1430
3	Dammam	2050069185	15/3/1431
4	Khamis Mushait	5855346579	26/4/1422
5	Hail	3350147174	18/5/1441
6	Al Ahsa	2250064353	18/3/1437
7	Jeddah	4030295107	4/9/1438
8	Najran	5950032854	15/3/1438
9	Hafar Al Batin	2511108063	4/6/1439
10	Tabuk	3550122370	4/6/1439
11	Al Badi'ah " females"	1010460120	1/9/1440
12	Madinah	4650209419	2/8/1440
13	Makkah	4031235157	18/5/1441

The Group's fiscal year begins at the beginning of January and ends at the end of December of each calendar year.

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts are presented in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements include the financial statements of the Company and its subsidiary (together referred to as the “Group”).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and professional Accountants (“SOCPA”) (here and after referred to as “IFRSs”).

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the consolidated financial statements.

2.2 Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for employees' end of service benefits and vacation allowances which are measured using the projected unit credit method and lease liabilities which are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the group's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of the company and its subsidiaries as at the reporting date. Control is achieved when the company:

- Power over the investee.
- Exposure to risks and have the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; and

SPORT CLUBS COMPANY**(A CLOSED JOINT STOCK COMPANY)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024****(All amounts are presented in Saudi Riyals unless otherwise stated)**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.
- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.
- A change in the subsidiary's ownership interest, without loss of control, is recorded in the consolidated statement of changes in equity.
- Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is distributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment held is carried at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.
- All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Sports Amaken Company, which is referred to later with the company as the group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, the Third Sports Places Company. The company owns 100% (2022: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3.2 Property, plant and equipment

Property, plant and equipment, excluding land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment losses, if any.

Historical cost includes expenditures directly attributable to the acquisition of an asset, and subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, and only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and method of depreciation are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

The Group applies the following estimated useful lives to property, plant and equipment:

Assets	Years
Buildings, Buildings on leased land	30 (or the lease period, whichever is less, for buildings over rented lands))

SPORT CLUBS COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts are presented in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets	Years
Improvements to rented buildings	The rental period or the estimated useful life, whichever is shorter
Machines and equipment	7-10
Furniture	10
Electrical hardware and software	6.66
Vehicles	5

Land and capital work in progress are not depreciated.

Stored materials and spare parts with a useful life more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on disposal of an item of property, plant and equipment, which is determined as the difference between the net sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

Capital work in progress

Capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress begins when the assets are ready for their intended use, at that time they will be transferred to property, equipment or investment property. Finance costs incurred on borrowings to finance the construction of a qualifying asset are capitalized over the time period required to complete and prepare the asset for its intended use.

3.3 Lease contracts

The Group assesses whether a contract is a lease, or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the lessee is, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight line basis over the lease term unless there is another systematic basis for the time plan in which the economic benefits from the leased asset are exhausted.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses an incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including fixed payments), less any lease incentives.
- Variable lease payments that are dependent on an index or a price, initially measured using the index or price at the commencement date,
- The amount expected to be paid by the lessee under residual value guarantees,
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- Payment of fines for terminating the lease, if the lease reflects the exercise of the option to terminate the lease.

The lease liability is presented separately in the consolidated statement of financial position.

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

(All amounts are presented in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group re-measures the lease liability (and adjusts against the related right-of-use assets) if:

- The terms of the lease have changed or there has been a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments have changed due to changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate (unless the lease payments change due to a change in the prevailing interest rate). In this case, a modified discount rate is used.
- The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is amortized over the lease term and the specified useful life, whichever is shorter. If the lease transfers ownership of an identified asset or the cost of the right to use the asset, it reflects that the Group expects to exercise the purchase option, the related right to use asset is amortized over the asset's useful life. Depreciation begins on the start date of the lease.

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies International Accounting Standard No. (36) "Impairment of Assets" to determine whether there has been any impairment in the value of right-of-use assets.

3.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis based on the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, and any changes in estimates are accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or at the reporting date when there is an indication of impairment, either individually or at the cash-generating unit level. The calendar of indefinite lives is reviewed annually to determine whether indefinite lives are still possible. If not, the useful life is changed from indefinite to finite on a prospective basis.

The Group applies the following useful years of amortization to its intangible assets:

Computer Software	5 Years
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3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

consistent bases of distribution can be determined, the common assets are also allocated to cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of distribution can be determined. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment by comparing the unit's carrying value, including goodwill, with the unit's recoverable amount. Intangible assets with an indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, and whenever there is an indication that the asset is impaired.

The recoverable amount is the asset's fair value less cost to sell or value in use, whichever is higher. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized directly in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to its revalued recoverable amount, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) had no impairment loss been calculated for it in previous years. The reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized in prior periods for goodwill is not reversed in a subsequent period.

3.6 Inventory

Inventory is stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price less all estimated costs of completion and any further costs involved in making the sale. The cost of raw materials and spare parts is determined on a weighted average basis. Spare parts are items that may result in fixed capital expenditures but are not discernible. They are stated at cost and determined on a weighted average basis.

3.7 Trade receivables

Accounts receivable are recorded at the original invoice amount less impairment losses at an amount equal to the estimated lifetime credit loss. When the receivable is uncollectible, it is written off against the impairment loss. Any subsequent recoveries of amounts previously written off against "impairment losses on trade receivables" are credited to profit or loss.

3.8 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks which are all available for use by the Group unless otherwise stated, and whose maturities are three months or less, and which are subject to an insignificant risk of change in value.

3.9 Statutory reserve

In accordance with the Company's bylaw before the amendment, the company was required to transfer 10% of its net profit to the statutory reserve until it reached 30% of the paid-up capital. However, following amendments to the Companies Law in the Kingdom of Saudi Arabia, there is no longer an obligation to maintain the statutory reserve.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employees benefits

Defined employee benefit obligations

Employees' benefits are calculated using the expected unit credit method, with actuarial valuations performed at the end of each reporting period. Remeasurement recognized in other comprehensive income is recognized

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligation, which result from changes and reductions, are recognized directly in profit or loss as service costs from prior periods. Interest is calculated by using the discount rate at the beginning of the period on defined employee benefit obligations. Defined benefit costs are categorized as follows:

- Service cost (including current service costs and past service costs, plus gains and losses from cutbacks and adjustments);
- Cost of interest; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the related items.

Short-term employee benefits

The obligation is recognized for benefits related to wages, salaries, annual leave, travel tickets and sick leaves and is expected to be settled in full during the twelve-month period following the end of the period in which the service is provided. The obligation is recorded at the undiscounted amount of benefits expected to be paid in exchange for those services.

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When provisions are deducted, the increase in the provision due to the passage of time is recognized as a finance cost.

3.12 Zakat

The group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, and the entitlement to zakat is recognized and charged to the consolidated statement of profit or loss and other comprehensive income. Additional zakat liabilities, if any, relating to assessments on prior years are calculated by the Authority for Zakat, Tax and Customs in the year in which the final assessments are issued.

3.13 Financial instruments

The Group recognizes financial assets or financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Financial assets

Initial recognition

Financial assets are classified, on initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing it.

For a financial asset to be classified and measured at amortized cost or FVOCI, that asset must generate cash flows that are "payments from the asset and proceeds only" on the original amount receivable. This evaluation is referred to as the (Payments from Principal and Returns Only) test (SPPI) and is performed at the financial instrument level. Financial assets with cash flows that are not 'Payments from Principal and Returns Only' are classified as FVTPL, regardless of the business model.

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 the cash flows will result from the collection of contractual cash flows, from the sale of financial assets, or from both. Financial assets classified and measured at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model whose objective is to collect contractual cash flows and sell.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

A) Debt instruments at amortized cost.

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

B) Equity instruments at fair value through other comprehensive income with no possibility of rolling back to profit or loss.

Gains and losses on valuation of these financial assets are not recycled to profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to receive is established, except when the group benefits from these returns as a recovery of part of the cost of the financial asset, in which case, these revenues are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment testing.

C) Equity instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated profit or loss.

Decline in the value of financial assets

The Group applies the simplified approach in calculating impairment. Expected credit losses on financial assets are estimated using the Group's historical credit loss experience, adjusted for general economic conditions and an assessment of both the current trend as well as expectations of conditions at the reporting date, including the time value of money where it is. That is appropriate.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Decline in the value of financial assets (continued)

The expected credit loss measurement is an indication of the probability of default, or a given loss (meaning the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data that is modified by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the consolidated statement of profit or loss and other comprehensive income, and provisions for losses measured at amortized cost are deducted from the total carrying amount of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group will continue to recognize its retained interest in the assets and liabilities associated with the financial asset for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group has no financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Bank loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. These interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the repayment period is at a constant rate on the liability balance recognized in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, canceled or expire.

3.14 Revenue recognition

The Group recognizes revenue from contracts using a five-steps method as mentioned in IFRS 15:

- Step 1: Determine the contract(s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.
- Step 2: Determine the performance obligations in the contract. A performance obligation is an undertaking under the contract with the customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition

Step 4: Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that have more than one performance obligation, the Group will allocate a transaction price to each performance obligation in the amount to which the Group expects to be entitled in exchange for meeting each performance obligation.

Step 5: Recognize revenue when the entity fulfills the performance obligation.

The Group satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:

- A. The performance of the group does not create an asset with an alternative use of the group, and the group has an enforceable right to payment for performance completed to date.
- B. Group performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.
- C. The customer simultaneously receives and consumes the benefits provided by the entity's performance once the Group has performed.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the Group fulfills the performance obligation by providing the promised services, this creates a contract-based asset in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that revenue and costs, where applicable, can be measured reliably.

Subscription and membership revenue

Subscription and membership fees are recognized as revenue on a regular basis over the subscription period. Revenue fees received in advance are initially recognized as contract obligations and amortized over the subscription period.

Personal training revenue

Personal training fees are recognized as revenue when the related services are provided and performance obligations are fulfilled. Fees received in advance are initially recognized as contract obligations and are subsequently recognized when personal training sessions are conducted or the training period ends, whichever comes first.

3.15 Cost of revenues

The cost of sales includes all direct costs of the activity, including direct labor, direct materials, and expenses related to the activity.

3.16 Expenses

Marketing expenses principally consist of costs incurred in the distribution and sale of the Group's services. All other expenses are classified as general and administrative expenses.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Finance cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that are assets that require a significant period of time to be ready for their expected use or sale are added to the cost of those assets until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific loans until they are spent on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the group, and they are recorded in the financial statements in the period that is approved by the shareholders of the group.

Dividends are recorded in the period that is approved by the Partners.

3.19 Earnings per share

The group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

a) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the International Accounting Standards Board ("IASB") that are effective in future accounting periods that the Company has decided not to adopt early.

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
IAS 21	Amendment – Lack of Exchangeability	1 January 2025
IFRS 9 and IFRS 7	Amendments regarding the classification and measurement of financial instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards	Amendments/Annual improvements in IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7	1 January 2026
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 19	Disclosures – Subsidiaries without Public Accountability	1 January 2027

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4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

b) New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year but they have no impact on these financial statements.

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
IFRS 16	Amendment – Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1	Amendment – Non-current Liabilities with Covenants	1 January 2024
IAS 7 and IFRS 7	Amendment – Supplier Finance Arrangements	1 January 2024

5. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to use judgments, estimates and assumptions that may affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on current information and events available to management, final actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of the revision of accounting estimates is reflected in the review period and the future periods affected.

The following is information about significant areas of estimation, uncertainties and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

5.1 Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are estimated according to the new information available to the Group's management. The management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after considering the expected use of the assets and physical damage to these assets. The management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

5.2 Determining the lease term with extension and termination options - Group as lessee

The Group determines the lease term as non-cancellable for any periods covered by an option to extend the contract if the Group is reasonably certain that it will be able to exercise that option, or for any periods covered by an option to terminate the contract if the Group is reasonably certain that it will not be able to exercise it. Option. The Group exercises judgment in assessing the reasonableness of ensuring that the option to extend or terminate the contract is exercised. For this purpose, the Group considers all relevant factors that constitute an economic incentive to exercise the option to extend or terminate. After the commencement date of the lease, the Group reassesses the term of the lease if there is a significant event or change in circumstances within its control that affects the Group's ability to exercise or not to exercise the option to renew or terminate the lease.

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5. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

5.3 Estimate the additional borrowing rate

The group cannot easily determine the interest rate implicit in the lease contracts, and therefore it uses the incremental borrowing rate to measure the lease commitments, the incremental borrowing rate represents the interest rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, Over a similar period and with a similar guarantee, the incremental borrowing rate therefore reflects what the group has to pay, which requires an estimate when observable rates are not available (such as for subsidiaries that do not conduct financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease, The group estimates the incremental borrowing rate using observable inputs (e.g. market commission rates) when available, and is required to make some judgment of the entity (e.g. independent credit assessment).

5.4 Intangible assets

Management reviews the period and method of amortization of tangible assets with a finite useful life at least at the end of each financial year. If the expected useful lives of the assets are different from the previous estimates, the group changes the amortization period accordingly. If there is a change in the expected pattern of consumption of future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

5.5 Impairment of non-financial assets

Impairment occurs when the amount of an asset or cash-generating unit exceeds its recoverable amount as fair value less costs of disposal or its value in use - whichever is higher. The fair value minus costs of disposal is based on available data from binding arm's length sales of similar assets or observable market prices minus incremental costs of disposal of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that could enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash inflows and the growth rate used for the purposes of extrapolating the future.

5.6 Measuring the fair value of financial instruments

If the fair value 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 determined using valuation techniques including the discounted cash flow model. Inputs to these models are obtained from observable markets when possible, but where this is not feasible, a degree of judgment must be used to determine fair values. Judgments include considerations for inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the disclosed fair value of financial instruments.

5.7 Employees' benefits

The cost of employee defined benefit obligations and other post-employment benefits is determined based on a measurement at the present value of future obligations using the expected unit addition method. The actuarial valuation involves making several assumptions which may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, and mortality rates. Due to the complex and long-term nature of the valuation and underlying assumptions, the defined benefit obligation is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

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5. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)**5.7 Employees' benefits**

The discount rate is the most variable indicator. In determining the appropriate discount rate, management takes into account the commission rates on corporate bonds registered in currencies consistent with the currencies in which the defined post-employment benefits obligations for employees are recorded, and they are estimated when needed with the rate of return in line with the expected duration of the defined benefits commitment. The quality of the relevant bonds is also reviewed. Those bonds that have high credit spreads are excluded from the bond analysis on which the discount rate was determined, as they do not represent high quality bonds.

The mortality rate is determined based on publicly available mortality tables in the respective countries. These mortality tables are subject to change only from time to time according to demographic changes. Future salary increases are determined based on expected future inflation rates for the respective countries and future salary increases.

5.8 Going concern

The Group's management has made an assessment of the Group's ability to continue its business according to the principle of continuity, and the Group is convinced that it has the resources to continue its business in the foreseeable future, and the Group's management does not have any fundamental doubts that may affect the Group's ability to continue its business. Therefore, these financial statements have been prepared according to the going concern principle.

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6. PROPERTY, PLANT AND EQUIPMENT

<u>For the year ending on</u>				Improvements	Machinery				Capital	
<u>31 December 2024</u>	Lands	Buildings	Buildings on Leased Lands	on Leased Building	and Furniture and equipment fixtures	Electrical hardware	Vehicles	work in progress	Total	
<u>Cost:</u>										
Balance as at 01 January 2024	38,527,800	17,811,134	384,773,905	51,702,009	99,744,092	38,513,814	10,374,650	5,235,090	32,538,936	679,221,430
Additions during the year	-	-	-	-	27,583,725	4,367,690	2,379,361	220,061	65,169,491	99,720,328
Transferred from capital work-in-progress	-	-	30,379,606	5,751,159	-	242,092	-	-	(36,372,857)	-
Transferred from leased buildings	-	14,875,826	(14,875,826)	-	-	-	-	-	-	-
Disposals	-	-	(12,740,191)	(17,778,812)	(10,431,245)	(1,290,740)	(646,854)	(96,000)	-	(42,983,842)
Balance as at 31 December 2024	38,527,800	32,686,960	387,537,494	39,674,356	116,896,572	41,832,856	12,107,157	5,359,151	61,335,570	735,957,916
<u>Accumulated depreciation:</u>										
Balance as at 01 January 2024	-	(8,836,071)	(158,839,343)	(32,853,192)	(45,749,566)	(16,741,266)	(5,429,499)	(2,698,973)	-	(271,147,910)
Depreciation charged during the year	-	(1,134,980)	(21,831,504)	(3,005,001)	(8,741,364)	(3,582,249)	(1,238,178)	(886,421)	-	(40,419,697)
Transferred from leased buildings	-	(1,784,671)	1,784,671	-	-	-	-	-	-	-
Disposals	-	-	12,740,187	17,778,802	8,263,916	1,276,321	636,427	64,000	-	40,759,653
Balance as at 31 December 2024	-	(11,755,722)	(166,145,989)	(18,079,391)	(46,227,014)	(19,047,194)	(6,031,250)	(3,521,394)	-	(270,807,954)
<u>Net book value:</u>										
Balance as at 31 December 2024	38,527,800	20,931,238	221,391,505	21,594,965	70,669,558	22,785,662	6,075,907	1,837,757	61,335,570	465,149,962
Balance as at 31 December 2023	38,527,800	8,975,063	225,934,561	18,848,816	53,994,529	21,772,548	4,945,151	2,536,117	32,538,934	408,073,520

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 4,240,617 as on December 31, 2024 (December 31, 2023: SAR 5,612,543).
- All lands are mortgaged to local banks as security for the loan obtained by the group as shown in Note No. (14).
- During the year ended December 31, 2024, the Group capitalized a borrowing cost related to qualifying assets of SAR 7,190,251 using a capitalization rate ranging from **7.22** to **9.10%** per annum (December 31, 2023: SAR 5,339,723 using a capitalization rate ranging from **7.22%** to **8.59%** annually) (Note 24).
- The capital work in progress as of December 31, 2024 mainly represents the costs incurred in establishing new branches that are still under construction.

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ending on 31 December 2023	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work in progress	Total
Cost:										
Balance as at 01 January 2023	17,027,800	17,811,134	372,571,725	54,783,185	96,909,855	34,362,526	9,307,958	4,227,834	20,659,535	627,661,552
Additions during the year	21,500,000	-	-	-	6,571,600	4,326,560	1,152,920	1,228,056	37,316,506	72,095,642
Transferred from capital work-in-progress	-	-	20,257,912	4,871,686	-	307,507	-	-	(25,437,105)	-
Disposals	-	-	(8,055,732)	(7,952,862)	(3,737,363)	(482,779)	(86,228)	(220,800)	-	(20,535,764)
Balance as at 31 December 2023	38,527,800	17,811,134	384,773,905	51,702,009	99,744,092	38,513,814	10,374,650	5,235,090	32,538,936	679,221,430
Accumulated depreciation:										
Balance as at 01 January 2023	-	(8,218,567)	(145,792,180)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(253,922,243)
Charges for the year	-	(617,504)	(21,102,894)	(2,400,723)	(7,970,568)	(3,214,507)	(1,117,569)	(842,938)	-	(37,266,703)
Disposals	-	-	8,055,731	7,932,576	3,418,844	383,442	75,990	174,453	-	20,041,036
Balance as at 31 December 2023	-	(8,836,071)	(158,839,343)	(32,853,192)	(45,749,566)	(16,741,266)	(5,429,499)	(2,698,973)	-	(271,147,910)
Net book value										
Balance as at 31 December 2023	38,527,800	8,975,063	225,934,562	18,848,817	53,994,526	21,772,548	4,945,151	2,536,117	32,538,936	408,073,520
Balance as at 31 December 2022	17,027,800	9,592,567	226,779,545	16,398,140	55,712,013	20,452,325	4,920,038	2,197,346	20,659,535	373,739,309

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 5,612,543 as on December 31, 2023 (December 31, 2022: SAR 7,040,538).
- Lands amounting to SAR 17,027,800 are mortgaged to Riyadh Bank as security for the loan obtained by the group as shown in Note No. (14).
- During the year ended December 31, 2023, the Group capitalized a borrowing cost related to qualifying assets of SAR 5,339,723 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2022: SAR 4,062,561 using a capitalization rate ranging from 3.6% to 8.6% per annum) (Note 24).
- The capital work in progress as of December 31, 2023 is mainly represented by the costs incurred in establishing new branches that are still under construction

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge was distributed over the year as follows:

	2024	2023
Cost of revenue (note 20)	38,830,475	35,871,430
General and administrative expenses (note 22)	1,438,826	1,300,926
Marketing expenses (note 21)	150,396	94,347
	40,419,697	37,266,703

7. LEASE CONTRACTS

7.1 Right of use assets

The Group leases sports clubs on lease contracts ranging from five to twenty years, with an option to renew the lease contract after that date (Note 3.3).

	2024	2023
Cost		
Balance as at 01 January	399,168,623	313,430,026
Additions during the year	2,036,848	94,527,403
Termination of leases during the year	(33,847,006)	(8,788,806)
Balance as at 31 December	367,358,465	399,168,623
Accumulated depreciation:		
Balance as at 01 January	(89,987,827)	(67,388,563)
Depreciation charged during year	(23,609,347)	(21,883,509)
Depreciation capitalized during the year	(1,092,572)	(715,755)
Balance as at 31 December	(114,689,746)	(89,987,827)
Net book value	252,668,719	309,180,796

The depreciation charge:

Lease depreciation expenses are charged in full to cost of revenue (note 20)

7.2 Lease liabilities

	2024	2023
Balance as at 01 January	369,449,916	301,258,640
Additions during the year	2,036,848	94,527,403
Remeasurement of lease liability	(36,490,544)	(10,797,422)
Financing costs	22,274,606	20,410,218
Paid during the year	(35,348,296)	(35,948,923)
Balance as at 31 December	321,922,530	369,449,916

The lease contract obligations are presented in the statement of financial position as follows:

	2024	2023
Lease liability current portion	42,249,645	36,029,454
Lease liability non-current portion	279,672,885	333,420,462
	321,922,530	369,449,916

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7. LEASE CONTRACTS (CONTINUED)

7.3 Amounts recognized in the statement of profit or loss and other comprehensive income related to lease contracts:

	2024	2023
Depreciation expense of right-of-use assets	23,609,347	21,883,509
Interests of lease liability	22,274,606	20,410,218
Rental expenses for short-term contracts (Note 20)	3,511,601	3,203,642
	49,395,554	45,497,369

8. INTANGIBLE ASSETS

Intangible assets include the value of goodwill resulting from the acquisition of a business (martial arts business) during 2017, in addition to automated programs and systems to serve the business. The movement in intangible assets was as follows:

	Programs	Projects under implementation (A)	Goodwill (B)	Total
<u>Cost:</u>				
Balance as at 01 January 2023	1,194,083	2,134,213	937,460	4,265,756
Additions during the year	231,531	1,810,499	-	2,042,030
Disposals	(15,000)	-	-	(15,000)
Balance as at 31 December 2023	1,410,614	3,944,712	937,460	6,292,786
Additions during the year	105,366	772,962	-	878,328
Transferred from project under construction	3,656,086	(3,656,086)	-	-
Disposals	(534,042)	-	-	(534,042)
Balance as at 31 December 2024	4,638,024	1,061,588	937,460	6,637,072
<u>Accumulated depreciation:</u>				
Balance as at 01 January 2023	819,679	-	-	819,679
Charges for the year	146,997	-	-	146,997
Disposals	(14,994)	-	-	(14,994)
Balance as at 31 December 2023	951,682	-	-	951,682
Charges for the year	755,023	-	-	755,023
Disposals	(455,356)	-	-	(455,356)
Balance as at 31 December 2024	1,251,349	-	-	1,251,349
<u>Net book value</u>				
Balance as at 31 December 2024	3,386,675	1,061,588	937,460	5,385,723
Balance as at 31 December 2023	458,932	3,944,712	937,460	5,341,104

A. Projects under implementation represent programs and automated systems under development to serve the capital work in progress.

B. Goodwill:

As a result of the Group's acquisition of the martial arts project shares during 2017, this is in addition to automated programs and systems to serve the activity.

Impairment of goodwill

The Group's management has appointed an external expert to perform the annual impairment test for goodwill on December 31, 2024 and the recoverable amount was determined based on the value in use calculation. The use of this method requires estimating the future cash flows and determining the discount rate in order to calculate the present value of the cash flows over a period of time. As at December 31, 2024, the Group determined the recoverable amount based on the discounted future cash flows, and the recoverable amount was greater than the carrying amount of the cash-generating unit.

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8. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the value in use calculation has been determined based on cash flow projections from officially approved budgets covering a period of five years to December 31, 2029. Other major assumptions are as follows:

	<u>2024</u>	<u>2023</u>
Discount Rate	13.73%	14%
Growth Rate (*)	2%	2%

* Growth rate assumptions apply only to the period beyond the period of the financial statements with value in use calculated based on extrapolating budgeted cash flows for the fifth year.

Operating margins were based on past experiences and future expectations in light of expected economic and market conditions. The discount rates are based on the Group's beta adjusted to reflect management's assessment of the specific risks specific to the cash-generating unit. Growth rates after the first five years are based on economic data related to the respective region.

9. INVENTORY

	<u>2024</u>	<u>2023</u>
Spare parts	3,670,746	2,628,227
Operating and maintenance materials	3,469,943	2,748,867
Traded goods	3,307,616	2,832,373
	10,448,305	8,209,467
Less: Provision for slow-moving and obsolete inventory	(521,060)	-
	9,927,245	8,209,467

Below is the movement of the provision for slow-moving and obsolete inventory for the year ended:

	<u>2024</u>	<u>2023</u>
Balance as at 01 January	-	-
Charged to the year (Note 19)	521,060	-
Balance as at 31 December	521,060	-

10. TRADE RECEIVABLE

	<u>2024</u>	<u>2023</u>
Trade Receivable	30,734,779	6,372,789
Less: Expected credit loss	(1,965,172)	(1,965,172)
	28,769,607	4,407,617

The following is an analysis of the aging of trade receivables and credit risks:

	Total	Less than 30 days	31 - 90 days	91 – 180 days	181 – 270 days	271 – 365 days	More than 365 days
2024	30,734,779	28,464,616	279,994	24,997	-	-	1,965,172
2023	6,372,789	-	4,407,617	-	-	-	1,965,172

The major balance within the total trade receivables includes 24.7 million as an outstanding amount due from a government entity.

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11. ADVANCE PAYMENTS AND OTHER RECEIVABLES

	2024	2023
Prepaid expenses	19,386,954	8,434,732
Letters of guarantee	5,443,191	111,330
Related parties (note 29)	2,053,079	-
Staff advance	1,865,537	1,927,369
Advance to suppliers	1,456,215	1,421,246
Labor supply and rent building insurance	822,495	1,079,260
Accrued revenue	451,473	265,362
	31,478,944	13,239,299
Less: Expected credit loss	-	-
	31,478,944	13,239,299
<u>Expected credit loss movement</u>		
Balance at the beginning of the year	-	1,350,000
Charged to profit or loss	-	(1,350,000)
Balance at the end of the year	-	-

12. CASH AND CASH EQUIVALENTS

	2024	2023
Banks - Current accounts	4,940,868	8,278,070
Cash on hand	85,538	362,965
	5,026,406	8,641,035

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13. SHARE CAPITAL

The Company's capital as of 31 December 2024 amounted to 104 million Saudi riyals, divided into 104 million shares of equal value, each share valued at 1 Saudi riyal, distributed among shareholders as follows:

	2024			2023			Total share capital	
	No. of shares	Value per share	Shareholding %	No. of shares	Value per share	Shareholding %	2024	2023
Private Opportunities Investment Company	41,600,000	1	40%	4,160,000	10	40%	41,600,000	41,600,000
Diamond Opportunities Sports Company	35,879,000	1	34.499%	3,587,900	10	34.499%	35,879,000	35,879,000
Elaf Gulf Commercial Investment Company	8,527,030	1	8.199%	2,652,000	10	25.50%	8,527,030	26,520,000
Silver Opportunities Investment Company	1,000	1	0.001%	100	10	0.001%	1,000	1,000
Abdul Qader Al-Muhaidib & Sons Company	4,742,510	1	4.56%	-	-	-	4,742,510	-
Al-Fawzan Holding Company	4,742,510	1	4.56%	-	-	-	4,742,510	-
Ammar Abdul Wahid Faleh Al-Khudairi	3,319,320	1	3.192%	-	-	-	3,319,320	-
Other Shareholders	5,188,630	1	4.989%	-	-	-	5,188,630	-
	104,000,000	1	100%	10,400,000	10	100%	104,000,000	104,000,000

The ownership of these shares has been recorded in the shareholders register prepared in accordance with the Company's Bylaw and the Saudi Arabian Regulations for Companies.

On 22 August 2024, the Extraordinary General Assembly approved the splitting of the Company's shares by amending the nominal value of the share from ten (10) Saudi riyals to one Saudi riyal, and amending the Company's Articles of Association to reflect the amendment to the nominal value of the Company's shares.

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14. LONG TERM LOANS

On 26 March 2023 (corresponding to 04 Ramadan 1444), the Group signed a renewal of a credit facilities contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at variable rates, at a value of SAR 57 million. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as at 31 December 2024 amounted to SAR 15,541,147 (31 December 2023: SAR 30,657,298).

The aforementioned loan is secured against a mortgage of lands (note 6), in addition to the partners guaranteeing the loan through their share of the group's ownership. The following is the data of the mortgages of the mortgaged lands sukuk (note 6):

<u>Date</u>	<u>Deed Number</u>
22-3-1441 H	814006005053
17-6-1441 H	314006005791
17-6-1441 H	914006005790

On 6 February 2024 (corresponding to 25 Rajab 1445), the Group signed a credit facility contract with another local bank to obtain facilities in the amount of SAR 122.7 million. Commission is charged on these facilities at variable rates. The loan balance at 31 December 2024 amounted to SAR 103,686,370 million (31 December 2023: SAR 65,499,846).

The loan is secured against a land mortgage (note 6), with shareholders providing a guarantee by pledging their share of ownership in the Group. The following are the details of the mortgaged land title deed (note 6):

<u>Date</u>	<u>Deed Number</u>
5-8-1445	718507000568

As at 21 December 2020 (corresponding to 06 Jamada al-Awwal 1442), the Group signed a credit facility contract with a government bank to obtain facilities in the amount of SAR 10 million, for an annual administrative service fee of SAR 400,000. These loans are repaid in semi-annual installments for a period of five years from the date of receipt of the first instalment with a grace period of one year. The loan balance as at 31 December 2024 amounted to SAR 3,750,000 (31 December 2023: SAR 6,250,000). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

On 8 January 2024 (corresponding to 26 Jumada al-Akhirah 1445), the Group signed a credit facilities contract with another local bank to obtain facilities in the amount of SAR 20 million. These loans are to be repaid in quarterly installments for a period of seven years starting from the date of the first withdrawal of each installment, with a grace period of two years. The loan balance as at 31 December 2024 amounted to SAR 19,995,830 (31 December 2023: SAR Nil). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

The following is a statement of the movement of loans:

	2024	2023
Balance as at 01 January	102,625,982	125,525,318
Received during the year	149,736,016	40,000,000
Paid during the year	(109,388,648)	(62,899,336)
Balance as at 31 December	142,973,350	102,625,982

A. The total loan amounts were presented according to the agreed upon maturity dates of the repayment installments, after they were classified into current and non-current liabilities, minus the deferred financing costs, as follows:

	2024	2023
Long term loans – non – current portion	84,031,227	60,677,133
Long term loans – current portion	58,942,123	41,948,849
Total	142,973,350	102,625,982

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14. LONG TERM LOANS (CONTINUED)

B. The table below shows the maturity dates of the loans referred to in accordance with the maturity dates referred to in the loan contracts:

	2024	2023
Less than one year	58,942,123	41,948,849
Between 1-2 years	29,310,813	44,045,725
Between 2- 5 years	54,720,414	16,631,408
	142,973,350	102,625,982

15. EMPLOYEES' BENEFITS

The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and the social insurance systems enforced in the Kingdom of Saudi Arabia.

Movement of employees' defined benefits obligation:

	2024	2023
Balance as at 01 January	25,352,000	23,566,115
Current service cost and return cost	2,792,000	3,932,000
Interest cost	1,135,000	1,300,000
Benefits paid	(7,740,795)	(5,029,494)
Remeasurement of actuarial liabilities	5,644,795	1,583,379
Balance as at 31 December	27,183,000	25,352,000

Employee benefits are presented in the statement of financial position as follows:

	2024	2023
Long term benefits	24,676,110	21,825,791
Short term benefits (note 17)	2,506,890	3,526,209
Balance as at 31 December	27,183,000	25,352,000

Main actuarial assumptions:

The important actuarial assumptions used in calculating the defined benefit obligation are as follows:

	2024	2023
Financial assumptions		
Discount rate	5.7%	5.20%
Salary increase rate	0.75%	0.75%

Sensitivity analysis:

The results are affected by the assumptions used, especially the discount rate assumption and the salary increase rate due to the short duration of the program liabilities. The table below shows the change in the defined benefit obligation based on the increase or decrease in the value of the underlying assumptions as follows:

	2024		2023	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	25,737,000	28,818,000	23,936,000	26,959,000
Salary increase rate	28,887,000	25,656,000	27,019,000	23,864,000

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16. CONTRACTS LIABILITIES

	2024	2023
Balance as at 01 January	76,328,694	69,354,444
Additions during the year	306,421,909	249,139,296
Recognized during the year as subscription revenue (note 19)	(260,071,893)	(237,086,631)
Recognized during the year as revenue from Operation and sale of sports equipment and projects related to the sports solutions sector (note 19)	(26,930,888)	(2,752,630)
Recognized during the year as other income	(1,358,932)	(2,325,785)
Balance as at 31 December	94,388,890	76,328,694

Contract liabilities are presented in the statement of financial position as follows:

	2024	2023
Contracts liabilities – current portion	93,656,937	75,628,370
Contracts liabilities – non – current portion	731,953	700,324
Balance at the end of the year	94,388,890	76,328,694

17. ACCRUED EXPENSES AND OTHER PAYABLES

	2024	2023
Employees accruals (*)	12,387,389	10,854,754
Accrued expenses	4,829,105	1,671,931
Value added tax	1,315,988	898,686
Accrued rentals	-	105,724
	18,532,482	13,531,095

* The above balance of employee accruals includes a balance of employees accrued leaves with the amount of SAR 2,506,890 as at 31 December 2024 (31 December 2023: SAR 3,526,209). A policy was developed to carry over the balances of these leaves, and this policy was approved during the year ended 31 December 2023. Accordingly, the leave allowance has been calculated by a qualified actuary using the projected credit unit method and using the same assumptions used to provide employee end-of-service benefits (note 15).

18. ZAKAT

A. Zakat and Tax position:

Zakat:

- The Group received the last final assessment for the years from 2016 AD to 2018 AD, amounting to 84,017 Saudi Riyals, on 03/14/2022 AD, and accordingly, the full zakat differences due were paid. The main reason for the zakat differences in the above years is in the compensation and incentives expense item because there is no work regulation approved by the Ministry of Labor for the company, and accordingly the company prepared a work regulation and approved it from the Ministry of Labor.
- Regarding the years from 2019 AD to 2023 AD, the Group submitted its zakat declarations, paid the amounts due, and obtained a zakat certificate for those years, and the examination has not been conducted by the Authority for any of the mentioned years to date.

Value Added Tax (VAT):

- The Group has not been inspected by the Zakat, Tax & Customs Authority to date.
- The Group regularly submits value added tax returns on time.

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18. ZAKAT (CONTINUED)

Withholding Tax:

- The Group has not been inspected by the Zakat, Tax & Customs Authority to date.
- The Group regularly submits value added tax returns on time.

B. The significant components of the zakat base for the fiscal year ending on December 31 are as follows:

1. Adjusted net income	2024	2023
Profit for the year before zakat	38,656,223	25,896,646
Added: Non-deductible costs	-	3,244,564
Adjusted Profit (A)	38,656,223	29,141,210
2. Additions		
Equity	169,817,021	167,665,068
Liabilities	553,387,383	561,005,342
	723,204,404	728,670,410
Net property, plant and equipment, right-of-use assets, intangible assets, investment properties, projects under construction, and spare parts inventory	(723,204,404)	(722,595,420)
Zakat base (B)	-	6,074,990
Zakat provision: (a) or (b), whichever is greater x 2.5%	1,008,151	802,549

C. The movement in the provision for zakat payable is as follows:

	2024	2023
Balance as at 01 January	802,549	693,135
Zakat paid during the year	(728,530)	(698,817)
Zakat charged for the year	934,132	808,231
Balance as at 31 December	1,008,151	802,549

19. REVENUE

Revenue from the operation classified as below:

19-1 Revenue classification by product/service type	2024	2023
Sports club subscriptions	260,071,893	237,086,631
Health club services	40,423,175	30,781,454
Operational sales, sales of sports equipment and projects related to the sports solutions segment	26,930,888	2,752,630
	327,425,956	270,620,715
19-2 Revenue classification based on the timing of revenue recognition	2024	2023
Over time	326,615,956	268,655,634
At a point in time	810,000	1,965,081
	327,425,956	270,620,715

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20. COST OF REVENUE

	2024	2023
Salaries, wages and other benefits	102,899,773	98,876,705
Depreciation of property, plant and equipment (note 6)	38,830,475	35,871,430
Depreciation of right-of-use assets (note 7)	23,609,347	21,883,509
Electricity and water	19,244,469	15,772,987
The cost of selling sports equipment	15,915,857	1,715,730
Maintenance, supplies and hygiene	13,314,849	11,772,580
Rent expenses	3,511,601	3,203,642
Fuels and oils	3,524,648	2,146,580
Government fees and subscriptions	1,835,012	1,879,854
Phone and mail	1,207,553	1,151,581
Provision for slow-moving and obsolete inventory	521,060	-
Amortization of intangible assets (note 8)	119,404	111,008
Other	4,346,679	3,850,098
	228,880,727	198,235,704

21. MARKETING EXPENSES

	2024	2023
Advertising	4,978,608	5,639,126
Salaries, wages and other benefits	2,645,510	1,963,059
Depreciation of property, plant and equipment (note 6)	150,396	94,347
Amortization of intangible assets (note 8)	7,206	5,840
Other	337,534	95,230
	8,119,254	7,797,602

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
Salaries, wages and other benefits	16,187,355	11,387,086
Depreciation of property, plant and equipment (note 6)	1,438,826	1,300,926
Maintenance and cleaning	668,276	535,226
Phone and mail	238,037	237,971
Amortization of intangible assets (note 8)	628,413	30,149
Other	2,048,802	1,049,466
	21,209,709	14,540,824

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23. OTHER INCOME, NET

Other income consists of the following:

	2024	2023
Lease adjustments	2,108,929	1,742,185
Rent income	1,358,931	2,325,785
Discounts on rent expenses	600,699	1,231,981
Profit from disposal of assets	18,044	282,739
Penalties and compensations arising from lease agreements	-	(2,750,167)
	4,086,603	2,832,523

24. FINANCE COSTS

	2024	2023
Interests on lease contracts (note 7)	22,274,606	20,410,218
Interest on long term loans	9,932,728	6,879,989
Bank charges	6,430,298	5,031,978
Interest on lease contracts capitalized during the year	(4,081,536)	(3,818,134)
Interest on long term loans capitalized during the year	(3,108,715)	(1,521,589)
Charged to the statement of profit or loss	31,447,381	26,982,462

25. CONTINGENT LIABILITIES

As on December 31, 2024, the group has capital commitments amounting to 23,144,496 Saudi riyals (31 December 2023: 1,521,123 Saudi riyals) for contracts for the establishment of new sports clubs included in the capital work in progress.

26. FAIR VALUE

Fair value is the amount 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 assumption that the transaction to sell the asset or transfer the liability will occur in one of the following cases:

- In the main market for the asset or liability, or
- In the most favorable market for the assets or liabilities in the absence of the main market.

The principal market or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that dealers would use to price the asset or liability, on the assumption that the dealers seek the best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation methods that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

Level 1: Quoted market prices (without adjustment) in active markets for similar assets and liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.

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26. FAIR VALUE (CONTINUED)

Level 3: Valuation techniques that use the minimum inputs needed to measure fair value (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, using the Level 1 and Level 2 indicators, the Group determines whether a transfer has occurred between levels in the hierarchy by re-assessing classification (based on the lowest level input that is significant to the fair value measurement). Generally, at the end date of each reporting period.

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

The financial instruments are classified as follows:

26.1 Financial Assets

	2024	2023
Financial assets at amortized cost:		
Trade receivables	28,769,607	4,407,617
Cash and cash equivalents	5,026,406	8,641,035
Total financial assets at amortized cost	<u>33,796,013</u>	<u>13,048,652</u>

26.2 Financial Liabilities

	2024	2023
Financial liabilities at amortized cost:		
Long term loans	142,973,350	102,625,982
Lease Liabilities	321,922,530	369,449,916
Accounts payable	26,096,223	29,118,347
Total financial liabilities at amortized cost	<u>490,992,103</u>	<u>501,194,245</u>
Non – current portion of financial liabilities	363,704,112	394,097,595
Current portion of financial liabilities	127,287,991	107,096,650
Total financial liabilities	<u>490,992,103</u>	<u>501,194,245</u>

The fair values of financial assets and financial liabilities measured at amortized cost are not materially different from their carrying values.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks through its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign exchange risk
- Interest rate risk
- Capital Management Risk

Risk management is carried out by senior management in accordance with policies approved by the Board of Directors. Senior management identifies and assesses financial risks, when appropriate, in close cooperation with the Group's operating units.

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27-1 CREDIT RISK

Credit risk is the risk that the Group will incur a financial loss in the event that a customer or counterparty fails to meet its contractual obligations, and arises primarily from the Group's dues from customers. The fair value of the financial assets represents the maximum exposure to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers factors that may have an impact on the credit risk of the customer base, including the risk of default in the customer sector and the countries in which the customers operate.

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before introducing the Group's standard payment terms and conditions. The group's review includes external ratings, if available, and in some cases, bank references.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables (note 10).

	2024	2023
Cash in the bank	4,940,868	8,278,070
Trade Receivables	28,769,607	4,407,617
	<u>33,710,475</u>	<u>12,685,687</u>

27-2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by paying cash or through other financial assets. The Group's approach is to manage liquidity risk by ensuring, as far as possible, that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and abnormal conditions, without incurring unacceptable losses or being exposed to risks to the group's reputation.

The following is an analysis of the undiscounted contractual maturities of the Group's financial liabilities:

As at 31 December 2024	Less than a year	From 1 to 5 years	More than 5 years	Total contractual flows	Book Value
Loans	66,470,404	84,979,978	6,543,892	157,994,274	142,973,350
Lease Liabilities	42,249,645	172,217,531	281,930,515	496,397,691	321,922,530
Accounts payable	26,096,223	-	-	26,096,223	26,096,223
Accrued expenses and other payables	18,532,482	-	-	18,532,482	18,532,482
Total	<u>153,348,754</u>	<u>257,197,509</u>	<u>288,474,407</u>	<u>699,020,670</u>	<u>509,524,585</u>
As at 31 December 2023					
Loans	52,669,930	62,331,488	-	115,001,418	102,625,982
Lease Liabilities	36,029,454	179,216,066	393,790,262	609,035,782	369,449,916
Accounts payable	29,118,347	-	-	29,118,347	29,118,347
Accrued expenses and other payables	13,531,095	-	-	13,531,095	13,531,095
Total	<u>131,348,826</u>	<u>241,547,554</u>	<u>393,790,262</u>	<u>766,686,642</u>	<u>514,725,340</u>

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27-3 MARKET RISK

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates, interest rates and equity prices on the Group's revenue or the value of its financial instruments. Market risk management aims to manage and control risk exposures within acceptable limits while achieving optimum return.

Market risk consists of three types of risk: currency risk, interest rate risk and other price risk.

FORIEGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates in the normal course of business as the Group's significant transactions during the period are stated in Saudi Riyals and US Dollars. Since the Saudi riyal exchange rate is pegged to the US dollar, there are no significant risks associated with transactions and balances listed in US dollars.

INTEREST RATE RISK

Interest rate risk is the fluctuation in the fair value of future cash flows of financial instruments due to changes in market interest rates.

The Group's interest rate risk arises from its long term borrowings. The approved floating rate loans expose the Group to cash flow interest rate risk.

	<i>Increase / decrease in basis points related to currency rates</i>	<i>Impact on profit for the year</i>
31 December 2024	100+	1,429,734
	100-	(1,429,734)
31 December 2023	100+	1,026,260
	100-	(1,026,260)

A. CAPITAL MANAGEMENT RISK

The primary objective of the company's capital management is to ensure that it maintains strong capital ratios, support its business and maximize shareholder value.

The company manages its capital structure and makes adjustments to it in light of changes in business conditions. There have been no changes in the company's objectives, policies and procedures during the period ending on December 31, 2024 and the year ending on December 31, 2023. The capital includes capital and retained earnings measured at SAR 169,395,352 as on December 31, 2024 (December 31, 2023 SAR 143,410,464).

The Group's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business. The Group monitors its capital base using a ratio of net debt to equity. Net debt is calculated as borrowings less cash and cash equivalents.

The following is the net debt to equity ratio of the Group at the end of the year:

	2024	2023
Loans	142,973,350	102,625,982
Subtract: Cash in hand	(5,026,406)	(8,641,035)
	137,946,944	93,984,947
Total equity	168,808,870	143,410,464
Net debt to equity ratio	82%	66%

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28. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties generally consist of payments on behalf of the Group to cover certain operating expenses and consulting and management services. These transactions were carried out in accordance with the terms specified in the agreements concluded with the related parties and approved by the management. The following is a statement of the balances and transactions with related parties:

28.1 Due from related parties:

Related party name	Nature of transaction	For the year ended 31 December		Balances as at 31 December	
		2024	2023	2024	2023
Shareholders (Note 11)	IPO expense paid on behalf of company (Note 35)	2,053,079	-	2,053,079	-

28.2 Key management benefits:

	2024	2023
Salary & other short term benefits	9,254,253	8,577,255
Long term benefits (ESOB)	675,582	639,991
	9,929,835	9,217,246

29. SEGMENT REPORTING

A. GEOGRAPHICAL SEGMENTS

For management purposes, the company consists of business units based on geographical distribution, and it has five operating segments on which reports are submitted as follows:

- Central Region
- Eastern Province
- The northern area
- Southern area
- Western Region

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29. SEGMENT REPORTING (CONTINUED)

The following tables present information on revenue and profit for the geographical segments at the end of the year:

For the year ending 31 December 2024:

	Head Office	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenues	-	220,807,019	37,649,594	20,148,403	10,367,345	38,453,595	327,425,956
Cost of revenue	-	(147,836,081)	(32,305,594)	(11,855,470)	(8,171,098)	(28,712,484)	(228,880,727)
Gross profit	-	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	98,545,229
Marketing expenses	(8,119,254)	-	-	-	-	-	(8,119,254)
General and administrative expenses	(21,209,709)	-	-	-	-	-	(21,209,709)
Operating profit	(29,328,963)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	69,216,266
Initial public offering (IPO) expenses	(2,851,615)	-	-	-	-	-	(2,851,615)
Other income – net	4,086,603	-	-	-	-	-	4,086,603
Finance cost	(31,447,381)	-	-	-	-	-	(31,447,381)
Profit before zakat	(59,541,356)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	39,003,873
Zakat	(934,132)	-	-	-	-	-	(934,132)
Profit after tax	(60,475,488)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	38,069,741
<u>Other comprehensive loss for the year:</u>							
Re-measurement loss on employees defined benefits obligation	(5,644,795)	-	-	-	-	-	(5,644,795)
Total comprehensive income for the year	(66,120,283)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	32,424,946

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29. SEGMENT REPORTING (CONTINUED)

For the year ending 31 December 2023:

	Head Office	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenues	-	172,785,816	35,871,279	15,634,487	9,772,461	36,556,672	270,620,715
Cost of revenue	-	(115,647,279)	(32,488,951)	(11,656,652)	(7,621,172)	(30,821,650)	(198,235,704)
Gross profit	-	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	72,385,011
Marketing expenses	(7,797,602)	-	-	-	-	-	(7,797,602)
General and administrative expenses	(14,540,824)	-	-	-	-	-	(14,540,824)
Operating profit	(22,338,426)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	50,046,585
Other income – net	2,832,523	-	-	-	-	-	2,832,523
Finance cost	(26,982,462)	-	-	-	-	-	(26,982,462)
Profit before zakat	(46,488,365)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,896,646
Zakat	(808,231)	-	-	-	-	-	(808,231)
Profit after tax	(47,296,596)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,088,415
<i>Other comprehensive loss for the year</i>							
Re-measurement loss on employees defined benefits obligation	(1,583,379)	-	-	-	-	-	(1,583,379)
Total comprehensive income for the year	(48,879,975)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	23,505,036

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29. SEGMENT REPORTING (CONTINUED)**B. MARKET SEGMENTS**

The following tables present information on revenue and profit / (loss) for the market segments:

	Head Office		Men's fitness centers		Women's fitness centers		Sport solutions		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues	-	-	207,028,633	196,075,175	93,569,405	71,792,911	26,827,918	2,752,629	327,425,956	270,620,715
Cost of Revenues	-	-	(146,061,185)	(139,707,999)	(66,695,369)	(57,374,883)	(16,124,173)	(1,152,822)	(228,880,727)	(198,235,704)
Gross profit / (loss)	-	-	60,967,448	56,367,176	26,874,036	14,418,028	10,703,745	1,599,807	98,545,229	72,385,011
Marketing expenses	(8,119,254)	(7,797,602)	-	-	-	-	-	-	(8,119,254)	(7,797,602)
General and administrative expenses	(21,209,709)	(14,540,824)	-	-	-	-	-	-	(21,209,709)	(14,540,824)
Operating Profit	(29,328,963)	(22,338,426)	60,967,448	56,367,176	26,874,036	14,418,028	10,703,745	1,599,807	69,216,266	50,046,585
Initial public offering (IPO) costs	(2,851,615)	-	-	-	-	-	-	-	(2,851,615)	-
Other income – net	4,086,603	2,832,523	-	-	-	-	-	-	4,086,603	2,832,523
Finance costs	(31,447,381)	(26,982,462)	-	-	-	-	-	-	(31,447,381)	(26,982,462)
Profit before Zakat	(59,541,356)	(46,488,365)	60,967,448	56,367,176	26,874,036	14,418,028	10,703,745	1,599,807	39,003,873	25,896,646
Zakat expenses	(934,132)	(808,231)	-	-	-	-	-	-	(934,132)	(808,231)
Profit for the year	(60,475,488)	(47,296,596)	60,967,448	56,367,176	26,874,036	14,418,028	10,703,745	1,599,807	38,069,741	25,088,415
<u>Other comprehensive loss for the year</u>										
Re-measurement loss on employees' benefit obligation	(5,644,795)	(1,583,379)	-	-	-	-	-	-	(5,644,795)	(1,583,379)
Total comprehensive income for the year	(66,120,283)	(48,879,975)	60,967,448	56,367,176	26,874,036	14,418,028	10,703,745	1,599,807	32,424,946	23,505,036

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29. SEGMENT REPORTING (CONTINUED)**C. STATEMENT OF FINANCIAL POSITION**

	Head Office		Men's fitness centers		Women's fitness centers		Sport solutions		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Property, plant & equipment	14,094,362	16,346,775	293,040,598	250,425,185	157,876,193	141,301,560	138,809	-	465,149,962	408,073,520
Right of use assets	-	-	161,473,655	242,077,006	91,195,064	67,103,790	-	-	252,668,719	309,180,796
Other non – current assets	5,385,723	5,341,104	-	-	-	-	-	-	5,385,723	5,341,104
Current assets	75,202,202	34,497,418	-	-	-	-	-	-	75,202,202	34,497,418
Total assets	94,682,287	56,185,297	454,514,253	492,502,191	249,071,257	208,405,350	138,809	-	798,406,606	757,092,838
Non – current liabilities	389,112,175	416,623,710	-	-	-	-	-	-	389,112,175	416,623,710
Current liabilities	240,485,561	197,058,664	-	-	-	-	-	-	240,485,561	197,058,664
Total liabilities	629,597,736	613,682,374	-	-	-	-	-	-	629,597,736	613,682,374

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30. SEASONALITY OF THE COMPANY'S BUSINESS

In general, there is an improvement in the company's business during the fourth quarter of the year better than other periods of the year due to many factors, including the favorable weather conditions and the company's offers with discounts that attract customers on the Saudi National Day (i.e. September 23). It is recorded in the fourth quarter of the year, enhances the company's revenue and profitability and improves the company's financial performance during the fourth quarter of the year.

31. DIVIDENDS

On 22 August 2024, the Extraordinary General Assembly approved the distribution of cash dividends to shareholders in the total amount of SAR 6 million, at a rate of SAR 0.577 per share.

On 26 February 2023, based on the recommendation of the Board of Directors, the Extraordinary General Assembly approved the distribution of cash dividends to shareholders in a total amount of SAR 6 million, at SAR 0.577 per share.

32. STATUTORY RESERVE

Under the previous Company's bylaw, the Company was obligated to transfer 10% of net income to the statutory reserve until it reached 30% of the share capital. According to the amendments made to the Companies Law in the Kingdom of Saudi Arabia, there is no longer an obligation to maintain the statutory reserve. Accordingly, the shareholders decided at the Extraordinary General Assembly held on 22 August 2024, to amend the Company's Company bylaw. According to the decision, the statutory reserve amounting to SAR 15,904,683 was transferred to retained earnings. Under the amended Articles of Association, the General Assembly of Shareholders has the right, when determining the share of profits, to decide to form new reserves to the extent that serves the interest of the Company or ensures the distribution of fixed profits to shareholders as much as possible.

33. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing income for the year attributable to the group's ordinary shareholders by the number of ordinary shares outstanding during the year.

	2024	2023
Income for the year	38,069,741	25,088,415
<u>No. of shares</u>		
Weighted average number of shares (Note 13)	104,000,000	104,000,000
Basic and diluted earnings per share (Saudi Riyals)*	0.37	0.24

On 22 August 2024, the Extraordinary General Assembly approved the splitting of the Company's shares by amending the nominal value of the share from ten (10) Saudi riyals to one Saudi riyal, and accordingly the weighted average number of shares was adjusted retrospectively to reflect the effect on the profit of ordinary shares after the splitting.

*The diluted earnings per share are the same as the basic earnings per share as the Group has no diluted instruments

34. LISTING AND INITIAL PUBLIC OFFERING EXPENSES

The General Assembly of Shareholders, in its meeting held on August 22, 2024, approved the offering of 30% of the Group's shares in an Initial Public Offering (IPO). Of this, 20% of the existing shares will be sold by current shareholders on a pro-rata basis according to their ownership ratios, in addition to the issuance of 10% of new shares at a nominal value of one Saudi Riyal per share, fully paid. This will result in an increase in the Group's share capital by 10 million Saudi Riyals, bringing it to 114 million Saudi Riyals instead of 104 million Saudi Riyals. This will be carried out through the submission of a registration and offering request to the Saudi Capital Market Authority, as well as a request for listing on the Saudi Stock Exchange (Tadawul). The Board of Directors have been authorized to take all necessary legal actions to complete the application.

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34. LISTING AND INITIAL PUBLIC OFFERING EXPENSES (CONTINUED)

The Group has contracted legal and financial advisors to conduct studies and prepare the necessary requirements for the registration and offering process. Under the Assembly's decision, shareholders agreed to bear these expenses. During the current period ending on December 31, 2024, the company paid an amount of 5.9 million Saudi Riyals related to this process.

The costs have been classified and treated according to the nature of the transaction to which each of these costs is related, according to a clarification from the Accounting Standards Board on how to account for the costs of listing in the capital market when the listing with a sale of part of the founders' share to the public on 23 March 2023.

These costs were classified into;

- Costs related to selling and initial public offering, and were borne by the existing shareholders outside the company's accounts.
- Costs related to the listing process, which were charged to the consolidated statement of profit or loss and other comprehensive income.
- Costs related to the listing transaction that are difficult to attribute directly to both the sale process and the listing process have been allocated using the guidance of paragraph 38 of International Accounting Standard No. 32 "Financial Instruments: Presentations" between the company and the old shareholders pro-rata to the basis of the number of shares sold to the shares held, and the Group's share was charged to the consolidated statement of profit or loss and other comprehensive income

	Basis of allocation	Amounts recognized
Allocated to the existing shareholders (related party account)	20%	2,053,079
Allocated to the new shares (equity)	10%	1,026,540
Allocated to listing the existing shareholders (expenses in the consolidated statement of profit or loss and other comprehensive income)	70%	2,851,617
	<u>100%</u>	<u>5,931,236</u>

The financial impact of the amounts borne by the old shareholders for the listing and initial public offering costs has been charged to equity in accordance with the requirements of IAS 32.

Impact on consolidated financial statements is as follows:

Item	Amounts recognized
Receivable from related parties (Note 28)	2,053,079
Share issuance reserve	1,026,540
Initial Public Offering cost (expenses in the consolidated statement of profit or loss and other comprehensive income)	2,851,617
	<u>5,931,236</u>

35. SUBSEQUENT EVENTS

Subsequent to the financial year ended December 31, 2024, the Capital Market Authority announced the issuance of the Board's decision approving Sport Clubs Company's request to register its shares and offer 34.32 million shares for public subscription on the main market (TASI). The shares to be offered represent 30% of the company's total 114.4 million shares. The prospectus will be published sufficiently in advance of the subscription start date. The Authority noted that its approval is valid for six months from the Board's decision date and will be canceled if the offering and listing of the company's shares are not completed within this period.

In management's opinion, there are no other significant subsequent events after December 31, 2024, that could have a material impact on the group's consolidated financial statements or its results of operations.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The group's consolidated financial statements for the year ended 31 December 2024 were approved by the Board of Directors on 27 Ramadan 1446 H (Corresponding to 27 March 2025 G).