

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT**

SPORT CLUBS COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2023

INDEX

	<u>Page</u>
Independent auditor's report	2-3
Consolidated statement of financial position	4
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8 – 47

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

We have audited the consolidated financial statements of **Sport Clubs Company** A Saudi Closed Joint Stock Company (**the "Company"**) and its subsidiary (together **"the Group"**), which comprise the consolidated financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 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 endorsed 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), That are 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 endorsed by SOCPA and Regulations for Companies and the Company's Bylaws, and for such internal control as the management determine 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 the Management either intend to liquidate the Group or to cease operations, or has no realistic alternative but not to do so.

Those Charged with Governance, in particular 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 (A Saudi Closed Joint Stock Company) And Its Subsidiary As At 31 December 2023 (continued)

Auditor's responsibilities for the audit of the consolidated financial statements for Sport clubs Company for the year ended 31 December 2023 (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the company's consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

For Dr. Mohamed Al-Amri & Co.



Gihad Mohamed Al-Amri
Certified Public Accountant
License Number 362
Riyadh on: 28 Dhu al-Qi'dah 1445 (AH)
Corresponding to: 5 June 2024 (AD)



Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(In Saudi Riyals)

	<u>Notes</u>	<u>2023</u>	<u>2022 (Restated)</u>	<u>2021 (Restated)</u>
Assets				
Non-current assets				
Property, plant and equipment	(5)	408,073,520	373,739,309	372,527,676
Right of use assets	(6.1)	309,180,796	246,041,463	255,559,009
Investment property		-	-	2,220,706
Intangible assets	(7)	5,341,104	3,446,077	3,762,526
Total non-current assets		722,595,420	623,226,849	634,069,917
Current assets				
Inventory	(8)	8,209,467	6,193,824	5,022,048
Trade receivables	(9)	4,407,617	3,815,482	320,908
Advance payments and other current liabilities	(10)	13,239,299	15,407,684	11,060,219
Cash and cash equivalents	(11)	8,641,035	17,297,313	16,511,632
Total current assets		34,497,418	42,714,303	32,914,807
Total assets		757,092,838	665,941,152	666,984,724
Equity and liabilities				
Equity				
Share capital	(12)	104,000,000	104,000,000	104,000,000
Statutory reserve		15,904,683	13,395,841	11,127,558
Retained earnings		23,505,781	8,509,587	(6,699,418)
Total equity		143,410,464	125,905,428	108,428,140
Liabilities				
Non-current liabilities				
Lease liabilities non-current portion	(6.2)	333,420,462	285,519,448	294,447,973
Long term loans non-current portion	(13)	60,677,133	81,357,788	109,009,911
Employees 'defined benefits liabilities	(14)	21,825,791	17,511,000	17,726,000
Contract liabilities non-current portion	(15)	700,324	1,430,292	5,045,930
Total non-current liabilities		416,623,710	385,818,528	426,229,814
Current liabilities				
Lease liabilities current portion	(6.2)	36,029,454	15,739,192	14,992,291
Long term loans current portion	(13)	41,948,849	44,167,530	37,280,346
Trade payables		29,118,347	3,565,533	4,746,105
Accrued expenses and other current liabilities	(16)	13,531,095	22,127,654	14,130,219
Zakat provision	(17)	802,549	693,135	532,814
Contract liabilities current portion	(15)	75,628,370	67,924,152	60,644,995
Total current liabilities		197,058,664	154,217,196	132,326,770
Total liabilities		613,682,374	540,035,724	558,556,584
Total equity and liabilities		757,092,838	665,941,152	666,984,724

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

Chief financial officer
Abdullah Altahan

Chief Executive Officer
Wael El Merhabi

Chairman of the board
Ammar Al Khudairy

Sport Clubs Company

(Closed Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

	<u>Notes</u>	<u>2023</u>	<u>2022 (Restated)</u>	<u>2021 (Restated)</u>
Revenue	(18)	270,620,715	268,043,244	204,358,263
Cost of revenue	(19)	(198,235,704)	(198,769,179)	(167,841,507)
Gross profit		72,385,011	69,274,065	36,516,756
Marketing expenses	(20)	(7,797,602)	(9,183,179)	(5,163,601)
General and administrative expenses	(21)	(14,540,824)	(15,098,455)	(10,422,149)
Operating profit		50,046,585	44,992,431	20,931,006
Other income – net	(22)	2,832,523	3,498,354	4,391,297
Finance costs	(23)	(26,982,462)	(25,113,228)	(16,903,497)
Profit before zakat		25,896,646	23,377,557	8,418,806
Zakat expenses	(17)	(808,231)	(694,731)	(452,500)
Profit for the year		25,088,415	22,682,826	7,966,306
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Re-measurement (loss) / gain of Employees ‘defined benefits liabilities	(14)	(1,583,379)	794,462	1,915,135
Other comprehensive income for the year		(1,583,379)	794,462	1,915,135
Total comprehensive income for the year		23,505,036	23,477,288	9,881,441
Basic and diluted earnings per share (SR)				
	(32)	2.41	2.18	0.77

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

Chief financial officer
Abdullah Altahan

Chief Executive Officer
Wael El Merhabi

Chairman of the board
Ammar Al Khudairy

Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total equity
<u>For the year ended 31 December 2023</u>					
Balance at 1 January 2023 as previously reported		104,000,000	13,553,709	16,918,681	134,472,390
Restatement	(33)	-	(157,868)	(8,409,094)	(8,566,962)
Balance at 1 January 2023 (Restated)		104,000,000	13,395,841	8,509,587	125,905,428
Profit for the year		-	-	25,088,415	25,088,415
Other comprehensive loss		-	-	(1,583,379)	(1,583,379)
Total comprehensive income for the year		-	-	23,505,036	23,505,036
Transferred to statutory reserve		-	2,508,842	(2,508,842)	-
Dividends paid	(31)	-	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2023		104,000,000	15,904,683	23,505,781	143,410,464
<u>For the year ended 31 December 2022</u>					
Balance as at 1 January 2022 as previously reported		104,000,000	11,127,558	288,864	115,416,422
Restatement	(33)	-	-	(6,988,282)	(6,988,282)
Balance as at 1 January 2022 (Restated)		104,000,000	11,127,558	(6,699,418)	108,428,140
Profit for the year		-	-	22,682,826	22,682,826
Other comprehensive income		-	-	794,462	794,462
Total comprehensive income for the year		-	-	23,477,288	23,477,288
Transferred to statutory reserve		-	2,268,283	(2,268,283)	-
Dividends paid	(31)	-	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2022		104,000,000	13,395,841	8,509,587	125,905,428

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

Chief financial officer
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Chief Executive Officer
Wael El Merhabi

Chairman of the board
Ammar Al Khudairy

Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

	Notes	2023	2022 (Restated)	2021 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before zakat		25,896,646	23,377,557	8,418,806
Adjustments:				
Depreciation of property plant and equipment and right of use assets	(5,6)	59,150,212	58,704,440	53,528,078
(Profits) / loss from disposal of property and equipment	(22)	(282,739)	2,859	(281,589)
Amortization of intangible assets	(7)	146,997	189,896	341,877
Provision for employees 'defined benefits liabilities	(14)	5,232,000	8,437,746	5,232,534
Finance cost		26,982,462	25,113,228	16,903,497
Re-measurement and disposal of lease liabilities		(2,008,616)	(2,418,873)	-
Discounts on rent expenses		(1,231,981)	(995,922)	(2,324,524)
		113,884,981	112,410,931	81,818,679
Changes in operating assets and liabilities:				
Inventory		(2,015,643)	(1,171,776)	1,004,947
Trade receivables		(592,135)	(3,494,574)	(178,923)
Advance payments and other current assets		2,168,385	(4,347,465)	381,874
Contract liabilities, net		6,974,250	3,663,519	3,954,352
Trade payables		25,552,814	(1,180,572)	(12,103,920)
Accrued expenses and other current liabilities		(6,067,653)	5,918,212	897,516
Zakat paid	(17)	(698,817)	(534,410)	(108,533)
Employees 'defined benefits liabilities paid	(14)	(5,029,494)	(5,779,061)	(3,577,920)
Cash generated from operating activities		134,176,688	105,484,804	72,088,072
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(5)	(66,040,164)	(32,639,060)	(69,887,732)
Purchase of intangible assets	(7)	(2,042,030)	(353,358)	(913,121)
Proceeds from sale of property and equipment		777,473	1,725,498	441,066
Net cash used in investing activities		(67,304,721)	(31,266,920)	(70,359,787)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of loans	(13)	(62,899,336)	(32,327,733)	(7,462,540)
Proceeds from loans	(13)	40,000,000	11,562,794	48,437,825
Payment of lease liabilities – net	(6.2)	(34,716,942)	(35,732,142)	(31,713,665)
Payment of finance costs		(11,911,967)	(10,935,122)	(3,973,048)
Dividends paid	(31)	(6,000,000)	(6,000,000)	-
Net cash (used in) / generated from financing activities		(75,528,245)	(73,432,203)	5,288,572
Net change in cash and cash equivalents		(8,656,278)	785,681	7,016,857
Cash and cash equivalents at the beginning of the year	(11)	17,297,313	16,511,632	9,494,775
Cash and cash equivalents at the end of the year	(11)	8,641,035	17,297,313	16,511,632
Non cash transactions:				
Finance cost on lease liabilities capitalized during the year	(23)	(3,818,134)	(2,148,195)	(5,931,170)
Finance cost on loans capitalized during the year	(23)	(1,521,589)	(1,914,366)	(1,535,420)
Transfer from investment property to property, plant and equipment	(5)	-	(2,172,610)	-
Transfer of capital work-in-progress to inventory	(5)	-	-	(703,887)
Depreciation of right-of-use assets	(6.1)	(715,755)	-	1,029,295
Additions to right-of-use assets	(6.1)	(94,527,403)	(8,043,813)	-
Statutory reserve		2,508,842	2,268,283	-

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

Chief financial officer
Abdullah Altahan

Chief Executive Officer
Wael El Merhabi

Chairman of the board
Ammar Al Khudairy

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

1. ORGANISATION AND 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 main 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 shareholder's' meeting held on Rabi' Al-Awwal 1, 1444 H, corresponding to (September 26, 2022 G), the shareholders 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 subsidiary company details, included in these consolidated financial statements:

Name of subsidiary company	Commercial Registration	Country of incorporation	Direct ownership as at 31 December		Business activity
			2023	2022	
Third Amaken Sports Company	1010334139	Kingdom of Saudi Arabia	100%	100%	Cleaning and maintenance work

The group also exercises its activities through branches of sports clubs that operate according to the following commercial registers for the regions or for each of them separately as follows:

<u>Serial No.</u>	<u>City / Region</u>	<u>Commercial Registration No.</u>	<u>Date of commercial registration</u>
1	Riyadh	1010167892	26/4/1422 H
2	Al-Qassim	1131028467	27/3/1430 H
3	Dammam	2050069185	15/3/1431 H
4	Khamis Mushait	5855346579	26/4/1422 H
5	Hail	3350147174	18/5/1441 H
6	Al-Ihsa	2250064353	18/3/1437 H
7	Jeddah	4030295107	4/9/1438 H
8	Najran	5950032854	15/3/1438 H
9	Hafar Al-Batin	2511108063	4/6/1439 H
10	Tabuk	3550122370	4/6/1439 H
11	Al Badi'ah " females"	1010460120	1/9/1440 H
12	Madinah Tiba	4650209419	2/8/1440 H
13	Mecca	4031235157	18/5/1441 H

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

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 IFRS Accounting 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 IFRS Accounting Standards endorsed in the Kingdom of Saudi Arabia requires the use of certain CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY . 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 preparation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the employees’ benefit liabilities which is measured at the present value of future obligations using the projected credit unit method.

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. MATERIAL ACCOUNTING POLICY INFORMATION

The Group has consistently applied the following accounting policies to all periods presented in these financial statements. In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’ rather than ‘significant’ accounting policies. The amendments neither resulted in any changes to the accounting policy themselves, nor materially changed the accounting policy information disclosed

The material accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below:

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:

- Has a power over the investee.
- Has an 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Basis of consolidation of financial statements

The Group 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
- 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 Amaken Sports 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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Property, plant and equipment (continued)

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

Assets	Years
Buildings	30 (or the lease period, whichever is less, for buildings over rented lands)
Buildings on leased land	The rental period or the estimated useful life, whichever is shorter
Leasehold improvement	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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Lease contracts (continued)

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

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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9 Statutory reserve

In accordance with the Company's Bylaw, the Group must transfer 10% of the annual net profit to the statutory reserve until it becomes 30% of the capital.

3.10 Employees benefits

Employee defined benefits liabilities

End of service 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 immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefits 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 employee defined benefits liabilities. 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

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 "Solely payments of principles and interest" on the original amount receivable. This evaluation is referred to as the (Solely payments of principles and interest) test (SPPI) and is performed at the financial instrument level. Financial assets with cash flows that are not 'Solely payments of principles and interest' 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 recycling 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.13 Financial instruments (continued)

Impairment 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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.14 Revenue recognition (continued)

- 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.
- 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

3.17 Borrowing 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 Shareholders.

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.

3-20 New and Amended Standards and Interpretations

3-20-1 Standards and Interpretations Currently Effective

- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**
These amendments aim to improve the disclosure of accounting policies and help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction**
These amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3-20 New and Amended Standards and Interpretations (continued)

3-20-2 Standards and Interpretations Not Yet Effective

The following new standards and amendments are effective for annual periods beginning on or after 1 January 2024, with early adoption permitted. However, the Group has not early adopted these amendments in the preparation of these financial statements. These amendments are not expected to have a material impact on the Group's financial statements.

- **Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback**

These amendments clarify the accounting for sale and leaseback transactions under IFRS 16, focusing on how the seller-lessee accounts for the leaseback after the date of the transaction. The amendments are likely to affect transactions where some or all lease payments are variable and not based on an index or rate.

- **Amendments to IAS 1 – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current**

These amendments clarify how conditions that an entity must comply with within twelve months after the reporting period affect the classification of liabilities. The amendments also aim to improve the information disclosed about such liabilities.

- **Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements**

- **Amendments to IAS 27 – Lack of Exchangeability**

New IFRS Sustainability Disclosure Standards

The following IFRS Sustainability Disclosure Standards are effective for annual periods beginning on or after 1 January 2024, subject to endorsement by the Saudi Organization for Chartered and Professional Accountants (SOCPA):

- **IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information**

This standard sets out the overarching framework for disclosing material information about sustainability-related risks and opportunities across the entity's value chain.

- **IFRS S2 – Climate-related Disclosures**

This is the first thematic standard issued, establishing the requirements for entities to disclose information about climate-related risks and opportunities.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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:

4.1 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.

4.2 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.

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.

4.3 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).

4.4 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.5 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.

4.6 Employees' benefits

The cost of employee defined benefits liabilities 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 benefits liabilities is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

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.

4.7 4-2 Going Concern Principle

The Group's management has assessed the Group's ability to continue operating as a going concern. Management believes that the Group has sufficient resources to continue its operations in the foreseeable future, supported by its ability to generate positive cash flows from operating activities.

Furthermore, management has not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT

			Buildings on	Leasehold	Machinery	Furniture	Electrical		Capital work	
	Lands	Buildings	Leased Lands	Improvements	and	and fixtures	hardware	Vehicles	in progress	Total
					equipment		and software		(CWIP)	
2023										
Cost:										
As at 1 January 2023 as previously reported	17,027,800	17,811,134	380,137,014	54,783,185	96,909,855	34,362,526	9,307,958	4,227,834	21,996,839	636,564,145
Restatement (Note 33)	-	-	(7,565,289)	-	-	-	-	-	(1,337,304)	(8,902,593)
As at 01 January 2023 (Restated)	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	21,500,000	-	-	-	6,571,600	4,326,560	1,152,920	1,228,056	37,316,506	72,095,642
Transferred from CWIP	-	-	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)
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:										
As at 1 January 2023 as previously reported	-	(8,218,567)	(146,127,813)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(254,257,876)
Impact of restatement (Note 33)	-	-	335,633	-	-	-	-	-	-	335,633
As at 01 January 2023 (Restated)	-	(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
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:										
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
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).
- The machinery and equipment includes Lands amounting to SAR 17,027,800 are mortgaged to Riyadh Bank as a guarantee for the loan obtained by the group as shown in Note No. (13).
- 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 23).
 - The capital work in progress as of December 31, 2023 mainly represents the costs incurred in establishing new branches that are still under construction.

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2022	Lands	Buildings	Buildings on Leased Lands	Leasehold Improvements	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work in progress (CWIP)	Total
<u>Cost:</u>										
As at 1 January 2022 as previously reported	15,211,756	17,001,534	348,998,793	55,389,989	92,019,456	33,968,062	8,333,562	3,567,834	47,026,896	621,517,882
Restatement (Note 33)	-	-	(6,722,986)	-	-	-	-	-	(319,133)	(7,042,119)
As at 01 January 2022 (Restated)	15,211,756	17,001,534	342,275,807	55,389,989	92,019,456	33,968,062	8,333,562	3,567,834	46,707,763	614,475,763
Additions	-	-	-	-	8,215,204	2,937,257	1,552,873	1,196,700	22,799,587	36,701,621
Transferred from CWIP	-	-	47,470,439	-	1,377,376	-	-	-	(48,847,815)	-
Transferred from investment property	1,816,044	809,600	-	-	-	-	-	-	-	2,625,644
Disposals	-	-	(17,174,521)	(606,804)	(4,702,181)	(2,542,793)	(578,477)	(536,700)	-	(26,141,476)
As at 31 December 2022	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
<u>Accumulated depreciation:</u>										
As at 1 January 2022 as previously reported	-	(7,162,806)	(142,411,349)	(36,103,110)	(37,721,832)	(12,872,771)	(3,886,611)	(1,843,445)	-	(242,001,924)
Restatement (Note 33)	-	-	53,837	-	-	-	-	-	-	53,837
As at 01 January 2022 (Restated)	-	(7,162,806)	(142,357,512)	(36,103,110)	(37,721,832)	(12,872,771)	(3,886,611)	(1,843,445)	-	(241,948,087)
Charges for the year	-	(602,727)	(20,609,189)	(2,888,739)	(7,461,300)	(3,163,584)	(1,020,799)	(715,910)	-	(36,462,248)
Transferred from investment property	-	(453,034)	-	-	-	-	-	-	-	(453,034)
Disposals	-	-	17,174,521	606,804	3,985,290	2,126,154	519,490	528,867	-	24,941,126
As at 31 December 2022	-	(8,218,567)	(145,792,180)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(253,922,243)
<u>Net book value</u>										
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
As at 31 December 2021	15,211,756	9,838,728	199,918,295	19,286,879	54,297,624	21,095,291	4,446,951	1,724,389	46,707,763	372,527,676

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 7,040,538 as on December 31, 2022 (December 31, 2021: SAR 7,545,612).
- All lands are mortgaged to Riyadh Bank as a guarantee for the loan obtained by the group as shown in Note No. (13).
- During the year ended December 31, 2022, the Group capitalized a borrowing cost related to qualifying assets of SAR 4,062,561 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2021: SAR 7,466,590) using a capitalization rate ranging from 3% to 4.5% per annum (Note 23).
- The capital work in progress as of December 31, 2022 is mainly represented by the costs incurred in establishing new branches that are still under construction

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2021	Lands	Buildings	Buildings on Leased Lands	Leasehold Improvements	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work in progress (CWIP)	Total
<u>Cost:</u>										
As at January 1, 2021 as previously reported	15,211,756	17,001,534	279,647,764	49,337,908	81,757,142	29,754,357	5,935,212	2,880,726	60,328,572	541,854,971
Restatement (Note 33)	-	-	(3,752,883)	-	-	-	-	-	(85,548)	(3,838,431)
As at January 01, 2021	15,211,756	17,001,534	275,894,881	49,337,908	81,757,142	29,754,357	5,935,212	2,880,726	60,243,024	538,016,540
Additions	-	-	-	-	4,268,293	3,461,971	2,428,630	1,040,608	67,184,115	78,383,617
Reclassification to inventory	-	-	-	-	-	-	-	-	(703,887)	(703,887)
Transferred from CWIP	-	-	66,380,926	6,052,081	6,807,759	774,723	-	-	(80,015,489)	-
Disposals	-	-	-	-	(813,738)	(22,989)	(30,280)	(353,500)	-	(1,220,507)
As at December 31, 2021	15,211,756	17,001,534	342,275,807	55,389,989	92,019,456	33,968,062	8,333,562	3,567,834	46,707,763	614,475,763
<u>Accumulated depreciation:</u>										
As at January 1, 2021 as previously reported	-	(6,561,607)	(124,106,150)	(33,421,590)	(32,069,932)	(10,124,919)	(3,242,224)	(1,641,293)	-	(211,167,715)
Charges for the year	-	(601,199)	(18,251,362)	(2,681,520)	(6,373,468)	(2,767,942)	(654,567)	(511,344)	-	(31,841,402)
Disposals	-	-	-	-	721,568	20,090	10,180	309,192	-	1,061,030
As at December 31, 2021	-	(7,162,806)	(142,357,512)	(36,103,110)	(37,721,832)	(12,872,771)	(3,886,611)	(1,843,445)	-	(241,948,087)
<u>Net book value:</u>										
As at December 31, 2021	15,211,756	9,838,728	199,918,295	19,286,879	54,297,624	21,095,291	4,446,951	1,724,389	46,707,763	372,527,676

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 7,545,612 as on December 31, 2021 (2020: SAR 7,415,370).
- All lands are mortgaged to Riyadh Bank as a guarantee for the loan obtained by the group as shown in Note No. (13).
- During the year ended December 31, 2021, the Group capitalized a borrowing cost related to qualifying assets of SAR 7,466,590 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2020: SAR 11,173,679) using a capitalization rate ranging from 3% to 4.5% per annum (Note 23).
- The capital work in progress as of December 31, 2021 is mainly represented by the costs incurred in establishing new branches that are still under construction.

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge was allocated over the year as follows:

	2023	2022	2021
Cost of revenue (note 19)	35,871,430	35,423,260	31,368,035
General and administrative expenses (note 21)	1,300,926	949,431	452,100
Marketing expenses (note 20)	94,347	89,557	21,267
	37,266,703	36,462,248	31,841,402

6. LEASE

6.1 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).

	2023	2022	2021
<u>Cost</u>			
As at 01 January	313,430,026	300,705,380	300,705,380
Additions during the year	94,527,403	8,043,813	-
Remeasurement and disposal of lease liabilities	(8,788,806)	4,680,833	-
As at 31 December	399,168,623	313,430,026	300,705,380
<u>Accumulated depreciation:</u>			
As at 01 January	(67,388,563)	(45,146,371)	(22,486,917)
Depreciation during year	(21,883,509)	(22,242,192)	(21,630,159)
Capitalized depreciation on projects in progress	(715,755)	-	(1,029,295)
As at 31 December	(89,987,827)	(67,388,563)	(45,146,371)
<u>Net book value</u>	309,180,796	246,041,463	255,559,009

The depreciation charge:

Lease depreciation expenses are charged in full to cost of revenue (note 19)

6.2 Lease liabilities

	2023	2022	2021
As at the beginning of the year	301,258,640	309,440,264	323,081,414
Additions during the year	94,527,403	8,043,813	-
Remeasurement and disposal of lease liabilities	(10,797,422)	2,261,960	-
Financing costs	20,410,218	18,240,667	20,397,039
Paid during the year	(35,948,923)	(36,728,064)	(34,038,189)
Total lease liabilities	369,449,916	301,258,640	309,440,264

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

	2023	2022	2021
Lease liabilities current portion	36,029,454	15,739,192	14,992,291
Lease liabilities non-current portion	333,420,462	285,519,448	294,447,973
Total lease liabilities	369,449,916	301,258,640	309,440,264

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

6. LEASE (CONTINUED)

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

	2023	2022	2021
Depreciation expense of right-of-use assets	21,883,509	22,242,192	21,630,159
Interests of lease liabilities	20,410,218	16,092,472	14,465,869
Rental expenses for short-term contracts	3,203,642	3,645,922	5,338,081
	<u>45,497,369</u>	<u>41,980,586</u>	<u>41,434,109</u>

7. INTANGIBLE ASSETS

Intangible assets include goodwill resulting from the acquisition of a commercial activity (self-defense sports activity) during the year 2017, in addition to automated software and systems to serve the activity.

	2023	2022	2021
Software (A)	458,932	374,404	943,369
Goodwill (B)	937,460	937,460	937,460
Projects under process (C)	3,944,712	2,134,213	1,881,697
	<u>5,341,104</u>	<u>3,446,077</u>	<u>3,762,526</u>

A. The movement of software during the year is as follows:

	2023	2022	2021
<u>Cost</u>			
As at 01 January	1,194,083	2,114,278	3,164,423
Additions during the year	231,531	100,842	266,099
Disposals during the year	(15,000)	(1,021,037)	(1,316,244)
As at 31 December	<u>1,410,614</u>	<u>1,194,083</u>	<u>2,114,278</u>
<u>Accumulated Depreciation:</u>			
Balance on 01 January	819,679	1,170,909	2,145,276
Amortization of the year	146,997	189,896	341,877
Disposals of the year	(14,994)	(541,126)	(1,316,244)
As at 31 December	<u>951,682</u>	<u>819,679</u>	<u>1,170,909</u>
<u>Net book value</u>	<u>458,932</u>	<u>374,404</u>	<u>943,369</u>

B. Goodwill

As a result of the group's acquisition of commercial activity (self-defense sports activity) during the year 2017, This is in addition to automated software and systems to serve the activity.

Test of Impairment for goodwill

The Group's management performed the annual impairment test for goodwill on December 31, 2023 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, 2023, 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.

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

7. 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, 2027. Other major assumptions are as follows:

	2023	2022	2021
Discount Rate	14%	13%	13%
Growth Rate*	2%	3%	3%

*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.

C. Projects under process

The movement of projects under process during the year is as follows:

	2023	2022	2021
As at 01 January	2,134,213	1,881,697	1,234,675
Additions during the year	1,810,499	252,516	647,022
As at 31 December	3,944,712	2,134,213	1,881,697

8. INVENTORY

	2023	2022	2021
Spare parts	2,628,227	2,519,047	2,408,828
Operating and maintenance materials	2,748,867	1,917,092	1,909,333
Traded goods	2,832,373	1,757,685	703,887
	8,209,467	6,193,824	5,022,048

9. TRADE RECEIVABLE

	2023	2022	2021
Trade Receivable	6,372,789	5,780,654	2,286,080
Less: Expected credit loss	(1,965,172)	(1,965,172)	(1,965,172)
	4,407,617	3,815,482	320,908

An analysis of the aging of trade receivables and credit risk is as follows:

	Total	0 – 90 days	91 – 180 days	181 – 270 days	271 – 360 days	More than 360 days
31 December 2023	6,372,789	4,407,617	-	-	-	1,965,172
31 December 2022	5,780,654	3,285,578	339,791	190,113	-	1,965,172
31 December 2021	2,286,080	235,689	40,163	40,034	5,022	1,965,172

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

10. ADVANCE PAYMENTS AND OTHER CURRENT LIABILITIES

	2023	2022	2021
Prepaid expenses	5,724,136	8,294,250	7,389,376
Labor supply insurance	3,297,005	996,100	506,300
Employees' custodies	1,927,369	1,761,616	1,336,371
Advance payments to suppliers	1,421,247	1,818,336	679,253
Rent debtors	427,818	426,188	320,014
Accrued revenue	265,362	404,167	310,740
Letters of guarantee	111,330	223,670	103,552
Insurance of rented buildings	65,032	1,399,500	1,690,000
IPO Costs	-	1,433,857	-
Related parties (note 28)	-	-	74,613
	13,239,299	16,757,684	12,410,219
Less: Expected credit loss	-	(1,350,000)	(1,350,000)
	13,239,299	15,407,684	11,060,219
<u>Expected credit loss movement</u>			
Balance at the beginning of the year	1,350,000	1,350,000	1,350,000
Charged to profit or less	(1,350,000)	-	-
Balance at the end of the year	-	1,350,000	1,350,000

11. CASH AND CASH EQUIVALENTS

	2023	2022	2021
Banks - Current accounts	8,278,070	16,896,424	15,857,813
Cash on hand	362,965	400,889	653,819
	8,641,035	17,297,313	16,511,632

12. SHARE CAPITAL**For the year ended 31 December 2023:**

The capital of the Group is 104 million Saudi riyals, divided into 10,400,000 shares of equal value, the value of each share being 10 Saudi riyals:

	Number of shares	Value per Share	Contribution percentage	Total Capital as at December 31		
				2023	2022	2021
Private Opportunities Investment Company	4,160,000	10	40%	41,600,000	41,600,000	41,600,000
Diamond Opportunity Sports Company	3,587,900	10	34.49999%	35,879,000	35,879,000	35,880,000
Elaf Gulf Commercial Investment Company	2,652,000	10	25.5%	26,520,000	26,520,000	26,520,000
Silver Opportunities Investment Company	100	10	0.00000009615%	1,000	1,000	-
	10,400,000	10	100%	104,000,000	104,000,000	104,000,000

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

12. SHARE CAPITAL (CONTINUED)

Pursuant to a share transfer agreement dated Safar 19, 1444 AH, corresponding to September 15, 2022 AD, Diamond Opportunities Sports Company (a closed single-person joint-stock company) transferred 100 shares, thus decreasing its ownership percentage in Sports Clubs Company to 34.49999% instead of 34.5%, representing 3,587,999 shares at a value of 10 Saudi Riyals per share, to Silver Opportunities Investment Company (a single-person company), thus increasing its ownership percentage in Sports Clubs Company to 0.0000009615%).

The ownership of these shares has been recorded in the shareholders register prepared in accordance with the articles of association of the company and the Saudi Companies Law, The ownership and assignment of these shares are subject to the referred laws.

13. LONG TERM LOANS

On January 19, 2021 (corresponding to 06 Jumada al-Akhirah 1442 AH), the Group signed a credit facilities renewal contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at fixed rates, at a value of 88.7 million Saudi Riyals. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as of December 31, 2023 amounted to 30,657,298 Saudi Riyals (December 31, 2022: 64,118,055 Saudi riyals).

The aforementioned loan is secured against a mortgage of lands (note 5), in addition to the shareholders 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 5):

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

As on October 28, 2020 (corresponding to Rabi' al-Awwal 11, 1442 AH), the Group signed a credit facility renewal contract with another local bank to obtain additional facilities in the amount of 50 million Saudi Riyals, bringing the total facilities from this local bank to 66.6 million Saudi Riyals. The facility is at fixed rates, the loan balance amounted to 35,499,846 Saudi riyals (December 31, 2022: 52,657,261 Saudi riyals). During the year 2023, another credit facility of Saudi Riyals 40,000,000 has been signed by the Group and the balance of this facility as of 31 December 2023, is Saudi Riyals 30,000,000. These facilities are secured by a payment paper and an individual and collective guarantee from the shareholders, each in proportion to his participation.

As on December 21, 2020 (corresponding to Jumada Al-Ula 06 1442 AH), the group signed a credit facility renewal contract with another local bank to obtain additional facilities in the amount of 10 million Saudi riyals, in return for annual administrative services amounting to 400,000 Saudi riyals. These loans are repaid in semi-annual installments for a period of five years with a grace period of one year. The loan balance as of December 31, 2023 amounted to 6,250,000 Saudi riyals (December 31, 2022: 8,750,000 Saudi riyals) . These facilities are secured by a payment paper and an individual and collective guarantee from the shareholders, each in proportion to his participation.

The following is a statement of the movement of loans:

	2023	2022	2021
Balance at the beginning of the year	125,525,318	146,290,257	105,314,972
Received during the year	40,000,000	11,562,794	48,437,825
Paid during the year	(62,899,336)	(32,327,733)	(7,462,540)
Balance at the end of the year	102,625,982	125,525,318	146,290,257

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

13. LONG TERM LOANS (CONTINUED)

- 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:

	2023	2022	2021
Long term loans non-current portion	60,677,133	81,357,788	109,009,911
Long term loans current portion	41,948,849	44,167,530	37,280,346
	102,625,982	125,525,318	146,290,257

- 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:

	2023	2022	2021
Less than one year	41,948,849	44,167,530	37,280,346
Between 1-2 years	44,045,725	67,614,364	78,211,396
Between 2- 5 years	16,631,408	13,743,424	30,798,515
	102,625,982	125,525,318	146,290,257

14. EMPLOYEES'DEFINED BENEFITS LIABILITIES

The defined benefits liabilities for employees include end-of-service benefits and vacation accruals. The Group provides end-of-service benefits to its employees in accordance with the Saudi Labor Law and the regulations of the General Organization for Social Insurance (GOSI) in the Kingdom of Saudi Arabia.

The movement in the defined benefits liabilities for employees is as follows:

Movement of employees' benefits:

	2023	2022	2021
As at the beginning of the year	23,566,115	21,701,892	21,962,413
Current service cost and return cost	3,932,000	7,834,746	4,639,534
Interest cost	1,300,000	603,000	593,000
Paid benefits	(5,029,494)	(5,779,061)	(3,577,920)
Remeasurement of employees defined benefits liabilities	1,583,379	(794,462)	(1,915,135)
As at the end of the year	23,552,000	23,566,115	21,701,892

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

	2023	2022	2021
Long term benefits	21,825,791	17,511,000	17,726,000
Short term employee benefits (Note 16)	3,526,209	6,055,115	3,975,892
As at the end of the year	25,352,000	23,566,115	21,701,892
	0.75%	0.75%	0.75%

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

14. EMPLOYEES'DEFINED BENEFITS LIABILITIES (CONTINUED)

Main actuarial assumptions:

The significant actuarial assumptions used in calculating the defined benefits liabilities are as follows:

	2023	2022	2021
Actuarial assumptions			
Discount rate	5.20%	5.20%	3.20%

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 benefits liabilities based on the increase or decrease in the value of the underlying assumptions as follows:

	2023		2022		2021	
	1 % Increase	1% Decrease	1 % Increase	1% Decrease	1% Decrease	1% Decrease
Discount rate	23,936,000	26,959,000	22,250,000	25,060,000	20,490,000	23,078,000
Salary increase rate	27,019,000	23,864,000	25,116,000	22,183,000	23,129,000	20,428,000

15. CONTRACTS LABILITIES

	2023	2022	2021
As at the beginning of the year	69,354,444	65,690,925	61,736,574
Additions during the year	247,373,837	238,617,889	190,192,319
Recognized during the year as subscription revenue (note 18)	(237,874,180)	(233,636,567)	(184,396,266)
Recognized during the year as other income	(2,525,407)	(1,317,803)	(1,841,702)
Balance at the end of the year	76,328,694	69,354,444	65,690,925

	2023	2022	2021
Contract liabilities current portion	75,628,370	67,924,152	60,644,995
Contract liabilities non - current portion	700,324	1,430,292	5,045,930
Balance at the end of the year	76,328,694	69,354,444	65,690,925

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023	2022	2021
Employees accruals (*)	10,854,754	11,742,381	8,373,264
Accrued expenses	1,671,931	5,006,998	2,699,289
Value Added Tax (VAT)	898,686	1,026,219	-
Rent payable	105,724	4,352,056	3,057,666
	13,531,095	22,127,654	14,130,219

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES (CONTINUED)

* The above balance of employee accruals include a balance of leave accrued to employees with the amount of 3,526,209 Saudi Riyals as at December 31, 2023 AD (December 31, 2022 AD: 6,055,115 Saudi Riyals). The long term portion amounting to SAR 2,142.791 (2022: SAR 0) was included in the Employees' Benefits (Note 14). A policy was developed for carrying over the balances of these leaves, and that policy was approved during the year ending December 31, 2023 AD. Accordingly, the leave allocation was calculated by a qualified actuary using the projected credit unit method and using the same assumptions used for provisioning of employees' defined benefits liabilities (Note 14).

17. 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 2022 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 and Customs Authority to date.
- The Group regularly submits value added tax returns on time.

Withholding Tax:

- The Group has not been inspected by the Zakat, Tax and Customs Authority to date.
- The Group regularly submits deductions 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

	2023	2022	2021
Profit for the year before zakat	25,896,646	23,377,557	8,418,806
Added: Non-deductible costs	3,244,564	2,833,000	2,862,000
Adjusted Profit (A)	29,141,210	26,210,557	11,280,806

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

17. ZAKAT (CONTINUED)

2. Equity

	2023	2022	2021
Share capital at beginning of the year	104,000,000	104,000,000	104,000,000
Provisions	18,460,562	18,787,634	20,174,621
Statutory reserve	13,553,709	11,127,558	11,127,558
Retained earnings/ Accumulated loss	2,509,587	(6,699,418)	(16,947,754)
Deferred subscription revenue	69,354,444	65,690,925	61,736,574
Loans & other sources of financing	491,650,898	426,783,958	455,730,521
Net adjusted profit	29,141,210	26,210,557	11,280,806
	728,670,410	645,901,214	647,102,326
Net property, plant and equipment, right-of-use assets, intangible assets, investment properties, projects under construction, and spare parts inventory	(722,595,420)	(623,226,849)	(634,069,917)
Zakat base (B)	6,074,990	22,674,365	13,032,409
Zakat expense (a) or (b) whichever is greater x 2.5%	808,231	694,731	354,135

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

	2023	2022	2021
As at the beginning of the year	693,135	532,814	188,847
Paid during the year	(698,817)	(534,410)	(108,533)
Zakat charge for the year	808,231	694,731	354,135
Zakat for the prior years	-	-	98,365
As at the end of the year	802,549	693,135	532,814

18. REVENUE

Revenue from the operation consist of the following :

	2023	2022	2021
Sports club subscriptions	237,874,180	233,636,567	184,396,266
Health club services	30,781,454	31,996,038	19,812,479
Sports equipment sales	1,965,081	2,410,639	149,518
	270,620,715	268,043,244	204,358,263

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

19. COST OF REVENUE

	2023	2022 (Restated)	2021 (Restated)
Direct wages and salaries and related benefits	98,876,705	99,629,076	79,928,254
Depreciation of property, plant and equipment (note 5)	35,871,430	35,423,260	31,368,035
Depreciation of right-of-use assets (note 6)	21,883,509	22,242,192	21,630,159
Electricity and water	15,772,987	16,200,811	14,361,124
Maintenance, supplies and hygiene	11,772,580	11,942,155	8,508,693
Rent expenses	3,203,642	3,645,922	6,172,528
Government fees and subscriptions	1,879,854	2,045,371	1,225,237
Fuels and oils	2,146,580	1,693,869	1,282,676
Phone and mail	1,151,581	1,183,036	1,089,285
The cost of selling sports equipment	1,715,730	1,979,544	248,598
Amortization of intangible assets (note 7)	111,008	126,727	220,243
Other	3,850,098	2,657,216	1,806,675
	198,235,704	198,769,179	167,841,507

20. MARKETING EXPENSES

	2023	2022	2021
Advertising	5,639,126	6,950,766	3,539,934
Direct wages and salaries and related benefits	1,963,059	2,055,090	1,514,373
Depreciation of property, plant and equipment (note 5)	94,347	89,557	21,267
Amortization of intangible assets (note 7)	5,840	2,912	6,247
Other	95,230	84,854	81,780
	7,797,602	9,183,179	5,163,601

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022	2021
Direct wages and salaries and related benefits	11,387,086	9,847,714	8,208,629
Provision formed	-	1,794,613	-
Depreciation of property, plant and equipment (note 5)	1,300,926	949,431	452,100
Maintenance and cleaning	535,226	469,883	275,876
Phone and mail	237,971	178,656	240,133
Amortization of intangible assets (note 7)	30,149	60,257	115,387
Other	1,049,466	1,797,901	1,130,024
	14,540,824	15,098,455	10,422,149

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)

22. OTHER INCOME, NET

Other income (less other expenses) consists of the following:

	2023	2022	2021
Rent income	1,317,803	2,525,407	1,841,702
Discounts on rent expenses	1,231,981	995,922	2,324,524
Depreciation expense for investment properties	-	(20,116)	(56,518)
Profit / (loss) from disposal of Property, Plant and Equipment	282,739	(2,859)	281,589
	2,832,523	3,498,354	4,391,297

23. FINANCE COSTS AND BANK CHARGES

	2023	2022	2021
Interests of lease liabilities	20,410,218	18,240,667	20,397,039
Long-term loan costs	6,879,989	7,931,854	3,637,063
Bank fees and commissions	5,031,978	3,003,268	335,985
Capitalized during the year from the interest of lease liabilities	(3,818,134)	(2,148,195)	(5,931,170)
Capitalized during the year of financing costs on loans	(1,521,589)	(1,914,366)	(1,535,420)
finance costs and bank charges Charged to statement of profit or loss	26,982,462	25,113,228	16,903,497

24. FINANCIAL ASSETS AND LIABILITIES

24.1 Financial assets	2023	2022	2021
Financial assets at amortized cost:			
Trade receivables	4,407,617	3,815,482	320,908
Cash and cash equivalents	8,641,035	17,297,313	16,511,632
Total financial assets at amortized cost	13,048,652	21,112,795	16,832,540

24.2 Financial Liabilities	2023	2022	2021
Financial liabilities at amortized cost:			
Long term loans	102,625,982	125,525,318	146,290,257
Lease Liabilities	369,449,916	301,258,640	309,440,264
Trade payable	29,118,347	3,565,533	4,746,105
Total financial liabilities at amortized	501,194,245	430,349,491	460,476,626

Non-current portion of financial liabilities	394,097,595	366,877,236	403,457,884
Current portion of financial liabilities	107,096,650	63,472,255	57,018,742
Total financial liabilities	501,194,245	430,349,491	460,476,626

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

25. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital commitments related to projects under construction amounted to SAR 1,521,123 as at 31 December 2023, mainly representing contracts for the construction of new sports clubs (2022: SAR 5,884,187).

26. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or the transfer of the liability takes place in one of the following:

- In the principal market for the asset or liability; or
- In the most advantageous market for the asset or liability, in the absence of a principal 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 market participants would use in pricing the asset or liability, assuming that market participants act in their best economic interest.

Fair value measurement of a non-financial asset takes into account the 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 who would use the asset in its highest and best use.

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

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

- **Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Valuation techniques using the lowest level of input necessary for fair value measurement (unobservable inputs).

For assets and liabilities recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels of the fair value hierarchy by reassessing the classification based on the lowest level of significant input at the reporting date.

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

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
- 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.

27.1 CREDIT RISK

Credit risk represents the risk of the Group incurring a financial loss if a customer or counterparty fails to meet its contractual obligations. Credit risk primarily arises from the Group's receivables from customers. The fair value of financial assets represents the maximum exposure to credit risk.

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

Management assesses the creditworthiness of each new customer individually before offering the Group's standard payment and delivery terms. This assessment typically includes reviewing external credit ratings, if available, and in some cases, obtaining bank references.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables (note 9).

	2023	2022	2021
Cash and cash equivalents	8,278,070	16,896,424	15,857,813
Trade receivables	4,407,617	3,815,482	320,908
	12,685,687	20,711,906	16,178,721

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 2023	Less than a year	From 1 to 5 years	More than 5 years	Total contractual flows	Book value
Loans	41,948,849	60,677,133	-	102,625,982	102,625,982
Lease liabilities	36,029,454	179,216,066	393,790,262	609,035,782	369,449,916
Trade payable	29,118,347	-	-	29,118,347	29,118,347
Accrued expenses and other payable	13,531,095	-	-	13,531,095	13,531,095
	120,627,745	239,893,199	393,790,262	754,311,206	514,725,340

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)**27.2 LIQUIDITY RISK (CONTINUED)**

As at 31 December 2022	Less than a year	From 1 to 5 years	More than 5 years	Total contractual flows	Book value
Loans	44,167,530	81,357,788	-	125,525,318	125,525,318
Lease liabilities	15,739,192	171,000,286	259,674,328	446,413,806	301,258,640
Trade payable	3,565,533	-	-	3,565,533	3,565,533
Accrued expenses and other payable	22,127,654	-	-	22,127,654	22,127,654
	<u>85,599,909</u>	<u>252,358,074</u>	<u>259,674,328</u>	<u>597,632,311</u>	<u>452,477,145</u>

As at 31 December 2021	Less than a year	From 1 to 5 years	More than 5 years	Total contractual flows	Book value
Loans	37,280,346	109,009,911	-	146,290,257	146,290,257
Lease liabilities	14,992,291	155,984,171	250,360,263	421,336,725	309,440,264
Trade payable	4,746,105	-	-	4,746,105	4,746,105
Accrued expenses and other payable	14,130,219	-	-	14,130,219	14,130,219
	<u>71,148,961</u>	<u>264,994,082</u>	<u>250,360,263</u>	<u>586,503,306</u>	<u>474,606,845</u>

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.

27.4 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 2023	100+	1,026,260
	100-	(1,026,260)
31 December 2022	100+	1,255,253
	100-	(1,255,253)

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(In Saudi Riyals)****27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)****27.5 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 Group 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, 2023 and the year ending on December 31, 2022. The capital includes capital and statutory reserve and retained earnings measured at SAR 143,410,464 as on December 31, 2023 (December 31, 2022 SAR 125,905,428).

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:

	2023	2022	2021
Loans	102,625,982	125,525,318	146,290,257
Subtract: Cash in hand	(8,641,035)	(17,297,313)	(16,511,632)
Net debt	93,984,947	108,228,005	129,778,625
Total Equity	143,410,464	125,905,428	108,428,140
Net debt to equity ratio	66%	86%	120%

28. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are represented in the group shareholders making payments on behalf of the group in order to pay some operating expenses and some subscriptions for employees of the parties related to the group's clubs and consulting and management services. These transactions were carried out in accordance with the conditions specified in the agreements concluded with related parties and approved by the management.

The following are the balances due from related parties resulting from these transactions:

Under advance payments and other current assets (Note 10):

	2023	2022	2021
Amwal AlKhaleej Company	-	-	74,613
	-	-	74,613

Senior management compensation

	2023	2022	2021
Salary & other short term benefits	8,577,255	6,287,732	5,776,918
Long term benefits	639,991	736,119	502,823
	9,217,246	7,023,851	6,279,741

Sport Clubs Company

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

29. SEGMENT REPORTING (CONTINUED)**29.1 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 Region
- Northern Region
- Southern Region
- Western Region

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

For the year ending December 31, 2023:

	Headquarter	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	-	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 zakat	(47,296,596)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,088,415
Re-measurement loss of Employees 'defined benefits liabilities	(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

Sport Clubs Company

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

29. SEGMENT REPORTING (CONTINUED)**29.1 GEOGRAPHICAL SEGMENTS (CONTINUED)****For the year ending December 31, 2022:**

	Headquarter	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	-	168,774,281	39,523,842	14,846,392	9,243,928	35,654,801	268,043,244
Cost of revenue	-	(117,633,136)	(32,094,580)	(11,240,515)	(7,184,866)	(30,616,082)	(198,769,179)
Gross profit	-	51,141,145	7,429,262	3,605,877	2,059,062	5,038,719	69,274,065
Marketing expenses	(9,183,179)	-	-	-	-	-	(9,183,179)
General and administrative expenses	(15,098,455)	-	-	-	-	-	(15,098,455)
Operating profit	(24,281,634)	51,141,145	7,429,262	3,605,877	2,059,062	5,038,719	44,992,431
Other income – net	3,498,354	-	-	-	-	-	3,498,354
Finance cost	(25,113,228)	-	-	-	-	-	(25,113,228)
Profit before zakat	(45,896,508)	51,141,145	7,429,262	3,605,877	2,059,062	5,038,719	23,377,557
Zakat	(694,731)	-	-	-	-	-	(694,731)
Profit after zakat	(46,591,239)	51,141,145	7,429,262	3,605,877	2,059,062	5,038,719	22,682,826
Re-measurement loss of Employees 'defined benefits liabilities	794,462	-	-	-	-	-	794,462
Total comprehensive income for the year	(45,796,777)	51,141,145	7,429,262	3,605,877	2,059,062	5,038,719	23,477,288

Sport Clubs Company

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

29. SEGMENT REPORTING (CONTINUED)**29.1 GEOGRAPHICAL SEGMENTS (CONTINUED)****For the year ending December 31, 2021:**

	Headquarter	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	-	121,561,852	35,013,373	11,968,642	8,491,312	27,323,084	204,358,263
Cost of revenue	-	(103,695,269)	(28,792,983)	(7,387,575)	(6,656,261)	(21,309,419)	(167,841,507)
Gross profit	-	17,866,583	6,220,390	4,581,067	1,835,051	6,013,665	36,516,756
Marketing expenses	(5,163,601)	-	-	-	-	-	(5,163,601)
General and administrative expenses	(10,422,149)	-	-	-	-	-	(10,422,149)
Operating profit	(15,585,750)	17,866,583	6,220,390	4,581,067	1,835,051	6,013,665	20,931,006
Other income – net	4,391,297	-	-	-	-	-	4,391,297
Finance cost	(16,903,497)	-	-	-	-	-	(16,903,497)
Profit before zakat	(28,097,950)	17,866,583	6,220,390	4,581,067	1,835,051	6,013,665	8,418,806
Zakat	(452,500)	-	-	-	-	-	(452,500)
Profit after zakat	(28,550,450)	17,866,583	6,220,390	4,581,067	1,835,051	6,013,665	7,966,306
Re-measurement loss of Employees 'defined benefits liabilities	1,915,135	-	-	-	-	-	1,915,135
Total comprehensive income for the year	(26,635,315)	17,866,583	6,220,390	4,581,067	1,835,051	6,013,665	9,881,441

Sport Clubs Company

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Saudi Riyals)

29. SEGMENT REPORTING (CONTINUED)
29.2 MARKET SEGMENTS

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

	<u>Headquarters</u>			<u>Men's Fitness Centers</u>			<u>Women's Fitness Centers</u>			<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2021</u>
Revenue	-	-	-	198,827,804	198,427,372	173,008,241	71,792,911	69,615,872	31,350,022	270,620,715	268,043,244
Cost of revenue	-	-	-	(140,753,281)	(144,016,987)	(138,025,351)	(57,482,423)	(54,752,192)	(29,816,156)	(198,235,704)	(198,769,179)
Gross profit	-	-	-	58,074,523	54,410,385	34,982,890	14,310,488	14,863,680	1,533,866	72,385,011	69,274,065
Marketing expenses	(7,797,602)	(9,183,179)	(5,163,601)	-	-	-	-	-	-	(7,797,602)	(9,183,179)
General and administrative expenses	(14,540,824)	(15,098,455)	(10,422,149)	-	-	-	-	-	-	(14,540,824)	(15,098,455)
Operating profit	(22,338,426)	(24,281,634)	(15,585,750)	58,074,523	54,410,385	34,982,890	14,310,488	14,863,680	1,533,866	50,046,585	44,992,431
Other income – net	2,832,523	3,498,354	4,391,297	-	-	-	-	-	-	2,832,523	3,498,354
Finance cost	(26,982,462)	(25,113,228)	(16,903,497)	-	-	-	-	-	-	(26,982,462)	(25,113,228)
Profit before zakat	(46,488,365)	(45,896,508)	(28,097,950)	58,074,523	54,410,385	34,982,890	14,310,488	14,863,680	1,533,866	25,896,646	23,377,557
Zakat	(808,231)	(694,731)	(452,500)	-	-	-	-	-	-	(808,231)	(694,731)
Profit after zakat	(47,296,596)	(46,591,239)	(28,550,450)	58,074,523	54,410,385	34,982,890	14,310,488	14,863,680	1,533,866	25,088,415	22,682,826
Re-measurement loss of Employees' defined benefits liabilities	(1,583,379)	794,462	1,915,135	-	-	-	-	-	-	(1,583,379)	794,462
Total comprehensive income for the year	(48,879,975)	(45,796,777)	(26,635,315)	58,074,523	54,410,385	34,982,890	14,310,488	14,863,680	1,533,866	23,505,036	23,477,288

Sport Clubs Company

(Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2023**

(In Saudi Riyals)

29. SEGMENT REPORTING (CONTINUED)**29.2 MARKET SEGMENTS**

The following tables present information on financial position for the market segments:

	<u>Headquarters</u>			<u>Men's Fitness Centers</u>			<u>Women's Fitness Centers</u>				<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property, Plant and Equipment	16,346,775	2,429,661	1,795,406	250,425,185	243,451,301	256,327,696	141,301,560	127,858,347	114,404,574	408,073,520	373,739,309	372,527,676
Right of use Assets	-	-	-	242,077,006	179,907,381	185,475,693	67,103,790	66,134,082	70,083,316	309,180,796	246,041,463	255,559,009
Other non-current assets	5,341,104	3,446,077	5,983,232	-	-	-	-	-	-	5,341,104	3,446,077	5,983,232
Current assets	34,497,418	42,714,303	32,914,807	-	-	-	-	-	-	34,497,418	42,714,303	32,914,807
Total assets	56,185,297	48,590,041	40,693,445	492,502,191	423,358,682	441,803,389	208,405,350	193,992,429	184,487,890	757,092,838	665,941,152	666,984,724
Non-current liabilities	416,623,710	385,818,528	426,229,814	-	-	-	-	-	-	416,623,710	385,818,528	426,229,814
Current liabilities	197,058,664	154,217,196	132,326,770	-	-	-	-	-	-	197,058,664	154,217,196	132,326,770
Total liabilities	613,682,374	540,035,724	558,556,584	-	-	-	-	-	-	613,682,374	540,035,724	558,556,584

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 February 26, 2023 AD, the shareholders unanimously approved the recommendation of the Board of Directors, held on January 19, 2023AD, to distribute profits to the shareholders in a total amount of 6 million Saudi Riyals, at SAR 0.577 per share.

On September 14, 2022 AD, the shareholders unanimously approved the recommendation of the Board of Directors, held on September 8, 2022 AD, to distribute profits to the shareholders in a total amount of 6 million Saudi riyals, at 0.577 Saudi riyals per share.

32. 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.

	2023	2022 (Restated)	2021 (Restated)
Income for the year	25,088,415	22,682,826	7,966,306
<u>No. of shares</u>			
Weighted average number of shares (Note 12)	10,400,000	10,400,000	10,400,000
Basic and diluted earnings per share (Saudi Riyals)*	2.41	2.18	0.77

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

33. RESTATEMENT

During the years ended 31 December 2022 and 31 December 2021, the Group made certain adjustments to comparative information. In the ordinary course of business, the Group obtains land under lease contracts and constructs buildings on it for the operation of clubs. Since the adoption of IFRS 16, the Group capitalized the depreciation of right-of-use assets related to leased land into the cost of the buildings during the construction period. This treatment was consistent with generally accepted practices at the time.

In November 2023, the Saudi Organization for Chartered and Professional Accountants (SOCPA) issued a clarification regarding the capitalization of depreciation of right-of-use assets, specifically in relation to leased land. This clarification was issued in response to an inquiry received by SOCPA and confirmed that the depreciation of right-of-use assets related to land leased primarily for the construction of buildings should not be capitalized into the cost of the building under construction.

Sport Clubs Company

(Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
(In Saudi Riyals)**33. RESTATEMENT (CONTINUED)**

SOCPA's clarification explained that the depreciation amount related to the right-of-use asset for land during the construction phase does not constitute directly attributable costs necessary to bring the building to the location and condition necessary for its intended operational use. It further clarified that land and building should be treated as two separate assets, and the capitalization of the land's right-of-use asset depreciation cannot be considered as the use of the economic benefits inherent in one asset to produce another.

Conversely, SOCPA clarified that only the borrowing costs associated with right-of-use assets for land leased primarily for the purpose of constructing buildings may be capitalized during the period necessary to construct, complete, and prepare the asset for its intended use.

As a result, the Group applied the SOCPA clarification retrospectively by restating the prior periods. Accordingly, the cost of revenues was increased in those periods.

Based on the issued clarification, the Group accounted for the impact of this clarification in these consolidated financial statements in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

The effect of the above adjustment on each impacted item of the consolidated financial statements for prior periods is reflected in the table below.

Effect on the statement of financial position	As previously stated	Restatement	Restated As of 31 December
as at 01 January 2022			
Property, plant and equipment	379,515,958	(6,988,282)	372,527,676
	288,864	(6,988,282)	(6,699,418)
Effect on the statement of financial position as at 31 December 2022			
Property, plant and equipment	382,306,269	(8,566,960)	373,739,309
Retained earnings	16,918,681	(8,409,094)	8,509,587
Statutory reserve	13,553,709	(157,868)	13,395,841
Effect on the statement of profit or loss for the year ended 31 December 2022			
Cost of revenue	197,190,499	1,578,680	198,769,179
Earnings per share	2.33	(0.15)	2.18
Effect on the statement of profit or loss for the year ended 31 December 2021			
Cost of revenue	164,691,656	3,149,851	167,841,507
Earnings per share	1.07	(0.30)	0.77

34. SUBSEQUENT EVENTS

During the subsequent period, the Company's management assessed the impact of the new Companies Law issued under Royal Decree No. (M/132) dated 12 Dhul-Hijjah 1443H (corresponding to 30 June 2022) in order to update the Company's Articles of Association, if necessary, to align with the provisions of the new law. Following the completion of the required procedures, the amended Articles of Association were presented to the General Assembly of Shareholders for approval, and the amendments were duly approved during the Extraordinary General Assembly Meeting held on 7 Dhul-Qi'dah 1445H (corresponding to 15 May 2024).

In management's opinion, there are no other significant subsequent events after the reporting date of 31 December 2023 that would have a material impact on the Group's consolidated financial position or results of operations, other than those disclosed.

35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 20 Dhu Al-Qa`adah 1445 H (Corresponding to 28 May 2024 AD).
