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LEEJAM

Leading the Sports Industry

Leejam Sports Company

Annual Report 2023

Creating sustainable value and widening access to a healthier way of life.

Table of contents:

1	**Overview**	**04**
	At A Glance	06
	History and Timelines	10
	Our Brands	12
	Key Highlights	14
2	**Strategic Report**	**18**
	Chairman's Statement	20
	CEO Message	23
	Our Strategy	26
	CFO Statement	30
	Investor Relations	34
	Operational Review	36
3	**Sustainable Development**	**40**
	Action on energy	42
4	**Board of Directors' Report**	**48**
	Corporate Governance	50
5	**Financial Statements**	**88**
	External Auditor Report	90
	Consolidated statement of profit or loss other comprehensive income	94
	Consolidated statement of financial position	95
	Consolidated statement of changes in equity	96
	Consolidated statement of cash flows	97
	Notes to the Consolidated Financial Statements	99

Leejam Sports Company | Overview

Overview

Overview

At a glance

187
Number of centers & studios

396K
Number of active members

173
Gyms

13
Concept Studios & Academies

138
Swimming Pools

138
Exercise Studios Within Gyms Group

138
Cycling Studios Within Gyms

96
Indoor Running Tracks

51
Basketball Courts

34
Football Pitches

36
Volleyball Courts

17
Squash Courts

16
Padel Courts

65
24hr Clubs

A landmark year of investment, diversification, investor engagement and sustained shareholder value.

Building upon its resurgent growth in 2022, Leejam entered the second year of its three-year strategic plan in 2023, celebrating five years since its initial public offering (IPO) with record double-digit revenue growth and significant portfolio diversification.

In line with the Saudi Vision 2030 objectives of promoting healthy lifestyles and increasing sports participation, the Group achieved significant geographic expansion in 2023. Leejam reached new demographics in more communities and welcomed the addition of a diverse portfolio of Concept Studios that have added significant breadth to Leejam's offering.

These, alongside the addition of [ ] new clubs, have created widespread new opportunities for sports and fitness participation across the country.

Supporting awareness of the Group's progress, Leejam held its inaugural Capital Markets Day in 2023. The new annual event provided the Group with a historic opportunity to communicate its strategy, objectives, results and corporate priorities – in addition to demonstrating its commitment to creating sustained shareholder value.

Overview

A sporting champion

Our mission

To steer society toward a healthy lifestyle and encourage people to exercise daily.

Our vision

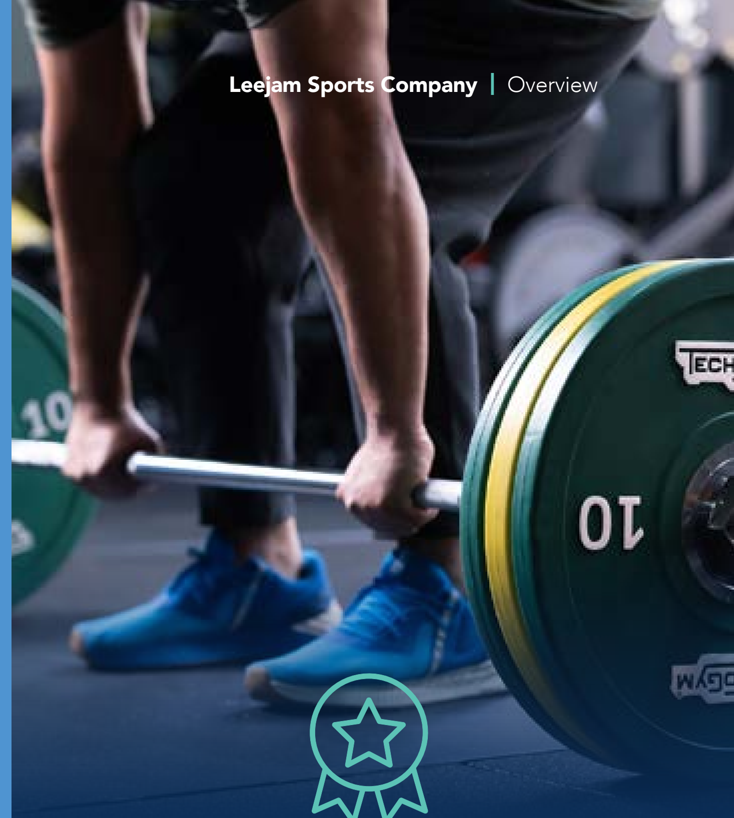
To be the people's favourite and most accessible wellness club.

Our values

Our values drive us to create wider access to a healthier way of life.

Values

The core values at the heart of every centre are the most technologically advanced, state-of-the-art equipment and providing users with a superior customer experience, all of which are complimented by the Company's diverse range of offerings through tactically astute brand differentiation, incorporating choice offerings to suit every budget.



Customer service excellence

Integrity

Responsibility

Collaboration

Innovation

History and timelines

Our journey so far...

Leejam's winning formula stems from the strategically selected locations of its fitness centres, designed to provide a conveniently located, easily accessible and fully equipped centres to the fitness community.

2005
1st "Fitness Time" center Opened

2015
Expanded to the UAE

2017
1st Ladies Center Opened

2018
Listed in Tadawul Exchange

2019
Became the largest Ladies Gym Network in KSA

2020
Launched the Low cost - High Value Segment

2021
Fastest Fitness Company to Recover from COVID-19 Pandamic Globaly

2022
Achieved more than SAR 1 Billion Revenue & the highest Net profit ever recorded

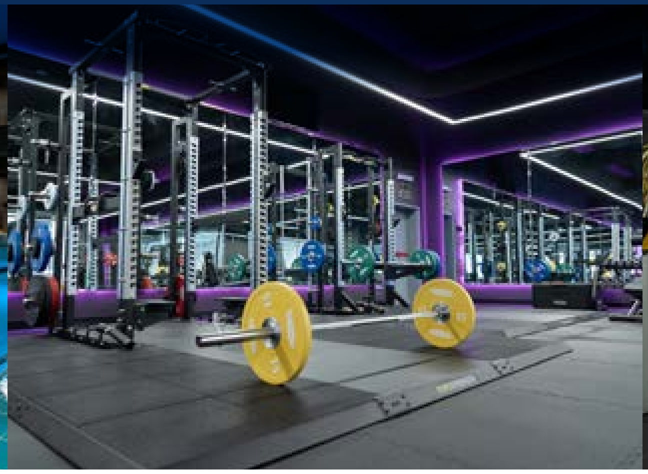
2023
Acquired Al-Tatheer Sports Company & Launched the Concept Studios Segment

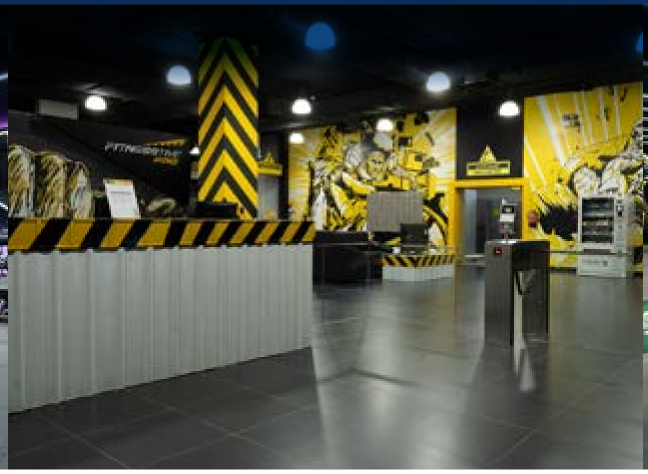
Our Brands

Best in class operating model

Leejam prides itself on its international and professional Fitness Team, designed to make Fitness Time the gym of choice.

Leejam currently operates the following fitness brands:





Fitness Time Plus / Fitness Time Ladies Plus

Indulge in an environment that combines fitness with luxury; this brand targets individuals seeking a five-star, exclusive experience. The "Plus" brands provide the ultimate in privacy, while maintaining the ultra-high standards the Company is renowned for.

Facilities include best-in-class swimming pools, which are complemented by jacuzzies and plunge pools at selected locations, a comprehensively equipped gym and indoor running and walking tracks. Additional facilities include steam rooms, saunas, hairdresser facilities, squash, and communal lounges.

Fitness Time / Fitness Time Ladies

Immerse yourself in a business-class sports and fitness facility with a brand targeted at a user seeking a high-end, full-service facility without the necessity for the additional privacy the Plus brand provides.

With similar facilities to the Plus brand, Fitness Time provides swimming pools, Jacuzzis and plunge pools along with the usual state-of-the-art equipment found in all fitness centres, with some centres also benefitting from indoor running and walking tracks. This brand also offers space at its male centres for other sports activities, such as football, volleyball, squash and table tennis, at certain locations.

Fitness Time Pro / Fitness Time Ladies Pro

Fitness Time Pro provides users with a broad yet focused set of features and services. There are large training pools, which can be used either for a workout or as a cool down post-workout, also complimented by jacuzzies and plunge pools at selected locations.

All centres are equipped with the very latest technology, ensuring users maximise their fitness potential. In addition, there are dedicated workout rooms for each type of training and exercise.

Fitness Time Xpress / Ladies Xpress

Perfect for a user seeking cardio and strength workouts, Fitness Time Xpress offers a digitally enabled no-frills experience, with maximum value, easily accessible centres with male centres being open 24 hours a day.

Fully equipped with the ultimate range of cardio programs and usual cardio and strength equipment, all gyms come with the state-of-the-art equipment the Company is renowned for.

Concept Studios

The Group's Concept Studios offering is for users seeking specialised services and sports such as boxing, yoga, one-to-one personal training sessions, group exercise, and martial arts, amongst other niche activities.

Operationally, Concept Studios can be built and deployed faster than a typical gym with a lower Capex requirement and smaller spaces. Based on their smaller size - in comparison to a typical gym or even a small box gym - concept studios take on fewer members per studio.

Overview

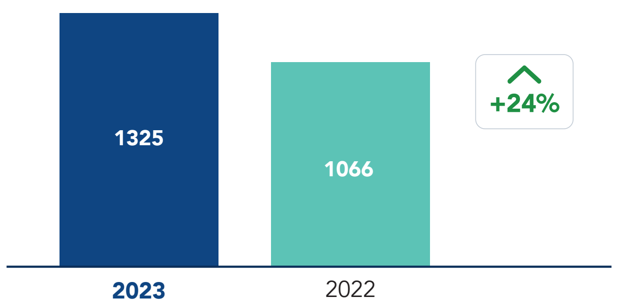
Key highlights

Financial KPIs

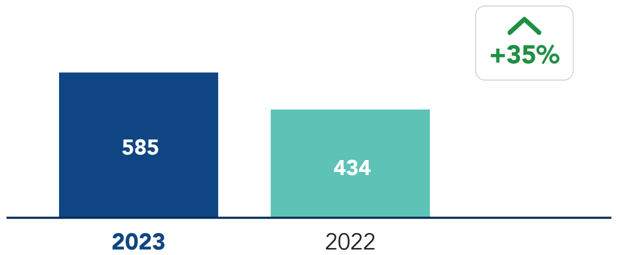
Item (SAR Million)

● **2023** ● 2022

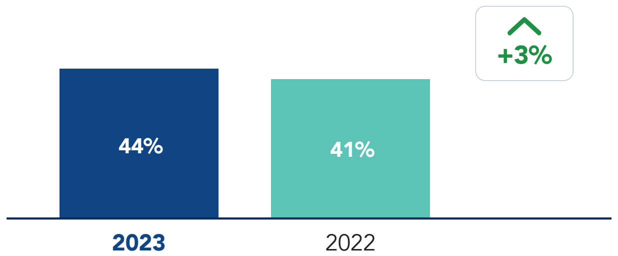
Revenue



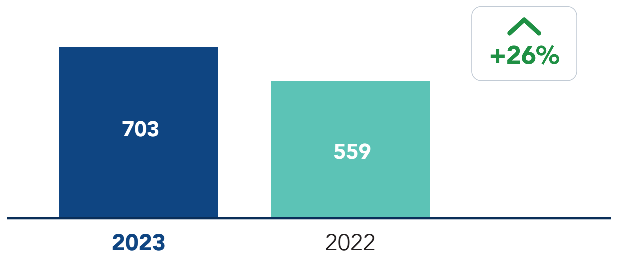
Gross Profit



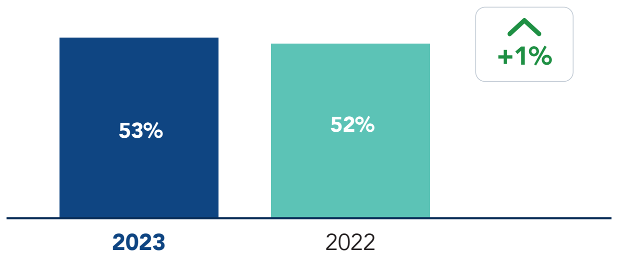
Gross Profit Margin



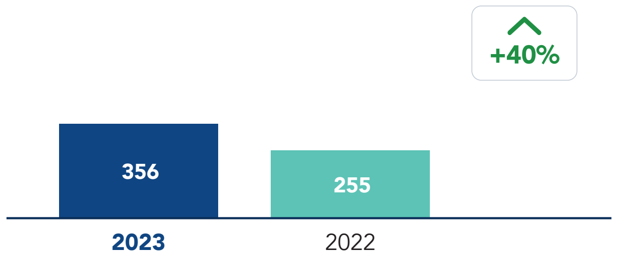
EBITDA



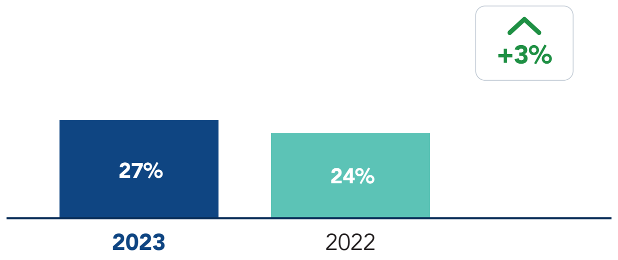
EBITDA Margin



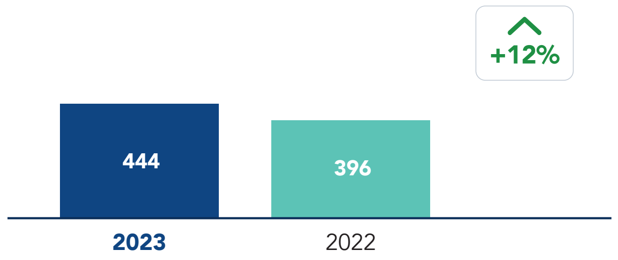
Net Income



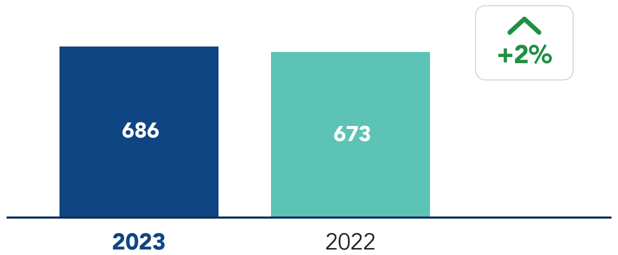
Net Income Margin



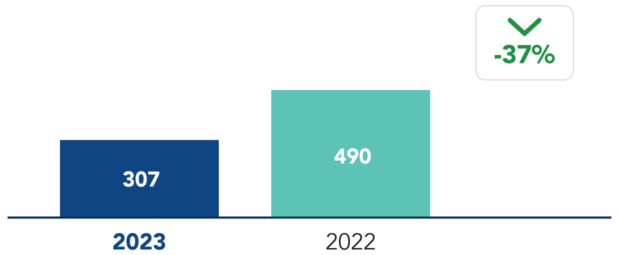
Deferred Revenue



Operating Cash Flows



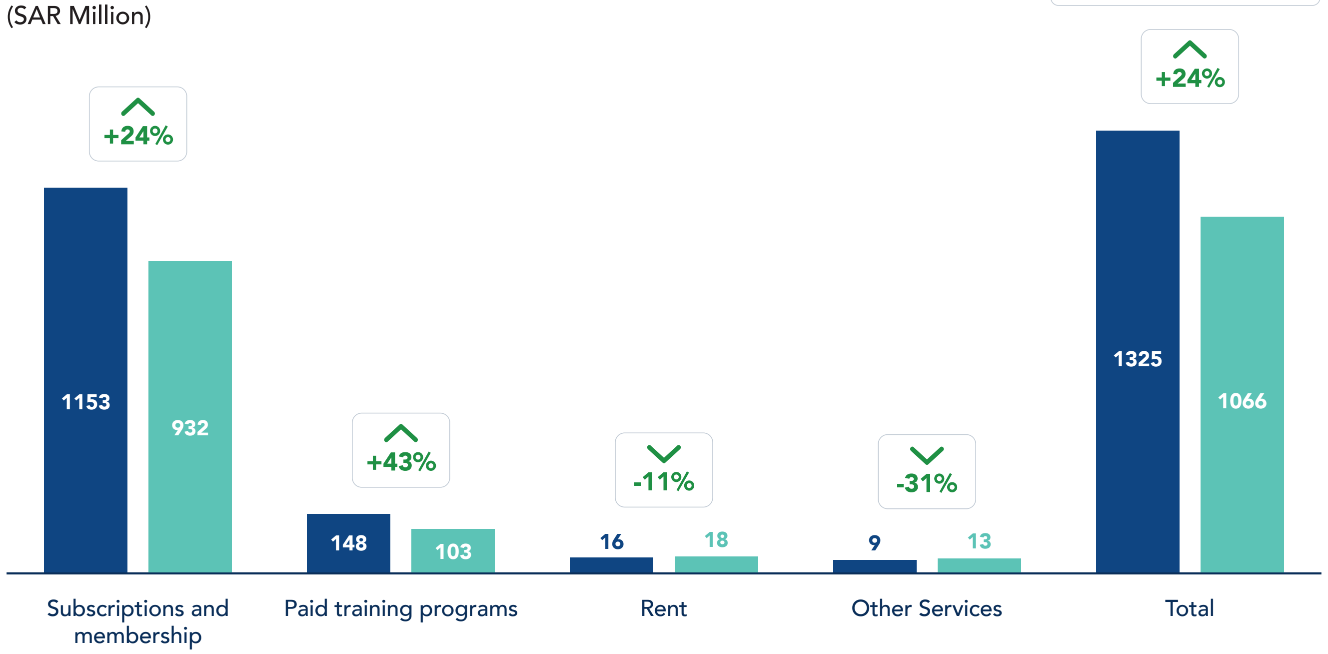
Free Cash Flows



Revenue Sources

(SAR Million)

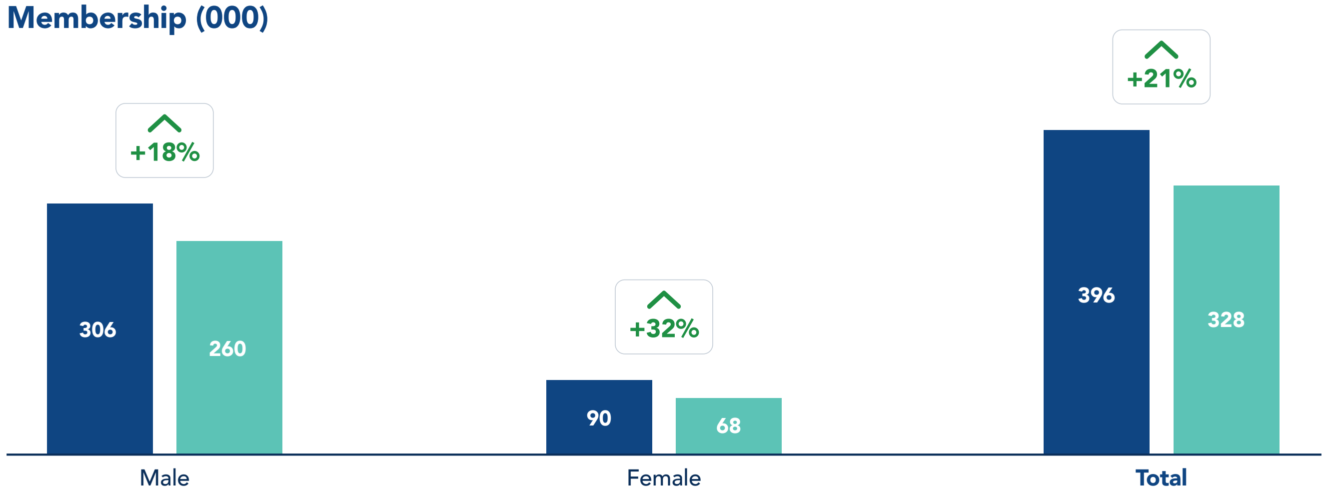
● **2023** ● 2022



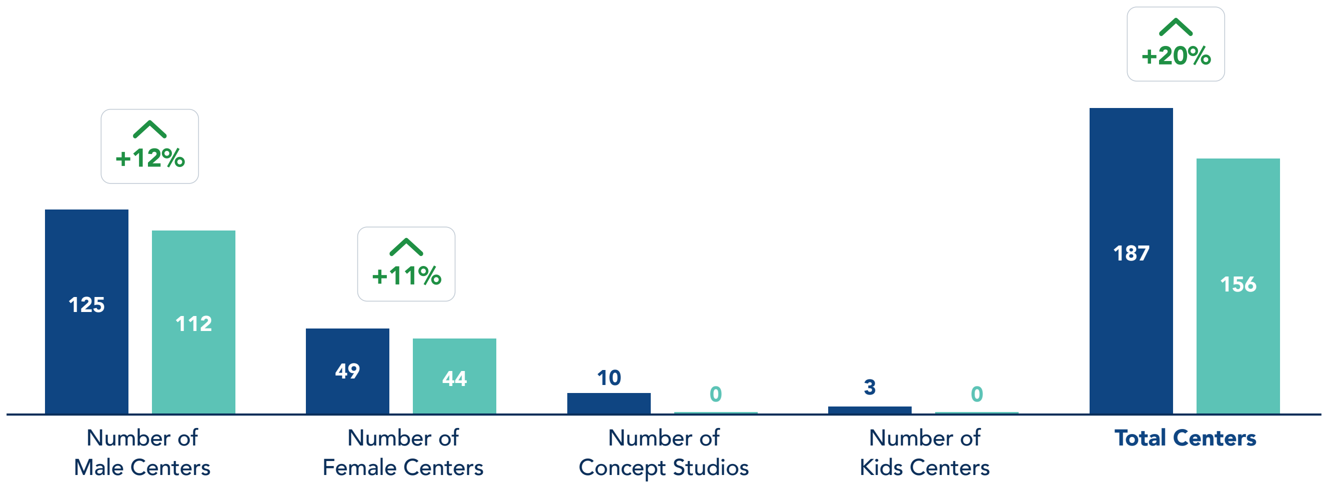
Key highlights (continued)

● 2023 ● 2022

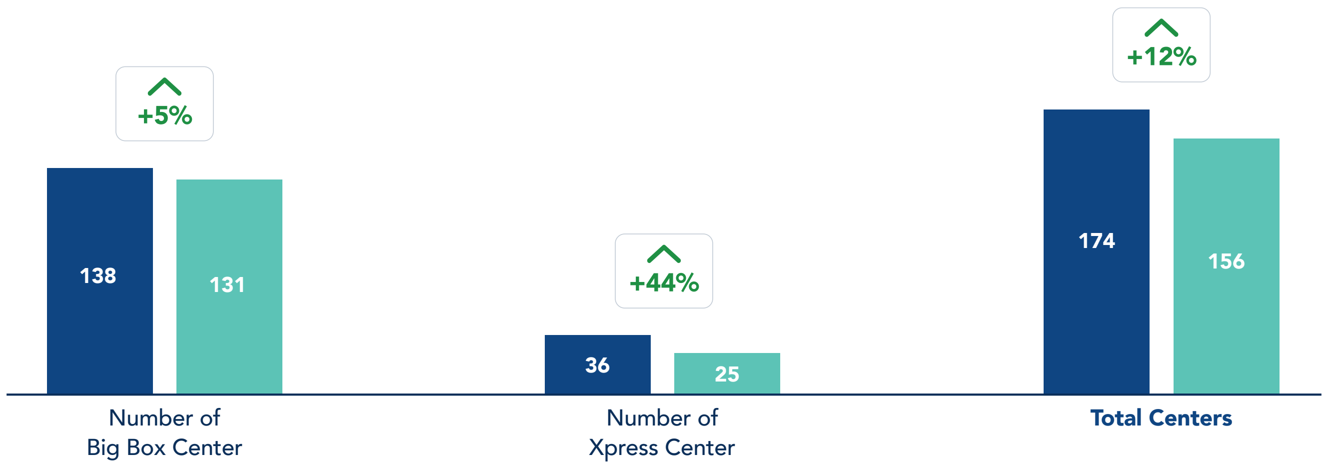
Membership (000)



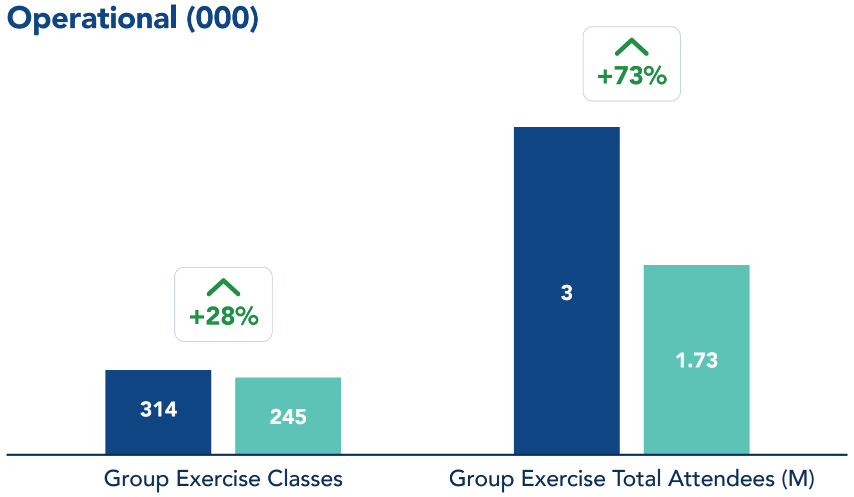
Centers by Segments:



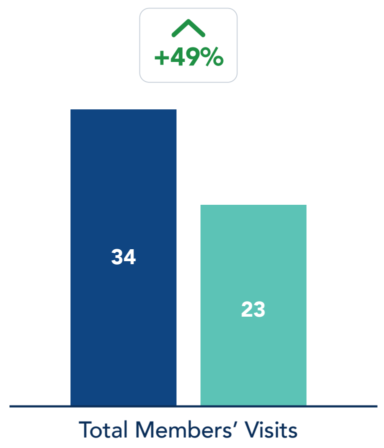
Fitness Time Centers by Segments:



Operational (000)



Operational (M)



MSCI ESG RATINGS BBB

CCC	B	BB	BBB	A	AA	AAA

In 2023, Leejam Sports Company received a rating of BBB (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.*

Strategic Report

Chairman's statement

Committed to sports in the national interest

Leejam has moved one step closer to its place as a leading advocate for living healthier and more active lifestyles, through an intensive phase of product and brand diversification.

"As a nationwide sports company, we have a clear goal to deliver access to sports and to enable a healthier society.

Ali Hamad Al-Sagri

The Group's commitment to a comprehensive ESG strategy serves as a platform for sustainable, responsible growth that meets the needs of the Group's shareholders, the communities it serves, the natural world, its employees, and the wider national interest.

Following a year of significant growth in market penetration, product diversification and record financial results, I am delighted to present to you the Leejam Sports Company annual report for 2023. It is through the grace of Allah Almighty, the guidance of the Custodian of the Two Holy Mosques and His Royal Highness, the Crown Prince, that Saudi Arabia has enjoyed continued opportunity and prosperity throughout the year.

The past year represented a historic milestone for the Group as it celebrated five years since its initial public offering on the Saudi Stock Exchange. At the time of listing, Leejam made a firm commitment to the nation and its investors. To the nation, Leejam set itself a challenge: to enable a healthier, fitter, and more vibrant society. This was – and continues to be – a sense of national duty for everybody at Leejam. To our investors, we developed a long-term strategy to deliver sustainable value creation, an ambitious plan for expansion, and a strategic evolution as a diversified sports Group.

Five years on, 2023 was a landmark year of significant milestones that saw the Group make exceptional progress in its strategy. It did so on the back of a fast-growing fixed-cost operating model with a unique development strategy and a powerful, industry-leading customer proposition.

I am delighted, therefore, to present an annual report that illustrates that the Group has fulfilled its promise.

Set against a backdrop of global geopolitical and economic uncertainty, Leejam embarked upon an ambitious and intensive phase of product and brand diversification in 2023. Significant investments were made in new sports segments and the development of an integrated value proposition across the entire sports, fitness, health, and wellbeing value chain. Consequently, one year into its three-year strategic plan, Leejam has made significant progress in strengthening its core, solidifying its geographic and demographic reach, and moving into new vertical markets.

The Group's evolution in 2023 has seen it move one step closer to its place as a one-stop-shop for sports powerhouse and a leading advocate for living healthier and more active lifestyles. In line with Saudi Vision 2030, the Group is proud to have implemented multiple projects, events, and outreach programs that have widened access and encouraged participation in a range of sporting activities this year.

Strategic Progress

In support of its continued growth, the Group hosted its inaugural Capital Markets Day in November 2023. The new annual meeting represents an important commitment to engagement and dialogue with investors, analysts, industry partners, and the media. The Capital Markets Day provided Leejam with a unique opportunity to communicate the Group's strategy, objectives, value proposition and unique role as Saudi Arabia's dominant force in sports and fitness.

Throughout 2023, the Group's strategy has been supported by its investment activities. We aim to invest in growth businesses, create value through new synergies, develop a diverse portfolio of complementary assets to mitigate business risks and invest in innovative solutions. As has been demonstrated through its investments in new sports infrastructure and segments, the Group continued to make progress in reaching new demographic segments in 2023.

192
SAR million
Dividends distributions during 2023, Highest since IPO

33
Additional Centers during 2023

Chairman's statement (continued)

Investing for Impact

Few companies have the skills, scale of experience, internationally qualified trainers, geographic reach, assets, and capabilities to deliver such consistent growth. Furthermore, within the context of a sports market that remains underdeveloped, Leejam continues to create an offer across the sports value chain that provides its investors with a strong value proposition – and that will continue to contribute to the national sports strategy.

The Group will also work to build ever-greater engagement in sports across communities far and wide. The Group's Board of Directors is committed to developing a comprehensive ESG strategy that serves as a platform for sustainable, responsible growth that meets the needs of the Group's shareholders, the communities it serves, the natural world, employees, and the wider national interest.

As part of this commitment and our corporate strategy, we at Leejam are striving to leverage our world-class training and investment in sports, sporting talent, and our fitness experts to provide our members with an exceptional interaction with extraordinary sporting talents. Those talents are supporting the development of the next generation of sports professionals: future Saudi men and women who will be our nation's sporting champions.

As a nationwide sports company, we have a clear goal to deliver access to sports and to enable a healthier society. To make this happen, we are actively partnering with multiple leading companies and government entities to help achieve these goals. We are firmly committed to serving all our stakeholders in line with the values and objectives of the Saudi Vision 2030 and being part of the greatest success story of the 21st century.

Now, as we embark upon the second year of Leejam's ambitious three-year strategy in 2024, I would like to express my most sincere gratitude and appreciation to our shareholders, members, partners, and government agencies for their ongoing and continued support.

Finally, we ask Allah Almighty to continue to bless our country and all those who live here with security, progress, good health, and prosperity. Within this blessed environment, we look forward to leveraging our strengths as we forge an inclusive and sustainable sports industry in Saudi Arabia.

Thank you

Ali Hamad Al-Sagri

CEO Message

Strategy in action with exceptional outcomes

Reflecting on a year of outstanding financial results, strategic investments, and product innovation, 2023 has proven to be a landmark year in Leejam's emergence as a leading private sector enabler of quality of life in our region.

The Group's contribution to the development of a rich and diverse national sports, fitness and wellness ecosystem was enhanced in 2023 through a series of acquisitions, investments, and strategies for growth. These included product and service innovation, the deployment of new analytics and digital technologies, an integrated workforce planning strategy, club refurbishments and strategic partnerships.

Leejam's core Fitness Time brands, all delivered membership growth through the addition of new clubs, in addition to higher levels of utilisation in existing centres throughout the year.

8.2 SAR

Average Revenue per Center

The highest since IPO

The introduction of concept studios, academies and specialised children's training activities has enriched the member experience and created new revenue streams, but also helped to boost overall member participation and retention. As part of this journey, new member satisfaction strategies were developed and deployed in 2023, providing the Group with a significantly more nuanced understanding of individual member behaviours, expectations and needs.

Member Satisfaction

Throughout the year, Leejam focused on new ways to enhance engagement by empowering members to register their satisfaction across all touchpoints. Members can now provide feedback at every stage of their health and fitness journey, from day one of joining a club to their experience of using facilities and classes, the quality of equipment, interaction with staff and trainers, and the Group's digital platforms.

This approach empowers each individual member by fostering satisfaction, encouraging dialogue and providing the Group with meaningful data on individual members' perspectives, preferences, participation and utilisation. The data gathered provides the business with a deep understanding of the impact that its operational decisions have on member engagement – and an important strategic impetus for innovation and personalisation.

CEO Message (continued)

In addition to the rollout of new sports and services, members have benefitted from the Group's refurbishment program, which saw more club refurbishments in 2023 than in any previous year. The Group has also revamped the member induction programme and rolled out new digital technologies to enhance the member experience, while the upskilling and redeployment of talent have added breadth and quality to the overall membership experience. New employee learning and development programmes have also created new career pathways for employees in 2023, which is fundamental to the retention of talent.

87%

Members satisfaction rate

Stakeholders Engagement

Engagement with the investor and analyst community also took centre stage in 2023 with the launch of Leejam's first Capital Markets Day in partnership with the Ministry of Investment. The event represented an important milestone in the Group's commitment to deepening its engagement with its stakeholders. Attended by shareholders, the investor community, public sector partners, and the media, the Leejam Capital Markets Day saw the Group lay out its strategic progress and its ambitions to be the largest private sector contributor to sports in the Kingdom of Saudi Arabia.

27%

Growth

in the Average monthly number of members

The Capital Markets Day will now take place annually, making it possible for all the Group's stakeholders to understand how Leejam is delivering on its strategy. Furthermore, on the back of a historic set of financial results, the Group created significant value for its shareholders by distributing its highest-ever dividend payment.

Outlook

As we look ahead to 2024, the Group will continue to roll out its strategic initiatives to ensure that Leejam can meet market demand through its growing and increasingly diversified product offering. This is integral to maintaining the strength of the core business and in ensuring the relevant introduction of new ventures and services in 2024 – particularly across key strategic areas of children's sports services, concept studios, academies, fitness equipment, the female segment and corporate membership.

> In 2023, Leejam catalysed its role as the leading private sector enabler for quality of life.
>
> **Adnan Al Khalaf**

The Group will also continue to focus on regional expansion as part of its strategy for sustained growth. Furthermore, Leejam will continue to implement sustainability and ESG-related initiatives and programs as part of its commitment to delivering on its ambitions towards 2030. It will also strive to entrench its reputation as a leading innovator in sports and fitness experiences – as evidenced in 2023 when *Fast Group Middle East* recognised the Group as one of the region's most innovative companies for its leadership in offering a holistic experience to fitness. The Group will work to maintain its position as one of the world's highest performing sports businesses within the fitness sector in the world through membership, diversification, scale, quality and service provision.

The Group's 2025 operational targets will require ambition and focus over the next two years to overcome challenges and capitalize opportunities. In parallel with the development of a comprehensive sports and wellness ecosystem, the two primary challenges for the Company are the sourcing and acquisition of land and the development of human capital. In an increasingly competitive growing market, it will become ever more challenging to find the right locations and critically important for the Company to attract, nurture and retain the very best talent so that it can service its new clubs and centres.

Acknowledgements

I would like to extend my sincere thanks to all those who have contributed to Leejam's outstanding results in 2023 and the Board of Directors for its role in empowering such exceptional growth. I also wish to express my gratitude to the management team for its productivity and to all Leejam employees across the network. Furthermore, I would like to thank our shareholders for their continued support, and I would like to extend my gratitude to our national leaders whose extraordinary vision has been fundamental in providing the Group with a platform for value creation and growth.

Thank you
Adnan Al Khalaf

Our strategy

A long-term strategy for sustainable growth and value creation

Leejam's mission as a one-stop-shop for sports is intimately connected with that of Saudi Vision 2030, with shared objectives of building a rich national value chain of sports activities.

Underpinning Leejam's overarching strategy is a core focus on delivering sustainable growth through the creation of a rich national ecosystem of sports, fitness and wellness products and services. As laid out in its three-year plan for sustained growth in 2022, the Group acted upon a series of organic and non-organic development programs in 2023.

These include the exploration of opportunities in strategic partnerships, joint ventures, acquisitions and alliances. The three-year strategic plan also set out strategies for geographic expansion, digital innovation, and approaches to member satisfaction and retention.

The Leejam investment strategy sets out to amplify its market position and competitive advantage by investing in assets and partnerships that boost portfolio diversification, vertical integration, and the future of health, fitness, and sports in the Middle East.

One stop shop for Fitness

Objectives	Pillars	
Business Growth	Grow the Core Business	Add new clubs & attract more members: Premium segment; Mid-tier segment; Low cost segment; Ladies segment
	Allied Business Growth	Address new segments: New Demographic; New Segments; Wellness offerings Explore partnerships: New Customers; Other sports & academies; Allied fitness services
Sustainable business	Enhance Performance	Focused efforts: Enhance member experience; Employee engagement; Digital transformation; Cost optimization

Our strategy (continued)

Leading a fast-growing Market

To support its strategy, Leejam continued to lead Saudi Arabia's fast-growing sports and fitness market in 2023. The market has grown according to market research from a total market value of SAR 3.6 billion in 2017 to SAR 6.1 billion in 2022 and SAR 7.4 billion by the close of 2023.

This represents a doubling in the size of the overall fitness market since Leejam was listed in 2018. Furthermore, the fitness market is predicted to grow by an additional 12.6% CAGR between 2023 and 2027, boosted by Vision 2030 and rising health awareness across the population.

Leejam's mission as a one-stop-shop for sports is intimately connected with that of Saudi Vision 2030, with shared objectives of building a rich national value chain of sports activities. Furthermore, by investing in the development of a comprehensive portfolio of sports, fitness, and wellness brands, Leejam is meeting its objective to widen access to and participation in sports and the pursuit of healthier lifestyles across the Kingdom.

The Group's strategy also encompasses the creation of a best-in-class sports educational ecosystem by investing in sports training institutes and future talent – these are fundamental drivers of a sustainable national sports ecosystem. From physiotherapy facilities to children's sports training programmes, concept sports, wellness services, and lifestyle brands, Leejam is rapidly emerging as a Group of integrated brands – a one-stop-shop for sports.

Beyond a Gym

Supporting Leejam's role as the leading developer of a national sports ecosystem, the Group's investment strategy sets out to amplify Leejam's market position and competitive advantage by investing in assets and partnerships that boost portfolio diversification, vertical integration, and the future of health, fitness, and sport in the Middle East.

The Group strategy supports the latter by exploring opportunities across the value chain, from gym chains and brands to fitness products and services, human resources solutions, and new technologies. Additionally, the Group is actively pursuing vertical integration within Fitness Time's operations, including investments in new infrastructures, real estate and strategies for the sale of sports equipment, fitness equipment, and apparel.

Such investments provide Leejam with an opportunity to secure access to high-value investment opportunities and secure efficiencies across the entire sports, fitness and wellness value chains.

Pillars for Growth in New Segments

Investments and partnerships will be critical to Leejam's investment strategy, which encompasses seven priority areas for investment:

- New sports
- Health and Wellness
- Concept Studios
- Infrastructure services
- People development
- Technology and data
- Equipment

1.3
SAR billion
Revenue in 2023
The highest since IPO

The Group also aims to explore additional segments across new and existing geographies outside of Saudi Arabia and will continue to improve its performance through the optimisation of resources and capabilities. Leejam's investment arm role in the nurturing of this comprehensive, growth-oriented ecosystem is vital in ensuring the sustainability of the Group's profits, revenue, and member satisfaction.

Maintaining Market Leadership

The Leejam strategy sets out to sustain its revenue growth and profitability by maintaining the Company's market dominance through the evolution of a rich ecosystem of sports, fitness, wellness and ancillary products and services. The Group sets out to invest in businesses that facilitate its transformation into the leading premium lifestyle provider across the region, in products and services that enhance Fitness Time's offering, and in opportunities that deliver synergies for the core business.

CFO Statement

Delivering growth and shareholder value

Through its diversification and expansion strategy, Leejam is meeting its obligations to its shareholders and its members, delivering robust growth across topline revenues and profits.

"Through investments in next-generation technologies, high-quality facilities, and strategic acquisitions across the value chain, the Group will maintain a very clear differentiation as it delivers sustained growth and shareholder value.

Assim AlAttas

In a year marked by record revenues, new fitness centres, and enhanced digital experiences, Leejam Group has delivered to its shareholders exceptional financial results. Underlined by robust growth in topline revenues and gross profits, the Group has delivered a year of strong financials that leave Leejam very well-placed for exponential growth into 2024 and beyond.

25%
Revenue growth in 2023

444
SAR million
Deferred revenues balance at the end of 2023,
the Highest since IPO

356
SAR million
Net profit in 2023
The Highest since IPO

Double-digit record revenue growth

Following a strong performance across the business, net income attributable to Leejam's shareholders increased 40% to SAR 356 million for 2023. This compares to SAR 255 million in 2022.

Revenues for the year reached SAR 1,325 million, a 25% increase on SAR 1,066 million delivered in 2022. This topline growth has come from the addition of 20 Additional Fitness Time's Center new centres. An increase in the number of members from existing and new centres also drove revenue growth, as did expansion within the corporate and personal training segments. The Company also reached its highest-ever level of deferred revenues in 2023.

The strength of the Group's revenue growth came despite an increase in the cost of revenue due to greater footfall, the addition of new centres, and an increase in commissions led by sales growth. The rising cost of revenue was also caused by a series of new initiatives designed to increase customer retention and satisfaction, in addition to the Group's ongoing club refurbishment programme. Furthermore, operating expenses increased in 2023 as a result of investments in new digital solutions, manpower, and marketing activities - with the latter growing from a low historical base.

In 2023, EBITDA rose 26%, while EBITDA margin increased marginally compared to 2022 to 53% while the net profit margin rose from 24% to 27% in 2023. Gross profits increased as a result of the Group's fixed-cost operating model in addition to an increase in the number of members and higher personal training revenues.

Looking at dividends paid out in 2023 for the 2022 financial year, earnings per share grew- based on consolidated profit attributable to shareholders of to SAR 6.80 million - were SAR4.86 in 2022.

Looking at debt, the Group maintained a steady level of borrowing throughout the year, with a slight increase in September after it resumed loans to secure construction costs. Additionally, the cost of financing was impacted by an increase in interest rates. There was no major change in the Group's funding structure in 2023, with debt versus equity remaining steady. The Group did, however, move to utilise a slightly greater ratio of cash from operations because of the impact of the higher interest rate environment.

CFO Statement (continued)

The Group created strong value for its shareholders, delivering its highest-ever dividend payout.

148
SAR million
Trainings Programs Revenue Grew by 43%

328
SAR million
Female Centers Revenue Grew by 27%

997
SAR million
Male Centers Revenue Grew by 23%

Segmentation

The company saw significant growth in the personal training segment as a result of the improvements in the efficiency of how personal training sessions are structured, providing greater capacity for more classes. Greater diversity and availability of classes also contributed to a satisfactory increase in participation, total revenue across all Paid Programs reached SAR 148 million - an annual increase of 43%.

The corporate sector also grew significantly in 2023. This was driven in part by investments in digital platforms, which have improved the customer journey and made signing up easier, smoother and faster.

The total number of members at ladies' clubs grew significantly in 2023, increasing from 68K in 2022 to 90K in 2023, driving ladies' revenues up by 27% year-on-year to SAR 328 million. Likewise, men's membership numbers grew by 18% with its revenue reaching SAR 997 million as of 31 December 2023.

Economic Backdrop

Within the context of global inflation, Leejam has been moderately affected, particularly in areas such as talent acquisition, because of rising wages. However, because of its fixed-cost model, the Group has been relatively shielded from fluctuations.

Mitigation measures have also helped to reduce the impact of inflation on raw materials for club fit-outs and refurbishments. Consequently, the Group's cash position has been protected, and the debt-to-equity ratio stood at 1.7 after excluding deferred revenues by the close of the year. By the end of the year, the Group remained underleveraged, with significant fiscal bandwidth to move forward with its strategic growth plans.

The Group's strategy for continued growth continues to be supported by a strong national economy that performs well, with job growth, low unemployment, a comparably low domestic inflationary environment, public investment, and inward investment serving as a stable, positive economic backdrop. The strength of the economy also means that spending power across the population has increased, and income per capita has increased, delivering higher disposable incomes.
This bodes well for the Group's geographic expansion plans and its focus on reaching multiple socioeconomic demographics.

Network expansion

As part of its three-year strategy, Leejam Group met its commitment to investors by delivering on its plan to open 33 new centres, studios and academies in 2023. This success comes despite the challenge of securing affordably priced real estate at strategically important locations.

Saudi Arabia's dynamic and fast-growing economy has contributed to a gradual increase in the price of prime real estate.

To overcome this challenge, the Group only considers locations with high potential to grow market share in virgin territory. Locations must be supported by a demographic capable of delivering revenue growth and profitability so that every network club delivers on their respective bottom lines.

The decision-making process for club openings involves an analysis of local demographics and the availability of existing sports and fitness amenities. The Group prefers to pursue locations that do not have access to quality sports and fitness clubs, providing Leejam with the ability to dominate local demographics and reduce the potential for competition in new communities.

Looking to 2024

Furthermore, within the context of the Company's significant ongoing investments, Leejam's target of 250 clubs at the end of 2025 provides it with significant opportunities to accelerate membership subscriptions across the growing network. The Group's strong cash position leaves it well-placed to tackle immediate needs. Through its diversification and expansion strategy, Leejam is meeting its obligations to its shareholders and its members. Continued investments in high-quality facilities, cutting-edge technologies, and strategic acquisitions across the value chain will ensure that the Group maintains a very clear differentiation and remains well-placed for continued growth in 2024.

Investor Relations

Primed for Growth

Primed for further growth in a market with huge potential.

- Under invested market
- Under penetrated market
- Population with Diabetes & Obesity
- Growing young population
- Large network advantage
- Availability across market segment
- Maturing Centers

Investor Relations Review

In 2023, the Group significantly enhanced its investor relations engagement strategy and activities to ensure that throughout the year, the group communications with the shareholders and investment community are consistent, clear, and continuous. In 2023, Leejam adopted a new approach to engaging with investors through new reporting methods and direct two-way dialogue to communicate the company's story and investment case.

At the start of the year, the Group sought to review its investor relations activities and impact. During the year, it attended five conferences globally across Saudi Arabia, the Middle East, and the UK as part of its effort to build global analyst momentum and engage with the wider investment community. Leejam also conducted more than 50 one-to-one and Group meetings, which served to further strengthen its communications and the accessibility of its management.

These communications strategies were also underpinned by the creation of a new website with a dedicated investor relations section, providing easy access to the Company's financial position and strategic priorities.

This reflects the Company's commitment to its investors and to providing the community with clear, consistent communication between the investor community and the Group.

In 2023, Leejam held its first-ever capital markets day, which helped the Group to comprehensively inform the market on the strength of its business model. The Company has also increased the regularity of touchpoints with investors nationally, regionally and internationally through panel discussions and investor roadshows. This has enabled the Group to articulate its strategy and purpose as an enabler of sports-related activities in the Kingdom.

Share Price and Shareholder Information

As of 31st December 2023, the number of Leejam (Fitness Time) shareholders reached 12,859 investors, with corporate investors representing 31% of the total share ownership, while individual investors' shares represented 69% of total shares. The following tables provide an overview of the Group's shareholders.

Leejam Investors according to nature investor	31-Dec-2023 Percentage of Ownership	Number of Investor	Number of Investor
Corporate investor	30.7%	451	16,089,774
Individual investor	69.3%	12,408	36,293,587
Total	**100%**	**12,859**	**52,383,361**

Investor according to Investor type	31-Dec-2023 Percentage of Ownership	Number of Investor
Mr. Hamad Alsagri	51.1%	1
Other Individuals	18.2%	12,407
Mutual Funds	22.6%	311
Swap agreements	0.010%	2
Other Corporate	8.1%	138
Total	**100%**	**12,859**

Leejam investors according to the size of ownership	31-Dec-2023 Percentage of Ownership	Number of Investor
Million shares and more	60.9%	4
From 500 thousand to less than a million	2.6%	2
From 100 thousand to less than 500 thousand	16.5%	47
From 50 thousand to less than 100 thousand	6.2%	45
From 10 thousand to less than 50 thousand	8.5%	213
From 5 thousand to less than 10 thousand	1.7%	124
From 1 thousand to less than 5 thousand	2.1%	499
Less than one thousand shares	1.5%	11,925
Total	**100%**	**12,859**

Leejam Investor according to Nationality	31-Dec-2023 Percentage of Ownership	Number of Investor	Number of Investor
Saudi	83.1%	11,813	43,547,998
Other Nationalities	16.9%	1,046	8,835,363
Total	**100%**	**12,859**	**52,383,361**

Operational Review

Leejam Sports Company passed a series of critical operational milestones in 2023 that represent strong progress for the first year of the Group's three-year strategy.

> **Following a historic performance in 2022, Leejam delivered outstanding results through significant growth in male, female and corporate membership, higher club utilisation, and investments in new technologies, experiences, segments, and locations.**

The year saw the successful implementation of multiple new operational and member-facing technologies that have delivered important efficiencies and added value to the member experience. Through significant expansion of the core club network, partnerships and joint ventures, product diversification and a successful acquisition strategy, the Group has added breadth of choice and a member proposition that has delivered exemplary outcomes across the business.

Net-Generation Technologies

To drive growth, Leejam completed the implementation of a suite of new back-end technologies and platforms in 2023. The introduction of a new data lake solution enables the Group to aggregate raw data through next-generation analytics that comprise two separate platforms – Leejam Business Analytics and the Leejam Business Support System. These digital infrastructures represent a fundamental development in the Group's ability to leverage customer data to respond to member's needs and guide the Group's strategy.

The deployment of a new digital Leejam Inspection System also provides greater visibility by making it possible for club managers to inspect their club facilities, register opening and closing checklists and record health and safety reviews and protocols.

The Group is also moving through the pilot launch phases of a new CRM system that is designed to bolster sales and marketing outcomes, boost member retention and improve overall customer relations.

As part of its ongoing commitment to talent acquisition and the nurturing of skills across its workforce, the new Leejam Management System (LMS) was introduced in 2023. The system provides employee learning and development opportunities through an online education platform, helping colleagues across the business to hone their skills, get more from their careers and deliver ever-greater expertise to members.

Member Experience

As part of its strategy to boost utilisation and member retention, the Group increased the number of group classes from 245K to 314K in 2023. They include the addition of mind and body classes, power yoga, core training, and high-intensity interval training (HIIT). The new timetable has served to significantly increase the aggregate number of classes by 30% over the year, increasing class participation by 46%. Additionally, paid programs conducted sessions grew by 112%.

Personal training

Building upon the 2022 launch of FT90 – the new member induction program - the frequency of free personal training sessions for newly onboarded members has increased from once every six weeks to once a month for the first 90 days.

Through the provision of regular monthly sessions for the first three months, new members are encouraged to set fitness goals, familiarise themselves with the concept of personal training and spend more time in the clubs.

The Group also launched a new paid personal training program for existing members in September 2023. Called 'Kick Start', the program offers three taster sessions. Additionally, a new personal trainer bundle package was launched, providing members with the option to purchase a membership bundle that includes various sports and training activities, including swimming lessons, boxing classes, gym personal training and a new 'buddy' personal training program.
The latter allows members to enjoy the benefits of personal training while working out with a family member or friend.

Concept Studios

The acquisition of the Al-Tatheer Sports company by Leejam's investment subsidiary saw the addition of Concept Studios, boosting the Group's market position as a one-stop shop for sports and enriching the wider national sports ecosystem. As a separate paid-for experience, concept studios provide the Group with a new revenue stream outside of the standard network.

The Concept studios also provide scope for the Group to cross-sell experiences across brands, driving additional revenue and enriching the customer experience. In 2023, the Group launched the Blu Swimming Academy, which aims to instil a lifelong love for swimming in children, develop essential skills, and boost self-assurance.

Operational Review (continued)

Member engagement and feedback

Utilising the new digital smartphone app functionalities, members now have the ability to rate their classes and personal training experiences. This has enabled the Group to segment members. Segmentation makes it possible for Leejam to develop highly targeted campaigns and marketing communications strategies, minimising untargeted mass communications through personalised digital engagement.

Satisfaction

The introduction of digital satisfaction surveys in 2023 now makes it possible for the Group to gain a more granular appreciation of individual and general levels of satisfaction for 2023 was 87%. The Group also launched a new independently operated customer satisfaction survey in May 2023, which targets one-third of Leejam's membership every month through SMS, WhatsApp, and email. A different set of members are engaged every month, allowing the Group to receive different perspectives from separate cohorts on a rolling basis. The surveys cover overall satisfaction, facilities, cleanliness, and a standardised net promoter score.

To boost engagement and satisfaction, Leejam members are now also able to book classes and personal training sessions through the smartphone application. Additionally, the Group has launched a new member portal designed to eliminate existing frictions in the digital journey, including a new function that allows members to control their personal details remotely.

Corporate membership

In 2023, the Group applied a sharp strategic focus on growing its corporate membership base. To boost interest and take-up, Leejam launched a new 'Join Online' platform for corporate accounts, making it possible for employees of corporate clients to sign up remotely and without paperwork. Corporate clients, like all members, also have access to a new suite of on-demand fitness videos that are available on the mobile app, providing all of the Group's members with greater choice and service options inside and outside of the club.

Club refurbishment strategy

Club refurbishment program is a critical strategic driver for membership attraction, satisfaction, and retention. In 2023, the Group refurbished 22 clubs, bringing the total to more than 50 Centers since the start of 2022 program. The strategy for club refurbishments delivered a 15% increase in membership subscriptions, a 20% increase in paid programs revenue, and a 50% increase in number of visits. This illustrates that club refurbishments have a significant impact on the customer experience and the Group's overall engagement, participation, and financial performance.

The work carried out includes the upgrading and replacement of equipment, ensuring that all clubs offer the latest technologies and infrastructures. Refurbished clubs in 2023 have also received new air conditioning units, more environmentally friendly and energy-saving products, flooring replacements, and extensive redecorating, in addition to the repurposing of zones to better meet market needs and unify the network.

Challenges

While the scale of network expansion has delivered consistent growth in the number of overall members and revenues, Leejam is challenged to attract new talent to its fast-growing core business. Multiple talent management and recruitment strands came together in 2023 as part of the workforce planning strategy, which has included internal training, external hiring from the national sports ecosystem and universities, and sourcing professionals from other markets.

The 'Be The Trainer' program continued throughout 2023. This year, five batches of 20 Saudi Nationals completed the program, helping employees to develop their careers to become Fitness professional trainers. Individuals from across the club network, from receptionists to lifeguards, participated in the programme. The objective of the 'Be The Trainer' program is to train and introduce Saudi nationals to the fitness market and build capacity across personal training, group classes, and sports-specific skills development within the sports segment.

The workforce planning strategy also incorporates retraining and the redeployment of talents where they are most needed – this is integral for the Group as it builds capacity and utilisation in new club locations. Overcoming the talent challenge is also of fundamental importance to the Group's maintenance of high service levels and its ability to offer world-class sports and high-calibre training.

> **The strategy for club refurbishments delivered a 15% increase in membership subscriptions, a 20% increase in PT revenue, and a 50% increase in number of club visits.**

Operational Priorities

As the Group enters the second year of its three-year plan in 2024, it will focus on continued geographic expansion, investment in new sports segments, customer experience enhancement, innovative membership packages and new technologies to enhance Leejam's seamless omnichannel journey to increase utilisation and loyalty.

Segment priorities

The ladies' segment will remain a core focus in 2024, with a strategy to refine the ladies' proposition and expand the offering through the opening of new facilities. The Group's strategy also includes a review of services and sports offered within ladies' clubs so that it reflects the needs of the female demographic.

The Group's Fitness Time Xpress brand will continue to deliver growth in 2024, taking advantage of the growing low-cost segment. Leejam's approach is to deliver a 'high-value low-cost' (HVLC) alternative, which provides members with a high-quality experience with access to cutting-edge equipment and high service levels. In 2023, the Group opened 11 new Xpress locations and will continue to roll out more in 2024.

Member engagement

Member engagement and class participation will act as a significant priority in 2024. The Group is targeting to increase the classes, personal training, and sports participation across the network. As Participation in class activities increases time spent inside the clubs, contributing to the formation of class-specific communities and increasing member visits and membership longevity.

Leejam will also continue to enhance its backend and member-facing technologies in 2024 to help employees become even more effective and efficient in how they assist members. Digital member engagement will also remain a top priority with the addition of new smartphone app dashboard services, exercise progress functions and the ability to make in-app purchases. In turn, these digital capabilities will enrich the member experience, increase engagement, and improve subscription longevity.

Sustainable development

Sustainable development

Action on energy

As part of its strategy for responsible growth, Leejam has continued to build upon its sustainability credentials in 2023. At its core, the Group's strategy is to deliver value to its shareholders by taking direct action on environmental, social and governance principles to safeguard its business continuity, minimise environmental impact and make a positive contribution to the communities where it operates.

As Leejam continues to build towards a sustainable future, it has taken action in 2023 to address its responsibilities as a contributor to Scope 2 emissions. While the Group's use of electricity does not directly impact the environment, it does so indirectly by drawing from the national grid.

In light of its responsibility as a contributor to Scope 2 emissions through its use of electricity, the Group has worked throughout 2023 to reduce its energy consumption through piloting a variety of programs and technologies. New energy-saving solutions include the installation of nanotechnology-based circuit breakers, which minimise power loss and deliver energy efficiency. Consequently, their use is helping the Group to conserve energy and reduce its Scope 2 impact.

Leejam has also piloted a centralised smart energy consumption system that autonomously measures load and controls specific parts of club operations remotely. This makes it possible for the Group to monitor and control energy use at a granular level from afar – controlling in-club air conditioning units, lighting or water heating systems. The Group has also continued to replace halogen lights with energy-efficient LED lights at every club during their respective refurbishment, which is an ongoing program.

	Kilowatt hour (kWh)	Emitted CO2 (kg) / 1 kilowatt hour	tCO2e
Total Consumption Per Year	166,442,625		102,229
AVG Per Club per year	1,280,328	0.6142	786
AVG Per Club per month	106,694		66

Energy Saving Case Study:

"In our effort to reduce its carbon footprint, the Group piloted a series of new energy-saving solutions in 2023. So far, it has achieved a total savings of "585 tCO2e" in four proof-of-concept sites. If the full results prove positive, then Leejam will look to roll out a network-wide solution, which would have a significant impact on its carbon footprint.

It is estimated that Leejam's carbon footprint can be reduced further. To do that, the Group will begin work on the development of a new ESG strategy, framework and road map in 2024. This will provide scope for widespread exploration of new ways to achieve energy efficiencies, alongside a review of its use of other utilities, including water consumption and management strategies. Collectively, these represent a strong base for the continual development of the Group's ESG strategy in 2024."

Sustainable development (continued)

Employee Engagement

One of the fundamental drivers of sustainable growth at Leejam is the acquisition and retention of high-performing talent. Talent underscores the Group's ability to refine and enhance its member services and expand its network. For the Human Resources department, the employer proposition has served as a major focus for 2023, while retention strategies have centred around innovative career development programs, training, employee engagement, wellbeing initiatives, and workforce satisfaction surveys.

As part of its ongoing commitment to talent acquisition and the nurturing of skills across its workforce, the new Leejam Management System (LMS) was introduced in August 2023. The system provides employee learning and development opportunities through an online education platform, helping colleagues across the business to hone their skills, get more from their careers and deliver ever-greater expertise to members.

The LMS system is heavily focused on increasing the volume and variety of training modules on offer, with opportunities in fitness training skills, soft skills, operations and a range of other programs. In total, the system offers 40 courses to employees.

The Leejam 'Be The Trainer' program continued throughout 2023. This year, the Company processed five batches of 20 Saudi men & women, helping them to further develop their careers to become fitness professionals. As a major strategic imperative, the 'Be The Trainer' program sets out to build capacity across personal training, group classes, and sports-specific segments within clubs and concept centres. The pace of development at Leejam is such that the in-house development of expert sports and personal training professionals is of critical importance.

Workforce Planning Strategy

Recruitment took priority as a critical operational objective in 2023. To understand how to attract and retain the brightest talents, the Company adopted a new approach to understanding the reasons for natural churn. The strategy allows for a more granular analysis of churn for specific roles across the business. This data provides opportunities to address challenges while also supporting the Company's club categorisation strategy, which prioritises high-volume and high-performing clubs.

The Company's Workforce Planning strategy also incorporates a global search capability to identify high performers from multiple markets alongside a concerted focus on nationalisation and local talent. The Company has more than 36 nationalities as it builds a diverse workforce, bringing in top talent from the middle east, Europe, Aisam South Africa and South American countries.

Nationalisation

The company has also partnered with universities such as Jeddah University and several specialist training institutes in areas like sports medicine and physiotherapy. Looking ahead, the Company will look to roll out its own in-house learning and development academy to train existing sports coaches organically, with the purpose of creating courses for specific competencies across different sports segments.

In 2023, the Company also completed its first batch of specialist courses for Saudi nationals, which took place in both Riyadh and Jeddah. Leejam now employs over 60 Saudi nationals as floor trainers and GX trainers, the majority of whom are women. Upon completion of their training, Saudi nationals receive the internationally recognised National Academy of Sports Medicine (NASM) certificate.

Employee Productivity

The Company also restructured various in-club roles to improve earning potential, which, alongside revised scorecards, form critical pathways for employees to better understand their roles and objectives. Leejam has also sought to incentivise greater employee productivity. This was reflected in employee satisfaction levels, with a score of 70% for all aspects of the survey. The 'Great Place to Work' results showed that 77% of employees agree with the statement that Leejam is a Great Place to Work. The number of survey participants also increased to 88% in 2023, up from 55% in 2022.

Workforce analysis

	2023	2022
Total number of employees	3,315	2,950
% of female employees	25%	24%
% of Saudi employees	34%	33%
No. of employees departed	834	870
Turnover ratio	21%	27%

Salaries and Benefits

SAR Million	2023	2022
Salaries paid	189,444,019	169,369,160
Benefits paid	122,900,161	83,891,876
Social security Contributions	9,888,534	9,301,986
Staff Insurance	12,122,888	9,275,109
Total salaries and benefits paid	334,355,603	271,838,132

Employees by grade and gender

	Male		Female	
Grade	2023	2022	2023	2022
Senior management	14	14	2	1
Middle management	55	36	12	5
Other	2,408	2,203	824	691

Employees by age and gender

	Male		Female	
Age group	2023	2022	2023	2022
18-30 years	989	876	583	497
31-40 years	1,056	996	223	171
41-50 years	359	305	28	23
Over 51 years	73	76	4	6

Service analysis of the workforce

	Male		Female	
Number of years of service	2023	2022	2023	2022
0-5 years	1,500	1,336	807	692
6-10 years	692	707	31	5
11-15 years	267	199	-	-
Over 15 years	18	11	-	-

Sustainable development (continued)

Hours of Training by Grade in 2023

Grade	Total hours	Hours of training
Senior Management	4	35
Middle management	82	341
Other	2569	6528

Training programme, participants and time

	2023	2022
No. of training programmes	777	533
Total no. of participants	9131	6314
Training days	1057	804
Hours spent on training	4077	2805
No. of trained staff	2655	1554

Hours of training that the Company's employees underwent during the year by gender, employee category and skill type in 2023

	Number of employees			Number of person-hours of training		
Type	Male	Female	Total	Male	Female	Total
Mandatory	2160	915	3075	60555	26490	87045
Non-mandatory	-	-	-	-	-	-
eLearning	1786	869	2655	Self-paced	Self-paced	-

	Number of employees			Number of person-hours of training		
Type	Male	Female	Total	Male	Female	Total
Senior Management	3	1	4	12	23	35
Middle Management	54	28	82	223	118	341
Other	2108	461	2569	5322	1206	6422

Type	No. of persons trained	Hours training
Technical skills	2718	5096.5
Soft skills	357	1785.5

Community Engagement

Under its community relations approach, Leejam engaged in a series of outreach programmes and activities in 2023. The year's community programs kicked off with the sponsorship of a special awareness campaign from Princess Noura University to increase community awareness of the importance of oral and dental health – and the relationship between diabetes and oral diseases. In addition to lending sponsorship support, Leejam also offered free gym membership to selected participants and 500 vouchers for discounted sporting activities.

Health Endowment Fund

The Group also gathered donations for the Health Endowment Fund for patients in need through a collaboration with Shifa. Shifa is an electronic platform affiliated with the Health Endowment Fund that aims to facilitate the provision of treatment services, medical devices, and medicines to the needy and interrupted and emergency cases for those who cannot obtain treatment in health facilities.

Doping Awareness

As Saudi Arabia's leading sports and fitness provider, Leejam is an advocate for natural, organic fitness techniques. Reflecting the work of the Ministry of Sports and the Saudi Committee for Doping Control, Leejam partnered with the Food and Drug General Authority to launch a campaign to warn against the dangers of doping in sports. Leejam supported the program by opening club lobbies as a space to provide awareness to members and also supported the initiative with social media support.

Purple Saturday

In July 2023, Leejam lent its support to the Authority for the Care of Persons with Disabilities on 'Purple Saturday'. The event provides discounts and special offers, promotes the integration and empowerment of people with disabilities, and fosters social interaction among them. It also seeks to raise the private sector's awareness of the needs of people with disabilities and encourage them to take the necessary measures to make their stores and services accessible to people with various types of disabilities. Leejam's successful participation was acknowledged in August at the Purple Saturday Partners Honouring Ceremony to honour Fitness Time for the Group's contribution to the success of the Purple Saturday campaign.

Pink October

In October 2023, Leejam collaborated with the Zahra Association in its campaign for breast cancer awareness. The association's campaign aims to correct misconceptions about breast cancer and raise awareness among women in particular but also society in general. To support the campaign, Leejam produced a suite of marketing and activations throughout the month. They include the production of a video, brochure distribution, promotions across social media platforms, and in-club awareness-raising activities that include illuminating all ladies' clubs with pink indoor lighting.

4

Board of Directors' Report

Board of Directors' Report
as at 31 December 2023

Corporate Governance

LEEJAM is committed to maintaining high standards of corporate governance and considers good corporate governance an essential tool for maximizing long term shareholder value. The Company's Corporate Governance Rules are mandatory for all Directors and staff of LEEJAM and can only be amended by a resolution of the Board of Directors.

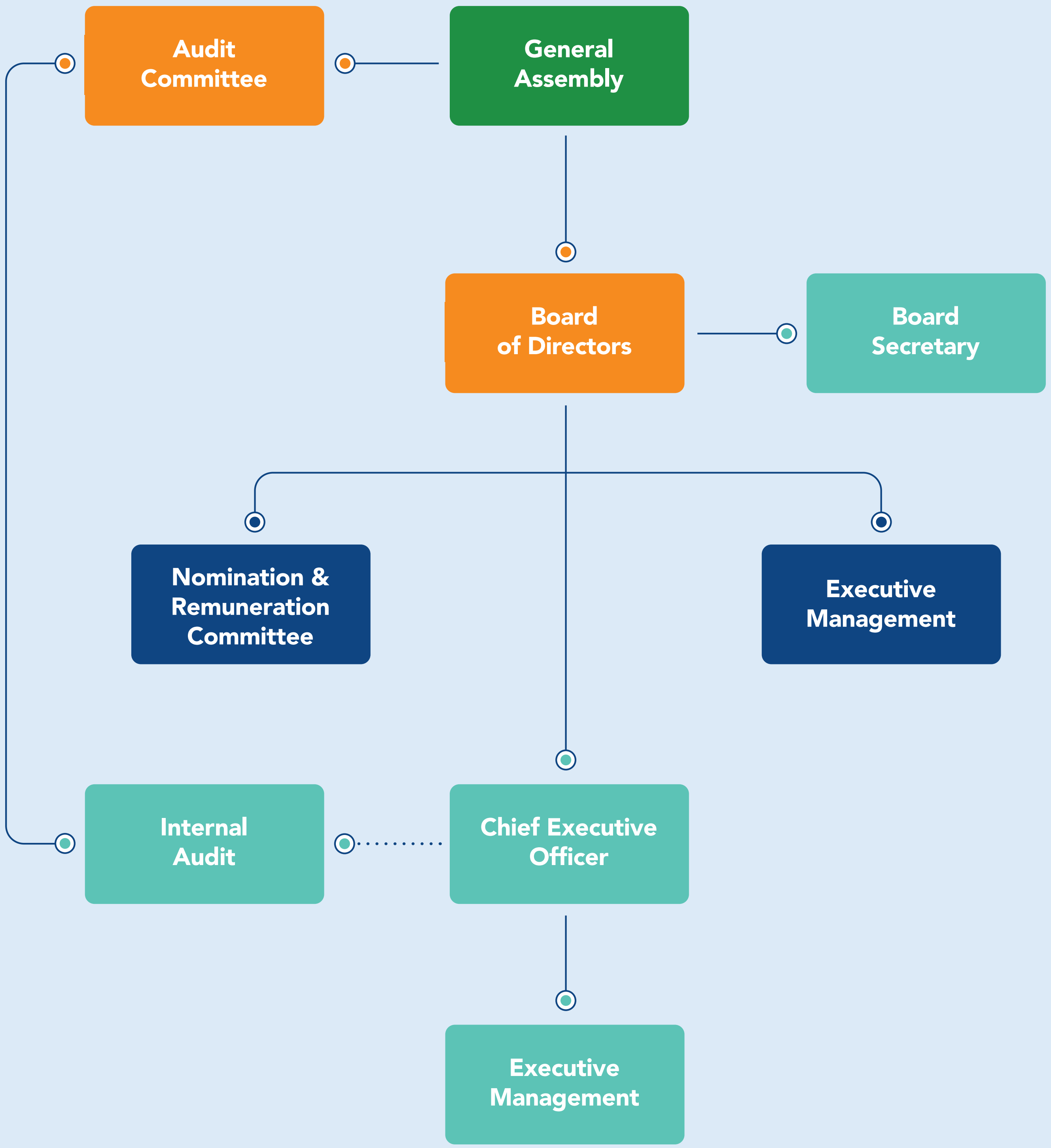
Corporate governance is defined as 'the system by which business corporations are directed and controlled'. The corporate governance structure specifies the distribution of authority and responsibilities among different participants in the Company, such as the Board of Directors, managers, shareholders and others, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company's objectives are set and the means of attaining those objectives and monitoring performance. The Board of Directors is responsible for LEEJAM's Corporate Governance Rules.

The shareholders' role in governance is to appoint the Directors, Audit Committee and independent auditors and ensure that an appropriate governance structure is in place. The responsibilities of the Board include setting the Company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and accountability to the shareholders in the General Assembly Meetings. LEEJAM's Corporate Governance Rules have been prepared according to local regulatory requirements, particularly the Corporate Governance Regulations issued by the Capital Market Authority. It should be viewed as setting the framework of requirements for corporate governance within the Company.

It should not be seen as a substitute for sound judgment and honorable arms-length dealings by Directors and Officers of the Company and should be viewed within the context of the broader legislative framework of Saudi Arabia. In particular, the stipulations of the following, the requirements of which have not all been incorporated in these Rules, need to be borne in mind when considering corporate governance issues:

The Board establishes governance rules for the Company in accordance with the provisions of these regulations, and monitors their implementation, verifies their effectiveness, and amends them as necessary.

Organization Chart



1 Provisions that were not implemented from the Corporate Governance Regulations and reasons for non-implementation

Article	Provision	Article / Provision	Reasons for non-implementation
41	A,B,C,D, E&F	A. The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company. B. The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment. C. The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general. D. The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees meetings and dedicating adequate time thereof. E. The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees meetings and dedicating adequate time thereof. 1. Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best Interests of the Company.	The Company is developing policies and procedures in line with this guiding article.
93	B	F. The disclosures in this article and in the Board, report shall be pursuant to the appended schedule	Leejam Sports Company is the only company, in the field of establishing and managing clubs and gyms, listed on the Saudi stock market, Tadawul. Therefore, the company did not disclose in detail the remuneration of senior executives (as in Appendix No. 1 of the Corporate Governance Regulations) to protect the interests of the company and shareholders.

2 Board of Directors Members', Committees Members' and Executive Management' names current & previous positions, qualifications and experiences

A) Board members:

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Ali Hamad Al-Sagri	• Chairman of the Board of Directors of Leejam Sports Company. • Managing Director & Board Member of Hamad bin Ali AlSagri Holding Company. • Director, Huwaylan UK Ltd, a property investment and management Company in the UK.	Vice President at Walker International LLC.	–	Bachelor's degree in International Business Management – Seneca University, Toronto, Canada – 2006.
Dr. Mohammed bin Faraj al-Kinan	• Board Member at Leejam Sports Company. • Co-founder and Chief Executive Officer of V Consortium.	Dean of Business Management Faculty at King Fahd University.	A seasoned professional with vast experience, Dr. Mohammed oversees the investments of the KFUPM Endowment and sits on the Board of Directors and Risk, Audit and Investment Committees in several listed and unlisted companies.	Master's degree in Finance – University of Colorado, Denver, USA - 2001. Doctorate in Finance – Oklahoma State University, USA – 2006. Chartered Financial Analyst.
Mr. Tareq bin Khalid Al-Angari	• Vice Chairman of the Board and Chairman of the Audit Committee at Tabuk Cement Company. • Board Member at Leejam Sports Company. • Board member in Beehive. • Chief Executive Officer of e & enterprise (subsidiary of Etisalat Group). • Managing Director of the support center - The operator of - IE Business School- in Saudi Arabia.	Chairman of Mobily Ventures. Executive General Manager for Investor Relations at Etihad Etisalat "Mobily". Advisor to The Board of Commissioners at Capital Market Authority. Continuance Discloser Specialist at Capital Market Authority. Issuers Relations Officer The Saudi Stock Exchange (Tadawul). Several positions at Capital Market Authority.	Mr. Al-Angari enjoys more than 20 years of experience in business development, establishment of facilities, corporate governance, strategic planning, operations management and investor relations.	Master of Business Administration - "IE Business School" – Yale School of Management - 2013. Executive Master in Change: Change Management, and Transformation, INSEAD, France (2023). Bachelor's degree in and Business – King Fahd University. Diploma in Commercial Banking Credit. Certification in Board Directorship, Board Directors Institute (BDI) (2023).
Mrs. Hessa bint Hamad Al-Sagri	• Board Member at Leejam Sports Company. • Board Member at Bonam Park SA.	President at Saudi Technology Factory for Oils. President at Bonam Park SA.	–	Bachelor's degree in Applied Linguisitics – Prince Sultan University – 2013

A) Board members (continued):

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Hamad bin Ali Al-Sagri	• Vice Chairman of the Board of Directors and Managing Director of Leejam Sports Company. • Chairman of the Board of Hamad Ali Al-Sagri Holding Company. • Partner, Shareholder and Chairman of the Board of Bonam Park SA France.	Chairman of the Board of Directors of Leejam Sports Company.	–	Diploma from the Teachers Institute – 1971.
Mr. Hisham Hussein AlKhaldi	• Bahri Chief Support Officer. • Board Member and NRC Chairman - Saudi Real Estate - Al Akaria Company. • Board Member – Leejam Sport Company. • Member of Human Resources and Labor Market Committee, Riyadh Chamber of Commerce. • Member of the Committee on the Localization of the Maritime Industry, Public Transport Authority. • National Maritime Academy (NMA) Board of Trustees. • Member of Nomination and Remuneration Committee (NRC) Saudi Facility Management – PIF.	Director of Human Resources at Al-Shaya International Trade Company.	Extensive experience spanning excess 20 years in the Management Shared Services including (Human Resources, Administration, Govt Affairs, Procurement, Information Technology & Corporate Communication).	Bachelor's in Business Administration. Holder of a Level-Five Certificate in Leadership from the British Institute of Leadership. Management (ILM). CIPD LEVEL 7 - Chartered Fellow, for HR professional and people development.
Mr. Mishal Ibrahim AlMishari	• Committee Member at Riyadh Chamber of Commerce and Industry. • Deputy Chief Executive Officer at Jahez.	Business Development Director at Alamat International Co. Project Manager at Fedex.	–	Bachelor's degree in Business. Administration from King Saud University, Riyadh, KSA - 2007.

B) Committee Members – Executive Committee:

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Ali Hamad Al-Sagri	• Chairman of the Board of Directors of Leejam Sports Company. • Managing Director & Board Member of Hamad bin Ali AlSagri Holding Company. • Director, Huwaylan UK Ltd, a property investment and management Company in the UK.	Vice President at Walker International LLC.	–	Bachelor's degree in International Business Management – Seneca University, Toronto, Canada – 2006.
Mr. Tareq bin Khalid Al-Angari	• Chief Executive Officer of Etisalat Digital. • Board Member at Leejam Sports Company. • Board Member and Chairman of the Audit Committee at Tabuk Cement Company. • Managing Director of the support center - The operator of - IE Business School- in Saudi Arabia.	Chairman of Mobily Ventures. Executive General Manager for Investor Relations at Etihad Etisalat "Mobily". Advisor to The Board of Commissioners at Capital Market Authority. Continuance Discloser Specialist at Capital Market Authority. Issuers Relations Officer The Saudi Stock Exchange (Tadawul). Several positions at Capital Market Authority.	Mr. Al-Angari enjoys more than 20 years of experience in business development, establishment of facilities, corporate governance, strategic planning, operations management and investor relations.	Master of Business Administration - "IE Business School" – Yale School of Management - 2013. Executive Master in Change: Change Management, and Transformation, INSEAD, France (2023). Bachelor's degree in and Business – King Fahd University. Diploma in Commercial Banking Credit. Certification in Board Directorship, Board Directors Institute (BDI) (2023).
Mr. Mishal Ibrahim AlMishari	• Committee Member at Riyadh Chamber of Commerce and Industry. • Deputy Chief Executive Officer at Jahez.	Business Development Director at Alamat International Co. Project Manager at Fedex.	–	Bachelor's degree in Business. Administration from King Saud University, Riyadh, KSA - 2007.

B) Committee Members – Nomination & Remuneration Committee:

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Mishal Ibrahim AlMishari	• Committee Member at Riyadh Chamber of Commerce and Industry. • Deputy Chief Executive Officer at Jahez.	Business Development Director at Alamat International Co. Project Manager at Fedex.	–	Bachelor's degree in Business. Administration from King Saud University, Riyadh, KSA - 2007.

B) Committee Members (continued) – Nomination & Remuneration Committee:

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Hamad bin Ali Al-Sagri	• Chairman of the Board of Directors of Leejam Sports Company. • Managing Director & Board Member of Hamad bin Ali AlSagri Holding Company. • Director, Huwaylan UK Ltd, a property investment and management Company in the UK.	Vice President at Walker International LLC.	–	Bachelor's degree in International Business Management – Seneca University, Toronto, Canada – 2006.
Mrs. Hessa bint Hamad Al-Sagri	• Board Member at Leejam Sports Company. • Board Member at Bonam Park SA.	President at Saudi Technology Factory for Oils. President at Bonam Park SA.	–	Bachelor's degree in Applied Linguisitics – Prince Sultan University – 2013

B) Committee Members – Audit Committee:

Director	Current Position	Previous Positions	Experiences	Qualifications
Dr. Mohammed bin Faraj al-Kinan	• Board Member at Leejam Sports Company. • Co-founder and Chief Executive Officer of V Consortium.	Dean of Business Management Faculty at King Fahd University.	A seasoned professional with vast experience, Dr. Mohammed oversees the investments of the KFUPM Endowment and sits on the Board of Directors and Risk, Audit and Investment Committees in several listed and unlisted companies.	Master's degree in Finance – University of Colorado, Denver, USA - 2001. Doctorate in Finance – Oklahoma State University, USA – 2006. Chartered Financial Analyst.
Mr. Abdulaziz Abdullah Alhidery	• Audit Committee member at Leejam Sports Company. • Audit Committee member at Maharah Company. • Audit Committee member at SITE Company. • Audit Committee chairman at MASIC Logistics Company. • Audit Committee member at Theeb Company. • Audit Committee member at Matarat Company. • Audit Committee member at Suliman Alrajhi Company. • Audit Committee member at SADU Capital. • Audit Committee member at Aseer Investment Company. • Head of internal audit at Elm Company.	Director of internal audit in Elm.	–	Saudi Organization for Certified Public Accountants. US Internal Auditors' Certificate. Risk Management Certificate. Bachelor's and Master's degrees in Accounting from King Saud University. Master's degree in Information Technology from the University of California.
Mr. Wisam Hussain Alfreihi	• Audit Committee member at Leejam Sports Company. • Chief Executive Officer & Head of Investment Banking and Capital Markets – Credit Suisse Saudi Arabia.	Head of Investment Banking at Saudi Fransi Capital. Several managerial & leadership positions at the Saudis Central Bank (SAMA) & the Capital Market Authority. Consultant at the International Organization of Securities Commission ("IOSCO"),	Mr. Wissam held several positions, including Director of the Offering, Merger and Acquisition Department, Director of the Public Offering Unit, Director of the Private Placement Unit in the Capital Market Authority, and also worked as an advisor to the Emerging and Developing Markets Committee in the International Organization of Securities Commissions.	Bachelor's degree in Management Information Systems – Business Economics. Master's degree in Management Information Systems.

C) Executive Management

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Adnan Abdullah Al-Khalaf	• CEO of Leejam Sports Company.	CEO and Vice President for a number of companies in the medical, services, manufacturing, retail, and distribution sectors, the last of which was with the Saudi Telecom Group (STC).	He carries over 22 years of management experience.	Executive MBA from Al-Yamamah University (YU) and a Master's degree in International Business Management from INSEEC business school.
Mr. Assim Al-Attas	• CFO of Leejam Sports Company.	Seasoned CFO with +18 years of financial executive experience. Assim has international professional work experience as he held senior roles with General Electric and Ernst & Young. He joined Leejam from Almunajem Foods Company where he was the CFO for the last 9 years crowned with successfully leading an oversubscribed public offering in 2021.	+18 years	B.S. in Accounting and an Executive MBA from HEC Paris.

3 Names of companies inside or outside the Kingdom in which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers.

Director	Companies	Inside/Outside KSA	Legal Entity
Mr. Ali Hamad Al-Sagri	• Leejam Sports Company. • Hamad Al-Sagri Holding Co. • Huwaylan (UK) Ltd.	• Inside Saudi Arabia. • Inside Saudi Arabia. • Outside Saudi Arabia.	• Listed. • Unlisted. • Unlisted.
Dr. Mohammed bin Faraj Al-Kinani	• Arab National Bank. • Al Ahli Takaful Company. • Saudi Real Estate Refinance Co. • Dhahran Techno Valley Company.	• Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia.	• Listed. • Listed. • Unlisted. • Unlisted.
Mr. Tareq bin Khalid Al-Angari	• Tabuk Cement. • Beehive.	• Inside Saudi Arabia. • Outside Saudi Arabia.	• Listed. • Unlisted.
Mrs. Hessa bint Hamad Al-Sagri	• Hamad Al-Sagri Holding Co. • Bonam Park SA France.	• Inside Saudi Arabia. • Outside Saudi Arabia.	• Unlisted. • Unlisted.
Mr. Hamad bin Ali Al-Sagri	• Hamad Al-Sagri Holding Co. • Bonam Park SA France.	• Inside Saudi Arabia. • Outside Saudi Arabia.	• Unlisted. • Unlisted.
Mr. Hisham Hussein AlKhaldi	• Saudi Real Estate - Al Akaria Company. • Leejam Sport Company. • National Maritime Academy (NMA).	• Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia.	• Listed. • Listed. • Training Academy.
Mr. Mishal Ibrahim AlMishari	–	–	–

4 Composition of the Board of Directors and classification of its members.

Director	Classification
Mr. Ali Hamad Al-Sagri	Non-Executive
Dr. Mohammed bin Faraj Al-Kinani	Independent
Mr. Tareq bin Khalid Al-Angari	Independent
Mrs. Hessa bint Hamad Al-Sagri	Non-Executive
Mr. Hamad bin Ali Al-Sagri	Executive
Mr. Hisham Hussein AlKhaldi	Independent
Mr. Mishal Ibrahim AlMishari	Independent

5 Actions taken by the Board of Directors to inform its members - especially non-executives - of the shareholders' proposals and observations regarding the company and its performance.

Leejam's Investor Relations department maintains regular and sustainable communication channels with the Company's Shareholders. If any proposals are received from Shareholders, it will be reviewed and reported to the Board of Directors in full. Shareholders are also given the opportunity to submit proposals and inquiries directly to members of the Board of Directors during the General Assembly meetings, and sufficient time is dedicated to answering these questions.

6 Brief description of the committees' terms of reference and tasks.

List of Committees:

Executive Committee

The Charter of the Executive Committee, the number and dates of its meetings, and the members' attendance data for each meeting during the year 2023.

- Addressing all authorities assigned by the Board of Directors in terms of management and instructions that regulate the company's business and affairs, excluding:
- Amendment of the company's main policies.
- Approval or modification of the company's budget, except to the extent allowed by the company's Terms of Reference.
- Effecting material changes in the company's structure, for example, by changing the company's capital, acquisition, merger, sale of the company's assets, joint ventures or any other preparations, liquidation of the company or discontinuing its activities or dissolution.
- Obtaining loans.
- Rejecting, amending or challenging any resolution made by the Board.
- Any other authorities or responsibilities explicitly communicated to the Committee.
- Any other matters that may be authorized by the Board of Directors based on the Company's Articles of Association or key policies.
- Reviewing regular reports related to the company's strategy in operating and promoting its branches, as well as expansion in the provision of services and activities and presenting suggestions in this regard.
- Following up on the long-, medium- and short-term strategies of the company and reviewing them from time to time, to submit suggestions to the Board of Directors to renew or modify strategies as need be.
- Acting as a guidance to the Company's Management for investment opportunities and emerging cases.
- Reviewing the existing and emerging legal cases.
- Approving the appointment of advisory committees in cases where the Company's management authorities exceed those granted to the Committees.
- Submitting reports to the Board Members with explanation of decisions or processes taken by the Committee that require the Board's approval.
- Reviewing any proposals for new locations.
- Approving the change of branches assigned for men to become ladies' branches, and vice versa.
- Any other tasks assigned by the Board of Directors.

Executive Committee's Meetings						5 Meetings during 2023
Name	Classification	1st Meeting February 06	2nd Meeting May 09	3rd Meeting July 26	4th Meeting October 29	5th Meeting December 05
Mr. Ali Hamad Al-Sagri	Chairman	Attended	Attended	Attended	Attended	Attended
Mr. Tareq bin Khalid Al-Angari	Member	Attended	Attended	Attended	Attended	Attended
Mr. Mishal Ibrahim AlMishari	Member	Attended	Attended	Attended	Attended	Attended

Nominations and Remunerations Committee

The Charter of the Nominations and Remunerations Committee, the number and dates of its meetings, and the members' attendance data for each meeting during the year 2023.

1. Nominations:

- Preparing policies and standards related to the nomination and appointment of Board members and Executive Management, and proposing them to the Board and overseeing their implementation.
- Interviewing all Board nominees and conducting the required inquiries and reviewing their qualifications before submitting their nomination recommendation to the Board of Directors.
- Presenting recommendations to the Board of Directors to nominate and re-nominate Board members in accordance with the applicable laws, regulations and rules, as well as the approved policies and standards, including the Committee's bylaws.
- Reviewing, evaluating and presenting recommendations to the Board on the needed capabilities, qualifications and experience for the Board membership and Executive Management positions at the company, at least once annually. This includes identifying the time to be allotted by the Board member for the Board business, preparing a job description and a list of capabilities and qualifications that must be met by executive, non executive and independent Board members, as well as the Executive Management.
- Annual verification of the independent Board Members' independence in accordance with the applicable laws, regulations and rules, ensuring no conflict of interest exists if the member sits on another company's Board.
- Regular review of the succession plans for Board members and Senior Executives, and presenting recommendations thereon to the Board, taking into consideration the challenges and opportunities facing the company, in addition to the required needs to be met in terms of capabilities, skills and experience for Board members and Executive Management positions.
- Assessment of potential candidates for Executive Management positions at the company and presenting recommendations in this regard to the Board, specifically assisting the Board in selecting, developing and assessing potential candidates for the Chief Executive Officer position.
- Creation and regular review of a specific process to follow in case of a vacancy in the Board of Directors or the Executive Management, and presenting recommendations to the Board on the selection and approval of candidates to fill such vacancies.

2. Review and evaluation:

- Regular review and evaluation of the structure of the Board and the company's Executive Management and their sizes, formation, strengths and weaknesses (including skills, knowledge and expertise), and providing recommendations and proposing suitable solutions for the Board in alignment with the company's interests.
- Creating an orientation pack for new Board members, and a continuous development programme for the existing Board members, in addition to supervising those programmes and ensuring their regular review and update, as needed.
- Developing an annual self-assessment process for Board members and some senior executives in the company and providing recommendations to the Board in this regard, while supervising the process.

3. Remunerations:

- Preparation of a clear remuneration policy for Board members and members of Board Committees and Executive Management, named the Remunerations Policy, to be submitted to the Board in preparation for approval by the General Assembly. The said policy must be disclosed and supervised by the Committee, which also ensures its proper implementation.
- Preparation of an annal report on remunerations and other payments (cash or in-kind) granted to the Board members and members of the Board Committees and Executive Management, clarifying the relation between the granted remuneration and the remuneration policy (including any material deviation from the said policy). This report shall be named the "Annual Remuneration Report", and shall be submitted to the Board for review.
- Regular review of the Remuneration Policy to assess its appropriateness and effectiveness in achieving the desired objectives, and providing recommendations to the Board of Directors in this regard.
- Make recommendations to the Board of Directors on the remunerations of Board members, Board Committee members and Executive Management (including the type and value of remuneration) in accordance with the approved Remuneration Policy.
- Reviewing the company's plans on providing incentives to the Board members and company employees, and submitting relevant recommendations to the Board, including those related to the approval, modification or termination of such plans.
- Preparing the required disclosures in line with the company's policies or any laws, regulations or rules that govern the company, including – as a minimum – disclosures related to the Remuneration Policy, the Annual Remuneration Report, and disclosures related to remunerations in the Board's Annual Report.

4. Corporate governance

- Overseeing and reviewing corporate governance policies, practices and procedures, and presenting relevant recommendations to the Board of Directors. This entails identifying best practices and proposing any modifications to the Board of Directors, including the company's Articles of Association and internal governance framework, at least once annually.
- Control and verification of the company's compliance with the internal governance framework and policies, and the applicable governance requirements in accordance with relevant laws, regulations and rules.
- Developing and reviewing the professional code of conduct that represents the Company's values, alongside other internal policies and procedures to meet the Company's needs in alignment with the statutory requirements and best practices, and presenting relevant recommendations to the Board of Directors.
- Briefing Board members regularly on material changes in the applicable governance requirements and any changes in corporate governance and best practices.

Nominations and Remunerations Committee Meetings						5 Meetings during 2023
Name	Classification	1st Meeting February 07	2nd Meeting May 08	3rd Meeting July 24	4th Meeting October 22	5th Meeting November 30
Mr. Mishal Ibrahim AlMishari	Chairman	Attended	Attended	Attended	Attended	Attended
Mr. Ali Hamad Al-Sagri	Member	Attended	Attended	Attended	Attended	Attended
Mrs. Hessah bint Hamad Al-Sagri	Member	Attended	Attended	Attended	Attended	Attended

Audit Committee

The Charter of the Audit Committee, the number and dates of its meetings, and the members' attendance data for each meeting during the year 2023.

The Audit Committee undertakes the responsibility of controlling the Company's business and ensuring the soundness and integrity of financial reports and statements and its internal control systems. The Committee's specific duties include the following:

1. Financial Statements and Reports

- Review of the Company's primary and annual financial statements before being presented to the Board and expressing opinions and recommendations thereon to ensure their integrity, fairness and transparency.
- Upon the Board's request, providing technical opinion on whether the Board report and Company's financial statements are fair, balanced and clear, ensuring they contain all the information that enable shareholders and investors to assess the Company's financial position, performance, business model and strategy.
- Studying any important or unusual matters included in Financial Reports.
- Review any important or unusual issues included in the financial reports, and review any issues raised by the Chief Executive Officer (or his representative), the Chief Financial Officer (or his representative), the company's compliance officer or the external auditor.
- Verifying accounting estimates in material matters contained in Financial Statements & Reports.
- Reviewing the accounting policies implemented in the company to present opinion and recommendations thereon to the Board of Directors.

2. Internal control and audit

- Review and revision of the internal control, financial control and risk management systems in the Company and its effectiveness.
- Reviewing the internal audit reports and following up on implementing corrective actions based on remarks listed in those reports.
- Control and supervision of the performance and activities of the Company's Internal Audit Department, to ensure the availability and effectiveness of necessary resources to undertake the assigned tasks.
- Approval of the company's internal audit policy.
- Presenting recommendations to the Board of Directors to appoint the Internal Auditor, and proposing their remuneration.
- Reviewing the performance and activities of the internal auditor on an annual basis and making recommendations to the Board of Directors regarding their remuneration and any amendments thereto.

3. External Auditor

- Presenting recommendations to the Board of Directors on the nomination or termination of the external Auditor, defining their remuneration and assessing their performance, after verifying the Auditor's independence and reviewing their scope of work and contractual conditions.
- Ensuring the independence of the external Auditor and the objectivity, fairness and effectiveness of the Audit function, taking all the relevant rules and standards into consideration, and review the professional qualifications of the external auditor and the employees who will work for the benefit of the company.
- Reviewing the external Auditor's plan for the Company and its business, and ensuring that the Auditor is not providing technical or administrative services that are beyond the scope of the Audit function, and presenting its insights thereon.
- Replying the Company's Auditor inquiries.
- Reviewing the Auditor's report and remarks on financial statements and following up on actions taken in this regard.

4. Compliance

The Audit Committee is responsible for overseeing financial compliance, which encompasses reviewing financial reports and disclosures made to investors, and overseeing non-financial compliance. This includes a compliance programme for the whole company, policies, procedures and exposure to legal liability.

- Reviewing outcomes of regulatory authorities' reports and ensuring the Company takes necessary action.
- Ensuring the Company's compliance with relevant laws, regulations, policies and instructions.
- Reviewing proposed contracts and transactions to be conducted by the Company and related parties and presenting its insights to the Board of Directors.
- Ensure the development and implementation of the appropriate mechanism and arrangements that allow the company's employees, confidentially and anonymously, to submit their notes and concerns regarding any transgression or breach in any financial matters (including financial reports), accounting or auditing work, or any cases of non-compliance.
- Escalating any matters deemed necessary to the Board of Directors and recommending procedures to be implemented.

5. Risk Management

- Recommend appropriate strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors;
- Review and recommend an acceptable level of risk that may be faced by the Company and provide recommendations to Company not to go beyond such level;
- Reviewing the feasibility of the Company continuation, the successful continuity of its activities and highlighting the critical risks that may threaten its existence during the following twelve (12) months;
- Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacies therein;
- Regularly reassessing the Company's ability to take risks and be exposed to such risks;
- Review detailed reports on company exposure to risks and relevant recommended measures to manage such risks provided by Risk Management function, and presenting the summary to the Board;
- Reviewing the organisational structure for risk management and providing recommendations regarding the same before approval by the Board;
- Providing recommendations to the Board on matters related to risk management;
- Ensuring availability of adequate resources and systems for risk management;
- Verifying the independence of the risk management employees from activities that may expose the Company to risk;
- Ensuring that the risk management employees understand the risks threatening the Company and able to raise awareness on risk culture within company;

6. Reports

- Informing the Board of Directors about the procedures of the committee's meeting, its recommendations and decisions after each meeting of the committee.
- Preparing a written annual report on its opinion on the adequacy and effectiveness of the company's internal and financial control and risk management systems and its recommendations in this regard, in addition to the other work it has undertaken that falls within the scope of its responsibilities. Sufficient copies of this report shall be deposited in the company's head office to provide each shareholder who desires a copy thereof, and it shall be published on the company's website and the website of the Saudi Stock Exchange (Tadawul) upon publication of the invitation to convene the relevant annual general assembly meeting, and the report shall be read during the meeting.

7. Other provisions

- Initiate and supervise special investigations, as required.
- Carry out other related tasks at the request of the Board of Directors.

Audit Committee Meetings							6 Meetings during 2023
Name	Classification	1st Meeting March 01	2nd Meeting May 08	3rd Meeting July 27	4th Meeting September 07	5th Meeting October 25	6th Meeting December 25
Dr. Mohammed bin Faraj al-Kinani	Chairman	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Abdulaziz Abdullah Alhidery	Member	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Wisam Hussain Alfreihi	Member	Attended	Attended	Attended	Attended	Attended	Attended

7 Remuneration policy, disclosure of the remuneration of the members of the Board of Directors and the executive management and the relationship between the awarded remuneration and the remuneration policy

Remuneration policy

Policy objectives and principles:

1. The Remuneration Policy defines the remuneration of Board Members, Committee members and Senior Executives with the purpose of realising the following objectives:
   - Enabling the Company to retain Board members, Committee members and Senior Executives who have the required level of qualifications and experience.
   - Securing long-term success and progress for the Company to meet the interests of its Shareholders while attracting, retaining and motivating talents required for the Company to achieve its business goals.

2. Supporting the Company's efforts to adapt to competition pressures in the sectors in which it operates.

- Remuneration for Board members, Committee members and Senior Executives is defined according to the following criteria:
  - Remuneration must be in full alignment with the Company's objectives and strategy, and with the volume, nature and level of risks in the Company.
  - Upon defining remuneration for Board members, Committee members and Senior Executives, several criteria must be taken into consideration including the job level, tasks and responsibilities assigned to each position, as well as academic qualifications, practical experience, skills, scope of work and performance level.
  - Defining the remuneration for Board members, Committee members and Senior Executives must also consider the sectors in which the Company operates, its size, risk exposure and practices of similar companies in relation to remunerations.
  - Remuneration must be fair, proportional, and reasonably adequate to attract, retain and incentivise Board members, Committee members and Senior Executives who have the proper level of experience and qualifications.

Rules for defining remuneration

1. Board of Directors' remuneration rules

- Board members' remunerations shall be as follows:
  - The annual remuneration for the Board Chairman shall be SAR 350,000.
  - The annual remuneration for the Deputy Board Chairman shall be SAR 300,000.
  - The annual remuneration for the Board Member shall be SAR 250,000.
  - Allowance for attending the Board meetings shall be SAR 3,000 for each meeting attended by the member, provided the total number does not exceed 12 meetings per annum, excluding travel and accommodation expenses.
  - Should the Board assign any of its members on an official mission outside Riyadh City, the Director shall be reimbursed for the costs incurred according to the Company's travel rules.
  - Medical insurance is provided to all Board members and their families, as part of in-kind benefits.
  - Professional indemnity insurance is provided to all Board members as part of in-kind benefits.
  - Board members and one family member is granted an annual subscription to enter sport clubs as part of in-kind benefits.
  - Board members' remuneration may be a specific amount or in-kind benefits, or an allowance for meeting attendance, or a specific percentage of the Company's net annual profit. Two or more of those benefits may be combined.
  - Should the remuneration be specified as a percentage of the Company's profits, the total annual remuneration may not exceed (10%) of net profits, after deducting reserves and distributing dividends to shareholders, which represents at least (5%) of the Company's paid up capital.
  - In all cases, the remuneration, financial and in-kind benefits granted to the Board member may not exceed SAR 500,000 per annum.
  - As an exception to items (2) and (3) above, remuneration for independent Board members may not be a percentage of the Company's net profits and may not be directly or indirectly linked with the Company's profitability.
  - Board members' remuneration may vary in a manner that reflects the experience, expertise and tasks assigned to each Director. It also depends on their independence, the number of meetings they attend and other considerations.
  - The value of annual remuneration is split over four quarters, with each quarter being three months. Remuneration is paid to the Board members quarterly.
  - This applies to the meeting attendance allowance, based on the attendance list for each member.

2. Committees' remuneration rules

- Committee members' remuneration shall be as follows:
  - The annual remuneration for Board Committee Chairpersons shall be SAR 120,000, including independent members who are not Directors
  - The annual remuneration for Board Committee members shall be SAR 100,000, including independent members who are not Directors
  - The allowance for attending the Board Committees' meetings shall be SAR 2,500 for each meeting attended by the member, provided the total number does not exceed 12 meetings per annum, excluding travel and accommodation expenses
  - Should the Board assign any of the Committee members on an official mission outside Riyadh City, the member shall be reimbursed for the costs incurred according to the Company's travel rules
  - Committee members and one family member is granted an annual subscription to enter sport clubs as part of in-kind benefits
  - The value of annual remuneration is split over four quarters, with each quarter being three months, and remuneration is paid to the Committee members quarterly
- Notwithstanding item (1) above, the Nominations and Remunerations Committee shall review Committee members' remuneration and present its recommendations thereon to the Board of Directors.

3. Senior Executives' remuneration rules

- The Board of Directors shall define remunerations for all Senior Executives, based on the Nominations and Remunerations Committee's recommendations and in accordance with employment contracts, relevant policies, and Internal remuneration and compensation plans.
- The Nominations and Remunerations Committee shall review and approve employment contracts for Senior Executives, including contracts to be signed with new appointees. It shall also review and approve any contract signed with an employee who receives a fee or remuneration on par with Senior Executives' fees.

Deviation in the awarded remuneration from the Remuneration Policy:

There is no deviation in the awarded remuneration from the remuneration policy. The following tables show compensation and remuneration details for Board members, Committee members and Senior Executives.

A. Remuneration of the Board members:

Names	Fixed Remuneration (SAR)								Variable Remuneration (SAR)						End-of-service award	Aggregate Amount
	Specific amount	Allowance for attending Board meetings	Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member		Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total		
Independent Directors																
Mr. Hisham Hussien Al-Khaldi	250,000	12,000	0					262,000	–	–	–	–	–	–	–	262,000
Dr. Mohammed Faraj. Al-Kinani	250,000	15,000	15,000					280,000	–	–	–	–	–	–	–	280,000
Mr. Tareq Khalid Al-Angari	250,000	15,000	12,500					277,500	–	–	–	–	–	–	–	277,500
Mr. Mishal Ibrahim Al-Mishari	250,000	15,000	25,000					290,000	–	–	–	–	–	–	–	290,000
Non-Executive																
Mr. Ali Hamad Al-Sagri	350,000	15,000	25,000					390,000	–	–	–	–	–	–	–	390,000
Ms. Hessah Hamad Al-Sagri	250,000	15,000	12,500					277,500	–	–	–	–	–	–	–	277,500
Executive Directors																
Mr. Hamad Ali Al-Sagri	300,000	9,000	0					309,000	–	–	–	–	–	–	–	309,000
Total	1,900,000	96,000	90,000	0	0	0		2,086,000	0	0	0	0	0	0	0	2,086,000

B. Remuneration of 5 most senior Executive (including the Chief Executive Officer and the Chief Finance Officer):

Year	Fixed remunerations				Variable remunerations			Variable remunerations				EoSB	Board remuneration	Aggregate Ammount
	Basic salary	Allowances	In-Kind Benefits	Total	Periodic remunerations	Profits		STI	LTI	Granted Shares	Total			
2023	4,365,336	1,620,232	0	5,985,568	1,880,297	0		0	1,512,000	0	3,392,297	580,625	0	9,958,490

C. Remuneration of Committees' members:

Committees	Fixed Remuneration (excluding meetings)	Allowance for attending the meetings	Total
Audit Committee Members			
Dr. Mohammed Faraj. Al-Kinani	120,000	15,000	135,000
Mr. Abdulaziz Abdullah Al-Haidari	100,000	15,000	115,000
Mr. Wissam Hussein Al-Fraihi	100,000	15,000	115,000
Total	320,000	45,000	365,000
Renumeration and Compensation Committee Members			
Mr. Mishal Ibrahim Al-Mishari	120,000	12,500	132,500
Mr. Ali Hamad Al-Sagri	100,000	12,500	112,500
Ms. Hessah Hamad Al-Sagri	100,000	12,500	112,500
Total	320,000	37,500	357,500
Executive Committee Members			
Mr. Ali Hamad Al-Sagri	120,000	12,500	132,500
Mr. Tareq Khalid Al-Angari	100,000	12,500	112,500
Mr. Mishal Ibrahim Al-Mishari	100,000	12,500	112,500
Total	320,000	37,500	357,500

8 Any penalty, penalty, precautionary measure, or precautionary restriction imposed on the company by the Authority or any supervisory, regulatory, or judicial authority, with an indication of the reasons for the violation, the party that signed it, and ways to treat it and avoid it from happening in the future.

Penalty, fine, cautionary measure or restriction	Amount	Reasons for penalty	Authority who Imposed the penalty	Remedial action and ways to avoid recurrence
Some Violations to Municipality regulations	909,654	• Permit issues. • Delay in renewal of license, health certificates and safety issues.	Ministry of Municipal Rural Affairs and Housing	Corrective measures are taken to comply proactively follow up with changes in regulations.
Violation of delay in changing the professional designation of some employees	60,000	• Delay in changing the professional designation of some employees.	Ministry of Human Resources and Social Development	Corrective measures are taken to comply proactively follow up with changes in regulations.
Others	137,952	• VAT certificate not displayed • Others	Zakat, Tax and Customs Authority, and others	Corrective measures are taken to comply proactively follow up with changes in regulations.

9 The results of the annual review of the effectiveness of the company's internal control procedures, in addition to the audit committee's opinion on the adequacy of the company's internal control system.

The internal control system aims to ensure the effective and efficient achievement of company's objectives and includes the issuance of reliable financial reports; compliance with regulations, policies and procedures; and managing potential risks to reduce the effects of risks on achieving the company's objectives.

The internal control system also plays a key role in preventing and detecting fraud, protecting company assets, and managing the Company's resources. The company is responsible for preparing a comprehensive and effective control system commensurate with the level of risks that the company may be exposed to and at a reasonable cost, in order to give reasonable assurances to avoid fundamental errors and losses that may result from them.

The Audit Committee continuously reviews the periodic reports prepared by the internal and external auditors and based on the Internal Audit reports issued as per approved internal audit plan, the company's control system has achieved considerable improvements during the year. The company will continue under the supervision of the Audit Committee's evaluation and periodic review of its control system in order to ensure the achievement of internal control objectives on improving efficiency and effectiveness of operations, while complying with all relevant laws and regulations.

10 The audit committee's recommendation regarding the need to appoint an internal auditor in the company.

– Not applicable. The company has an internal audit department.

11 Recommendations of the Audit Committee that conflict between them and the decisions of the Board of Directors, or which the Board refused to take, regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance, or your complaints and internal complaints.

– Not applicable.

12 A statement of the dates of the general assemblies of shareholders held during the last fiscal year and the names of the members of the Board of Directors attending these assemblies.

Director	Meeting on May 04, 2023
Mr. Ali Hamad Al-Sagri	Attended
Dr. Mohammed bin Faraj al-Kinan	Attended
Mr. Tareq bin Khalid Al-Angari	Attended
Mrs. Hessa bint Hamad Al-Sagri	Attended
Mr. Hamad bin Ali Al-Sagri	Attended
Mr. Hisham Hussein AlKhaldi	Attended
Mr. Mishal Ibrahim AlMishari	Attended

13 A description of the main types of activity of the company and its subsidiaries. If two or more types of activity are described, a statement must be attached to each activity and its impact on the company's business volume and its contribution to the results.

Activity	Revenue	Percentage
Subscriptions sold for Male & Female segments	1,152,657,980	86.97%
Personal Training	147,858,879	11.16%
Rental & Others	24,890,279	1.87%
Total	1,325,407,138	

14 Information related to any risks the company faces (whether operational risks, financing risks, or market risks) and the policy for managing and monitoring these risks.

Risk Management Framework

LEEJAM recognizes effective risk management is critical to protect its stakeholders' interests while ensuring that the Company executes its strategy, achieves its business objectives, and ensures sustainable growth.

Risk Management is a collaborative process to identify, manage and monitor organizational risks and opportunities, both internal and external, to ensure achievement of LEEJAM's strategic objectives and continued financial stability and viability. It is more than just identifying control weaknesses; rather, it facilitates the identification of potential events that, if they were to occur, could result in undesirable consequences for LEEJAM.

LEEJAM's Risk Management framework leverages the guidelines derived from **'The Committee of Sponsoring Organizations (COSO)'** and **'ISO 31000: 2018 – Risk Management guidelines'** to develop and implement a set of Risk Management principles and best practices to assist the company's management to better deal with risks in achieving its objectives.

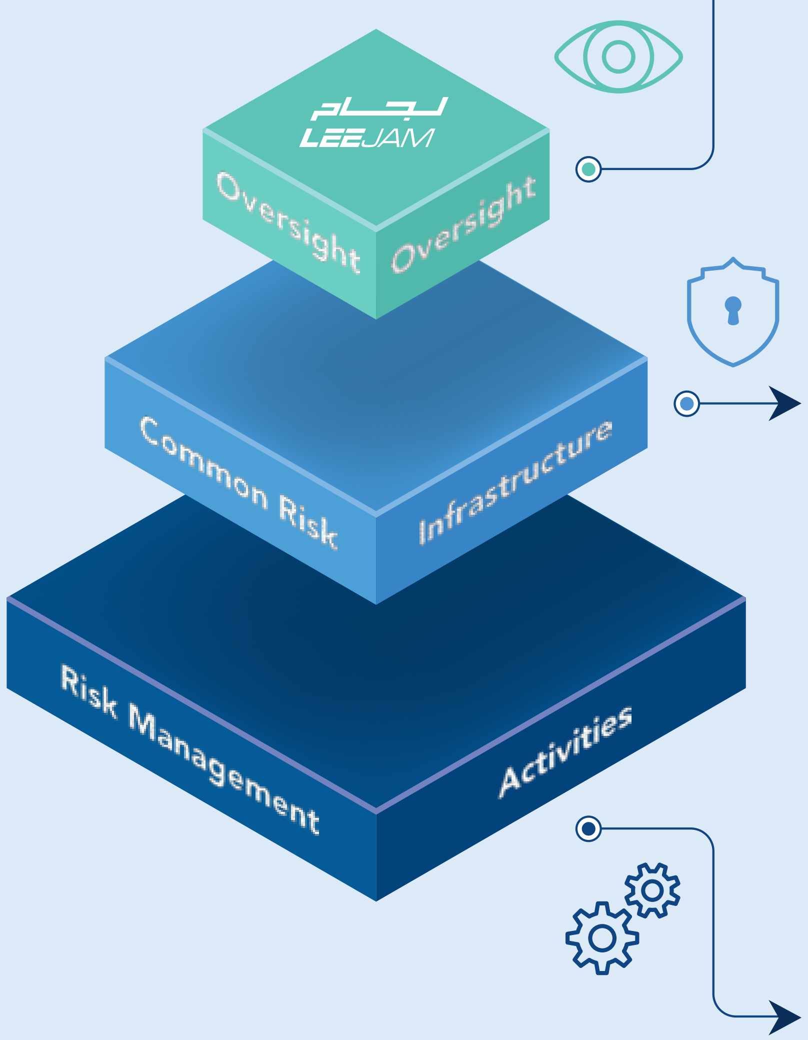
Risk Management Objectives

The overriding objective of implementing Risk Management at LEEJAM is to provide reasonable assurance to LEEJAM's management and Board of Directors that the business objectives are achieved.

In particular, the objectives for enterprise-wide risk management at LEEJAM are as follows:

- Reduce unacceptable performance variability by managing the risks
- Align and integrate varying views of risk management throughout the organization
- Enhance corporate governance by augmenting oversight
- Build confidence of investment community and stakeholders
- Align strategy and corporate culture by cultivating a risk intelligent culture
- Adapt to changing business environment through continuous risk monitoring

Leejam's Risk Management Framework



Oversight

- Risk Committee
- Risk Governance

Common Risk Infrastructure

- Risk Strategy
- Risk Policy
- Risk Culture
- Risk Taxonomy
- Risk Criteria Matrix
- Risk Appetite & Tolerance
- Risk Technology

Risk Management Activities

- Scope & Context
- Risk Assessment
- Risk Treatment
- Risk Monitoring
- Risk Reporting

Company Risks

LEEJAM is a risk aware organization focused on optimally managing its risks while pursuing opportunities to enhance the value of the organization. All LEEJAM employees are responsible for managing risk as part of their daily responsibilities and LEEJAM has implemented a formal program to guide the identification, assessment, treatment, monitoring, and reporting of risks across the organization.

Internal control system and risk limits are continuously monitored to ensure risk and its exposures remain within the company's risk appetite. The main company's risks include strategic, operational, financial, technological and compliance. Accordingly, the following table explains such risks LEEJAM may face during the operation of its business and the risk response strategies implemented to manage such risks.

Risks	Response Strategy
Strategic Risks	
1. Lack of corporate and business unit strategies which may negatively impact the identification and attainment of business objectives creating non-alignment with company's vision and long-term goals.	LEEJAM has revised its overall business strategy for 2023-2025 by formalizing its core corporate strategy while it has been cascaded down into business unit strategic initiatives to align with the overall company's vision and long-term objectives.
2. Suboptimal utilization of company's funds and undesirable results from strategic investments due to lack of formal business case and needs analysis before incurring any major expenditures/investments. LEEJAM may not realize some or all the expected benefits of recent or future acquisitions.	The company has a dedicated business function to monitor LEEJAM investments, especially strategic investments (acquisitions, joint ventures etc.) under its investment subsidiary 'ALRASN'. Periodic performance reporting and evaluation of sound investments are frequently monitored by top management and BOD in alignment with the overall market dynamics.
Operational Risks	
3. Lack of proper customer engagement due to ineffective or inappropriate customer experience strategy leading to negative customer retention, market penetration and company growth.	LEEJAM has effectively improved its customer engagement and retention strategy by mainly focusing on core customer needs and utilizing different channels to interact with customers to obtain customer feedback for timely action. With its 24/7 customer support and robust follow-up with customers, LEEJAM intends to maintain its 'customer-centric' approach while maintaining an industry leader position in the sports domain.
4. Ineffective competitor analysis resulting in missed growth opportunities, inability to maintain its leadership position, and inability to develop sustainable competitive edge with differentiated product/services.	In such a highly competitive fitness and sports domain, Executive management performs periodic market analysis while keeping a steady eye on competitors. With its record of keeping unparallelled facilities, state-of-the-art equipment, and highly trained staff, LEEJAM has reached the highest market share in the fitness domain with over 400K+ active members in the MENA region. LEEJAM also utilizes market research reports to gain information on innovative and different services to keep an edge over their competitors.
5. Failure to attract/retain employees (especially with specific sports industry expertise) resulting in high turnover and loss in productivity.	LEEJAM constantly strives to improve the workplace environment for its employees by offering market competitive remuneration, opportunities for continuous professional development, periodic events for employee engagement and an inclusive culture to its 4500+ employees from 30+ different nationalities. Such nurturing environment provides ground for attracting and retaining promising talent.
Financial Risks	
6. The resurgence of COVID-19 or outbreaks of other infectious diseases and its impact on business and economic conditions may have negative effects on LEEJAM's business, financial position, cash flow and price of its securities.	With the previous pandemic in MENA region (during 2019-20), LEEJAM maintained full compliance with governmental regulations with respect to Health and safety protocols. Moreover, The Management maintains a healthy liquidity ratio to counter such adverse financial circumstances.
7. Fitness centers operating on leased properties may face unfavorable revised contractual terms upon completion of leased tenure affecting the company's financial and operational performance.	LEEJAM maintains healthy relationships with landlords for its leased lands. A dedicated function consisted of experienced real estate professionals ensure that the lease contracts are timely reviewed and renewed. Contract renewal negotiations are initiated three to five years prior to expiry along with market evaluation of rent to ensure favorable price negotiations.

Risks	Response Strategy
Technological Risks	
8. Inability in adaption towards the dynamic changes in the fitness industry by leveraging technological advancements for company infrastructure, products, and services.	LEEJAM thrives to be an industry leader by providing an immersive experience via technological advancements. LEEJAM uses cloud technology while using industry leading solutions (such as EXERP, ORACLE, IBM, ZOHO, etc.) and state of the art hardware to bring a high degree of automation and reliability. Special focus is given to customers by providing cutting-edge sports equipment, wearables and other technology aided services to keep the technological edge in the market. With the recent revision of the IT strategy, LEEJAM aims to further bring more techno-centric solutions for its customers, employees, and other stakeholders.
9. Non-implementation of an Information security management system to manage sensitive company information may lead to unwanted leakage or disclosure, creating legal, reputational, and operational exposure.	LEEJAM has a dedicated Information Security (IS) function which has implemented IS protocols in accordance with global ISO standards (ISO:27001). Moreover, in order to further improve information and cybersecurity elements, periodic cybersecurity reviews are also performed by specialized third parties to ensure proper information security controls are implemented over critical data/assets (such as customer data) as well as compliance with local regulations (such as Personal Data Protection Law).
Compliance Risks	
10. Non-compliance with governmental regulations (Municipality, Civil defense, Ministry of Sports, etc.), especially relating to licenses and permits required for operating business sites	LEEJAM is maintaining a high compliance with governmental regulations. A dedicated Compliance and Administration function ensures periodic review and timely renewal of required governmental licenses for its sites to avoid any disruption in business.

15 A summary in the form of a table or a graph of the company's assets, liabilities, and business results for the last five fiscal years or since incorporation, whichever is shorter.

Summary of statement of income (SAR)

Description	2019	2020	2021	2022	2023
Revenues	942,075,242	662,599,232	885,283,139	1,065,788,788.0	1,325,407,138
Cost of Revenue	582,772,726	522,708,769	512,960,369	632,168,482	740,858,478
Gross profit	359,302,516	139,890,463	372,322,770	433,620,306	584,548,660
Net profit	205,920,845	(58,723,592)	206,020,219	254,758,323	355,809,251

Summary of balance sheet (SAR)

Description	2019	2020	2021	2022	2023
Current Assets	152,981,680	325,206,571	250,195,299	361,830,958	424,844,388
Non-current Assets	2,363,317,658	2,242,110,666	2,322,357,463	2,312,552,883	2,976,373,604
Total Assets	2,516,299,338	2,567,317,237	2,572,552,762	2,674,383,841	3,401,217,992
Total Equity	721,774,096	664,484,064	804,569,669	938,539,108	1,124,889,449
Current Liabilities	574,294,408	664,162,755	648,203,797	718,523,238	900,955,919
Non-current Liabilities	1,220,230,834	1,238,670,418	1,141,044,630	1,041,087,638	1,408,499,471
Total Liabilities	1,794,525,242	1,902,833,173	1,789,248,427	1,759,610,876	2,309,455,390
Total Equity & Liabilities	2,516,299,338	2,567,317,237	2,572,552,762	2,674,383,841	3,401,217,992

16 Geographical analysis of the Company's total revenues (SAR).

Description	Geographical Analysis	2022	2023
Saudi	Headquarters and Central Province	483,552,942	615,502,502
	Western Province	394,581,054	480,695,640
	Eastern Province	161,917,798	196,768,373
	Total	1,040,051,794	1,292,966,515
United Arab Emirates		25,736,994	32,440,623
Total revenues		1,065,788,788	1,325,407,138

17 A clarification of any material differences in the operating results from the results of the previous year or any expectations announced by the company.

Statement	2023	2022	Changes	Changes Percentage
Revenue	1,325,407,138	1,065,788,788.0	259,618,350	24.36%
Cost of Revenue	740,858,478	632,168,482	108,689,996	17.19%
Gross Profit	584,548,660	433,620,306	150,928,354	34.81%
Operating Cost	134,052,182	106,535,899	27,516,283	25.83%
Operating Income	450,496,478	327,084,407	123,412,071	37.73%

18 A clarification of any difference from the accounting standards approved by the Saudi Organization for Certified Public Accountants.

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and instructions issued by the Saudi Organization for Certified Public Accountants (SOCPA).

19 The name of each subsidiary company, its capital, the percentage of the company's ownership therein, its main activity, the country of its main place of operations, and the country of its incorporation.

Subsidiary name	Capital (SR)	Company's stake	Main activity	Country / operations headquarters	Country / incorporation address
Fitness Time Trading Co. Limited	50,000	95%	Inactive (no activity)	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Al Rasn	100,000	100%	Investments	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia
Integrated Medical Care Services Company	100,000	50%	Health care services	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

20 Shares and debt instruments of subsidiaries.

Subsidiary name	Capital (SR)	Number of Shares	Share Value (SR)	Debt Instrument
Fitness Time Trading Co. Limited	50,000	5000	10	None
Al Rasn	100,000	100	1000	None
Integrated Medical Care Services Company	100,000	100	1000	None

21 A description of the company's dividend policy.

This Dividend Distribution Policy (the "Policy") of Leejam Sports Company (the "Company") sets forth the mechanism for distributing dividends by the Company to its Shareholders and the payment procedures and terms. This Policy is prepared in accordance with the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies, the Capital Market Authority's Corporate Governance Regulations, the Companies Law and in light of the Company's Bylaws. This Policy is intended to implement and supplement the relevant provisions of the Bylaws. In case of conflict between this Policy and the Bylaws, the Bylaws shall prevail.

Annual dividends

- Annual dividends are distributed subject to the General Assembly's approval after the Board of Directors' recommendation regarding the Company's net profit, the calculated dividend amount and proposed allotment.
- The General Assembly reserves the right to reject paying dividends in any year if it believes that such payment will be harmful to the Company's financial position and its capital requirements.
- The Board of Directors shall execute the General Assembly's decision and pay dividends within 15 days from the due date defined in the resolution.

Dividends calculation

- Dividend payments are allotted after deducting general expenses such as Zakat and Income Tax, as follows:
  - Appropriation of 10% of the net annual profits to form the statutory reserve. The General Assembly may decide to stop appropriating this percentage if the reserve reaches 30% of the paid up capital
  - From the remaining net profits, at least 5% of the paid up capital must be paid in dividends to Shareholders
  - Subject to the Board of Directors' recommendation, the General Assembly may appropriate 20% of the net profit to form a consensual reserve allocated to specific purposes
  - Excess annual net profit shall be distributed to Shareholders unless the General Assembly decides otherwise
- Upon allotment of the dividend amount from the net profit, the Ordinary General Assembly may decide to take other reserves as follows:
  - To serve the Company's interests, or
  - To include the distribution of fixed dividends to Shareholders
- Dividends shall be paid to Shareholders in proportion with the number of shares they own in the Company
- Dividends are to be paid in cash or bonus shares or both
- The Annual Report submitted by the Board of Directors to the General Assembly must list the amounts of dividends paid to Shareholders over various periods of the fiscal year, in addition to the recommended dividends to be paid by the end of the fiscal year, and the accumulated dividends' amounts

Interim dividends

- The Company may pay interim dividends to Shareholders on a quarterly or bi-annual basis, subject to abidance by the following requirements:
  - General Assembly's delegation to the Board to pay interim dividends by a resolution to be renewed annually
  - The Company's achievement of regular, good profits
  - The availability of reasonable liquidity with the Company, and the ability to forecast its profitability levels
  - The availability of distributable profits according to the last audited financial statements of the Company, which must be sufficient to cover the proposed dividends after deducting distributed and capitalised amounts after the date of those financial statements
- Should the Board of Directors decide to pay interim dividends, the Company must disclose and announce such payment and provide CMA with a copy thereof immediately.

Eligible Shareholders

- The General Assembly's resolution that approves the payment of annual dividends shall define the due date and payment date of dividends.
- Shareholders' eligibility to receive dividends shall be determined according to the relevant rules and regulations, and the Company's announcement on the Tadawul website.

Paid dividend compared to net income:

Year / quarter	Net income	Dividend	% of net profit	Capital	% of capital	Amount per share
2nd & 3rd quarter of 2018	93,524,279	50,225,640	53.7%	523,833,610	9.95%	0.96
4th quarter 2018	53,857,534	28,179,613	52.3%	523,833,610	5.38%	0.5379
1st quarter 2019	39,596,703	21,052,304	53.2%	523,833,610	4.02%	0.4019
2nd quarter 2019	49,590,562	26,448,359	53.3%	523,833,610	5.05%	0.5049
3rd quarter 2019	48,813,216	26,029,222	53.3%	523,833,610	4.97%	0.4969
1st half 2021	43,920,320	23,572,512	53.7%	523,833,610	4.50 %	0.45
3rd quarter 2021	76,194,680	40,859,022	53.6%	523,833,610	7.80 %	0.78
4th quarter 2021	85,905,219	45,573,524	53.1%	523,833,610	8.7%	0.87
1st quarter 2022	46,014,370	24,672,563	53.6%	523,833,610	4.7%	0.471
2nd quarter 2022	36,022,530	19,381,844	53.8%	523,833,610	3.7%	0.37
3rd quarter 2022	68,058,203	36,668,353	53.9%	523,833,610	7.0%	0.7
4th quarter 2022	107,164,021	58,145,531	54.3%	523,833,610	11.10 %	1.11
1st quarter 2023	62,662,772	33,525,351	53.5%	523,833,610	6.4 %	0.64
2nd quarter 2023	72,470,915	39,287,520.75	54.2%	523,833,610	7.5%	0.75
3rd quarter 2023	92,183,019	49,764,192.95	54.0%	523,833,610	9.5%	0.95

Date of dividend payments:

Year / quarter	Announcement date	Due date	Distribution date	Dividend per share	Dividend payment method
2nd & 3rd quarter of 2018	28th October 2018	1st November 2018	15th November 2018	0.96	Account Transfer
4th quarter 2018	27th February 2019	4th March 2019	20th March 2019	0.5379	Account Transfer
1st quarter 2019	13th May 2019	19th May 2019	12th June 2019	0.4019	Account Transfer
2nd quarter 2019	4th September 2019	9th September 2019	22nd September 2019	0.5049	Account Transfer
3rd quarter 2019	2nd December 2019	8th December 2019	19th December 2019	0.4969	Account Transfer
1st half 2021	8th August 2021	15th August 2021	26th August 2021	0.45	Account Transfer
3rd quarter 2021	7th November 2021	14th November 2021	25th November 2021	0.78	Account Transfer
4th quarter 2021	13th February 2022	20th February 2022	3rd March 2022	0.87	Transfer to account
1st quarter 2022	27th April 2022	10th May 2022	23rd May 2022	0.471	Transfer to account
2nd quarter 2022	7th August 2022	9th August 2022	24th August 2022	0.37	Transfer to account
3rd quarter 2022	31st October 2022	6th November 2022	20th November 2022	0.70	Transfer to account
4th quarter 2022	12th March 2023	14th March 2023	27th March 2023	1.11	Account Transfer
1st quarter 2023	16th May 2023	21st May 2023	31st May 2023	0.64	Account Transfer
2nd quarter 2023	31st July 2023	3rd August 2023	15th August 2023	0.75	Account Transfer
3rd quarter 2023	29th October 2023	31st October 2023	14th November 2023	0.95	Account Transfer

22 A description of any interest in a class of voting shares belonging to persons (other than the members of the company's board of directors, senior executives and their relatives) who have informed the company of those rights under Article 45, on the date of the registration of the rights and any change in the financial rules of the last year.

– Not applicable.

23 A description of any interest, contractual securities and subscription rights belonging to the members of the company's board of directors, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries, and any change in such interest during the latter.

Board members' ownership of Company shares and their relatives:

Name	Beginning of the Year	End of The Year	Change	Change %
Mr. Ali Hamad Al-Sagri	379,696	379,696	-	-
Dr. Mohammed bin Faraj al-Kinan	-		-	-
Mr. Tariq bin Khalid Al-Angari	3,789	3,789	-	-
Ms. Hessa bint Hamad Al-Sagri	-		-	-
Mr. Hamad bin Ali Al-Sagri	26,771,950	26,771,950	-	-
Mr. Hisham Hussein Al-Khaldi	-	-	-	-
Mr. Mishal bin Ibrahim Almishari	-	-	-	-

Senior Executives and their relatives' ownership of Company shares:

Name	Beginning of the Year	End of The Year	Change	Change %
Mr. Adnan Al-Khalaf	-	-	-	-
Mr. Assim Al Attas	1,581	2,241	660	41.7

24 Indebtedness and loan information.

#	Bank	Principle Amount	Loan Term	Repaid amount within the year	Remaining Amount	Total debt
1	Saudi National Bank	1,200,010	5 years	320,000	880,010	302,809,203
3	Banque Saudi fransi	65,000,000	6 years average	40,000,000	25,000,000	
4	Saudi British Bank	236,609,193	6 years average	82,281,656	154,327,537	

25- A description of the categories and numbers of any convertible debt instruments and any contractual securities or memorandums of subscription rights or similar rights issued or granted by the company during the fiscal year, with an explanation of any compensation obtained by the company for that.

– Not applicable.

26 A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company.

– Not applicable.

27 A description of any redemption, purchase or cancellation by the company of any redeemable debt instruments, and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries.

– Not applicable.

28 The number of Board of Directors meetings held during the last fiscal year, their dates, and the attendance record of each meeting showing the names of attendees.

							5 Meetings during 2023
Name	**Classification**	**1st Meeting February 13**	**2nd Meeting May 16**	**3rd Meeting August 08**	**4th Meeting November 07**	**5th Meeting December 25**	**Total**
Mr. Ali Hamad Al-Sagri	Non-Executive	Attended	Attended	Attended	Attended	Attended	5
Dr. Mohammed bin Faraj Al-Kinan	Independent	Attended	Attended	Attended	Attended	Attended	5
Mr. Tareq bin Khalid Al-Angari	Independent	Attended	Attended	Attended	Attended	Attended	5
Mrs. Hessah bint Hamad Al-Sagri	Non-Executive	Attended	Attended	Attended	Attended	Attended	5
Mr. Hamad bin Ali Al-Sagri	Executive	Attended	Attended	Attended	Did not Attend	Attended	4
Mr. Hisham Hussein AlKhaldi	Independent	Attended	Attended	Attended	Attended	Attended	5
Mr. Mishal Ibrahim AlMishari	Independent	Attended	Attended	Attended	Attended	Attended	5

29 The number of the company's requests for the register of shareholders, and the dates and reasons for those requests.

Requests	Date of Request	Reason of Request
1	04/05/2023	AGM
2	02/01/2023	Other
3	03/04/2023	Other
4	01/05/2023	Other
5	06/07/2023	Other
6	17/09/2023	Other
7	30/08/2023	Other
8	29/10/2023	Other
9	12/12/2023	Other

30 Related party transactions.

Related party	Nature of Dealing	Transaction Value (SAR)	Relationship with the Company	Period
Al-Saqri Holding Group	Corporate Sales Contract	188,656	The company is owned by Mr. Hamad Al-Sagri, with Ms. Hessah Al Sagri & Mr. Ali Al Sagri as they are Board members of the group.	2023 Fiscal Year
Mr. Hamad Al-Saqri	Head office lease contract (Land leasing)	3,400,000	The land is owned by a member of the Board of Directors & a major shareholder, Mr. Hamad Al Sagri.	2023 Fiscal Year
Afaq Al-Anaqah Trading Company	Supplying Uniforms	3,504,501	The company is owned by a member of the Board of Directors & a major shareholder, Mr. Hamad Al Sagri.	2024 Fiscal Year
Dhaoq Almanzel Trading Est	Supplying gym furniture	87,652	The establishment is owned Saud Al-Sagri, a direct relative of Mr. Hamad Al Sagri, a member of the Board of Directors & a major shareholder.	2023 Fiscal Year

31 Information related to any business or contracts to which the company is a party, and in which there was an interest of one of the members of the board of directors of the company or its senior executives or any person related to any of them, including the names of those involved in the business or contracts, and the nature and amount of these works or contracts and their terms and conditions.

Related party	Nature of Dealing	Transaction Value (SAR)	Relationship with the Company	Period
Al-Saqri Holding Group	Corporate Sales Contract	188,656	The company is owned by Mr. Hamad Al-Sagri, with Ms. Hessah Al Sagri & Mr. Ali Al Sagri as they are Board members of the group.	2023 Fiscal Year
Mr. Hamad Al-Saqri	Head office lease contract (Land leasing)	3,400,000	The land is owned by a member of the Board of Directors & a major shareholder, Mr. Hamad Al Sagri.	2023 Fiscal Year
Afaq Al-Anaqah Trading Company	Supplying Uniforms	3,504,501	The company is owned by a member of the Board of Directors & a major shareholder, Mr. Hamad Al Sagri.	2024 Fiscal Year
Dhaoq Almanzel Trading Est	Supplying gym furniture	87,652	The establishment is owned Saud Al-Sagri, a direct relative of Mr. Hamad Al Sagri, a member of the Board of Directors & a major shareholder.	2023 Fiscal Year

32 A statement of any arrangements or agreement under which a member of the company's board of directors or a senior executive waived any remuneration.

– Not applicable.

33 A statement of any arrangements or agreement under which one of the company's shareholders waived any rights to profits.

– Not applicable.

34 A statement of the value of statutory payments made and due for the payment of any zakat, taxes, fees, or any other dues that were not paid until the end of the annual financial period, with a brief description of them and an indication of their reasons.

Statutory Organization	2022		Description	Reasons
	Paid	Due		
Zakat	7,300,683	10,549,611	Zakat expenses for 2023.	Statutory requirement
Tax	133,001,132	13,380,863	VAT, WHT and Real Estate Tax paid from Dec 22 till Nov 23. Dec 23 VAT and WHT is due for Dec 23.	Dec 23 VAT and WHT amounts paid in Jan 24
The General Organization for Social Insurance	16,484,907	1,469,172	GOSI paid for the period from Dec 22 till Nov 23. Dec 23 is due.	Dec 23 amount paid in Jan 24
Visa and passport costs	1,382,000	-	Includes New visa fees and Iqama transfer Fees.	Statutory requirement
Labor office fees	20,784,578	-	Includes Iqama and work permit charges.	Statutory requirement
Other statutory fees	564,664	-	Tadawul fees.	Statutory requirement

35 A statement of the value of any investments or reserves established for the benefit of the company's employees.

– Not applicable.

36 The declarations regarding the account records, the internal control system and the company's ability to continue the activity.

- The Board of Directors of Leejam Sports Company (Fitness Time) declare the following:
  - That the account records have been properly prepared.
  - The internal control system was prepared on sound basis and implemented effectively.
  - There is no significant doubt about the company's ability to continue its activities.

37 If the auditor's report includes reservations about the annual financial statements, the report of the board of directors must clarify those reservations, their reasons and any information related thereto.

– Not applicable.

38 In the event that the Board of Directors recommends changing the auditors before the end of the period for which they are appointed, the report must contain that, with a statement of the reasons for recommending the change.

– Not applicable.

39 Disclosure of the details of the treasury shares held by the company and details of the uses of these shares.

– Not applicable.

40 Information related to any business that competes with the company, or any of its activities, which any member of the board of directors is engaged in or was previously engaged in, including the names of those involved in the competing business, and the nature and conditions of this business.

– The company declares that there is no business that competes with the company, or any of its activities, which any member of the Board of Directors is engaged in or was previously engaged in.

Financial Statements

Independent Auditor's Report

To the Shareholders of Leejam Sports Company
(A Saudi Joint Stock Company)

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group reported revenue of SR 1,325 million from subscriptions and membership fees of fitness training centers and related activities for the year ended 31 December 2023. We considered this a key audit matter due to the application of accounting standard for revenue recognition in the fitness training sector requires revenue to be recognized over the term of subscription period. Additionally, there are inherent risks about the accuracy of revenues recorded due to either ineffective manual and / or IT related controls. Refer to note 4.3 for the accounting policy related to revenue recognition and note 7 for the related disclosures.	Our audit procedures included, among others, the following: • Evaluated the appropriateness of revenue recognition policies. • Involved our IT specialists in testing the design, implementation and operating effectiveness of system internal controls related to revenue recognition. • Tested the accuracy of customer invoice generation on a sample basis and tested a sample of the discounts and promotions applied to customer invoice. • Performed analytical procedures by comparing expectations of revenue with actual revenue and analyzing variances. • Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

Other information included in The Group's 2023 Annual Report

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

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

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

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

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

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

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

Independent Auditor's Report (continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

for Ernst & Young Professional Services

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

Riyadh: 15 Ramadan 1445H
5 March 2024

Statement of Profit or Loss

for the year ended 31 December 2023

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

Statement of Comprehensive Income

for the year ended 31 December 2023

Item	Note	2023 SR	2022 SR (Restated – note 37)
Net profit for the year		**355,809,251**	254,758,323
Other comprehensive income Item that will not be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement (loss) / gain on employees end of service benefits obligation		**(1,061,502)**	3,006,590
Total comprehensive income for the year	27	**354,747,749**	257,764,913
Total comprehensive income attributable to:			
Equity holders of the parent company		**355,182,630**	257,764,913
Non- Controlling Interests		**(434,881)**	-
		354,747,749	257,764,913

Statement of Financial Position

as at 31 December 2023

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

Statement of Changes in Equity

for the year ended 31 December 2023

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

Statement of Cash Flows

as at 31 December 2023

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

Statement of Cash Flows (continued)

as at 31 December 2023

Item	Note	2023 SR	2022 SR
Investing activities			
Addition in property and equipment		**(307,067,584)**	(176,740,513)
Advances to suppliers and contractors		**(66,032,061)**	(5,423,475)
Proceeds from short term Murabaha profit		**12,720,777**	127,083
Acquisition of a subsidiary	6	**(11,936,435)**	-
Investment in an associate	17	**(4,792,234)**	-
Proceeds from disposal of PPE		**440,652**	-
Addition to intangible assets	16	**(2,013,956)**	(1,827,028)
Net cash used in investing activities		**(378,680,841)**	(183,863,933)
Financing activities			
Proceeds from borrowings	26	**255,291,076**	45,148,333
Repayments of borrowings	26	**(214,149,825)**	(149,870,976)
Finance cost paid		**(39,621,370)**	(22,612,875)
Transaction with NCI		**2,964,932**	-
Payment of lease liabilities	15	**(154,863,177)**	(115,163,595)
Dividend paid	33	**(180,723,044)**	(126,296,283)
Net cash used in financing activities		**(331,101,408)**	(368,795,396)
Net (decrease) / increase in cash and cash equivalents		**(23,816,800)**	120,740,825
Cash and cash equivalents at the beginning of the year		**300,626,898**	179,886,073
Cash and cash equivalents at the end of the year	23	**276,810,098**	300,626,898
Significant non-cash transactions			
Additions to right-of-use assets and corresponding lease liability	15	**394,780,980**	96,025,479
Lease Modification	15	**90,345,487**	-
Transfers to property and equipment from capital work-in-progress	14	**84,917,511**	65,891,780
Capitalization of borrowing cost	14	**934,537**	661,214
Interest on lease liabilities capitalized for under construction fitness centers	15	**4,730,817**	1,697,814
Addition in property and equipment and payable	15	**44,488,411**	-

Notes to the Consolidated Financial Statements

31 December 2023

1 Corporate information

Leejam Sports Company ("the Company") is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange Market. The Company was established in accordance with the Ministry of Commerce and Industry resolution No. 146/S dated 29 Rabi Al-Thani 1429H (corresponding to 5 May 2008) and registered under Commercial Registration (CR) numbered 4030180323 dated 19 Jumada Al-Alkhirah 1429H (corresponding to 23 June 2008). The address of the Company's registered office is Thumamah Street, P.O. Box 295245, Riyadh 11351, Kingdom of Saudi Arabia. In 2012, The Company's head office was transferred from Jeddah to Riyadh, the Company obtained amended CR numbered 1010337986 dated 14 Jumada Al-Alkhirah 1433H (corresponding to 6 May 2012).

The objectives of the Company and its subsidiaries ("the Group") are construction, management and operation of sports and entertaining centers and wholesale and retail trading in sports' clothes and equipment and owning real estate and constructing buildings necessary to achieve its purposes and advertising, construction, management and owning hotels and furnished apartments and other activities that the Group needs to use. The Group's operations are located in the Kingdom of Saudi Arabia and United Arab Emirates.

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

		Ownership percentage			
		31 December 2023		31 December 2022	
Name	Country of incorporation	Direct	Indirect	Direct	Indirect
Al Rasn investment Company	Kingdom of Saudi Arabia	**100%**	**-**	100%	-
Altathir Al-Riyadiyeh Company (note 6)	Kingdom of Saudi Arabia	-	**100%**	-	-
Padel X Sports Company	Kingdom of Saudi Arabia	**-**	**51%**	-	-

During 2016, the Group acquired 95% of the outstanding shares of Fitness Time for Trading Company Limited ("the Subsidiary") in order to acquire the trademark "Fitness Time". The trademark is renewable for a period of 10 years or periods at the option of the Group for a nominal fee. The Subsidiary discontinued its operations after the trademark was transferred to the Group. The management believes that the Subsidiary is immaterial to the Group; hence, does not consolidate the results of operations of the Subsidiary and its financial position in the consolidated financial statements of the Group.

On 24 Thul-Hijjah 1444H (corresponding to 12 July 2023), the Group established a new Subsidiary "Padel X Sports Company (Limited Liability Company)" with a capital of fifty thousand Saudi Riyals, the Group ownership percentage is 51%, in partnership with World Wide Padel through its Saudi subsidiary (Padelbolaget Sports Company), owns a 49% stake, for the purpose of investing in padel sports in the Kingdom of Saudi Arabia by building and operating padel courts and registered under Commercial Registration (CR) numbered 1010906234 dated 5 Muharram 1445H (corresponding to 14 August 2023), its head office is registered in Riyadh, Kingdom of Saudi Arabia.

2 Basis of preparation and consolidation

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

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

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

3 New and amended standards and interpretations

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

Following are the standards and amendments effective on 1 January 2023 or after (unless otherwise stated) and do not have a material impact on the Group's consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective .

IFRS 17 Insurance Contracts

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

3 New and amended standards and interpretations (continued)

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

3.2 New and amended standards and interpretations not yet effective

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

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

4 Material accounting policy information

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

4.1 Business combinations and goodwill measurement

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

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

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

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

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

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

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

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

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

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

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

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

4 Material accounting policy information (continued)

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

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

4.2 Investments in associates

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

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

The investment in associates are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The investment in associates in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit and loss and other comprehensive income of the associate adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses.

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

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

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

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

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

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

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

4.3 Revenue

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

4.4 Cost of revenue and other expenses

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

4 Material accounting policy information (continued)

4.5 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.6 Property and equipment

(i) Initial recognition and subsequent measurement

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

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

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

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

(ii) Depreciation

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

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

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

iii) Subsequent costs

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

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

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

(v) Derecognition

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

4.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful life are not amortized and carried at cost less accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets, which comprise computer software, are amortized at straight line method with an estimated useful life of 5 years.

4 Material accounting policy information (continued)

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

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

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

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

4.8 Financial instruments

Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.8.1 Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

Financial assets at amortized cost

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

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

4 Material accounting policy information (continued)

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

4.8.2 Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

This category generally applies to trade payables.

Derecognition

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

4.8.3 Offsetting of financial instruments

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

4.9 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

4.10 Cash and cash equivalents

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

4.11 Statutory reserve

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

4.12 Inventories

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

4 Summary of significant accounting policies (continued)

4.13 Lease

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

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

The Group as a lessor

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

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

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

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

4.14 Borrowings

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

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

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

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

4.15 Employees' end of service benefits

Short-term employee benefits

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

4 Summary of significant accounting policies (continued)

Post-employment obligation

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

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

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

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

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

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

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

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

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

4.16 Zakat and indirect taxes

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

Value-added tax ("VAT")

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

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

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

4.17 Provisions

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

5 Significant assumptions, estimates and judgements

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

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

Assumption and estimation uncertainties

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

Impairment of non-financial assets

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

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

5 Significant assumptions, estimates and judgements (continued)

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

Impairment of accounts receivable

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

Estimating the incremental borrowing rate

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

Useful lives of property and equipment

The Group's management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Going concern

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

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

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

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

Employees end of service benefits

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

Discount rate

For selecting the discount rate, we have considered the yield on Government bonds of duration equal to the duration of the liability.

Mortality rate

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

Salary and future pension increase

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

Fair value measurement of financial instruments

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

6 Acquisition of a subsidiary

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

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

Item	14 June 2023 SR
Assets	
Property and equipment	**5,882,648**
Right-of-use assets	**12,223,612**
Prepayments and other current assets	**1,379,317**
Trade receivables *	**1,987,372**
Cash and cash equivalents	**63,565**
Total assets	**21,536,514**
Liabilities	
Borrowings	**1,108,373**
Lease liabilities	**12,223,612**
Employees' end of service benefits	**450,947**
Accounts payable	**1,440,004**
Accrued expenses and other current liabilities	**545,915**
Deferred revenue	**902,553**
Provision for zakat	
Total liabilities	**16,671,404**
Total identifiable net assets at book value	**00,000**
Provisional goodwill arising on acquisition	**7,134,890**
Purchase consideration paid	**12,000,000**

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

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

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

7 Revenue

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

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

	Subscriptions and membership		Personal training		Rental income	
Types of customers	2023 SR	2022 SR	2023 SR	2022 SR	2023 SR	2022 SR
Male centers	**883,525,972**	718,183,993	**96,535,300**	68,945,031	**10,959,794**	10,677,476
Female centers	**269,132,008**	213,761,897	**51,323,579**	34,134,953	**5,191,412**	7,510,374
	1,152,657,980	931,945,890	**147,858,879**	103,079,984	**16,151,206**	18,187,850

	Subscriptions and membership		Personal training		Rental income	
Geographical markets	2023 SR	2022 SR	2023 SR	2022 SR	2023 SR	2022 SR
Central region	**532,896,939**	416,831,091	**70,169,640**	46,856,842	**10,611,171**	10,664,641
Western region	**425,991,193**	352,332,627	**45,677,807**	33,320,246	**4,281,945**	6,791,074
Eastern region	**168,906,940**	142,774,391	**24,849,387**	17,403,738	**1,037,331**	732,135
UAE	**24,862,908**	20,007,781	**7,162,045**	5,499,158	**220,759**	-
	1,152,657,980	931,945,890	**147,858,879**	103,079,984	**16,151,206**	18,187,850

8 Cost of Revenue

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

9 General and adminstrative expenses

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

10 Advertising and marketing expenses

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

11 Other income

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

12 Finance cost

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

13 Earnings per share

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

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

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

14 Property and equipment

	Land SR	Buildings SR	Motor vehicles SR	Sports tools and equipment SR	Electrical Equipment, and air conditioner SR	Computers SR	Furniture and office equipment SR	Capital work in progress SR	Total SR
Cost:									
At 1 January 2023	243,994,789	1,575,715,414	4,067,458	399,396,689	127,792,470	21,374,795	32,657,192	57,145,535	2,462,144,342
Additions	67,754,000	64,010,984	179,400	32,643,758	14,195,945	1,720,098	1,657,830	175,059,334	357,221,349
Transfers	-	57,891,559	-	24,855,877	758,234	318,688	1,093,153	(84,917,511)	-
Effect of acquisition of new subsidiary (note 6)	-	5,266,302	318,109	1,503,008	-	9,504	247,044	-	7,343,967
Disposal	-	-	-	(2,987,967)	-	(713)	-	-	(2,988,680)
Reversal of impairment	-	-	-	-	-	-	-	2,501,812	2,501,812
Write off	-	(23,926,621)	-	(25,385)	(221,312)	(53,397)	(121,491)	-	(24,348,206)
At 31 December 2023	**311,748,789**	**1,678,957,638**	**4,564,967**	**455,385,980**	**142,525,337**	**23,368,975**	**35,533,728**	**149,789,170**	**2,801,874,584**
Accumulated depreciation:									
At 1 January 2023	-	634,214,181	3,319,782	201,390,965	80,163,404	14,818,244	17,038,269	-	950,944,845
Charge for the year	-	102,696,542	267,452	37,762,471	9,695,610	2,491,517	3,571,591	-	156,485,183
Effect of acquisition of new subsidiary (note 6)	-	851,384	112,884	436,622	-	4,541	55,888	-	1,461,319
Disposal	-	-	-	(1,922,316)	-	(262)	-	-	(1,922,578)
Write off	-	(10,355,620)	-	(20,768)	(112,172)	(44,783)	(80,448)	-	(10,613,791)
At 31 December 2023	**-**	**727,406,487**	**3,700,118**	**237,646,974**	**89,746,842**	**17,269,257**	**20,585,300**	**-**	**1,096,354,978**
Net book value									
At 31 December 2023	**311,748,789**	**951,551,151**	**864,849**	**217,739,006**	**52,778,495**	**6,099,718**	**14,948,428**	**149,789,170**	**1,705,519,606**
Cost:									
At 1 January 2022 – as previously reported	181,543,604	1,541,509,043	3,879,458	346,619,746	117,841,020	18,852,606	29,474,116	65,553,150	2,305,272,743
Impact of restatement (note 37)	-	(21,538,581)	-	-	-	-	-	(689,361)	(22,227,942)
At 1 January 2022 – as restated	181,543,604	1,519,970,462	3,879,458	346,619,746	117,841,020	18,852,606	29,474,116	64,863,789	2,283,044,801
Additions	62,451,185	26,301,289	188,000	20,172,946	8,298,770	2,350,982	1,162,843	58,173,526	179,099,541
Transfer	-	29,443,663	-	32,603,997	1,652,680	171,207	2,020,233	(65,891,780)	-
At 31 December 2022	**243,994,789**	**1,575,715,414**	**4,067,458**	**399,396,689**	**127,792,470**	**21,374,795**	**32,657,192**	**57,145,535**	**2,462,144,342**
Accumulated depreciation:									
At 1 January 2022 – as previously reported	-	530,628,038	3,112,610	165,031,079	70,458,354	12,454,684	13,595,084	-	795,279,849
Impact of restatement (note 37)	-	(962,608)	-	-	-	-	-	-	(962,608)
At 1 January 2022 – as restated	-	529,665,430	3,112,610	165,031,079	70,458,354	12,454,684	13,595,084		794,317,241
Charge for the year	-	100,254,581	207,172	35,405,575	9,705,050	2,363,560	3,443,185	-	151,379,123
Impairment	-	4,294,170	-	954,311	-	-	-	-	5,248,481
At 31 December 2022	**-**	**634,214,181**	**3,319,782**	**201,390,965**	**80,163,404**	**14,818,244**	**17,038,269**	**-**	**950,944,845**
Net book value									
At 31 December 2022 (restated)	**243,994,789**	**941,501,233**	**747,676**	**198,005,724**	**47,629,066**	**6,556,551**	**15,618,923**	**58,364,959**	**1,511,199,497**
At 31 December 2021 (restated)	**181,543,604**	**990,305,032**	**766,848**	**181,588,667**	**47,382,666**	**6,397,922**	**15,879,032**	**64,863,789**	**1,488,727,560**

14 Property and equipment (continued)

The depreciation charge for the year is allocated as follows:

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

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

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

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

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

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

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

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

15 Leases

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

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

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

Movement in lease liabilities is as follows:

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

* The Group has written off right-of-use assets and lease liabilities amounting to SR 4.4 million and SR 6.7 million respectively and this resulted in gain of SR 2.3 million, in respect of the closure of two centers as referred in note 14.

Lease liability included in the consolidated statement of financial position:

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

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

16 Intangible assets

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

17 Investment in associate

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

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

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

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

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

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

Summarized statement of profit / loss and other associate comprehensive income:	2023 SR	2022 SR
Revenue	**1,287,817**	-
Net loss for the year	**(5,892,939)**	-
Total comprehensive loss for the year	**(5,892,939)**	-
Group's share of loss for the year	**(2,946,469)**	-

18 Goodwill

- During 2016 the Group acquired two fitness centers namely Dwadmi and Alkhaleej with goodwill recognised on the acquisition of these fitness centers amounting to SR 4.6 million and 4.8 million respectively. As at 31 December 2023, the management conducted an impairment test to assess if the recoverable amount of the goodwill is lower than its carrying value. Based on the impairment test the goodwill carrying value is more than the fair value for fitness center Dwadmi and accordingly the management recorded an impairment amounting to SR 4.6 million.
- During the year, the Group acquired Altathir Al-Riyadiyeh Company with goodwill recognised on the acquisition of this Company amounting to SR 7.1 million.

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

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

19 Advances to suppliers and contractors

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

19 Advances to suppliers and contractors (continued)

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

Item	2023 SR	2022 SR
At the beginning of the year	**4,226,297**	-
Charge during the year	**-**	4,226,297
Closing balance	**4,226,297**	4,226,298

20 Prepayment and other assets

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

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

Item	2023 SR	2022 SR
Advances to suppliers	**8,407,128**	6,907,531
Other prepayments	**998,674**	998,674
	9,405,802	7,906,205

Movement in Allowance prepayments and other assets is as follows:

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

21 Related parties transactions and balances

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

The following are the details of the major related party transactions occurred during the year:

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

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

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

22 Trade receivables

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

22 Trade receivables (continued)

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

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

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

23 Cash and cash equivalents

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

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

Note a: These are placed with a local bank as interest bearing deposits which are based on prevailing market interest rates and have original maturity of less than three months.

24 Share capital

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

25 Statutory reserve

In accordance with Company's By-laws, the Company is required to set aside 10% of its net income to statutory reserve until such reserve equals to 30% of the share capital.

The statutory reserve is not available for distribution to the shareholders.

26 Borrowings

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

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

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

As at 31 December 2023, the Group had unutilized bank financing facilities amounting to SR 1,048 million (31 December 2022: SR 852.42 million) to manage its short-term and long-term liquidity requirements and for construction of the fitness centers. The facilities have been secured by promissory note issued by the Group.

All borrowings are denominated in Saudi Riyals and are under Islamic financing mode being Murabaha and Tawaruq loans. The above borrowings and facilities include certain covenants which require the Group to maintain certain levels of current and leverage ratios and also notify the bank of any breach or probable breach immediately. As at 31 December 2023 the Group is in compliance with borrowings covenants.

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

27 Employees' end of service benefits

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2023 and 31 December 2022 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The following tables summarize the components of net benefits expense recognized in the consolidated statement of comprehensive income and balances reported in the statement of financial position.

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

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

27 Employees' end of service benefits (continued)

Reconciliation of present value of liability

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

Item	2023 SR	2022 SR
Discount rate	**4.7%**	4.2%
Future salary increment rate (0% for 1st year, 2% thereafter)	**3.00%**	3.00%
Retirement age	**60 years**	60 years

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

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

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

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

28 Accounts payable

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

29 Accrued expenses and other current liabilities

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

30 Deferred revenue

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

31 Zakat

31.1 Charge for the year

The charge for the year is as follows:

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

31 Zakat (continued)

31.2 Movements in zakat provision

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

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

Item	2023 SR	2022 SR
Share capital	**523,833,610**	523,833,610
Retained earnings	**110,243,772**	77,816,536
Statutory reserve	**99,972,539**	76,623,240
Adjusted net profit for the year	**389,615,724**	291,935,947
Book value of non-current assets	**2,875,402,988**	2,301,380,471

31.4 Adjusted net income

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

31.5 Status of assessments

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

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

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

The management position is that the Group as a 100% zakatable Group on the basis of its ownership structure with all direct and indirect shareholders being either GCC nationals, or companies that were established within the GCC and whose shareholders consist wholly of GCC nationals. Further, dividend distribution to the above-mentioned former shareholder, in management view, is not subject to withholding tax as it is a resident Company in the Kingdom of Saudi Arabia (as a Saudi limited liability Company on the basis of the incorporation documents).

However, the Group recorded a liability of SR 32.7 million as a result of rejection of the appeal. The above-mentioned former shareholder has provided to the Group an indemnity undertaking letter to bear any amounts related to the liability that might be imposed on the Group by ZATCA in connection with the above matter. Therefore, based on the management assessment and formal advice received from an independent legal advisor, an equal amount of reimbursable receivable is recorded from the above-mentioned former shareholder as of 31 December 2023.

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

32 Contingencies and commitments

32.1 Contingencies

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

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

32 Contingencies and commitments (continued)

32.2 Commitments

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

33 Dividends

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

On 11 Rabi Al-Thani 1445H (corresponding to 26 October 2023), the Board of Directors, resolved to distribute interim cash dividend of SR 0.95 per share amounting to SR 49.764 million for the third quarter of 2023. Dividends have been fully paid during the year.

On 12 Muharram 1445H (corresponding to 30 July 2023), the Board of Directors, resolved to distribute interim cash dividends of SR 0.75 per share amounting to SR 39.29 million for the second quarter of 2023. Dividends have been fully paid during the year.

On 26 Shawwal 1444H (corresponding to 16 May 2023), the Board of Directors, resolved to distribute interim cash dividends of SR 0.64 per share amounting to SR 33.52 million for the first quarter of 2023. Dividends have been fully paid during the year.

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

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

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

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

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

34 Segmental information

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

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

34.1 Geographical segments

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

- Central Region
- Western Region
- Eastern Region
- International Region UAE

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

For year ended 31 December 2023

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

For year ended 31 December 2022

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

34 Segmental information (continued)

34.2 Market segments

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

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

34.3 Reconciliation of segment results to profit

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

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

35 Financial risk management objectives and policies

Introduction

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

The Group is exposed to credit risk, market risk and liquidity risk. The Group risk governance oversees the management of these risks. The Group risk governance manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Group's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board.

Risk management structure

A cohesive organizational structure is established within the Group in order to identify, assess, monitor and control risks.

Board of Directors/ Audit Committee

The apex of risk governance is the centralised oversight of the Board of Directors and Audit Committee providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day-to-day operations towards achieving the strategic goals within the Group's pre-defined risk appetite.

Credit risk

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

Expected credit loss assessment for trade receivables

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

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

Cash and cash equivalents

The Group held balances with banks and short-term deposit of SR 86.6 million and 190 million as at 31 December 2023 respectively, which represents their maximum exposure on these assets. These balances are held with banks having strong credit ratings. While cash and cash equivalents are also subject to the expected credit loss (ECL) requirements of IFRS 9, the identified ECL was immaterial.

35 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

The Group has applied IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowances for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on share credit risk characteristics and is based on the ageing of the days the receivables are past due and the rates as calculated in the provision matrix. On that basis, the allowance as 31 December 2023 and 2022 was determined as follows:

Membership receivables

31 December 2023	Within Credit period SR	1-180 days Past Due SR	181-365 days Past Due SR	Total SR
Gross carrying amount	**14,229,060**	**7,374,007**	**1,704,498**	**23,307,565**
Expected credit loss range (%)	**0.009%**	**0.06%**	**-**	**-**
Loss allowance	**1,258**	**4,406**	**-**	**5,664**

31 December 2022	Within Credit period SR	1-180 days past due SR	181-365 days past due SR	Total SR
Gross carrying amount	10,220,037	5,853,357	-	16,073,394
Expected credit loss range (%)	0.013%	0.098%		-
Loss allowance	1350	5,739		7,089

Rent receivables

31 December 2023	Within Credit period SR	1-180 days past due SR	181-365 days past due SR	More than 1 year past due SR	Total SR
Gross carrying amount	**848,054**	**2,016,403**	**2,102,774**	**7,839,261**	**12,806,492**
Expected credit loss range (%)	**12%**	**16%**	**46%**	**72%**	**-**
Loss allowance	**102,238**	**317,019**	**969,767**	**5,635,607**	**7,024,631**

31 December 2022	Within Credit period SR	1-180 days past due SR	181-365 days past due SR	More than 1 year past due SR	Total SR
Gross carrying amount	1,114,203	3,451,577	1,882,135	6,369,564	12,817,479
Expected credit loss range (%)	7.06%	11%	34.31%	78.04%	-
Loss allowance	78,705	379,039	645,718	4,971,013	6,074,475

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and commodity risk. Financial instruments affected by market risk include short-term loans. The sensitivity analyses in the following sections relate to the position as at 31 December 2023 and 2022.

Interest rate risk

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

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

35 Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group manages its liquidity risk by ensuring that bank facilities are available. The table below summarizes the maturity profile of the Group's financial liabilities, excluding lease liability, based on contractual undiscounted payments.

31 December 2023	Within 3 Months SR	3 to 12 months SR	2 to 5 years SR	More than 5 years SR	Total SR
Borrowings*	**60,503,595**	**79,737,627**	**198,377,754**	**1,183,779**	**339,802,755**
Accounts payable	**104,641,011**	**-**	**-**	**-**	**104,641,011**
Accrued expenses	**58,752,665**	**-**	**-**	**-**	**58,752,665**
Lease liabilities	**40,968,340**	**122,905,020**	**655,493,437**	**962,325,146**	**1,781,691,943**
	264,865,611	**202,642,647**	**853,871,191**	**963,508,925**	**2,284,888,374**

31 December 2022	Within 3 Months SR	3 to 12 months SR	2 to 5 years SR	More than 5 years SR	Total SR
Borrowings*	28,260,803	79,347,287	181,918,556	-	289,526,646
Accounts payable	62,328,705	-	-	-	62,328,705
Accrued expenses	60,526,876	-	-	-	60,526,876
Lease liabilities	37,412,344	74,824,688	518,262,807	478,286,301	1,108,786,140
	188,528,728	154,171,975	700,181,363	478,286,301	1,521,168,367

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

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

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

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

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

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

In relation to the liquidity risk of the Group, the management monitors the Group's cash flow to ensure the existence of sufficient funds in order to meet the Group's obligations for a period of at least next twelve months from the reporting date.

The management is not aware of any material uncertainty that name cast significant doubt up on the Group's ability to continue as going concern there for these consolidated financial statements have been prepared on a going concern basis.

36 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2023 and the year ended 31 December 2022. Capital comprises share capital, statutory reserve, retained earnings and non-controlling interests and is measured at SR 1,091.8 million as at 31 December 2023 (2022: SR 914.8 million).

37 Restatement

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

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

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

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

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

38 Events after the reporting period

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

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

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

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

39 Branches of the group

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

Location	CR	Issuance Date
Riyadh	1010439237	11/02/1437H
Riyadh	1010439239	11/02/1437H
Dammam	2050108503	15/05/1437H
Jaizan	5900035652	21/03/1438H
Jeddah	4030248720	23/07/1434H
Jeddah	4030180323	19/06/1429H
Najran	5950032239	02/03/1437H
Taif	4032050910	29/01/1438H
Riyadh	1010612788	13/02/1439H
Jubail	2055025936	07/08/1438H
Riyadh	1010934125	25/05/1439H
Al Madina	4650211820	22/10/1440H
Al Madina	4650211821	22/10/1440H
Makkah	4031228724	22/10/1440 H
Makkah	4031228725	22/10/1440H
Jeddah	4030358958	22/10/1440H
Skaka	3400120275	02/03/1442H
Riyadh	1010649568	07/01/1442H
Khamis	5855346933	22/06/1441H
Hail	3350147653	22/06/1441H
Buraidah	1131308370	14/02/1442H
Riyadh	1010739641	29/01/1443H
Riyadh	1010738515	22/1/1443H
Tabuk	3550145682	22/11/1443H
Arar	3450181275	04/06/1444H
Riyadh	1010905657	24/12/1444H
UAE trade licenses		
Dubai Branch	724509	11/01/2015
Ras Al-Khaimah Branch	41352	3/3/2015
Rashidya Branch (Ajman)	78538	24/08/2016
Hazana (Sharjah)	786703	26/10/2021

40 Approval of consolidated financial statements

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

About Leejam Sports Company

Listed on the Saudi Stock Exchange (Tadawul), Leejam Sports Company SJSC owns and operates Fitness Time chains in Saudi Arabia and the United Arab Emirates.

Leejam's facilities provide a modern, clean, and welcoming environment for the community, filled with the latest in fitness technology, highly trained professional staff, and an operating philosophy that exceeds international standards.

Disclaimer

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