



Strength, Stability

&

Sustained Growth

2022

ANNUAL REPORT

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



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01

OVERVIEW

INTRODUCTION

Overview

Leejam Sports Company is a Saudi joint stock company established in the Kingdom of Saudi Arabia by virtue of the Ministerial Resolution No. 146/S dated 29/4/1429H (corresponding to 6/5/2008G) and registered in the city of Riyadh under Commercial Registration No. 1010337986 dated 14/6/1433H (corresponding to 6/5/2012G).

The current share capital of the Company is five hundred twenty three million eight hundred thirty three thousand and six hundred and ten Saudi Riyals (SAR 523,833,610) consisting of fifty two million three hundred eighty three thousand and three hundred and sixty one (52,383,361) ordinary shares, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The main activity of the Company is managing and operating sports and recreational centres.

Leejam grew to 156 fully owned fitness clubs in 2022, ending the year with around 327 thousand members.

Leejam is the largest chain of fitness centres in Middle East, with the dominant market position in both male and female segments.

Mission

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

Vision

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

Values



Customer service excellence



Integrity



Responsibility



Collaboration



Innovation

AT A GLANCE

Strength, stability & sustained growth

In a year that saw Leejam Sports Company establish a wholly-owned investment and subsidiary and accelerate the implementation of its strategy, 2022 saw the Company deliver historic deferred revenues, the highest-ever net profits, and a record number of members.

By year-end, it became clear that a period of institutional approach, focus on all the company's segments, robust financial management and a readiness to adapt had succeeded in delivering growth and a healthy balance sheet, leaving the Company with a powerful platform for future investment.

It is, therefore, with a sense of confidence that the Company can pursue a diversity of ideas and investments that will deliver a breadth of new digital capabilities

and market-leading wellness and sports products and services.

As the Company embarks upon a new chapter of historic expansion and strategic development, its members, employees, and shareholders may share in the proceeds of growth through targeted investments in fitness, sports, and wellness businesses, new segments, joint ventures, and fresh markets.

In many ways, 2022 served as a necessary period of resurgence, resilience and change in the wake of the COVID19-pandemic. Now, all stakeholders may look forward to a period of strength, stability, and sustained growth in what promises to be a very exciting new chapter for the Company.



1.1

Billion SAR
Revenue



+257

Million SAR
Net Profit



11

Additional Center



+50

24 hr. Centers



+20

Fully & Partially Re-
furbished Centers



+327

Thousand
Active Members



+920

Tthousand
Active App Installs



+190

Thousand
Average GX Class At-
tendance / month



4.8 out
5.0

Satisfaction Score
Paid & Unpaid Fitness
Services Participants

KEY HIGHLIGHTS

FINANCIAL AND OPERATIONAL

As societies around the world emerged from the physical restraints of COVID-19 in 2022, Leejam accelerated participation in sports and physical activities through advanced digital technologies, innovative member services and preparation for the piloting of new specialist sports concepts. It was a strategy that returned the Company to significant growth by year-end. The year was defined by the opening of new clubs for an increasingly diverse member base - including the launch of 9 New Xpress Centers, 2 New Big Box and 1 converted Big Box .

By year-end, the Company's gross and net profits had increased by 17% and

25%, respectively, compared to 2021. The Company saw its highest-ever number of members, the highest deferred revenue and more female members than ever before. Sustainable growth now rests upon the Company's three-year strategic plan, which details new club openings, geographic expansion, digital platforms, streamlined operations and a concerted effort to enhance the customer experience at every touch point. These will be complemented by new member retention strategies, employee engagement programs and partnerships with aligned private and public sector organisations.

7m

**Average Revenue
per Center**

Highest Since IPO

2m

**Average Net Profit
per Center**

Highest Since IPO

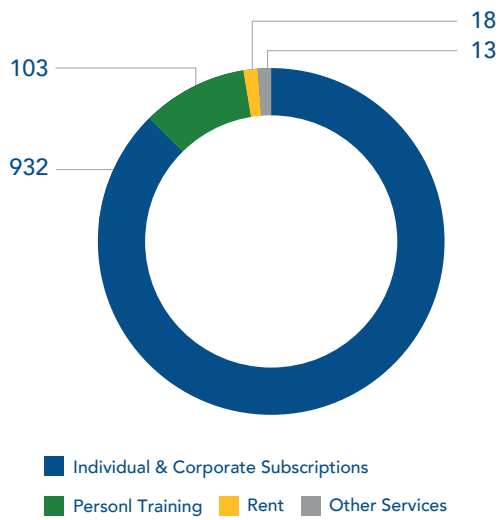
2.3m

**Group Exercise
Total Attendees**

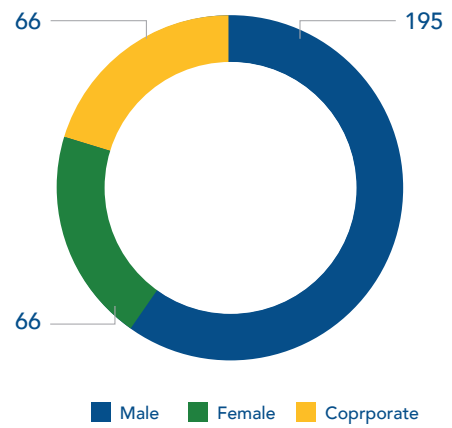
273K

**Group
Exercise Classes**

Revenue Sources (SAR Million)



Membership (000)



Number of Big Box Center



Revenue ▲ 20%



Number of Xpress Center



EBITDA Margin*



Total Centres



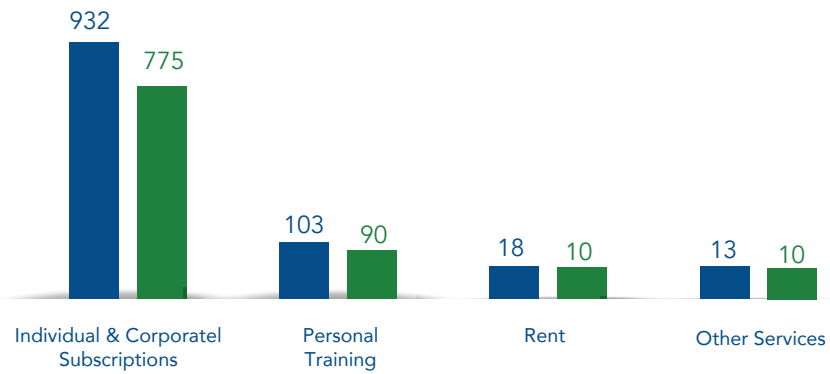
Net Income Margin*



*2021 included one-off rent concession

Revenue/Source

2022 ■ 2021 ■



Gross Profit ▲ 17%



*Gross Profit Margin



EBITDA ▲ 19%



Net Income ▲ 25%



Operating Cash Flows ▲ 52%



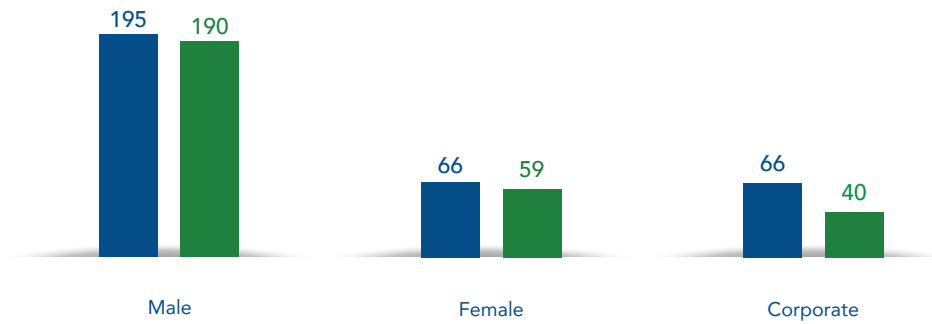
Free Cash Flows ▲ 132%



*2021 included one-off rent concession

Active Members

2022 ■ 2021 ■



Number of Male Centers



Personal Training (PT) Revenue ▲ 14%



Number of Female Centres



Deferred Revenue ▲ 32%



LEADERSHIP

BOARD OF DIRECTORS



Mr. Ali bin Hamad Al-Sagri
Chairman, Non-Executive



Mr. Hamad bin Ali Al-Sagri
Vice Chairman, Executive



Mrs. Hessah bint Hamad Al-Sagri
Board Member, Non-Executive



Mr. Tareq bin Khalid Al-Angari
Board Member, Independent



Dr. Mohammed bin Faraj Al-Kinani
Board Member, Independent



Mr. Mishal bin Ibrahim Al-Mishari
Board Member, Independent



Mr. Hisham bin Hussein Al-Khaldi
Board Member, Independent

EXECUTIVE MANAGEMENT



Mr. Adnan Al-Khalaf
Chief Executive Officer



Mr. Assim Alattas
Chief Financial Officer

BRANDS

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 centre to the fitness community. 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.

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/LADIES PLUS

Indulge in an environment that combines fitness with luxury; this brand is 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 complimented 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.

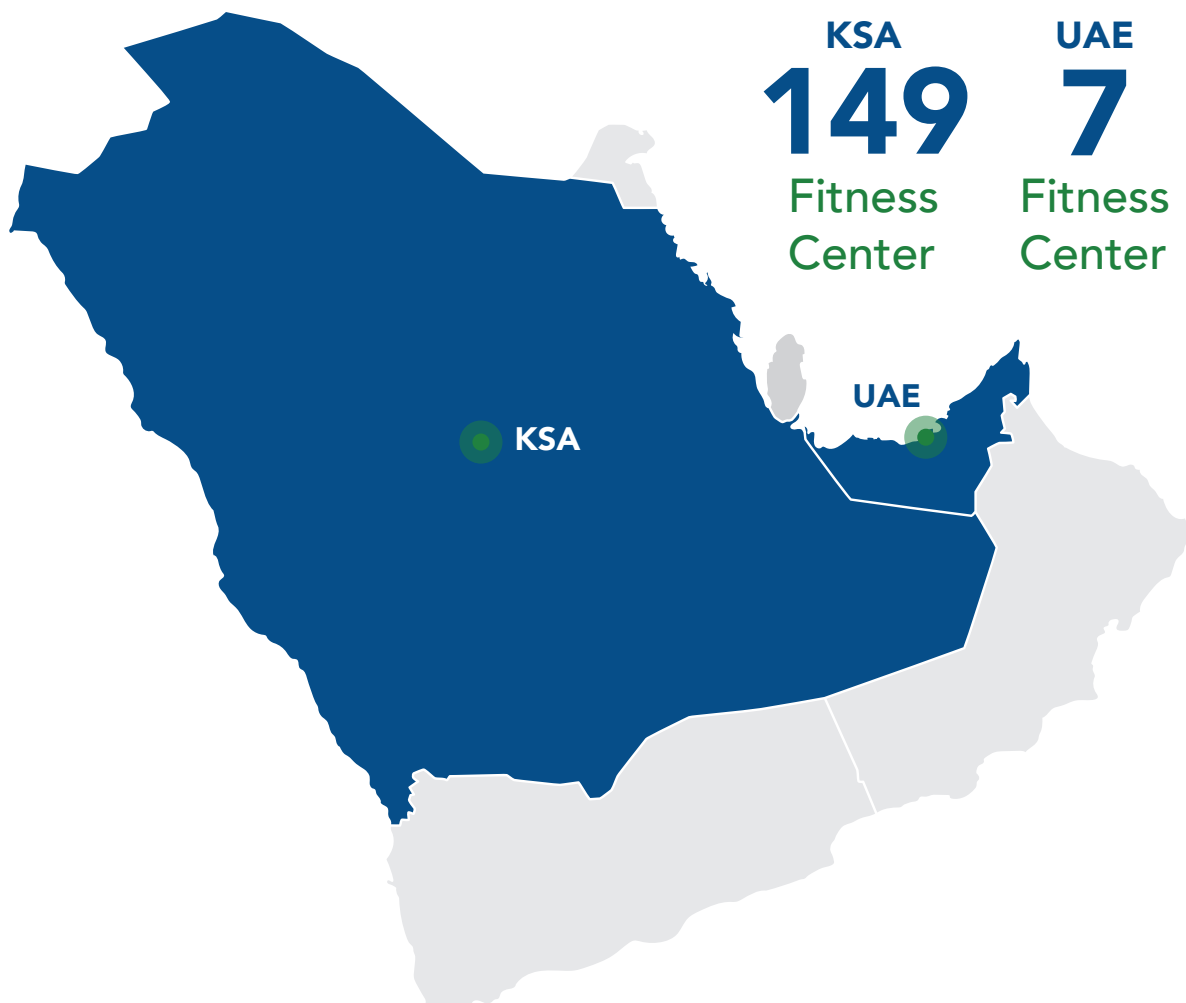
FITNESS TIME PRO/LADIES PRO

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.

FITNESS CENTRES



87



40



25



4



02

STRATEGIC
REPORT





As we look back upon a year of sustained strategic and operational progress, I am delighted to present to you the Leejam Sports Company annual report for 2022.

Ali Hamad Al-Sagri

CHAIRMAN'S STATEMENT

As we look back upon a year of sustained strategic and operational progress, I am delighted to present to you the Leejam Sports Company annual report for 2022. It is with the grace of Allah Almighty and the guidance of the Custodian of the Two Holy Mosques and His Royal Highness, the Crown Prince, that the Kingdom of Saudi Arabia moved through a period of significant social and economic progress in 2022. The stability and strength of their leadership have been fundamental in supporting socio-economic development and fiscal resilience in the face of significant global headwinds.

With anticipated GDP growth of >7% and inflation of less than 3%, Saudi Arabia performed as one of the world's fastest-growing economies in 2022. These fundamentals - alongside sustained strategic public investment across multiple high-growth industry sectors - leave the national economy well-placed for future growth. Additionally, they have served as an important backdrop for growth at Leejam. Across multiple fiscal and operational metrics, records were broken, and milestones were reached after a year of targeted growth and a relentless focus on the customer experience. These outcomes have also been advanced by the social change we have continued to see in Saudi Arabia, which is a fundamental driver of economic development and the enablement of new industry sectors.

SOCIAL CHANGE

At Leejam, changing social attitudes towards exercise and personal well-being have created opportunities for strategic expansion by providing specialist services for new demographic segments and income groups.

These new products are strategically aligned with health objectives in Saudi Vision 2030 and are geared to deliver choice and access to a healthier way of life for as many people as possible. Good physical fitness is a precursor to personal and professional success, and it is a way of life that Leejam is strategically focused on promoting.

The Company's ability to encourage and enable healthier lifestyles was strengthened by the Kingdom's robust economic position in 2022, serving as a powerful economic backdrop for the implementation of our strategic plan. The year was defined by the integration of new member engagement technologies and facilities, new centres, digital platforms, and club management solutions. Collectively these developments have enhanced the customer experience, delivered greater stability, streamlined how the Company manages its workforce and protects its market share.

STRATEGIC PLAN

To further expand market presence across the Kingdom and wider region, the Board of Directors emphasized the strategy, that sets out an ambitious plan for geographic expansion and the further roll-out of concept studios, Xpress Clubs, Big Box Centres and Female Centres.

The Company will also focus on the enhancement of the customer experience through the innovation of new digital tools and value-add services. Corporate and personal training lines of business will also be expanded.

After the hiatus of the pandemic, Leejam's operations and growth trajectory returned to pre-COVID levels in 2022. Revenues improved, reaching SAR 1,066 million, representing an increase of 180 million compared to 2021, translating to growth of 20% YoY.

The Company also delivered the highest net profits in its history, the highest-ever number of members, and its highest-ever deferred revenue balance. These dynamics leave the Company with a strong balance sheet, sustained growth, and a powerful impetus for strategic development into 2023 and beyond.

SHAREHOLDER VALUE

I am pleased to announce that during the year we established a subsidiary targeting core and non-core business segments. Its primary objective is to invest in strategic relationships that deliver sustained fiscal strength and continued growth in shareholder value. Furthermore, this annual report represents a record of investment in and commitment to the satisfaction of our customers, partners, and the wider community.

Since its listing, the company has achieved its expansion plans, maintained its dividend distribution policy and maximized its shareholders value as planned.

Now, as we look ahead, our forward strategy builds on the Company's values of excellence in customer services, high-quality facilities, and value for money. Additional growth will come through enhanced cost controls, member retention and targeted investments in core and non-core business segments and markets.

I want 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 serving all the communities we serve, the nation's health, and long-term economic success.

Thank you





As we look back upon a year of structural change, accelerated growth and record-breaking financial performance at Leejam Sports Company, I am pleased to detail in this report how its ambitious post-COVID strategy has delivered shareholder value in the face of significant global headwinds.

Adnan Al-Khalaf

CEO'S STATEMENT

'As we look back upon a year of structural change, accelerated growth and record-breaking financial performance at Leejam Sports Company, I am pleased to detail in this report how its ambitious post-COVID strategy has delivered shareholder value in the face of significant global headwinds.'

Unleashed from the restraints of the pandemic, 2022 at Leejam was characterised by a return to growth, strategic managerial appointments, and the execution of its strategy. The year saw 11 new clubs open their doors and widespread expansion across all member categories, demographics, and segments. This year can also be described as a year where new services and products were piloted, some of which reflect the opportunities inherent within the Ministry of Sport regulatory changes.

SEGMENTATION

The governments' focus on improving the health of citizens is changing social attitudes towards sports and health, which provides opportunities for the Company to accelerate its market penetration and awareness amongst the general public. To support these important social objectives and deliver shareholder value, Leejam is strategically geared to serve as the dominant player in each of its categories, with a clear distance between our market share and our nearest competitors. These categories comprise the premium segment, mid-tier segment, low-cost segment, and lady's segment. The Company ended the year with its highest-ever number of members, which increased by 13% year-on-year (YoY). As all segments' memberships delivered growth. The Company's

Xpress brand, which sits in the fast-growing and highly competitive low-cost segment, represents an important opportunity for the Company. In 2022 we saw 9 new Xpress locations open their doors, and they will continue to roll out in 2023 and beyond. The low-cost, high-value Xpress clubs represent an essential driver for market share and form an important part of the Company's strategic plan.

The 'concept' segment also features as an important part of the Company's strategy, with plans in place to create specialised sports concepts in potential areas such as martial arts, boxing and under-16s. Such developments may come through direct strategic investments or partnerships with fitness services and programs from the government and public sectors. The corporate segment also delivered growth in 2022, with the number of corporate members rising from 40,000 in 2021 to 66,000 by the end of 2022, an 66% increase. This growth has been driven in part by a post-COVID bounce back. After a period where many companies scaled back their health and wellness employee benefits to reduce overheads during the pandemic, the return of corporate memberships is good news for Leejam and for the national economy.

PERFORMANCE

Leejam also delivered the highest revenues in its history, which grew by SAR 180 million - an annual uptick of 20%. Gross profits increased by 17% year-on-year to reach SAR 436 million, up from SAR 373 million in 2021. Net profit also grew by double digits, rising from SAR 206 million in 2021 to SAR 257 million in 2022 - a YoY increase of 25%. By year-end, the Compa-

ny had also delivered double digits EBIT-DA growth and an increase in cash flow from operations.

These positive metrics were achieved despite a series of operational general, and administrative pressures. The Company saw an increase in the cost of revenue of SAR 118 million due to the addition of 11 new operational fitness centres, in addition to more operating days during the year due to the one-month closure last year. General and administrative costs associated with digitalization and professional also increased by 6%, and financing costs rose by 25% due to higher interest rates.

SERVING OUR MEMBERS

To ensure that the Company continues to deliver operational and financial growth throughout economic cycles, the Company's strategy will continue to be executed in 2023. The strategy provides the Company with a comprehensive set of priorities to tackle the myriad external challenges it faces, which will include a more financially challenged consumer, a likely high-interest rate environment, growing competition, and global inflation.

The Company strategy is built upon a dynamic three-year plan to address growth opportunities, investments in digital and human capital, the customer experience and expansion of the core and non-core businesses. It is also aligned with the company's aim toward enhancing the quality of life across the region. We will continue to do this by serving the communities we operate within and by widening access to a broad spectrum of segments and income groups.

Membership retention is a fundamental goal and a key strategic driver. The customer experience – across every touch-point – is at the heart of the strategy. This includes a continued focus on investing in new operational and member-facing technologies and platforms. All operational technologies will be integrated into one seamless ecosystem that provides visibility on everything from equipment maintenance to membership behaviours and preferences. The digital strategy includes the integration of analytics so that, in the near term, we can deliver a more personalised customer experience. These initiatives are ongoing and are slated for completion between 2023 and 2024.

After such an important period of stabilisation and growth, I would like to extend my thanks and appreciation to our Chairman and the Board of Directors, the Company's entire management team and the many thousands of colleagues across the club network.

I also extend special thanks to our partners in success, our customer, Government agencies and institutions, the vendors we rely upon and last but not least, our valued shareholders. As we embark upon our strategic plan, we look forward to creating sustainable value for all our shareholders and to making a lasting impact on the nation's health and well-being.

Thank you.

STRATEGY

A PLAN FOR SUSTAINABLE GROWTH

Aligned with the national priority of building a healthy, active, and productive population, Leejam Sports Company's strategy will deliver shareholder value through the widening of access to sports and wellness facilities across income groups and consumer segments.

The strategic direction is defined by ambitious financial targets, geographic expansion, digital investments, and the pursuit of new opportunities in core and non-core lines of business. Underpinning the success of the strategy is a firm understanding that we must continue to deliver an unrivalled member experience across every segment and socio-economic demographic we serve.

FOCUS

The Company's core focus has been and will continue to be to prioritise the attraction and retention of members. To retain members - particularly within the context of today's increasingly segmented and competitive environment - we have developed a customer experience strategy that surprises and delights the member at every touchpoint. In tandem, the Company will focus on driving a new paradigm in employee engagement that empowers corporate decision-making, unleashes business growth at the club level and enhances our ability to hold on to our best talents. Building a highly engaged and diverse workforce is a core focus at the corporate and club-wide levels as we move towards building an even more productive business.

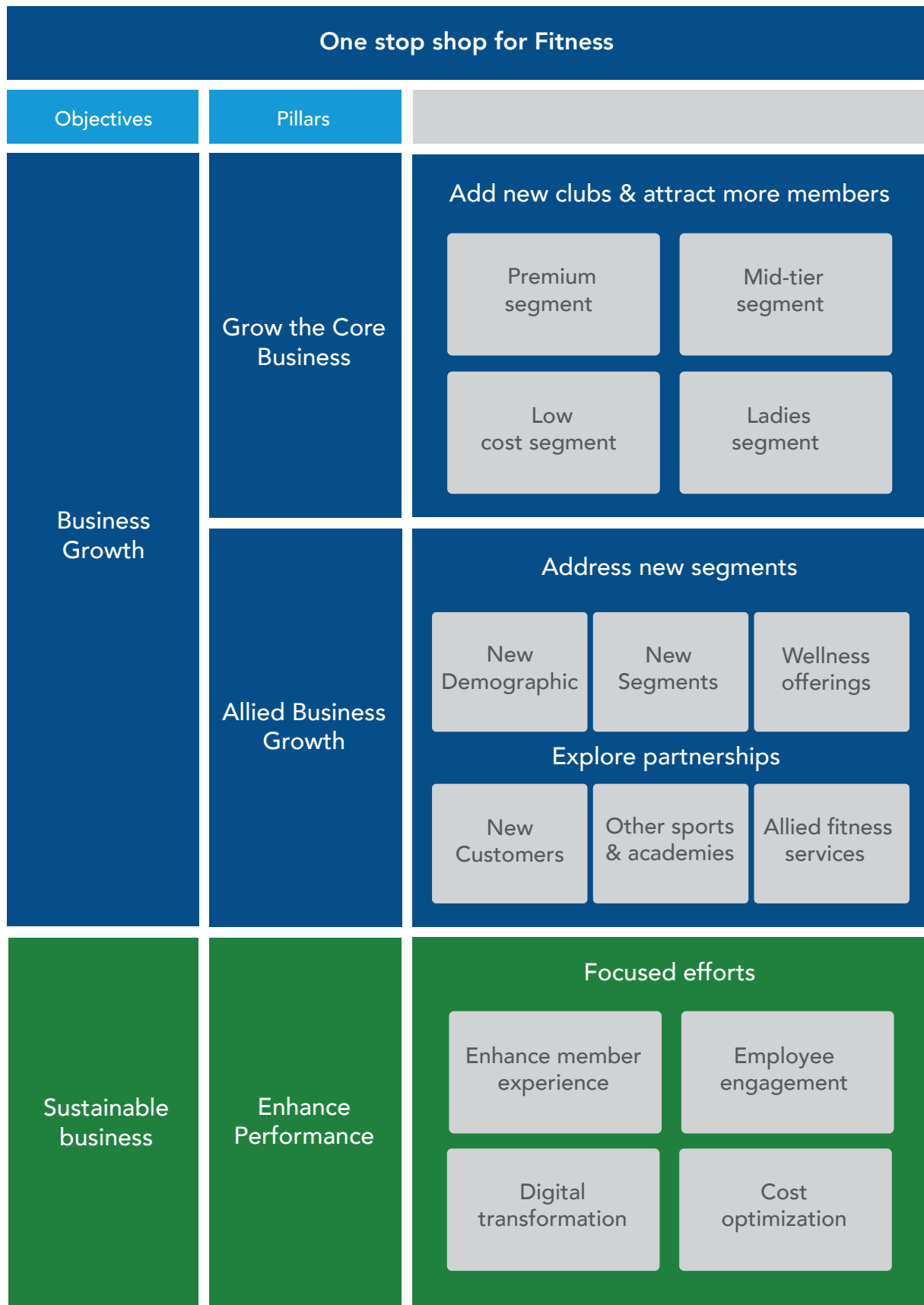
TRANSFORM

From the moment a member joins Leejam to their experience of on-site infrastructure, personal trainer interactions and digital engagement, the Company is strategically focused on transforming the member experience. This focus will manifest itself across all decision-making, from marketing and campaigns to product development, new technologies and personalised services. The Company's digital transformation is a core enabler of these goals, and through the use of analytics and artificial intelligence, we will move ever closer to the individual member so that we can create a highly personal service and experience.

GROW

To grow sustainably and to ensure that our growth delivers shareholder and community value, the Company's strategy comprises a significant focus on expanding its services and product offering and its locations. These will come through organic growth, in addition to the exploration of strategic partnerships, joint ventures, acquisitions and alliances.

A greater diversity of services adds choice to the member experience, which in turn makes it more exciting to lead a healthy and active lifestyle. In addition, the Company's plans for geographic expansion will ensure that more people in more locations have access to the facilities they need to lead active lives while serving to increase the Company's market share.



OPERATIONAL REVIEW

'Delivering growth across all Leejam club and demographic segments, the Company's operational strategy created a wider choice of products and services, new digital experiences, revenue growth, member retention and staff development in 2022. After signing off a three-year strategy for sustained growth, the Company posted record results by year-end.

CLUB REFURBISHMENT

Few strategic outcomes are as important as membership retention, which is why a network-wide club refurbishment program "Your Club has Changed" was implemented in 2021 and accelerated in 2022, delivering widespread improvements in the physical and digital experience at every member touchpoint. Driven by a commitment to providing unbeatable standards of excellence, the Company's refurbishment strategy was developed through consultation with club managers across the network, feedback from personal trainers and members, global peer analysis and analysis of member behaviours and preferences. By the close of 2022, +50 Leejam centres had been Fully or Partially refurbished.

Rooted in the member journey - from club entry to every potential experience within their respective centres - the refurbishments delivered major change, from lighting to layout, equipment, and bespoke redesign. With the input of external consultants and engineers, each area of every refurbished center now features its own unique lighting ambience, along-

side larger surface areas for free weights and redesigned selection weight machine layouts. We have also maximised the use of Group Exercise studios to better reflect participation levels. Member flow has been of particular importance in the redesign and refurbishment of clubs, ensuring that the movement of people throughout the centres is as free-flowing and spacious as possible during peak periods. The member experience has been further enhanced through the purchase and upgrading of equipment to ensure that machinery, weights, and all other tangible equipment is of global standards.

Work has also advanced in the digitisation of the club experience through the addition of digital screens, digital training experiences, and the upgrading of programs with new concepts, such as the internationally licensed state-of-the-art interactive boxing and fitness program that became available in seven of our clubs by the close of the year.

The company has also introduced innovative wearable devices, across its network, allowing members to track their health and fitness progress through wearable fitness technologies that are digitally linked to in-club screens.

The company also introduced group exercise classes, licensed by international entities, during the year 2022, which provide clubs with the ability to lead both in-person and digitally-led high-intensity

workout classes. The purchasing of these licenses allows Leejam clubs to create a bespoke calendar of fitness classes that are available around the clock, offering members unparalleled choice – and giving the Company a clear competitive edge.

PAID TRAINING SERVICES

As 2022 progressed, the Company saw sustained growth in the provision, digitisation, and accessibility of its paid-for services. These include Fitness Personal Training, Swimming Personal Training, Extreme Fitness, Extreme Boxing and Turbo High-Intensity Interval Training (HIIT) programs (the latter is only available as paid-for in two women's centres). By year-end, total paid-for revenue reached SAR 103 million from SAR 90 million in 2021 - an annual increase of 14%.

NURTURING NATIONAL TALENTS

The Company's strategy for paid services in 2022 was underpinned by a focus on the quality of the Company's Personal Trainers and the services they deliver. Personal training excellence is integral to the core strategic priority of member retention. As such, the standard of qualifications that our Personal Trainers hold is paramount and was a major operational focus for development in 2022.

The Company operates a training platform that 'trains the trainers' – a professional skills development program conducted both in-house and by external training experts in areas like Group Exercise and other specialised areas of training. This adds a much greater breadth of world-class services delivered by employees with advanced skills and quali-

fications. To serve the nation's aspiring Saudi nationals, the Company's 'Be the Trainer' initiative provides citizens with practical training and development programs designed to steer them toward careers as floor trainers, one-on-one personal trainers, or Fitness Managers.

The 'Be the Trainer' program represents the Company's commitment to nurturing home-grown talent and providing exciting careers for Saudi nationals, creating the kind of opportunities that may not be readily available within typical educational outlets.

The development and retention of existing employees have multiple operational benefits. Investing in learning and development brings newly qualified trainers online, increasing the volume of Personal Trainers and enhancing revenue growth.

INTERNATIONAL ACCREDITATIONS

In addition to in-house training and a commitment to increasing the number of Personal Trainers across the network, the Company has rolled out access to global qualifications and accreditations.

In 2022, +100 existing Personal Trainers received learning and development support with a mix of international qualifications that include certification from the American Council of Exercise (ACE) Certified Personal Trainer program, amongst others.

SWIMMING PERSONAL TRAINING

In 2022 the Company worked to expand and accelerate the development and availability of its Swimming Personal

OPERATIONAL REVIEW (Continue)

Trainers across the 131 Clubs, the largest network of swimming pools in the region.

The development program includes advancing skills amongst the current workforce so members can access basic, proficient, and advanced swimming programs.

As a segment, Swimming Personal Training is a productive and promising revenue stream, which is being complemented by the addition of a range of new pool-based group classes, such as Aqua, for female members.

GROUP EXERCISE

Group classes form an integral part of Premium memberships and, as such, are unpaid. However, they are fundamental to the Company's ability to deliver a breadth of services and a competitive experience.

This provision is crucial in member retention. Awareness of and participation in Group Exercise classes are therefore a crucial strategic objective.

For the most recently collated network-wide data on Group Exercise participation in 2022, the Company saw a total of 2.3 million participations in Group Exercise classes. This comprises 0.8 million male and 1.5 million female participations.

Looking ahead, as an integral part of the Company's strategy for growth and membership retention, Group Exercise

classes will increase in volume, variety, and geographic availability.

With this in mind, the Company re-launched its brand and marketing activities in 2022, incorporating social media promotional activities and monthly events to promote Personal Training and Group Exercise classes across the network.

The ladies' clubs benefitted from the addition of three new live classes licensed by international entities.

FT90

Improved in 2022 and earmarked for substantial roll-out in 2023, FT90 is one of the Company's most important and exciting new programs. The service helps newly onboarded members along their fitness journey, offering one freesession every six weeks for 90 days.

Each session provides touchpoints with floor trainers across areas like cardio, body composition, and functional training. These in-person sessions provide the Company with a gateway to increased revenue by encouraging the take-up of longer-term personal training programs.

FT90 is designed to add value to the member experience but, more importantly, to aid personal fitness progress, incentivise participation in Group Classes and retain members. 89,039 members have benefitted from the program in 2022.

FT90 also utilises digitised and automated processes, including automated scheduling, QR code-enabled attendance and in-app Group Class bookings. The data these technologies collect gives the Company new opportunities to understand the members' needs from day one and provide the the customized services they need.

As 2023 progresses, Leejam is strategically geared to expanding its geographic and demographic reach, enriching the member experience through the addition of new services and ancillary products and an entire ecosystem of digitally enabled member experiences. In doing so, the Company will deliver value to all its stakeholders, in addition to sustained growth.

FINANCIAL REVIEW

It is a testament to the strength of the Company's market presence and the quality of the member experience, which was the result of institutional work and focusing on all sectors, Leejam was able to deliver such outstanding results.

Adverse dynamics of inflationary pressures and raising interest rates affected on consumer spending behavior. Despite these dynamics, the Company delivered growth across multiple areas by achieving greater market share, a resilient operating model and a robust balance sheet.

FINANCIAL SUMMARY

As of the 31st of December, 2022, the Company registered revenue growth of 20%, rising to SAR 1,066 million compared to SAR 885 million in 2021. Similarly, gross profits rose by 17% from SAR 373 million in 2021 to SAR 436 million by year-end 2022. EBITDA margin slightly decreased to 51% compared to 53% in 2021, as a one-off rent concessions received in 2021, despite an increase in the cost of consumables and utilities. Revenue growth was driven by the addition of eleven new operational Fitness centres, in addition to more operating days throughout the year.

Leejam Sports Company closed 2022 with a healthy balance sheet defined by a strong cash position, healthy debt-to-equity ratio, and the largest year-end deferred revenues in the Company's history.

These strong metrics were delivered despite an increase of 23% in the cost of revenue, which rose from SAR 512 million

in 2021 to SAR 629 in 2022. These costs were driven by the opening of eleven new clubs, the refurbishment of existing clubs, new product licensing fees, Utilities cost, cleaning costs and a one-off rent concession during 2021 that amounted to SAR 18.9 million.

INFLATION

While the unavoidable matter of inflation has increased the cost of consumables and property leases across many industries, the Company's long-term position is protected thanks to the pre-COVID signing of long-term leases across nearly all club locations. These measures have ensured that the Company's lease liabilities remained stable between 2021 and 2022.

The Company's near-term fiscal stability is also well-served by its highest level of year-end deferred revenues, which stood at SAR 396 million by year-end, boosting the balance sheet and bolstering the strategic plan to grow to 500,000 members.

The Company's debt facility and debt-to-equity ratio remained in a healthy position by year-end, leaving the Company well-placed to deliver on its investments as part of its strategic five-year plan.

ASSETS AND LIABILITIES

The Company's current assets increased by 45% in 2022, mainly due to the increase in cash and cash equivalents, which increased by 67% after successful sales cam-

paigms during the third and fourth quarters. Current liabilities increased by 11% due to the increase in deferred revenue by SAR 96 million, and the Company's loan balance fell by 29% due to scheduled repayments and lower loans draw down during the year.

CASH FLOWS

As of the 31st of December, cash flow from operation had increased by 53% due to the increase in profit and higher deferred revenues. Finally, by year-end, CAPEX decreased by 21% due to lower spending on current projects as the focus was on Xpress clubs (lower capex concept) and timing differences in Capex commitments, and dividend payments increased cash flow from financing by 28%. Free cash flow had increased by 132% due to the increase in cash flow from operations and higher subscription sales.

MEMBERSHIP

The financial growth and subsequent shareholder value created in 2022 were delivered in part by a significant increase in membership in H2. By year-end, male membership had increased by 3% YoY, while female and corporate memberships grew by 12% and 66%, respectively. Revenue from female segment increased by 17% compared to 2021. Revenues from the male segment – currently the lion's share in terms of member volumes – grew by 22 % YoY.

Since 2018, the Company has grown its membership numbers at a CAGR of 9%. Looking at revenue sources, the Company saw an increase of 20% in corporate and

individual membership (male and female) numbers in 2022, with the segment now forming 87% of the Company's total revenues. Personal Training, Rental and Other Services' share of revenue represent 13%. In total, the Company's member count increased by 13% in 2022.

STRATEGIC IMPETUS

This sustained growth directly stems from a strategic focus on targeting the growth of subscriptions in all categories, maximizing capacity for personal training activity, delivering growth in the sale of personal training services, and the promotion of paid-for services and ancillary products.

Strategic growth and fiscal stability in 2023 will rest upon strict cost controls, improved customer experiences, further openings of Xpress Clubs and Big Box centres, expansion of the corporate and Personal Training segments and a sharp focus on member retention.



03

BOARD OF
DIRECTORS' REPORT

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

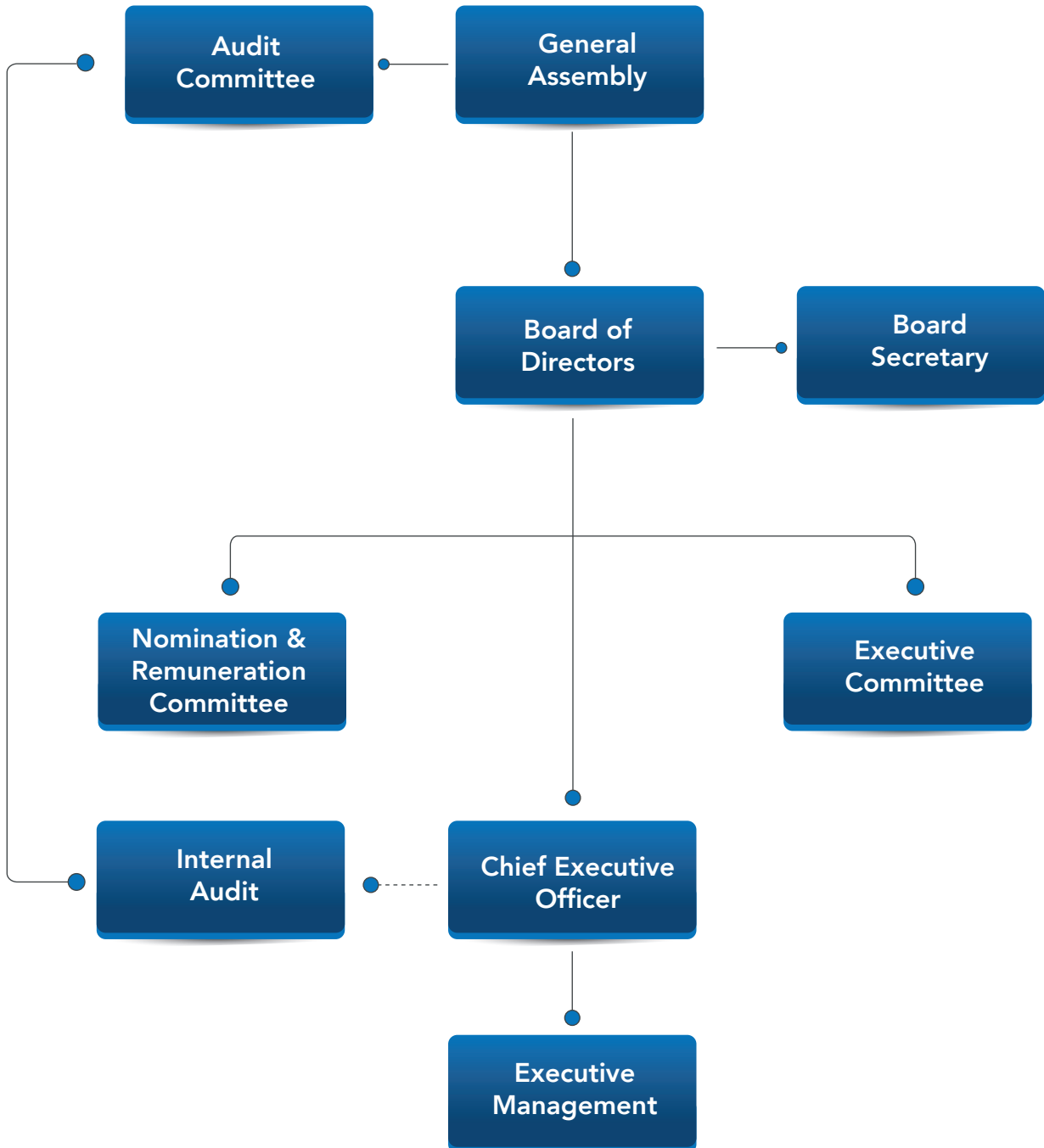
and independent auditors and ensure that an appropriate governance structure is in place. The responsibilities of the Board include setting the Company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. 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.

ORGANISATION 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
39	1 and 2	<p>The Company shall pay adequate attention to the training and preparation of the Board members and the Executive Management, and shall develop the necessary programmes required for the same, taking the following into account:</p> <ol style="list-style-type: none"> 1. preparing programmes for the recently-appointed Board members and Executive Management to familiarise them with the progress of the Company's business and activities, particularly the following: <ol style="list-style-type: none"> a. the strategy and objectives of the Company; b. the financial and operational aspects of the Company's activities; c. the obligations of the Board members and their duties, responsibilities and rights; d. the duties and competencies of the committees of the Board. 2. developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programmes and courses in order to develop their skills and knowledge in the fields related to the activities of the Company. 	The Company is developing policies and procedures in line with this guiding article.
41	A,B,C, D,E&F	<ol style="list-style-type: none"> 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. f. 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	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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 & unlisted companies.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Chairman of Mobily Ventures Executive General Manager for Investor Relations at Etihad Etisalat "Mobily" Advisor to The Board of Commissioners at Capital Market Authority 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.	<ul style="list-style-type: none"> Master of Business Administration - "IE Business School" - Yale School of Management - 2013 Bachelor's degree in and Business – King Fahd University
Mrs. Hessa bint Hamad Al-Sagri	<ul style="list-style-type: none"> Board Member at Leejam Sports Company. Board Member at Bonam Park SA 	<ul style="list-style-type: none"> President at Saudi Technology Factory for Oils President at Bonam Park SA 	-	Bachelor's degree om Applied Linguistics Prince Sultan University – 2013
Mr. Hamad bin Ali Al-Sagri	<ul style="list-style-type: none"> 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 AlKhalidi	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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 I. Al-Mishari	<ul style="list-style-type: none"> • Committee Member at Riyadh. Chamber of Commerce & Industry • Deputy Chief Executive Officer at Jahez 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Chairman of Mobily Ventures • Executive General Manager for Investor Relations at Etihad Etisalat "Mobily" • Advisor to The Board of Commissioners at Capital Market Authority • 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.	<ul style="list-style-type: none"> • Master of Business Administration - "IE Business School" Yale School of Management - 2013 • Bachelor's degree in and Business – King Fahd University
Mr. Mishal I. Al-Mishari	<ul style="list-style-type: none"> • Committee Member at Riyadh. Chamber of Commerce and Industry • Deputy Chief Executive Officer at Jahez 	Business Dev. Director at Alamat International Co. -Project Manager at Fedex		Bachelor's degree in Business Admin. from King Saud University, Riyadh, KSA - 2007

• Nomination & Remuneration Committee

Director	Current Position	Previous Positions	Experiences	Qualifications
Mr. Mishal I. Al-Mishari	<ul style="list-style-type: none"> • Committee Member at Riyadh. Chamber of Commerce and Industry • Deputy Chief Executive Officer at Jahez 	<ul style="list-style-type: none"> • Business Development Director at Alamat International Co. • Project Manager at Fedex 		Bachelor's degree in Business Admin. from King Saud University, Riyadh, KSA - 2007
Mr. Ali Hamad Al-Sagri	<ul style="list-style-type: none"> • 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 & 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	<ul style="list-style-type: none"> • Board Member at Leejam Sports Company. • Board Member at Bonam. Park SA 	<ul style="list-style-type: none"> • President at Saudi Technology Factory for Oils • President at Bonam Park SA 		Bachelor's degree om Applied Linguistics Prince Sultan Univ.2013

• Audit Committee

Director	Current Position	Previous Positions	Experiences	Qualifications
Dr. Mohammed Faraj Al-Kinani	<ul style="list-style-type: none"> • 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 & sits on the Board of Directors and Risk, Audit and Investment Committees in several listed & unlisted companies.	<ul style="list-style-type: none"> • Master's degree in Finance • University of Colorado, Denver, USA - 2001 • Doctorate in Finance Oklahoma State University, USA - 2006 • Chartered Financial Analyst
Mr. Abdulaziz A. Alhidery	<ul style="list-style-type: none"> • 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.		<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Audit Committee member at Leejam Sports Company. • Chief Executive Officer & Head of Investment Banking and Capital Markets –Credit Suisse Saudi Arabia 	<ul style="list-style-type: none"> • Head of Investment Banking at Saudi Fransi Capital. • Several managerial & leadership positions at the Saudi 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 & 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 & Developing Markets Committee in the International Organization of Securities Commissions.	<ul style="list-style-type: none"> • Bachelor's degree in Management Information Systems – Business Economics. • Master's degree in Management Information Systems.
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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 21 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 +17 years of financial executive experience. Assim has an 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 crowned with successfully leading an oversubscribed public offering in 2021.	+17 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	<ul style="list-style-type: none"> • Leejam Sports Company • Hamad Al-Sagri Holding Co. • Huwaylan (UK) Ltd. 	<ul style="list-style-type: none"> • Inside Saudi Arabia. • Inside Saudi Arabia. • Outside Saudi Arabia. 	<ul style="list-style-type: none"> • Listed. • Unlisted. • Unlisted.
Dr. Mohammed bin Faraj al-Kinan	<ul style="list-style-type: none"> • Arab National Bank. • Al Ahli Takaful Company. • Saudi Real Estate Refinance Co. • National Sukuk Company. • Dhahran Techno Valley Co. • National Bonds Corporation. 	<ul style="list-style-type: none"> • Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia. 	<ul style="list-style-type: none"> • Listed. • Listed. • Unlisted. • Unlisted. • Unlisted. • Unlisted.
Mr. Tareq bin Khalid Al-Angari	<ul style="list-style-type: none"> • Tabuk Cement. 	<ul style="list-style-type: none"> • Inside Saudi Arabia. 	<ul style="list-style-type: none"> • Listed.
Mrs. Hessa bint Hamad Al-Sagri	<ul style="list-style-type: none"> • Hamad Al-Sagri Holding Co. • Bonam Park SA France. 	<ul style="list-style-type: none"> • Inside Saudi Arabia. • Outside Saudi Arabia. 	<ul style="list-style-type: none"> • Unlisted. • Unlisted.

Mr. Hamad bin Ali Al-Sagri	<ul style="list-style-type: none"> • Hamad Al-Sagri Holding Co. • Bonam Park SA France. 	<ul style="list-style-type: none"> • Inside Saudi Arabia. • Outside Saudi Arabia. 	<ul style="list-style-type: none"> • Unlisted. • Unlisted.
Mr. Hisham Hussein Al-Khaldi	<ul style="list-style-type: none"> • Saudi Real Estate -Al Akaria Company • Leejam Sport Company • National Maritime Academy (NMA) 	<ul style="list-style-type: none"> • Inside Saudi Arabia. • Inside Saudi Arabia. • Inside Saudi Arabia. 	<ul style="list-style-type: none"> • Listed • Listed. • Training Academy
Mr. Mishal Ibrahim Al-Mishari	-	-	-

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 Al-Khaldi	Independent
Mr. Mishal Ibrahim Al-Mishari	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:



The Charter of the Executive Committee, the number and dates of its meetings, and the members' attendance data for each meeting during the year 2022.

- 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				
Name	Classification	1st Meeting Feb. 2022 ,2	2nd Meeting Apr. 2022 ,12	3rd Meeting Jul 2022 ,19	4th Meeting Oct. 2022 ,17	5th Meeting Dec. 2022 ,5
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 Al-Mishari	Member	Attended	Attended	Attended	Attended	Attended

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 2022.
Duties and functions of the Nominations and Remunerations Committee.

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 annual 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				
Name	Classification	1st Meeting Feb. 2022 ,1	2nd Meeting Mar. 2022 ,15	3rd Meeting Jul 2022 ,18	4th Meeting Oct. 2022 ,11	5th Meeting Dec. 2022 ,4
Mr. Mishal Ibrahim Al-Mishari	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	Did not attend	Attended	Attended	Attended

The Charter of the Audit Committee, the number and dates of its meetings, and the members' attendance data for each meeting during the year 2022.

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. 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.

6. OTHER PROVISIONS

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

Audit Committee's Meetings		6 Meetings					
Name	Classification	1st Meeting Feb. 10th, 2022	2nd Meeting Apr. 14th 2022	3rd Meeting Aug. 4th 2022	4th Meeting Sep. 8th 2022	5th Meeting Oct. 26th 2022	6th Meeting Dec. 26th 2022
Dr. Mohammed bin Faraj al-Kinan	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, MEMBERS OF THE COMMITTEES AND THE EXECUTIVE MANAGEMENT. AND THE RELATIONSHIP BETWEEN THE AWARDED REMUNERATIONS AND THE REMUNERATION POLICY

A- 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. BOARD MEMBERS' REMUNERATION

Paid to directors during 2022	Fixed Remuneration (SAR)						
	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	
Independent Directors							
Mr. Hisham Hussien Al-Khalidi	250,000	15,000					
Dr. Mohammed Faraj Al-Kinani	250,000	15,000	15,000				
Mr. Tareq Khalid Al-Angari	250,000	15,000	12,500				
Mr. Mishal Ibrahim Al-Mishari	250,000	15,000	25,000				
Non-Executive							
Mr. Ali Hamad Al-Sagri	350,000	15,000	25,000				
Mrs. Hessah Hamad Al-Sagri	250,000	15,000	10,000				
Executive Directors							
Mr. Hamad Ali Al-Sagri	300,000	15,000					
Total							

B. REMUNERATION OF 5 MOST SENIOR EXECUTIVE (INCLUDING THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCE OFFICER)

Year	Fixed remunerations				Variable remunerations		Profits
	Basic salary	Allowances	In-Kind Benefits	Total	Periodic remunerations		
2022	3,660,615	1,332,965	-	4,993,579	0	-	

	Total	Variable Remuneration (SAR)						End-of-service award	Aggregate Amount
		Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total		
	265,000						-	265,000	
	280,000						-	280,000	
	277,500						-	277,500	
	290,000						-	290,000	
	390,000						-	390,000	
	275,000						-	275,000	
	315,000						-	315,000	
	2,092,500	-	-	-	-	-	-	2,092,500	

	Variable remunerations				EOSB	Board remuneration	Aggregate Ammount
	STI	LTI	Granted Shares	Total			
	-	-	-	0	206,960	0	5,200,539

C- REMUNERATION OF COMMITTEES' MEMBERS

Committees 2011	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending meetings	Total
Audit Committee			
Dr. Mohammed Faraj Al-Kinani	120,000	15,000	135,000
Mr. Abdulaziz Abdullah Al-Haidari	100,000	15,000	115,000
Mr. Wissam Hussain Al-Fraih	100,000	15,000	115,000
Total	320,000	45,000	365,000
Nomination and Remuneration Committee			
Mr. Mishal Ibrahim Al-Mishari	120,000	12,500	132,500
Mr. Ali Hamad Al-Sagri	100,000	12,500	112,500
Mrs. Hessah Hamad Al-Sagri	100,000	10,000	110,000
Total	200,000	22,500	222,500
Executive Committee			
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	100,025	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	140,900	<ul style="list-style-type: none"> 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	10,000	Violations of some relevant regulations	Ministry of Human Resources and Social Development	Corrective measures are taken to comply proactively follow up with changes in regulations.
Others	2,300	Others	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 DETAILS OF THE SOCIAL RESPONSIBILITY ACTIVITIES

With regard to the company's social responsibilities activities, the company has invested in its infrastructure to become the largest network of clubs friendly to persons with disabilities with a network of more than 50 centers. The company also grants free subscriptions to eligible groups, in partnership with non-profit organizations. The company also actively participated throughout the year in specialized days, especially those related to health and sports, in order to raise awareness of those days.

13 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 19th April 2022
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	Not Attended
Mr. Hisham Hussein AlKhalidi	Attended
Mr. Mishal Ibrahim AlMishari	Attended

14 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	931,945,890	87%
Personal Training	103,079,984	10%
Rental & Others	30,762,914	3%
Total	1,065,788,788	100%

15 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.

Leejam seeks to protect its stakeholders, reputation and the value of its assets through effective risk identification and mitigation. We are committed to continually developing our risk management culture through our Risk Management Policy, our Risk Management Framework and continual team development.

RISK MANAGEMENT POLICY

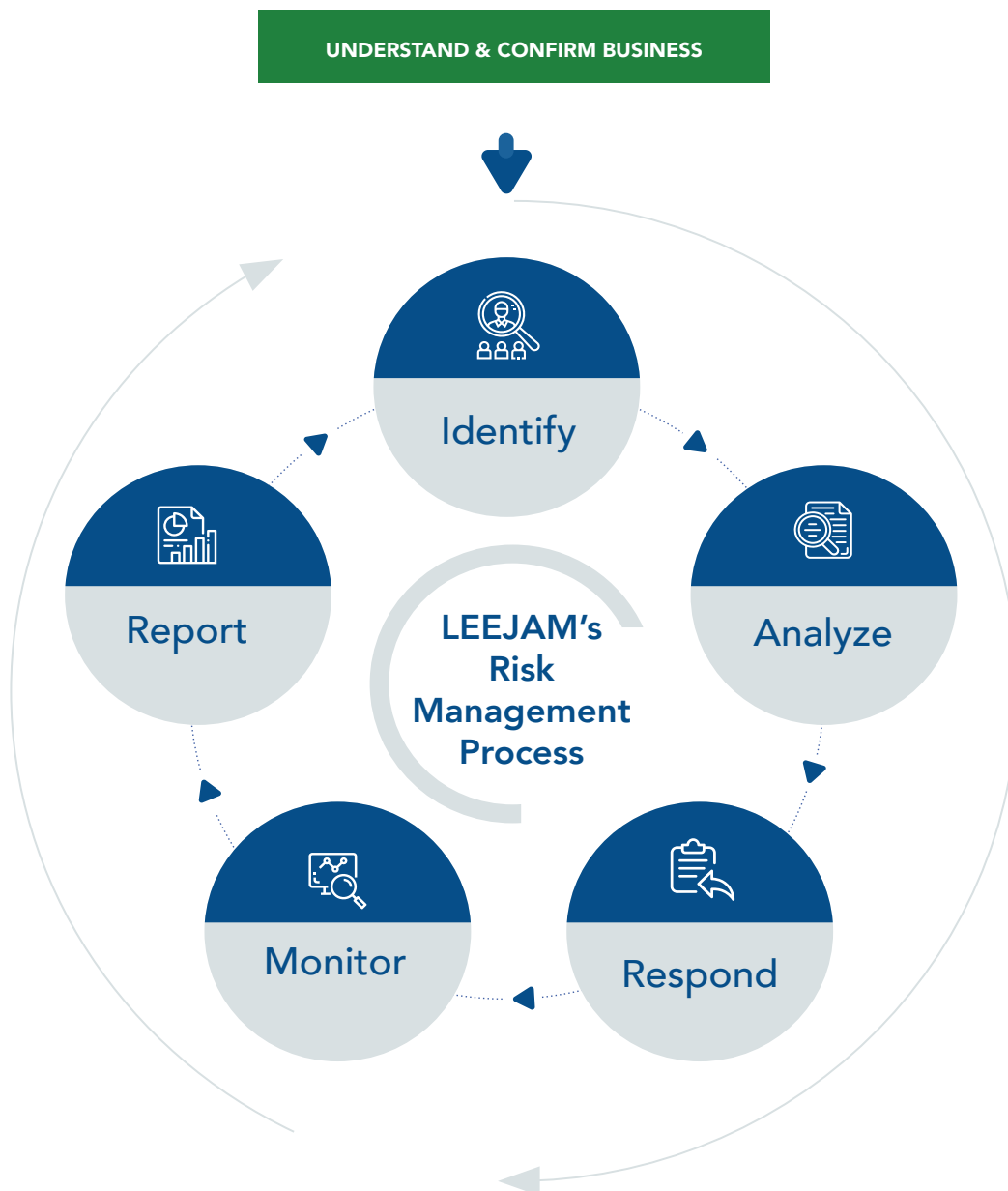
LEEJAM's risk policy is to identify, analyze and respond appropriately to all risks based on priority level defined by likelihood and impact. Risk management process is continuous process depending upon the specific business objectives, strategic and operational goals. The company has a system of Policies, procedures and integrated operations through which risks continuously are identified, reported and managed in an organized, proactive and coordinated manner.

RISK MANAGEMENT FRAMEWORK

LEEJAM defines risk as any potential event/opportunity which could prevent the achievement of an objective, can be measured in terms of impact and likelihood.

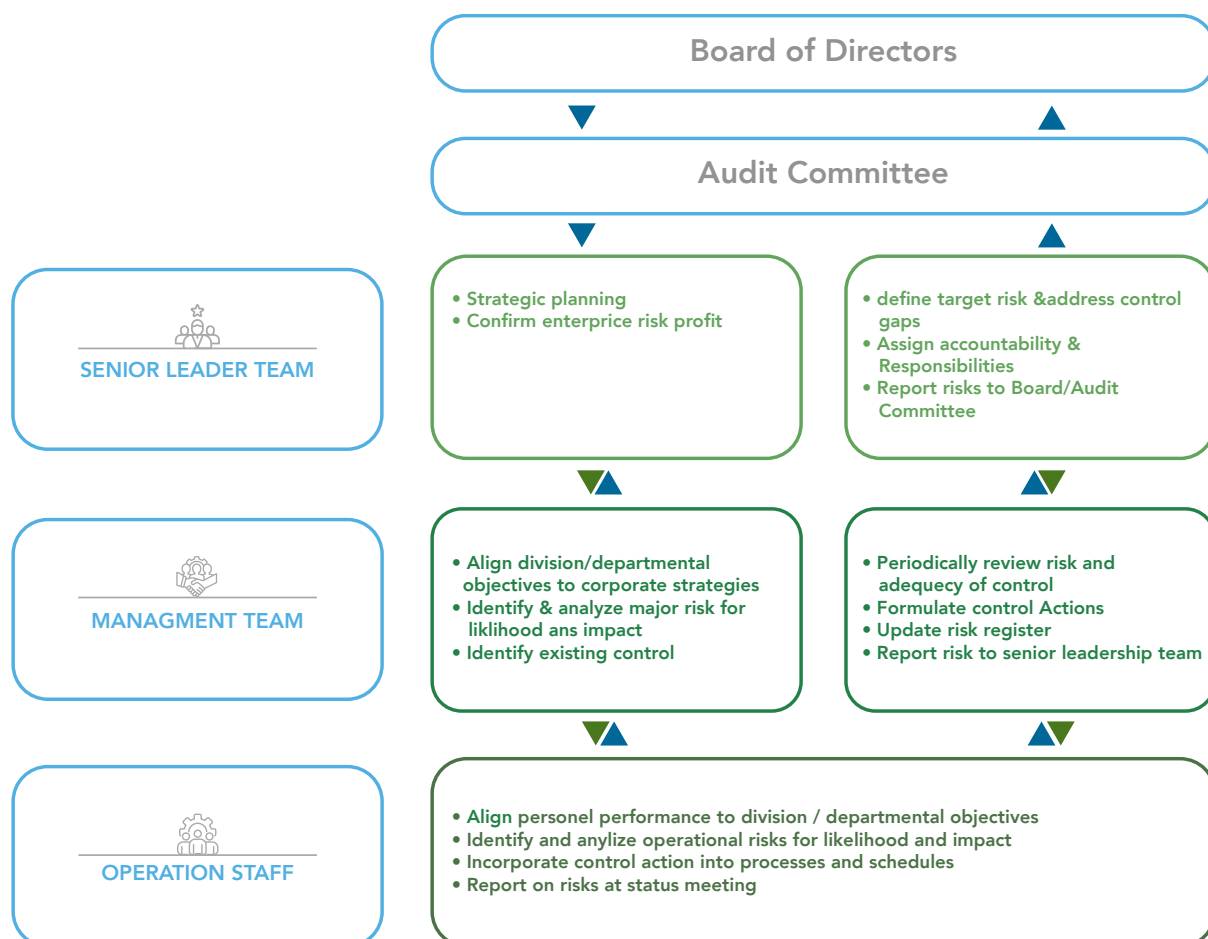
Risks arise from the likelihood of an uncertainty that will threaten to achieve objectives or linked to an opportunity that will not happen to get the intended benefits.

RISK MANAGEMENT PROCESS OBJECTIVES



RISK AND CONTROLS

LEEJAM, therefore streamline the actions of all staff, individually and collectively towards achieving its business objectives. This entails the alignment of the objectives, risks and controls throughout the enterprise. It encompasses the respective business processes and operational activities undertaken by all levels of staff.



16 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	2018	2019	2020	2021	2022
Revenues	799,946,833	944,933,381	662,599,232	885,283,139	1,065,788,788.0
Cost of Revenue	942,075,242	584,738,941	522,708,769	512,243,190	629,667,673.0
Gross profit	662,599,232	360,194,440	139,890,463	373,039,949	436,121,115.0
Net profit	885,283,139	205,920,845	(58,723,592)	206,020,219	257,259,132.0

Summary of balance sheet (SAR)

Description	2018	2019	2020	2021	2022
Current Assets	169,267,944	137,269,291	325,206,571	250,195,299	361,830,958
Non-current Assets	1,439,364,522	2,379,030,047	2,242,110,666	2,343,622,797	2,336,319,026
Total Assets	1,608,632,466	2,516,299,338	2,567,317,237	2,593,818,096	2,698,149,984
Total Equity	713,668,450	721,774,096	664,484,064	804,569,669	938,539,108
Current Liabilities	430,323,001	574,294,408	664,162,755	648,203,797	718,523,238
Non-current Liabilities	464,641,015	1,220,230,834	1,238,670,418	1,141,044,630	1,041,087,638
Total Liabilities	894,964,016	1,794,525,242	1,902,833,173	1,789,248,427	1,759,610,876
Total Equity & Liabilities	1,608,632,466	2,516,299,338	2,567,317,237	2,593,818,096	2,698,149,984

17 GEOGRAPHICAL ANALYSIS OF THE COMPANY'S TOTAL REVENUES (SAR `000)

Description	Geographical Analysis	2021	2022
Saudi	Headquarters and Central Province	391,364	473,643
	Western Province	337,655	404,491
	Eastern Province	138,732	161,918
	Total Saudi Arabia	867,751	1,040,052
	United Arab Emirates	17,532	25,737
	Total revenues	885,283	1,065,789

18 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	2022	2021	Changes	Changes Percentage
Revenue	1,065,788,788.0	885,283,139	180,505,649	20.4%
Cost of Revenue	629,667,673.0	512,243,190	117,424,483	22.9%
Gross Profit	436,121,115.0	373,039,949	63,081,166	16.9%
Other Operating Revenue	-	-	-	-
Other Operating Cost	-	-	-	-
Operating Income	316,929,269	259,534,284	57,394,985	22.1%

19 A CLARIFICATION OF ANY DIFFERENCE FROM THE ACCOUNTING STANDARDS APPROVED BY THE SAUDI ORGANISATION 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 Organisation for Certified Public Accountants (SOCPA).

20 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
Al Rasn	500,000	%100	Investments	Riyadh	Kingdom of Saudi Arabia

21 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	1000	100	None

22 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 capitalize 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

DATE OF DIVIDEND PAYMENTS

Year / quarter	Announcement date	Due date	Distribution date	Dividend per share	Dividend payment method
2nd & 3rd quarter of 2018	28th Oct. 2018	1st Nov. 2018	15th Nov. 2018	0.96	Account Transfer
4th quarter 2018	27th Fe. 2019	4th Mar. 2019	20th Mar. 2019	0.5379	Account Transfer
1st quarter 2019	13th May 2019	19th May 2019	12th Jun. 2019	0.4019	Account Transfer
2nd quarter 2019	4th Sep. 2019	9th Sept. 2019	22nd Sept. 2019	0.5049	Account Transfer
3rd quarter 2019	2nd Dec. 2019	8th Dec. 2019	19th Dec. 2019	0.4969	Account Transfer
1st half 2021	8th Aug. 2021	15th Aug. 2021	26th Aug. 2021	0.45	Account Transfer
3rd quarter 2021	7th Nov. 2021	14th No. 2021	25th Nov. 2021	0.78	Account Transfer
4th quarter 2021	13th Feb. 2022	20th Fe. 2022	3rd Mar. 2022	0.87	Account Transfer
1st quarter 2022	27th Apr. 2022	10th May 2022	23rd May 2022	0.471	Account Transfer
2nd quarter 2022	7th Aug. 2022	9th Aug. 2022	24th Aug. 2022	0.37	Account Transfer
3rd quarter 2022	31st Oct. 2022	6th Nov. 2022	20th Nov. 2022	0.70	Account Transfer

23 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

24 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	-	0.00%
Dr. Mohammed bin Faraj Al-Kinani	-	-	-	-
Mr. Tariq bin Khalid Al-Angari	3,789	3,789	-	0.00%
Mrs. Hessa bint Hamad Al-Sagri	-	-	-	-
Mr. Hamad bin Ali Al-Sagri	26,771,950	26,771,950	-	0.00%
Mr. Hisham Hussein Al-Khaldi	-	-	-	-
Mr. Mishal bin Ibrahim Almishari	-	-	-	-

Senior Executives and their relatives' ownership of Company shares

Name	Begganing of the Year	End of The Year	Change	Change %
Mr. Adnan Al-Khalaf	-	-	-	-
Mr. Assim Al Attas	-	1,581	1,581	-

25 INDEBTEDNESS AND LOAN INFORMATION (SAR million)

#	Bank	Principle Amount	Loan Term	Repaid amount within the year	Remaining Amount	Total debt
1	Bank AL Jazira	25	-	25	-	-
2	Banque Saudi Fransi	180	-	60	120	120
3	Saudi British Bank	160	45	65	140	140

26 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.

27 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.

28 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.

29 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.

Name	Classification	5 Meetings					Total
		1st Meeting on Feb,14 2022	2nd Meeting on Apr. ,19 2022	3rd Meeting on Jul. ,26 2022	4th Meeting on Oct. ,30 2022	5th Meeting Dec. ,13 2022	
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	Attended	Attended	5
Mr. Hisham Hussein AlKhaldi	Independent	Attended	Attended	Attended	Attended	Attended	5
Mr. Mishal Ibrahim AlMishari	Independent	Attended	Attended	Attended	Attended	Attended	5

30 THE NUMBER OF THE COMPANY'S REQUESTS FOR THE REGISTER OF SHAREHOLDERS, AND THE DATES AND REASONS FOR THOSE REQUESTS.

Requests	Date	Reason of Request
1	January 2022 ,6	Internal reports

2	February 2022 ,23	Dividends reports
3	April 2022 ,6	Internal reports
4	April 2022 ,19	General Assembly
5	May 2022 ,12	Dividends reports
6	May 2022 ,23	Internal Report
7	June 2022 ,6	Internal Report
8	August 2022 ,1	Internal Report
9	August 2022 ,11	Dividends reports
10	September 2022 ,11	Internal Report
11	November 2022 ,8	Dividends reports

31 RELATED PARTY TRANSACTIONS.

Related party	Relationship with the Company	Transaction type	Period / type of interest	Value (Saudi Riyal)
Mr. / Hamad bin Ali Al-Sagri - a direct interest	The land is owned by a member of the Board of Directors and a major shareholder, Mr. Hamad Al-Sagri	Land lease - this deal was made on commercial grounds without preferential terms	Annual	3,400,000
Mr. / Ali bin Hamad Al- Sagri - an indirect interest				
Mrs. Hessah bint Hamad Al-Sagri - an indirect interest				
Al-Sagri Group	The company is owned by a member of the Board of Directors and the main shareholder, Mr. / Hamad bin Ali Al-Sagri - a direct interest, and Mr. / Ali bin Hamad Al- Sagri - an indirect interest - works as Vice President in Al- Sagri Group and a member of its board of directors, and Mrs. Hessah bint Hamad Al- Sagri works - an indirect interest He is also a member of the Board of Directors of Al- Sagri Group	Corporate Sales Contract - This transaction was made on commercial grounds without preferential terms	Annual	191,051

32 INFORMATION RELATED TO ANY BUSINESS OR CONTRACTS TO WHICH THE COMPANY IS A PARTY, AND IN WHICH OR 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 IF THERE ARE NO SUCH WORKS OR CONTRACTS, THE COMPANY MUST SUBMIT A DECLARATION TO THAT EFFECT.

Related party	Relationship with the Company	Transaction type	Period / type of interest	Value (Saudi Riyal)
Mr. / Hamad bin Ali Al-Sagri - a direct interest	The land is owned by a member of the Board of Directors and a major shareholder, Mr. Hamad Al-Sagri	Land lease - this deal was made on commercial grounds without preferential terms	Annual	3,400,000
Mr. / Ali bin Hamad Al-Sagri - an indirect interest				
Mrs. Hessah bint Hamad Al-Sagri - an indirect interest				
Al-Sagri Group	The company is owned by a member of the Board of Directors and the main shareholder, Mr. / Hamad bin Ali Al-Sagri - a direct interest, and Mr. / Ali bin Hamad Al- Sagri - an indirect interest - works as Vice President in Al- Sagri Group and a member of its board of directors, and Mrs. Hessah bint Hamad Al- Sagri - an indirect interest - she is also a member of the Board of Directors of Al- Sagri Group	Corporate Sales Contract - This transaction was made on commercial grounds without preferential terms	Annual	191,051

33 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.

34 A STATEMENT OF ANY ARRANGEMENTS OR AGREEMENT UNDER WHICH ONE OF THE COMPANY'S SHAREHOLDERS WAIVED ANY RIGHTS TO PROFITS.

- Not applicable.

35 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 Organisation	2022		Description	Reasons
	Paid	Due		
Zakat	5,920,292	-	Zakat expenses Dec2022-	Statutory Requirement
Tax	121,583,432.24	15,964,450.73	VAT and WHT paid from Dec.21 till Nov.22. Dec.22 VAT and WHT is due for Dec.22	Dec.22 VAT and WHT paid in Jan.23
The General Organization for Social Insurance	14,763,417.16	1,296,483.50	GOSI paid for the period from Dec.21 till Nov.22. The Dec.22 is due	Dec.22 due amount paid in Jan.23
Visa and passport costs	862,000	-	Includes New visa fees and Iqama transfer Fees	Statutory Requirement
Labor office fees	18,606,129.30	-	Includes Iqama and work permit charges	Statutory Requirement

36 A STATEMENT OF THE VALUE OF ANY INVESTMENTS OR RESERVES ESTABLISHED FOR THE BENEFIT OF THE COMPANY'S EMPLOYEES.

- Not applicable.

37 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

38 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.

39 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.


40 DISCLOSURE OF THE DETAILS OF THE TREASURY SHARES HELD BY THE COMPANY AND DETAILS OF THE USES OF THESE SHARES.

- Not applicable.

41. 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.





04

**SUMMARY FINANCIAL
STATEMENTS**



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)

Head Office
Al Faisaliah Office Tower, 14th Floor King Fahad Road
P.O. Box 2732 Riyadh 11461
Kingdom of Saudi Arabia

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4740 273 11 966+
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LEEJAM SPORTS COMPANY (A SAUDI JOINT STOCK COMPANY)

OPINION

We have audited the financial statements of Leejam Sports Company (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, 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 Financial Statements section of our report. We are independent of the Company 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 financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF A MATTER

We draw attention to note 29 to the financial statements. As stated therein, during the year ended 31 December 2021, management has received an assessment order from the Zakat, Tax and Customs Authority ("ZATCA") on the ground that part of the Company's profits for the years 2017, 2016, 2015 and 2018 were subject to income tax. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>The Company reported revenue of SR 1,065.8 million from subscriptions and membership fees of fitness training centers and related activities for the year ended 31 December 2022.</p> <p>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.</p> <p>Additionally, there are inherent risks about the accuracy of revenues recorded due to either ineffective manual and / or IT related controls.</p> <p>Refer to note 4.1 for the accounting policy related to revenue recognition and note 6 for the related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • 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 financial statements.

Key audit matter	How our audit addressed the key audit matter
Uncertain Zakat and tax provision	
<p>During the year ended 31 December 2021, the Zakat, Tax and Custom Authority (“ZATCA”) issued an assessment for the years 2017 ,2016 ,2015 and 2018 on the ground that part of the Company’s profits for the years 2017 ,2016 ,2015 and 2018 were subject to income tax. The Company has filed an objection against the assessment. ZATCA did not respond to the objection, then the Company filed a lawsuit against ZATCA before the General Secretariate of Zakat, Tax and Customs Committees “GSTC” and during the current year the GSTC issued its ruling in the favor of ZATCA. The Company filed an appeal against this ruling which is still in progress.</p> <p>The Company’s management is of view that they will win this appeal and based on that they did not account for additional zakat liability.</p> <p>We considered this as key audit matter since the accounting for this uncertain zakat provision comprise significant judgment by the management and due to the materiality of the claims involved.</p> <p>Refer to note 29</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Gained the understanding of the process management followed to assess the impact of the assessment. • Evaluated the zakat and tax opinion of management’s expert obtained by the Company on the respective case. • Evaluated the reasonableness of management’s assessment for the accounting of the uncertain zakat provision in the light of zakat and tax regulation, recent practices of ZATCA and merits of the appeal filed with the ZATCA against the assessment raised. • Assessed the adequacy of the relevant disclosures in the financial statement.

OTHER INFORMATION INCLUDED IN THE COMPANY’S 2022 ANNUAL REPORT

Other information consists of the information included in the Company’s 2022 annual report, other than the financial statements and our auditor’s report thereon.

The Board of Directors is responsible for the other information in its annual report. The Company’s 2022 annual report is expected to be made available to us after the date of this auditor’s report. Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company’s 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the 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 the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Leejam Sports Company (A Saudi Joint Stock Company) (continued)
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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

Waleed G. Tawfiq Certified Public Accountant
License No. 437
Riyadh: 14 Sha'ban 1444H
6 March 20

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

Item	Note	2022 SR	2021 SR
Revenue	6	1,065,788,788	885,283,139
Cost of revenue	7	(629,667,673)	(512,243,190)
GROSS PROFIT		436,121,115	373,039,949
General and administrative expenses	8	(93,002,848)	(87,837,592)
Advertising and marketing expenses	9	(13,650,113)	(14,405,763)
Impairment of non-financial assets	13&14	(12,655,947)	(12,945,904)
Reverse for expected credit losses	20	117,062	1,683,594
OPERATING PROFIT		316,929,269	259,534,284
Other income	10	7,157,637	-
Finance costs, net	11	(59,473,305)	(47,581,711)
PROFIT BEFORE ZAKAT		264,613,601	211,952,573
Zakat	29	(7,354,469)	(5,932,354)
PROFIT FOR THE YEAR		257,259,132	206,020,219
EARNINGS PER SHARE			
Basic and diluted earnings per share	12	4.9111	3.9329

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

Item	Note	2022 SR	2021 SR
Net profit for the year		257,259,132	206,020,219
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to statement of profit or loss in subsequent periods			
Re-measurement gain / (loss) on employees end of service benefits obligation	25	3,006,590	(1,503,080)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		260,265,722	204,517,139

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

Item	Note	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	1,534,965,640	1,509,992,894
Right-of-use assets	14	753,692,120	787,384,535
Intangible assets	15	3,277,167	3,058,447
Goodwill	16	9,445,544	9,445,544
Advances to suppliers and contractors	17	34,938,555	33,741,377
TOTAL NON- CURRENT ASSETS		2,336,319,026	2,343,622,797
CURRENT ASSETS			
Inventories		8,000,691	10,222,768
Prepayments and other current assets	18	30,394,060	36,333,370
Trade receivables	20	22,809,309	23,753,088
Cash and cash equivalents	21	300,626,898	179,886,073
TOTAL CURRENT ASSETS		361,830,958	250,195,299
TOTAL ASSETS		2,698,149,984	2,593,818,096
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	523,833,610	523,833,610
Statutory reserve	23	102,349,153	76,623,240
Retained earnings		312,356,345	204,112,819
TOTAL EQUITY		938,539,108	804,569,669
NON-CURRENT LIABILITIES			
Borrowings	24	165,952,119	238,038,485
Lease liabilities	14	831,922,280	861,584,948
Employees' end of service benefits	25	43,213,239	41,421,197
TOTAL NON-CURRENT LIABILITIES		1,041,087,638	1,141,044,630
CURRENT LIABILITIES			
Borrowings	24	94,275,829	126,912,106
Lease liabilities	14	78,650,791	79,898,303
Accounts payable	26	62,328,705	80,865,297
Accrued expenses and other current liabilities	27	79,651,896	54,425,849
Deferred revenue	28	396,112,324	300,032,726
Provision for zakat	29	7,503,693	6,069,516
TOTAL CURRENT LIABILITIES		718,523,238	648,203,797
TOTAL LIABILITIES		1,759,610,876	1,789,248,427
TOTAL EQUITY AND LIABILITIES		2,698,149,984	2,593,818,096

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Item	Share Capital SR	Statutory Reserve SR	Retained earnings SR	Total SR
As at 1 January 2021	523,833,610	56,021,218	84,629,236	664,484,064
Profit for the year	-	-	206,020,219	206,020,219
Other comprehensive loss	-	-	(1,503,080)	(1,503,080)
Total comprehensive income for the year	-	-	204,517,139	204,517,139
Transfer to statutory reserve	-	20,602,022	(20,602,022)	-
Dividends (note 31)	-	-	(64,431,534)	(64,431,534)
As at 31 December 2021	523,833,610	76,623,240	204,112,819	804,569,669
Profit for the year	-	-	257,259,132	257,259,132
Other comprehensive income	-	-	3,006,590	3,006,590
Total comprehensive income for the year	-	-	260,265,722	260,265,722
Transfer to statutory reserve	-	25,725,913	(25,725,913)	-
Dividends (note 31)	-	-	(126,296,283)	(126,296,283)
As at 31 December 2022	523,833,610	102,349,153	312,356,345	938,539,108

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

Item	Note	2022 SR	2021 SR
OPERATING ACTIVITIES			
Profit before zakat		264,613,601	211,952,573
Adjustments to reconcile profit before zakat to net cash flows:			
Gain on lease cancellations	10	(6,172,248)	(2,056,638)
Finance costs	11	59,473,305	47,581,711
Depreciation of property and equipment	13	152,671,572	137,684,889
Impairment loss of property and equipment	13&14	12,655,947	12,945,904
Depreciation of right-of-use assets	14	75,624,010	69,764,264
Rent concessions on lease payments	14	(1,706,965)	(18,933,943)
Amortization of intangible assets	15	1,608,308	116,342
Reversal for expected credit losses	20	(117,062)	(1,683,594)
Provision for employees' end of service benefits	25	9,029,524	8,380,416
Loss on disposal of property and equipment		-	581,580
		567,679,992	466,333,504
WORKING CAPITAL CHANGES:			
Inventories		2,222,077	336,336
Prepayments and other current assets		5,939,310	(1,004,974)
Trade receivables		1,060,841	(824,300)
Accounts payable		(18,536,592)	28,205,279
Accrued expenses and other current liabilities		25,773,569	(22,099,652)
Deferred revenue		96,079,598	(25,989,572)
CASH FROM OPERATIONS		680,218,795	444,956,621
Employees' end of service benefits paid	25	(5,124,646)	(6,338,011)
Zakat paid	29	(5,920,292)	-
Net cash from operating activities		669,173,857	438,618,610
INVESTING ACTIVITIES			
Property and equipment, net		(176,740,513)	(206,027,752)
Advances to suppliers and contractors		(1,197,178)	(20,468,958)
Intangible assets	15	(1,827,028)	(1,203,675)
Net cash used in investing activities		(179,764,719)	(227,700,385)
FINANCING ACTIVITIES			
Proceeds from borrowings	24	45,148,333	20,907,440

Repayments of borrowings	24	(149,870,976)	(143,543,314)
Finance cost paid		(22,485,792)	(11,586,958)
Payment of lease liabilities	14	(115,163,595)	(90,451,663)
Dividend paid	31	(126,296,283)	(64,431,534)
Net cash used in financing activities		(368,668,313)	(289,106,029)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		120,740,825	(78,187,804)
Cash and cash equivalents at the beginning of the year		179,886,073	258,073,877
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	300,626,898	179,886,073

STATEMENT OF CASH FLOWS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

Item	2022 SR	2021 SR
SIGNIFICANT NON-CASH TRANSACTIONS		
Additions to right-of-use assets and corresponding lease liability	96,025,479	97,931,453
Transfers to property and equipment from capital work-in-progress	65,891,780	145,056,611
Capitalization of borrowing cost	661,214	2,085,642
Capitalization of right-of-use depreciation	3,793,258	6,387,300
Interest on lease liabilities capitalized for under construction fitness centers	1,697,814	2,845,784

