
Leejam Sports Company
ANNUAL REPORT
2020



in the name of Allah the most merciful
the most gracious



المملكة العربية السعودية
Kingdom of Saudi Arabia





“More than just a gym”

From its humble beginnings, Leejam has continued in its path of evolution, fast becoming the region's largest operator of sports and fitness centres. Under the tutelage of the Company's vibrant, dynamic and energetic core of key management personnel, with extensive experience in the industry, Leejam has been able to further diversify its offerings to create a so-called “One Stop Fitness Shop”, offering state-of-the-art facilities for all users, leading apparel lines and locations that people want to spend time in, in all corners of the Country. In addition, the leadership team pride themselves in knowing that the evolution of the brand under their guidance aligns directly with Saudi Arabia's Vision 2030; to get people exercising daily and to lead a healthier life.



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LEEJAM'S PROFILE



- ▶ **Leejam's Profile**
 - 2020 Highlights
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- ➔ 2020 Highlights
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2020 Key Highlights

— Operational & Financial

STATEMENT OF OPERATIONS DATA	2019	2020
Revenue	SAR 945M	SAR 660M
Gross profit	SAR 360M	SAR 129M
Operating Cash flow	SAR 531M	SAR 330M

New
Partnerships



TECHNOGYM

SQUATWOLF

New
Products

فيس تيم
FITNESSTIME
LADIES XPRESS

فيس تيم
FITNESSTIME
XPRESS

BOX12

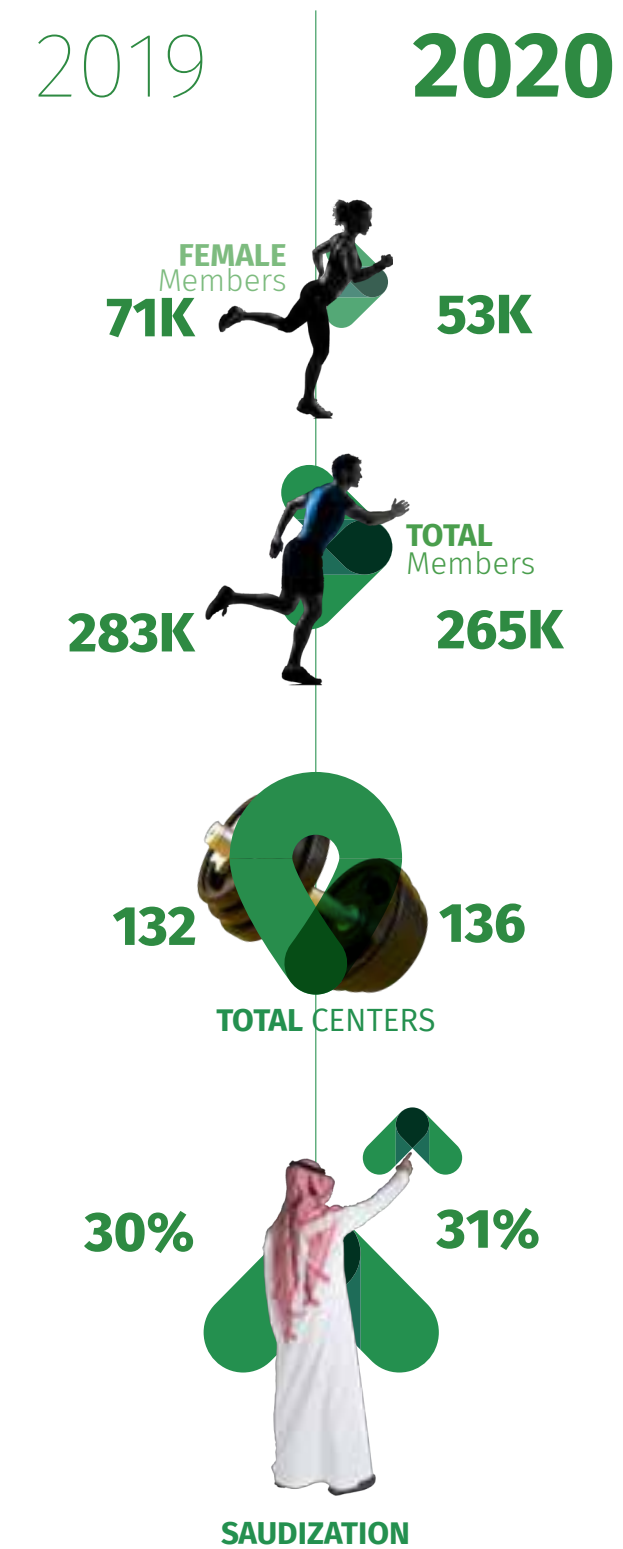


STAFF & MEMBERS OF

37
DIFFERENT
NATIONALITIES



6
CSR
Activities



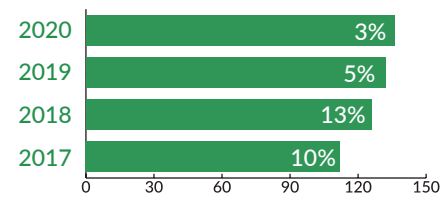


KPIs

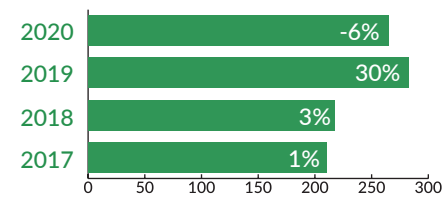
Leejam is committed to continually evaluating and improving performance. The carefully selected Key Performance Indicators, both financial and operational, are used to measure the Company's performance over time.

OPERATIONAL

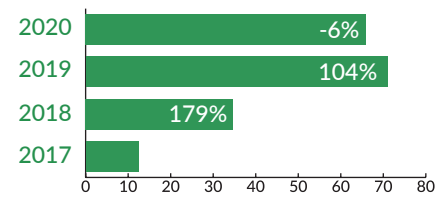
Total Number of Gyms



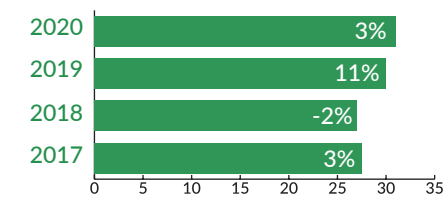
Total Number of Members



Female Members

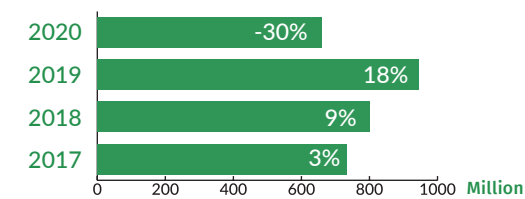


Saudization

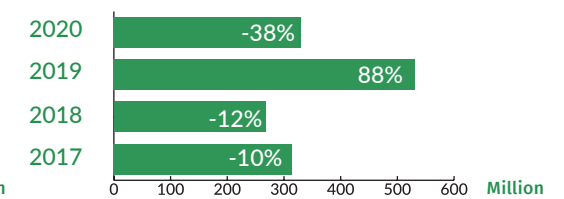


FINANCIAL

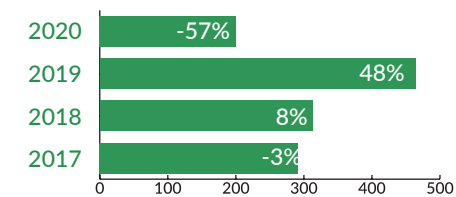
Total Revenue



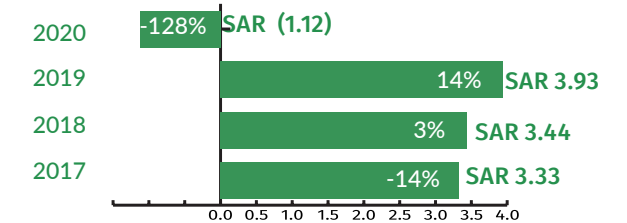
Cash Flow



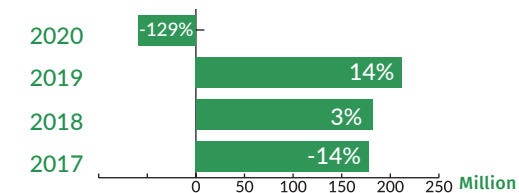
EBITDA



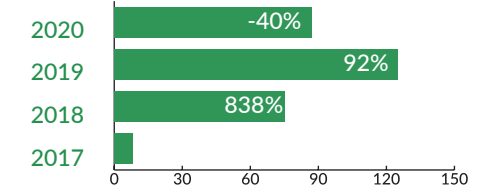
EPS



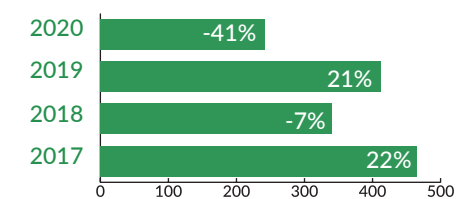
Net Income



Female Segment EBITDA



Male Segment EBITDA



Percentage figures shown above represent positive or negative growth in comparison to the previous year.

About Leejam

Referred to as the “Company” herein, Leejam was founded and established in Jeddah, Saudi Arabia, in accordance with Ministerial resolution 146/S on 29 Rabi-Al-Akher 1429, corresponding to 6 May 2008 under Commercial Registration No. 4030180323.

The Company's headquarters were relocated to Riyadh, Saudi Arabia, on 14 Jumada Al-Akhira 1433, corresponding to 6 May 2012, whereby its Commercial Registration No. changed to 1010337986. The Company listed on the Saudi Stock Exchange (Tadawul) on 30 Dhul Hijjah 1439, corresponding to 10 September 2018 with the Ticker No. 1830. As of 31st December 2020, Leejam's paid up capital amounted to SAR523.8million, consisting of 52.3million fully paid and issues shares of SAR10 each.

In 2020, the Company grew to 136 fully owned and operated fitness clubs, ending the year with approximately 265,000 members. Leejam is currently the largest operator and owner of fitness centres in the GCC region. This is complimented by its market leading position in both the male and female segments, with an ever-growing presence. Leejam's evolutionary concept, and ultra-modern facilities invite its users to enjoy a spacious, clean environment, equipped with the latest in market-leading technology, highly trained professional staff and an operating philosophy that exceeds international standards.



[2020 Highlights](#)[KPIs](#)[About us](#)[✦ Vision, Mission and Values](#)[Our Brands](#)

Our **Vision**

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

Our **Mission**

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

Our **Values**

- Customer service excellence
- Integrity
- Responsibility
- Collaboration
- Innovation

Leejam Brands

Situated in strategically selected locations to provide an accessible fitness centre to the fitness communities, all centres are equipped with the latest in state-of-the-art equipment and facilities and are complimented by the Company's diverse range of offerings, through its 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:

وقت اللياقة
FITNESSTIME

وقت اللياقة
FITNESSTIME
LADIES

وقت اللياقة
FITNESSTIME
PLUS

وقت اللياقة
FITNESSTIME
LADIES PLUS

وقت اللياقة
FITNESSTIME
PRO

وقت اللياقة
FITNESSTIME
LADIES PRO

وقت اللياقة
FITNESSTIME
XPRESS

وقت اللياقة
FITNESSTIME
LADIES XPRESS

LEADERSHIP

Leading the way forward



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Chairman's Statement

Ali Hamad Al-Saqri



➤ Getting Fit Through Challenges

It is with great pleasure that I present our Annual Report for 2020, a year of global challenges; one that we not only survived, but successfully overcame, which is testament to the strength of our business.

In light of an unprecedented global pandemic that had, and still has, a wide negative impact on the global economy and on lifestyles around the world, the year 2020 marked an unexpected turn of events that affected us all. The effects of this pandemic meant that international cooperation was required in order to face the difficult repercussions.

The collaboration and great efforts were pioneered by the leadership of our beloved Kingdom in its capacity as leaders of G20. With all its pride, our beloved Country has led this global effort with the aim of focusing all its energies to eradicate the virus and achieve the desired recovery of the economy. These efforts coincided with the enforcement of precautionary and preventive measures, whilst

simultaneously trying to stimulate the economy and support the private sector to overcome these repercussions and preserve jobs, increase gains and achievements.

Perhaps what is most satisfying and inspiring is the pride I take in knowing the pioneering role that Leejam plays in its provision of services to families across the Kingdom. It is what science has taught us, that exercise is the first line of defence against illness, and that physical fitness is the key factor in strengthening the body's immune system and in raising morale in order to enhance one's own ability to control and reduce stress, as well as fight insomnia.

This, in turn, gives us the ability to cope with viral outbreaks, whilst continuing to enjoy good physical and psychological health. Furthermore, it allows us to continue being productive at work, continue innovating and to be in a state of contentment and happiness. These facts give us tremendous momentum that



Chairman's Statement

Ali Hamad Al-Saqri (Continued)

motivate us to continue providing the highest levels of performance and services and to achieve all the aspirations and goals of our dear members, by helping to surpass all the difficulties and challenges we may face.

By divulging deeper into Leejam's vision, mission and values, we have been keen, since the establishment of the Company, to encourage people of all age groups to exercise regularly and to increase fitness levels through our modern, state-of-the-art clubs in various parts of the Kingdom, as well as in the neighbouring United Arab Emirates. Looking towards the future, with significant expansion plans in place, Leejam is focusing on strengthening its budget offering 'Fitness Time Xpress' to improve market penetration and reach places which were not previously accessible. The Company is also working to significantly improve member experience with the goal of making the centres not only the fitness club of choice, but also a venue where members can interact with one another in a friendly and welcoming environment to promote healthy living and quality of life. The motivation behind this quest for healthy living lies in our desire to support the Kingdom in the realisation of its Vision 2030. Another key focus area of Leejam is Digitalisation and providing members with a connected gym experience.

Despite our very strong position, it was inevitable that our business would be affected by the global pandemic, especially during periods of lockdown, where we were unable to operate. As such, we immediately took appropriate measures to minimise the impact. First and foremost, to protect the lives and wellbeing of staff, the implementation of virtual, remote working wherever possible was put in place, which was actually implemented before Government instruction, whilst constantly planning for a safe way to return to work. We worked relentlessly to reduce costs and secure the future of the Company, during a period where revenues were reduced to zero. Nonetheless, we have managed to come out stronger with Revenue of 659.6 million Saudi Riyals and with 265,000 members, which represents a total market share of 28%.

In conclusion, my sincere gratitude and appreciation goes out to our shareholders, members, partners and government agencies for all of their continued support during a difficult year.

More importantly, I must acknowledge the dedication, strength and resilience that all of our employees have shown. It is in tough times where people must come together, and I am immensely proud of the efforts that everyone has shown. It is because of their hard work and perseverance that we were able to overcome all challenges that were faced, for which I am extremely grateful. It is as the saying goes, "teamwork makes the dream work"

Finally, we ask Allah almighty to preserve our wise leadership, may God protect them, and to perpetuate this generous nation and bestow upon all citizens and residents security, safety, progress and prosperity.



CEO's Message

-Justin Musgrove



For all that 2020 threw at us, we came out fighting. Leejam maintained its dominant market position as the number 1 provider of fitness centres in the Region, ending the year on a high note. Even with the restrictions imposed on us in the early part of the year, we managed to open a further 9 centres by year end, launching a new brand in the process, and continuing in our evolutionary mission by agreeing new deals and partnerships.

Covid-19, a driving force

With a multitude of challenges, coupled with increasing uncertainty and anticipation of global developments, the global Covid19- pandemic has had far reaching consequences and repercussions

We have collectively pooled our efforts at Leejam to transform these negative repercussions into a driving force, that has only pushed us to be more determined in enhancing our existing offerings and continuing our path of evolution and diversification. We were confident, and remain so, of a return to normal life, coinciding with the release of a vaccine against Covid-19 being made public to both citizens and residents of Saudi Arabia.

Perseverance is the key to success

Through the continuous and ongoing support of our esteemed Board of Directors, we were able to integrate various mechanisms to see us through this difficult period, with minimal losses in real terms. Revenue for 2020 reached 659.6 Million Saudi Riyals.

These incredibly positive figures took into consideration rationalisation of costs and an overall slowdown in membership sales, attributable to the nationwide lockdown which forced the closure of all fitness centres. With all this in mind, we persevered. We applied an **"Attack is the best form of defence"** approach to maintain our competitive edge. Our extensive planning focussed on delivering our three year strategy ahead of time and how we could incentivise users to return post-lockdown. We successfully negotiated new partnerships, to take maximum advantage of diversifying our

line and maximising the benefits available through modern technology and we successfully prototyped our first smart gyms. We have continued diversifying the types of centres on offer with the launch of Fitness Time Xpress, aimed at lower budgets, supporting our vision and mission in steering society towards a healthy lifestyle and getting people to exercise daily. These developments, along with further digitalisation and the enhancement of our customer experience will lay the foundations for future growth and development.

CEO's Message

-Justin Musgrove *(Continued)*

Product Evolution

The year 2020, despite all the challenges, was the starting point for many positive achievements in terms of product and service development. We continued moving forward with our ambitious plans to expand geographically throughout the Kingdom and opening a new chain of "Xpress" centres. These are characterized by their low-cost model, 24-hour opening, minimum subscription lengths of 1 month and being digitally enabled.

Leejam opened 5 new Xpress centres in 2020 with a further 30 planned for 2021. Running in parallel, we continued to invest in the quality of our services in a comprehensive manner, through the development and modernization of our gyms, by adding the latest equipment and introducing new and innovative training programs according to the latest technologies and reliable international research. Moreover, additional partnership agreements were signed with distinguished international sports brands such as "TechnoGym" and "SquatWolf".

In addition, to enhance Leejam's customer experience, we enlisted CCC, a leading external agency to operate our call centre, to better engage with customers and improve customer relations.

Strength in Depth

By reviewing the most important performance indicators of the past year, which are detailed throughout this report, we find, as I mentioned, the clear impact of the repercussions of the pandemic in terms of activity and income, especially during the months of the total lockdown, where revenues decreased by 30% as well as gross profits by 64% compared to the previous year. Accordingly, comprehensive measures to reduce costs were applied to meet these exceptional circumstances. Nevertheless, we have been keen to enhance our capabilities in preparation for a return to normal life by completing digital transformation programs and preparing for the establishment and opening of new centres to be

added to the current centres, reaching 136 operating centres as of year-end, including 38 female centres. By the end of the year, we reached 90% of member visits compared to pre-covid numbers.

To promote our current membership numbers of 265,000, there were key incentives and attractive offers made available. We also continued in our program of Saudization to attract the best Saudi talent, both male and female, by providing them with a platform in which they were able to shine and succeed in our industry. Running concurrently, we continued to work in implementing our strategic plan taking the variables thrown at us by Covid-19 into consideration and by taking advantage of the lessons learned from these difficult circumstances. 2021, we hope, will soon show signs that the pandemic is nearing its end, so we can all continue to grow together and put the lessons of 2020 behind us.



Continuing the trend

As we look towards the future with confidence and optimism, we at Leejam do not intend to stop. Apart from wanting to open a further 40 centres in 2021, our aim is to have 150 male fitness centres and 100 female centres by 2025, of which 200 would be regular centres with 100 Xpress Centres. This would complement our aim to increase Leejam's membership numbers to 500,000 and the Kingdom's total membership numbers from the current 1.3million, to 3 million by 2030. We are also prudently maintaining healthy cash reserves in excess of 200million Saudi Riyals to meet any challenges from future interruptions to our business.

But firstly, we must build upon the foundations we have built to date. 2020 was a year of learning and adapting. We will further ourselves and continue on our path of evolution, looking at unique ways for us to grow the business in more sustainable ways, keeping our valuable shareholders and members at the forefront of all we do.

Given that every success is as a result of teamwork, positive cooperation and sharing common interests, I would like to extend my heartfelt gratitude and appreciation to all of our honourable contributors and partners; from my colleagues to Government agencies and institutions. A special mention must also go out to our Chairman and the Board of Directors for their full support and guidance offered throughout a tough year.

It is an honour and a privilege to be the CEO of Leejam and a position I am immensely proud to hold. A final mention is also needed to show my appreciation for our shareholders, who in the face of adversity, have shown their unwavering support and loyalty.



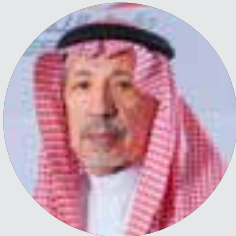
Board of Directors

01



Ali Hamad Al-Saqri
Chairman

02



Hamad Ali Al-Saqri
Vice Chairman

03



Dr. Mohammed Faraj Al-Kinani
Board Member

04



Tareq Khalid Al-Angari
Board Member

01. Ali Hamad Al-Saqri
Chairman

Committee Membership
Executive Committee,
Nominations and
Remunerations Committee

Current Positions
-Chairman of the Board of
Directors of Leejam Sports
Company.
-Managing Director & Board
Member of Hamad bin Ali Al-
Saqri Holding Company.
-Director, Huwaylan UK Ltd,
a property investment and
management Company in
the UK

Previous Positions
-Vice President at Walker
International LLC.

Qualifications
-Bachelor's degree in
International Business
Management – Seneca
University, Toronto, Canada
– 2006

02. Hamad Ali Al-Saqri
Vice Chairman

Current Positions
-Vice Chairman of the Board
of Directors and Managing
Director of Leejam Sports
Company
-Chairman of the Board of
Hamad Ali Al-Saqri Holding
Company
-Partner, Shareholder and
Chairman of the Board of
Bonam Park SA France

Previous Positions
-Chairman of the Board of
Directors of Leejam Sports
Company

Qualifications
Diploma from the Teachers
Institute - 1971

03. Dr. Mohammed Faraj Al-Kinani
Board Member

Committee Membership
Audit Committee

Current Positions
-Board Member at Leejam
Sports Company
-Co-founder and Chief
Executive Officer of V
Consortium

Previous Positions
-Dean of Business
Management Faculty at King
Fahd University

Qualifications
-Master's degree in Finance
–University of Colorado,
Denver, USA - 2001
-Doctorate in Finance –
Oklahoma State University,
USA – 2006
-Chartered Financial Analyst

Experience
A seasoned professional
with vast experience, Dr.
Mohammed oversees the
investments of the KFUPM
Endowment and sits on
the Board of Directors and
Risk, Audit and Investment
Committees in several listed
and unlisted companies.

04. Tareq Khalid Al-Angari
Board Member

Committee Membership
Executive Committee

Current Positions
-Chief Executive Officer of
Etisalat Digital
-Board Member at Leejam
Sports Company
-Board Member and Chairman
of the Audit Committee at
Tabuk Cement Company
-Country Director - IE
Business School Saudi Arabia

Previous Positions
-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

Qualifications
-Master of Business
Administration - "IE Business
School" - Yale School of
Management - 2013
-Bachelor's degree in and
Business – King Fahd
University

Experience
Mr. Al-Angari enjoys more
than 20 years of experience
in business development,
corporate startups, corporate
governance, strategic planning
and execution in
addition to his awards in
investor relations best
practices.

” The strength of the team is each individual member. The strength of each member is the team.”

— Phil Jackson



Board of Directors

05



Hisham Hussein Al-Khaldi
Board Member

06



Abdulelah Mohamed Al-Nemr
Board Member

07



Hessah Hamad Al-Saqri
Board Member

05. Hisham Hussein Al-Khaldi
Board Member

Committee Membership
Nomination and Remuneration Committee

Current Positions
-Chairman of the Nomination and Remuneration Committee and Member of the Board of Leejam Sports Company
-Chief Support Officer at Bahri Company
-Member of the Human Resource and Market Committee at Riyadh Chamber of Commerce

Previous Positions
-Director of Human Resources at Al-Shaya International Trade Company

Qualifications
-Level 7 Qualification in Human Resources from the Chartered Institute of Personnel and Development
-Level 5 Leadership Diploma from the Institute of Leadership and Management
-Bachelor's degree in Business Management – 2008

Experience
Extensive experience spanning excess 20 years in the Management Shared Services including (Human Resources, Administration, Govt Affairs, Procurement, Information Technology & Corporate Communication)

06. Abdulelah Mohamed Al-Nemr
Board Member

Committee Membership
Executive Committee

Current Positions
-Board Member at Leejam Sports Company
-Chief Operations Office at Saudi Technology Development and Investment Company TAQNIA

Previous Positions
-Corporate finance specialist
- Investment Banking
-Lending Team Leader at the Saudi Industrial Development Fund

Qualifications
-Bachelor's degree in Finance and Economics – King Fahd University of Petroleum and Minerals, Dhahran, KSA

Experience
Mr. Al-Nemr has more than 15 year of experience in Strategy and consultation in monetary investments and building partnerships in banking and investment, business & projects development, and their financing.

07. Hessah Hamad Al-Saqri
Board Member

Committee Membership
Nomination and Remuneration Committee

Current Positions
-Board Member at Leejam Sports Company
-Board Member at Bonam Park SA

Previous Positions
-President at Saudi Technology Factory for Oils
-President at Bonam Park SA

Qualifications
-Bachelor's degree om Applied Linguisitics – Prince Sultan University – 2013

Executive Management

01



Justin Musgrove
CEO

02



Mohammed Merajuddin
CFO

03



Anthony Elliott
COO

01. Justin Musgrove
Chief Executive Officer

Previous Positions
Chief Executive Officer
(Bannatyne Group)

Qualifications
Higher National Diploma –
Recreation Management

Experience
33 Years

02. Mohammed Merajuddin
Chief Financial Officer

Qualifications
Master of Commerce –
Accounting and Finance

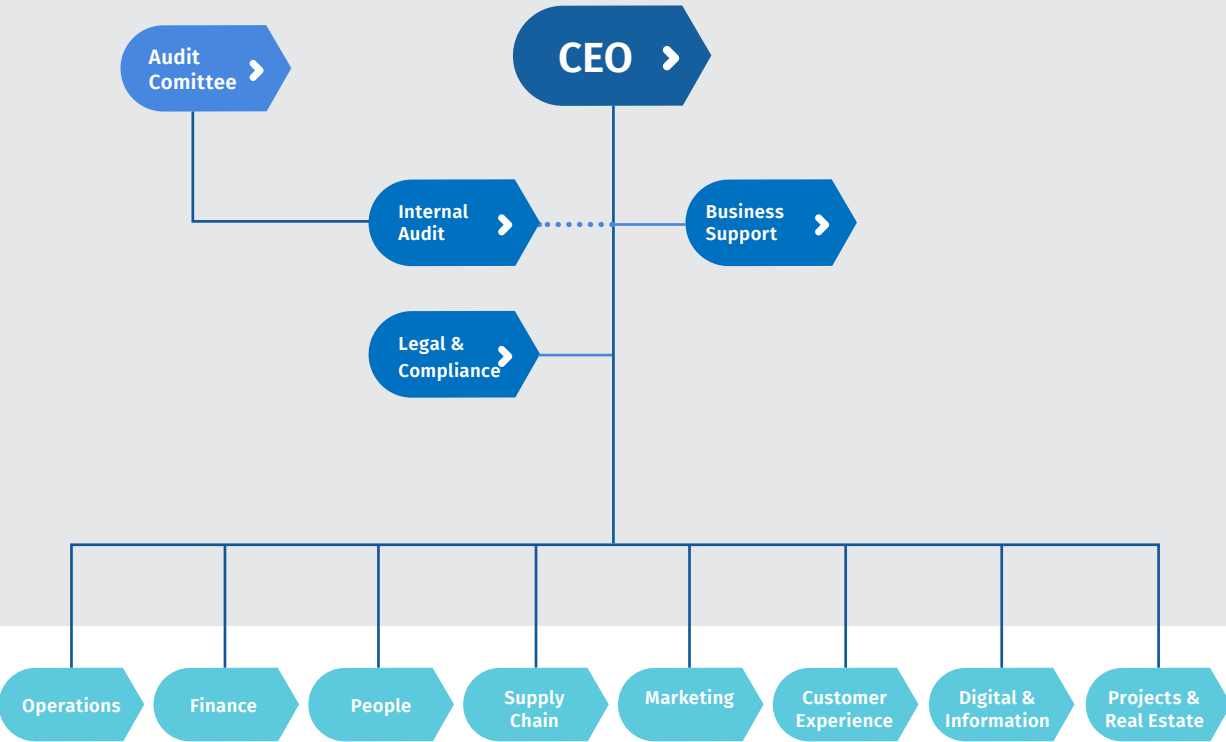
Experience
21 Years

03. Anthony Elliott
Chief Operating Officer

Previous Positions
Operations Director
(Bannatyne Group)

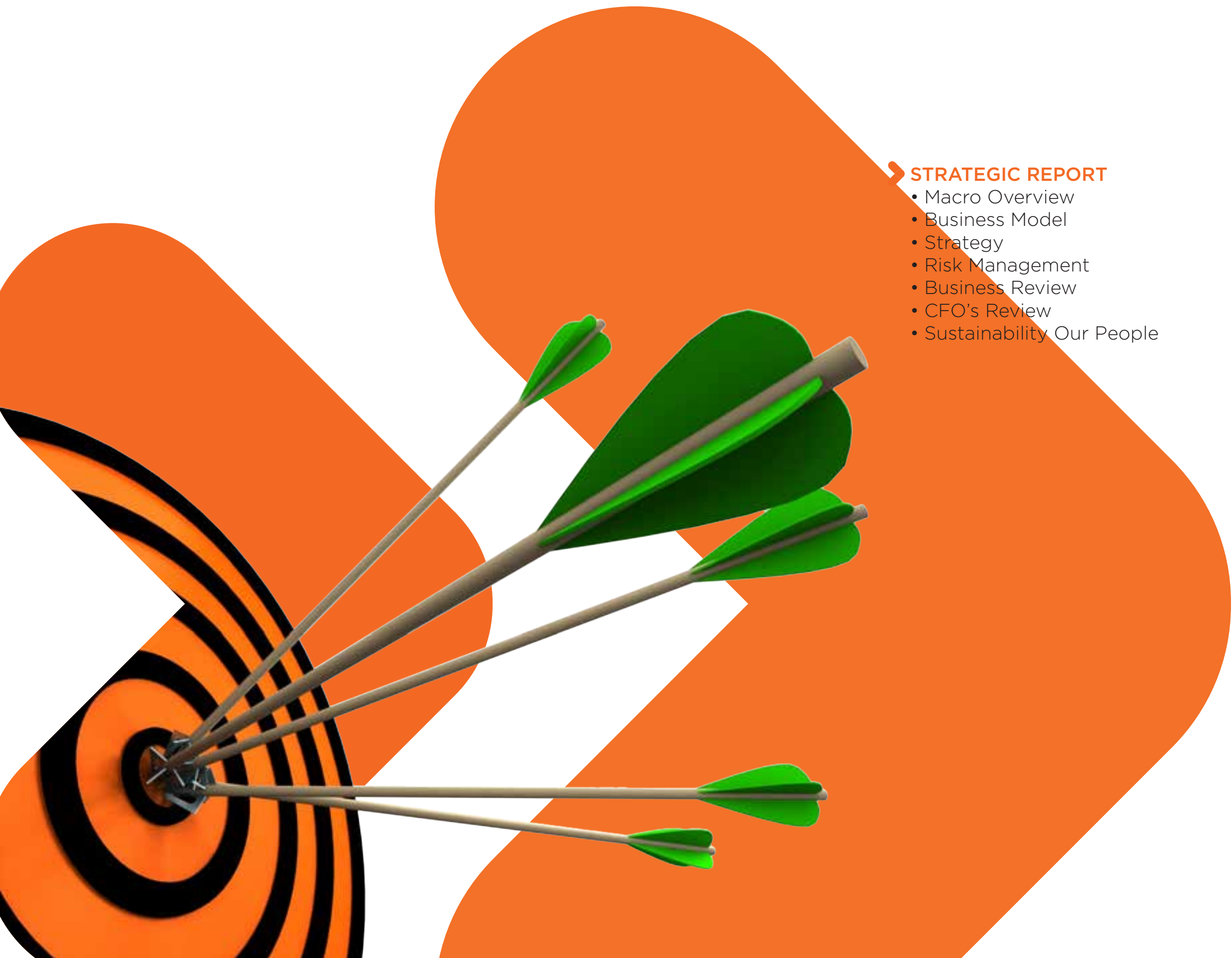
Experience
22 years

Organization Chart



“The strength of the team is each individual member. The strength of each member is the team.”
— Phil Jackson

STRATEGIC REPORT



▶ STRATEGIC REPORT

- Macro Overview
- Business Model
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Macro Overview

رؤية 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA

Market Overview and Vision 2030

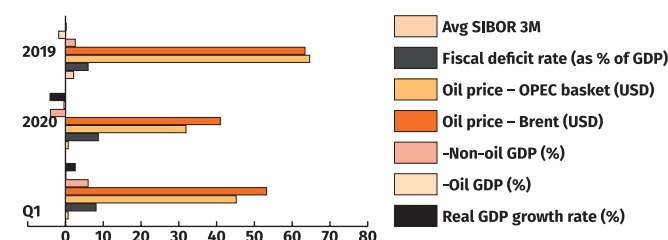
For all the difficulties faced globally in 2020, including continued volatility in oil prices, a VAT hike of 10%, but mainly due to the Covid-19 pandemic, Saudi Arabia continued in its quest towards the realization of its Vision 2030. In fact, the outbreak of Coronavirus has sent a clear message to the World that fitness and good health is an antidote and a positive way forward, which will only further accelerate the Country's realization of its Vision.



Macroeconomics Report

Operating Environment

2020 proved to be a unique year; for all the positive momentum at the start of the year, the Covid-19 pandemic impacted the Country's GDP, ending the year with a contraction of 4.1%. Looking forward, this is expected to rebound with a predicted growth of 2.6% in GDP for 2021.



Following the Coronavirus outbreak, oil recorded some of its lowest prices in a decade, continuing the volatile trend of the previous years. Demand plummeted globally, which further supported several negative indicators. With the positivity surrounding the news of the Covid-19 vaccination rollout, Brent Crude, the global oil indicator, is expected to trade at an average price of \$53.22 per barrel in 2021, up from \$41 during 2020.

The base rate of interest in Saudi was reduced by a quarter of a percentage point to 0.50% by the Saudi Central Bank, which was in line with international rate reductions. This had a positive effect and provided some respite for companies utilising credit lines, as it reduced the cost of borrowing for those looking to utilise lending facilities.

A 10% rise in VAT, increasing the rate from 5% to 15%, in Saudi Arabia meant that prices rose by 3% year-on-year. Officially the rate of inflation for 2020 was at 3.4%. As a result of the lockdown in the second quarter of the year, and as restrictions were eased moving in to the third quarter, inflation reached 5.6% in Q4 compared

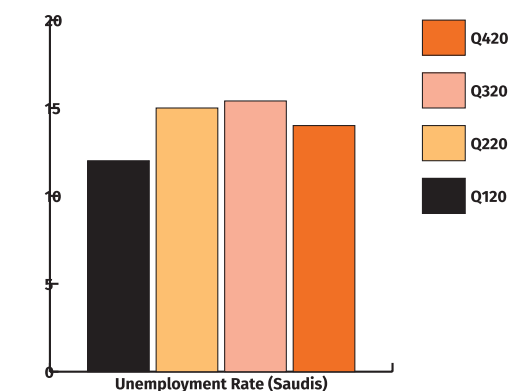
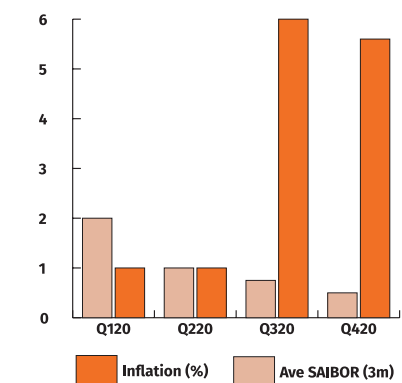
to 6% in Q3 and 1% during Q2. Prices are expected to rise further in 2021 at a rate of 2.9%, however this will be supported by a rebound in activity along with higher demand in multiple sectors, including Food, Hospitality and Transport. In addition, demand for use of Fitness Centres is also expected to continue its positive rebound and return to pre-Covid numbers. Unemployment increased overall to 13.4% by the end of 2020, mainly due to the overall economic environment throughout the year. A peak unemployment figure of 15.4% was measured in Q3 as a result of the wider outlook, however the recovery and subsequent return to relative stability in the Kingdom has started to ease the pressure and reduce unemployment, which is expected to fall further to 13.2% over the course of 2021.

The Education and Hospitality sectors saw the biggest decline over 2020, whilst in contrast, Telecommunication, Food and Beverage fared much better, showing the largest rises. This was as a direct result of the Government's implementation of strict lockdown legislation in March 2020 which halted all international travel initially, before locking Saudi Arabia down completely for an extended period of time. As domestic travel resumed once restrictive measures had eased, international travel was still on hold, further depriving the Country of a vital source of income through the influx of Religious and foreign tourists. This opened a window of opportunity for domestic tourism, however, which fared better as residents and citizens took advantage to visit and explore Saudi Arabia.

More relevant towards the sector in which Leejam operates, is the Quality of Life Program. The objective of the program is to boost the quality of living in the Kingdom of Saudi Arabia for both citizens and residents. There are four objectives to the program, of which two are sports related and these are:

- 1-Increase public participation in sports and athletic activities
- 2-Reach regional and global excellence in selected sports

*Source: SAMA and IMF



Leejam remains fully committed in its efforts to support the realization of the Country's Vision 2030 by continuing to evolve and innovate its offerings, and looking towards more sustainable product offerings and centre operations to further support and meet the Vision set out by the Government. By also ensuring the latest in modern technology, practices, value-for-money and availability of expertise, the Company is also perfectly poised to significantly support a number of the Vision Realization Programs.

Business Model

Leejam's business model looks at the ways in which the Company is able to generate value for its stakeholders, along with the resources used to achieve all strategic objectives. These are built taking consideration towards the Company's vision to be the people's favourite and most accessible wellness club, and the Company's mission to steer society towards a healthy lifestyle and encourage people to exercise daily.



The Approach

- Diligent and risk-based decision making
- Customer centricity
- Innovative and diverse range of products and services tailored to meet customer needs
- Focus on quality and efficiency



Value Proposition

- Long term lease of land and construction of state-of-the-art and technologically superior facilities
- High value membership
- Strategic locations
- Certified trainers and experts
- Brands catering to various KSA demographics
- Internationally certified training programs
- Provision of opportunities for women.



Inputs

- Finance
- Customer Service
- People
- Operational Efficiencies
- Represented Brands

Business Model (Continued)



Services and Features

- Cardio
- Strength
- Personal Training
- CrossFit Style
- High Intensity Interval Training (HIIT)
- Extreme Boxing
- Swimming



The Facilities

- Half Olympic Sized Pools
- Jacuzzi
- Sauna
- Steam
- Soccer, Basketball and Volleyball Courts
- Squash
- Lounges
- Business centres
- Showers
- Lockers
- Towels
- Slippers



Leejam's Value Creation

- Membership growth, retention and loyalty
- Sustainable returns for shareholders
- Steering society towards a healthy lifestyle
- Consistency in increasing market share.



Strategy

Leejam has carefully crafted its 3 year strategy to enable the Company to continue its upwards trajectory built on rapid growth, expansion, diversification and evolution. Every step of the Company's strategic pillars will support the Company in achieving its vision of becoming the people's favourite and most accessible wellness club. By aligning its daily activities with its strategy, the Company is determined to further create significant and sustainable value for its members, employees, shareholders and the Nation.

Strategy Pillars

➔ Unrivalled Customer Experience

To be recognized for unrivalled customer experience by exceeding expectations and providing industry leading communication channels, with a special focus on being easy to use and providing extensive access to Fitness Time Support. To provide an outstanding new member onboarding process (FT90), to maximize enjoyment and results in the club. To be proactive in listening to members through frequent customer satisfaction surveys. To instil in staff members a culture of customer focus through thorough and extensive recruitment practices, training, e-learning and regular testing and assessment. Iligent and risk-based decision making

➔ Class Leading Technology

To be a digital leader; The Neom of the Fitness sector. To deliver a "Best in Class" consumer App that enhances the Company's relationship with members and prospects and is enabled for all wearable integrations. To adopt "Smart Gym" through a connected experience for members providing a cashless and convenient environment. To complete the integration of automated business processes through Oracle and all other connected systems. To move to a cloud based office system, creating efficiency and collaboration. To create a unique Employee app that improves communication, supports training and provides a hub for all useful information. To be a leader in ESG through adoption of sustainable and renewable energy sources.

➔ Focusing on People

To become the Employer of choice through reputation and inspirational leadership. To provide clear, effective structures, rewarding hard work through shared success and creating a dynamic, positive, motivational working culture. To attract the best, retain the best and to grow from within through career development, succession planning and caring staff facilities. To develop a Leejam Academy to provide the best training and development for employees. To create a strong communication led culture with team building and goal achievement at its core by harnessing staff sentiment to the brand through organized and measured listening exercises. To become the 'Employer of Choice' that offers a positive and motivated working culture.

➔ Growth

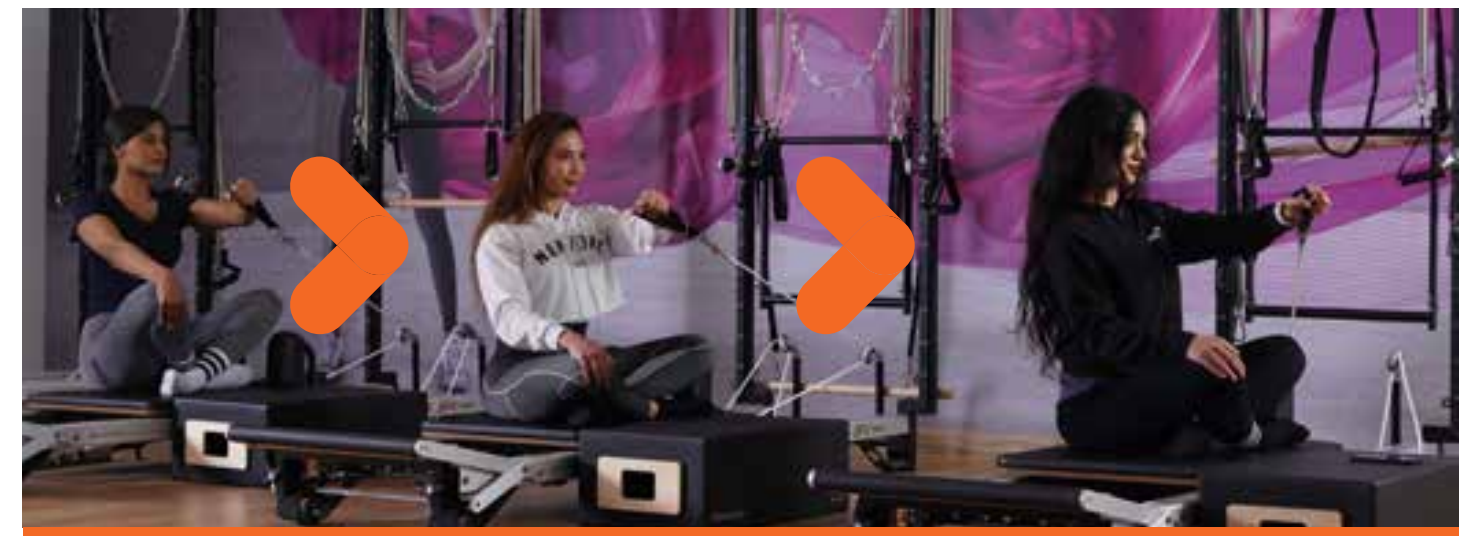
To increase the rate of expansion of fitness centres through

- Traditional new clubs
- Corporate Wellness partnerships
- Small Gym concepts for males and females.

To balance expansion with maintaining brand quality/investment/operational excellence. To diversify and develop additional, secondary income lines e.g. Spa, Coffee, Retail, Protein, online such as Online Nutrition and Squat Wolf. To analyse pricing policies to ensure no loss-making clubs and to maximize on income opportunities. To increase average club membership to 2,500 and to achieve 500k members by 2023. To use research and logic to ensure land acquisition targets have the highest prospects of success. To blend the Company's business focus on sales and adding considerable focus on retention.

➔ Quality

To build systems that guarantee a high degree of quality standards throughout the business (Total Quality Management). To introduce quality control measures audited by third parties, including mystery shop, NPS; which are linked to Company management development and rewards. To continually innovate with the latest Sports Equipment, trend setting group exercise, indoor cycling and HIIT Studios to strengthen Leejam's position as the market leader. To partner with winning brands that add kudos and value to all members. To preserve Leejam's exemplary reputation for having the highest hygiene standards. To provide the Company's operation with cutting edge data analytics in order to make sophisticated decisions that benefit both members and the business.



Strategy Framework

For Leejam to achieve on its strategic objectives, a clear and concise framework is required outlining the way in which the Company plans to execute its strategy and achieve its goals.



To lead by example

- Portray the core values of Leejam in all Company activities starting with leadership and cascaded down to the entire organization.
- Coaching theme must be embraced for direct reports and mentoring the great talents in all teams to create a pool of outperformer.
- Conduct a well-planned meetings internally, scheduled one-on-one and team meetings regularly.
- Project the right image for the Company throughout the Company and centres. Leadership image will reflect on Company's image.



To manage business performance

- Ensure all Financial KPIs are cascaded and distributed to departmental teams. Monitor approved KPIs on a monthly basis and immediate action plan for any deviation is required.
- Ensure all other KPIs (customers, regulatory, processes) are also cascaded down to all teams.
- As for Strategic projects and expansions, stakeholders must be accountable and responsible for execution within their allocated timeframes.



To ensure structure and process

- Driving improvement and enhancements across the organization. Without limitations, to set the strategy but continually scan the market locally and internationally, to adopt what is beneficial for future growth.
- Focus on evolution, diversification, innovation and digitalisation.

Risk Management

Leejam strives to ensure that its stakeholders, its reputation and the value of its assets are protected through effective risk assessment, identification and mitigation. The Company is committed to continually developing a risk management culture through its Risk Management Policy, framework and continual team development.



Risk Management Policy

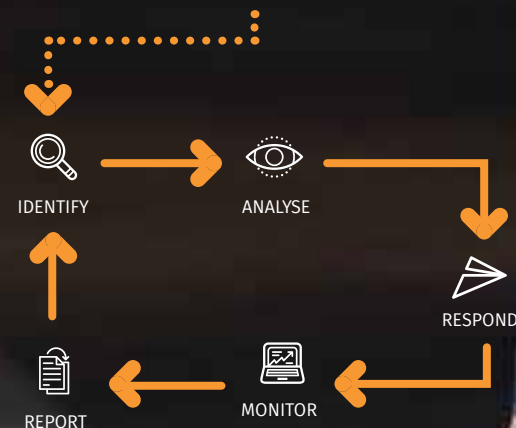
The Company's risk management policy is to identify, assess, analyse and respond appropriately to all risks based on priority level defined by likelihood and impact. The risk management process is continuous and aligns with the Company's strategy, business objectives and operational goals. The Company has a system of policies, procedures and integrated operations through which risks are continuously identified, reported and managed in an organised, proactive and coordinated manner.



Risk Management Process

The Company's risk management policy is to identify, assess, analyse and respond appropriately to all risks based on priority level defined by likelihood and impact. The risk management process is continuous and aligns with the Company's strategy, business objectives and operational goals.

The Company has a system of policies, procedures and integrated operations through which risks are continuously identified, reported and managed in an organised, proactive and coordinated manner.



Risk Management and Controls

The Company, therefore, streamlines 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.



Risk Management Framework



Risk Management

Strategic Risk

Strategic Risks are those that failed business decisions pose to a Company.

By continuing to diversify its customer base, the Company has negated this risk by continually adding new customers, both locally and internationally in different segments, thus eliminating concentration and spreading the Company's revenue income across a larger pool.

New competitors in the market and a change in the partnerships of existing competitors may affect The Company's market share. Failure to provide members with high quality products and services. To mitigate such risks, the Company maintains price discipline and leadership and maintains focus on choosing the best sites in a given geographical area. Leejam continues to invest in the member proposition and monitor utilisation and member satisfaction scores. Ongoing review of equipment usage is carried out to ensure timely replacements and the Company continuously explores further innovations to improve the member experience.

Financial Risk

1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit risk arises principally from Company's receivables and balances with banks.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company limits its liquidity risk by monitoring its funding requirements and ensuring that bank facilities are available.

In relation to liquidity risk and going concern assessment of the Company, the management has developed comprehensive monthly cash flow projections ensuring the existence of sufficient funds in order to meet the Company's obligations for a period of at-least next twelve months from the reporting date.

3 Currency Risk

The fluctuation of the financial value of the assets and financial liabilities due to the change in the foreign exchange rates.

Currency risk is mitigated by ensuring all the material transactions of the Company are made in either Saudi Arabian Riyals or in US Dollars.

The Company also always agrees in advance on a fixed exchange rate with suppliers for all goods, equipment or material which are purchased from abroad, prior to import, mainly carried out in US Dollars, owing to the Saudi Arabian Riyal being pegged to the US Dollar, which negates this risk.

Operational Risk

The failure to maintain adequate security and safety environment as well as regulatory non-compliance causing interruptions in business.

Leejam mitigates operational risk through maintaining appropriate security equipment and tracking systems at club level, as well as through training and development of staff and carrying out regular audit checks.

To minimise the risk of non-compliance with regulatory bodies, the Company ensures oversight of management on regulatory compliances and seeks appropriate legal and expert advice for complex matters. This is complemented by the recruitment of suitably qualified staff and the provision of their continuous professional development through training.

To ensure minimal interruption to service, the Company has prepared a fully qualified maintenance department that employ highly skilled and specialized technicians in addition to stocking of critical spare parts for the production lines to ensure minimal disruption and downtime in the event of a breakdown.

Information Technology Risk

The threat to a Company's business data, critical systems and business processes, and the lack of a Company's IT performance/

The ability to enrol members, carry out online marketing activity, process payments and control gym access is dependent on the performance of our IT systems. The IT risks are mitigated by ensuring primary IT infrastructure is fully managed by specialist IT companies with best practice architecture and support. Backing up all membership and business information, ensuring all sensitive information is encrypted and ensuring a robust disaster recovery and business continuity plans is also essential in minimising the risk to Leejam.

People Risk

The risk that staff either leave or that they do not follow Company procedure or practices.

The Company mitigates this risk through various initiatives to be the employer of choice in its sector, by implementing individual personal development programs and by ensuring the highest level of ongoing training, as well as utilising a full and clear succession planning process.

Insurance Risk

The risk of an outcome that an insurance Company has agreed to insure against in the policy wordings, which has the potential to cause financial loss, property damage or bodily harm were it to occur.

To ensure there is no risk to the Company, its property or any of its stakeholders, the Company continuously reviews and updates its insurance policies and ensures the adequacy of these policies for their requirements.



Risk Management *(Continued)*

Covid-19 and its Impact

Due to the significant risks posed by the Covid-19 pandemic, the Company sought very early on to negate these by implementing a number of practices both prior to and post Government initiated lockdown measures. 2 weeks prior to the nationwide lockdown being enforced, working from home was encouraged to control the spread of the virus in the workplace. In the interim, a corporate communication program was put in place to raise awareness, which had an incredibly positive effect as it increased productivity amongst employees.

Of course, the ensuing lockdown meant the complete shutdown of all fitness centres. During this period, the Company collaborated with the relevant authorities and Government agencies to draft the protocols and requirements which would allow the reopening of centres. As a result, the Company was first to reopen its doors in Saudi Arabia, within hours of the Ministry of Sports announcement that gyms and fitness centres could do so. In line with all regulations, the highest levels of sanitisation and hygiene were implemented across all the Company's facilities, including staff accommodation, to safeguard all employees, users and visitors, and these practices continue to be in use.

Forward Looking >>>

The Company has what it calls a Senior Steering Committee SSC, led by the CEO. This committee meets regularly to ensure that all departments are aligned and committed to achieving the Company's strategy, ensuring that all issues are dealt with immediately.

As a result of the crisis and what happened in the market, lessons were learned which are being used in formulating the plan for the coming 2 years, in line with the Company strategy. This can be summarised by the need to have a presence across the Country, for the masses, as result of the speed at which the competition is coming. The Company sees that it is critical to be ahead of the competition and to lead the change in the industry, rather than wait for the competition to catch up; to change the landscape before it is changed by others. And the luxury that Leejam has in this regard, and the ability to maintain its market leading position, is the brand recognition because of its established presence.

Business Review

2020 was a year of significant development in the business. Leejam was able to continue its trend of evolution and diversification, whilst overcoming the obstacle of the global Covid-19 pandemic.

A time to reflect

As the effects of the pandemic took effect, the Company used the time to push forward and enhance its strategy. Delays were inevitable in lower priority or cash hungry elements, but Leejam marched on in spirited fashion. The negative impact was turned into a positive, as it ensured the Company was able to lay the foundations to take off once business operations were able to resume, with the strategy now geared towards making sure Fitness Time was available to a wider audience.

Strong ratios

Even with a total lockdown over a 3-month period, Leejam managed to open a further 5 clubs over the course of 2020, and convert an additional 7. And this was just the beginning, with operations ramping up with a clear and concise vision to open a further 40 centres in 2021. From a financial standpoint, ratios improved significantly; Current Ratio at the end of the year sat at 1.0, whilst the quick ratio increased to 0.9. In a move the Company deemed essential to keeping in line with its strategic drivers, Leejam worked towards improving its healthy financial position by maintaining its outstanding credit positions and holding on to its key ratios.

Communication

The change in market outlook paved the way for opportunity and further evolution. The first key element was digitalisation, to streamline communication. The Company invested in a customer service application to

drastically improve customer relationships, as one of the key issues identified was how to communicate effectively with customers, along with how to ensure staff were aligned with one another in that communication. It was apparent that customers were taking to social media platforms to pass comment, and it was felt that this needed to be addressed. The positive effects of this investment are likely to be felt from 2021 onwards.

The Company identified weakness in its communication with members, particularly on inbound feedback. As a result, Leejam outsourced its call centre as a first step to dealing with feedback and complaints more reliably, encouraging members to raise issues directly with club staff or over the phone, rather than commenting online on various social media platforms. The Company takes feedback very seriously; receptionists have KPIs and are evaluated based upon feedback they obtain from customers and how they deal with it. Finally, the Company introduced Microsoft Dynamics, a CRM system to modernise its approach to customer management and data.

Staff were encouraged to work from home and fully utilise the online tools available. The Company were prepared for this from the start of the year, with various tools and platforms having previously been created. There were frequent, periodic online meetings and announcements, with committees established to ensure staff satisfaction and wellbeing during the lockdown period. As the situation continues to improve, although staff are back in the office, the Company continues to utilise online tools in order to fully adhere to social distancing regulations and ensure the safety of all employees.



Dedicated Female Centres
38



2020 Statistics

Paid PT Sessions	PT Members
350,116	29,176
Total Number of Classes	Total Number of Attendees
149,349	1,835,057

Business Review (Continued)

Facilities

The Company has always employed a highly trained and specially skilled facilities management team. Hygiene was always a key priority for Leejam in all facilities. With the outbreak of Covid-19, and with a capable team of cleaners available, all that was required was a review of standard operating procedures. In essence, cleaning teams were instructed to not only clean, but to also use an array of sanitizing products.

Key Developments

Leejam was able to launch a new brand towards the end of 2020, Xpress, with the opening of 5 branches before year end. Xpress is a digitally enabled brand, with 24-hour access, fitted out with the usual high specification, state-of-the-art equipment associated with the Fitness Time brands and designed to meet the modern gym member's needs. These centres are conveniently located with a low-cost operating model, meaning a lower membership fee. The launch of this was to make gym memberships more accessible to the wider public, to further help the Country in the realization of its Vision 2030.

2020 also saw Leejam sign an exclusive, \$50million contract with Technogym, a leading, global brand in fitness and wellness products, services and digital technologies, who have supplied the previous 7 Olympic games. This agreement was put in place to further enhance the offerings of the Company for the next 5 years, which will also see Technogym carry out all servicing and maintenance to its equipment to increase reliability and the lifespan of machines. This agreement will also allow Leejam to rationalise maintenance costs.

In line with the Company's efforts to diversify its offerings, a partnership agreement was signed in November with Alpha Ecommerce FZ LLC, the parent Company of the sports apparel line Squat Wolf. Originating from the GCC, Squat Wolf is a brand-new sports label offering high quality products with

fashionable designs, using high performance custom fabric with cutting edge design technology to engineer gym gear. From fabric, to printing, to colour, Squat Wolf has ensured that everything has been designed with the modern athlete in mind. This strategic partnership will also provide Fitness Time staff with co-branded uniforms, replacing the current Adidas line. Leejam will also promote the apparel in retail concessions in clubs, as well as online and both companies will carry out promotional activities in tandem at various locations.

Where previously, the only method of paying for membership was to pay a fee upfront for a pre-defined period of time, 2020 also saw the Company allow for the first time a payment program, giving holders of certain credit cards the opportunity to pay for membership in 0% instalments.

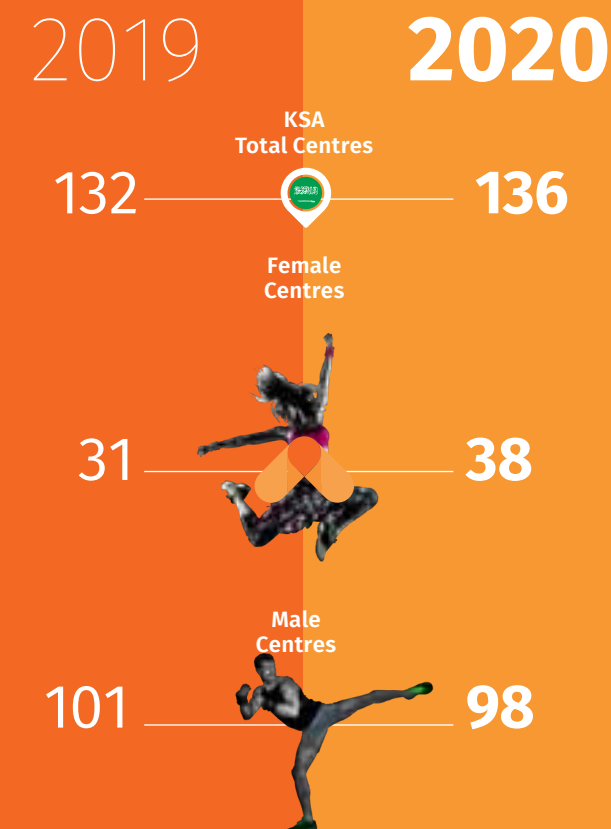
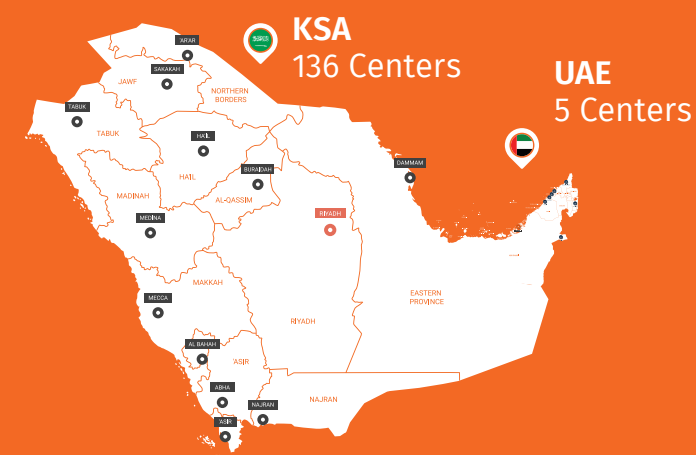
Prospects for 2021

With the diversification having already commenced in 2020 through the Company's partnership with Squat Wolf, Leejam is looking to expand into new, additional business streams. Some of the avenues being explored include, but are not limited to, spas, retailing, physiotherapy, food and beverage. The Company also aims to launch FT90 (Fitness Time in 90 days), in the second quarter of 2021. This will give members the opportunity to establish clear onboarding with a fitness program for 90 days and is seen as a complimentary offering to personal training rather than replacing it. In addition, Leejam is also looking to continue its aggressive expansion plan in line with its strategy, with the opening of a further 40 centres in 2021.



Locations

- Macro Overview
- Business Model
- Strategy
- Risk Management
- ➔ Business Review
- CFO's Review
- Sustainability



Amenities

Targeted at age	Males 25 yrs+	Males 16 yrs+	Males 16 yrs+	Males 16 yrs+	Females 25 yrs+	Females 16 yrs+	Females 16 yrs+	Females 16 yrs+
<div> </div>								
Facilities								
Cardio	✓	✓	✓	✓	✓	✓	✓	✓
Strength	✓	✓	✓	✓	✓	✓	✓	✓
Swimming pool	✓	✓	✓	-	✓	✓	✓	-
Jacuzzi, sauna, steam	✓	✓	✓	-	✓	✓	✓	-
Court	✓	✓	✓	-	✓	✓	✓	-
Squash	✓	✓	-	-	✓	✓	-	-
Towels, slippers, etc.	✓	✓	-	-	✓	-	-	-
Business centre	✓		-	-	✓		-	-
Lounge and other amenities	✓	✓	-	-	✓	✓	-	-

CFO's Review

-Mohammed Merajuddin

Holding Strong in the Face of Adversity

2020 proved to be a year of challenges, which tested our resolve and strength in depth. A total shutdown period of a little over 3 months meant we went back to the drawing board and implemented our rigorous business continuity plan, including stringent cost cutting measures, ensuring the financial impact of the Covid19-pandemic was minimised.

Because of the global Covid-19 pandemic, the figures for 2020 were down from the previous year. Even with a total shutdown of all centres for a little over 3 months, total revenue was down 30% to SAR 660 million from the SAR 945 million in 2019. Gross profit was also down for the year, with Leejam ending 2020 with SAR 129 million, a reduction of 64%. These are both as a result of the total shutdown of our revenue streams. The effects were elongated because of user sentiment both

before and after the lockdown, and it took a while for our members to be comfortable returning to a gym. There was a decrease in membership income of SAR 264 million owing to the shutdown, a decrease in personal training income by SAR 18 million due to the suspension of all activities and the directives to reduce availability of sessions post lockdown in line with Government directives, along with a decrease in rental income of SAR 3.4 million due to the termination of rental contracts and the provision of rent concessions to lessees during the year.

However, with the overall lower results from the previous year came some incredibly positive news which we can all be proud of, and which will give us a platform to build upon for 2021. In line with ensuring the financial strength of Leejam, we have built up cash reserves of SAR 200 million, as

per the guidance of our Board of Directors, who gave us their unwavering support throughout this tough period. We managed to significantly reduce costs, whilst increasing our standings in terms of the number of fitness centres. We were the first gym to open, within 12 hours of the Government announcement, and we ensured the highest hygiene levels across all of our facilities. This meant our members felt safe and comfortable returning, which is evident in footfall towards the end of 2020, which reached 90% of pre-covid attendance. In addition, we signed agreements with Technogym and Squatwolf that will see our product offering evolve and diversify further in the coming years.



Looking towards 2021, we see this as a year of recovery. As the Country continues to lead the way in vaccinating the population and fighting this virus, we will push to ensure that our members have a safe, clean and hygienic environment where they can feel comfortable returning to, and are confident that our figures will reflect this come year end.

CFO's Review

-Mohammed Merajuddin (Continued)

Summary of assets, liabilities and business results

Summary of statement of income (SAR)

Description	2016	2017	2018	2019	2020
Revenues	700,884,583	732,878,928	799,946,833	944,933,381	659,629,095
Revenue costs	391,944,246	454,479,095	494,612,578	584,738,941	530,825,619
Gross profit	308,940,337	278,399,833	305,334,255	360,194,440	128,803,476
Net profit	203,129,710	174,198,884	180,092,445	205,920,845	-58,723,592

Summary of balance sheet (SAR)

Description	2016	2017	2018	2019	2020
Current assets	200,970,282	198,663,780	170,239,232	137,269,291	325,206,571
Non-current assets	1,155,416,802	1,306,270,825	1,438,482,775	2,379,030,047	2,242,110,666
Total assets	1,356,387,084	1,504,934,605	1,608,722,007	2,516,299,338	2,567,317,237
Current liabilities	411,440,976	432,781,330	430,412,542	574,294,408	664,162,755
Non-current liabilities	421,181,549	443,210,072	464,641,015	1,220,230,834	1,238,670,418
Total liabilities	832,622,525	875,991,402	895,053,557	1,794,525,242	1,902,833,173

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

Description	2016	2017	2018	2019	2020
Headquarters and Central Province	380,542,778	371,062,299	395,494,485	461,880,348	311,265,095
Western Province	210,289,952	250,513,964	260,360,842	312,303,000	239,413,000
Eastern Province	100,113,373	97,656,413	126,560,486	151,962,131	95,590,000
United Arab Emirates	9,938,480	13,646,252	17,531,020	18,787,902	13,361,000
Total revenues	700,884,583	732,878,928	799,946,833	944,933,381	659,629,095

Loans

Long Term (SAR)

Lender name	Principal amount	Loan term	Repaid amount within the year	Remaining Amount	Total debt of Company and its subsidiaries
National Commercial Bank	34,418,822	5 Years	18,689,994	15,728,828	487,586,916
Banque Saudi Fransi	276,562,500	5 Years	41,562,500	235,000,000	
Saudi British Bank	271,242,166	5 Years	59,384,078	211,858,088	
Bank AlJazira	25,000,000	5 Years	-	25,000,000	

Subsidiaries

Subsidiary name	Capital	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

Details of shares and debt instruments of each subsidiary

Subsidiary name	Incorporation country	Direct stake (%)	Indirect stake (%)	Remaining ownership stake
Fitness Time Trading	Kingdom of Saudi Arabia	95%	-	5%

Sustainability

A Stepping Stone towards ESG

Leejam is fully committed in ensuring that value is added to its stakeholders through positive business performance, whilst being controlled and managed through its governance policy. The Company also ensures that its method of conducting business is aligned with Saudi Arabia's Vision 2030, whereby environmental considerations and sustainability must be taken in the workplace.

ESG Approach

The Company promotes environmental awareness throughout the centres with its members. These responsibilities towards building a Sustainability Policy in the Company acts as a stepping stone towards Leejam's commitment to environmental, social and governance (ESG) practices. With its employees, stakeholders and the wider public in mind, the Company always considers the working environment in which it operates, as ensuring the health and wellbeing of society is one of the key pillars the Company focuses on.

ESG Management

Whilst the Company has always taken ESG matters into consideration during their decision making, including in the evaluation of risks and opportunities, Leejam must continue to strive to adhere to the evolving standards expected of a Company in their industry. Consistency is key, as is taking new initiatives in addressing the most relevant issues of concern to all stakeholders. Once a rhythm is found, Leejam must work on its communication methods that management use with regards to its

approach, targets, performance and progress surrounding material ESG issues.

Leejam will continue to focus on the main items that are important to its senior management team in uplifting the Company's sustainability standards, that lead towards a more structured ESG policy.

Managing Our Environmental Impacts

As part of the Company's commitment towards aligning with Saudi Arabia's Vision 2030, with reference to a more developed, sustained environment, Leejam aims to reduce the environmental impact from its operational activities, that in turn leads to protecting the planet for the future by also reducing its carbon footprint.

Another way of showing their commitment is through spreading recyclable waste bins across all centres, with the aim of creating the awareness to members and employees of the importance of recycling to the environment.

Responsible Customer Relations

Safeguarding customer interests is of paramount importance to the Company, as is ensuring customer satisfaction. Leejam's commitment is to professionalism, and constantly looking at ways to increase and improve the customer journey. An external call centre is in operation, where customers are able to discuss and report any feedback they feel necessary. The aim is for customers to have the opportunity to speak with a human, rather than with a screen. As such, receptionists also have targets and key performance indicators with regards to dealing with complaints.

The Company has a dedicated quality of service team, responsible for developing the quality of the services provided. The working environment at Leejam encourages all staff to promote customer centricity and experience.

Talent Development

'Focusing on people' is one of the key pillars of Leejam's new strategy. The Company's aim is to become an employer of choice in the industry through visionary leadership and a strong employer brand. By providing clear, effective structures, rewarding hard work through shared success, and creating a dynamic, positive, motivational working culture, Leejam will attract and retain the best talent in the market.

Leejam are committed to developing and promoting talent throughout their careers, through effective continuous professional development programmes and clear succession planning.

Health and Safety First

Leejam takes its responsibility for the health and safety of all staff, members, visitors and contractors extremely seriously. 2020, was a true test to that. With the Covid-19 pandemic and all the initiatives set forth by the government, the Company was a pioneering leader in adhering to the initiatives. Leejam operated taking into consideration the health and safety of staff and members.

- Working from home for nonessential employees.
- Spreading health and safety awareness throughout its centres.
- Equipping the centres with needed material such as masks and sanitizers as well as providing enough staff to sanitize equipment after every use.
- Providing signs and reminders to members of the importance of social distancing.
- Ensuring all staff are trained to service members and provide whatever assistance that stakeholders may require.

Ongoing communication and support around the health and safety policy will continue to ensure the messages are clearly understood and consistently applied by all members of the team.

Compensation and Benefits

As stated above, the high performers must be distinguished from the rest and that is taken into considering in the Company's compensation policy.

Leejam encourages performance, professionalism and teamwork without boundaries; these are elements that go into the Company's variable compensation rather than the fixed compensation, as they vary based on performance and are translated into yearend performance bonuses.

The Company had planned to further develop the salary scale however due to the crisis this has postponed to mid-2021. Leejam also employs an equal pay act, with equal opportunities for both Men and Women. Salary levels are equal for both, with no gender-based discrimination.

Corporate Governance

Note: This section provides a brief overview of the Company's corporate governance practices. For further detail, see the 'Corporate Governance' chapter of this Annual Report (pages 70-121).

Company performance and productivity can be monitored and controlled through effective Corporate Governance. Leejam aims to ensure best practice in corporate governance, and have reliable policies and procedures in place that reflect this commitment.

The Corporate Governance Framework consists of 3 Board committees – the Executive Committee, Nomination and Remuneration Committee, and Audit Committee. All these committees are managed through a proper governance policy that ensures each member of the committee knows their responsibility and the committees follow a well-governed charter.

Sustainability (Continued)

Managing Risk

Ensuring business continuity and minimising disruption requires risk to be identified ahead of time. Business continuity plans are put in place to minimise disruption, if any. Leejam has specific policies and procedures in place, with risk registers that identify and analyse the relevant risks as required.

The Company has witnessed these risks during the current year with the Covid-19 pandemic. However, due to Leejam's strong business continuity plan, the Company managed to ensure spreading awareness and educating its employees and customers on the importance of the safety measurements and social distancing while conducting business.

The Company also managed many of its clients' orders through digital channels, which was established due to the covid-19 environment. Leejam will always remain risk averse to ensure they are providing the best for the Company and its stakeholders.

Integrity

The Company's Code of Conduct policy, applicable to the whole Company, is something Leejam takes great pride in. These include all the rules and regulations that all staff must follow to ensure integrity and transparency is adhered to across all departments of the Company.

The Human resource department ensures that all employees are up to date with any changes in the policy and give training as and when required.

Engagement

Promoting harmony and ensuring professionalism at all time is something Leejam strives for, whilst all the time working towards retaining its highly talented and skilled workforce.

The Company has given deserved recognition to employees who follow their values, in order to nurture engagement between the diverse core of employees. Leejam operates an open-door policy and encourages open communication and dialogue. All voices are heard, even putting the negative before the positive, to ensure fairness amongst employees at all levels.

During the year, Leejam introduced a range of enhancements and initiatives to support and engage team members across the Company.

The Human Resources department always encourage open communication, feedback, ideas and discussion on any matter of importance to all employees. This channel includes a clear process to escalate and resolve issues, as well as a Whistle-blower Policy to uphold confidentiality.

As part of our transformation journey to improve the satisfaction and quality of life, new head office working hours were introduced in both Saudi Arabia and the UAE to offer more flexibility to team members.

A diverse and Growing team

2,667 Full-time team members
(KSA & UAE)

37 Nationalities

579 Female (22%)

885 Outsourced team members

High Green Nitaqat

Social Responsibility



1. Your home is your gym

Initiative created in collaboration with SABB to show staff how to work out at home

2. Initiative with the Saudi Ministry of Sport

the first race on a treadmill in your home

3. KSA special needs weight games training at Fitness time

in collaboration with the Ministry of Sports and the Saudi Olympic Committee

4. The Saudi National football team train at Fitness Time

5. Fitness Time check for diabetes

for 550 of its members who wanted to participate during international diabetes day, in collaboration with Petka Clinic

6. Commemoration by Fitness Time for the Ministry of Health, with an initiative to honour the first health cluster in Riyadh.

GOVERNANCE



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 honourable 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 Companies Law of Saudi Arabia and associated ministerial directives of the Ministry of Commerce
- The Regulations of the Capital Market Authority (CMA) and of The Saudi Stock Exchange (Tadawul)
- Leejam's Bylaws

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.

Rights of Shareholders and the General Assembly

Leejam's Bylaws and Corporate Governance Manual ensure that shareholders enjoy all rights related to their shares; in particular; the right to receive a share of approved dividend payments; the right to receive a share of the Company's assets upon liquidation; the right to attend General Assembly Meetings and; participate in its deliberations and voting on its agenda, the right to dispose of shares, the right to oversee the work of the Board of Directors and file responsibility litigation against Board Members, and the right to inquire and request information that does not compromise the interests of the Company and does not conflict with the terms and executive regulations of the CMA. Leejam's shareholders have maximum participation at General Assembly Meetings and Leejam is keen to ensure that the choice of time and venue enables full participation. The Company has adopted an electronic voting system to make it easier for shareholders to exercise their right of voting if they are unable to attend in person. Leejam's Bylaws and Corporate Governance Rules also contain provisions related to the General Assembly, including procedures and precautions necessary to ensure that all shareholders are exercising their regular rights.

The General Assembly is the highest power in the Company, with sole authorities including: the appointment and termination of Board Members; approval of the Consolidated Financial Statements; appointment of the Audit Committee and the external auditor and determination of his fees; approval of the Charter for the Audit Committee including its procedures, duties and rules for selecting its members, the means of their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the Committee becomes vacant, approval of the Charter for the Remuneration and Nomination Committee including its procedure, duties and rules for selecting its members; the term of their membership and their remunerations, approval of dividend distribution as recommended by the Board of Directors; increase or decrease of the capital of the Company and; amendment of the Bylaws.

Leejam provides sufficient access for its shareholders to read the minutes of the General Assembly Meeting and provides the CMA with a copy of the minutes within 10 days of the meeting. Shareholder concerns are elevated through the appropriate channels to the Board of Directors for consideration and action. If necessary, these concerns would be raised to the Board Secretary. Any material concerns that could potentially impact the Company or its financial position will be communicated to the Board of Directors.

Corporate Governance (Continued)

Shareholders General Assembly Meetings During 2020:

The Board of Director Invited the Company's Shareholders to Attend the Extraordinary General Assembly Meeting on 30th April 2020 to consider and vote on the following agenda:

1. To vote on the Board Report for the fiscal year ending 31st December 2019.
2. To vote on the Auditors Report for the fiscal year ending 31st December 2019.
3. To vote on the Financial Statements for the fiscal year ending 31st December 2019.
4. To vote to release Board of Directors members from liability for the fiscal year ending 31st December 2019.
5. To vote to pay a total of SAR (3,069,579) to the Board directors as remunerations for the fiscal year ending 31st December 2019.
6. To vote to appoint an auditor from among the candidates based on the recommendation of the Audit Committee, to review the Interim Financial Statements of the second, third and fourth quarter of 2020, and audit the annual Financial Statements of 2020, and to review the first quarter Interim Financial Statements of 2021. Furthermore, to determine their fees.
7. To vote on the Board of Directors 'decision regarding the cash dividends distributed for the year 2019 at SAR (0.4019) per share for the first quarter, SAR (0.5049) per share for the second quarter, SAR (0.4969) per share for the third quarter, which totaled to SAR (73,529,885) which represents 14.04 % of the capital.
8. To vote on the business and contracts that will take place between the Company and member of the board of directors Mr. Hamad Ali Al-Saqri, which is a lease contract for the land on which the Company's head office is located. As he has a direct interest as the owner of the land. Note that the value of transactions in 2019 was SAR (3,400,000) million, knowing that this transaction was carried out on commercial grounds without preferential conditions.
9. To vote on the business and contracts that will take place between the Company and Al-Saqri Group, which is a corporate sales contract, in which members of the Board of Directors have a direct and indirect interest in it, since Mr. Hamad Ali Al-Saqri is the owner of the group and Mr. Ali Hamad Al-Saqri, vice Chairman of the Board of Directors of the group. Note that the value of transactions in 2019 was SAR (125,774) knowing that this transaction was carried out on commercial grounds without preferential conditions.
10. To vote on authorizing the Board of Directors the power of license included in section (1) of Article (71) of the Companies Law, for one year from the date of approval of the General Assembly or until the end of the Board of directors' term whichever is proceeds, in accordance with the conditions set forth in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.
11. To vote on authorizing the Board of Directors to distribute interim dividends to shareholders for the fiscal year 2020 on biannually or quarterly basis, and determining the maturity and disbursement date according to the laws and regulations in line with the Companies Law and as per the Company's financial position, and cash flow.
12. To vote on amending Article (3) of Company's Bylaws related to Objectives of the Company.
13. To vote on amending Article (50) of Company's Bylaws related to Dividends Distribution.
14. To vote on amending Article (22) of Company's Bylaws related to the Powers of Chairman of the Board of Directors, Vice Chairman, and Board Secretary.

The shareholders voted on the meeting agenda as the follow:

1. Approval on the Board Report for the fiscal year ending 31st December 2019.
2. Approval on the Auditors Report for the fiscal year ending 31st December 2019.
3. Approval on the Financial Statements for the fiscal year ending 31st December 2019.
4. Approval to release Board of Directors members from liability for the fiscal year ending 31st December 2019.
5. Approval to pay a total of SAR (3,069,579) to the Board directors as remunerations for the fiscal year ending 31st December 2019.
6. Approval on appointing PricewaterhouseCoopers (PWC) an auditor from among the candidates based on the recommendation of the Audit Committee, to review the Interim Financial Statements of the second, third and fourth quarter of 2020, and audit the annual Financial Statements of 2020, and to review the first quarter Interim Financial Statements of 2021. Furthermore, to determine their fees.
7. Approval on the Board of Directors 'decision regarding the cash dividends distributed for the year 2019 at SAR (0.4019) per share for the first quarter, SAR (0.5049) per share for the second quarter, SAR (0.4969) per share for the third quarter, which totaled to SAR (73,529,885) which represents 14.04 % of the capital.
8. Approval on the business and contracts that will take place between the Company and member of the board of directors Mr. Hamad Ali Al-Saqri, which is a lease contract for the land on which the Company's head office is located. As he has a direct interest as the owner of the land. Note that the value of transactions in 2019 was SAR (3,400,000) million, knowing that this transaction was carried out on commercial grounds without preferential conditions.
9. Approval on the business and contracts that will take place between the Company and Al-Saqri Group, which is a corporate sales contract, in which members of the Board of Directors have a direct and indirect interest in it, since Mr. Hamad Ali Al-Saqri is the owner of the group and Mr. Ali Hamad Al-Saqri, vice Chairman of the Board of Directors of the group. Note that the value of transactions in 2019 was SAR (125,774) knowing that this transaction was carried out on commercial grounds without preferential conditions.
10. Approval on authorizing the Board of Directors to distribute interim dividends to shareholders for the fiscal year 2020 on biannually or quarterly basis, and determining the maturity and disbursement date according to the laws and regulations in line with the Companies Law and as per the Company's financial position, and cash flow.
11. Disapproval on authorizing the Board of Directors the power of license included in section (1) of Article (71) of the Companies Law, for one year from the date of approval of the General Assembly or until the end of the Board of directors' term whichever is proceeds, in accordance with the conditions set forth in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.
12. Approval on amending Article (3) of Company's Bylaws related to Objectives of the Company.
13. Approval on amending Article (50) of Company's Bylaws related to Dividends Distribution.
14. Approval on amending Article (22) of Company's Bylaws related to the Powers of Chairman of the Board of Directors, Vice Chairman, and Board Secretary.

Corporate Governance (Continued)

By Amending Article (3) of Company's Bylaws which to the Objectives of the Company, the Company's business Activities were increased to include the following:

1. Personal service activities that include: hairdressing and other types of cosmetics, women's salons, men's salons, children's salons, other beauty activities, washing, ironing and dry cleaning of various types of clothing including furs and textiles, and includes (collection and distribution of laundry), Turkish baths, saunas Saunas, sun rooms, weight loss salons, massage parlors.
2. Operation of fitness clubs (sports activities and leisure and entertainment activities), which include: establishing, managing and operating sports and entertainment centers, sports clubs that include (soccer, volleyball, basket, hand, etc.) clubs, body building clubs, swimming clubs, gyms and sports centers, gyms and men's sports centers, Women's sports halls and centers, any other sports activities, the activities of producers and contractors organizing sports events, the activities of individuals and self-employed workers in sports fields, including (players, athletes, sports arbitrators ... etc.), activities of sports federations and regulatory bodies, assistance and support for previous sports activities, employment Sports facilities.
3. Food and beverage service activities, operating catering services in sports facilities and the like on a specific concession basis, operating canteens and cafeterias on the basis of a specific concession that includes (canteens and cafeterias in factories, offices, hospitals, schools ... etc.), and beverage outlets (coffee shops). Other activities from cafes, serving fresh juices and cold drinks, and other beverage serving activities.
4. Wholesale and retail: retail sale through vending machines etc. (including coffee and juice machines), agents involved in the sale of food and beverages, wholesale of food and beverages, sale of drinks and bottled water, wholesale sports shoes, sale of soft drinks and juices Wholesale, Wholesale of pharmaceutical and medical materials, perfumes, cosmetics and soaps Wholesale, Wholesale of pharmaceutical and other medical goods, Medical equipment and devices, wholesale of sporting goods, retail sale in non-specialized stores dominated by food or drinks, retail activities of supermarkets that carry a general chain of goods, including clothing, shoes, leather goods, perfumes, and accessories, retail of dairy products, eggs and olives Pickles and honey, trade in special and healthy foodstuffs, retailing of beverages in specialized stores, retailing of cultural and entertainment goods in specialized stores, retailing of sporting goods, fishing gear, camping goods, boats and bicycles, Retail sale of sports equipment in specialized stores, retail sale of other sports equipment in specialized stores, retail sale of other sporting goods, fishing equipment, camping goods, boats and bicycles, retail sale of sportswear, retail sale of shoes, retail sale of pharmaceutical and medical goods, cosmetics and toilet in specialized stores, Retail sale of medicinal herbs, retail of perfumes, cosmetics, soaps and incense, retail of medicinal and orthopedic goods, retail of medicines, internet retailing, other retail activities by ordering from home, ordering by mail or online, retailing from During vending machines etc. (including coffee and juice machines), wholesale sportswear.
5. Physiotherapy, which includes physiotherapy centers and the like, and establishing, managing and operating health care centers and activities.
6. Real estate and real estate development activities with private or leased properties, including management and leasing of real estate with private or leased property, buying, selling and constructing buildings, division of land and real estate, off-plan sales activities, other real estate activities with private or leased properties, mediation in real estate management, other real estate activities On a fee or contract basis.
7. Contracting maintenance, cleanliness and operation of buildings and factories.
8. Ancillary services include car wash and polishing.
9. Construction works: Construction of all types of non-residential buildings, including schools, hospitals, hotels ... etc., construction of all types of non-residential steel buildings, installation of prefabricated structures on the site, redesign or renewal of existing residential and non-residential structures.
10. Sports equipment rental, sports equipment Lease and rental.
11. Sports training and education, sports and recreation education, sports education, including (football - volleyball - baseball - basketball - table tennis - handball - cricket), gymnastics education, swimming education, martial arts education, yoga instructions, Any other types of sports and recreation. Education, training and qualification for Company employees and others.
12. Advertisement and publishing for others, including: air advertising, installation and assembly of neon panels, other activities related to commercial advertisements and market research, film, video and television program production activities, commercial advertisements and others, cinematic film production that includes traditional animation, television commercial production, other activities for the production of films, videos and programs Television, electronic publishing, other software publishing activities.

The Company carries out its activities according to the followed regulations and after obtaining the necessary licenses from the competent authorities, if any.

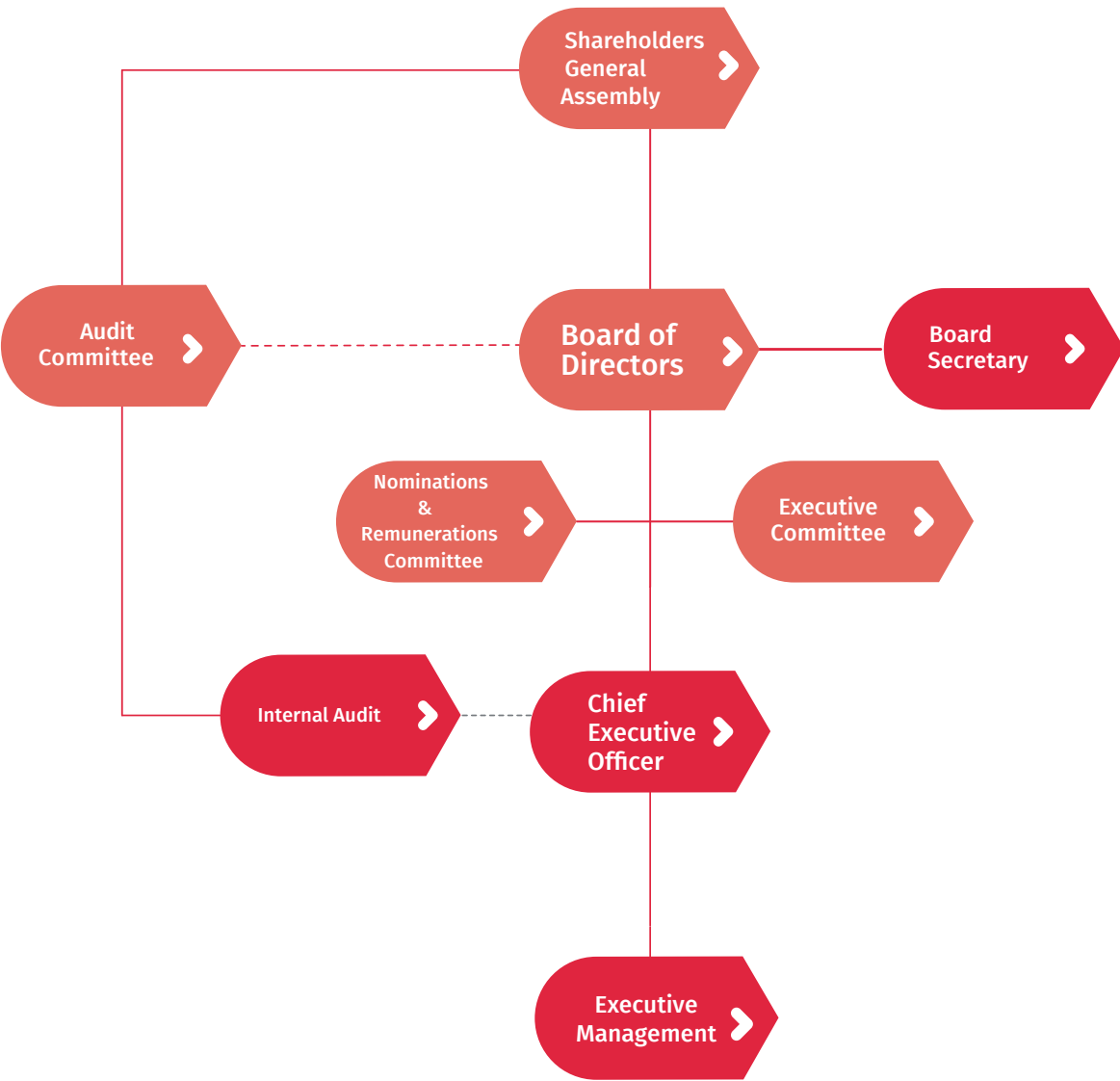


Corporate Governance (Continued)

Shareholders' proposals

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.

Governance Structure:



Corporate Governance (Continued)

Board of Directors Formation and Functions

Leejam's Bylaws & Corporate Governance Policies is the foundation for the appointment, resignation, term of office, powers, remuneration of the Board of Directors (comprising of Seven Members). The principal requirements are summarized withing this document.

The Board of Directors is the supreme management body within the Company and is appointed by the shareholders at the General Assembly in order to represent and protect the Company's interests. The Board is responsible for leading and controlling the Company and discharges this responsibility by approving the implementation of Company strategies and objectives. The Board empowers the management of the Company to run the business within defined parameters and monitors the performance of the Company. While the Board delegates authority to the Company's management, under the direction of the CEO, to attend to the routine running of the business, the Board retains ultimate fiduciary responsibility to shareholders to ensure the proper operation of the Company. The Board is appointed by the shareholders with primary responsibility for operating the Company in their long-term best interests. The Board also has a responsibility to provide clear directions and boundaries for the Company's Executive Management to operate within. This involves setting out a clear vision and strategy for the Company and defining the delegations that will be allowed to management and the policies and boundaries within which they are permitted to operate.

➡ The Board of Directors would achieve this by: ➡ **Laying down rules for internal control systems and supervising those systems. This includes:**

Approving the strategic plans and main objectives of the Company and supervising their implementation. This includes:

- Laying down a comprehensive strategy for the Company, the main work plans and policy related to risk management, and reviewing and updating such policy
- Determining the most appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets
- Supervising the main capital expenses of the Company and acquisition / disposal of assets
- Deciding the performance objectives to be achieved, supervising the implementation thereof and overseeing the overall performance of the Company
- Reviewing and approving the organizational and functional structures of the Company on a periodic basis

- Developing a written policy to regulate conflicts of interest and remedy any possible cases of conflict by Members of the Board of Directors, Executive Management and shareholders. This includes misuse of the Company's assets and facilities and arbitrary disposition resulting from dealings with related parties
- Ensuring the integrity of financial and accounting procedures including procedures related to the preparation of the financial reports
- Ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them transparently
- Annually reviewing the effectiveness of internal control systems

➡ **Drafting Corporate Governance Rules for the Company that do not contradict the provisions of existing laws and regulations, supervising and monitoring, in general, the effectiveness of the Rules and amending them whenever necessary**

- Preparing the Financial Statements and the Annual Report on the activities and financial status of the Company for the last financial year including the proposed method for dividends payment
- Recommending to the General Assembly of Shareholders the appointment, dismissal and the remuneration of external auditors

➡ **Laying down specific and explicit policies, standards and procedures for the Members of the Board of Directors and implementing them after they have been approved by the General Assembly**

➡ **Outlining a written policy that regulates the relationship with stakeholders with a view to protecting their respective rights. Such a policy must cover the following:**

- Mechanisms for indemnifying the stakeholders in the event that their rights are contravened under the law and their respective contracts
- Mechanisms for the settlement of complaints or disputes that might arise between the Company and stakeholders
- Suitable mechanisms for maintaining good relationships with customers and suppliers and protecting the confidentiality of information related to them
- A Code of Conduct for the Company's executives and employees compatible with proper professional and ethical standards and regulating their relationship with stakeholders
- The Board of Directors lays down procedures for supervising
- Deciding on policies and procedures to ensure the Company's compliance with laws and regulations and the Company's obligation to disclose material information to shareholders, creditors and other stakeholders

Corporate Governance (Continued)

Directors classification and information

Board members

The following tables list names of Board members, their positions and membership at other companies' Boards, in addition to listing their attendance of the Board's meetings held during the year 2020.

Director	Position	Capacity	(listed / unlisted)	Membership in other companies' boards	
				Inside Saudi Arabia	Outside Saudi Arabia
			Listed	-	-
Mr. Ali Hamad Al-Saqri	Board Chairman	Non-Executive	Unlisted	Hamad Al-Saqri Holding Co. Technology Lube Oil Plant	-
			Listed	-	-
Dr. Mohammed Faraj Al-Kinani	Board Member	Independent	Unlisted	Saudi Real Estate Refinance Co. Dhahran Techno Valley Co. Alistithmar Capital Co.	-
			Listed	Tabuk Cement	-
Mr. Tareq Khalid Al-Angari	Board Member	Independent	Unlisted	Mobily Ventures Co.	-

Director	Position	Capacity	(listed / unlisted)	Membership in other companies' boards	
				Inside Saudi Arabia	Outside Saudi Arabia
			Listed	-	-
Ms. Hessah Hamad Al-Saqri	Board Member	Independent	Unlisted	Hamad Al-Saqri Holding Co.	Bonam Park SA France
			Listed	-	-
Mr. Hamad Ali Al-Saqri	Deputy Board Chairman, Managing Director	Executive	Unlisted	Al-Saqri Holding Group of Companies	Bonam Park SA France
			Listed	-	-
Mr. Hisham Hussein Al-Khalidi	Board Member	Independent	Unlisted		
			Listed	-	-
Mr. Abdulelah Mohamed Al-Nemr	Board Member	Independent	Unlisted		

Corporate Governance (Continued)

Board meetings during the year 2020

➔ Numbers and dates of Board meetings that were held over the previous fiscal year, and a list of attendance for each meeting.

Member name	First Meeting 14 January 2020	Second Meeting 24 January 020	Third Meeting 09 March 2020	Fourth Meeting 10 May 2020	Fifth Meeting 02 September 2020	Sixth meeting 16 December 2020
Mr. Ali Hamad Al-Saqri	✓	✓	✓	✓	✓	✓
Dr. Mohammed Faraj Al-Kinani	✓	✓	✓	✓	✓	✓
Mr. Tareq Khalid Al-Angari	✓	✓	✓	✓	✓	✓
Ms. Hessah Hamad Al-Saqri	✓	✓	✓	✓	✓	✓
Mr. Hamad Ali Al-Saqri	✓	✓	✓	X	✓	✓
Mr. Hisham Hussein Al-Khaldi	✓	✓	✓	✓	✓	✓
Mr. Abdulelah Mohamed Al-Nemr	✓	✓	✓	✓	✓	✓

➔ The following table lists the Shareholders' General Assembly meetings that were held over the previous fiscal years and the names of attending Directors.

Director	First meeting 30th April 2020
Mr. Ali Hamad Al-Saqri	✓
Dr. Mohammed Faraj Al-Kinani	✓
Mr. Tareq Khalid Al-Angari	✓
Ms. Hessah Hamad Al-Saqri	✓
Mr. Hamad Ali Al-Saqri	✓
Mr. Hisham Hussein Al-Khaldi	✓
Mr. Abdulelah Mohamed Al-Nemr	✓

Board members' ownership of Company shares and their relatives

Name	Beginning of the Year	End of The Year	Change	Change %	Relative ownership
Mr. Ali Hamad Al-Saqri	379,696	379,696	-	0.00%	
Dr. Mohammed Faraj Al-Kinani	-	-	-	-	
Mr. Tareq Khalid Al-Angari	500	3,789	3,289	657.80%	
Ms. Hessah Hamad Al-Saqri	-	-	-	-	
Mr. Hamad Ali Al-Saqri	31,671,950	31,671,950	-	0.00%	
Mr. Hisham Hussein Al-Khaldi	-	-	-	-	
Mr. Abdulelah Mohamed Al-Nemr	-	100	100	100%	
Ms. Jawaher Abdulaziz Al-Haqbani - spouse of Mr. Abdulelah Mohamed Al-Nemr	4,392	4,454	62	1.41%	
Ms. Shadan Hamad Al-Saqri	382,313	386,973	4,660	1.22%	

Corporate Governance (Continued)

Company Committees

With the exception of the Audit Committee, which shall be formed by a resolution from the Company's General Assembly, the Board may at any time establish / form specialized committees as may be needed depending on the Company's circumstances in order to enable it to effectively perform its duties. The formation of committees shall be made in accordance with general procedures developed by the Board, which shall determine the duties, duration and powers of each committee, and the manner in which the Board monitors the activities of each committee. The committees shall inform the Board of its findings or decisions with complete transparency. The Board shall regularly follow up the activities of such committees to ensure the performance of the duties dedicated to them. Each committee shall be responsible before the Board for its activities; this shall not relieve the Board of its responsibility for such activities, duties and powers that it has delegated to such committee.

List of Committees:

- Executive Committee
- Nominations & Remunerations Committee
- Audit Committee

Executive Committee

Executive Committee functions and tasks

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

Drafting Corporate Governance Rules for the Company that do not contradict the provisions of existing laws and regulations, supervising and monitoring, in general, the effectiveness of the Rules and amending them whenever necessary

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.

Member name	Position	Capacity	(listed / unlisted)	Membership in other companies' boards	
				Inside Saudi Arabia	Outside Saudi Arabia
Mr. Ali Hamad Al-Saqri	Executive Committee Chairman	Non-Executive	Listed	-	-
			Unlisted	Hamad Al-Saqri Holding Co. Technology Lube Oil Plant	
Mr. Tareq Khalid Al-Angari	Executive Committee Member	Independent	Listed	Tabuk Cement	-
			Unlisted	Mobily Ventures Co	
Mr. Abdulelah Mohamed Al-Nemr	Executive Committee Member	Independent	Listed	-	-
			Unlisted		

Executive Committee Meetings:

Member name	Capacity	First meeting 23 March 2020	Second meeting 06 April 2020	Third meeting 23 April 2020	Fourth meeting 29 June 2020	Fifth meeting 02 July 2020	Sixth meeting 23 August 2020	Seventh meeting 14 October 2020
Mr. Ali Hamad Al-Saqri	Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Tareq Khalid Al-Angari	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Abdulelah Mohamed Al-Nemr	Member	✓	✓	✓	✓	✓	✓	✓

Corporate Governance (Continued)

Nominations and Remunerations Committee

Nominations and Remunerations Committee functions and tasks

1.Nominations

- Preparing policies and standards related to the nomination and appointment of Board members and Executive Management, and proposing them to the Board and overseeing their implementation
- Interviewing all Board nominees and conducting the required inquiries and reviewing their qualifications before submitting their nomination recommendation to the Board of Directors
- Presenting recommendations to the Board of Directors to nominate and re-nominate Board members in accordance with the applicable laws, regulations and rules, as well as the approved policies and standards, including the Committee's bylaws
- Reviewing, evaluating and presenting recommendations to the Board on the needed capabilities, qualifications and experience for the Board membership and Executive Management positions at the Company, at least once annually. This includes identifying the time to be allotted by the Board member for the Board business, preparing a job description and a list of capabilities and qualifications that must be met by executive, non executive and independent Board members, as well as the Executive Management
- Annual verification of the independent Board Members' independence in accordance with the applicable laws, regulations and rules, ensuring no conflict of interest exists if the member sits on another Company's Board
- Regular review of the succession plans for Board members and Senior Executives, and presenting recommendations thereon to the Board, taking into consideration the challenges and opportunities facing

the Company, in addition to the required needs to be met in terms of capabilities, skills and experience for Board members and Executive Management positions

- Assessment of potential candidates for Executive Management positions at the Company and presenting recommendations in this regard to the Board, specifically assisting the Board in selecting, developing and assessing potential candidates for the Chief Executive Officer position
- Creation and regular review of a specific process to follow in case of a vacancy in the Board of Directors or the Executive Management, and presenting recommendations to the Board on the selection and approval of candidates to fill such vacancies

2.Review and evaluation:

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

3.Remunerations:

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

4.Corporate governance

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

Corporate Governance (Continued)

Member Name	Position	Capacity	(listed / unlisted)	Membership in other companies' boards	
				Inside Saudi Arabia	Outside Saudi Arabia
Mr. Hisham Hussein Al-Khaldi	Nomination and Remunerations Committee Chairman	Non-Executive	Listed	-	-
			Unlisted		
Ms. Hessah Hamad Al-Saqri	Nomination and Remunerations Committee Member	Independent	Listed		-
			Unlisted	Hamad Al-Saqri Holding Co.	Bonam Park SA France
Mr. Ali Hamad Al-Saqri	Nomination and Remunerations Committee Member	Independent	Listed	-	-
			Unlisted	Hamad Al-Saqri Holding Technology Lube Oil Plant Co.	

Nominations and Remunerations Meetings:

Member name	Capacity													
		First meeting 01 January 2020	Second meeting 04 February 2020	Third meeting 08 March 2020	Fourth meeting 22 March 2020	Fifth meeting 02 April 2020	Sixth meeting 16 April 2020	Seventh Meeting 27 April 2020	Eighth Meeting 10 June 2020	Ninth Meeting 28 June 2020	Tenth Meeting 16 August 2020	Eleventh Meeting 24 August 2020	Twelfth 07 October 2020	Thirteenth 14 December 2020
Mr. Hisham Hussein Al-Khaldi	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Hessah Hamad Al-Saqri	Member	✓	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Ali Hamad Al-Saqri	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Corporate Governance (Continued)

Audit Committee

Overview:

The Committee comprises three independent, non-executive members (the Independent Director is the Audit Committee Chairman, and two independent members from outside the Board).

The Committee is tasked with reviewing the Company's financial and administrative policies and procedures, and the process of preparing Financial Reports and their outcomes. It also reviews the internal audit reports and comments and recommends to the Board of Directors to appoint or terminate the Auditor. Further, it defines their fees and ensures their independence, in addition to reviewing the primary and annual financial statements before being presented to the Board, and expressing opinion and recommendations thereon. The Committee also reviews the Auditor's comments on the financial statements and the Audit plan with the Auditor to provide feedback to assess the effectiveness and efficiency of control and risk management in the Company. The Audit Committee oversees the internal audit function, which checks the adequacy and effectiveness of internal controls and processes to enable the assessment of the overall internal control system.

Audit Committee functions and task

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 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
- Accurate research in any matters raised by the Company's Chief Finance Officer or the executive responsible for compliance, or the external Auditor
- Verifying accounting estimates in material matters contained in Financial Reports
- Reviewing the accounting policies implemented in the Company to present opinion and recommendations thereon to the Board of Directors

2. Internal audit

- Review and revision of the internal control, financial control and risk management systems in the Company
- 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
- Presenting recommendations to the Board of Directors to appoint the manager of the Internal Audit Department or Unit or the External Auditor, and proposing their remuneration

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
- 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 assurance

- 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
- Escalating any matters deemed necessary to the Board of Directors and recommending procedures to be implemented

Corporate Governance (Continued)

Audit Committee Members (from outside the Board of Directors)

Mr. Abdulaziz Abdullah Al-Haydari, Audit Committee member

Mr. Abdulaziz is the head of internal audit in Elm, and holds several professional certificates in the field, such as Saudi Organisation for Certified Public Accountants, the US Internal Auditors' Certificate and a Risk Management Certificate. He holds Bachelor's and Master's degrees in Accounting from King Saud University, and a Master's degree in Information Technology from the University of California.

Mr. Wisam Hussain Al-Fraihi, Audit Committee member

Mr. Wisam is the Head of Investment Banking at Saudi Fransi Capital. Previously, he held several leading positions at the Capital Market Authority, and was a consultant for the International Capital Markets Association. Mr. Wisam holds a Bachelor's degree in Management Information Systems – Business Economics and a Master's degree in Management Information Systems.

Member name	Position	Capacity	(listed / unlisted)	Membership in other companies' boards	
				Inside Saudi Arabia	Outside Saudi Arabia
Dr. Mohammed Faraj Al-Kinani	Audit Committee Chairman	Independent	Listed	-	-
			Unlisted	Saudi Real Estate Refinance Co.	
				Dhahran Techno Valley Co.	-
				Alistithmar Capital Co.	
Mr. Abdulaziz Abdullah Al-Haydari	Audit Committee member	From outside the Board	Listed	Maharah	-
			Unlisted	MASIC Logistics, Saudi Customs	-
Mr. Wisam Hussain Al-Fraihi	Audit Committee member	From outside the Board	Listed	-	-
			Unlisted	-	-

Corporate Governance (Continued)

Member name	Capacity	First meeting 24 Feb 2020	Second meeting 18 Mar 2020	Third meeting 14 May 2020	Fourth meeting 26 Jul 2020	Fifth meeting 20 Aug 2020	Sixth meeting 29 Oct 2020	Seventh Meeting 18 Nov 2020
Dr. Mohammed Faraj Al-Kinani	Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Abdulaziz Abdullah Al-Haydari	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Wisam Hussain Al-Fraihi	Member	✓	✓	✓	✓	✓	✓	✓

Senior Executives and their relatives' ownership of Company shares

Name	Beginning of the Year	End of The Year	Change	Change %
Mr. Justin Musgrove	-	-	-	-
Mr. Anthony Elliott	-	-	-	-
Mr. Mohammed Merajuddin	-	-	-	-

Accounting standards applied in financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Certain comparative year amounts have been correctly reclassified and represented for the purpose of better presentation. However, the effect of those reclassification was not significant on these financial statements, and therefore third-statement of financial position was not presented. The financial statements have been authorized for issue by the Board of Directors on 13 February 2021.

Leejam Policies

Leejam has about four main policies that govern its relationship with all its stakeholders:

- Remunerations policy
- Dividend Policy
- Conflict of Interest Policy
- Disclosure Policy

Compensation and Remuneration

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.

Corporate Governance (Continued)

- 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:

Board of Directors & Audit Committee took the initiative to reduce the remunerations of the Board Members as well as the remunerations of members of all committees by 50% for the first and second quarters of 2020. This comes in support to the Company's efforts to save costs and reduce the impact of precautionary measures taken to prevent the spread of the Coronavirus (COVID-19). The Below tables show compensation and remuneration details for Board members, Committee members and Senior Executives.

Corporate Governance (Continued)

Board members' remuneration

The below table illustrates the paid remuneration to the Board members during 2020

Paid to directors during 2020	Fixed Remuneration (SAR)						Variable Remuneration (SAR)							End-of-service award	Aggregate Amount
	Specific amount	Allowance for attending Board meetings	Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Total		
Independent Directors															
Mr. Hisham Hussein Al-Khalidi	188,356	12,000	111,661	-	-	-	312,017	-	-	-	-	-	-	-	312,017
Mr. Abdulelah Mohamed Al-Nemr	188,356	12,000	87,842	-	-	-	288,199	-	-	-	-	-	-	-	288,199
Dr. Mohammed Faraj Al-Kinani	188,356	12,000	104,161	-	-	-	304,517	-	-	-	-	-	-	-	304,517
Mr. Tareq Khalid Al-Angari	188,356	12,000	87,842	-	-	-	288,199	-	-	-	-	-	-	-	288,199
Non-Executive															
Mr. Ali Hamad Al-Saqri	263,699	12,000	198,253	-	-	-	473,952	-	-	-	-	-	-	-	473,952
Ms. Hessah Hamad A. Al-Saqri	188,356	12,000	96,592	-	-	-	296,949	-	-	-	-	-	-	-	296,949
Executive Directors															
Mr. Hamad Ali Al-Saqri	226,027	10,500	-	-	-	-	236,527	-	-	-	-	-	-	-	236,527
Total	1,431,507	82,500	686,353				2,200,360	-	-	-	-	-	-	-	2,200,360

Executive Management remuneration

The below table illustrates the paid remuneration to the 5 most senior Executive Members in the Company (including the Chief Executive Officer and the Chief Finance Officer) during 2020

Year	Fixed remunerations				Variable remunerations						EoSB	Board remuneration	Aggregate Ammount
	Basic salary	Allowances	In-Kind Benefits	Total	Periodic remunerations	Profits	STI	LTI	Granted Shares	Total			
2020	2,852,004	1,413,988		4,265,992	-	-	-	-	-	0	153,275	-	4,419,267

Corporate Governance (Continued)

Committee members' remuneration

The below table illustrates the paid remuneration to the Committees' members during 2020

Committees 2020	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending the meetings	Total
Audit Committee			
Dr. Mohammed Faraj Al-Kinani	90,411	13,750	104,161
Mr. Abdul Aziz Abdullah Al-Haidari	75,342	13,750	89,092
Mr. Wisam Hussain Al-Fraihi	75,342	13,750	89,092
Total	241,096	41,250	282,346
Committee			
Mr. Hisham Hussein Al-Khaldi	90,411	21,250	111,661
Mr. Ali Hamad Al-Saqri	75,342	20,000	95,342
Ms. Hessah Hamad Al-Saqri	75,342	21,250	96,592
Total	241,096	62,500	303,596
Committee			
Mr. Abdulelah Mohamed Al-Nemr	75,342	13,750	89,092
Mr. Tareq Khalid Al-Angari	75,342	13,750	89,092
Mr. Ali Hamad Al-Saqri	90,411	13,750	104,161
Total	241,096	41,250	282,346

Dividends policy

Under Article 110 of the Companies Law, each shareholder is eligible for all share rights, which specifically include the right to receive a percentage of dividends to be paid.

The Board of Directors recommends the payment of any dividends before being approved by shareholders in the General Assembly meeting. The Company is not obliged to announce any dividends. Any decision to pay dividends depends on several factors, including the previous and forecasted Company profits, cash flows, financing, capital requirements, market conditions and overall economic factors, in addition to Zakat and other legal and regulatory considerations.

1. 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

2. 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

3. Interim dividends

The Company may pay interim dividends to Shareholders on a quarterly or bi-annual basis, subject to abidance by the following requirements:

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

4. 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.

Corporate Governance (Continued)

Dividend History Information

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

Date of dividend payments

Year / quarter	Announcement date	Due date	Distribution date	Dividend per share	Dividend payment method
3rd & 4th quarter of 2018	28th October 2018	1st November 2018	15th November 2018	0.96	Account Transfer
4th quarter 2018	27th February 2019	4th March 2019	20th March 2019	0.5379	Account Transfer
1st quarter 2019	13th May 2019	19th May 2019	12th June 2019	0.4019	Account Transfer
2nd quarter 2019	4th September 2019	9th September 2019	22nd September 2019	0.5049	Account Transfer
3rd quarter 2019	2nd December 2019	8th December 2019	19th December 2019	0.4969	Account Transfer

Disclosure Policy

Leejam seeks to provide accurate, regularly updated information to all its stakeholders and other interested parties. This policy reflects current activities and will be updated as and when those activities change. The Company publishes and regularly updates information about corporate structure and operations, partners, investments, other commercial activity and performance-related information. As a publicly listed Company, Leejam recognizes its obligation to respond appropriately to legitimate questions from consumers, customers, government, the media and other stakeholders. Information disclosed by Leejam under this policy is available on various websites including the Company's website (www.leejam.com) and the Saudi Stock Exchange (Tadawul) website (www.tadawul.com.sa).

Part 1: Disclosure and Transparency

1.General Provisions

- The Company shall comply with the applicable disclosure rules, requirements and procedures under the relevant laws, regulations and rules and this Policy.
- The Company shall ensure that all disclosures are complete, clear, accurate and not misleading and that they are provided to all Shareholders equally and without discrimination.
- Any information that requires disclosure pursuant to applicable laws and regulations shall be deemed confidential until such time the information is disclosed to the Capital Market Authority (the "CMA") and the public. Accordingly, the Company must take all the necessary measures to prevent the leakage of any undisclosed information and must not disclose such information to parties not bound by an obligation of confidentiality.
- If disclosure of any matter required by applicable regulations and instructions issued by the CMA would be, in the opinion of the Company, unduly detrimental to the Company, and its omission is deemed unlikely to mislead investors in light of the facts and circumstances (determined on a case-by-case basis), then the Company may confidentially request that the CMA waive the relevant disclosure requirement accordance with applicable regulations and instructions.

2.Material Developments Disclosure

- The Company must inform the CMA and the public without delay of any material developments in its sphere of activity which may affect the price of its Securities. Moreover, the Company must notify the CMA and the public without delay, of any material developments in its sphere of activity that are not public knowledge and which may have an effect on the Company's assets and liabilities, financial position, or on the general course of business of the Company or its subsidiaries, and which may reasonably lead to substantial movements in the price of its Securities.
- In determining whether an event constitutes a material development pursuant to Paragraph 2.1 above, the Company shall assess whether a prudent investor would likely consider information about the event in making an investment decision.
- The Company must determine the need to publish an announcement to the public in response to rumors related to any material development in accordance with applicable laws and regulations.

Corporate Governance (Continued)

3. Disclosure in Board of Directors' Reports

- The Board shall issue an annual report including (among other things) a review of the Company's operations during the last financial year and of all relevant factors affecting its business which an investor requires in order to assess the Company's assets, liabilities and financial position.
- The annual report of the Board shall contain the information required under applicable laws, regulations and rules.
- The annual report of the Board must be provided to the CMA and announced to the Shareholders within the period set by applicable laws and regulations.

4. Disclosure in Audit Committee Reports

- The Audit Committee shall issue an annual report including (among other things) its recommendations and opinion on the adequacy of the internal and financial control systems and risk management systems of the Company as well as the tasks undertaken by the Audit Committee within its competence. Such report shall be prepared and disclosed in accordance with the applicable laws and regulations and the rules set out in the Audit Committee Charter and the Company's Internal Audit Charter.

5. Disclosure of Financial Information

- Set out below are the general requirements and restrictions relating to the disclosure of financial information:

A. Disclosure Requirements

- The Company shall announce its interim and annual financial statements to the public and file such statements with the CMA immediately upon their approval. The Company is not permitted to disclose its interim and annual financial statements to its Shareholders or to third parties prior to their announcement to the public and filing with the CMA.
- The Company must provide the CMA and announce to its Shareholders the interim financial statements (which must be prepared and reviewed in accordance with the

accounting and auditing standards approved by Saudi Organization for Certified Public Accountants) within the period set by applicable laws and regulations.

- The Company must provide the CMA and announce to its Shareholders the annual financial statements (which must be prepared and audited in accordance with the accounting and auditing standards approved by Saudi Organization for Certified Public Accountants) within the period set by applicable laws and regulations. The Company's annual financial statements must also be provided to the CMA and announced to the Company's Shareholders according to the applicable laws and regulations.

- The Company shall disclose its interim and annual financial statement through the electronic system specifically designated for such purpose by the Exchange.

B. Approval of Financial Statements

- The interim financial statements of the Company must be approved by the Board and signed by: (i) a Director authorized by the Board, (ii) the CEO, and (iii) the Chief Financial Officer prior to their publication and circulation to Shareholders and the public.

- The annual financial statements of the Company must be approved in accordance with the provisions of the Companies Law.

C. Trading Blackout Periods

- The Directors, Senior Executives, and members of the Audit Committee (and any person related to them) may not deal in any of the Securities during the period set by applicable laws and regulations.

- If, during a trading blackout period, a Director, a Senior Executive, or an Audit Committee member resigns, these trading blackout periods continue to apply to such resigning Director, Senior Executive, or Audit Committee member (and any person related to any of them).

- As an exception to the above, the trading blackout periods do not apply in the case of exercising, or selling, a subscription right in a rights issuance.

6. Board Disclosures

- The Board shall regulate the disclosures of each Director and Senior Executive by:
 - maintaining, and regularly updating, a register of disclosures made by Directors and Senior Executives as required under applicable laws and regulations; and
 - making such register available for review by Shareholders free of charge.

7. Other Disclosures

- The Company shall make all disclosures related to specific events requiring disclosure in accordance with applicable rules and regulations.
- The Company shall provide the CMA with copies of any notices, information, or documents that are sent or made available to its Shareholders, unless otherwise not required by the applicable laws and regulations, if it is disclosed on the Exchange.

Part 2: Notification, Spokespersons and Process

1. Method of Required Notification

- Notifications to the public shall take the form of an announcement through the Exchange (or such other method determined by the CMA or the Exchange from time to time).
- All disclosures made by the Company to the public and to the CMA must be in compliance with applicable rules, regulations and instructions (including the Instructions Governing Corporate Announcements published by the CMA).

2. Designated Spokespersons

- The Company may designate one or more spokespersons responsible for communication with the investment community, regulators or the media. The Company's spokesperson(s) shall be appointed and authorized by the Chairman. Any individual designated as a spokesperson shall review and appropriately inform themselves of all of the Company's disclosure documents and continuous obligations.

- Employees who are not designated spokespersons must not respond under any circumstances to inquiries from the investment community, the media or others, unless specifically asked to do so by an authorized spokesperson.

3. Interaction with Investment Community

- Any disclosures of material non-public information must be coordinated with the the Company's Corporate and Legal Compliance Manager (the "Compliance Manager").
- The Company recognizes that meetings and conferences with analysts and investors are an important element of the Company's relation with investors. The Company will meet with analysts and investors on an individual or small group basis as needed and will initiate contacts or respond to analyst and investor calls in a timely, consistent and accurate fashion in accordance with this Policy. The Company shall not disclose or discuss material non-public information at such meetings and conferences.
- As much as possible, all meetings with investors or analysts, or groups thereof, should be attended by two or more Company representatives, at least one of whom shall be a designated spokesperson of the Company.

Contact Leejam

Relevant parties are invited to communicate with the Investor Relations department by email: investor.relations@Leejam.com.sa

Interested parties may also contact the Company through the following telephone numbers: **+966 (11) 210 1015** , or by email: info@Leejam.com.sa
For more information, visit the Company's website: www.Leejam.com.sa

Corporate Governance (Continued)

List of Leejam's announcements on Tadawul

Over the year 2020, Leejam (Fitness Time) witnessed several events and resolutions that were announced to keep the Shareholders up-to-date. Those events and resolutions were announced on the Saudi Stock Exchange (Tadawul) website, amounting to a total of 24 announcements as detailed in the following table:

No.	Date	Announcement Type	Title of Announcement
1	30-Jan-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of New Ladies Fitness Center in Mecca
2	4-Mar-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of a New Ladies Fitness Center in Mecca
3	9-Mar-20	Financial Results	Leejam Sports Co. (Fitness Time) Announces Its Annual Financial Results for The Year Ended in 31st December 2019
4	15-Mar-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces A Material Development Regarding the Ministry of Sports Announcement of The Closure of Privet Gyms and Sports Centers
5	5-Apr-20	Invitation to AGM	Leejam Sports Company (Fitness Time) Invites its Shareholders to Attend the Extraordinary General Assembly Meeting (First Meeting)
6	23-Apr-20	Electronic Voting of AGM	Leejam Sports Company (Fitness Time) Announces the Starting Date of The Electronic Voting on The Agenda of The Extraordinary General Assembly Meeting (First Meeting)
7	3-May-20	Results of AGM	Leejam Sports Company (Fitness Time) Announces the Results of The Extraordinary General Assembly Meeting (First Meeting)
8	17-May-20	Financial Results	Leejam Sports Company (Fitness Time) Announces Its Condensed Interim Financial Results for The Period Ended on 31st March 2020 (Three Months)
9	21-Jun-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Latest Developments Related to The Closure of Its Fitness Centers. Including Its Reopening
10	24-Aug-20	Financial Results	Leejam Sports Company Announces Its Condensed Interim Financial Results for The Period Ended on 30th June 2020 (Six Months)
11	30-Aug-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening New Ladies Fitness Center in Riyadh
12	1-Sep-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of a New Ladies Fitness Center in Jeddah

No.	Date	Announcement Type	Title of Announcement
13	6-Sep-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of a New Ladies Fitness Center in Dubai
14	16-Sep-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of a New Ladies Fitness Center in Riyadh
15	1-Nov-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Closing of a Men Fitness Center & One of The Company's Offices in Riyadh
16	1-Nov-20	Financial Results	Leejam Sports Company (Fitness Time) Announces Its Condensed Interim Financial Results for The Period Ended on 30th September 2020 (Nine Months)
17	5-Nov-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Launch of a New Low cost and 24-Hour Gyms' Chain "Fitness Time Xpress"
18	9-Nov-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of Men Xpress Fitness Center in Madina - Low cost and 24-hour Opening
19	23-Nov-20	Notice to Shareholders	Leejam Sports Company Announces a Partnership Agreement with SQUAT WOLF
20	26-Nov-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces Contract Sign Off with Technogym
21	6-Dec-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of a New Ladies Fitness Center in Riyadh
22	13-Dec-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of the First Ladies Xpress - Low-Cost - Fitness Center in Jeddah
23	24-Dec-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of Men Xpress Fitness Center in Madina - Low Cost and 24-Hour Opening
24	29-Dec-20	Notice to Shareholders	Leejam Sports Company (Fitness Time) Announces the Opening of Men Xpress Fitness Center in Mecca - Low cost and 24-hour Opening

Corporate Governance (Continued)

Share price and Shareholders information

As of 31st December 2020, the number of Leejam (Fitness Time) shareholders reached 10,978 investors, with corporate investors representing 25.1% of the total share ownership, while individual investors' shares represented 74.9% of total shares. There are 40 Shareholders who own 100,000 shares or more of Leejam, which represents 82% of the issued shares. The following tables provide an overview of Shareholders.

Leejam Investors According to Nature investor	31-Dec-2020		
	Percentage of Ownership	Number of Investor	Number of Investor
Corporate investor	25.1%	244	13,163,488
Individual investor	74.9%	10,734	39,219,873
Total	100%	10,978	52,383,361

Investor According to Investor Type	31-Dec-2020	
	Percentage of Ownership	Number of Investor
Mr. Hamad Ali Al-Saqri	60.5%	1
Other Individuals	14.4%	10,733
Mutual Funds	10.9%	97
Swap agreements	0.3%	4
Other Corporate	13.9%	143
Total	100%	10,978

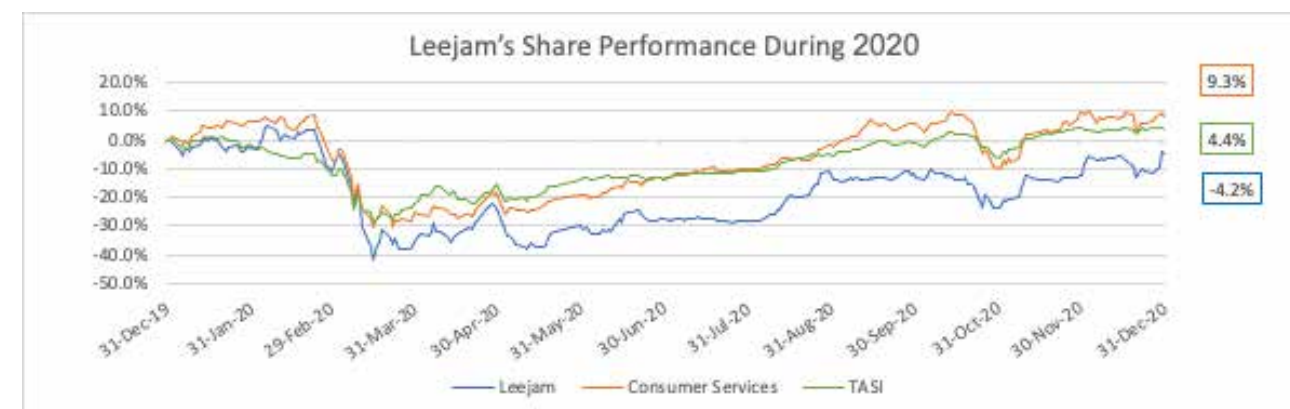
Leejam Investor According to Nationality	31-Dec-2020		
	Percentage of Ownership	Number of Investor	Number of Investor
Saudi	85.6%	10,479	44,827,905
Other Nationalities	14.4%	499	7,555,456
Total	100%	10,978	52,383,361

Leejam investors according to size of ownership	31-Dec-2020	
	Percentage of Ownership	Number of Investor
Million shares and more	60.5%	1
From 500 thousand to less than a million	4.4%	4
From 100 thousand to less than 500 thousand	17.1%	40
From 50 thousand to less than 100 thousand	4.8%	37
From 10 thousand to less than 50 thousand	6.7%	163
From 5 thousand to less than 10 thousand	2.0%	153
From 1 thousand to less than 5 thousand	2.8%	733
Less than one thousand shares	1.8%	9,847
Total	100%	10,978

Corporate Governance (Continued)

Share performance data in 2020 (Saudi Riyal)

Percentage change between 2018 – 2020	Share price a year earlier	Share price as of 31st December 2020	Lowest price in 52 weeks	Highest price in 52 weeks
(3.4%)	80	77.3	46.15	87.4



Number of requests for the shareholders' register:

Request date	Reason
First Request	19th January 2020
Second Request	19th January 2020
Third Request	6th February 2020
Fourth Request	16th March 2020
Fifth Request	9th April 2020
Sixth Request	30th April 2020
Seventh Request	21st May 2020
Eighth Request	6th July 2020
Nineth Request	19th August 2020
Tenth Request	19th August 2020
Eleventh Request	11th October 2020
Twelfth Request	7th November 2020

Ownership notification

According to Article 67 of the "Rules on The Offer of Securities and Continuing Obligations" issued by the Capital Market Authority (CMA), during 2018, Leejam received no new notifications of any change in ownership percentage of more than 5.0% of the shares issued by Company. The following table outlines ownership of 5.0% or more of the issued shares:

Shareholder Name	Beginning of the Year		End of the Year	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Mr. Hamad Ali Al-Saqri	31,671,950	60.46%	31,671,950	60.46%

Statutory payments

The following table describes the paid and due statutory payments of Zakat, taxes, fees or any other amounts that were not paid by the end of the fiscal period:

Statutory organization	Paid	Due	Description	Reasons
Saudi Customs	1,414,511	9,337	Amounts paid or charged as customs fees on imports	Regulatory requirement
General Authority of Zakat and Income Tax	61,965,748	16,844,380	Amounts paid or charged as Zakat, Withholding Tax (WHT), and VAT expenses according to the various laws	Regulatory requirement
General Organization for Social Insurance	9,802,180	845,337	Amounts paid or charged as social insurance expenses, in accordance with Saudi Labour Law	Regulatory requirement
Other Statutory Organizations	21,042,014	0	Amounts paid or charged as Labour office, Visa, passport, and other fees	Regulatory requirement

Corporate Governance (Continued)

Penalties

The following table outlines penalties, cautionary measures or restrictions imposed on the Company by the Authority or any other supervisory, regulatory or legal entity:

Penalty, fine, cautionary measure or restriction	Amount	Reasons for penalty	Imposer of penalty	Remedial action and ways to avoid recurrence
Some Violations to Municipality regulations	172,300	<ul style="list-style-type: none"> • Delay in renewal of license and safety issues. • Lack of appropriate Health certification. • Inappropriate space available & staff accommodation • Problems with noise controls • Excess space used without appropriate approvals. • The incorrect use of advertising boards • The failure to display licenses and the installation of cameras without permission. 	Ministry of Municipal and Rural Affairs	Corrective measures are taken to comply proactively follow up with changes in regulations.
Violation of delay in changing the professional designation of some employees	125,000	Delay in changing the professional designation of some employees.	Ministry of Labor and Social Development	Corrective measures are taken to comply proactively follow up with changes in regulations.
Custom and others	154,778	Others	Custom and others	Corrective measures are taken to comply proactively follow up with changes in regulations.

Conflict of Interest Policy

The purpose of this policy is to ensure that the Company's Directors, Officers, and Employees act ethically and honestly at all times and act in the best interest of the Company, comply with applicable legal requirements and are not influenced by undue personal interests when making business judgments and decisions on behalf of the Company. The provisions of this Policy are mandatory. The Company's Board and each Director shall oversee the implementation of the measures required to ensure the Company's compliance with this Policy. All Employees are required to read, understand, sign and comply with their employment and confidentiality agreements with the Company, as well as all Company's policies. This Policy is intended to implement and supplement the relevant provisions of the relevant laws. In case of conflict between this Policy and the law, the law shall prevail.

Policy Scope

This Policy sets forth the Company's policies and procedures governing the identification, disclosure, review, and approval of conflicts of interest and potential conflicts of interest, whether direct or indirect, in the transactions or contracts concluded for the Company by its Directors, Officers, and Employees, as well as setting out guidelines for professional conduct and code of business ethics.

1. Conflict of Interest Examples and Guidelines

A. It is neither practical nor possible to enumerate all the situations that might fall under this Policy. However, the following examples represent common situations of conflict of interest:

- Investment relating to Directors, Officers, Employees, who personally or their Relatives has an investment interest with current or potential competitor or with any of the Company's suppliers, contractors, consultants or clients. Such investment is considered as bearing a conflict of interest if the person gains a "substantial interest" linked personally to him or his Close Family Members; or the percentage owned by such person or his direct Relatives equals or exceeds more than 5% in a listed Company or 30% in a non-listed Company.
- Directors, Officers, Employees of the Company connected to any board of directors, whether profitable or non-profitable or to a committee, whether charitable or professional, that may imply directly or indirectly actual or potential conflict of interest.
- Participating in a work or provision of services to another competitive entity or to an entity providing or trading in any of the Company's activities, partially

or fully, may imply, directly or indirectly, an actual or potential conflict of interest.

- Directors, Officers, Employees who has a role in taking a decision to facilitate contracting with a commercial firm belonging to a Family Member, or has an administrative power over a direct relative.
- Using the Company's assets and property for personal interest, may constitute actual or potential conflict of interest. This includes exploiting work hours, Company Employees, equipment or facilities for interests other than the Company's interests or its objectives and misuse of information gained through the relation with the Company, for achieving personal, family or professional gains.
- Provision of any sort of loans to the Directors of the Company or its shareholders, or giving guarantee for loans presented from a third party, may be considered as manifestation of conflict of interest; except for the loans and guarantees granted by the Company in accordance with its Employees incentive program, approved by the management.
- Gifts presented by a Company's client to an Employee or to his Close Family Members or to others upon his

Corporate Governance (Continued)

request may arise actual or potential conflict of interest. For the purpose of this Policy, any gift (trivial or valuable, expensive or cheap, physical or moral) will be considered an actual conflict of interest and honesty breaching if such gift is presented for performing or omitting a designated action.

viii. Employment contracts signed with Close Family Members of a Director, Officer, or an Employee. Any promotions or compensations or benefits this employee gets is considered a conflict of interest.

B. The following guidelines include prohibited activities that must be disclosed:

i. Directors, Officers, Employees, and their Close Family Members are prohibited from (a) taking for themselves personally opportunities that are discovered through the use of Company property, information, or position; (b) using Company property, information, or position for personal gain; and (c) competing with the Company. These obligations shall remain in full force and effect even after a Director, Officer, or an Employee leaves the Company according to the relevant laws and the contracts they are subject to. Directors, Officers, and Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

ii. Directors, Officers, Employees and their Close Family Members are prohibited from acquiring property, real estate, or facilities (whether directly or indirectly, through ownership or lease) or trading in stocks or bonds of companies (except for passive investments) in which it is believed that the Company has an active or potential interest.

iii. Directors, Officers, Employees are required to protect the Company's assets and ensure their efficient use for legitimate business purposes.

iv. Directors, Officers, Employees are required to deal fairly with the Company's customers, suppliers, competitors, and Employees. The Company prohibits taking unfair advantage of its current or prospective customers, suppliers, competitors, and Employees through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any

other unfair dealing practice.

v. Directors, Officers, Employees are prohibited from concealing potential and actual Conflicts of Interest by directly or indirectly falsifying, or causing to be falsified, any Company book, record, account, or document.

vi. Any permission given to a Company Employee to perform another work shall not represent an actual or potential conflict of interest with the Company.

2. Obligations and Prohibitions

A. A Director or an Officer shall:

i. notify the Board of the of any current or potential Conflict of Interest as soon as he or she is aware of it and this notification shall be recorded in the minutes of the Board meeting;

ii. perform his/her duties with honesty and integrity, and prioritize the interests of the Company over his/her own interest, and not use his/her position to achieve personal interests;

iii. avoid situations of conflicts of interest and notify the Board of situations of conflict, which may affect his/her neutrality when looking into matters presented before the Board. The Board shall not allow such Director to be involved in deliberations and shall not count his/her vote when voting on such matters in the Board and the Shareholders Assemblies meetings; and

iv. protect the confidentiality of the information related to the Company and its activities, especially those considered as Company's secrets, and not disclose any of such information to any person even after they leave the Company according to the relevant laws and their contracts they are subject to.

B. Each Director or Officer is prohibited from:

i. voting on a decision taken by the Board or the General Assembly with respect to transactions and contracts that are executed for the Company's account, if he/she has a direct or indirect interest therein;

ii. misusing or benefitting, directly or indirectly, from any of the Company's assets, information or investment opportunities presented to the Company or to him in his/her capacity as a Director. This includes investment

opportunities which are within the activities of the Company, or which the Company wishes to make use of. Such prohibition shall extend to a Director who resigns to, directly or indirectly, use investment opportunities that the Company wishes to use, which came to his/her knowledge during his/her membership in the Board; and iii. accepting gifts from any person who has entered into commercial transactions with the Company if such acceptance of gifts may lead to a conflicts of interest; and iv. voting or acting on matters pertaining to that Director's or Officer's compensation.

3. Conflict of Interest Disclosure

A. Prior to a Director's initial election to the Board, or an Officer's employment by the Company, and thereafter on an annual basis, they shall submit to the Board in writing a discloser statement that contains the following:

- i. any entity of which such person is a director, officer, trustee, member, owner (either as a sole proprietor or a partner) or employee and with which the Company has a relationship;
- ii. any transaction in which the Company is a participant and in which such person might have a conflicting interest (including any Financial Interest such person might have in a Related Party transaction);
- iii. any entity in which such person or a Relative of such person has a substantial Financial Interest and with which the Company has or is considering a Related Party transaction;
- iv. any engagement in business that may compete with the Company or any of its activities; and
- v. all material facts related to any current or potential conflict of interest.

B. The disclosure statement shall also include an affirmation that the person (i) has received a copy of this Policy; (ii) has read and understands the Policy; and (iii) has agreed to comply with this Policy. The Employee Relations department shall provide all completed statements to the Audit Committee. A copy of each disclosure statement shall be kept in the Company's files and made available to any Director or Officer upon request.

4. Review and Approval

A. All Related Party transactions, and any other matters involving a conflict of interest that would ordinarily come before the Board, must be reviewed by the Board or an authorized Committee, which shall determine whether to approve or ratify any such matters in accordance with the procedures set forth in this Policy.

B. The Board or an authorized committee may approve a matter involving a conflict of interest only if it determines that such matter is fair, reasonable and in the best interest of the Company. The approval shall require at least a majority vote of the Directors or the authorized committee present and voting at the meeting. In addition, if the matter involves a Related Party transaction in which the Related Party's interest is substantial, prior to entering into any such Related Party transaction the Board or the authorized committee must determine that the value of the economic benefit provided by the Company does not exceed the value of the consideration received by the Company by obtaining and reviewing appropriate comparability data or alternative transactions to the extent possible.

C. If the General Assembly rejects renewing the authorization granted pursuant to Articles (71) and (72) of the Companies Law and Article (46) of the Corporate Governance Regulations, the Director shall resign within a period specified by the General Assembly; otherwise, his/her membership in the Board shall be deemed terminated, unless he/she decides to withdraw from such contract, transaction or competing venture or regularize his/her situation in accordance with the Companies Law prior to the end of the period set by the General Assembly.

D. A person with a conflict of interest shall not:

- i. be present at or participate in deliberations or voting relating to the matter giving rise to such conflict. However, the Board or authorized committee may request that the person with the conflict of interest present information as background or answer questions before the deliberations and voting on the matter; or
- ii. improperly influence or attempt to influence the deliberations or voting relating to the matter giving rise to such conflict.

Corporate Governance (Continued)

Transactions with related parties

Related party	Relationship with the Company	Transaction type	Period / type of interest	Value (Saudi Riyal)
Head office lease contract paid to Mr. Hamad Ali Al-Saqri	The land is owned by a member of the Board of Directors and a major shareholder, Mr. Hamad Al-Saqri	Land leasing - this deal was made on commercial grounds without preferential terms	Fiscal year 2020 / A direct interest	3,400,000
Al-Saqri Group	The Company is owned by a member of the board of directors and a major shareholder, Mr. Hamad Ali Al-Saqri, and Ms. Hessah Hamad Al-Saqri has indirect interest as she is a relative (daughter of Mr. Hamad). Mr. Ali Hamad Al-Saqri has an indirect interest as he is the vice chairman of the Al-Saqri group's board of directors.	Corporate Sales Contract - This transaction was made on commercial grounds without preferential terms	Fiscal year 2020 / A direct interest & an Indirect interest	143,171

Board of Directors' disclosures

Leejam (Fitness Time) Board of Directors acknowledges that:

- Accounting records have been prepared properly
- The internal control system is based on sound fundamentals and is executed effectively
- The Board has no doubts as to the Company's ability to continue its activities
- The external Auditor provided their opinion without any reservations on the Consolidated Financial Statements for 2020
- The Board of Directors did not recommend the replacement of the external Auditor before the end of their Contract
- Consolidated Financial Statements for year ended 31st December 2020 were prepared in accordance with the International Financial Reporting Standards approved in Saudi Arabia
- The Company does not keep treasury shares
- There are no arrangements or agreements under which any Shareholder waives any dividend rights
- There are no debt instruments for the Company, and no interests, contractual documents or subscription rights owned by Senior Executives or their relatives in its shares or any of its subsidiaries
- The Company does not have any investments or reserves created for the interest of its employees
- There are no segments or numbers of any transferable debt instruments, securities or subscription rights memos, or any similar rights issued or granted by the Company during the fiscal year
- There has been no refund, purchase or cancellation of any refundable debt instruments by the Company
- There is no difference from the approved accounting standards followed by the Saudi Organization of Chartered Public Accountants

Outcomes of the annual audit of the Company's internal control processes

Leejam strives to continuously update and improve its internal control system and ensure its effective implementation. The Internal Audit Department in the Company ensures that proper control systems are in place and defines the overall framework potential risks. It also provides independent, objective advice with the purpose of realising added value and improving operations, as well as achieving the Company's ultimate goals.

The Internal Audit Department undertook several regular and special audit processes in line with the annual audit plan approved by the Audit Committee, in order to provide necessary confirmation on the effectiveness and efficiency of internal control and risk management in the Company, with specific focus on high-risk functions and activities. The Internal Audit Department also advises on the improvement of the Company's various operations' effectiveness and efficiency, which helped in limiting revenue losses and reducing costs. It also contributed to the review of primary and annual financial statement and in coordinating the work of external regulators. All the listed audit procedures have not highlighted any material remarks.

Annual Review of Internal Control Procedures

In the formation of the audit committee, Leejam has taken into account the requirements of corporate governance in terms of its composition and direct association with the Board of Directors, where the committee has conducted a thorough review of reports and financial statements and supervised the work of the internal auditors and external auditors and ensuring compliance. The Committee held seven meetings during the year 2020.

Highlights of the Committee's work during the year 2020

The committee carried out its tasks and work during the fiscal year 2020, the most prominent of which are:

- Review and approve the internal audit plan for the year, recommend to the Board to approve its budget for the year, and verify the availability of the necessary resources to ensure the completion of its work.
- Supervising the management of the internal audit and following up the implementation of its plan.
- Discussion and follow-up of internal audit reports issued during the year 2020 and the progress of the work in the implementation of the recommendations by the competent departments.
- Oversee the work of external auditors and meet with them periodically.
- Review the annual and quarterly financial statements and submit their recommendations to the Board on them.
- Review the "management letter" issued by external reviewers and implement the recommendations emanating from it.
- Evaluating the presentations of external auditors and recommending the appointment of external auditors.
- The committee sought to establish a new confidentiality process for the employees to ensure concerns are shared in absolute privacy.

Internal control system

The internal control system aims to ensure that the Company's objectives are achieved effectively and efficiently and includes the issuance of reliable financial reports, compliance with regulations, implementation of regulations and policies, as well as management of potential risks to reduce potential of those risks impacting the Company's performance. The regulatory system plays an important role in detecting fraud and protecting the Company's resources, and the management of the Company is responsible for the development of a comprehensive and effective regulatory system commensurate with the level of risk to which the Company may be reasonably exposed and at a cost to give acceptable assurances to avoid the fundamental errors and losses it may result in.

The Committee continuously reviews the periodic reports prepared by internal and external auditors, and based on the results of the annual reviews, the Company's regulatory system has achieved many improvements in the activities of the various control procedures in the Company during the year, and the Company will continue under the supervision of the audit committee's evaluation and periodic review of the regulatory system to ensure the achievement of internal control objectives of improving the efficiency of operations and increasing their effectiveness while adhering to all relevant laws and regulations.

Corporate Governance *(Continued)*

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

The Company applies all provisions of Corporate Governance Regulations issued by the CMA, except the following provisions:

Article	Provision	Article / Provision	Reasons for non-implementation
25	8	Developing succession plans for the management of the Company	The Company is developing succession plans & policies in line with this guiding article.
30	8	Participating in developing the succession and replacement plans of executive positions within the Company	The Company is developing succession plans & policies in line with this guiding article.
39	1 and 2	1-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:	The Company is developing policies and procedures in line with this guiding article.
		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:	
		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	
41	a, b, c, d	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. This is 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.

Article	provision	Article / provision	Reasons for non-implementation
41	e, f	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. 6 Guiding Article 7 Guiding Article 30.	Leejam Sports Company is attracting competencies in the Fitness & operational management of gyms & Fitness Centers, which are among the rare specialties in the Saudi labor market. The Company did not disclose, in a detailed form, the remuneration of senior executives (as in Appendix 1 of the Corporate Governance Regulations) to protect the interests of the Company and shareholders from expected losses from leaking competencies, as Leejam Sports Company is the only Company, in the field of establishing and managing Fitness clubs & gyms, listed in the Saudi Stock Exchange.
		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 Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	
93	b	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.	
		b.The disclosures in this article and in the Board report shall be pursuant to the appended schedule	

FINANCIAL REPORT

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Independent auditor’s report to the shareholders of Leejam Sports Company

Report on the audit of the financial statements

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Leejam Sports Company (the “Company”) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited:

- The Company’s financial statements comprise:
- the statement of financial position as at 31 December 2020;
 - the statement of income for the year then ended;
 - the statement of comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key audit matter

- Impairment assessment of non-financial assets
- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment assessment of non-financial assets</p> <p>As at 31 December 2020, the carrying value of property and equipment, right-of-use assets and goodwill amounted to Saudi Riyals 1,447.9 million (2019: Saudi Riyals 1,512 million), Saudi Riyals 771.5 million (2019: Saudi Riyals 840.3 million) and Saudi Riyals 9.4 million (2019: Saudi Riyals 9.4 million), respectively. Goodwill is subject to a mandatory annual impairment test and property and equipment and right-of-use assets are subject to impairment testing where there are internal or external indicators of impairment. Accordingly, management performed a detailed impairment assessment by comparing the recoverable amounts of the cash-generating units (CGUs) against their carrying values to determine that assets are not carried at more than their recoverable amounts.</p> <p>In determining the recoverable amounts, management estimated the value-in-use for the CGUs which was based on a discounted cash flow model. Value-in-use was based on management’s view of key internal value driver inputs as well as external market conditions such as future membership subscription prices. It also required management to make estimates of growth rates for future periods and to determine the most appropriate discount rate. Management has concluded that the recoverable amounts of the CGUs exceeded the carrying amounts of the respective CGUs resulting in no impairment loss to be recognized as at 31 December 2020.</p> <p>We considered this as a key audit matter as the assessment of recoverable amounts of the CGUs requires estimation and judgement around revenue growth and discount rates, a significant fluctuation in which may have a significant impact on the financial results of the Company.</p> <p>Refer to Notes 4.3, 4.5 and 4.6 to the accompanying financial statements for the accounting policies relating to the impairment of property and equipment, right-of-use assets and goodwill, respectively and also Note 3 for the disclosure of significant accounting estimates and judgments and Note 5, Note 6 and Note 34 for the disclosure of matters related to impairment assessment and other information on property and equipment, right-of-use assets and goodwill.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• Evaluated the appropriateness of management’s identification of the CGUs.• Obtained an understanding of the design and implementation of key controls over the impairment assessment process comprising impairment indicator identification and estimation of recoverable amounts.• Evaluated the reasonableness of management’s assumptions and estimates used to determine the recoverable amounts of the CGUs based on a discounted cash flow model. This included: <p>(i) Considered the reasonableness of the forecasts by comparing the historical results with its forecast. We also discussed with management to understand the basis for the assumptions used in the forecast particularly relating to revenue growth and checked the reasonableness of membership growth from the industry analysis supported by third party reports. We also tested the input data used in the discounted cash flow model to the relevant supporting documentation such as, on a sample basis, checked the lease terms of the CGUs from the respective lease contracts;</p> <p>(ii) Assessed the methodology used in the impairment assessment and the reasonableness of the discount rate by engaging our internal valuation expert;</p> <p>(iii) Checked the mathematical accuracy and logical integrity of the underlying calculations used in the discounted cash flow model; and</p> <p>(iv) Performed sensitivity analysis over key assumptions in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes.</p>

Independent auditor's report to the shareholders of Leejam Sports Company

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company (but does not include the financial statements and our auditor's report thereon), which 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 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 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 management and those charged with governance for the financial statements

Management 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Audit Committee, is 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 scepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, related safeguards.

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.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

14 February 2020

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LEEJAM SPORTS Company
(A SAUDI JOINT STOCK Company)
STATEMENT OF FINANCIAL POSITION
(All amounts are in Saudi Riyals unless otherwise stated)

As at 31 December			
	Notes	2020	2019
ASSETS			
Non-current assets			
Property and equipment	5	1,447,915,548	1,512,013,931
Right-of-use assets	6	771,477,155	840,332,792
Goodwill	34	9,445,544	9,445,544
Advances to contractors, suppliers and other receivables		13,272,419	17,237,780
	7, 36		
Total non-current assets		2,242,110,666	2,379,030,047
Current assets			
Prepayments and other assets	8,36	35,328,396	30,465,385
Trade receivables	10	21,245,194	25,480,876
Inventories	36	10,559,104	13,252,682
Cash and cash equivalents	11	258,073,877	68,070,348
Total current assets		325,206,571	137,269,291
Total assets		2,567,317,237	2,516,299,338
EQUITY AND LIABILITIES			
Equity			
Share capital	12	523,833,610	523,833,610
Statutory reserve	13	56,021,218	56,021,218
Retained earnings		84,629,236	141,919,268
Total equity		664,484,064	721,774,096

Liabilities			
Non-current liabilities			
Borrowings	14	348,648,639	293,444,653
Lease liabilities	6	852,863,246	893,772,931
Employees' end of service benefits (EOSB)	15	37,158,533	33,013,250
Total non-current liabilities		1,238,670,418	1,220,230,834
Current liabilities			
Borrowings	14	138,937,826	131,241,548
Lease liabilities	6	67,888,714	62,498,559
Accounts payable	16	52,660,018	28,538,924
Accrued expenses and other liabilities	17	78,516,737	43,878,914
Deferred revenue	18	326,022,298	302,405,529
Provision for Zakat	19	137,162	5,730,934
Total current liabilities		664,162,755	574,294,408
Total liabilities		1,902,833,173	1,794,525,242
Total equity and liabilities		2,567,317,237	2,516,299,338

LEEJAM SPORTS Company
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STATEMENT OF INCOME
(All amounts are in Saudi Riyals unless otherwise stated)

For the year ended 31 December			
	Notes	2020	2019
Revenue	20	659,629,095	944,933,381
Costs of revenue	21	-530,825,619	-584,738,941
Gross profit		128,803,476	360,194,440
General and administrative expenses	22,36	-76,914,400	-74,142,276
Advertising and marketing expenses	23	-16,473,288	-19,345,293
Write off of non-financial assets	25, 36	-43,582,965	-9,177,947
Impairment loss on financial assets	10.1	-2,342,315	-926,958
Other income, net	24	4,455,976	7,442,544
Operating (loss) / profit		-6,053,516	264,044,510
Finance costs	26	-52,670,076	-52,400,524
(Loss) / profit before zakat		-58,723,592	211,643,986
Zakat	19	-	-5,723,141
Net (loss) / profit for the year		-58,723,592	205,920,845
(Loss) / earnings per share – Basic and diluted	27	-1.12	3.93

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For the year ended 31 December			
	Notes	2020	2019
Net (loss) / profit for the year		-58,723,592	205,920,845
Other comprehensive income / (loss)			
Items that will not be reclassified to statement of income in subsequent period			
Gain / (loss) attributable to the re-measurement of employees' EOSB	15	1,433,560	-1,639,897
Total comprehensive (loss) / income for the year		-57,290,032	204,280,948

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LEEJAM SPORTS Company
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STATEMENT OF CHANGES IN EQUITY
(All amounts are in Saudi Arabian Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2020	523,833,610	56,021,218	141,919,268	721,774,096
Net loss for the year	-	-	-58,723,592	-58,723,592
Other comprehensive income	-	-	1,433,560	1,433,560
Total comprehensive loss for the year	-	-	-57,290,032	-57,290,032
Balance as at 31 December 2020	523,833,610	56,021,218	84,629,236	664,484,064
Balance at 1 January 2019	523,833,610	35,429,133	154,405,707	713,668,450
Adjustment on initial application of IFRS 16	-	-	-94,465,804	-94,465,804
Adjusted balance as at 1 January 2019	523,833,610	35,429,133	59,939,903	619,202,646
Net profit for the year	-	-	205,920,845	205,920,845
Other comprehensive loss	-	-	-1,639,897	-1,639,897
Total comprehensive income for the year	-	-	204,280,948	204,280,948
Transfer to statutory reserve	-	20,592,085	-20,592,085	-
Transaction with owners of the Company				
Dividends declared during the year (Note 29)	-	-	-101,709,498	-101,709,498
Balance at 31 December 2019	523,833,610	56,021,218	141,919,268	721,774,096

LEEJAM SPORTS Company
(A SAUDI JOINT STOCK Company)
STATEMENT OF CASHFLOWS
(All amounts are in Saudi Riyals unless otherwise stated)

For the year ended 31 December			
Notes	2020	2019	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before zakat	-58,723,592	211,643,986	
Adjustments for non-cash and other items:			
Depreciation of:			
- property and equipment	5	137,744,940	136,902,386
- right-of-use assets	6	68,024,883	63,321,278
Finance cost	26	52,670,076	52,400,524
Rent concessions	6, 24	-8,116,850	-
Write off of non-financial assets	25	43,582,965	9,177,947
Impairment of property and equipment	5	6,631,011	-
Gain on disposal of property and equipment		-	87,485
Impairment of trade receivables, net		2,342,315	926,958
Provision for employees' end of service benefits	15	9,090,103	7,938,812
Changes in:			
- Prepayments and other assets		-7,848,860	11,254,536
- Trade and other receivables		3,418,758	-7,615,725
- Inventory		2,693,578	1,312,297
- Accounts payable		29,336,274	-16,371,082
- Accrued expenses and other liabilities		34,637,823	7,850,131
- Deferred revenue		23,616,769	59,177,352
Employee benefits paid	15	-3,511,260	-3,992,011

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Zakat paid	19	-5,593,772	-3,374,799
Net cash generated from operating activities		329,995,161	530,640,075
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment, net		-109,829,723	-207,966,628
Sale proceeds of assets disposed off		-	141,105
Net cash used in investing activities		-109,829,723	-207,825,523
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	14	182,537,287	83,455,068
Repayments of borrowings	14	-119,637,023	-142,945,639
Finance costs paid		-19,776,740	-22,010,786
Lease payments	6	-73,285,433	-90,954,540
Dividends paid		-	-101,703,688
Net cash used in financing activities		-30,161,909	-274,159,585
Net change in cash and cash equivalents		190,003,529	48,654,967
Cash and cash equivalents at beginning of the year		68,070,348	19,415,381
Cash and cash equivalents at the end of the year	11	258,073,877	68,070,348
Non-cash flow transactions			
Additions to right-of-use assets and corresponding lease liability	6	5,103,653	13,560,240
Borrowing cost capitalized	5.2	2,655,581	4,011,482
Depreciation capitalized	6	5,934,407	9,906,238
Transfers to property and equipment from capital work-in-progress	5	135,360,483	146,934,096

LEEJAM SPORTS Company
(A SAUDI JOINT STOCK Company)
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1. CORPORATE INFORMATION

Leejam Sport Company ("the Company") is a Saudi Joint Stock Company and listed on the Saudi Stock Exchange. The Company was established in accordance with the Ministry of Commerce and Industry resolution No. 146/S dated 29 Rabie II, 1429H (May 6, 2008) and registered under commercial registration (CR) number 4030180323 dated 19 Jumada II 1429H.

The objectives of the Company are construction, management and operation of sports and entertaining centers and wholesale and retail trading in sports' clothes and equipment and owning real estate and constructing buildings necessary to achieve its purposes and advertising, construction, management and owning hotels and furnished apartments and other activities that the Company needs to use.

The Company's operations of managing sports centres are located in the Kingdom of Saudi Arabia (KSA) and United Arab Emirates (UAE).

The address of the Company's registered office is Thumamah Street, P.O. Box 295245, Riyadh 11351, Kingdom of Saudi Arabia.

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

The details of the branches of the Company has been disclsd in note 38 to these financial statements.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2. Historical cost convention

These financial statements have been prepared on a going concern basis under the historical cost convention, except as disclosed in these financial statements.

2.3. New standard and amendments adopted by the Company

The Company has applied the following standard and amendment to existing standards for its reporting from 1 January 2020:

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2.3.1. IFRS 16 – COVID-19-Related Rent Concessions

The Company has early adopted the COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020, effective for annual periods beginning on or after 1 June 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient. The Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Company has applied the amendment prospectively. The amendment has no impact on retained earnings as at 1 January 2020. Also, please refer note 24 to these financial statements.

2.3.2. Other amendments to standards

Certain other amendments to standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

2.4. New IFRS standards, amendments to standards and interpretations not yet adopted by the Company

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company, except as disclosed in note 2.3.1 above. These standards are not expected to have a material impact on the Company's financial statements in the current or future reporting periods.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(i) Going concern

The consequences of Covid-19 materially affected the Company's business since the Company had to close all its fitness centers in the Kingdom of Saudi Arabia from 15 March 2020 to 20 June 2020. Moreover, as per the government instruction, all the fitness centers have been closed subsequent to the year end from 4 February 2021 for a period of 10 days.

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Moreover, management is not aware

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of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as going concern. Therefore, the financial statements are prepared on a going concern basis. Also see Note 32.3 (Liquidity risk).

(ii)Impairment test for non-financial assets, including goodwill (see note 34)

Judgment is required in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required. When impairment testing is required, discounted cash flow model is used to determine the recoverable amount of respective cash generating unit (CGU). Significant assumptions used in preparing discounted cash flow model include average revenue growth rates, expected future cash flows, operating costs, capital expenditures and discount rates. These inputs and assumptions are based on management’s best estimates and are constructed based upon historic experience and management’s best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

(iii)Assumptions for employees EOSB provision (see note 15)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial techniques. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and other factors.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in these financial statements.

4.1.Foreign currency translation

(a)Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in “Saudi Riyals” (“SAR”), which is the Company’s presentation and functional currency.

(b)Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from

the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the statement of comprehensive income.

4.2.Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the statement of income as a bargain purchase.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in the statement of income.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3.Property and equipment

(i)Initial recognition and subsequent measurement

Property and equipment except land, are stated at cost less accumulated depreciation and accumulated impairment

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

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

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

(ii)Depreciation

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

(iii)Subsequent costs

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

(iv)Impairment of non-financial assets

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3. Property and equipment (continued)

(v)Derecognition

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

4.4.Capital work in progress

Capital work in progress is stated at cost less impairment losses, if any, and includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

4.5.Leases

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

The Company as a lessee

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

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

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

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

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Impairment loss is recognised when the recoverable amount is less than the carrying amount and only assess for impairment when there is any indication of impairment.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the economic useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position, unless the right-of-use asset meet the definition of investment property and in such case, it is presented in the statement of financial position within investment property.

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

The Company as a lessor

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

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

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

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

4.6. Goodwill

(i)Initial recognition

The Company measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
 - the recognised amount of any non-controlling interest in the acquiree; plus
 - if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree.
 - over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- Any goodwill that arises is tested annually for impairment.

(ii)Subsequent measurement

Subsequently, goodwill is measured at cost less accumulated impairment losses.

(iii)Impairment of goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised.

Impairment losses relating to goodwill cannot be reversed in future periods.

4.7. Financial instruments

(i)Financial assets

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as financial assets measured at amortised cost.

Trade receivables are held to collect contractual cash flows, which are expected to give rise to cash flows representing solely payments of principal and interests, and measured at amortised cost.

Initial measurement

Financial assets are measured initially at its fair value plus transaction costs.

Impairment

The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortised cost. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable

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and supportable information about past events, current conditions and forecasts of future economic conditions. The financial assets of the Company subject to ECL are the cash in banks, trade and other receivables. As at 31 December 2020 the impact of ECL on trade receivables is explained in Note 32.1. The ECL impact on the cash in banks is immaterial as the counterparties are reputable financial institutions with sound external credit ratings.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

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

(ii) Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of comprehensive loss. The Company's financial liabilities include trade payables and accrued expenses.

4.8. Inventories

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

4.9. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash in banks and on hand and time deposits with original maturities of less than three months, less restricted cash. Cash and cash equivalents are carried at amortised cost.

4.10. Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of three-months or more but not more than one year from the purchase date.

4.11. Share capital

Ordinary shares are classified as equity.

4.12. Borrowings

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

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

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

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

4.13. Employees' benefits

(i) Short-term employee benefits

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

(ii) Post-employment obligation – employees' end of service benefits (EOSB)

The Company operates a post-employment benefit plan driven by the local laws of the respective countries in which the Company operates.

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

Current and past service costs related to post-employment benefits are recognized immediately in the statement of income while unwinding of the liability at discount rates used are recorded as finance / interest cost.

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

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

4.14. Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

4.15. Dividend distribution

Dividend payable is recognized for the amount of any dividend declared being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

4.16. Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the “GAZT”). Zakat, for the Company is calculated based on higher of approximate zakat base and adjusted net income and charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Withholding taxes

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4.17. Revenue

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

Financing component

The Company does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

4.18. Costs of revenue and other expenses

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

4.19. Provisions

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

4.20. Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting date; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months from the reporting date.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be settled within twelve months after the reporting date; or
- There is unconditional right to defer the settlement of the liability for at least twelve months from the reporting date.

All other liabilities are classified as non-current.

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5.PROPERTY AND EQUIPMENT

	Land	Buildings (Note 5.4)	Motor vehicles	Sports tools and equipment	Electrical equipment and air conditioners	Computers	Furniture and office equipment	Capital work in progress (Note 5.2)	Total
Cost									
Balance at 1 January 2020	131,829,182	1,274,542,396	3,116,346	384,245,282	109,683,478	25,619,062	21,033,990	185,348,345	2,135,418,081
Additions	-	26,110,434	-	7,683,935	1,982,082	1,249,922	2,246,670	81,601,641	120,874,684
Transfers	-	98,221,860	-	32,996,805	1,014,373	428,121	2,699,324	-135,360,483	-
Write offs (note 25)	-	-627,556	-	-116,843,180	-838,363	-79,176	-183,522	-	-118,571,797
Impairment (note 5.3, 24)	-	-15,433,219	-	-	-1,707,535	-	-	-	-17,140,754
Balance at 31 December 2020	131,829,182	1,382,813,915	3,116,346	308,082,842	110,134,035	27,217,929	25,796,462	131,589,503	2,120,580,214
Balance at 1 January 2019	73,251,525	1,139,193,158	3,181,890	364,727,786	90,042,315	20,821,395	15,837,276	204,047,639	1,911,102,984
Additions	58,577,657	40,253,505	-	94,243	1,522,753	3,192,959	746,908	134,420,613	238,808,638
Transfers	-	95,912,315	-	32,914,170	18,155,913	1,686,033	4,451,476	-153,119,907	-
Disposals	-	-	-65,544	-1,572,036	-37,503	-81,325	-1,670	-	-1,758,078
Write offs	-	-816,582	-	-11,918,881	-	-	-	-	-12,735,463
Balance at 31 December 2019	131,829,182	1,274,542,396	3,116,346	384,245,282	109,683,478	25,619,062	21,033,990	185,348,345	2,135,418,081
Accumulated depreciation									
As at 1 January 2020	-	-368,938,760	-2,878,178	-176,390,137	-53,386,906	-13,902,099	-7,908,070	-	-623,404,150
Charge for the year	-	-84,532,441	-90,057	-36,373,011	-9,972,373	-3,975,368	-2,801,690	-	-137,744,940
Write offs (note 25)	-	616,403	-	76,792,234	456,127	26,531	83,386	-	77,974,681
Impairment (note 5.3, 24)	-	9,341,818	-	-	1,167,925	-	-	-	10,509,743
Balance at 31 December 2020	-	-443,512,980	-2,968,235	-135,970,914	-61,735,227	-17,850,936	-10,626,374	-	-672,664,666
Balance at 1 January 2019	-	-286,327,325	-2,817,459	-143,871,413	-43,693,018	-10,312,666	-5,566,887	-	-492,588,768
Charge for the year	-	-83,016,220	-126,263	-38,025,803	-9,726,606	-3,665,377	-2,342,117	-	-136,902,386
Disposals	-	-	65,544	1,354,348	32,718	75,944	934	-	1,529,488
Write offs	-	404,785	-	4,152,731	-	-	-	-	4,557,516
Balance at 31 December 2019	-	-368,938,760	-2,878,178	-176,390,137	-53,386,906	-13,902,099	-7,908,070	-	-623,404,150
Net book values (NBV)									
NBV at 31 December 2020	131,829,182	939,300,935	148,111	172,111,928	48,398,808	9,366,993	15,170,088	131,589,503	1,447,915,548
NBV at 31 December 2019	131,829,182	905,603,636	238,168	207,855,145	56,296,572	11,716,963	13,125,920	185,348,345	1,512,013,931

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5. PROPERTY AND EQUIPMENT (continued)

5.1 The depreciation charge for the year is allocated as follows:

	Notes	2020	2019
Costs of revenue	21	133,252,233	132,848,172
General and administrative expenses	22	4,492,707	4,054,214
		137,744,940	136,902,386

5.2. The Capital Work-in-Progress ("CWIP") as of 31 December 2020 represents construction costs and capital equipment amounting to SAR 106.86 million and SAR 24.72 million (2019: SAR 143.84 million and SAR 41.51 million), respectively.

The total borrowing cost capitalized under CWIP during the year amount to SAR 2.66 million (2019: SAR 4.01 million), and the capitalization rate was 2.41% (2019: 4.0%). In addition, interest in respect of lease liability amounting to SAR 5 million (2019: SAR 8.1 million) was capitalized for under construction fitness centres.

5.3. During the current year, the Company has recorded an impairment charge amounting to SAR 6.6 million (2019: Nil) against the closure of one of the fitness center which was located in the Central Region and was constructed on leased land, based upon the request from the landlord.

5.4. Net book value of buildings amounting to SAR 5.8 million (2019: SAR 7.1 million) are constructed on land owned by the Company.

6. LEASES

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

	2020	2019
Right-of-use assets		
Opening balance	840,332,792	900,000,068
Additions during the year	5,103,653	13,560,240
Depreciation		
- charge for the year	-68,024,883	-63,321,278
- capitalized for under construction fitness centers	-5,934,407	-9,906,238
Closing balance	771,477,155	840,332,792
Lease liabilities		
Lease liabilities		
Opening balance	956,271,490	991,114,679
Additions during the year	5,103,653	13,560,240
Lease payments for the year	-73,285,433	-90,954,540
Rent concessions on lease payments (Note 24)	-8,116,850	-
Interest expense for the year	35,685,575	34,450,571
Interest capitalized for under construction fitness centers	5,093,525	8,100,540
Closing balance	920,751,960	956,271,490
Lease liabilities:		
Non-current portion	852,863,246	893,772,931
Current portion	67,888,714	62,498,559
	920,751,960	956,271,490
Expense recognized in the statement of income in relation to leases for the year ended was as follows:		
	2020	2019
Depreciation on right-of-use assets (note 6.1)	68,024,883	63,321,278
Interest expense on lease liabilities (note 26)	35,685,575	34,450,571
Total	103,710,458	97,771,849

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6.1. Depreciation on right-of-use assets is allocated as follows:

	2020	2019
Costs of revenue (note 21)	67,209,006	62,691,455
General and administrative expenses (note 22)	815,877	629,823
Total	68,024,883	63,321,278

6.2. Short-term and low value leases expense for the year amounted to SAR 2.8 million (2019: SAR 2.9 million).

7. ADVANCES TO CONTRACTORS, SUPPLIERS AND OTHER RECEIVABLES

	2020	2019
Advances to contractors in respect of construction of fitness centres	10,120,199	11,394,300
Advances to suppliers against purchase of sports equipments	3,152,220	4,318,089
Other receivables	-	1,525,391
	13,272,419	17,237,780

8. PREPAYMENTS AND OTHER ASSETS

	2020	2019
Non-financial assets		
Prepayments	15,630,895	19,513,499
Advances to suppliers	15,745,590	7,900,375
	31,376,485	27,413,874
Financial assets		
- Other financial assets	3,951,911	3,051,511
	35,328,396	30,465,385

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of its shareholders having control or significant influence, unconsolidated subsidiary Company, entities with common directorship and key management personnel. The transactions with related parties are carried out in ordinary course of business and are based on terms mutually agreed between the parties.

9.1. Significant related parties' transactions

	2020	2019
Remuneration of directors and key management personnel	6,797,812	8,856,840
Lease rentals paid to a shareholder	3,400,000	3,400,000
Subscription sold to a Company where a shareholder has interest:		
- Al-Saqri Holding	143,171	125,774

9.2. Significant related party's balance – trade receivables

	2020	2019
- Al-Saqri Holding	150,988	7,817

10. TRADE RECEIVABLES

	2020	2019
Subscriptions and membership receivables	18,839,805	21,157,467
Rentals receivables	10,287,609	9,863,314
	29,127,414	31,020,781
Allowance for impairment (Note 10.1)		
- Subscriptions and membership receivables	-966,469	-727,201
- Rentals receivables	-6,915,751	-4,812,704
	-7,882,220	-5,539,905
	21,245,194	25,480,876

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10.1. Movement in allowance for impairment in trade receivables is as follows:

	2020	2019
1-Jan-20	5,539,905	4,612,947
Charge for the year	2,342,315	926,958

11. CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	2,101,053	2,720,766
Cash at bank – current accounts	155,972,824	65,349,582
Short term deposits (note 11.1)	100,000,000	-
	258,073,877	68,070,348

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

12. SHARE CAPITAL

The issued share capital of the Company is SAR 523.8 million (31 December 2019: SAR 523.8 million) divided into 52.3 million (31 December 2019: 52.3 million) shares with a nominal value of SAR 10 each.

13. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the By-laws of the Company, the Company is required to set aside 10% of its net income to statutory reserve until such reserve equals to 30% of the share capital. The statutory reserve is not available for distribution to the shareholders.

14. BORROWINGS

	2020	2019
Non-current portion of long-term borrowings	348,648,639	293,444,653
Current portion of long-term borrowings	138,937,826	131,241,548
Total	487,586,465	424,686,201

The movement in borrowings was as follows:

	2020	2019
1-Jan	424,686,201	484,176,772
Receipts during the year	182,537,287	83,455,068
Repayments during the year	-119,637,023	-142,945,639
31-Dec	487,586,465	424,686,201

All borrowings are under Islamic mode of financing. The following amounts are outstanding relating to each facility:

	2020	2019
Murabaha facility	252,586,465	229,686,201
Tawarruq facility	235,000,000	195,000,000
Total	487,586,465	424,686,201

The Company has credit facilities from local banks in the form of short-term and long-term loans, letters of credit and letters of guarantee. As at 31 December 2020, the Company had unutilized bank financing facilities amounting to SAR 257.4 million (31 December 2019: SAR 125 million) to manage its short-term and long-term liquidity requirements and for construction of the fitness centers. All borrowings are denominated in Saudi Riyals and bear financial charges at market interest rates. The facilities have been secured by the Company by a joint and several guarantee from certain shareholders of the Company.

The above borrowings and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restriction on dividend distribution and also notify the bank of any breach or probable breach immediately. The Company was not in compliance related to Debt Service Coverage Ratio at 31 December 2020 and has taken waiver letters in this regard from the respective banks.

15. EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

	2020	2019
Balance at beginning of the year	33,013,250	27,426,552
Benefits paid during the year	-3,511,260	-3,992,011
Expense recognized in the statement of income (note 15.1)		
Current service costs	8,318,209	6,802,490
Past service costs	-	76,258
Interest on obligation	771,894	1,060,064
	9,090,103	7,938,812
(Gain) / loss attributable to the re-measurement of employees' end of service benefits recognized in OCI	-1,433,560	1,639,897
Balance at the end of year	37,158,533	33,013,250

15.1. Expense recognized in the statement of income

The amounts recognised in the statement of income have been allocated as follows:

	2020	2019
Costs of revenue	7,939,597	5,354,858
Advertising and marketing expenses	28,649	185,369
General and administrative expenses	1,121,857	2,398,585
Total	9,090,103	7,938,812

15.2. Key actuarial assumptions

	2020	2019
- Discount rate used	2.11%	2.50%
- Future growth in salary	2.11%	2.00%

15.3. Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the end of service benefit liability as at 31 December 2020 and 2019 is shown below.

	Increase	Decrease
2020		
Discount rate (1% movement)	-2,639,978	4,380,787
Future salary (1% movement)	1,812,059	-2,741,421
2019		
Discount rate (1% movement)	-1,768,736	1,982,879
Future salary increase (1% movement)	2,055,022	-1,865,153

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant as at the reporting date.

15.4 The maturity profile of the obligation was as follows:

	2020	2019
1 year	5,262,164	5,098,597
2 year to 5 years	15,252,275	13,480,479
More than 5 years	21,964,339	19,567,101
Total	42,478,778	38,146,177

15.5 The weighted average duration of the plan was 5.91 years as at 31 December 2020 and 2019.

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16. ACCOUNTS PAYABLE

	2020	2019
Trade suppliers	41,507,087	12,170,812
Contractors in respect of construction of fitness centres	11,152,931	16,368,112
Total	52,660,018	28,538,924

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
Accrued expenses		
Salaries and other employee benefits	28,461,107	17,836,590
Utilities	13,990,471	8,361,345
Others	15,136,908	13,766,723
	57,588,486	39,964,658
Value added tax (VAT) payable	16,534,877	729,042
Advances from customers	4,393,374	3,185,214
Total	78,516,737	43,878,914

18. DEFERRED REVENUE

	2020	2019
Deferred subscription income from:		
membership fee	305,498,646	284,855,055
personal training fee	17,586,443	14,582,277
	323,085,089	299,437,332
Deferred rental income	2,937,209	2,968,197
	326,022,298	302,405,529

19. PROVISION FOR ZAKAT

The principal elements of the Company's zakat base for the years ended 31 December are as follows:

	2020	2019
Share capital	523,833,610	523,833,610
Retained earnings	84,629,236	141,919,268
Statutory reserve	56,021,218	56,021,218
Adjusted net (loss) / income for the year	-34,824,420	226,524,862
Non-current assets	2,242,110,666	2,379,030,047

The movement in provision for zakat is as follow:

	2020	2019
Balance at beginning of the year	5,730,934	3,382,592
Charge for the year	-	5,723,141
Paid during the year	-5,593,772	-3,374,799
Balance at end of the year	137,162	5,730,934

19.1 Adjusted net (loss) / income

	Note	2020	2019
(Loss) / profit before zakat for the year		-58,723,592	211,643,986
Provision for employees' EOSB	15.1	9,090,103	7,938,812
Impairment of financial assets	24	6,631,011	-
Provision for impairment of trade receivables	10	2,342,315	926,958
Others		5,835,743	6,015,106
Adjusted net (loss) / income for the year		-34,824,420	226,524,862

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19.2 Status of final zakat assessments

The Company has submitted its zakat returns for the years up to 2019. The Company has received zakat certificates from the General Authority of Zakat and Income tax ("GAZT") for all the years up to 31 December 2019 and has received final assessments from GAZT for the years up to 2015.

20. REVENUE

	2020	2019
Revenue from contracts with customers		
Subscriptions and membership income	581,223,075	845,262,604
Personal training income	69,857,070	87,736,345
Rental income	5,718,540	9,076,293
Others	2,830,410	2,858,139
Total	659,629,095	944,933,381

Disaggregation of revenue from contract with customers

Revenue from contract with customers is further disaggregated based on male and female centers offerings and segmented by primary geographical regions in the table below:

	2020	2019	2020	2019	2020	2019
Type of customers						
Gender wise						
Male Centers	436,986,159	641,872,736	50,189,203	66,935,049	4,524,401	7,301,499
Female Centers	144,236,916	203,389,868	19,667,867	20,801,296	1,194,139	1,774,794
Total	581,223,075	845,262,604	69,857,070	87,736,345	5,718,540	9,076,293
Geographical markets						
Central Region	271,828,046	411,945,950	33,163,098	41,764,111	3,443,851	5,311,679
Western Region	215,116,487	281,556,887	22,181,495	27,521,817	2,114,806	3,224,765
Eastern Region	84,701,744	137,305,948	10,735,188	14,140,965	152,925	515,218
UAE	9,576,798	14,453,819	3,777,289	4,309,452	6,958	24,631
Total	581,223,075	845,262,604	69,857,070	87,736,345	5,718,540	9,076,293

In addition, the Company separately presents segment information. See note 30.

Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	2020	2019
Trade receivables, gross (Note 10)	29,127,414	31,020,781
Deferred revenue (Note 18)	(326,022,298)	(302,405,529)
Total	(296,894,884)	(271,384,748)

Deferred revenue relates to advance consideration received from customers for memberships sold at centers, corporates, personal training and rental income which will be recognized in future periods based on performance obligation of the services to be rendered and simultaneous receiving of benefits by the customers. Significant portion of deferred revenue will be recognised as revenue in the next twelve months.

21. COSTS OF REVENUE

	2020	2019
Salaries and related benefits	179,163,403	213,657,952
Depreciation		
property and equipment (Note 5.1)	133,252,233	132,848,172
right-of-use assets (Note 6.1)	67,209,006	62,691,455
Utilities	58,407,197	70,472,394
Cleaning and services	37,377,822	46,874,448
Government and recruiting expenses	19,243,849	15,623,780
Maintenance and repair	12,363,548	11,210,648
Consumables	8,897,038	12,596,285
Security and safety	5,586,782	6,350,073
Stationery	3,027,791	2,898,457
Others	6,296,950	9,515,277
Total	530,825,619	584,738,941

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22. GENERAL AND ADMINISTRATIVE EXPENSES (ALSO SEE NOTE 36)

	2020	2019
Salaries and related benefits	34,959,633	42,581,541
Government and recruiting expenses	11,448,953	4,181,579
Water, electricity and telecommunication	7,704,074	7,469,592
Professional fees	5,074,276	4,772,426
Bank charges and commission (Note 36)	4,861,438	5,266,172
Depreciation		
property and equipment (Note 5.1)	4,492,707	4,054,214
right-of-use assets (Note 6.1)	815,877	629,823
Maintenance, repair and cleaning	2,057,625	1,399,955
Stationery	1,357,714	613,446
Loss on disposal of property and equipment	-	87,485
Others	4,142,103	3,086,043
Total	76,914,400	74,142,276

23. ADVERTISING AND MARKETING EXPENSES

	2020	2019
Advertising and marketing	12,106,858	13,964,496
Salaries and related benefits	4,366,430	5,380,797
Total	16,473,288	19,345,293

24. OTHER (EXPENSES) / INCOME, NET

Other income includes an amount of SAR 8.11 million (2019: SAR nil) pertaining to rent concessions on lease payments received for the lock-down period on certain leases of the Company. (See note 6)

This also includes impairment loss on property and equipment amounting to SAR 6.6 million (2019: nil). See note 5.

25. WRITE OFF OF NON-FINANCIAL ASSETS (ALSO SEE NOTE 36)

During the current year, the Company's management conducted a comprehensive assessment of sports and other equipment kept at the fitness centres. The assessment included physical count, determining the assets' condition, evaluating the operational status and the potential future economic benefits of these assets. Based on this assessment, the Company has written off an amount of SAR 40.6 million (2019: SAR 8.2 million) as the Company's management determined that there are no future economic benefits that can be availed from the use of those assets.

Further, advances to contractors and suppliers amounting to SAR 3 million (2019: SAR 1 million) were written off.

26. FINANCE COSTS (ALSO SEE NOTE 36)

	2020	2019
Profit on borrowings	16,984,501	17,949,953
Finance costs on lease liabilities (Note 6)	35,685,575	34,450,571
Total	52,670,076	52,400,524

27. (LOSS) / EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit for the year ended 31 December 2020 and 31 December 2019, by the weighted average number of shares outstanding at the end of the respective year, which consisted of 52.38 million ordinary shares as at 31 December 2020 (31 December 2019: 52.38 million shares)

28. COMMITMENTS AND CONTINGENCIES

28.1. Commitments

(i) Operating leases

	2020	2019
Payments under short term operating leases recognized as an expense during the year	2,807,469	2,967,291

The amounts recognised in the statement of income for short term leases have been allocated as follows:

	2020	2019
Costs of revenue	2,617,488	2,857,727
General and administrative expenses	189,981	109,564
	2,807,469	2,967,291

(ii) Capital commitments

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2020	2019
Minimum lease payments – less than one year	2,807,469	2,967,291

The Company has capital commitments for contracts for setting up fitness centers amounting to SAR 42.6 million (31 December 2019: SAR 70.13 million).

28.2. Contingent liabilities

a) During 2017, the Company purchased a land costing SR 24.31 million. The previous owner of the land has filed a case for the ownership of the land against the Company. Ensuing to the case, the Company has submitted the original land deed and other related documents to the Ministry of Justice for verification and confirmation of the Company's ownership of the land. The Company's management based on the legal advisor's advice is of the view that the Company has valid grounds to prove the beneficial and legal ownership of the land in the Company's name and the matter will be decided in the favor of the Company. Accordingly, no provision has been recorded in these financial statements for the year ended 31 December 2020.

b) The Company has issued letters of guarantees amounting to SAR 2.9 million (31 December 2019: SAR 2.84 million) against land lease

29. DIVIDEND

The Board of Directors, in their meetings held on 26 February 2019, 12 May 2019, 2 September 2019 and 01 December 2019, recommended the distribution of SAR 28.18 million as final dividend for the year ended 31 December 2018 and SAR 21.05 million, SAR 26.45 million and SAR 26.03 as interim dividend for the periods ended 31 March 2019, 30 June 2019 and 30 September 2019, respectively.

The shareholders approved the final dividend for the year ended 31 December 2018 in the Annual General Meeting held on 7 May 2019.

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30. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the Executive Management and Board of Directors. The Company's activities consist solely of the provision of high quality health, fitness facilities and personal training services.

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

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

Geographical Segments					
Amount in SAR in '000'					
As at and for year ended 31 December 2020	Central Region	Western Region	Eastern Region	International Region - UAE	Total
Revenue	311,265	239,413	95,590	13,361	659,629
Costs of revenue	-231,226	-205,119	-78,147	-16,334	-530,826
Gross profit	80,039	34,294	17,443	-2,973	128,803
Impairment of non- financial assets	-6,631	-	-	-	-6,631
Write-off of non-financial assets	-22,712	-10,941	-9,220	-710	-43,583
As at and for year ended 31 December 2019					
Revenue	461,880	312,303	151,962	18,788	944,933
Costs of revenue	-254,693	-226,469	-87,595	-15,982	-584,739
Gross profit	207,187	85,834	64,367	2,806	360,194
Write-off of non-financial assets	-8,263	-662	-253	-	-9,178

Market Segments						
Amount in SAR in '000'						
	Male Fitness Centers for the year ended 31 December		Female Fitness Centers for the year ended 31 December		Total for the year ended 31 December	
	2020	2019	2020	2019	2020	2019
Revenue	493,798	718,244	165,831	226,689	659,629	944,933
Costs of revenue	-394,457	-451,828	-136,369	-132,911	-530,826	-584,739
Gross profit	99,341	266,416	29,462	93,788	128,803	360,194
Depreciation						
Comprehensive (loss) / income	-14,260	161,630	-492	72,777	-14,752	234,407
Unallocated head office costs					-42,538	-30,126
- property & equipment	-94,139	-98,267	-39,113	-34,581	-133,252	-132,848
- right-of-use assets	-48,536	-48,165	-18,673	-14,526	-67,209	-62,691

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31. FINANCIAL INSTRUMENTS

31.1. Categories of financial instruments

The Company holds the following financial instruments:

	Note	2020	2019
Financial assets measured at amortised cost			
Trade receivables	10	21,245,194	25,480,876
Cash and cash equivalents	11	258,073,877	68,070,348
Others*	8	3,951,911	3,051,511
Financial liabilities measured at amortised cost			
Lease liabilities	6	920,751,960	956,271,490
Borrowings	14	487,586,465	424,686,201
Accounts payable	16	52,660,018	28,538,924
Accrued expenses	17	57,588,486	39,964,658

* Others includes employee loan receivables, refundable deposits and other receivables.

32. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board.

(i) Risk management structure

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

(ii) Board of Directors/ Audit Committee

The apex of risk governance is the centralised oversight of the Board of Directors and Audit Committee providing

direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

(iii) Senior management

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

The Company has exposure to the following risks from financial instruments:

- a) Credit risk;
- b) Market risk; and
- c) Liquidity risk

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

32.1. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit risk arises principally from Company's receivables and balances with banks.

(i) Management of credit risk

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

(ii) Exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Note	2020	2019
Financial assets – at amortised cost			
Trade receivables, net	10	21,245,194	25,480,876
Bank balances	11	255,972,824	65,349,582
Others*	8	3,951,911	3,051,511
Total		281,169,929	93,881,969

* Others includes employee loan receivables, refundable deposits and other receivables.

a. Cash and cash equivalents

The Company held balances with banks of SAR 255 million as at 31 December 2020, which represents their maximum exposure on these assets. These balances are held with banks having strong credit ratings. While cash and cash equivalents are also subject to the expected credit loss (ECL) requirements of IFRS 9, the identified ECL was immaterial.

b. Trade receivables

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

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. Before accepting any new credit customer, the Company uses an internal credit review system to assess the potential customer’s credit quality and defines credit limits by customer.

No interest is charged on trade receivables balances that are overdue. The overdue amounts are constantly monitored by the management and a provision towards expected credit loss is made in the books if required.

The Company has applied IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and is based on the ageing of the days the receivables are past due and the rates as calculated in the provision matrix. On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows:

Membership receivables - Corporate customers

As at 31 December 2020:					
Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance	Specific provision	Total
Within the credit period	17,788,963	0.00%	-	-	-
1-180 days past due	84,410	0.1 - 1.3%	37	-	37
181- 365 days past due	966,432	4.3% - 87.1%	-	966,432	966,432
Total	18,839,805		37	966,432	966,469
As at 31 December 2019:					
Within the credit period	17,545,867	0.00%	-	-	-
1-180 days past due	2,419,806	0.1% - 4.6%	9,923	-	9,923
181- 365 days past due	1,172,405	17.3% - 91.4%	697,889	-	697,889
More than 1 year past due	19,389	100%	19,389	-	19,389
Total	21,157,467		727,201	-	727,201

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c. Rental receivables

As at 31 December 2020:					
Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance	Specific provision	Total
Within the credit period	504,215	0.00%	-	-	-
1-180 days past due	3,518,463	0.27% - 1.33%	-	1,320,626	1,320,626
181- 365 days past due	1,011,056	1.90% - 68.55%	-	341,250	341,250
More than 1 year past due	5,253,875	100%	607,087	4,646,788	5,253,875
Total	10,287,609		607,087	6,308,664	6,915,751

As at 31 December 2019:

Within the credit period	1,693,659	0.00%	-	-	-
1-180 days past due	2,155,814	0.17% - 0.39%	11,238	90,842	102,080
181- 365 days past due	2,519,450	1.52% - 80.76%	392,522	823,711	1,216,233
More than 1 year past due	3,494,391	100%	791,222	2,703,169	3,494,391
Total	9,863,314		1,194,982	3,617,722	4,812,704

d. Other financial assets

The management believes that the Company is not significantly exposed to credit risk on its other current assets as the employee loans are secured against end of service balance and the remaining balance is not significant.

32.2. Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates and foreign exchange rates.

(i) Interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments are as follow:

	2020	2019
Fixed rate instruments		
Borrowings	115,333,633	171,037,629
Variable rate instruments		
Borrowings	372,252,832	253,648,572

(ii) Cash flow sensitivity analysis for variable rate instruments

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

	100 bp Increase	100 bp Decrease
31-Dec-20		
Variable rate instruments	-3,722,528	3,722,528
31-Dec-19		
Variable rate instruments	-2,536,428	2,536,428

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32.3. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company limits its liquidity risk by monitoring its funding requirements and ensuring that bank facilities are available.

(i) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2020 based on contractual undiscounted gross cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

31-Dec-20	Within 3 months	3 to 12 months	2 to 5 years	More than 5 years	Total
Borrowings*					
	35,151,520	117,482,186	368,834,321	-	521,468,027
Accounts payable	52,660,018	-	-	-	52,660,018
Accrued expenses	57,588,486	-	-	-	57,588,486
Lease liabilities	25,901,376	77,704,128	502,521,805	530,277,314	1,136,404,623
	171,301,400	195,186,314	871,356,126	530,277,314	1,768,121,154
31-Dec-19	Within 3 months	3 to 12 months	2 to 5 years	More than 5 years	Total
Borrowings *					
	40,201,003	108,289,255	314,096,725	-	462,586,983
Accounts payable	28,538,924	-	-	-	28,538,924
Accrued expenses	39,964,658	-	-	-	39,964,658
Lease liabilities	25,300,806	75,902,418	515,359,392	704,434,115	1,320,996,731
	134,005,391	184,191,673	829,456,117	704,434,115	1,852,087,296

*Borrowings include finance cost of SAR 34.90 million (31 December 2019: SAR 37.9 million).

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

	2020	2019
Equity	664	722
Liabilities (excluding deferred revenue)	1,577	1,493
Total capital structure (excluding deferred revenue)	2,241	2,214
Adjusted gearing ratio	70.37%	67.43%
Adjusted current ratio (excluding deferred revenue)	0.96	0.5

As of the reporting date, the management also analyses the liquidity risk as follows:

	2020	2019
	SAR in million	SAR in million
Current financial assets	283	97
Current liabilities excluding deferred revenue	-338	-272
Net current financial liability position	-55	-175

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As evident from the above net current liability analysis, the liquidity position of the Company has significantly improved as compared to the last year. Further, the Company manages its liquidity risk by ensuring sufficient un-availed borrowing facilities. As of 31 December 2020, unutilized bank borrowing facilities of SAR 45 million were available from multiple banks for managing the working capital requirements. Moreover, the Company generated cash flow from operating activities amounting to SAR 330 million for the year 2020. (2019: SAR 531 million).

In relation to liquidity risk and going concern assessment of the Company, the management has developed comprehensive monthly cash flow projections ensuring the existence of sufficient funds in order to meet the Company's obligations for a period of at-least next twelve months from the reporting date.

The management is not aware of any material uncertainty that may cast significant doubt upon the Company's ability to continue as going concern. Therefore, these financial statements have been prepared on a going concern basis. Also see note 3.1.

33. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the growth of business, asset quality risks and return on capital as well as the level of dividends to shareholders.

The Board of Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising commission-bearing borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

34. IMPAIRMENT ASSESSMENTS (ALSO SEE NOTE 5 AND NOTE 6)

As result of Covid-19, all the fitness centers of the Company remained closed from 15 March 2020 to 20 June 2020 and consequently the Company incurred a net loss of SAR 84.7 million during the first half of 2020 which was considered as an impairment indicator. Accordingly, an impairment review has been performed across all cash generating units ("CGUs") by the management of the Company.

During 2016, the Company acquired two fitness centers namely Dwadmi and Alkhaleej with goodwill recognised on the acquisition of these fitness centers amounting to SAR 4.6 million and 4.8 million respectively and these were also tested for impairment.

The recoverable amounts of the CGUs have been determined based on a value-in-use model, using a discounted cash flow analysis. The cash flow projections span over the period of the remaining lease term of the CGUs which ranges from 1 to 24 years.

No impairment loss has been recognised on any of the non-financial assets and goodwill in these financial statements as sufficient headroom was available in respect each CGU as a result of impairment exercise carried by the management of the Company.

The key assumptions made in performing the impairment reviews includes a pre-tax discount rate used at the rate of 10% for all the CGUs and average revenue growth rate up to 8.8% for all the CGUs excluding goodwill. The average revenue growth rate used for CGUs against which goodwill is allocated was 6.9% and 7.2% for Dwadmi and Alkhaleej respectively.

Assumptions in value-in-use calculation for each CGU

The assumptions used in the projections for the impairment testing, relate to the average revenue and growth, operating costs, replacement CAPEX and earnings before interest, taxes, depreciation and amortization (EBITDA) and pre-tax discount rate.

For average revenue growth, replacement CAPEX and EBITDA, the assumptions are constructed based upon historic experience and management's best estimate of future trends and performance over the forecasted period.

Discount rate represents the weighted average cost of capital (WACC) of the Company adjusted to reflect specific risks relating to the industry and the country in which the client operates. The discount rate used by the management in the annual impairment exercise performed during the year ended 31 December 2019 was 7.2% and that was adjusted during the current period to reflect risk profile of the industry and the Company after the outbreak of Covid-19.

Sensitivity analysis

As at the impairment assessment date, the possible changes in the key assumptions, with all other variables constant, such as increase in discount rate from 10% to 11% and decrease in revenue growth rate by 1% will not result in any impairment loss to be recorded on any of the CGUs including the CGUs where the goodwill was allocated.

35. SIGNIFICANT EVENT DURING THE YEAR (ALSO SEE NOTE 37)

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 causing disruptions to businesses and economic activity across the globe. In response to the spread of the Covid-19 in KSA and UAE where the Company operates and its resulting disruptions to the social and economic activities in those markets, Leejam's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well.

The consequences of the Covid-19 pandemic have affected the Company's business since all the Company's fitness centers remained closed from 15 March 2020 to 20 June 2020 and consequently the Company incurred a net loss of SAR 84.7 million during the first half of 2020. This resulted in the suspension of sales of subscriptions to the customers as well as the suspension of revenue recognition during the aforementioned period while the Company

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continues to incur certain fixed and semi-variable expenditures that has impacted the financial performance and cash flows of the Company.

The Company's management has considered potential impacts of the current economic uncertainties and volatility in determination of the reported amounts of the Company's financial and non-financial assets and these are considered to represent management's best assessment based on observable information on the reporting date.

36. COMPARATIVES

Certain comparative year amounts have been correctly reclassified and represented for the purpose of better presentation. However, the effect of those reclassification was not significant on these financial statements, and therefore third-statement of financial position was not presented. The key reclassifications were as follows:

Reclassification from	Reclassification to	Amount (SAR in million)
		2019
Statement of financial position		
Prepayments and other assets	Inventory – consumables	13.3
Prepayments and other assets	Advances to contractors and suppliers (for construction and procurement of sports equipment) – Non-current assets	15.7
Statement of income		
General and administrative expenses	Write off of non-financial assets	9.2
Finance cost – Bank charges and commission	General and administrative expenses	5.3
Statement of cash flows		
Decrease in cash flows from operating activities		14.1
Increase in cash flows from investing activities		8.8
Increase in cash flows from financing activities		5.3

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The impact of key reclassifications on the 2018 annual statement of financial position was as follows:

Reclassification from	Reclassification to	Amount (SAR in million)
		As of 31 December 2018
Prepayments and other assets	Inventory – consumables	14.6
	Advances to contractors and suppliers (for construction and procurement of sports equipment) – Non-current assets	26
Prepayments and other assets		

37. SUBSEQUENT EVENTS (ALSO SEE NOTE 35)

Subsequent to the year ended 31 December 2020, all the fitness centers of the Company in the Kingdom of Saudi Arabia were closed for a period of 10 days starting from 4 February 2021 as per the government instructions.

Based on this announcement of temporary lockdown, the Company, currently, is focused on preserving liquidity and managing cash flow through the financial challenges presented by the lockdown by reducing the discretionary spending, closely managing and monitoring the working capital requirements.

38. BRANCHES OF THE Company

The Company has following branches, which are operating under separate CRs:

Location	C.R.	Date
Riyadh	1010337986	14/06/1433H
Riyadh	1010439237	11/02/1437H
Riyadh	1010439239	11/02/1437H
Riyadh	1010612788	13/02/1439H
Riyadh	5855346933	22/06/1441H
Riyadh	3350147653	22/06/1441H
Riyadh	1010649568	08/01/1442H

Riyadh	1131308370	14/02/1442H
Riyadh	3400920275	02/03/1442H
Dammam	2050108503	15/05/1437H
Jeddah	4030248720	23/07/1434H
Jeddah	4030180323	19/06/1429H
Jeddah	4030358958	22/10/1440H
Makkah	4031228724	22/10/1440H
Makkah	4031228725	22/10/1440H
Al Madina	4650211820	22/10/1440H
Al Madina	4650211821	22/10/1440H
Najran	5950032239	02/03/1437H
Jizan	5900035652	21/03/1438H
Taif	4032050910	29/01/1438H
Jubail	2055025936	07/08/1438H
Aldirirya	1010934125	25/05/1439H

UAE trade licenses:

Location	C.R.	Date
Dubai Branch	724509	21/03/1436H
Rashidya Branch (Ajman)	78538	21/11/1437H
Ras Al-Khaimah Branch	41352	16/07/1438H

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been authorized for issue by the Board of Directors on 13 February 2021.