LEEJAM SPORTS COMPANY PROSPECTUS

A Joint Stock Company established in accordance with the Ministerial Resolution No. 146/S, dated 29/4/1429H (corresponding to 6/5/2008G), and with commercial registration No. 1010337986, dated 14/6/1433H (corresponding to 6/5/2012G).

Offering of 15,715,009 Shares representing 30% of the share capital of Leejam Sports Company through an initial public offering at an offer price of SAR (52) per Share.

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LEEJAM

Offering Period: seven days starting from 19/11/1439H (corresponding to 1/8/2018G) to 25/11/1439H (corresponding to 7/8/2018G)

Leejam Sports Company (hereinafter referred to as the "**Company**") is a Saudi joint stock company established in the Kingdom of Saudi Arabia (the "**Kingdom**") by virtue of the Ministerial Resolution No. 146/S, dated 29/4/1429H (corresponding to 6/5/2008G), and registered in the city of Riyadh under Commercial Registration No. 1010337986, dated 14/6/1433H (corresponding to 6/5/2012G). The current share capital of the Company is five hundred twenty-three million eight hundred thirty-three thousand and six hundred and ten Saudi Riyals (SAR 523,833,610) consisting of fifty-two million three hundred eighty-three thousand and three hundred and sixty-one (52,383,361) ordinary shares, with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share (the "**Shares**"). The Company was originally established on 29/4/1429H (corresponding to 6/5/2008G) as a closed joint stock company registered in the city of Jeddah under Commercial Registration No. 4030180323, dated 19/6/1429H (corresponding to 24/6/2008G), with a capital of ten million Saudi Riyals (SAR 10,000,000) consisting of one million (1,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. On 25/12/1429H (corresponding to 24/12/2008G), the Company acquired the trademark "Fitness Time", which was owned by Fitness Time Establishment for Trading; and on 15/1/1431H (corresponding to 1/1/2010G), the Company subsequently purchased property and equipment from Fitness Time Establishment for Trading (currently Fitness Time Company for Trading), under which the ownership of all fitness centres owned by Fitness Time Establishment for Trading (comprising seven fitness centres) were transferred to the Company. Pursuant to the Extraordinary General Assembly Resolution dated 17/1/1431H (corresponding to 3/1/2010G), the capital of the Company was increased to one hundred ninety-five million Saudi Riyals (SAR 195,000,000) consisting of nineteen million five hundred thousand (19,500,000) ordinary shares with a nominal value of ten Riyals (SAR 10) per share, through in-kind contributions (in consideration of eighteen million one hundred thirty-seven thousand three hundred fifty-one (18,137,351) in-kind shares, including SAR 50,587,387 comprising the assets acquired from Fitness Time Establishment for Trading (currently Fitness Time Company for Trading), and SAR 130,786,123 comprising the in-kind contributions of real estate and movable properties by all shareholders of the Company at the time) and cash contributions (in consideration of three hundred and sixty two thousand six hundred forty-nine (362,649) in-cash shares), through the admission of the new shareholders, of one hundred eighty one million three hundred seventy-three thousand five hundred ten Saudi Riyals (SAR 181,373,510) and three million six hundred twenty-six thousand four hundred ninety Saudi Riyals (SAR 3,626,490), respectively. On 14/6/1433H (corresponding to 6/5/2012G), the Company's head office was transferred from Jeddah to Riyadh (for further details regarding the history of the Company, please see Section 4.2 (*Corporate History and Evolution of Capital*)). On 28/7/1438H (corresponding to 25/4/2017G), the Company's capital was further increased to SAR 523,833,610 consisting of 52,383,361 ordinary shares with a nominal value of SAR 10 per share, through capitalizing an amount of two hundred and sixty-four million, three hundred and thirty-five thousand, eight hundred and eighty-six Saudi Riyals (SAR 264,335,886) and an amount of sixty-four million, four hundred and ninety-seven thousand, and seven hundred and twenty-four Saudi riyals (SAR64,497,724) from the Company's retained earnings and statutory reserve respectively as of 2/4/1438H (corresponding to 31/12/2016G).

The initial public offering of the Company's shares (the "**Offering**") will be for fifteen million seven hundred and fifteen thousand and nine (15,715,009) ordinary shares (collectively, the "**Offer Shares**" and each an "**Offer Share**"). The Offering price will be fifty two Saudi Riyals (SAR 52) per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Riyals (SAR 10). The Offer Shares represent thirty per cent (30%) of the issued share capital of the Company. The Offering shall be restricted to the following two groups of investors:

Tranche (A): participating parties comprising of the parties entitled to participate in the book building process as specified under the CMA Instructions on Book Building and Allocation of Shares in Initial Public Offerings (the "**Book-Building Instructions**") (collectively referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, please see Section 1 (*Definitions and Abbreviations*)). The number of Offer Shares to be initially allocated to the Participating Parties actually involved in the book building process from amongst the Participating Parties (collectively, the "**Participating Entitie**s" and each a "**Participating Entity**") is fifteen million seven hundred and fifteen thousand and nine (15,715,009) Offer Shares, representing one hundred per cent (100%) of the Offer Shares. However, the final allocation will be made after the end of the individual investors› subscription. The Lead Manager (as defined in Section 1 (*Definitions and Abbreviations*)) shall have the right, in the event that there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to fourteen million one hundred forty-three thousand five hundred eight Offer Shares (14,143,508), representing ninety per cent (90%) of the Offer Shares.

Tranche (B): individual investors comprising of Saudi Arabian nationals, including any Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, and GCC natural persons (collectively, the "**Individual Investors**" and each an "**Individual Investor**"). Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of one million five hundred seventy-one thousand five hundred one (1,571,501) Shares representing ten per cent (10%) of the Offer Shares shall be allocated to Individual Investors, provided that Participating Entities subscribe to all the Offer Shares allocated to them. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

The Company's current shareholders (collectively, "**Current Shareholders**") hold all of the Company's shares prior to the Offering. The Offer Shares are being sold by some of the current shareholders (collectively, the "**Selling Shareholder**s") in accordance with Table 5 (*Direct Ownership Structure of the Company Pre- and Post-Offering*). Upon completion of the Offering, the Current Shareholders will collectively own seventy per cent (70%) of the Shares and will consequently retain a controlling interest in the Company. The proceeds from the Offering, after deduction of the Offering expenses (the "**Net Offering Proceeds**"), will be distributed to the Selling Shareholders prorated to the number of the Offer Shares sold in the Offering by each one of them. The Company will not receive any part of the Net Offering Proceeds (for further details, please see Section 8 (*Use of Proceeds*)). The Offering is fully underwritten by the Underwriter (for further details, please see Section 13 (*Underwriting*)). The Substantial Shareholders will be subject to a restriction period during which they will be prohibited from selling their Shares for a period of six (6) months as of the date trading starts on the Saudi Stock Exchange("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**") as indicated on page (x). Substantial Shareholders at the Company who own 5% or more of its shares are Hamad Ali Al-Sagri and Target Opportunities Company for Trading. Their Capital ownership percentages are listed in Table 23 (*Details of Shareholders Directly Holding 5% or More Shares in the Company as of the Date of this Prospectus*) of Section 4.4.1 (*Overview*) of this Prospectus.

The Offering will commence on Wednesday, 19/11/1439H (corresponding to 1/8/2018G) and will remain open for a period of seven days up to and including the closing day on Tuesday, 25/11/1439H (corresponding to 7/8/2018G) (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Investors can be made through any of the branches of the selling agents (the "**Selling Agents**") listed on page (vii) during the Offering Period (for further details, please see Section 17 (*Subscription Terms and Conditions*). Participating Entities can bid for the Offer Shares through the Lead Manager during the book building process taking place prior to the Offering to Individual Investors and subscribe to the Offer Shares during the Offering to Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed to is two hundred fifty thousand (250,000) Shares. The minimum number of allocated Shares will be ten (10) Offer Shares per Individual Investor, and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds One hundred fifty seven thousand one hundred fifty (157,150) Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor, and the allocation will be determined at the discretion of the Company and Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the relevant Selling Agent. Notification of the final allotment and refund of subscription monies, if any, will be made at the latest by 3/12/1439H (corresponding to 14/8/2018G) (for further details, please see "*Key Dates and Subscription Procedures*" on page (xiii) and Section 17 (*Subscription Terms and Conditions*)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive dividends declared by the Company as at the date of this prospectus (this "**Prospectus**") and for subsequent fiscal years (for more information, please see Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*) and Section 7 (*Dividend Distribution Policy*)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of the Shares. All relevant regulatory and corporate approvals required to conduct the Offering have been granted, including approvals pertaining to the publication of this Prospectus and all required documents have been submitted to the relevant authorities. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (for further details, please see "*Key Dates and Subscription Procedures*" on page (xiii)). Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, and companies, banks, and investment funds established in the Kingdom or in countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), as well as GCC nationals will be permitted to trade in the Shares after their trading starts on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Shares (all as defined in Section 1 (*Definitions and Abbreviations*)). Furthermore, non-Saudi nationals who are not residents in the Kingdom and institutions incorporated outside the Kingdom (collectively, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to acquire an economic interest in the Shares by entering into a swap agreement with a person authorised by the CMA to acquire, hold and trade in shares on the Exchange on behalf of a Foreign Investor (the "**Authorised Person**"). Under such swap agreements, the Authorised Person will be the registered legal owner of such Shares.

Investment in Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be considered in connection with an investment in the Offer Shares, please see "*Important Notice*" on page (i) and Section 2 (*Risk Factors*), which should be carefully considered prior to making a decision to invest in the Offer Shares.

Financial Advisor, Lead Manager, Bookrunner and Underwriter

sambacapital سامباكابيتال

Selling Agents

samba سامبا | NCB الأهلي | بنك الرياض riyad bank | Al Rajhi Bank مصرف الراجحي | البنك السعودي الفرنسي Banque Saudi Fransi | العربي anb | SABB ساب

This Prospectus includes information for the application for registration and offer of securities given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia and the application for listing securities in accordance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iv) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

This Prospectus is dated 16/11/1439H (corresponding to 29/07/2018G).


The more you dream the farther you get

IMPORTANT NOTICE

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Selling Agents or by visiting the websites of the Company (www.leejam.com.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.sambacapital.com).

In respect to the Offering, Samba Capital & Investment Management Company has been appointed by the Company as the financial advisor (the "**Financial Advisor**"), the lead manager (the "**Lead Manager**"), the underwriter (the "**Underwriter**") and bookrunner (the "**Bookrunner**").

This Prospectus includes information that has been presented in compliance with the requirements for the registration and admission to listing of the Shares on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors (as defined below), whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and they affirm that according to their knowledge and belief, and after undertaking all possible reasonable enquiries, there are no other facts or omissions from this Prospectus that would make any statement contained therein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor nor any of the Company's other advisors, whose names appear on page (vi) of this Prospectus (together with the Financial Advisor, the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for further details, please see Section 2 (*Risk Factors*)). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Selling Agents or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licenced financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and the prospective investors should not rely on another party's decision to invest or not to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may be accepted only by:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, please see Section 1 (*Definitions and Abbreviations*)); and

Tranche (B): Individual Investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children and GCC investors having natural personality. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for the investing foreign institutions, taking into account the relevant rules and instructions. All recipients of this Prospectus must inform themselves of any regulatory restrictions on the Offer Shares and the sale of Offer Share and to observe all such restrictions.

MARKET AND INDUSTRY DATA

The information in Section 3 (*Market Overview*) is derived from the market study report prepared by Portas Consulting Limited (the "**Market Consultant**") exclusively for the Company and dated 29/4/1439H (corresponding to 16/1/2018G). The Market Consultant provides advisory services in sports to major international and national sports federations, governments, charities and companies with an interest in the sports sector. The Market Consultant, located in London, was established in 2006G. For more information about the Market Consultant, visit its website (www.portasconsulting.com).

The Market Consultant does not, nor do any of its subsidiaries, sister companies, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or its subsidiaries. The Market Consultant has given, and not withdrawn as at the date of this Prospectus, its written consent for the use of its name, market information, and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Board of Directors believes that the information and data from other sources contained in this Prospectus, including that provided by the Market Consultant, are reliable. However, such information and data has not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of said information.

Some of the data contained in this Section 3 (*Market Overview*) dates to 2013G and no updated data is available as of the date of this Prospectus in connection thereto. Some of the competitor information, including membership numbers, has been provided by external experts and was not verified by each relevant competitor. All membership data and number of centers are best estimates as of September 2017G.

FINANCIAL AND STATISTICAL INFORMATION

The audited statutory financial statements for the financial years ended 31 December 2015G and 2016G, and the accompanying notes thereto, have been prepared in compliance with accounting standards issued by the Saudi Organization for Certified Public Accountants ("**SOCPA**") and have been audited by KPMG Al Fozan & Partners (the "**Auditors**"). The Company's audited financial statements for the financial year ended on 31 December 2017G, and the accompanying notes thereto, have been prepared in compliance with the International Financial Reporting Standards (IFRS) as endorsed by SOCPA, and have been audited by KPMG Al Fozan & Partners.

In addition, a separate set of special purpose audited financial statements for the financial year ended 31 December 2016G, and the accompanying notes thereto, has also been prepared by the management in compliance with the IFRS as endorsed by SOCPA and has been audited by the KPMG Al Fozan & Partners. Such statements are contained in Section 19 (*Financial Statements and Auditors' Report*).

As part of its preparation for the adoption of the IFRS for the financial year ended on 31 December 2017G, the Company prepared the special purpose audited financial statements for the financial year ended 31 December 2016G.

The Company prepares its financial statements in Saudi Arabian Riyals. From the financial year ending on 31 December 2017G, the Company has prepared its statutory financial statements in compliance with the IFRS as endorsed by SOCPA.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Prospectus and the audited financial statements. In cases where amounts in this Prospectus are converted from Bahraini dinars to Saudi riyals, the exchange rate shall be ten Saudi riyals for each one Bahraini dinar. In cases where amounts are converted in this Prospectus from UAE dirham to Saudi Riyal, then the applicable exchange rate shall be one Saudi Riyal against one UAE dirham. In cases where amounts are converted in this Prospectus from Euro to Saudi Riyal, then the applicable exchange rate shall be 4.5 Saudi Riyals against one Euro.

FORECASTS AND FORWARD-LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please see Section 2 (*Risk Factors*)). Should any of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after this Prospectus has been issued and before completion of the Offering, the Company becomes aware that: (i) there has been a significant change in any material information contained in this Prospectus or any document required by the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional significant matters that have become known which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

DEFINITIONS AND ABBREVIATIONS

For an explanation of certain defined terms and abbreviations used in this Prospectus, please see Section 1 (*Definitions and Abbreviations*).

Company's Board of Directors

Table 1: Company's Board of Directors

Name	Position	Nationality	Membership Status	Independence	Direct Share Ownership[1]		Indirect Share Ownership		Date of Appointment[2]
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Hamad Ali Al-Saqri	Chairman	Saudi	Non-executive	Non-independent	60.5%	60.5%	-	-	May 2017G
Abdulmohsin Ali Al-Haqbani	Vice Chairman and Managing Director	Saudi	Executive	Non-independent	3.2%	3.2	-	-	May 2017G
Ali Hamad Al-Saqri	Director	Saudi	Non-executive	Non-independent	0.7%	0.7%	-	-	January 2010G
Rabih Michel Khouri	Director	French	Non-executive	Non-independent[3]	-	-	-	-	July 2013G
Walid Michel Majdalani	Director	Dutch	Non-executive	Non-independent[3]	-	-	-	-	July 2013G
Yousef Hamad Al Yousefi	Director	Saudi	Non-executive	Independent	-	-	-	-	May 2017G
Abdulrahman Mohammed Al-Barrak	Director	Saudi	Non-executive	Independent	-	-	-	-	January 2018G
Christopher Errol Clawson	Director	American	Non-executive	Independent	-	-	-	-	January 2018G
Hessa Hamad Al-Saqri	Director	Saudi	Non-executive	Non-independent	-	-	-	-	January 2018G

Source: The Company.

1- The shareholding percentages are rounded.

2- Dates listed in this table are the dates of appointment in the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (*Biographies of the Members of the Board of Directors and the Secretary*) describe the dates of their appointment, whether in the Board of Directors or in any other position.

3- Representative of Target Opportunities Company for Trading.

COMPANY'S REGISTERED ADDRESS, REPRESENTATIVES, AND BOARD OF DIRECTORS' SECRETARY

Address
Leejam Sports Company Thumamah Road AlGhadir District P.O. Box 295245 Riyadh 11351 Kingdom of Saudi Arabia Tel: + 966 (11) 2101015 Fax: + 966 (11) 2633525 Website: www.leejam.com.sa E-mail: info@leejam.com.sa

Company's Representatives	
Abdulmohsin Ali Mohammed Al-Haqbani Vice Chairman of the Board and Managing Director Leejam Sports Company Thumamah Road AlGhadir District P.O. Box 295245 Riyadh 11351 Kingdom of Saudi Arabia Tel: + 966 (11) 2101015 (extension 201) Fax: + 966 (11) 2633525 Website: www.leejam.com.sa E-mail: ahaqbani@leejam.com.sa	**Ahmar Azam** Chief Financial Officer Leejam Sports Company Thumamah Road AlGhadir District P.O. Box 295245 Riyadh 11351 Kingdom of Saudi Arabia Tel: + 966 (11) 2101015 (extension 205) Fax: + 966 (11) 2633525 Website: www.leejam.com.sa E-mail: aazam@leejam.com.sa

STOCK EXCHANGE
The Saudi Stock Exchange (Tadawul) Abraj Al Tawuniya, North Tower 700 King Fahad Road P.O. Box 60612 Riyadh 11555 Kingdom of Saudi Arabia Tel: + 966 (11) 218 9999 Fax: + 966 (11) 218 1220 Website: www.tadawul.com.sa E-mail: webinfo@tadawul.com.sa

ADVISORS

Financial Advisor, Lead Manager, Bookrunner, and Underwriter
Samba Capital & Investment Management Company 14th Floor, Kingdom Centre Al Olaya Street P.O. Box 220007 Riyadh 11311 Kingdom of Saudi Arabia Tel: + 966 (11) 477 4770 Fax: + 966 (11) 211 7438 Website: www.sambacapital.com E-mail: ipo@sambacapital.com

Legal Advisor
The Law Firm of AlSalloum and AlToaimi in Association with White and Case LLP The Business Gate Building No. 26 Zone C, Airport Road P.O. Box 45190 Riyadh 11512 Kingdom of Saudi Arabia Tel: + 966 (11) 499 3600 Fax: + 966 (11) 499 3699 Website: www.whitecase.com E-mail: riyadhcapitalmarketsall@groups.whitecase.com

Financial Due Diligence Advisor
PricewaterhouseCoopers King Faisal Foundation Building P.O. Box 8282 Riyadh 11482 Kingdom of Saudi Arabia Tel: + 966 (11) 211 0400 Fax: + 966 (11) 211 0250 Website: www.pwc.com E-mail: Khalid.Mahdhar@pwc.com

Market Consultant
PORTAS Consulting Limited AL79NF P.O. Box 562 Welwyn United Kingdom Tel: + 44 (0) 7768 022887 Fax: + 44 (1) 7072 40546 Website: www.portasconsulting.com E-mail: enquiries@portasconsulting.com

Auditors
KPMG Al-Fozan and Partners KPMG Tower Salaheddin Al-Ayyubi Road P.O. Box 92876 Riyadh 11663 Kingdom of Saudi Arabia Tel: + 966 (11) 875 8500 Fax: + 966 (11) 874 8600 Website: www.kpmg.com.sa E-mail: marketingsa@kpmg.com

Note: All the above-mentioned Advisors and Certified Accountants have given and have not withdrawn their written consent, until the date hereof, to the publication of their names, addresses, logos and statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees (forming part of the engagement team serving the Company), or any of their employees' spouse or dependents relatives have any shareholding or interest of any kind in the Company or its Subsidiary as at the date of this Prospectus which would impair their independence.

SELLING AGENTS
Al Rajhi Bank Olaya road P.O. Box 28 Riyadh 11411 Kingdom of Saudi Arabia Tel: + 966 (11) 211 6000 Fax: + 966 (11) 460 0705 Website: www.alrajhibank.com.sa E-mail: contactcentre1@alrajhibank.com.sa
Arab National Bank King Faisal Street PO. Box 56921 Riyadh 11564 Kingdom of Saudi Arabia Tel.: +996 (11) 402 9000 Fax: +996 (11) 402 7747 Website: www.anb.com.sa E-mail: info@anb.com.sa
Banque Saudi Fransi Ma'ather Street P.O. Box 56006 Riyadh 11554 Kingdom of Saudi Arabia Tel: + 966 (11) 404 2222 Fax: + 966 (11) 404 2311 Website: www.alfransi.com.sa E-mail: communications@alfransi.com.sa
National Commercial Bank King Abdulaziz Road P.O. Box 3555 Jeddah 21481 Kingdom of Saudi Arabia Tel: + 966 (12) 649 3333 Fax: + 966 (12) 643 7426 Website: www.Alahli.com.Sa E-mail: contactus@alahli.com
Riyad Bank King Abdulaziz Road P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: + 966 (11) 401 3030 Fax: + 966 (11) 404 2311 Website: www.sabb.com E-mail: customercare@riyadbank.com
The Saudi British Bank (SABB) Prince Abdulaziz Bin Musa'ad Bin Jalawi Street P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: + 966 (12) 405 0677 Fax: + 966 (12) 643 7426 Website: www.Alahli.com.Sa E mail: contactus@alahli.com
Samba Financial Group King Abdul Aziz Road PO. Box 833, Riyadh 11421 Kingdom of Saudi Arabia Tel.: +996 (11) 4774770 Fax: +996 (11) 4799402 Website: www.samba.com E-mail: CustomerCare@samba.com

MAIN BANKS OF THE COMPANY

As at the date of this Prospectus, the Company has commercial relations with the following banks:

Samba Financial Group
King Abdulaziz Road
PO. Box 833
P.O. Box 1467
Riyadh 11421
Kingdom of Saudi Arabia
Tel: +966 (11) 4774770
Fax: +966 (11) 4799402
Website: www.samba.com
E-mail: CustomerCare@samba.com

Banque Saudi Fransi
Ma'ather Street
P.O. Box 56006
Riyadh 11554
Kingdom of Saudi Arabia
Tel: + 966 (11) 404 2222
Fax: + 966 (11) 404 2311
Website: www.alfransi.com.sa
E-mail: communications@alfransi.com.sa

The National Commercial Bank
King Abdulaziz Road
P.O. Box 3555
Jeddah 21481
Kingdom of Saudi Arabia
Tel: + 966 (12) 649 3333
Fax: + 966 (12) 643 7426
Website: www.alahli.com.sa
E-mail: contactus@alahli.com

The Saudi British Bank (SABB)
Prince Abdulaziz Bin Musa'ad Bin Jalawi Street
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel: + 966 (11) 405 0677
Fax: + 966(11) 405 0660
Website: www.sabb.com
E-mail: sabb@sabb.com

OFFERING SUMMARY

This summary of key information is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "*Important Notice*" on page (i) and Section 2 (*Risk Factors*), respectively, prior to making any investment decision in the Offer Shares.

Company Name, Description and Establishment Information	Leejam Sports Company, a Saudi joint stock company established in accordance with the Ministerial Resolution No. 146/S, dated 29/4/1429H (corresponding to 6/5/2008G), and registered in the city of Riyadh under Commercial Registration No. 1010337986, dated 14/6/1433H (corresponding to 6/5/2012G). The current share capital of the Company is SAR 523,833,610 consisting of 52,383,361 ordinary shares, with a fully-paid nominal value of SAR 10 per share. The Company was originally established on 29/4/1429H (corresponding to 6/5/2008G) as a joint stock company registered in the city of Jeddah under Commercial Registration No. 4030180323, dated 19/6/1429H (corresponding to 24/6/2008G), with a capital of SAR 10,000,000 consisting of 1,000,000 ordinary shares with a nominal value of SAR 10 per share. On 25/12/1429H (corresponding to 24/12/2008G), the Company acquired the trademark "Fitness Time", which was owned by Fitness Time Establishment for Trading (currently Fitness Time Company for Trading); and on 15/1/1431H (corresponding to 1/1/2010G), the Company subsequently purchased property and equipment from Fitness Time Establishment for Trading, under which the ownership of all fitness centres owned by Fitness Time Establishment for Trading (comprising seven fitness centres) were transferred to the Company. Pursuant to the Extraordinary General Assembly Resolution dated 17/1/1431H (corresponding to 3/1/2010G), the capital of the Company was increased to SAR 195,000,000 consisting of 19,500,000 ordinary shares with a nominal value of SAR 10 per share, through in-kind contributions (in consideration of eighteen million one hundred thirty-seven thousand three hundred fifty-one (18,137,351) in-kind shares, including SAR 50,587,387 comprising the assets acquired from Fitness Time Establishment for Trading (currently Fitness Time Company for Trading), and SAR 130,786,123 comprising the in-kind contributions of real estate and movable properties by all shareholders of the Company at the time) and cash contributions (in consideration of three hundred and sixty two thousand six hundred forty-nine (362,649) in-cash shares). On 14/6/1433H (corresponding to 6/5/2012G), the Company's head office was transferred from Jeddah to Riyadh. On 28/7/1438H (corresponding to 25/4/2017G), the Company's capital was further increased to SAR 523,833,610 consisting of 52,383,361 ordinary shares with a nominal value of SAR 10 per share, through capitalizing an amount of SAR 264,335,886 and an amount of SAR 64,497,724 of the Company's retained earnings and statutory reserves respectively as of 2/4/1438H (corresponding to 31/12/2016G).
Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: a- construction, management and operation of sports and recreational centres; b- contracting services for the maintenance, cleaning and operation of buildings and factories; c- wholesale and retail trade in sportswear and sports equipment; d- ownership of real estate and construction of buildings, as necessary to achieve the Company's purposes or achieve the purposes required by the Company; e- advertisement activities; f- construction, ownership, and management of hotels and furnished apartments; g- transportation activities (by land, sea and air) and services (transportation of passenger within cities and suburbs and transportation of goods), storage and cooling (warehouses and food preservation and refrigeration units, including lease thereof) and catering; h- import of sports equipment and tools and sportswear for the fitness centres owned by the Company or others; and i- employee and third-party training.

Substantial Shareholders	Substantial Shareholders' names and ownership in the Company pre- and Post-Offering are provided in the table below:

Table 2: Substantial Shareholders and their Ownership in the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)
Hamad Ali Al-Saqri	31,670,150	60.5%	316,701,500	31,670,150	60.5%	316,701,500
Target Opportunities for Trading Company[2]	13,148,224	25.1%	131,482,240	1,361,968	2.6%	13,619,680
Total	44,818,374	85.6%	448,183,740	33,032,118	63.1%	330,321,180

Source: The Company.

1- The shareholding percentages are rounded.

2- Selling Shareholder

Share Capital	SAR 523,833,610.
Total Number of Issued Shares	52,383,361 fully-paid ordinary Shares.
Nominal Value per Share	SAR 10 per Share.
Offering	Initial public offering of 15,715,009 Shares, representing 30% of the Company's share capital, with a fully-paid nominal value of SAR 10 per Share, at an Offer Price of SAR (52) per Offer Share.
Number of Offer Shares	15,715,009 fully-paid ordinary Shares.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the Company's share capital.
Offer Price	SAR (52) per Offer Share.
Total Value of Offer Shares	SAR (817,180,468).
Use of Proceeds	The Net Offering Proceeds amounting to SAR (782,180,468) (after deducting the Offering expenses estimated at SAR (35,000,000)), will be paid to the Selling Shareholders on a pro-rata basis according to the number of Shares owned by each Selling Shareholder from the Offer Shares. The Company will not receive any part of the Offering proceeds (for further details, please see Section 8 (*Use of Proceeds*)).
Number of Offer Shares to be Underwritten	15,715,009 Shares.
Total Offering Amount to be Underwritten	SAR (817,180,468).
Categories of Targeted Investors	Subscription to the Offer Shares is restricted to the following two groups of investors: **Tranche (A):** Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, please see Section 1 (*Definitions and Abbreviations*)); and **Tranche (B):** Individual Investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, and GCC investors having natural personality. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
Total Offer Shares Available for Each of the Targeted Investors' Categories:	
Number of Offer Shares Available to Participating Parties	15,715,009 Shares representing 100% of the total number of Offer Shares. If there is sufficient demand by Individual Investors, and the Participating Entities subscribe to all the Offer Shares allocated to them, the Lead Manager shall have the right, subject to CMA's consent, to reduce the allocated Offer Shares allocated to Participating Entities to 14,143,508 Offer Shares, representing 90% of the total Offer Shares.

Number of Offer Shares Available to Individual Investors	A maximum of 1,571,501 Offer Shares representing 10% of the total Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories:	
Subscription Method for Participating Entities	Participating Entities as identified in Section 1 (*Definitions and Abbreviations*) may apply for subscription. The Lead Manager will provide the Bid Forms to the Participating Entities during the book-building process. After provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Lead Manager in accordance with the instructions mentioned in Section 17 (*Subscription Terms and Conditions*).
Subscription Method for Individual Investors	Subscription Application Forms will be available during the Offering Period at all Selling Agents' branches. Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 17 (*Subscription Terms and Conditions*). Individual Investors who have recently participated in previous initial public offerings can also subscribe through the internet, telephone banking, or automated teller machines ("ATMs") of any of the Selling Agents branches that offer any or all such services to its customers, provided that the following requirements are satisfied: (i) the Individual Investor shall have a bank account at a Selling Agent which offers such services; and (ii) there should have been no changes in the personal information or data of the Individual Investor since his subscription in the last Offering.
Minimum Number of Offer Shares to be Applied for Each of the Targeted Investors' Categories:	
Minimum Number of Offer Shares to be Applied for by Individual Investors	10 Shares.
Minimum Number of Offer Shares to be Applied for by Participating Entities	100,000 Shares.
Minimum Subscription Amount by Each of the Targeted Investors' Categories:	
Minimum Subscription Amount for Individual Investors	SAR (520).
Minimum Subscription Amount for Participating Entities	SAR (5,200,000).
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Maximum Number of Offer Shares to be Applied for by Individual Investors	250,000 Offer Shares.
Maximum Number of Offer Shares to be Applied for by Participating Entities	2,619,167 Offer Shares, and, in relation to public funds only, no more than the maximum number of Offer Shares to be calculated for each participating public fund pursuant to the Book-Building Instructions.
Maximum Subscription Amount by each of the Targeted Investors' Categories:	
Maximum Subscription Amount for Individual Investors	SAR (13,000,000).
Maximum Subscription Amount for Participating Entities	SAR (136,196,684).
Allocation and Refund of Excess Subscription Amount Method for Each of the Targeted Investors' Categories:	
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 3/12/1439H (corresponding to 14/8/2018G). The minimum allocation per Individual Investor is 10 Offer Shares, and the maximum allocation per Individual Investor is 250,000 Offer Shares, with any remaining Offer Shares, if any, being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Investor to the total Offer Shares. In the event that the number of Individual Investors exceeds 157,150 Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor and the allocation will be determined at the discretion of the Company and the Financial Advisor.

Allocation of Offer Shares to Participating Entities	Final allocation of the Offer Shares to Participating Entities shall be made through the Lead Manager after the completion of the Individual Investors subscription process. The number of Offer Shares to be initially allocated to Participating Entities is 15,715,009 Shares representing 100% of the total Offer Shares. If there is sufficient demand by Individual Investors, the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Entities to 14,143,508 Offer Shares representing 90% of the total Offer Shares after completing the Individual subscription.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without withholding any charge or commission by the Lead Manager or the Selling Agents, as applicable. Announcement of the final allotment and refund of excess subscription monies, if any, will be made no later than 3/12/1439H (corresponding to 14/8/2018G) (for further details, please see Section 17 (*Subscription Terms and Conditions*) and "*Key Dates and Subscription Procedures*" on page (xiii)).
Offering Period	The Offering will commence on Wednesday, 19/11/1439H (corresponding to 1/8/2018G) and will remain open for a period of seven days up to and including the Offering closing date which is Tuesday, 25/11/1439H (corresponding to 7/8/2018G).
Dividends' Distribution	The Offer Shares will be entitled to receive any dividends declared by the Company as at the date of this Prospectus and for subsequent fiscal years (for further details, please see Section 7 (*Dividend Distribution Policy*)).
Voting Rights	The Company has one class of Shares only. None of the Shares carry any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another Shareholder, but not a member of the Board of Directors or an employee of the Company, to attend the General Assembly meetings (for further details, please see Section 12.14 (*Description of Shares*)).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders may not dispose of any of their Shares for a period of six months from the date on which trading of the Offer Shares commences on the Exchange.
Listing of Shares	Prior to the Offering, the Company's Shares have never been listed in the Kingdom or elsewhere. An application has been made to the CMA for registration and offer of the shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company submitted an application to the Exchange for admission to listing in accordance with the Listing Rules. All the relevant approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares (for further details, please see "*Key Dates and Subscription Procedures*" on page (xiii)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be categorised into: (i) risks related to the operations of the Company; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 (*Risk Factors*) and should be considered carefully prior to making an investment decision in relation to the Offer Shares.
Offering Expenses	The Selling Shareholders will bear all Offering expenses and costs estimated at around SAR (35,000,000). These costs will be deducted from the Offering proceeds and include the fees of the Financial Advisor, the Underwriter, the Company's legal advisors and auditors, the Market Consultant, in addition to the fees of Selling Agents, and marketing, printing and distribution expenses and other relevant expenses.
Underwriter	Samba Capital & Investment Management Company 14th Floor, Kingdom Centre P.O. Box 220007, Riyadh 11311 Kingdom of Saudi Arabia Tel: + 966 (11) 477 4770 Fax: + 966 (11) 211 7438 Website: www.sambcapital.com E-mail: customercare@sambacapital.com

Note: The "*Important Notice*" on page (i) and Section 2 (*Risk Factors*) should be read thoroughly prior to taking any decision as to whether to invest or not in the Offer Shares.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table 3: Expected Offering Timetable

Expected Offering Timetable	Date
Offering Period	A period of seven days starting from Wednesday, 19/11/1439H (corresponding to 1/8/2018G), until the end of Tuesday, 25/11/1439H (corresponding to 7/8/2018G).
Bidding and book-building period for Participating Entities	A period of nine days starting from Monday, 3/11/1439H (corresponding to 16/7/2018G), until the end of Tuesday, 11/11/1439H (corresponding to 24/7/2018G).
Deadline for submission of Subscription Application Forms based on the provisionally allocated Offer Shares for Participating Entities	Sunday, 16/11/1439H (corresponding to 29/7/2018G).
Deadline for payment of the subscription monies for Participating Entities based on their provisionally allocated Offer Shares	Sunday, 23/11/1439H (corresponding to 5/8/2018G).
Deadline for submission of Subscription Application Forms and payment of the subscription monies for Individual Investors	Tuesday, 25/11/1439H (corresponding to 7/8/2018G).
Announcement of final Offer Shares allotment	Tuesday, 3/12/1439H (corresponding to 14/8/2018G).
Refund of excess subscription monies (if any)	Tuesday, 3/12/1439H (corresponding to 14/8/2018G).
Expected trading commencement date for the Shares	The Shares trading commencement is expected to start after completion of all the relevant legal requirements and procedures. Announcement of the Shares trading commencement will be made through local newspapers and Tadawul's website (www.tadawul.com.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing in local daily newspapers and on the Tadawul website (www.tadawul.com.sa), Financial Advisor website (www.sambacapital.com), and the Company's website (www.leejam.com.sa).

How to Apply for the Offering:

Subscription to the Offer Shares is restricted to the following two groups of investors:

- Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, please see Section 1 (*Definitions and Abbreviations*)); and
- Tranche (B): Individual Investors comprising individuals holding the Saudi Arabian nationality, including any Saudi female divorcee or widow from a marriage to a non-Saudi who can subscribe for her own benefit, in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, and GCC natural persons. Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

a- Participating Parties

Participating Entities can obtain the Bid Forms from the Lead Manager during the book-building process period and the Subscription Application Forms from the Lead Manager after provisional allocation.

The Lead Manager shall, after the approval of the CMA, offer the Offer Shares to the Participating Entities only during the book-building period. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Lead Manager representing a legally binding agreement between the Selling Shareholders and the relevant Participating Entity submitting it.

b- Individual Investors

Subscription Application Forms for Individual Investors will be available during the Offering Period at the branches of the Selling Agents. Individual Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Selling Agents that provide some or all of these channels to Individual Investors who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

- the Individual Investor must have a bank account at the Selling Agent which offers such services; and

- there should have been no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his family) since he/she last participated in an initial public offering.

Each Individual Investor is required to fill out the Subscription Application Form according to the instructions mentioned in Section 17 (*Subscription Terms and Conditions*). Each Individual Investor must complete all the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. If two subscriptions are submitted, the second shall be deemed void and only the first one shall be taken into consideration. The Subscription Application Form cannot be amended or withdrawn once submitted. Furthermore, the Subscription Application Form shall, upon submission, be considered to be a legally binding offer by the relevant Subscriber to the Selling Shareholders. Please see Section 17 (*Subscription Terms and Conditions*).

Excess subscription monies, if any, will be refunded to the prime Individual Investor's account held with the Selling Agent from which the subscription value has been debited in the first place, without withholding any charge or commission by the Lead Manager or the Selling Agents. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Entities, please see Section 17 (*Subscription Terms and Conditions*).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all the information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors should be based on the consideration of this Prospectus as a whole. In particular, it is important to carefully consider the "*Important Notice*" on page (i) and Section 2 (*Risk Factors*), respectively, prior to making any investment decision in the Offer Shares.

OVERVIEW OF THE COMPANY

History of the Company

The first fitness centre under the "Fitness Time" brand was opened in 2005G in Tabouk by Fitness Time Establishment for Trading (currently Fitness Time Company for Trading). Then another fitness centre was opened in 2006G in Hail, two in Jeddah in 2007G, and one in Jeddah and two in Riyadh in 2008G. When the number of fitness centres opened by Fitness Time Establishment for Trading reached seven, its founders decided to optimize the business operations of Fitness Time Establishment for Trading and to enable its further growth by incorporating a joint stock company and transferring to Leejam Sports Company the business of Fitness Time Establishment for Trading. As a result, the Company was established as a joint stock company under the name Leejam Sports Company with a capital of SAR 10,000,000 divided into 1,000,000 ordinary shares with a nominal value of SAR 10 per share and registered in the commercial register in the city of Jeddah under commercial registration No. 4030180323, dated 19/6/1429H (corresponding to 24/6/2008G).

At the time of incorporation of Leejam Sports Company, 50% of the shares of the Company were owned by Hamad Ali Al-Saqri, with the remainder held by 11 minority shareholders, each holding between 0.5% and 15% of the Company's shares.

The Company acquired upon its incorporation in 2008G the trademark "Fitness Time", which was owned by Fitness Time Establishment for Trading. Due to statutory requirements, such as the need to transfer from Fitness Time Establishment for Trading to the Company lease agreements relating to real estate properties on which fitness centres were located, the Company operated from its incorporation fitness centres under the "Fitness Time" brand on behalf of Fitness Time Establishment for Trading pursuant to an operating agreement until 15/1/1431H (corresponding to 1/1/2010G), when the Company purchased property and equipment from Fitness Time Establishment for Trading for SAR 50.6 million. All fitness centres which were owned by Fitness Time Establishment for Trading, including assets, equipment, and property, were transferred to the Company, effective from the beginning of the year 2010G.

The Company's capital was increased to SAR 195,000,000 on 17/1/1431H (corresponding to 3/1/2010G) with shares being issued to new shareholders for in-kind contributions (in consideration of eighteen million one hundred thirty-seven thousand three hundred fifty-one (18,137,351) in-kind shares, including SAR 50,587,387 comprising the assets acquired from Fitness Time Establishment for Trading (currently Fitness Time Company for Trading), and SAR 130,786,123 comprising the in-kind contributions of real estate and movable properties by all shareholders of the Company at the time) and cash contributions (in consideration of three hundred and sixty two thousand six hundred forty-nine (362,649) in-cash shares). At this time, Mr. Hamad Ali Al-Sagri owned 83.3% of the shares of the Company, with the remainder held by 13 minority shareholders, each holding between 0.12% and 5.9% of the Company's shares.

The Company opened its 50th fitness centre in 2011G. The Company transferred its head office to Riyadh on 14/6/1433H (corresponding to 6/5/2012G).

On 1/6/1434H (corresponding to 11/4/2013G) the shareholders transferred certain shares of the Company to other shareholders, namely Khalid Ali Al-Haqbani, Noura Fahad Al-Qahtani and Nahla Ali Al-Haqbani, and, and following such transfers Mr. Hamad Ali Al-Saqri owned 83.3% of the shares of the Company, with the remainder held by 13 minority shareholders, each holding between 0.12% and 5.8% of the Company's shares.

On 23/9/1434H (corresponding to 31/7/2013G) certain shareholders sold shares to Target Opportunities Company for Trading, which is itself 61.2% owned by Gulf Growth Holding Company 2 W.L.L. and 38.8% by Gulf Opportunities Holding Company 2 W.L.L. After this transfer, Mr. Hamad Ali Al-Saqri owned 61.2% and Target Opportunities Company for Trading owned 25.1% of the shares of the Company, with the remainder held by 13 minority shareholders, each holding between 0.12% and 4.4% of the Company's shares. In 2013G, the Company acquired a 95% direct ownership in Fitness Time Company for Trading (formerly Fitness Time Establishment for Trading before its conversion into a limited liability company in 2013G). The remaining ownership percentage of 5% was acquired by Waleed Ali Al-Haqbani who is one of the Selling Shareholder.

In 2015G, the Company opened branches in Dubai and Ras Al Khaimah, UAE and entered into a partnership with Futbol Club Barcelona ("**FC Barcelona**"). The Company capital was increased to SAR 523,833,610 on 28/7/1438H (corresponding to 25/4/2017G) with shares being issued to new and existing shareholders through capitalizing an amount of SAR 264,335,886 and an amount of SAR 64,497,724 of the Company's retained earnings and statutory reserves respectively. At this time, Hamad Ali Al-Saqri transferred 0.7% of his shares in the Company to new shareholder Shadan Hamad Al-Saqri. As at the date of this Prospectus, Hamad Ali Al-Saqri owns 60.5% and Target Opportunities Company for Trading owned 25.1% of the shares of the Company, with the remainder held by 14 minority shareholders, each holding between 0.1% and 4.4% of the Company's shares.

Overview of the Company's Business

As of 31 December 2017G, and according to the estimates of International Health, Racquet & Sports Club Association (IHRSA), the Company operates the largest network of fitness centres in the Middle East and North Africa region under the Fitness Time brand with 112 operational fitness centres in 23 cities in the Kingdom and three cities in UAE. Additionally, 31 fitness centres are under development as of 31 December 2017G (including locations that are being converted from male to female centres).

The Fitness Time brand is a well-known brand in the health and fitness industry, and the Company is keen to maintain its quality and brand reputation. The "Fitness Time" brand name was launched in 2005G. The on-going advertising and promotional support behind the brand name coupled with quality product and service and consistent performance have together led to the development of strong brand equity in the health and fitness category.

The Company is ranked 17th in the world in IHRSA's 2017G "Global 25" list in terms of number of wholly-owned fitness facilities and won the Mohammed Bin Rashed Al Makotoum Creative Sports Award in 2015G (presented annually to leading individuals and companies in the sports industry across the MENA region).

The Company's fitness centres are typically located in high-population high-traffic areas of cities and towns with a focus on road access and parking availability, ranging in size from 1,100 square meters to over 6,000 square meters of interior space (plus outside parking) with an average size of 3,450 square metres across the entire brand portfolio.

The Company offers a range of products and pricing to operate across a range of income demographics and has been able to successfully operate across the Kingdom, including in smaller cities due to the Company's value for money and attractive product range.

The Company operates across six primary formats, which include the following: (i) Fitness Time Plus, a luxury and exclusive experience; (ii) Fitness Time, a high-end, full-service male fitness facility; (iii) Fitness Time Pro, aimed at professional and aspiring male athletes; (iv) Fitness Time Junior, targeted at boys and youth in the 5-16 age range; (v) Fitness Time Ladies, a high-end fitness centre dedicated to women, the first of which was opened in 2017G; and (vi) Fitness Time Ladies Pro, specifically for aspiring female athletes. In addition to the above-mentioned brands, the Company developed the Fitness Time Basic brand which operated in one location, was closed and transformed into a female fitness centre in 2017G. The Company developed the brand of "Fitness Time Basic" to test a budget fitness centre model which is available for the Company to re-activate in the future should market conditions be suitable. Furthermore, the Company also has the Fitness Time Academy brand that is primarily associated with football related activities. The Company had one dedicated Fitness Time Academy facility in Buraida City in Al-Qassim region, which was closed in 2017G. However, the Company continues to run the football related activities under the "Fitness Time Academy" banner at a number of sites that are either associated with existing fitness centres or are rented on a need basis.

The Company's primary strategy is to acquire or lease, under long-term leasehold arrangements, undeveloped land for building its fitness centres. The typical development lead time from lease contract signing to start of operations is

12 to 18 months. Management has over the years developed an effective site selection and leasing process, whereby the Management maintains a three to five-year location roadmap, which is reviewed and approved by the Board at least annually, outlining targeted cities and municipalities, based on factors including population density and growth, income levels, competitive landscape and performance of nearby fitness centres. Potential sites that are identified by the Company or external appointed agents are added to a long-list, which is then filtered down to a short list based on initial criteria and reviewed by members of the Company's senior leadership team and the Site Selection Committee. Once a new location is approved, the Company negotiates a lease agreement for the site for a period of ranging between 15 years and 30 years, as per expected market conditions.

The Company has internal projects teams that oversee the entire construction process and typically engages a main contractor to handle the construction for each new site. The Company has developed a series of standard form designs that can be easily adapted to each specific site. The Company has the capability to manage multiple concurrent on-going development projects. All contracts are offered through a competitive bidding process that ensures the Company achieves the best balance of price, service and quality.

The Company's fitness centres are typically freestanding buildings with modern architecture and décor and are fitted out with industry-leading equipment carefully selected and tested according to specific criteria. Equipment is maintained by the Company's internal maintenance team or external approved third-party service providers, and in some cases the Company has entered into long-term warranty and/or service agreements with the original equipment manufacturer (OEM). The Company offers floor trainers to members free of charge (as part of the membership package) with the option of additional one-on-one coaching from personal trainers on an additional paid fee basis.

The Company operates a diverse schedule of group classes across the entire network of its fitness centres, with up to ten or more classes per-day and per-location with capacity ranging from five to 70+ participants and are provided as a free service to members. In addition, several special events are run each year for members, including athletic tournaments, competitions, new class launches and product trials.

Memberships are sold in fixed-duration subscriptions, predominantly of three, six or 12-month periods, requiring full payment upfront with shorter duration memberships being offered from time to time on a promotional basis. For further details, please see Section 4.7.2 (*Membership Model and Pricing*). Membership is generally provided on a "passport" basis, so members can access any fitness centre category at or below the membership level, with some fitness centres allowing on an exceptions basis a "home rate" in which special membership pricing is offered for that particular facility. Depending on the type of membership purchased, members can freeze their subscriptions, subject to certain duration limits. Pricing is set by management and reviewed on a regular basis with regular promotions throughout the year.

Membership has grown in recent years driven primarily by the opening of new locations. For more details of membership numbers, please see Section 4.7.2.1 (*Membership Overview*). 86% of the Company's revenue for the year ending on 31 December 2016G was delivered through sales in the fitness centres and 86% in the year ending on 31 December 2017G. As a result, there is a significant reliance on bringing members into its fitness centres, which the Company has proven to do over the years. The Company also has a robust corporate client sales business with over 200 corporate clients, which generated 13.1% and 12.3% of the revenue in 2016G and 2017G, respectively.

The Company is continually looking to strengthen its sale organisation and accordingly, established the position of membership consultant in its fitness centres in 2016G to actively drive the growth in membership subscriptions by calling on and assisting prospective members visiting the fitness centres. The Company is also exploring opportunities to partner with adjacent and/or complementary businesses for selling purposes, while developing new points of sale, which include a new website and member mobile application and are expected to be launched in the first quarter of 2019G. Given the focus on maintaining high levels of member satisfaction, the Company also manages a customer service / member service department responsible for handling member service enquiries by phone, E-mail, SMS, social media and feedback through the Company's website.

The Company continues to invest in its information technology backbone and considers data protection to be a high priority. Please see Section 4.7.3 (*Information Systems*) for further details.

The Company has built a strong network of domestic and international suppliers, which meet the Company's needs on competitive terms. The Company maintains a list of qualified alternative suppliers across all critical areas of its businesses to minimise reliance on any single partner. For critical equipment and infrastructure, the Company also maintains an inventory in its Kingdom-based warehouses which can be readily dispatched to the relevant fitness centres when needed. Supply agreements are reviewed on an annual basis across all categories and negotiated based on price, service, quality, and supplier capacity.

The Company's head office is located in Riyadh and as of 31 December 2017G, the Company operated 108 fitness centres in the Kingdom and four centres in the UAE. For further details, please see Section 4.7.6 (*Geographic Locations and Operations*).

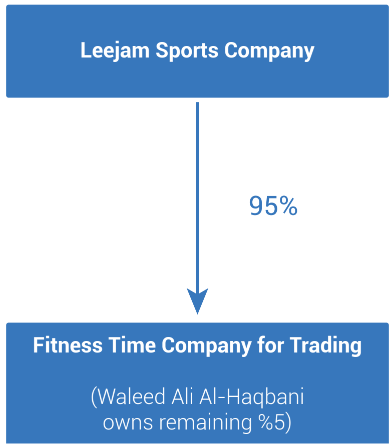
The Company operates a number of Administrative Support Departments, including a Business Development

Department, Sales Department, Information Technology Department, Marketing Department, Customer Relations Department, KSA Operations Department, International Operations Department, Supply Chain Department, Project & Facilities Management Department, Finance Department, Corporate & Legal Compliance Department, Human Resources & Administration Department and an Internal Audit and Risk Management Department. A description of the function of each department is set out at Section 4.10 (*Administrative Support Departments*).

Ownership Structure

The following chart illustrates the ownership structure of the Company's Subsidiary:

Exhibit 1: The Current Structure of Company's Subsidiary



Source: The Company.

The following table summarises the ownership structure of the Company's Subsidiary:

Table 4: Details of the Company's Direct and Indirect Subsidiaries

Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Ownership
Fitness Time Company for Trading	Kingdom of Saudi Arabia	95	–	5% is held by Waleed Ali Mohammed Al-Haqbani

Source: The Company.

The following table summarises the ownership structure of the Company before and after the Offering:

Table 5: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)
Hamad Ali Al-Saqri	31,670,150	60.5%	316,701,500	31,670,150	60.5%	316,701,500
Target Opportunities for Trading Company[2]	13,148,224	25.1%	131,482,240	1,361,968	2.6%	13,619,680
Latifa Mohammed Al-Haqbani[2]	2,315,006	4.4%	23,150,060	517,917	1.0%	5,179,170
Abdulmohsin Ali Al-Haqbani	1,655,991	3.2%	16,559,910	1,655,991	3.2%	16,559,910
Salih Mohammed Al-Haqbani[2]	844,893	1.6%	8,448,930	189,021	0.4%	1,890,210
Nahla Ali Al-Haqbani[2]	675,915	1.3%	6,759,150	151,217	0.3%	1,512,170
Khalid Ali Al-Haqbani[2]	544,956	1.0%	5,449,560	121,918	0.2%	1,219,180
Ali Hamad Al-Saqri	379,696	0.7%	3,796,960	379,696	0.7%	3,796,960
Shadan Hamad Al-Saqri	379,696	0.7%	3,796,960	379,696	0.7%	3,796,960
Noura Fahad Al-Qahtani[2]	177,426	0.3%	1,774,260	39,694	0.1%	396,940
Waleed Ali Al-Haqbani[2]	168,978	0.3%	1,689,780	37,804	0.1%	378,040
Hessa Zaid Al-Nasser[2]	135,184	0.3%	1,351,840	30,243	0.1%	302,430

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)
Fahad Ali Al-Haqbani	88,595	0.2%	885,950	88,595	0.2%	885,950
Aljazi Abdulaziz Al-Nasser[2]	84,490	0.2%	844,900	18,902	0.04%	189,020
Noura Abdulaziz Al-Nasser[2]	63,467	0.1%	634,670	14,199	0.03%	141,990
Nada Ali Al-Haqbani	50,694	0.1%	506,940	11,341	0.02%	113,410
Public	-	-	-	15,715,009	30.0%	157,150,090
Total	52,383,361	100.0%	523,833,610	52,383,361	100.0%	523,833,610

Source: The Company.

1- The shareholding percentages are rounded.

2- Selling Shareholder.

Vision, Mission, and Strategy

Vision

The Company aims to be the best, biggest, most accessible, and most advanced fitness centre chain in the Middle East and North Africa (MENA).

Mission

The Company's mission is to steer society towards a healthy lifestyle and encourage the community to exercise daily.

Strategy

The Company's strategy is defined across two dimensions – driving performance of existing fitness centres, and continued growth. The specific elements of each strategy dimension are provided below:

- Grow Membership Base: The Company seeks to grow its subscription income through a focus on membership retention and loyalty programs, increasing membership numbers, optimizing membership fees, delivering a quality service experience at existing fitness centres, opening new fitness centres and introducing new products and services. The Company also targets several market segments and price points across its multiple brand categories.
- Enhance Member Experience: The Company seeks to enhance its customers' experience by offering modern, safe and well-maintained fitness equipment and services at convenient locations and with convenient opening hours and well-trained staff, with careful monitoring and oversight.
- Continuous improvement and optimisation of existing fitness centres: The Company focuses on continuous improvement of its existing fitness centres and business, with a focus on refining operational processes, policies and procedures and regular financial and operational reviews of each fitness centre.
- Partner with value-added service providers: The Company continually assesses opportunities for external partnerships to provide value added services and deliver additional income, including selling healthy food and beverage items together with dietary supplements and healthy meal programs, and laundry services.
- Continued expansion of the portfolio: The Company seeks to open new fitness centres to expand its territorial coverage and as of 31 December 2017G operated 108 fitness centres in the Kingdom and four in the UAE. The Company rigorously analyses new sites and believes that it has capacity to open multiple new fitness centres per year and expand into new territories (in addition to the UAE) as wholly-owned investments, partnerships, and/or franchise arrangements.
- Capitalise on regulatory changes regarding fitness centres for women: The General Sports Authority (GSA) in the Kingdom started granting licenses to female fitness centres in July 2017G and the Company expects that this will significantly increase the size of the addressable market in the Kingdom. The Company intends to become the leading operator of female fitness centres in the Kingdom and has a detailed execution plan to essentially mirror its achievements with respect to male fitness centres. As of 31 December 2017G, the Company operated seven fully-licensed female centres in the Kingdom and one in the UAE.
- Capture existing and emerging market segments: The Company seeks to address all commercially viable existing market segments. It has expanded its fitness centres brands portfolio to reach various population income and age segments and intends to expand these brand categories. The Company also intends to introduce new products and services through existing brands, including the launch in 2015G of personal training and in 2016G of the eXtreme Fitness high intensity interval training program. The Company believes

new market segments will continue to emerge and that it is well placed to capitalise on these opportunities.

- Acquisition of existing fitness centres: The Company believes there may be attractive acquisition opportunities to complement its organic growth plan due to the fact that the fitness market has many independent fitness centres. Acquisitions are made on an opportunistic basis and are subject to a detailed and appropriate review and diligence and are only progressed if they reflect a good commercial fit.

The Company's initiatives to achieve growth include: (i) increasing the current number of male fitness centres; (ii) capitalizing on the female sector; (iii) continuing to offer additional value added products and services to members; and (iv) extending the geographical reach of the Company's operations both inside and outside the Kingdom.

The Company's Competitive Advantages

There are a number of factors that provide the Company with a strong advantage over its existing and potential future competitors. These factors have enabled the business to grow rapidly and provide a strong foundation for future growth. These factors include:

- A strong and well-respected brand. The Company's Fitness Time brand is the largest fitness centre brand in the MENA region in terms of number of locations and members. Its geographical reach and large and growing current and historic membership portfolio cannot be matched by most other brands.
- An accessible customer proposition. The Company uses carefully-selected fitness equipment, amenities and trainers. The fitness centres are designed and operated to be convenient, safe, relaxing, spacious and well ventilated, with extended opening hours. Members have access to floor trainers, as well as free and chargeable organised classes and training.
- A network of strategic locations. The Company operates a robust site selection process using its expertise and experience. As at 31 December 2017G, the Company operated 112 fitness centres (108 in the Kingdom and four in the UAE) with a number of new fitness centres under development (for more details about locations under development, please refer to Section 4.9.1 (*New Centre Openings*)), allowing partnerships with large public- and private- sector enterprises. The geographical footprint is a barrier to entry because it may be difficult for competitors to offer the same community service experience and coverage across the Kingdom. Members can generally access any fitness centre within the network at the same or lower brand category.
- Founders are pioneers in fitness centres. The Company's founders are the pioneers of fitness centres in the Kingdom, having established the first ever Saudi fitness centre chain. Also, the Company's founders have extensive experience in understanding the local market, which will likely continue for the foreseeable future.
- Experienced senior leadership team. The Company has a leadership team with global experience, providing insight, experience and expertise and understanding of the regulatory environment. The core executive team has worked together for more than three years.
- Deep understanding of the local and regional market. The credentials of the Company's management team give it an unprecedented experience of the fitness industry and deep understanding of the local and regional markets, with a developed ability to open more than 15 new fitness centres each year. The Company ensures that all new products and services are vetted for local market relevance prior to introduction according to the sport and fitness needs of local populations in its territories. Moreover, the Company continually provides new fitness products and services to keep up with the global trends. The Company has an in-house development team that executes sport championships and designs and executes sport competitions tailored for the local market.
- Unique development model. The Company differs from most other fitness centres in that it develops each facility from the ground up, following a standard approach and design concept consistent with the brand identity and its guidelines in all of its locations, which enables the Company to offer a consistent customer experience in different fitness centres and a design consistent with the Company's standards, while enhancing cost management.
- Depth of membership base. The Company had over 209,000 active members as of 31 December 2017G, which according to IHRSA estimates is the most of any fitness business in the MENA region, which creates a key competitive advantage that cannot be quickly replicated.
- Region's largest portfolio of historical data. The Company established 143 fitness centres (including 31 under development) as of 31 December 2017G, giving it the largest regional portfolio of historical data and operational knowledge to continue opening new facilities as well as set and assess key performance indicators with increased efficiencies.
- Fitness Time training academy. As of 31 December, 2017G, the Company views its team as a competitive advantage, with 2,378 employees working at the company and its subsidiaries, the majority of whom deals with the members on a daily basis. In order to maintain its team, the Company uses a robust training and on-boarding program internally managed by the training academy of the Company.
- Robust corporate business. The Company had over 200 corporate clients with a total of over 33,000 members as of 31 December 2017G, which according to IHRSA estimates is the largest portfolio of corporate

clients for any fitness centre business in the MENA region,. Revenue from corporate clients accounted for 13.1% of total revenues in 2016G and 12.3% of total revenue in 2017G.

- **Unique position to capture the female fitness opportunity.** The Company believes it is uniquely positioned to target the female fitness market segment in the Kingdom due to brand awareness and trust.

MARKET OVERVIEW

Saudi Arabian Macroeconomic Overview

The Kingdom's economy has seen strong growth in recent years, underpinned by the Government's economic development plans. The significant drop in global oil prices starting mid-2014G has impacted the economy with real GDP growth slowing down to 1.4% in 2016G. The Saudi Government has been focused on countering the impact of lower oil prices by rationalising government expenditures. In 2016G, the Government announced its new strategy, known as "Vision 2030", which sets forth a comprehensive agenda of socio-economic reforms.

There is a health crisis in most countries in the GCC, including the Kingdom, driven by so-called "lifestyle diseases", which in turn has led to an increased focus on prevention and increased physical activity. The Saudi Government has released plans to "create a vibrant and active Saudi society" as part of the national Vision 2030. The overall aim is to increase the number of Saudis that participate in sports or physical activity at least once a week from overall 13% in 2016G (men 20% and women 7%) to overall 20% by 2020G and 40% by 2030G.

One of the major new mass participation initiatives, supervised by General Sports Authority, contained in the Government's National Transformation Programme ("**NTP**") as part of the broader Vision 2030 agenda is to increase female participation through a series of initiatives, including a new licencing process for fitness centres for women and special university-based programmes. The first female licences using streamlined and automated processes were issued during 2017G.

The Kingdom Market Analysis

The overall Saudi sports and fitness industry is in a relatively early stage of maturity. There are an estimated 1.1 million fee-paying fitness centre active members. The male market (comprising primary and secondary fitness centres) of 0.9 million fee-paying members is still in a period of rapid commercialisation whilst the 0.2 million female market is in its infancy. This compares to an estimated addressable fitness market of 13.7 million split more or less equally between men and women. Overall penetration of the addressable market is estimated at around 8%. The total current value of the male market is estimated to be SAR 2.9 billion while the female market is potentially around SAR 0.65 billion.

The male market has been growing steadily at 14% CAGR (2012G to 2017G). The following table shows the Kingdom's male fitness centre members (in thousands) for both the primary and secondary market segments from 2012G to 2017G.

Table 6: The Kingdom's Male Primary and Secondary[1] Fitness Centre Members (000's members) from 2012G to 2017G:

Year	2012G	2013G	2014G	2015G	2016G	2017G	CAGR
Member	458	541	624	707	790	890	14+%

Source: Market Consultant report

1- Primary and Secondary defined as fitness centre chains, independent operators and concept facilities, and in-building (residence, hotel, etc.) facilities requiring a fee for membership.

Based on the Government's plans with respect to health and fitness and understanding of demand and economics of the fitness market, there is likely to be a growth in physical activity in the Kingdom over the next five years, providing an opportunity for the fitness centre sector. Additionally, a recent survey of the Kingdom's active people aged 16-45 suggests that 53% of non-fitness centre users are interested in joining a fitness centre, subject to factors around time, convenience, and price. The outlook for fitness centre market growth is positive.

UAE Market Overview

The Company is presently operating within the UAE market following entry in 2015G through four fitness centres located in Dubai, Ras Al Khaimah and Ajman. Similar to the Kingdom, the UAE also faces a health crisis, and the UAE Government is placing additional focus on these concerns with "Vision 2021" providing, among other things, an increased emphasis on the development of better health care systems and an additional focus on sports and physical activity. This growing government emphasis is expected to bolster the physical activity and fitness sector within the UAE and provide further opportunities for fitness players as physical health becomes more of a priority within the national population.

SUMMARY OF FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATOR

The selected financial information and key performance indicators set out below should be read together with the audited financial statements for the financial year ended 31 December 2017G and the special purpose audited financial statements for the financial year ended 31 December 2016G including, in each case, the notes thereto, each of which are included in Section 19 (*Financial Statements and Auditors' Report*).

Table 7: Table Summary of Financial Information and Key Performance Indicator (SAR '000)

SAR (in thousands)	2015G (Audited special purpose)	2016G (Audited)	2017G (Audited)
Income Statement			
Revenue	594,839	700,885	732,846
Cost of revenue	(331,414)	395,565	(454,144)
Gross profit	263,425	305,319	278,702
General and administration expenses	(47,586)	(58,744)	(63,195)
Advertising and marketing expenses	(21,617)	(25,570)	(26,829)
Other income	4,006	677	7,206
Operating income	198,227	221,682	195,884
Finance charges	(9,292)	(14,246)	(18,336)
Zakat	(6,523)	(4,306)	(3,349)
Net income	**182,412**	**203,130**	**174,199**
Earnings per share*	3.5	3.9	3.3
Financial Position			
Current assets	159,250	200,970	201,016
Non-current assets	890,609	1,155,417	1,303,918
Total assets	**1,049,859**	**1,356,387**	**1,504,935**
Current liabilities	377,239	411,441	432,781
Non-current liabilities	229,634	421,182	443,210
Total liabilities	**606,873**	**832,623**	**875,991**
Shareholders' equity	442,986	523,765	628,943
Total liabilities and equity	**1,049,859**	**1,356,387**	**1,504,935**
Cash Flows			
Net cash from operating activities	262,564	355,354	295,239
Net cash used in investing activities	(198,348)	(347,466)	(241,147)
Net cash from financing activities	(78,399)	46,501	(92,679)
Cash and cash equivalent at year end	57,219	111,609	73,022

SAR (in thousands)	2015G (Audited special purpose)	2016G (Audited)	2017G (Audited)
Key Financial and Performance Indicators			
Revenue growth rate	32.1%	17.8%	4.6%
Gross profit margin	44.3%	43.6%	38.0%
Net income margin	30.7%	29.0%	23.8%
Total Number of Fitness Centres (end of year)	91	102	112
Average fitness centres (rounded)**	82	97	109
Average revenue per fitness centre (in thousands of SAR)	7,293	7,258	6,711
Total members (end of year/period)	151,517	208,367	209,948
Average number of members**	146,222	177,593	208,924
Average revenue per member (in thousands of SAR)	4.1	4.0	3.5
Return on assets	17.4%	15.0%	11.6%
Return on equity	41.2%	38.8%	27.7%
Total current assets / current liabilities	0.4	0.5	0.5
Bank debt to equity	0.6	0.8	0.7
Total liabilities/total assets (in thousands of SAR)	0.6	0.6	0.6
Total liabilities/total shareholders' equity	1.4	1.6	1.4
Dividend pay-out ratio	102.0	60.0%	54.0%

Source: Financial Statements audited for the year ended 31 December 2017G as well as the special purpose audited financial statements for the financial year ended 31 December 2016G and Company information.

* The Earnings per share has been calculated based on 52,383,361 shares representing the Company's share capital as at the date of this Prospectus.

** Weighted average method.

SUMMARY OF RISK FACTORS

Before considering an investment in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (*Risk Factors*).

Risks Related to the Operations of the Company

- Inability to Attract and Retain Members
- Dependence on Corporate Clients
- Dependence on "Fitness Time" Brand
- Failure to Execute the Targeted Business Plan and Growth Strategy
- Inability to Identify and Secure Suitable Sites for New Fitness Centres
- Risks Relating to New Fitness Centres Development
- New Fitness Centres Generating Operating Losses or Lower Margins
- Risks Relating to Opening New Fitness Centres in Close Proximity
- Risks Relating to Investment in New Products, Services and Geographic Areas
- Risks Relating to Female Fitness Centres
- Risks Related to Fitness Centres Under Construction
- Risk Relating to Deferred Revenue
- Risks Relating to Higher Membership Prices and the Sensitivity Thereof
- Risks Relating to Fitness Centres Reaching Capacity During Peak Hours
- Risks Relating to Outbreaks of Pandemic or Contagious Diseases
- Risks Relating to Leasing Real Estate Properties
- Risks Relating to Dependence on Suppliers of Equipment and Consumables
- Risks Relating to Outsourcing Certain Aspects of Supporting Business
- Risks Relating to Related Party Transactions and Agreements
- Rising Costs Related to Maintenance and Renovation of Existing Fitness Centres
- Risks Relating to Converting Some Existing Fitness Centres From One Category to Another
- Failure to Properly Maintain the Confidentiality and Integrity of Members and Employee Data
- Risks Relating to Credit Card and Debit Card Payments
- Health and Safety Risks to Members
- Operation and Market Risks Associated with its Operations Outside the Kingdom
- Risks Relating to Adverse Changes in Exchange Rate
- Risks Imposed by Indebtedness
- Risks Relating to Adverse Changes in Interest Rate
- Risks of Reliance on Senior Management and Key Personnel
- Risk Associated with Employee Misconduct and/or Errors
- Risks of Reliance on Information Technology Infrastructure
- Risks Related to Adequacy of Insurance Coverage
- Risks Relating to Litigation
- Risks Related to Protection of Intellectual Property Rights
- Risks Relating to Potential Tax and Zakat Liability
- Risks Related to Newly Implemented Corporate Governance Rules
- Risks Related to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required
- Lack of Experience in Managing a Publicly Listed Company

Risks Relating to the Market, Industry, and Regulatory Environment

- Risks Relating to Consumer Spending
- Risks Relating to Seasonal Factors
- Political Instability and Security Concerns in the MENA Region
- High Level of Competition in the Health and Fitness Industry
- Changes in the Regulatory Environment

- Risks Relating to Value Added Tax Law Implementation
- Risks Relating to the Income and Zakat Calculation Mechanism Change
- Changes in Prices for Energy, Electricity, Water and Related Services
- Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees
- Risk Associated with Licenses and Approvals
- Non-Compliance with the Saudization Requirements
- Issuance of the Companies Law and Implementing Regulations

Risks Related to the Offer Shares

- Effective Control Post-Offering by the Current Shareholders
- Absence of a Prior Market for the Shares
- Risks Relating to Selling a Large Number of Shares in the Market
- Risks Related to Issuance of New Shares
- Risks Relating to Fluctuation in the Market Price of the Shares
- Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financers

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TABLES

EXHIBITS

1. DEFINITIONS AND ABBREVIATIONS

Admission	Admission of the Shares to listing on the Exchange in accordance with the Listing Rules.
AED	United Arab Emirates Dirham, the lawful currency of the United Arab Emirates.
Auditors	KPMG Al-Fozan & Partners with respect to the financial years ended 31 December 2015G, 2016G and 2017G.
Audit Committee	Audit Committee of the Company.
Authorised Person	A person authorised to carry out securities business by the CMA.
Beneficial Ownership	A person shall be treated as a beneficial owner of shares if he has the ultimate beneficial ownership or control of the shares, whether through a chain of companies or otherwise.
BHD	Bahraini Dinar, the lawful currency of the Kingdom of Bahrain.
Bid Form	The bid form to be used by the Participating Entities to bid for the Offer Shares during the book-building period. This term includes, when applicable, the appended bid form when the price range is changed.
Board of Directors	The Board of Directors of the Company.
Book-Building Instructions	The Instructions on Book Building and Allocation of Shares in Initial Public Offerings, issued pursuant to the CMA Board Resolution No. 2-94-2016, dated 15/10/1437H Corresponding to 20/07/2016G, as amended by the CMA Board Resolution No. 4-4-2018, dated 23/4/1439H (corresponding to 10/1/2018G).
Bookrunner	Samba Capital & Investment Management Company.
Business Day	Any day (with the exception of Fridays, Saturdays and official holidays) on which the Selling Agents are open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarised in Section 12.13 (*Summary of Bylaws*).
Chairman	Chairman of the Board of Directors.
Chief Executive Officer	Chief Executive Officer of the Company.
CIU Regulations	Collective Investment Undertakings Module of the Central Bank of Bahrain Rulebook, Volume 6 (which module has been superseded by the Collective Investment Undertakings Regulations of the Central Bank of Bahrain Rulebook, Volume 7).
CMA	The Capital Market Authority.
CML	Capital Market Law issued under Royal Decree M/30, dated 2/6/1424H (corresponding to 1/8/2003G), as amended.
Committees	The Audit Committee, the Nomination and Remuneration Committee and Site Selection Committee.
Companies Law	The Companies Law, issued under Royal Decree No. M/3, dated 28/1/1437H (corresponding to 10/11/2015G), as amended.
Company	Leejam Sports Company.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to the CMA Board Resolution No. 8-16-2017, dated 16/5/1438H (corresponding to 13/2/2017G), and amended pursuant to the CMA Board Resolution No. 3-45-2018, dated 7/8/1439H (corresponding to 23/4/2018G).
Current Shareholders	The Shareholders whose names are set out in Table 5 (*Direct Ownership Structure of the Company Pre- and Post-Offering*).
Directors	The members of the Board of Directors.
Exchange or Tadawul	The Saudi Arabian Stock Exchange (Tadawul).

Exempted Fund	According to the Bahrain's CIU Regulations, units in an exempted fund are only offered to approved investors with a minimum of USD 100,000 per approved investor. Approved investor is: a- Individuals with financial assets (either individually or together with their spouses) of USD 1,000,000 or more; b- Companies, partnerships, endowments and commercial investment funds with financial assets available for investment of USD 1,000,000; and c- Governments, government agencies, central banks and government monetary apparatus whose main activity is investment in financial instruments.
Extraordinary General Assembly	An Extraordinary General Assembly of the Shareholders convened in accordance with the Bylaws.
Financial Advisor	Samba Capital & Investment Management Company.
Financial Institutions	Banks and financial services companies.
Financial Statements	The audited financial statements for the financial years ended 31 December 2015G and 2016G, and the accompanying notes thereto, that have been prepared in compliance with accounting standards promulgated by SOCPA and audited by KPMG Al-Fozan and Partners, and the Company's audited financial statements for the financial year ended on 31 December 2017G, and the notes thereto, which were prepared according to IFRS as endorsed by SOCPA and audited by KPMG Al-Fozan and Partners. In addition, a separate set of special purpose audited financial statements for the financial year ended 31 December 2016G, and the accompanying notes thereto, have been prepared by the Company Management in compliance with the IFRS as endorsed by SOCPA and have been audited by the KPMG Al-Fozan & Partners.
Fitness Time Company for Trading	Fitness Time Company for Trading, a limited liability company incorporated in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010205550, dated 3/1/1426H (corresponding to 12/2/2005G).
Financial Year	The Company's financial year starting from 1 January to 31 December of each financial year.
G	Gregorian.
GSA	The General Sports Authority.
GCC	Cooperation Council for the Arab States of the Gulf.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, it represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time).
GDP per capita	GDP per capita is a measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly, and "General Assembly" shall mean any general assembly of the Company.
GOSI	General Organisation of Social Insurance in the Kingdom.
Government	Government of the Kingdom (and "**Governmental**" shall be interpreted accordingly).
H	Hijri.
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board. The "IFRS as endorsed by SOCPA" comprise of IFRS with some additional requirements and disclosures added to some standards by Saudi Organisation of Certified Public Accountants and "other standards and pronouncements". These standard and pronouncements include those standards and technical releases that are endorsed by SOCPA for matters not covered by IFRS, such as the subject of Zakat.
Individual Investor	Individuals who are Saudi Arabian nationals, including Saudi female divorcees or widows from a marriage to non-Saudis who can subscribe in the names of their minor children, provided that any such woman provides proof that she is the child's mother, and GCC natural persons.
Investment Funds Regulations	The Investment Funds Regulations issued pursuant to CMA Board Resolution No. 1-219-2006, dated 3/12/1427H (corresponding to 24/12/2006G), as based on the CMA Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, as amended by CMA Board Decision No. 1-61-2016 on 16/8/1437H (corresponding to 23/5/2016G).

Issuer	Leejam Sports Company.
Kingdom	Kingdom of Saudi Arabia.
Labour Law	The Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23/8/1426H (corresponding to 27/9/2005G), as amended.
Lead Manager	Samba Capital & Investment Management Company.
Like-for-Like	Main offering fitness centres that commenced operations prior to 1 January 2015G and have therefore operated throughout the historical period (2015G – 2017G).
Listing Rules	The Listing Rules issued pursuant to CMA Board Resolution No. 3-123-17-2017, dated 09/04/1439H (corresponding to 12/27/2017G).
Lock-up Period	The period during which the Substantial Shareholders may not dispose of any of their Shares for a period of six months from the date on which trading of the Shares commences on the Exchange.
Main Offering	Fitness Time Plus, Fitness Time, and Fitness Time Pro centres located in the Kingdom. The main offering does not include recent international expansions (e.g. UAE), the Junior brand category, and new concepts (e.g. Fitness Time Basic and Fitness Time Ladies).
Market Consultant	Portas Consulting Limited.
MCI	The Saudi Arabian Ministry of Commerce and Investment.
Ministry of Labour	The Saudi Arabian Ministry of Labour and Social Development.
Nomination and Remuneration Committee	Nomination and Remuneration Committee of the Company.
Nominee Shareholder	Any legal owner holding shares for the benefit of another person pursuant to a binding agreement.
Offer Shares	15,715,009 Shares, representing 30% of the issued share capital of the Company.
Offering	The initial public offering of the Offer Shares.
Offering Period	A period of seven days starting from Wednesday, 19/11/1439H (corresponding to 1/8/2018G), until the end of Offering on Tuesday, 25/11/1439H (corresponding to 7/8/2018G).
Official Gazette	Um Al Qura, the official gazette of the Government.
Ordinary General Assembly	An Ordinary General Assembly of the Shareholders convened in accordance with the Bylaws.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.
Participating Parties	Parties entitled to participate in the book-building process, as follows: a- public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-Building Instructions; b- persons authorised by the CMA to deal in securities as principals, in compliance with the provisions set forth in the Prudential Rules; c- clients of a person authorised by the Authority to conduct managing activities with the provisions and restrictions set forth in the Book-Building Instructions; d- legal persons allowed to open an investment account in the Kingdom, and an account with the Depositary Centre. Except for non-resident foreign investors, other than Qualified Foreign Investors as per the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities, in compliance with the CMA Circular No. 6/05158, dated 11/8/1435H (corresponding to 9/6/2014G), issued pursuant to the CMA Board Resolution No. 9-28-2014, dated 20/7/1435H (corresponding to 19/5/2014G), as amended; e- Government entities, any supranational authority recognized by the Authority, the Exchange, or any other stock exchange recognized by the Authority, or the Depositary Centre; f- Government-owned companies, whether investing directly or through a portfolio manager; g- GCC companies, and GCC funds if permissible according to the terms and conditions of such funds; h- Qualified Foreign Investors; and i- Ultimate beneficiary of legal personality in a swap agreement with an Authorized Person under the terms and conditions of the swap agreements.

Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board Resolution No. 1-40-2012, dated 17/2/1434H (corresponding to 30/12/2012G), as amended.
Public	Persons other than the following: a- affiliates of the Company; b- Substantial Shareholders; c- Directors and Senior Executives; d- directors and senior executives of the Company's affiliates; e- directors and senior executives of the Substantial Shareholders; f- any relatives of the persons described in the above-mentioned items no. a), b), c), d), and e); g- any company controlled by any person described in the above-mentioned items no. a), b), c), d), e) or f) above; or h- persons acting in concert, with a collective shareholding of 5% or more of the class of shares to be listed.
QFI Rules	QFI Rules issued pursuant to the CMA Board Resolution No. 1-42-2015, dated 15/7/1437H (corresponding to 4/5/2015G) and amended pursuant to the CMA Board Resolution No. 1-3-2018, dated 22/4/1439H (corresponding to 9/1/2018G).
Qualified Foreign Investor	A foreign investor that has been qualified in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities to invest in listed securities. Qualification Application shall be submitted to an authorized person to evaluate and approve the application in accordance with the Rules for Qualified Foreign Financial Institution Investment in Listed Securities.
Related Party	In this Prospectus and pursuant to the Glossary of defined terms used in the regulations and rules of the CMA issued pursuant to the CMA Board Resolution No. 4-11-2004, dated 20/8/1425H (corresponding to 4/10/2004G), as amended pursuant to the CMA Board Resolution No. 1-7-2018, dated 1/5/1439H (corresponding to 18/1/2018G), a "related party" includes any of the following: a- affiliates of the Company; b- Substantial Shareholders; c- Directors and Senior Executives; d- members of the boards of directors and senior executives of an affiliate of the Company; e- members of the boards of directors and senior executives of Substantial Shareholders; f- any relatives of the persons described in paragraphs a), b), c), d), and e); or g- any company controlled by any person described in paragraphs a), b), c), d), e) and f). In paragraph g), "control" means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate: (i) holding 30% or more of the voting rights in a company; or (ii) having the right to appoint 30% of more of the members of the governing body, and a "controller" shall be construed accordingly.
Relatives	A "relative" includes husband, wife and children who are minors.
Offer Price	SAR (52) per Offer Share.
Rules for Offering Securities and Continuing Obligations	The Rules for Offering Securities and Continuing Obligations issued by the Board of the CMA pursuant to its Resolution No. 3-123-2017, dated 9/4/1439H (corresponding to 27/12/2017G), based on the Capital Market Law issued by Royal Decree No. M/30, dated 2/6/1424H and amended by the CMA Resolution No. 3-45-2018, dated 7/8/1439H (corresponding to 23/4/2018G).
SAR	Saudi Arabian Riyal, the lawful currency of the Kingdom.
Secretary	The Secretary of the Board of Directors.
Selling Agents	Al Rajhi Bank, Arab National Bank, Banque Saudi Fransi, National Commercial Bank (NCB), Riyad Bank, The Saudi British Bank (SABB) and Samba Financial Group.
Senior Executives	The members of the senior management of the Company listed in Table 44 (*Details of Senior Executives*).
Selling Shareholders	The Shareholders whose names are set out in Table 5 (*Direct Ownership Structure of the Company Pre- and Post-Offering*) who will sell part of their Shares in the Offering.
Shareholder	Any holder of Shares in the Company.
Shares	52,383,361 ordinary shares of the Company, with a fully paid nominal value of SAR 10 per share.
Site Selection Committee	Committee for selecting sites for the Company's fitness centres.

SOCPA	Accounting standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).
Substantial Shareholder	A person who owns 5% or more of the Company's share capital.
Subscribers	Includes Participating Entities and Individual Investors.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Investors (as the case may be) to subscribe for the Offer Shares.
Subsidiary	Fitness Time Company for Trading.
Underwriter	Samba Capital & Investment Management Company.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders, and the Underwriter in connection with the Offering.

2. RISK FACTORS

Prospective investors should carefully consider the following risk factors, and the other information contained in this Prospectus, prior to making an investment decision with respect to the Offer Shares. The risks and uncertainties described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise all those affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Directors are currently not aware of, or that the Directors currently believe are immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial condition, results of operations and/or prospects, the price of the Shares may decline, the Company's ability to pay dividends could be impaired and/or investors may lose all or part of their investment.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus besides those mentioned in this section that may affect investors' decisions to invest in the Offer Shares.

An investment in the Offer Shares is only suitable for those investors who are able to evaluate the risks and the benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser duly licenced by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that can reflect their expected impact on the Company.

2.1 Risks Related to the Operations of the Company

2.1.1 Inability to Attract and Retain Members

Substantially all of the Company's revenue is derived from membership fees. The Company can face a decline in membership levels due to several factors, including changes in discretionary spending trends and general economic conditions, market maturity or saturation, an increase in membership dues due to inflation, value added tax, direct and indirect competition in the health and fitness industry, and a decline in general in the public's interest in health and fitness. If the Company is unable to attract and retain members, it will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.2 Dependence on Corporate Clients

Revenues generated from corporate clients represented 13.1% of the Company's revenues for the year ended 31 December 2016G and represented 12.3% of the Company's revenue in 2017G. Some of the Company's corporate clients subsidise their employees' membership in the Company's fitness centres as a fringe benefit. In the event that one of the parties fails to meet contractual conditions, the affected party may terminate the contract (and thus suspend related memberships) and request the other party to pay compensation. If the Company was to lose the relationship with all or some of those corporate clients due to corporate clients reducing fringe benefits offered to their employees or the Company's competitors offering more competitive corporate packages, a significant portion of the Company's revenue could be lost and may not be compensated through other client categories, which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.3 Dependence on "Fitness Time" Brand

The Company considers the "Fitness Time" brand to be one of its most important assets, the value of which depends on its recognition and perception of by the Company's members. The Company's success is therefore dependent in large part upon its ability to maintain and enhance the strength and value of its brand, which is in turn influenced by several factors, such as the offering of services at its fitness centres, brand perception, fitness centres design, branding and marketing activities. The success of the Company's marketing efforts and contributions to the enhancement of its brand and increasing its sales and profits may not be achieved.

Moreover, brand value can be negatively impacted by isolated incidents, particularly if the incidents receive considerable publicity or result in litigation. Such incidents can arise from: internal factors, such as actions taken (or not taken) by the Company's employees relating to health, safety, welfare or otherwise, or external factors, such as litigation and legal claims, third-party misappropriation, dilution or infringement of its intellectual property, regulatory, investigative or other actions, and illegal activities targeted at the Company. In addition, adverse publicity regarding its fitness centres or the health and fitness industry in general, and any media coverage resulting therefrom, will harm the "Fitness Time" brand and the Company's reputation, leading to members losing confidence in the "Fitness Time" brand.

In addition, negative commentary about the Company in connection with such incidents may be posted on social media platforms, including blogs, social media websites and other forms of internet-based communication, at any time and may harm the Company's reputation or business. The harm may be immediate without affording the Company an opportunity for redress or correction. In addition, social media platforms provide users with access to a broad audience such that collective action against the Company's fitness centres, such as boycotts, can be more easily organised. If such actions were organised, the Company could suffer reputational damage as well as physical damage to the Company's fitness centres.

Failure to manage such factors and incidents, or to prevent the occurrence of such incidents will negatively impact the "Fitness Time" brand, resulting in fewer memberships sold or renewed and, ultimately, lower revenue, which in turn will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.4 Failure to Execute the Targeted Business Plan and Growth Strategy

The Company's future performance depends on the successful execution of its business plan and growth strategy. The Company's ability to successfully expand to new markets or expand its penetration of already existing markets is dependent on a number of factors, including the Company's ability to:

- establish definitive business strategies, goals and objectives;
- respond to industry trends in the health and fitness industry on a cost-effective and timely basis;
- engage with current and new members;
- secure new fitness centres in attractive locations with high population density at favourable lease terms;
- periodically renovate and upgrade in a timely and cost effective manner its existing fitness centres
- identify new geographical markets, successfully compete in those markets and comply with regulatory requirements in those markets;
- sustain the adequacy of the Company's financial resources;
- maintain an efficient management control system; and
- hire, train, and assimilate new employees.

The Company may not be able to execute its business plan and growth strategy successfully, or gain access to new markets or be accepted in such new markets or achieve greater market penetration in existing markets or achieve planned results or achieve operating and financial performance in new markets comparable to its performance in existing markets. Failure to effectively execute the Company's business plan and growth strategy will have a material adverse effect on its business, financial condition, results of operations or prospects.

2.1.5 Inability to Identify and Secure Suitable Sites for New Fitness Centres

To successfully expand its business, the Company must identify and secure sites for new fitness centres that meet its established criteria. In addition to finding sites with the right demographic and other measures that the Company employs in its selection process, it is also required to evaluate the competitive landscape for the market where it intends to open new fitness centres. The Company could face significant competition for such sites that meet its criteria, and as a result it could be forced to pay significantly higher rental to secure these sites or it even may not be able to secure them, which will have a negative impact on the fitness centre's profitability. Accordingly, if the Company is unable to identify and secure suitable sites for new fitness centres, its revenue growth rate and profits will be negatively impacted. Additionally, if the expectations as per feasibility analysis of a fitness centre site are not met, the Company may not be able to recover the capital investment in developing and building such new fitness centres, which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.6 Risks Relating to New Fitness Centres Development

The Company's growth strategy relies in large part upon new fitness centre development. The Company faces many challenges in connection with such activities, including:

- accurately estimating market size and potential, and intensity of competition;
- construction delays or cost overruns (including labour and materials) that may increase project costs;
- zoning and parking restrictions;
- availability and cost of financing (please see also Section 2.1.27 (*Risks Imposed by Indebtedness*));
- selection and availability of suitable fitness centre locations (please see also Section 2.1.5 (*Inability to Identify and Secure Suitable Sites for New Fitness Centres*));
- negotiation of acceptable lease and financing terms (please see also Section 2.1.16 (*Risks Relating to Leasing Real Estate Properties*));

- securing required governmental and local authority permits and approvals;
- health and fitness trends in new geographic regions and acceptance of the Company's offerings (please see also Section 2.1.9 (*Risks Relating to Investment in New Products, Services and Geographic Areas*));
- ability to open new fitness centres during the timeframes the Company expects;
- recruiting, training and retaining qualified personnel;
- general economic and business conditions (please see also Section 2.2.1 (*Risks Relating to Consumer Spending*));
- ability to successfully manage construction projects and/or plan projects; and
- ability to achieve the expected level of return on the invested capital in new fitness centres.

The Company's failure to develop new fitness centres as per its business plan would adversely affect the Company's ability to increase its revenues and operating income and would have a material adverse effect on its business, financial condition, results of operations or prospects. Please see also Section 4.9.1 (*New Centre Openings*) for further information regarding the opening of new fitness centres.

2.1.7 New Fitness Centres Generating Operating Losses or Lower Margins

New fitness centres that the Company opens typically experience an initial period of operating losses or lower margins in their first 12 to 24 months of operations due to time required for membership levels and subscription income to build up. If the proportion of the 31 new fitness centres under development to the 112 established fitness centres was to change, it would negatively impact the Company's future results of operations due to the impact of operating losses typically incurred by new fitness centres during the initial operating period. Moreover, new fitness centres may not be successful in achieving their targeted results, which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.8 Risks Relating to Opening New Fitness Centres in Close Proximity

The Company plans to open new fitness centres, some of which will be in its existing geographies in close proximity to fitness centres already in operation in those geographies. Opening new fitness centres in close proximity to existing fitness centres may attract some members away from those existing fitness centres, which can lead to diminished revenues and profitability of individual fitness centres, especially if the Company failed to attract new members, and as a result adversely affect the Company's operating income, which in turn will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.9 Risks Relating to Investment in New Products, Services and Geographic Areas

As part of its strategy, the Company works to enter new markets and offer new products and services targeted at various socio-economic and demographic segments of the market in order to support acquisition of new members and retain current members, as well as maintain its competitive position. The Company also develops and enhances products and services (such as new training programs, exercise concepts, training methods, and new equipment from international suppliers) to meet its members' needs through studying the global health and fitness market to evaluate new market trends. Some of these products may be unfamiliar in the markets wherein they are offered; therefore, they may not receive necessary market acceptance, leading to their failure. The Company may incur losses initially with respect to investment in new products and services. Furthermore, the increase in demand for new products and services and the maturity thereof may be lower than expected. This would have a material and adverse effect on the Company's business, financial position, results of operations and prospects. If the Company underestimates the losses associated with such products and services, or if the Company overestimates the proceeds resulting therefrom either at launch or as part of the annual budgeting process, it will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.10 Risks Relating to Female Fitness Centres

The General Sports Authority (GSA) has recently announced the licensing of female fitness centres in the Kingdom and began to grant licences for female fitness centres in July 2017G. Accordingly, the Company has started the process of establishing female fitness centres in the Kingdom and in the UAE. As of 31 December 2017G, the Company obtained from GSA eight licences for female fitness centres in the Kingdom and opened seven female fitness centres in the Kingdom as of 31 December 2017G as well as a female fitness centre in the UAE. The Company's inability to obtain additional licences or renew its existing licenses by the competent authority or prevent changes to conditions under which they were granted would negatively affect the Company's performance. If the Company is unable to obtain or maintain such licences, this would hinder the Company's ability to open fitness centres for females and it may be forced to close down existing centres for which the Company fails to renew their licences. This would negatively affect its ability to achieve the strategic objectives and may result in the Company incurring financial losses and fines being imposed on the Company, which could have a material adverse effect on the Company's market share, business, financial condition, results of operations and prospects.

2.1.11 Risks Related to Fitness Centres Under Construction

As of 31 December 2017G, the number of fitness centres under development reached 31, including seven fitness centres that are being converted from one brand category to another. The Company classifies fitness centres under development as centres whose location is determined and where official lease contracts are signed. All these fitness centres are located on leased lands, except for one fitness centre currently under development on an owned land. The Company may be forced to not complete or postpone the construction of these centres due to a change in its strategic guidelines related to the location of this centre or changes in market trends, inability to obtain the necessary permits, licences, and approvals required from government agencies, or inability to manage construction projects or to successfully plan projects, or change in the surrounding areas of these centres, obstructing the access of members. Therefore, the Company may be forced to cancel lease contracts related to such locations for any of the aforementioned reasons, resulting in the Company incurring additional costs in the form of compensations for lease contract cancellation to be paid to the lessor. Any of the aforesaid factors, in turn, would adversely and materially affect the Company's business, its financial position, results of operations and prospects.

2.1.12 Risk Relating to Deferred Revenue

The Company's business involves selling memberships for its fitness centres to generate subscription income. The typical membership period is three, six or 12 months with the members required to pay upfront the membership fees for the full membership period. As per the Company's accounting policies, revenues from membership fees during the year are recognized on an accrual basis using the straight-line method over the term of the membership period. Membership fees received during the year but not earned are stated as deferred revenue under current liabilities on the balance sheet. The Company's deferred revenue balance amounted to SAR 217.9 million as of 31 December 2016G. The Company's deferred revenues as of 31 December 2017G reached 261.6 million Saudi Riyals. In the event that any of the Company's fitness centres closes down for any reason, the Company's members affiliated with such fitness centre can ask for the balance of their membership fees they paid for the remaining membership period to be refunded to them which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects, in particular if compounded by simultaneous closure of several fitness centres.

In addition, membership fees paid upfront, accumulating as deferred revenue, are used by the Company as a mean to finance its short-term operational and working capital requirements (deferred revenue represented 16.1% of the Company's balance sheet and 26.2% of total liabilities as of 31 December 2016G, and represented 17.4% and 29.9% of the balance sheet and total liabilities, respectively as of 31 December 2017G). The upfront payment mechanism currently used, or the membership period, could change in the future to a monthly basis due to competition, the introduction of a direct debit payment mechanism (where payment is charged monthly) or as a result of changes in industry trends. Such changes in payment mechanism or offered membership period will result in a material reduction in the deferred revenue account and would negatively affect the working capital of the Company. Consequently, the Company will not be able to find an alternative source to finance its on-going business requirements relating to financing its daily operations, capital expenditure, paying loans and distributing dividends, or will have to obtain additional financing from banks, resulting in higher financing costs and leverage. Any material adverse impact on the working capital of the Company and the inability of the Company to secure alternative funding sources, or having to pay additional financing costs, will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.13 Risks Relating to Higher Membership Prices and the Sensitivity Thereof

As the market for fitness centres in the geographies where the Company operates matures, or as new competitors introduce new services that compete with the services provided by the Company or due to decline in the spending power of its current and future members, it may be unable to maintain or attract members at the same price or based on the same pricing model as previously used. As a result, it is possible that competitive dynamics may require the Company to change its pricing model or reduce its prices. In addition, the Company may be unable to pass on cost increases (as a result of various factors, including increase in utility charges, government levies and the introduction of a value added tax that has been applied as of 2018G) to its members in the form of higher membership fees. The inability of the Company to manage its membership prices in the face of changing market factors and operating environment will have a material adverse effect on its business, financial condition, results of operations or prospects.

2.1.14 Risks relating to Fitness Centres Reaching Capacity During Peak Hours

The Company's fitness centres are designed from a capacity perspective to cater for a certain number of members at any point in time during their operating hours. Furthermore, the Company typically experiences higher member traffic in its fitness centres at certain times during the day. Members visiting the fitness centres during peak hours can find the fitness centres to be over crowded and can also face longer waiting times to use different exercise equipment and other facilities, which can negatively impact the members experience in the Company's fitness centre and their perception of the "Fitness Time" brand. Capacity constraints in the fitness centres, particularly during peak hours, can negatively impact the Company's ability to attract and retain members, thus leading to diminished revenues and profitability, which in turn will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.15 Risks Relating to Outbreaks of Pandemic or Contagious Diseases

The Company's business could be materially adversely impacted by widespread regional, national or global health epidemic or contagious diseases. A widespread health epidemic, or perception of a health epidemic, such as the Middle East Respiratory Syndrome (MERS), whether or not linked to any of the Company's fitness centres, can cause members and prospective members to avoid public places or otherwise change their behaviours, which will impact the Company's fitness centres. In addition, outbreaks of diseases, such as influenza, will reduce traffic in the Company's fitness centres. In addition, any negative publicity relating to these and other health-related matters may affect members' perceptions of the Company's fitness centres, reduce member and prospective member visits to its fitness centres and negatively impact the Company's ability to attract and retain members. The occurrence of any of the above risks will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.16 Risks Relating to Leasing Real Estate Properties

The majority of the Company's fitness centres have been constructed on land parcels leased from third parties. The Company also leases a limited number of buildings for its fitness centres (comprising 0.06% of the total number of such buildings). As of 31 December 2017G, 98% of its fitness centres were located on leased premises. The leases generally have initial terms of five to 25 years and typically provide for renewal options for a variable number of years, as well as for rent escalations, though around 30% of the leases do not have any explicit renewal mechanisms (please see also Section 12.8.2 (*Lease Agreements*)). As of 31 December 2017G, lease agreements for 8% of the Company's fitness centres had remaining maturity of five years or less. The Company generally cannot terminate these leases before the end of the initial lease term. As a result, if the Company closes a fitness centre, it will be obligated to perform its monetary obligations under the applicable lease, including, among other things, payment of rent for the balance of the lease term, as well as other fixed costs expenditures (for more details on the Company's Lease Agreements, see Appendix B of this Prospectus). In addition, if the Company fails to negotiate renewals, either on commercially acceptable terms or at all, as each of the Company's leases expires, it could be forced to renew leases on onerous terms or close fitness centres in desirable locations and it would lose the use of the facilities that it constructed at its own cost. Additional sites that the Company will lease in future are likely to be subject to similar terms. Six lease agreements (comprising 4.8% of the total lease agreements) do not contain an explicit clause regarding what happens to the established structure upon termination, which will expose the Company to the loss of its investments in constructing buildings on its account upon expiry of these agreements (for more details on the Company's Lease Agreements, see Appendix B of this Prospectus). The Company currently accounts for the land leases as operating leases and discloses its future lease obligation commitments as off-balance sheet items. However, for annual periods effective 01 January 2019G under International Financial Reporting Standards (IFRSs), the Company is required to account for its lease contracts under IFRS 16 - 'Leases' accounting standard (please refer to Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*)). As a result, this will have a material impact on the financial statements of the Company as the Company will have to record the right-of-use asset and corresponding lease liability for the outstanding lease commitments on the balance sheet as per IFRS 16.

Moreover, land and building lease expenses amounted to SAR 66.9 million in the year ended 31 December 2016G, representing 13.9% of its total operating expenses in the same period. During the year ending 31 December 2017G, such expenses reached SAR 75.4 million, representing 13.9% of the total operating costs during the same period. If the Company is unable to generate sufficient cash flows from operating activities, and sufficient funds are not otherwise available to it from borrowings under its financing agreements or other sources, the Company may not be able to service its lease commitments. The occurrence of any of the above factors would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.17 Risks Relating to Dependence on Suppliers of Equipment and Consumables

Equipment and certain consumables used in the Company's fitness centres, including the Company's exercise equipment are sourced from third-party suppliers, many of whom are foreign suppliers. In the year ended on 31 December 2016G, 62% of the Company's exercise equipment, 45% of its consumables, 78.6% of exercise equipment and 63.9% of the consumables during the year ended 31 December 2017G were supplied by its top five suppliers in terms of procurement value. If the Company loses such suppliers or its suppliers are unable to supply their products to the Company, it may be unable to identify or enter into agreements with alternative suppliers on a timely basis or on acceptable terms, and it may encounter disruptions in the fit-out and refurbishment of its fitness centres in case of suppliers of equipment or it may encounter disruptions in its operations in case of suppliers of consumables (for more details on the contractual conditions with suppliers, please see Section 12.5.2 (*Agreements with Key Contractors and Suppliers*)). As a result, the Company's ability to serve its members and sustain and enhance its brand would be negatively impacted, which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.18 Risks Relating to Outsourcing Certain Aspects of Supporting Business

The Company outsources certain aspects of its non-core operations to third parties, including security and cleaning services and basic maintenance of some sports equipment at its fitness centres. Accordingly, the Company is subject to the risks associated with the ability of such third parties to provide such outsourced services to meet its needs. If the cost of such services is more than expected, or if any of the third parties is or becomes unable to handle the volume of activity or provide the quality of service that the Company expects, or any of the third parties faces financial or other difficulties or breaches its contractual obligations, then the operations of the Company's fitness centres can be disrupted, which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects

2.1.19 Risks Relating to Related Party Transactions and Agreements

In the context of its usual business, the Company deals with related parties such as Directors and Senior Executives, as well as their relatives. The Company concluded several agreements with a number of such related parties. Total value of contracts and agreements made with Related Parties amounted to SAR 13 million in the financial year ended 31 December 2017G, comprising 2.4% of total costs (which include costs of revenues, general and administrative expenses, and advertising and marketing expenses for the same financial year). In the event that not all of the transactions and agreements are concluded with related parties in the future on arm's length basis, this will have an adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is now a party to a number of agreements and transactions that some Directors have an interest in. The Company has obtained the General Assembly approval for all of these agreements according the requirements of Article 71 of Companies Law as specified in Section 12.9 (*Related Party Contracts and Transactions*).

2.1.20 Rising Costs Related to Maintenance and Renovation of Existing Fitness Centres

The Company's fitness centres require significant upfront and on-going investment, including periodic maintenance, re-modelling and equipment replacement. The Company's depreciation policy for sports and other equipment (including electrical equipment) used in its fitness centres, is based on their estimated useful life of ~ 10 years, compared to depreciation period ranging from 4 to 10 years adopted by other similar companies. If such costs incurred are greater than expected, or there is a need to replace equipment in the fitness centres earlier than their estimated useful life pursuant to the depreciation policy, the Company may not be able to achieve its targeted returns. In addition, increased costs may result in lower operating income for the Company, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

In addition, if the Company is unable to internally finance or obtain the necessary financing to invest in the maintenance and renovation and upkeep of its fitness centres, including periodic re-modelling and replacement of equipment, the quality of its fitness centres could deteriorate, which may have a negative impact on the Company's brand image and the Company's ability to attract and maintain members, which in turn may have a negative impact on the Company's revenues.

2.1.21 Risks Relating to Converting Some Existing Fitness Centres From One Category to Another

In an effort to optimize its operations and utilise new opportunities in the sector, the Company is converting certain fitness centres from one brand category to another. The conversion process typically requires the Company to close down the affected fitness centre and to make significant investments, including renovation, rebranding and re-modelling, which may not yield the Company's targeted or expected returns which, in turn, will have a material adverse effect on the Company's business, financial condition, results of operations or prospects. As of 31 December 2017G, the Company had seven fitness centres that were in the process of being converted to another brand category (for more details on Categories of Fitness Centres, please see Section 4.7.1.1 (*Fitness Centres Number, Location, Size and Format*)). In addition, the process of converting the brand category of a fitness centre is subject to a number of risks, including:

- loss of members of the affected fitness centre which would lead to reduced revenues and profitability;
- construction/renovation delays or cost overruns that may increase the costs of conversion; and
- risks of not obtaining the required regulatory licenses, permits, or approvals (for more details regarding the risks associated with licenses and approvals, please see Section 2.2.10 (*Risk Associated with Licenses and Approvals*)).

The occurrence of any of the above risks will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.22 Failure to Properly Maintain the Confidentiality and Integrity of Members and Employee Data

In the ordinary course of business, the Company collects and transmits fitness centre member and employee data, personal ID numbers, dates of birth and other highly sensitive personally identifiable information, in information systems that the Company maintains and in those maintained by third parties with whom the Company contracts to provide services. Some of such data is sensitive and could be an attractive target of a criminal attack by malicious third parties with a wide range of motives and expertise, including lone wolves, organized criminal groups, "hacktivists," disgruntled current or former employees, and others. The integrity and protection of member and employee data is critical to the Company.

The Company's facilities and systems, or those of third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Furthermore, the size and complexity of the Company's information systems (Oracle Fusion, Club Management System, Enterprise Fixed Asset Management, and Corporate Website with E-commerce as well as apps on mobile devices), and those of the Company's third-party vendors (as well as their third-party service providers), make such systems potentially vulnerable to security breaches from inadvertent or intentional actions by the Company's employees, or from attacks by malicious third parties. Because such attacks are increasing in sophistication and change frequently in nature, the Company and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of the Company's systems, or those of its third-party service providers may not be discovered and remediated promptly. A security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error made by the Company's employees that would lead to a breach of members and employees' data privacy and security or other similar event may lead to a change of current and potential consumer behaviour in a way that would impact the Company's ability to retain current and attracting new members, which would materially and adversely affect the Company's business, financial position, results of operation and prospects.

Compliance with evolving privacy and security laws, requirements and regulations, may result in cost increases due to necessary systems changes, new limitations or constraints on the Company's business models and the development of new administrative processes. They also may impose further restrictions on the Company's collection, disclosure and use of personally identifiable information that are housed in one or more of its databases. Non-compliance with privacy laws, industry-wide requirements or a security breach involving the misappropriation, loss or other unauthorized disclosure of personal, sensitive or confidential information would materially affect the Company's ability to retain current members and attract new members, which would lead to decreased revenue, material fines and penalties, litigation, which in turn could have a material adverse effect on its business, financial condition, results of operations or prospects.

2.1.23 Risks Relating to Credit Card and Debit Card Payments

The Company receives almost all of its subscription income upfront at the time a membership is sold. The Company accepts payments at its fitness centres primarily through credit card and debit card transactions through point-of-sale processing systems. For credit card and debit card payments, the Company pays certain fees to relevant financial institutions, which may increase over time. If the Company encounters problems with its points-of-sale hardware and software or in its ability to process payments through any major credit or debit card payment system, this would significantly impair the Company's ability to collect subscription income. The occurrence of any of the above factors could have an adverse and material effect on the Company's business, financial condition, results of operations or prospects.

2.1.24 Health and Safety Risks to Members

Use of services and facilities available in the Company's fitness centres and engaging in fitness related activities poses some potential health and safety risks to members or guests. Claims might be asserted against the Company for injuries suffered by or death of members or guests while exercising and using the facilities at a fitness centre. The Company may not be able to successfully defend such claims. Please see also Section 2.1.3 (*Dependence on "Fitness Time" Brand*) regarding risks relating to negative commentary about the Company in connection with such incidents that may be posted on social media platforms that may harm the Company's reputation or business.

The Company also may not be able to maintain the Company's general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against such potential claims (for more information on risks associated with the availability and adequacy of the insurance coverage, see Section 2.1.32 (*Risks Related to Adequacy of Insurance Coverage*)). Depending upon the outcome, these matters have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.25 Operation and Market Risks Associated with its Operations Outside the Kingdom

In the year ended 31 December 2016G, the Company generated revenue from the UAE of around SAR 9.9 million, representing 1.4% of the Company's total revenue in the same period. During the year ended 31 December 2017G, such revenues reached SAR 13.6 million, representing 1.9% of the Company's total revenues during this period. As a result, the Company is subject to the risks of doing business outside the Kingdom, such as:

- not understanding foreign markets and health and fitness trends in such markets;
- being unable to replicate its socially conservative concept in foreign markets;
- potentially adverse tax consequences, including from changes in taxation policies or from inconsistent enforcement;
- becoming subject to the different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations, as well as unforeseen changes in regulatory requirements;
- rapid changes in government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events;
- uncertainties as to enforcement of certain contractual and other rights; and
- restrictions on repatriation of profits from foreign operations to the Company.

In particular, the Company's failure to manage the market and operational risks associated with the Company's international operations effectively would limit the future growth of the Company's business and would have a material adverse effect on its business, financial condition, results of operations or prospects.

2.1.26 Risks Relating to Adverse Changes in Exchange Rate

The Company's results of operations may be affected by volatility in currency exchange rates and the Company's ability to effectively manage its currency transaction risks. As the Company continues to expand its purchases to cope with the increased number of fitness centres, the Company's exposure to currency risks will increase. As the Company has not concluded any hedge agreements to reduce its currency exposure risks, such changes in exchange rates between the foreign currencies in which the Company does business and the Saudi Riyal may affect the Company's revenue, cost of sales and operating margins. Such changes have not resulted in exchange losses in any of the financial year ended 31 December 2015G, 2016G, and 2017G. The Company's purchases and payments in currencies other than the Saudi Riyal, the UAE Dirhams and the US Dollar amounted to SR 9.3 million in 2017G, constituting 2.0% of the Company's total purchases.

2.1.27 Risks Imposed by Indebtedness

As of 31 December 2017G, the Company had total long-term indebtedness of SAR 442.6 million, representing 29.4% of its total assets and 70.4% of total equity. The terms of the Company's outstanding indebtedness restrict it from engaging in specified types of transactions, such as incurring additional indebtedness beyond certain levels, disposing of assets to raise funds or declaring dividends beyond certain levels. For example, the two financing Agreements concluded with Banque Saudi Fransi and the National Commercial Bank include restrictions under which the Company may not make dividend distributions over 60% of the net profit unless it obtains the approval thereof. Moreover, under the financing agreement concluded with the Saudi British Bank, the Company shall give the financing payments priority over the dividend distribution. A breach of any of the restrictive covenants could result in an event of default, which could trigger acceleration of the Company's indebtedness and may result in the acceleration of or default under any other debt that the Company may incur in the future to which the cross-acceleration or cross-default provision applies. In the event of any default under the Company's financing agreements, the applicable lenders could elect to terminate borrowing commitments and declare all borrowings and loans outstanding, together with accrued and unpaid commissions and any fees and other obligations, to be due and payable. As per the two financing agreements concluded with Banque Saudi Fransi and the National Commercial Bank, these banks have also the right to terminate the agreements and request the Company to immediately pay the indebtedness without cause. In the event the applicable lenders accelerate the repayment of the Company's borrowings, it may not have sufficient assets to repay that indebtedness, which could force the Company into bankruptcy or liquidation. In addition, the applicable lenders could exercise their rights based on guarantees provided in connection with the Company's financing facilities. (For more information on such essential guarantees, warranties and conditions of the Company's Financing Agreements, see Section 12.6 (*Financing Agreements*)).

Moreover, the Company's indebtedness, combined with its other existing and any future financial obligations and contractual commitments, could have other important negative consequences, such as:

- allocating a substantial portion of the Company's cash flow from operations to payments on its indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, selling and marketing efforts, research and development and other purposes (as of 31 December 2017G, the Company had capital commitments of SAR 56.7 million relating to contracts for the construction and development of fitness centres (for more information, see Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*));

- increasing the Company's vulnerability to adverse economic and industry conditions, which could place it at a competitive disadvantage compared to its competitors that have proportionately less indebtedness;
- increasing the Company's cost of borrowing and causing it to incur substantial fees from time to time in connection with debt amendments or refinancing;
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and the health and fitness industry; and
- limiting the Company's ability to sustain its operations or achieve its planned rate of growth, including limiting its ability to make investments into new fitness centres and renovation of existing fitness centres to support the growth of its business (see also Section 2.1.5 (*Inability to Identify and Secure Suitable Sites for New Fitness Centres*)).

The above factors could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.28 Risks Relating to Adverse Changes in Interest Rate

In its expansion works, the Company relies on obtaining financing facilities from external entities, such as commercial banks. Therefore, the Company's external financing arrangements are greatly affected by interest rates, which are deemed highly sensitive to a number of factors that are not in the control of the Company, including government, monetary and tax policies as well as domestic and international economic and political circumstances. An increase in interest rates and related financing costs may lead to reducing the Company's cash flow. Accordingly, adverse fluctuations in interest rates will have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.29 Risks of Reliance on Senior Management and Key Personnel

The Company's success depends upon the continued service and performance of its senior management and other key personnel, including fitness trainers, as well as its ability to identify, hire, develop, motivate and retain qualified personnel in the future. In particular, the Company relies on certain key individuals who have valuable experience in the health and fitness industry and who have made substantial contributions to the development of its operations. Competition for senior management and key employees in the health and fitness industry is intense and the Company may not be able to retain its personnel or attract new, qualified personnel.

The Company may need to invest significant financial and human resources to attract and retain new employees and it may not realise returns on these investments. The loss of the services of members of the Company's senior management or key employees could prevent or delay the implementation and completion of its strategic objectives, could divert management's attention to seek certain qualified replacements or could adversely affect its ability to manage its business effectively. Each member of senior management, as well as key employees, may resign at any time. If the Company loses the ability to hire and retain key executives and employees with high levels of skills in appropriate domains, it would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.30 Risk Associated with Employee Misconduct and/or Errors

Employee misconduct and/or errors could result in violation of law by the Company, which would lead to regulatory sanctions being imposed on the Company by the competent authority. Such sanctions would vary according to the misconduct or error and would cost the Company financial liability and/or serious damage of its reputation. Such misconduct and/or errors may include:

- culturally insensitive behaviour;
- misuse of bank cards information of the Company's members, which would lead to fines imposed on the Company by SAMA and require the Company to indemnify whomever has been affected thereby;
- engagement in misrepresentation or fraudulent, deceptive or otherwise improper activities while marketing, renewing or selling memberships in, or outside, the fitness centres to current or potential members; or
- lack of commitment to applicable laws or internal controls and procedures, including failure to document transactions properly in accordance with the Company's standardised documentation and processes (or a failure to take appropriate legal advice in relation to non-standard documentation, as required by the Company's internal policies) or to obtain proper internal authorisation.

If employees commit any of these misconduct or errors, it will materially and adversely affect the Company's business, financial condition, results of operations or prospects.

2.1.31 Risks of Reliance on Information Technology Infrastructure

The Company increasingly relies on its information technology ("**IT**") systems, including point-of-sale processing systems. The Company's ability to effectively manage its fitness centres depends significantly on the reliability and capacity of these systems, and any potential failure of these third parties to provide quality uninterrupted service is beyond its control. The IT system is based on Oracle Fusion and it incorporates all the major business modules, including, but not limited to, Fusion Financials, Fusion Procurement and Supply Chain Management and Fusion Human Capital Management.

The Company's IT system is exposed to damages from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. If the Company's IT system fails to perform as anticipated for any reason or there is any significant breach of security, this will disrupt its business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential or proprietary information, increased overhead costs and loss of important information, which would have a material adverse effect on its business, financial condition, results of operations or prospects. Additionally, the Company's increased use and reliance on web-based hosted (i.e., cloud computing) applications and systems for the storage, processing and transmission of information could expose the Company, its employees and its members to a risk of loss or misuse of such information. In particular, the Company's future applications will be hosted on the cloud (please see also Section 4.9.3 (*Technology-Related Projects*)). The Company may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future and the Company's business activities would be materially disrupted and its internal controls compromised if there were a partial or complete failure of any member of the Company's IT systems or communications networks, which would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.32 Risks Related to Adequacy of Insurance Coverage

The Company maintains different types of insurance policies to cover its operations, including public liability, property damage, third-party general liability, personal accident insurance and directors and officers liability (D&O) insurance. The insurance coverage may not be sufficient in all cases or cover all the risks that the Company would be exposed to. Uninsured losses may occur, or their amount may exceed the insurance coverage. In addition, the Company's insurance policies include exceptions or limitations to coverage under which certain types of loss, damage and liability are not covered by the insurance. In these cases, it could incur losses that could have an adverse effect on its business and results of operations. In addition, the Company's failure to renew its existing levels of coverage on commercially acceptable terms, or at all, or in case of lack or the unavailability of adequate insurance for the various areas of its business, this would have a material adverse effect on the Company's business, financial condition, results of operations or prospects. For further details on insurance policies, please see Section 12.7 (*Insurance Policies*).

2.1.33 Risks Relating to Litigation

The Company may become involved in lawsuits and regulatory actions, related to the business framework where it operates, with several parties including members, suppliers, employees, regulatory authorities, or owners of properties leased to the Company for its operations. The Group may also be the claimant in such lawsuits or litigations. Any unfavourable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial condition, results of operations or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, financial condition, and results of operations or prospects.

There are ten on-going law suits between the Company (both as plaintiff and defendant) and a number of parties, six of which comprises potential liabilities of SAR 3,777,176 for the Company. If the Company is to lose the disputed amounts in the litigations against the Company by Omar Klintin and Fayez Hossawi with total amount of SAR 1,100,000, this amount will be covered by the insurance coverage relating to "comprehensive liability". As for the rest of the disputed amounts in the proceedings against the Company in the total amount of SAR 2,677,176, no provisions have been created as of the date of this Prospectus. Moreover, these disputed amounts are not covered by the insurance policy (for more details on the Company's litigation, see Section 12.12 (*Litigation*)). If the Company is required to pay such amount, it will have a negative impact on its business, financial condition, results of operations and prospects.

2.1.34 Risks Related to Protection of Intellectual Property Rights

As at the date of this Prospectus, the "Fitness Time" trademark and certain other trademarks derived from the "Fitness Time" trademark, including "Fitness Time Pro", "Fitness Time Plus", "Fitness Time Basic", "Fitness Time Junior", "Fitness Time Wellness", "Fitness Time Academy" and "Fitness Time Ladies", have been registered in the Kingdom and some of them in the UAE (for further details, please see Section 12.11.1 (*Trademarks*)). Policing unauthorised use and other violations of the Company's intellectual property rights is difficult. If the Company were to fail to successfully protect its intellectual property rights for any reason, or if any third party misappropriates, dilutes or infringes the Company's intellectual property, the value of the Company's brands may be harmed, which could have an adverse effect on its business, results of operations and financial condition. Any damage to the Company's reputation could cause membership levels to decline or make it more difficult to attract new members.

The Company may also from time to time be required to initiate litigation to enforce the Company's trademarks and other intellectual property. Third parties may also assert that the Company has infringed, misappropriated, or otherwise violated their intellectual property rights, which could lead to litigation against the Company. Litigation is inherently uncertain and could divert the attention of management, result in substantial costs and diversion of resources and could negatively affect the Company's subscription income and profitability regardless of whether the Company is able to successfully enforce or defend its intellectual property rights. Furthermore, the outcome of a dispute may be that the Company would need to enter into royalty or licensing agreements, which may not be available on terms acceptable to the Company, or at all. Any of the above will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.35 Risks Relating to Potential Tax and Zakat Liability

The Company has submitted Zakat returns for the years up to 2017G and paid Zakat dues within stipulated times. The Company has received certificates from the General Authority of Zakat and Income Tax ("**GAZT**") for all the years up 31 December 2017G. The Company has finalised its Zakat position with the GAZT for all years through 2015G (the Company has paid Zakat of SAR 4.3 million and SAR 3.3 million in the financial years ended 2016G and 2017G, respectively). Therefore, the final amount of potential liability in connection with the years following 2015G is uncertain. The GAZT neither asked for any additional request nor amended the assessments of 2016G and 2017G. There is also a risk that the GAZT can go back to any historical year and challenge the submitted returns, impose an assessment on the Company and require the payment of additional Zakat amounts. The Company did not create any provision for Zakat differences for the years for which it did not receive the final assessments. Any assessment of the Company's Zakat by GAZT will have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.1.36 Risks Related to Newly Implemented Corporate Governance Rules

The Board of Directors has adopted an internal corporate governance manual, effective from 5/8/1438H (corresponding to 1/5/2017G). Such manual includes, among others, rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by CMA. The Company's success in proper implementation of corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board of Directors, its committees and senior executives, especially with regards to training related to the board and its committees thereof, independence requirements, rules related to conflict of interests and related parties' transactions. The CMA has issued on 16/5/1438H (corresponding to 13/2/2017G) the new Corporate Governance Regulations, effective from 25/7/1438H (corresponding to 22/4/2017G) and amended on 7/8/1439H (corresponding to 23/4/2018G), which required further substantial changes to the Company's internal policies and rules. Failure to comply with the governance rules, especially the mandatory provisions of the Corporate Governance Regulations issued by CMA, would subject the Company to regulatory penalties and would have a material adverse effect on the Company's operations, financial position, results of operations or prospects.

2.1.37 Risks Related to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required

In 2014G, the Board of Directors formed the Audit Committee and the Nomination and Remuneration Committee. Under the Ordinary General Assembly's decision dated 28/07/1438H (25/04/2017G), these two committees have been recently reformed and their regulations have been approved to carry out the tasks specific to each committee in accordance with the internal corporate governance manual (for further details, please see Section 5.3 (*Board of Directors Committees*)). Any failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders, may affect corporate governance compliance, the continuous disclosure requirements issued by CMA and the Board of Directors' ability to monitor the Company's business through these committees, which would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.38 Lack of Experience in Managing a Publicly Listed Company

Since its incorporation, the Company has been operated as a closed joint stock company and, accordingly, the senior executives have limited or no experience in managing a public listed joint stock company in the Kingdom and complying with the laws and regulations pertaining to such companies. In particular, the internal and/or external training that the senior executives will receive in managing a Saudi Arabian publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the senior executives, which may divert their attention away from the day to day management of the Company. Failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. The imposition of fines on the Company could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.2 Risks Relating to the Market, Industry, and Regulatory Environment

2.2.1 Risks Relating to Consumer Spending

The health and fitness industry is heavily dependent upon the overall level of consumer spending. Since health and fitness activities are generally considered by consumers to be non-essential and discretionary, the Company's current and future membership levels will be affected by any changes in members' spending patterns or behaviour. In case of adverse changes in economic conditions or anticipation that they will take place, or in case there is uncertainty concerning the prevailing economic situation, this would result in the discretionary spending of members being reduced. Any reduction in consumer discretionary spending or disposable income may largely affect the fitness industry more than other industries. As a result, any substantial deterioration in general economic conditions, decreases in wages, reduction in availability of consumer credit, increases in interest and tax rates, including introduction of value added tax, or political events that diminish consumer spending and confidence in any of the geographical areas in which the Company operates would have a negative effect on membership levels and the amount of subscription income that the Company can generate. In addition, certain competitors may react to such conditions by reducing membership prices and promoting such reductions, putting further pressure on the Company's membership levels and the amount of subscription income that the Company can generate. Any economic slowdown and/or reduction in discretionary consumer spending in general would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.2.2 Risks Relating to Seasonal Factors

The Company's business is affected by a certain degree of seasonality during the year. Membership sales and members visits to fitness centres usually fall during the last ten days of Ramadan. Similarly, sale of memberships and member visits to the fitness centres are also affected during the summer months and other times during the year that coincide with school vacations and other holidays (including public holidays) since there is a higher likelihood of people travelling and hence, members choosing to delay renewing or buying memberships. Any increase in the number of holidays during the year, including an increase in the duration of school vacations, could result in lower revenues and profitability, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.3 Political Instability and Security Concerns in the MENA Region

The Company's assets, operations, and member base are situated in the Kingdom and the UAE. The wider MENA Region is subject to a number of geopolitical and security risks that impact the GCC countries including the Kingdom and the UAE.

Moreover, as the political, economic and social environments in the MENA region remain subject to continuing developments, investments in the MENA region are characterised by a significant degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in countries within the MENA region may have a material adverse effect on the markets in which the Company operates, its ability to retain and attract members in such regions and investments that the Company has made or may make in the future, which in turn would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.2.4 High Level of Competition in the Health and Fitness Industry

The Company competes in the Kingdom and the UAE with other health and fitness service providers, physical fitness and recreational facilities established by the Government and businesses for their employees, private studios and other boutique fitness offerings, sports and other athletic centres, fitness facilities at residential development projects, DVD and online personal training and fitness coaching, the home-use fitness equipment industry, and other businesses that rely on consumer discretionary spending. If the Company is unable to anticipate, identify and capitalise on emerging trends in the health and fitness industry by designing, developing, marketing and delivering innovative, good quality, well priced and competitive offering of fitness centres and services offered therein, it may not be successful in attracting and retaining members, and as a result membership levels will materially decline over time.

Competitors may attempt to copy the Company's business model, or parts thereof, which could erode its market share and brand recognition and impair its growth and profitability. Other fitness companies may attempt to enter the Company's markets by opening newer and better fitness centres, providing better services, lowering prices, providing better memberships, creating lower price alternatives or introducing new methods for fitness centres memberships payments. In particular, obtaining licenses for female fitness centres in the Kingdom in 2017G greatly attracted the attention of companies operating in this field as well as new ones. As a result, strong competition is expected to occur in the sector of female fitness centres. Furthermore, due to the increasing number of low-cost health and fitness centre alternatives, the Company may face increased competition if it increases its membership fees or if discretionary spending declines. Accordingly, this competition will limit the Company's ability to retain existing members and its ability to attract new members, which in each case could have a material adverse effect on its business, financial condition, results of operations or prospects.

2.2.5 Changes in the Regulatory Environment

The Company's business is subject to numerous regulations in the Kingdom and in other jurisdictions in which it operates, including the Civil Defence and Municipality regulations and the GSA's requirements applicable to its fitness centres and some laws related to regions which have special regulations such as those of the Royal Commission for Jubail and Yanbu and the industrial and economic cities authorities and other regulations. Moreover, the Minister of Municipality and Rural Affairs adopted the implementing regulations, effective as of 10/3/1438H (corresponding to 10/12/2016G), regarding municipal fees on real estate calculated by multiplying the applicable rate for each relevant category by the size of real estate expressed in square meters that will increase the operating costs of the Company. The amounts of such fees reached approximately SAR 2.1 million in the financial year ended on 31 December 2016G and SAR 2.6 million in the financial year ended on 31 December 2017G. The Company has estimated that the impact of such fees will be SAR 3.1 million for the financial year 2018G. If any of these laws, regulations (including the introduction of a value added tax) or licence requirements were to change or were violated or incorrectly implemented by the Company's management or employees, the operating costs of the Company would increase, it could be subject to fines or penalties, or suffer reputational harm, which would reduce the Company's competitive position and demand for its products and services, would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Moreover, the Law of Printed Materials and Publication, Electronic Publishing Regulations and other laws and regulations governing the use of the social medial platforms used by the Company as marketing tools rapidly evolve and the failure by the Company, its employees or third parties acting at its direction to abide by applicable laws and regulations in the use of these platforms could have a material adverse effect on the Company's ability to use such platforms and result in penalties.

Accordingly, legal requirements are frequently changed and are subject to interpretation. This may require the Company to incur significant expenditure or modify its business practices to comply with existing or future laws and regulations. This will increase the costs incurred by the Company and restrict the Company's ability to conduct business, which will have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.2.6 Risks Relating to Value Added Tax Law Implementation

The Kingdom issued the Value Added Tax (VAT) Law which became effective on 1 January 2018G. This law imposes a value added tax of 5% on a number of products and services, as specified in the law. Since this law was recently issued, any violation or misuse thereof by the Company's management or employees may increase the operational costs and expenses that the Company will incur or expose the Company to fines or penalties or damage to its reputation, which may reduce its competitive position and demand for its products and services, which will have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.2.7 Risks Relating to the Income and Zakat Calculation Mechanism Change

On 4 December 2016G, the GAZT issued Circular No. 6768/16/1438 requiring Saudi companies listed on Tadawul to calculate tax and zakat based on the nationality of shareholders at year end with the actual ownership between Saudi or GCC nationals and non-Saudi or non-GCC nationals being as reflected in the "Tadawulaty System". Before the Circular was issued, companies listed on Tadawul were generally subject to zakat/tax based on their founding member's ownership as per their articles of association. The impact of listed shares was not considered in determining zakat base. The Circular was to apply to the year ended 31 December 2016G and future years but due to uncertainties surrounding the mechanics for implementing such circular, GAZT issued Letter No. 12097/16/1438, dated 19/4/1438H (corresponding to 17/1/2017G), postponing the implementation of the Circular to the financial year ending 31 December 2017G and future years. Until the GAZT issues guidelines regarding the mechanics and the procedures for implementing the Circular, the implementation of such Circular in practice, including final requirements to be met, remains to be seen, in particular the rules subjecting all non-GCC nationals who are shareholders in Saudi listed companies to income tax and applying withholding tax to dividend distributions to non-resident shareholders, regardless of their nationality. The Company has yet to assess the monetary impact of such Circular and take adequate steps to ensure compliance with such Circular.

2.2.8 Changes in Prices for Energy, Electricity, Water and Related Services

The Saudi Council of Ministers issued the Resolution No. 95, dated 17/3/1437H (corresponding to 28/12/2015G), to raise energy prices (including fuel) and electricity, water and using sanitation services tariffs for residential, commercial and industrial sectors in 2016G, as part of the Kingdom's policies aimed at rationalising the government subsidy programme. The Ministry of Energy and Industry issued a statement, dated 24/3/1439H (corresponding to 12/12/2017G), on Fiscal Balance Programme Plan to reform prices of energy products. It resulted in an increase in prices of Gasoline 91, Gasoline 95, Diesel for industry and facilities, Diesel for transportation and Kerosene as of 14/4/1439H (corresponding to 1/1/2018G). This resulted in an increase in operating expenses of the Company of SAR 3 million (representing 9% of cost of revenues) for the period that ended on 31 December 2016G, and SAR 3.3 million (representing 5.3% of total operating expenses) during the period that ended on 31 December 2017G. The Company is sensitive to increases in water and electricity prices. For the year ended on 31 December 2016G, the Company has incurred SAR 52.1 million of water and electricity expenses (representing 13% of cost of revenue) and SAR 62.4 million (representing 13.8% of cost of revenue) during the financial year ended 31 December 2017G. The recent increase in electricity prices as per the Saudi Council of Ministers' resolution as of 1 January 2018G is expected to result in an increase in operating expenses of the Company by SAR 0.5 million (which represents 0.1% of total operating expenses) for the year 2018G. For the year 2018G, the Company estimates to incur a total of SAR 64.9 million for fuel, water, and electricity expenses (which is estimated to represent approximately 11.6% of its cost of revenue).

Moreover, such price increase, as well as any other potential increases, may lead to a decrease in discretionary spending or income available to consumers in general. Consequently, demand for memberships in fitness centres within the Kingdom may be negatively impacted and the Company's operating expenses might increase, which will have a material adverse effect on the Company's operations, financial position, results of operations or prospects.

2.2.9 Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees

The Government has approved a number of resolutions intended to implement comprehensive reforms in the Saudi Arabian labour market, with additional fees being imposed on each non-Saudi employee employed by Saudi institutions as of 1/1/2018G, and on the residence permit issuance and renewal fees of non-Saudi employee families which came into force as of 01/07/2017G, noting that they will increase gradually. When such resolutions and announced increases become effective, they will increase the government fees paid by the Company for its non-Saudi employees in general. In addition, such increase in residence permit issuance and renewal fees incurred by each non-Saudi employee for his family may increase the cost of living. This could result in the employee seeking an employment opportunity in other countries with a lower cost of living. In such case, it will be difficult for the Company to retain its non-Saudi employees. The Company may be forced to incur additional government fees related to issuance and renewal of residence permits for non-Saudi employees and their family members. Such fees that the Company expects to incur in 2018G are estimated at around SAR 12.2 million (with a monthly average of around SAR 1 million), resulting in higher financial obligation for the Company, which will have a material adverse effect on the Company's operations, financial position, results of operations and prospects).

2.2.10 Risk Associated with Licenses and Approvals

In order to carry out and expand its business, the Company needs to maintain or obtain a variety of licences, certificates, permits and approvals from regulatory, legal, administrative, tax, Zakat and other authorities and agencies, both in the Kingdom and in the UAE, in particular a municipality license for the conduct of commercial activities, a sports activity license and a civil defence license for each of its fitness centres in the Kingdom. The processes for obtaining these licences, certificates, permits and approvals are often lengthy and most of the licences, certificates, permits and approvals are subject to conditions under which the licences, certificates, permits and approvals can be suspended or terminated if the licensee fails to comply with certain requirements. As of 31 December 2017G, the Company was missing 22 out of 326 operating licenses required to operate its fitness centres in the Kingdom. Approximately 13% of the Company's fitness centres were missing one or more operating licenses (for more information on government licences, certificates, permits and approvals, please see Section 12.4 (*Government Consents, Licenses, and Certificates*)). Furthermore, when renewing or modifying the scope of a licence, certificate or permit, the relevant authority may not renew or modify the licence, certificate or permit and may impose conditions that will adversely affect the Company's performance, if it did renew or modify the licence, certificate or permit. If the Company is unable to maintain or obtain the relevant licenses, permits and approvals, its ability to achieve its strategic objectives would be impaired, it may be forced to close down the fitness centres for which operating licenses are missing and/or pay financial penalties, which would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.2.11 Non-Compliance with the Saudization Requirements

Compliance with Saudization requirements is a Saudi regulatory requirement necessitating that all companies active in the Kingdom, including the Company, employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of the company's activities.

Moreover, the Ministry of Labour and Social Development has recently approved a new amendment to the "*Nitaqat*" program under the name of "*Nitaqat Mawzon*" (Balanced *Nitaqat*) in order to improve the performance of the market and development and to eliminate the non-productive nationalisation. It was supposed to come into effect on 12/3/1438H (corresponding to 11/12/2016G) but in response to private sector demands for additional time to achieve the nationalization rate, the Ministry of Labour and Social Development postponed the program until further notice and, as of the date of this Prospectus, no new implementation date has been set. Under the "*Nitaqat Mawzon*" program, points would be calculated based on five factors: (i) the nationalization rate; (ii) the average wage for Saudi workers; (iii) the percentage of female nationalisation; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. As of now, the existing framework remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period. The Company has not taken any measures to improve its Saudization rating in anticipation of the formal implementation the "*Nitaqat Mawzon*" program and it may be unable to promptly respond to a new implementation deadline.

In case of non–compliance with the applicable Saudization requirements, the Company would face sanctions by governmental authorities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees, exclusion from government tenders and government loans, and the Company may not be able to continue to recruit or maintain the employment of the required percentage of Saudization. In addition, the Company may not be able to hire the required workforce or recruit the required number of Saudi nationals and/or foreign workers under favourable conditions, if at all. The Company is sensitive to the costs of salaries and related benefits, which amounted to SAR 178.5 million in the year ended 31 December 2016G (representing approximately 37.2% of its operating costs for the period) and SAR 208.7 million for the year that ended on 31 December 2017G (representing approximately 38.4% of its operating cost for the period). There may be a significant increase in costs of salaries in the event that the Company hired larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations or prospects. For further details, please see Section 5.8.2 (*Saudization*).

2.2.12 Issuance of the Companies Law and Implementing Regulations

The Company is subject, in various aspects of its management and operation, to the provisions of the Companies Law. The Government has recently issued the Companies Law replacing the previous version, which came into force on 25/7/1437H (corresponding to 2/5/2016G). On 16/01/1438H (corresponding to 17/10/2016G), the Board of CMA issued the Regulatory Rules and Procedures Pursuant to the Companies Law relating to Listed Joint Stock Companies. Additionally, on 16/5/1438H (corresponding to 13/2/2017G), The CMA has issued on 16/5/1438H (corresponding to 13/2/2017G) the new Corporate Governance Regulations, effective from 25/7/1438H (corresponding to 22/4/2017G) and amended on 7/8/1439H (corresponding to 23/4/2018G). The Companies Law, the Regulatory Rules and Procedures and Corporate Governance Regulations impose certain new regulatory and corporate governance requirements that must be complied with by the Company. This would require the Company to undertake certain procedures to comply with such new requirements. In addition, the Companies Law introduced stricter penalties for non-compliance with its mandatory provisions and, accordingly, the Company could also be subject to such stricter penalties in the event of non-compliance with such mandatory provisions, which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.3 Risks Related to the Offer Shares

2.3.1 Effective Control Post–Offering by the Current Shareholders

Following the Offering, the Current Shareholders will own together 70% of the Company's issued Shares, including 60.5% by Hamad Ali Al-Saqri. As a result, the Current Shareholders, acting together or with other Shareholders, or Hamad Ali Al-Saqri acting individually, will have the ability to significantly influence the Company's business through their ability to control decisions and actions that require Shareholders' approval, including, without limitation, the election of directors, significant corporate transactions, dividend distributions and capital adjustments. If circumstances were to arise where the interests of the Current Shareholders conflicted with the interests of minority Shareholders (including the Subscribers), the minority Shareholders might be disadvantaged and the Current Shareholders might otherwise exercise their control over the Company in a manner that could materially adversely affect the Company's business, financial condition, results of operations or prospects.

2.3.2 Absence of a Prior Market for the Shares

There is currently no public market for the Company's Shares, and there is no guarantee of an active and sustainable market for the trading of the Company's shares subsequent to the Offering. Even if such market existed, it may not continue. If an active and liquid market is not developed or maintained, the price of the Shares could be adversely affected. Moreover, no other company from the fitness industry has offered shares for public subscription in the Kingdom before the Offering. Comparable share trading data for companies from the securities business industry in the Kingdom are therefore not available.

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's businesses, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. Various factors, including the

Company's financial results, general conditions in the health and fitness industry, the sector economy and regulatory environment and other factors that are beyond the Company's control could lead to a large disparity in the trading liquidity and price of the Shares.

2.3.3 Risks Relating to Selling a Large Number of Shares in the Market

Sales of a substantial number of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Substantial Shareholders will be subject to the Lock-up Period of six months following the Offering during which they may not dispose of any Shares. The sale of a substantial number of Shares by any of the Substantial Shareholders following the expiration of the Lock-up Period, or the perception that such sales could occur, could have an adverse effect on the market for the Shares and may reduce the value of the Shares.

2.3.4 Risks Related to Issuance of New Shares

If and when the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market and dilute the shareholder ownership percentage in the Company, if they do not subscribe to new shares at that time.

2.3.5 Risks Relating to Fluctuation in the Market Price of the Shares

The Offer Price may not be indicative of the price at which the Shares will be traded following completion of the Offering and the Subscribers may not be able to resell the Offer Shares at the Offer Price or above or may not be able to sell them at all. The post Offering market price of the Shares may be negatively affected by various factors, including:

- negative variations in its operating performance and improvement of the performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of research reports by securities analysts about the Company or its competitors or the health and fitness industry;
- the public's reaction to its press releases and its other public announcements;
- the Company's or its competitors' failure to meet analysts' projections;
- departures of key personnel;
- important and strategic decisions by the Company or its competitors, and changes in business strategy;
- changes in the regulatory environment affecting the Company or the health and fitness industry;
- changes in adopted accounting rules and policies;
- terrorist acts, acts of war or periods of widespread civil unrest;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

The realisation of any of these risks or other factors could cause the market price of the Shares to decline significantly.

The stock market in general experiences from time to time extreme price and volume fluctuations. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low, which will have an adverse effect on the subscribers' investments in the Company's shares

2.3.6 Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financers

Future distribution of dividends will depend on, amongst other things, several factors, including future earnings, financial condition, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to pay dividends, and the Board of Directors may not recommend and the Shareholders may not approve the payment of dividends. In addition, profit distribution is subject to restrictions set out in the financing agreement entered into with the financers. For example, the Company must obtain the approval of NCB prior to distributing dividends of more than 60% of its net profit. Under the Facility Agreement entered into with the Saudi British Bank, the Company must give priority to the payments of due financing before distributing any profits (for more information, see Section 12.6 (*Financing Agreements*)). The Company may be subject to the terms of its future credit financing agreements to make dividend payments. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the distribution of dividends. If the Company does not pay dividends on the Shares, Shareholders may not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase. For further details regarding the dividends policy of the Company, please see Section 7 (*Dividend Distribution Policy*).

3. Market Overview

The information in this Section 3 (*Market Overview*) is derived from the market study report prepared by the Market Consultant (Portas Consulting Ltd.) exclusively for the Company and dated 29/4/1439H (corresponding to 16/1/2018G). The Market Consultant provides advisory services in sports to major international and national sports federations, governments, charities and companies with an interest in the sports sector. The Market Consultant, located in London, was established in 2006G. For more information about the Market Consultant, visit its website (www.portasconsulting.com).

The Market Consultant does not, nor do any of its subsidiaries, sister companies, partner, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or its subsidiaries. The Market Consultant has given, and not withdrawn as at the date of this Prospectus, its written consent for the use of its name, market information, and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Board of Directors believes that the information and data from other sources contained in this Prospectus, including that provided by the Market Consultant, are reliable. However, such information and data has not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of said information.

Some of the data contained in this section dates to 2013G and no updated data is available as of the date of this Prospectus in connection thereto. Some of the competitor information, including membership numbers, has been provided by external experts and was not verified by each relevant competitor. All membership data and number of clubs are best estimates as at September 2017G.

3.1 The Kingdom's Macroeconomic Analysis

3.1.1 Macroeconomic Overview of the Kingdom

The Kingdom has the largest economy in the GCC region, with a nominal GDP of SAR 2,424.1 billion in 2016G. While the Kingdom's economy has seen strong growth in recent years, underpinned by the Government's economic development plans, the significant drop in global oil prices starting mid-2014G has impacted the economy, with real GDP growth slowing down to 1.4% in 2016G. The Saudi Government has been focused on countering the impact of lower oil prices by rationalising government expenditures. The following table shows the Kingdom's macroeconomic indicators from 2012G to 2016G:

Table 8: The Kingdom's Macroeconomic Indicators from 2012G to 2016G

	2012G	2013G	2014G	2015G	2016G
Nominal GDP (SAR Billion)	2,759.9	2799.9	2,836.3	2,453.5	2,424.1
Real GDP Growth (%)	5.8%	2.7%	3.6%	4.1%	1.4%
GDP per capital (SAR 000's)	94.3	95.3	94.5	79.4	76.3

Source: Saudi Arabian Monetary Authority, 50th, 51st, 52nd and 53rd Annual Report

In 2016G, the Government announced its new strategy, known as "Vision 2030", which sets forth a comprehensive agenda of socio-economic reforms. The key objectives of Vision 2030 include the diversification of the Kingdom's economy and decreased reliance upon oil-related revenues. Vision 2030 focuses on three broad themes, each of which aims to capitalise on the Kingdom's existing strengths in its society, culture, heritage, and economy. The three themes highlighted in Vision 2030 are Societal Development, Economic Reform, and Effective Governance.

3.1.1.1 Investment and Spending

Government spending has increased by 5.2% CAGR over the last six years to 2017G, and 9.2% CAGR for Health Services and Social Development for the same period. There has been slightly greater growth in Government spending on health services and social development since 2012G both in proportion and absolute value. A combined 8% of total Government spending is invested in infrastructure development and municipal services. There are plans to increase public spending and stimulate investment in these areas from 2017G as part of the Government's "Vision 2030", which is expected to positively impact the fitness sector. The following table shows the Government spending split per sector in the Kingdom from 2012G to 2017G:

Table 9: Government Spending Split per Sector in the Kingdom (SAR millions) from 2012G to 2017G

Sector	2012G	2013G	2014G	2015G	2016G	2017G	CAGR
Health Services and Social Development	61,284	70,938	78,166	82,071	79,958	95,502	9.2%
Transport and Communications	20,566	22,063	23,506	22,348	12,301	25,258	4.1%
Economic Resources Development	41,152	46,696	49,537	48,148	26,025	47,051	2.7%
Human Resources Development	167,970	203,147	209,296	216,022	191,572	200,242	3.5%
Infrastructure Development	10,525	11,702	13,540	12,592	7,708	26,147	20.0%
Municipal Services	25,460	31,729	34,610	34,192	21,246	47,941	13.4%
Defence and National Security	211,867	251,325	302,859	306,947	213,207	287,541	6.3%
Public Administration, Public Utilities and General Items	107,551	119,948	84,558	80,575	68,553	127,339	3.4%
Government Specialised Credit Institutions	10,785	14,950	15,375	14,978	3,895	759	-41.2%
Subsidies	32,840	47,502	43,553	42,127	35,535	32,220	6.2%
Total	**690,000**	**820,000**	**855,000**	**860,000**	**840,000***	**890,000**	**5.2%**

Source: SAMA 48th, 49th, 50th, 51st, 52nd and 53rd Annual Report

* including SAR 183,000 million Budget support provision.

National consumption of recreation, entertainment, education and cultural services reached SAR 102 billion (12.9% of total national consumption) in 2013G – representing a 21.4% annual growth from 2009G to 2013G. There is also a new focus on recreation and entertainment with the formation of the General Entertainment Authority. These trends are expected to positively impact the broader health-related sectors, including the fitness industry. The following table shows the national consumption expenditure on recreation, entertainment, education, and cultural services from 2009G to 2013G:

Table 10: National Consumption Expenditure on Recreation, Entertainment, Education, and Cultural Services (SAR billions) from 2009G to 2013G

	2009G	2010G	2011G	2012G	2013G	CAGR
Consumption	47	57	70	97	102	+21%

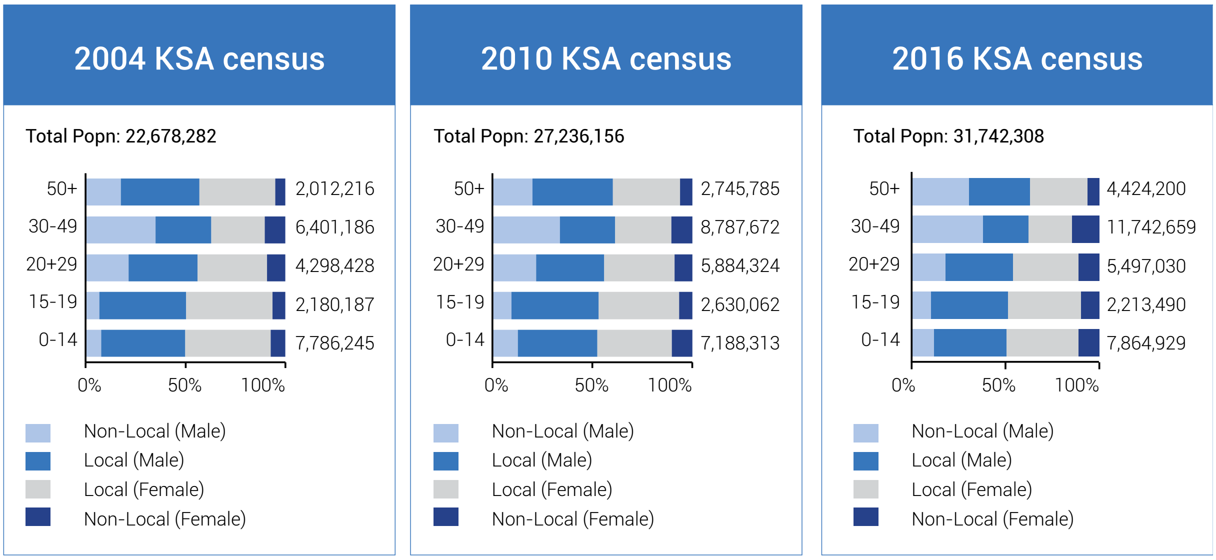
Source: SAMA 51st Annual Report

Despite an increase in disposable income in recent years, Saudi households were spending less on sports-related purchases in 2013G (as a percentage of total household expenditure) when compared to more mature markets. The ratio of spending on sports-related activities to total household expenditure can improve with the new Government focus on physical activity and health.

3.1.2 Demographic Profile

The Kingdom has a young, steadily growing population slightly skewed towards men overall (primarily due to the expat population). The following exhibit shows distribution of population by age from 2004G to 2016G:

Exhibit 2: Distribution of Population by Age from 2004G to 2016G



Source: CDSI Population census

There has been high population growth of 2.9% CAGR, from 22.7 million in 2004G to an estimated 32.9 million in 2017G, with 49% of the population under 30 years old in the 2016G national population census. Gender imbalance and the male/female distribution is skewed by the expat population, with males comprising 57% of the population in the 2016G Saudi population census; males and females are similar in percentage terms when considering only Saudi nationals – 51% to 49% respectively in the 2016G census.

3.1.3 Health Crisis

There is a health crisis in most countries in the GCC, including the Kingdom, driven by so-called "lifestyle diseases", which has in turn led to an increased focus on prevention and increased physical activity.

The level of diabetes is estimated at 19% based on International Diabetes Federation estimates, which results in the Kingdom being ranked amongst the top 15 countries worldwide with the highest diabetes prevalence in the adult population.

In terms of obesity, the Kingdom ranks behind Kuwait amongst the countries with the highest levels of obesity, with 35% of the Kingdom's total population classified as obese by the World Health Organisation (WHO, 2016G). Obesity is especially high amongst Saudi women. The following table shows selected health indicators in percentages of the Saudi population for the year indicated:

Table 11: Selected Health Indicators in Percentages of the Saudi Population for the Years Indicated

Indicator	Male	Female	Total
Prevalence of obesity (2016G)	31	42	35
Prevalence of diabetes (2017G)	17	21	19
Prevalence of hypertension – hypertensive (2013G)	18	13	15
Prevalence of hypertension – borderline (2013G)	47	34	41
Prevalence of high cholesterol – hypercholesteraemic (2013G)	10	7	9
Prevalence of high cholesterol – borderline (2013G)	20	21	20

Source: World Health Organisation data; International Diabetes Federation

3.1.4 Health and Fitness Sector Regulations and Investment

3.1.4.1 Programmes to Improve the Sports and Fitness Landscape

The adverse public health situation has been recognised by the Government, and initiatives have been underway for the last two years to improve the sports economy, privatise parts of the sector, and increase spending on mass participation programmes and fitness. Recent studies conducted for the Saudi Arabia Olympic Committee (SAOC) under the direction of the General Sports Authority ("**GSA**") have proposed a major transformation in the provision of physical activity in the Kingdom. These have been accepted and endorsed by the Council of Economic and Development Affairs (CEDA), and include, for example:

- designing and delivering university sports and physical activity strategy;
- creating new initiatives in schools;
- developing community sports groups throughout the Kingdom;
- increasing female participation through a series of initiatives, including a new licencing process for fitness centres for women, which were launched in 2017G;
- establishing a new model to utilise and operate existing facilities with the involvement of the private sector, e.g. repurpose GSA clubs for mass participation;
- supporting public/private sector to develop physical activity programmes; and
- delivering a national coaching strategy.

Based on these reviews and initiatives, the Saudi government has released plans to "create a vibrant and active Saudi society" as part of the national Vision 2030. The overall aim is to increase the number of Saudis that participate in sports or physical activity at least once a week from overall 13% in 2016G (men 20% and women 7%) to overall 20% by 2020G and 40% by 2030G.

3.1.4.2 New Regulation for the Female Sector

One of the major new mass participation initiatives contained in the Government's National Transformation Programme ("**NTP**") as part of the broader Vision 2030 agenda is to increase female participation through a series of initiatives, including a new licensing process for fitness centres and special university-based programmes.

Princess Reema bint Bandar Bin Sultan Al Saud, GSA Deputy for Planning and Development and President of the Saudi Arabian Mass Participation Federation, is also leading the Planning and Development Department in GSA with a special focus on women to achieve these targets for female participation. The first female licences using organized and automated processes were issued in 2017G. This significant and historic initiative has created a new sector for the female fitness market.

3.2 The Kingdom Market Analysis

3.2.1 The Kingdom's Market overview

The fitness centre market can be segmented into two categories, the primary fitness centre market and the secondary fitness market.

3.2.1.1 Primary Fitness Centre Market Segment

The primary fitness centre segment consists of fitness centres that provide sports equipment and machines, and training facilities available to members in consideration of membership fees. This segment includes independent fitness centres which are not affiliated to any fitness centre chain or brand belonging to a particular company as well as fitness centres that are part of a chain operating under a common brand in multiple locations. In addition, this segment also includes fitness centres that specialize in specific sports or activities, which typically involve instructor-led, scheduled sessions around a single exercise concept.

3.2.1.2 Secondary Fitness Centre Market Segment

The secondary fitness centre segment includes fitness centres affiliated with or attached to a non-fitness venue, where access to the fitness centre is typically restricted and is not available to everyone. The secondary fitness centre segment includes fitness centres in hotels that are available to guests and a limited number of members. The secondary fitness centre segment also includes fitness centres in residential buildings and compounds, workplaces, and universities available to residents, employees, and students respectively. Furthermore, this segment includes clubs that focus on specific sports but also have fitness centres with sports equipment and machines, and training facilities for use by club members. While fee-paying members of such facilities represent potential fitness centre customers for the primary fitness centre segment, they usually do not respond to the same commercial imperatives as fee paying members in the primary fitness centre segment.

In addition to the two aforementioned segments, there are other options available to those who wish to engage in physical activity but may not necessarily involve going to a fitness centre or use of sports equipment and training facilities. Such options can include sport clubs that do not have fitness centres facilities, exercising at home or in public places (such as walking and running in parks), as well as certain entertainment and leisure activities that may entail some level of physical activity. It should be noted that such options (outside of the primary and secondary fitness centre market segments) are not included in the fitness centre market size analysis.

3.2.2 Estimated Market Size

The overall Saudi sports and fitness industry is in a relatively early stage of maturity.

As of September 2017G, the number of facilities in the primary fitness centre market derived from proprietary data and supplementary desk research was assessed at 971 fitness centres across chain fitness, concept fitness centres and independent fitness centres.

There are an estimated 1.1 million fee-paying fitness centre members (across both primary and secondary fitness centre market segments) active at the same time. The male market of 0.9 million fee-paying members is still in a period of rapid commercialisation whilst the 0.2 million female market is in its infancy. This compares to an estimated addressable fitness market of 13.7 million split more or less equally between men and women. Overall penetration of the total addressable fitness market is estimated at around 8%.

The total current value of the male market (comprising both primary and secondary fitness centre market segments) is estimated to be SAR 2.9 billion while the female market is potentially around SAR 0.65 billion.

3.2.3 Overall Market Maturation Evaluation and Growth Potential (Male Market)

The male market has been growing steadily at 14% CAGR (2012G to 2017G). The following table shows the Kingdom's male fitness centre members (in thousands), comprising both primary and secondary fitness centre market segments, from 2012G to 2017G:

Table 12: The Kingdom's Male Fitness Centre Members (in thousands) from 2012G to 2017G

Year	2012G	2013G	2014G	2015G	2016G	2017G	CAGR
Member	458	541	624	707	790	890	+14%

Note: Year-end 2012G through 2016G; estimated year-end 2017G based on September figures.

Source: The Market Consultant's report.

Based on the Government's plans for promoting health and fitness and understanding of demand and economics of the fitness market, there is likely to be a growth in physical activity in the Kingdom over the next five years, providing an opportunity for the fitness centre sector. Additionally, a recent survey of the Kingdom's active people aged 16-45 suggests that 53% of non-fitness centre users are interested in joining a fitness centre, subject to barriers around time, convenience, peer support and price. The outlook for fitness centre market growth is positive.

3.2.4 Overview of Female Market

It is estimated that there were only 0.2 million female fee-paying members during 2017G. This translates to a penetration rate (of the addressable female fitness market) of less than 3%. There may be as many as 280-320 female facilities operating across the country, primarily in the large cities, which are typically associated with spa, physiotherapy, healthcare and hair and beauty facilities.

Research shows that only 7% of Saudi females older than age 15 practice sports or physical activity once a week or more. Of the remaining 93% of Saudi women who do not exercise regularly, the majority have no experience of being physically active.

The licencing of female fitness centres commenced in 2017G. Initial response has been positive, which highlights the strong growth potential for the female segment.

3.2.5 Overview of Corporate Market

The corporate sales segment covers sales to companies of fitness centre subscriptions, which they then offer to employees for free or at discounted rates.

With approximately 2,000 businesses in the Kingdom with more than 250 staff and a further 9,000 with 50-249 staff, there is a large, addressable market of potential customers. Corporate health and wellness remains a new concept in the Kingdom, with mostly the largest corporations and international companies investing significantly in it. However, demand is growing from employees to get health and well-being benefits, and there is a shift in corporate thinking about this issue as many employers now see the value of offering such services to improve employee happiness and retention.

3.2.6 Trends in the Market

There is a growing demand for fitness centre activities both in the traditional core market and in the new concepts market. Opportunities for diversified offerings include low-cost fitness centres, concept fitness centres and improved choice in the current mainstream propositions.

3.2.6.1 Low-cost Fitness Centres

Low-cost fitness centres offer a 'no frills' product to customers that meet all requisite customer needs and expectations but are delivered at a lower price than its competitors. They are most likely to develop in markets where there is a 'budget' culture where consumers realise that 'you don't need to pay more to get more'. However, the Kingdom's culture is 'aspirational' by nature, and the drive towards a truly low-cost culture across the Kingdom is not evident as of the date of this Prospectus.

Low-cost behaviours are not the norm in the Saudi fitness sector. There is no major trend of price disruption and there is no aggressive, low-cost chain with national coverage in the Kingdom's market as of the date of this Prospectus. However, although not a low-cost operator by definition, one of the fitness centre chains in the Kingdom offers memberships at a lower-than-market average price point and may continue to gradually lower the average.

In other markets, low-budget fitness centres have tended to grow the overall market, although mid-market fitness centres, which are inflexible and operate with thin margins, have struggled in the face of such new competition.

3.2.6.2 Concept Fitness Centres

These are a diverse set of fitness centres whose positioning is defined by instructor-led activities. Some concept fitness centres have set up in the Kingdom, but the model is not yet widespread. In the past year, the number of concept fitness centres has grown significantly.

Some concept offerings are social, others are not, but they all rely on scheduled sessions. The fitness centre may or may not have cardio/weights provision. In extreme cases, no fixed location is required at all (e.g. outdoors, roll-up and play boot-camp provision). Some fitness centres market themselves as concept fitness centres, with highly branded instructor-led/expert-based activity, but in practice they are facilities-based propositions for most users and have a similar equipment cost base.

It is anticipated that concept fitness centres or new concepts within existing fitness centres will continue to grow in the Kingdom as the market matures. They are expected to grow the market, but some cannibalisation of mainstream fitness centre competitors is possible.

3.2.6.3 Improved Choice

As of the date of this Prospectus, there is a relatively small range of choice and payment options in the Kingdom compared to more mature markets in terms of:

- subscription terms;
- activity bundling;
- payment terms; and
- payment methods.

Subscription terms relate to the length of memberships presently offered by fitness centre providers. Within the Kingdom, membership terms have predominantly been of three months' duration or longer but this is beginning to change. Additional options include pay-per-visit, monthly memberships and multi-branch access.

Activity bundling in mature markets has proven at times to be disruptive to traditional fitness centre offerings. This involves packaging memberships with inclusions and exclusions and adding add-ons at extra cost (e.g. including cardio and weights access with additional cost for classes).

The Kingdom's fitness centre market by international standards is underdeveloped with regard to payment terms and methods. This is partly a consequence of the existing banking environment within the Kingdom, where a 'direct debit' culture does not exist. Competitors offering further flexibility with payment terms, with or without a direct debit functionality, could potentially disrupt the existing market and provide a more flexible offering to consumers.

3.3 Saudi Chain Fitness Centre Competitive Landscape Assessment

3.3.1 Market Share Analysis amongst Fitness Centre Chains (Male Market)

The Company enjoys a market leadership position within the Kingdom's male primary fitness centre market segment, with an estimated market share of 27% (in terms of number of fee-paying members) based on the Market Consultant's report. The male primary fitness centre market segment represents around 85% of the broader male fitness market (comprising the primary and secondary market segments). The table below highlights as of September 2017G the fragmented nature of the male fitness market in the Kingdom, with most of the non-fitness chain/independent players having smaller facilities and a lower number of members (compared to the chain fitness players).

Table 13: Market Share Analysis for Saudi Male Primary Fitness Market Segment (as of September 2017G)

Primary Fitness Market	Market Share (# of members)	Market Share (# of Fitness Centres)
Fitness Time	27%	12%
Body Masters	7%	4%
The Power Gym	2%	2%
Fitness First	1%	1%
Gold's Gym	1%	1%
Others	63%	80%
Total	**100%**	**100%**

Source: The Market Consultant's report

3.3.2 Overview of Main Competitors: Service Offering, Positioning, Strategy

The difference in scale of the Company to its closest competitors is significant. The Company is more than three times larger in branch numbers and four times larger in member numbers than the second-largest fitness chain in the Kingdom. The Company's fitness centres cover the major cities in the Kingdom with generally more locations than its competition across most cities.

3.3.2.1 Body Masters

Body Masters was the first specialised company in managing and operating fitness centres in the Kingdom. It was originally established in 1993G by the founders of the Company, who exited the business in 2005G. With 37 branches throughout the Kingdom, 20 of which are in Riyadh, Body Masters is the second-largest fitness player in the market.

Body Masters offers three tiers of membership, with cardio, weights and classes standard throughout each. Variation across membership tiers occurs with regard to swimming pool and other sports access, as well as with amenities such as lounge, sauna and steam room facilities.

3.3.2.2 The Power Gym

The Power Gym is a lower-cost competitor and the third-largest chain within the Kingdom, having 18 branches, all based within the Eastern Province. The Power Gym offers four membership tiers, with cardio, weights, classes and swimming pool access standard throughout.

3.3.2.3 Gold's Gym

A global brand originating in the US and operating in 30 countries worldwide, Gold's Gym operates in the Kingdom under a franchise agreement. Gold's Gym has fitness centres in Jeddah and Riyadh. The chain offers two membership tiers, which include traditional offerings (cardio, weights and classes), as well as additional services such as sauna/steam rooms, lounges, massage therapy, coffee shops and other facilities such as swimming pools, tennis/basketball courts and indoor running tracks.

3.3.2.4 Fitness First

Fitness First is a global brand originating in the UK and operating in several countries. The Fitness First business in the Middle East consists of 65 fitness centres across the UAE, Bahrain, Qatar, Jordan and Kuwait and the Kingdom.

Fitness First members are distributed across two categories, 'Plus' and 'Platinum', which provide varying services and offerings. Swimming pool, lounge and coffee shop access is restricted to members of 'Platinum' branches.

3.4 UAE Market Overview

The Company is presently operating within the UAE market following entry in 2015G through four fitness centres located in Dubai, Ras Al Khaimah and Ajman.

3.4.1 UAE Macroeconomic Analysis

The UAE is the second-largest Arab economy and 30th in the world based on nominal GDP. The UAE economy has experienced a slowdown in economic growth as a result of low oil prices. However, the non-oil sectors in UAE have developed substantially over the years, particularly sectors such as tourism, real estate, financial services and transportation.

UAE is estimated to have a population of 9.4 million, of which around 85% are expatriates (a significant portion of the expatriate population comprises unskilled workers). As a result, 84% of the population falls within the 15-65 age bracket, whereas only 14% of the population comprises the 0-15 age bracket. This is below world average, where around 26% falls between the ages of 0-15 and as such, growth of the fitness sector market in the UAE, because of an aging youth population, is not expected to be the key driver. Significantly, 73% of the population is male, with 64% of the male population between the ages of 25 to 49, which is driven by the large expatriate population present in the country.

Similar to the Kingdom and other GCC countries, the UAE also faces a health crisis. Overweight and obesity levels are similar to the Kingdom's, with 35% of those aged 10 and older categorised as such. The UAE government is placing additional focus on these concerns, with UAE "Vision 2021" providing, among other things, an increased emphasis on the development of better healthcare systems and an additional focus on sports and physical activity. This growing government emphasis is expected to bolster the physical activity and fitness sector within the UAE and provide further opportunities for fitness players as physical health becomes more of a priority within the national population.

3.4.2 UAE Market Analysis

As at August 2017G, estimates of the size of the fee-paying fitness centre sector was approximately 580,000 members distributed across 450 to 700 fitness centres. Only around 25% of these fitness centres are believed to be fitness chain operators, with the remaining being independent fitness centres. This compares to an estimated addressable fitness market of 4.2 million (45% of the UAE population) predominantly split towards the male market (around 77%).

It should be noted that the UAE fitness centre market is in a more advanced state compared to the Kingdom in some respects. For example, there is further choice provided to consumers in terms of offerings, payment terms and payment methods. Any provider wishing to compete within this market needs to consider these factors in their offering to meet consumer expectations.

Over time, greater levels of fitness centre membership would be expected as the UAE responds to the worsening health crises and fitness uptake moves towards the norms in other, similarly wealthy regions. Modest growth should be expected from forecast population and economic trends, leaving most growth to be driven by supply side innovation, and capturing underserved areas of the current market.

3.4.3 UAE Chain Fitness Centre Competitive Landscape Assessment

Several international fitness centre chains are already well established in the UAE market, with some local chains also gaining prominence.

Numerous membership tiers are provided by larger competitors with varying facility and service offerings.

Fitness First is a global brand originating in the UK and operating in several countries worldwide. It has a presence in six countries in the Middle East, of which it has the largest presence in the UAE.

The next largest fitness chain in the UAE is Gold's Gym, which operates in the UAE under a franchise arrangement (similar to the Kingdom's but through a different franchisee).

Fitness 360º is a UAE owned and operated brand that is present only in the UAE. Fitness 360º has attempted to compete in the UAE with a proposition tailored further towards the lower cost segment with membership facility and service offerings not as inclusive as those of its other competitors.

4. BUSINESS DESCRIPTION

4.1 Overview

Leejam Sports Company is a Saudi joint stock company registered under commercial registration No. 1010337986 dated 14/6/1433H (corresponding to 6/5/2012G) and formed pursuant to Ministerial Resolution No. 146/S, dated 29/4/1429H (corresponding to 6/5/2008G), on the establishment of the Company, approving the Company's incorporation as a Saudi joint stock company with a capital of SAR 523,833,610 divided into 52,383,361 ordinary Shares with a fully paid nominal value of SAR 10 per Share. The Company's head office and registered office is located in Riyadh, Al Ghadeer District, Thumamah Road, P.O. Box 295245, Postal Code 11351, Kingdom of Saudi Arabia. According to its commercial register, the Company's main activities include the construction, management, and operation of sports and entertainment centres; wholesale and retail trading in sports clothes and equipment; owning real estate and constructing buildings necessary to achieve its purpose; and other necessary activities for the Company.

From a business perspective, the Company's core activities consist of the construction, operation, management, and maintenance of fitness centres (for further details, please see Section 4.7 (*Overview of the Company's Business*)). As of 31 December, 2017G, the Company operated 112 fitness centres (108 in the Kingdom and four in the UAE) (for further details, please see Section 4.7.6 (*Geographic Locations and Operations*)).

As of 31 December, 2017G, the Company employed a total of 2,378 people across the Kingdom and in the UAE (for further details, please see Section 5.8 (*Employees*)).

As of 31 December, 2017G, the Company's total equity was SAR 628.9 million (share capital of SAR 523.8 million, statutory reserve of SAR 17.4 million and retained earnings of SAR 87.7 million) compared to SAR 523.8 million as of 31 December 2016G, with total assets of SAR 1,504.9 million for the year ending 31 December 2017G compared to SAR 1,356.4 million for the year ending 31 December 2016G.

The Company generated revenue of SAR 732.8 million in 2017G compared to SAR 700.9 million in 2016G. The net income for the year ended 31 December 2017G was SAR 174.2 million compared to SAR 203.1 million for the year ended 31 December 2016G.

4.2 Corporate History and Evolution of Capital

The first fitness centre under the "Fitness Time" brand was opened in 2005G in Tabouk by Fitness Time Establishment for Trading. Another fitness centre followed in 2006G in Hail, two more in 2007G in Jeddah, and one more in Jeddah and two in Riyadh in 2008G. When the number of fitness centres opened by Fitness Time Establishment for Trading reached seven, its founders decided to optimize the business operations of Fitness Time Establishment for Trading and to enable its further growth by incorporating a joint stock company and transferring to it the business of Fitness Time Establishment for Trading.

As a result, the Company was established as a joint stock company under the name Leejam Sports Company with a capital of SAR 10,000,000 divided into 1,000,000 ordinary shares with a nominal value of SAR 10 per share and registered in the commercial register in the city of Jeddah under commercial registration No. 4030180323, dated 19/6/1429H (corresponding to 24/6/2008G). The shares of the Company upon incorporation were distributed as follows:

Table 14: The Shareholders of the Company as of 19/6/1429H (corresponding to 24/6/2008G)

Shareholder	Number of Shares	Ownership Percentage
Hamad Ali Al-Saqri	500,000	50%
Latifa Mohammed Al-Haqbani	150,000	15%
Salih Mohammed Al-Haqbani	150,000	15%
Abdulmohsin Ali Al-Haqbani	100,000	10%
Nahla Ali Al-Haqbani	20,000	2%
Waleed Ali Al-Haqbani	20,000	2%
Fahad Ali Al-Haqbani	20,000	2%
Noura Fahad Al-Qahtani	10,000	1%
Nada Ali Al-Haqbani	10,000	1%
Hessa Zaid Al-Nasser	10,000	1%
Aljazi Abdulaziz Al-Nasser	5,000	0.5%
Noura Abdulaziz Al-Nasser	5,000	0.5%
Total	**1,000,000**	**100%**

Source: The Company.

The Company acquired upon its incorporation in 2008G the trademark "Fitness Time", which was owned by Fitness Time Establishment for Trading. Due to legal requirements, such as the need to transfer from Fitness Time Establishment for Trading to the Company lease agreements relating to real estate properties on which fitness centres were located, the Company operated fitness centres under the "Fitness Time" brand on behalf of Fitness Time Establishment for Trading pursuant to an operating agreement until 15/1/1431H (corresponding to 1/1/2010G), when the Company acquired property and equipment from Fitness Time Establishment for Trading for SAR 50.6 million. All fitness centres which were owned by Fitness Time Establishment for Trading, including assets, equipment, and property, were transferred to the Company, effective from the beginning of the year 2010G.

On 17/1/1431H (corresponding to 3/1/2010G), the capital of the Company was increased from SAR 10,000,000 divided into 1,000,000 ordinary shares with a nominal value of SAR 10 per share, to SAR 195,000,000 divided into 19,500,000 ordinary shares with a nominal value of SAR 10 per share, through in kind contributions (in consideration of eighteen million one hundred thirty-seven thousand three hundred fifty-one (18,137,351) in-kind shares, including SAR 50,587,387 comprising the assets acquired from Fitness Time Establishment for Trading (currently Fitness Time Company for Trading), and SAR 130,786,123 comprising the in-kind contributions of real estate and movable properties by all shareholders of the Company at the time) and cash contributions (in consideration of three hundred and sixty two thousand six hundred forty-nine (362,649) in-cash shares). The shares of the Company when its capital was increased were distributed as follows:

Table 15: The Shareholders of the Company as of 1/6/1431H (corresponding to 15/5/2010G)

Shareholder	Number of Shares	Ownership Percentage
Hamad Ali Al-Saqri	16,247,400	83.32%
Latifa Mohammed Al-Haqbani	1,144,650	5.87%
Abdulmohsin Ali Al-Haqbani	783,900	4.02%
Salih Mohammed Al-Haqbani	395,850	2.03%
Ali Hamad Al-Saqri	189,150	0.97%
Khalid Ali Al-Haqbani	189,150	0.97%
Nahla Ali Al-Haqbani	163,800	0.84%
Hessa Zaid Al-Nasser	93,600	0.48%
Waleed Ali Al-Haqbani	62,400	0.32%
Fahad Ali Al-Haqbani	62,400	0.32%
Noura Fahad Al-Qahtani	58,500	0.30%
Nada Ali Al-Haqbani	46,800	0.24%
Aljazi Abdulaziz Al-Nasser	39,000	0.2%
Noura Abdulaziz Al-Nasser	23,400	0.12%
Total	19,500,000	100%

Source: The Company.

On 14/6/1433H (corresponding to 6/5/2012G), the Company's head office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration No. 1010337986, dated 14/6/1433H (corresponding to 6/5/2012G) registered in the commercial register in the city of Riyadh.

On 1/6/1434H (corresponding to 11/4/2013G), certain shareholders transferred part of their shares to other shareholders. The shares of the Company after such transfer were distributed as follows:

Table 16: The Shareholders of the Company as of 1/6/1434H (corresponding to 11/4/2013G)

Shareholder	Number of Shares	Ownership Percentage
Hamad Ali Al-Saqri	16,244,595	83.30%
Latifa Mohammed Al-Haqbani	1,132,258	5.81%
Abdulmohsin Ali Al-Haqbani	616,452	3.16%
Salih Mohammed Al-Haqbani	395,787	2.03%
Nahla Ali Al-Haqbani	289,355	1.48%
Khalid Ali Al-Haqbani	270,484	1.39%
Ali Hamad Al-Saqri	188,710	0.97%
Noura Fahad Al-Qahtani	88,127	0.45%
Hessa Zaid Al-Nasser	71,332	0.37%
Waleed Ali Al-Haqbani	62,903	0.32%
Fahad Ali Al-Haqbani	44,032	0.23%
Nada Ali Al-Haqbani	40,887	0.21%
Aljazi Abdulaziz Al-Nasser	31,452	0.16%
Noura Abdulaziz Al-Nasser	23,626	0.12%
Total	19,500,000	100%

Source: The Company.

On 23/9/1434H (corresponding to 31/7/2013G), certain shareholders sold 4,894,500 shares (representing 25.1% of the total shares in the Company) to Target Opportunities Company for Trading, which is itself 61.2% owned by Gulf Growth Holding Company 2 W.L.L and 38.8% by Gulf Opportunities Holding Company 2 W.L.L. At that time, the Company's Shareholders entered into an agreement to manage Shareholders' affairs in an organized manner and in line with the Company's interest and to coordinate initial public offering of the Company's shares after a specific period of time. This agreement will expire and will be ineffective after the completion of the Offering. After this transfer, the shares of the Company are distributed as follows:

Table 17: The Shareholders of the Company as of 23/9/1434H (corresponding to 31/7/2013G)

Shareholder	Number of Shares	Ownership Percentage
Hamad Ali Al-Saqri	11,930,735	61.2%
Target Opportunities for Trading Company	4,894,500	25.1%
Latifa Mohammed Al-Haqbani	861,774	4.4%
Abdulmohsin Ali Al-Haqbani	616,452	3.2%
Salih Mohammed Al-Haqbani	314,516	1.6%
Nahla Ali Al-Haqbani	251,613	1.3%
Khalid Ali Al-Haqbani	202,863	1.04%
Ali Hamad Al-Saqri	141,344	0.72%
Noura Fahad Al-Qahtani	66,048	0.34%
Waleed Ali Al-Haqbani	62,903	0.32%
Hessa Zaid Al-Nasser	50,323	0.26%
Fahad Ali Al-Haqbani	32,980	0.17%
Aljazi Abdulaziz Al-Nasser	31,452	0.16%
Noura Abdulaziz Al-Nasser	23,626	0.12%
Nada Ali Al-Haqbani	18,871	0.10%
Total	19,500,000	100%

On 28/7/1438H (corresponding to 25/4/2017G), the capital of the Company was increased from SAR 195,000,000 divided into 19,500,000 ordinary shares with a nominal value of SAR 10 per share, to SAR 523,833,610 divided into 52,383,361 ordinary shares with a fully paid nominal value of SAR 10 per share, through capitalizing an amount of SAR 264,335,886 from the Company's retained earnings and an amount of SAR 64,497,724 of the Company's statutory reserve as of 2/4/1438H (corresponding to 31/12/2016G). Moreover, Hamad Ali Al-Saqri transferred 0.7% of his shares in the Company to the new shareholder Shadan Hamad Al-Saqri. The shares of the Company when its capital was increased, as well as of the date of this Prospectus, are distributed as follows:

Table 18: The Shareholders of the Company as of the Date of this Prospectus

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Nominal Value (SAR)	Ownership (%)[1]	Number of Shares	Nominal Value (SAR)	Ownership (%)[1]
Hamad Ali Al-Saqri	31,670,150	316,701,500	60.5%	31,670,150	316,701,500	60.5%
Target Opportunities for Trading Company[2]	13,148,224	131,482,240	25.1%	1,361,968	13,619,680	2.6%
Latifa Mohammed Al-Haqbani[2]	2,315,006	23,150,060	4.4%	517,917	5,179,170	1.0%
Abdulmohsin Ali Al-Haqbani	1,655,991	16,559,910	3.2%	1,655,991	16,559,910	3.2%
Salih Mohammed Al-Haqbani[2]	844,893	8,448,930	1.6%	189,021	1,890,210	0.4%
Nahla Ali Al-Haqbani[2]	675,915	6,759,150	1.3%	151,217	1,512,170	0.3%
Khalid Ali Al-Haqbani[2]	544,956	5,449,560	1.0%	121,918	1,219,180	0.2%
Ali Hamad Al-Saqri	379,696	3,796,960	0.7%	379,696	3,796,960	0.7%
Shadan Hamad Al-Saqri	379,696	3,796,960	0.7%	379,696	3,796,960	0.7%
Noura Fahad Al-Qahtani[2]	177,426	1,774,260	0.3%	39,694	396,940	0.1%
Waleed Ali Al-Haqbani[2]	168,978	1,689,780	0.3%	37,804	378,040	0.1%
Hessa Zaid Al-Nasser[2]	135,184	1,351,840	0.3%	30,243	302,430	0.1%
Fahad Ali Al-Haqbani	88,595	885,950	0.2%	88,595	885,950	0.2%
Aljazi Abdulaziz Al-Nasser[2]	84,490	844,900	0.2%	18,902	189,202	0.04%
Noura Abdulaziz Al-Nasser[2]	63,467	634,670	0.1%	14,199	141,990	0.03%
Nada Ali Al-Haqbani[2]	50,694	506,940	0.1%	11,341	113,410	0.02%
Public	-	-	-	15,715,009	157,150,090	30.0%
Total	**52,383,361**	**523,833,610**	**100.0%**	**52,383,361**	**523,833,610**	**100.0%**

Source: The Company.

1- The shareholding percentages are rounded.

2- Selling Shareholder

The key historical changes and events are summarized as follows:

Table 19: The Key Historical Changes and Events

Date	Change
2005G	Opening of the first fitness centre in Tabouk by Fitness Time Establishment for Trading.
2008G	The Company was incorporated as a joint stock company under the name of "Leejam Sports Company" in Jeddah with a capital of SAR 10,000,000. The Company also acquired the trademark "Fitness Time" and started operating fitness centres under the "Fitness Time" brand on behalf of Fitness Time Establishment for Trading pursuant to an operating agreement.
2010G	The Company purchased property and equipment from Fitness Time Establishment for Trading for SAR 50.6 million, under which all fitness centres which were owned by Fitness Time Establishment for Trading, including assets, equipment, and property, were transferred to and owned by the Company, and the capital of the Company was increased from SAR 10,000,000 to SAR 195,000,000 through in-kind and cash contributions of SAR 181,373,510 and SAR 3,626,490, respectively
2011G	Opening of the 50th fitness centre.
2012G	The Company's head office was transferred from Jeddah to Riyadh and certain shareholders transferred parts of their shares to other shareholders.
2013G	The Company acquired a 95% direct ownership interest in Fitness Time Company for Trading (which was previously Fitness Time Establishment for Trading before its conversion into a limited liability company) and Target Opportunities Company for Trading acquired a 25.1% direct ownership interest in the Company.
2015G	Branches were opened in Dubai and Ras Al Khaimah, UAE, and the Company partnered with FC Barcelona.
2016G	Opening of the 100th fitness centre.
2017G	The capital of the Company was increased from SAR 195,000,000 to SAR 523,833,610, through capitalizing the Company's retained earnings and statutory reserve. The Company opened its first female fitness centre.

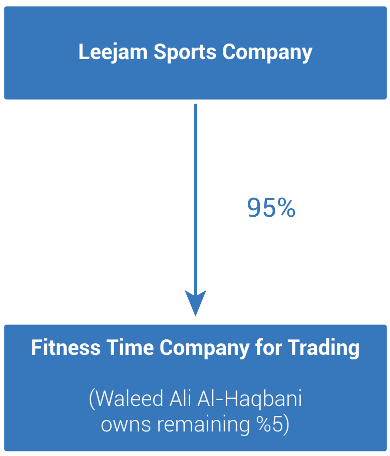
Source: The Company.

4.3 Company Structure

4.3.1 Overview

The Company holds ownership interests in the Fitness Time Company for Trading (the Subsidiary). The following chart reflects the current structure of the Company:

Exhibit 3: The Current Structure of the Company and its Subsidiary



Source: The Company.

The table below lists the Subsidiary and indicates the Company's direct interest therein:

Table 20: Details of the Subsidiary and the Company's Direct Interest therein

Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Ownership
Fitness Time Company for Trading	Kingdom of Saudi Arabia	95%	-	5% is held by Waleed Ali Mohammed Al-Haqbani

Source: The Company.

4.3.2 Fitness Time Company for Trading

Fitness Time Company for Trading is a limited liability company registered under commercial registration No. 1010205550, dated 3/1/1426H (corresponding to 12/2/2005G). The head office of the Subsidiary is in Riyadh, P.O. Box 29525, Riyadh 11351, Kingdom of Saudi Arabia. The current capital of the Subsidiary is SAR 50,000 divided into 5,000 shares with a nominal value of SAR 10 per share. The Company acquired a 95% direct ownership interest in the Subsidiary in 2013G.

The following table summarizes the ownership structure of the Subsidiary as of the Date of this Prospectus:

Table 21: The Ownership Structure of Fitness Time as of the Date of this Prospectus

Shareholders	No. of Shares	Nominal Value per Share (SAR)	Value of Shares (SAR)	Ownership Percentage
Leejam Sports Company	4,750	10	47,500	95%
Waleed Ali Mohammed Al-Haqbani	250	10	2,500	5%
Total	5,000	10	50,000	100%

Source: The Company.

The principal activities of the Subsidiary include the retail and wholesale trading of sports equipment, goods and sportswear, and managing and operating fitness centres, but the Subsidiary does not currently conduct any business activities other than leasing certain properties on behalf of the company. As the Subsidiary is immaterial to the Company, its financial statements are not consolidated in the Company's Financial Statements.

4.4 Current Shareholding Structure

4.4.1 Overview

The current capital of the Company is SAR 523,833,610 divided into 52,383,361 ordinary Shares with a fully paid nominal value of SAR 10 per Share.

The following table sets out the shareholding and capital structure of the Company before and after the Offering:

Table 22: Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)
Hamad Ali Al-Saqri	31,670,150	60.5%	316,701,500	31,670,150	60.5%	316,701,500
Target Opportunities Company for Trading[2]	13,148,224	25.1%	131,482,240	1,361,968	2.6%	13,619,680
Latifa Mohammed Al-Haqbani[2]	2,315,006	4.4%	23,150,060	517,917	1.0%	5,179,170
Abdulmohsin Ali Al-Haqbani	1,655,991	3.2%	16,559,910	1,655,991	3.2%	16,559,910
Salih Mohammed Al-Haqbani[2]	844,893	1.6%	8,448,930	189,021	0.4%	1,890,210
Nahla Ali Al-Haqbani[2]	675,915	1.3%	6,759,150	151,217	0.3%	1,512,170
Khalid Ali Al-Haqbani[2]	544,956	1.0%	5,449,560	121,918	0.2%	1,219,180
Ali Hamad Al-Saqri	379,696	0.7%	3,796,960	379,696	0.7%	3,796,960
Shadan Hamad Al-Saqri	379,696	0.7%	3,796,960	379,696	0.7%	3,796,960
Noura Fahad Al-Qahtani[2]	177,426	0.3%	1,774,260	39,694	0.1%	396,940
Waleed Ali Al-Haqbani[2]	168,978	0.3%	1,689,780	37,804	0.1%	378,040
Hessa Zaid Al-Nasser[2]	135,184	0.3%	1,351,840	30,243	0.1%	302,430
Fahad Ali Al-Haqbani	88,595	0.2%	885,950	88,595	0.2%	885,950
Aljazi Abdulaziz Al-Nasser[2]	84,490	0.2%	844,900	18,902	0.04%	189,020
Noura Abdulaziz Al-Nasser[2]	63,467	0.1%	634,670	14,199	0.03%	141,990
Nada Ali Al-Haqbani[2]	50,694	0.1%	506,940	11,341	0.02%	113,410
Public	-	-	-	15,715,009	30.0%	157,150,090
Total	52,383,361	100.0%	523,833,610	52,383,361	100.0%	523,833,610

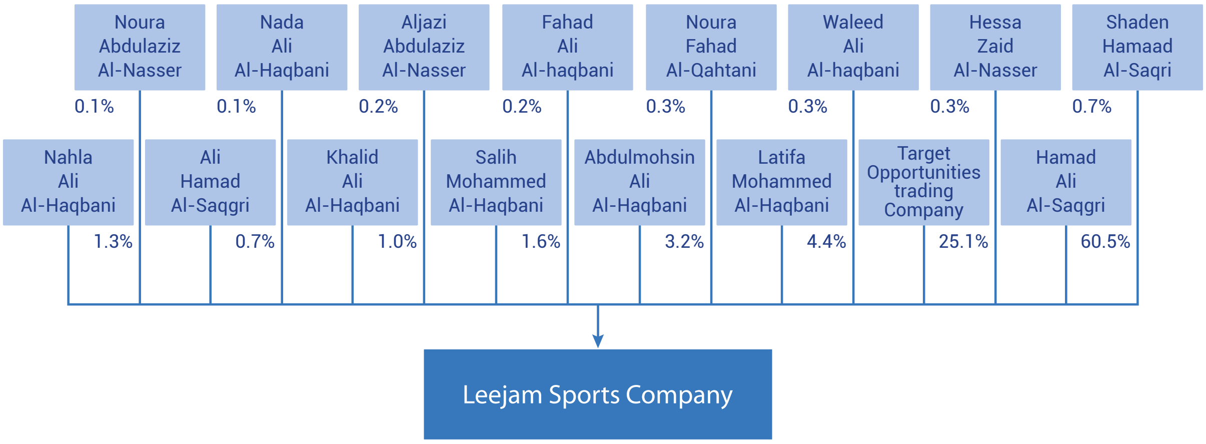
Source: The Company.

1- The shareholding percentages are rounded.

2- Selling shareholder

The following chart shows the Company's ownership structure as at the date of this Prospectus:

Exhibit 4: The Company's Ownership Structure as at the Date of this Prospectus



Note: The above ownership structure is presented in a simplified manner. For more information on the ownership structure of Target Opportunities, please see Appendix A of this Prospectus.

The following tables set out the details of Shareholders directly or beneficially holding 5% or more of the Shares in the Company as of the Date of this Prospectus:

Table 23: Details of Shareholders Directly Holding 5% or More Shares in the Company as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Value of Shares (SAR)	No. of Shares	Shareholding (%)[1]	Value of Shares (SAR)
Hamad Ali Al-Saqri	31,670,150	60.5%	316,701,500	31,670,150	60.5%	316,701,500
Target Opportunities Company for Trading	13,148,224	25.1%	131,482,240	1,361,968	2.6%	13,619,680

Source: The Company.

1- The shareholding percentages are rounded.

Table 24: Details of Shareholders Beneficially Holding 5% or More Shares in the Company

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Value of Shares (SAR)	No. of Shares	Shareholding (%)[1]	Value of Shares (SAR)
Gulf Growth Holding Company 2 W.L.L.[2]	8,046,713	15.36%	80,467,131	833,524	1.59%	8,335,244
Gulf Opportunities Holding Company 2 W.L.L.[3]	5,101,511	9.74%	51,015,109	528,444	1.01%	5,284,436
Total	**13,148,224**	**25.10%**	**131,482,240**	**1,361,968**	**2.60%**	**13,619,680**

Source: The Company.

1- The shareholding percentages are rounded.

2- Gulf Growth Holding Company 2 W.L.L is an SPV used in the legal structure of Investcorp Gulf Opportunity Fund 1 and Investcorp Islamic Gulf Opportunity Fund 1. Through the legal structures of Investcorp Gulf Opportunity Fund 1 and Investcorp Islamic Gulf Opportunity Fund 1, their unitholders are deemed, according to applicable Saudi law, to be the beneficial owners of Shares in the Company. There are no unitholders in Investcorp Gulf Opportunity Fund 1 or Investcorp Islamic Gulf Opportunity Fund 1 beneficially owning 5% or more of the Shares in the Company. Please see Section 1 (*Gulf Growth Holding Company 2 W.L.L.*) in Appendix A for further details.

3- Gulf Opportunities Holding Company 2 W.L.L is an SPV 99.98% owned by Investcorp GO Company 1 W.L.L. on behalf of economic unitholders. The remaining 0.02% of Gulf Opportunities Holding Company 2 W.L.L is owned by Investcorp GO Company 1 W.L.L. Through this structure, such economic unit holders are deemed, according to applicable Saudi law, to be the beneficial owners of Shares in the Company. There are no such economic unitholders beneficially owning 5% or more of the Shares in the Company. Please see Section 2 (*Gulf Opportunities Holding Company 2 W.L.L.*) in Appendix A for further details.

4.4.2 Overview of Substantial Current Shareholders

This Section 4.4.2 (*Overview of Substantial Current Shareholders*) sets out the details of Shareholders in the Company directly holding 5% or more of the Shares as at the date of this Prospectus:

4.4.2.1 Hamad Ali Al-Saqri

Mr Hamad Ali Al-Saqri was born on 10/7/1376H (corresponding to 10/2/1957G). He received his degree in Civil Aviation from Elstree Aerodrome Institute in London, United Kingdom in 1988G and a diploma from the Teachers Institute in Riyadh in 1971G.

Mr Hamad Ali Al-Saqri is the Chairman of Hamad Ali Al-Saqri Holding Company, a joint stock company specializing in global real estate investment, development, manufacturing and related technical support, including one of the largest oil collection and refining plants, since 2003G. He has also been a partner and Chairman of Bonam Park SA, a holding company based in Meyrin, Switzerland, investing in various sectors in Europe, since 2012G. He has been a shareholder and Chairman of Bonam Park SAS, a joint stock company based in Ferney-Voltaire, France, operating in major real estate development under the trademark "URBAINV" and development of residential complexes in Gex area, France, since 2012G.

4.4.2.3 Target Opportunities Company for Trading

Target Opportunities Company for Trading ("**Target Opportunities**") is a Saudi limited liability company registered under commercial registration No. 1010384646, dated 23/9/1434H (corresponding to 31/7/2013G). Target Opportunities' head office and registered office is located in Alfaisaliah Tower, P.O. Box 61992, Riyadh 11575, Kingdom of Saudi Arabia. The current share capital of Target Opportunities is SAR 100,000, divided into 1,000 shares with a nominal value of SAR 100 per share.

The principal activities of Target Opportunities are implementing general constructions contracts, maintenance and services of import, export and marketing. As of the date of this Prospectus, Target Opportunities operates primarily as a holding company holding 13,148,224 Shares in the Company (representing 25.1% of its capital). There are no operating revenues or operating activities attributed to Target Opportunities.

The following table sets out the ownership structure of Target Opportunities Company for Trading as of the date of this Prospectus:

Table 25: Ownership Structure of Target Opportunities Company for Trading as of the date of this Prospectus

Shareholder	No. of Shares	Nominal Value (SAR)	Value of Shares (SAR)	Ownership Percentage
Gulf Growth Holding Company 2 W.L.L.	612	100	61,200	61.2%
Gulf Opportunities Holding Company 2 W.L.L.	388	100	38,800	38.8%
Total	1,000	100	100,000	100%

Source: The Company.

Descriptions of Target Opportunities' shareholders are set out below:

Gulf Growth Holding Company 2 W.L.L.

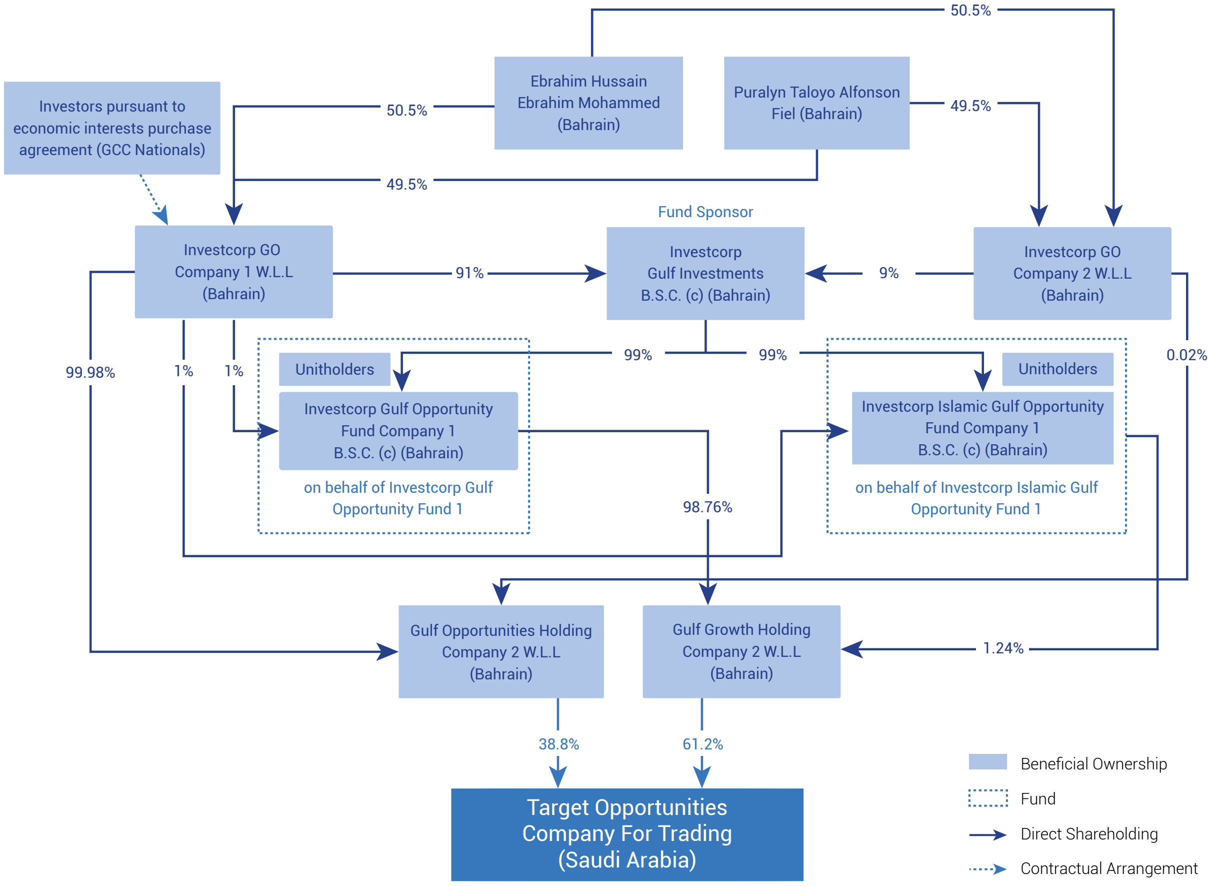
Gulf Growth Holding Company 2 W.L.L. is a Bahraini Limited Liability Company, registered in the Kingdom of Bahrain under commercial registration No. 86057-1, dated 18/8/1434H (corresponding to 27/6/2013G). Gulf Growth Holding Company 2 W.L.L.'s head office is located in Flat 51, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 250,000 (equivalent to SAR 2.5 million) divided into 5,000 shares with a fully paid up nominal value of BHD 50 per share. Gulf Growth Holding Company 2 W.L.L. is holding a 61.2%% interest in Target Opportunities.

Gulf Opportunities Holding Company 2 W.L.L.

Gulf Opportunities Holding Company 2 W.L.L. is a Bahraini Limited Liability Company, registered in the Kingdom of Bahrain under commercial registration No. 86099-1, dated 22/8/1434H (corresponding to 1/7/2013G). Gulf Opportunities Holding Company 2 W.L.L.'s head office and registered office is located in Flat 22, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 250,000 divided into 5,000 shares with a fully paid up nominal value of BHD 50 per share. Gulf Opportunities Holding Company 2 W.L.L. is holding a 38.8% interest in Target Opportunities.

The following structure summarizes the ownership structure of Target Opportunities Company for Trading as at the date of this Prospectus:

Exhibit 5: The Ownership Structure of Target Opportunities as at the Date of this Prospectus



Further descriptions of Target Opportunities Company for Trading's shareholders are set out in Section 1 (*Gulf Growth Holding Company 2 W.L.L.*) in Appendix A for Gulf Growth Holding Company 2 W.L.L. and Section 2 (*Gulf Opportunities Holding Company 2 W.L.L.*) in Appendix A for Gulf Opportunities Holding Company 2 W.L.L.

4.5 Vision, Mission, and Strategy

4.5.1 Vision

To be the best, biggest, most accessible, and most advanced fitness centre chain in the Middle East and North Africa (MENA).

4.5.2 Mission

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

4.5.3 Strategy

The Company's strategy is defined across two dimensions: driving performance of the existing fitness centres and continued growth. The specific elements of each strategy dimension are provided below:

4.5.3.1 Drive performance of existing businesses in the fitness centres

a- Grow membership base

The Company seeks to grow its subscription income by driving membership growth through membership retention and loyalty programs, optimizing membership fees through pricing and product mix, and adding new memberships. The Company targets several market segments by offering multiple brand categories (such as Fitness Time, Fitness Time Plus, Fitness Time Pro and Fitness Time Ladies) across different price points. This has helped the Company to increase individual membership by nearly 40% from December 2015G to December 2017G, with around 58,000 new individual members added over this period. The Company had over 209,000 individual and corporate members at

31 December 2017G. The Company expects to continue growing subscription income by delivering quality service at existing fitness centres, opening new fitness centres, introducing new products and services and expanding its marketing and loyalty programs to attract and retain more members.

b- Enhance member satisfaction

The following lie at the core of the Company's member experience strategy: (i) offering modern, varied, and well-maintained fitness equipment and generally maintaining and enhancing its services in line with changing trends in health and fitness industry; (ii) opening fitness centres in convenient locations for its current and future members; (iii) tailoring the operating hours of each fitness centre to the needs of the specific member demographic using each fitness centre; (iv) offering a variety of ancillary services, including personal training and group classes; and (v) hiring, developing and training a qualified and diverse team that is specialised in fitness, health and delivering a superior member experience. To better measure the member experience, the Company utilizes member surveys and social media and website feedback to analyse overall member satisfaction levels and identify areas the Company can improve upon.

c- Continuous improvement and optimisation of existing fitness centres

The Company is constantly focused on continuous improvement within all existing fitness centres and is constantly looking to improve all aspects of its business. The Company strives to refine operational processes, policies, and procedures in its effort to: (i) reduce cost; (ii) increase efficiency; and/or (iii) improve the overall member experience. In line with the Company's overall strategy of optimising the performance of existing centres, the Company continues to assess various projects across its internal network, such as reducing water and electricity consumption, optimising staff utilization, and optimising procurement terms.

On a regular basis, the Company's management reviews the financial and operational performance of all fitness centres, with the objective of optimising the performance of each and every centre. The Company regularly evaluates operating hours, staffing levels, and member usage, and makes adjustments as and when appropriate.

d- Partner with value-added service providers

The Company continuously looks for ways to provide incremental value to its members, with the objective of retaining existing members and attracting new ones. As a result, the Company looks to partner with outside providers who can provide complementary services within the Company's fitness centres. The rationale for partnerships is to provide value-added service to members and not just to deliver additional income. Services managed by third parties currently available within the fitness centres include nutritional supplement retail, healthy food and meal program retail, healthy drinks and other post-exercise food and beverage retail, and laundry services. Such services are available in both male and female fitness centres.

In addition to services available within the Company's fitness centres, the Company also partners with third parties to provide additional benefits to the Company's members. Examples include air travel discounts, rental car discounts, athletic apparel discounts, and food / restaurant discounts. The Company aims to partner with third parties that offer products and/or services that are aligned either with the members' requirements or the Company's brand values.

In 2015G, the Company partnered with Futbol Club Barcelona ("**FC Barcelona**") to bring the FC Barcelona football academy to the Kingdom. The academy, which is now managed and run in the Kingdom by the Company as one of its corporate social responsibility initiatives, is aimed primarily at instilling values of respect, humility, teamwork, sportsmanship and team spirit, with football skills improvement being a secondary focus. The partnership agreement with FC Barcelona will expire in 2018G. However, the Company plans to continue its football activities under the "Fitness Time Academy" brand.

4.5.3.2 Continue expansion of fitness centres network

a- Expand geographical footprint

The Company intends to expand its fitness centres' geographical footprint through new centre openings. Its new fitness centre expansion is focusing on strategic locations which the Company believes will contribute to revenue and profitability growth, both on a standalone and consolidated basis. The new fitness centre openings continue to be one of the key drivers of the Company's growth. Since its establishment, the Company has expanded significantly, and, as of 31 December 2017G, operated 108 fitness centres in the Kingdom and four in the UAE. The Company believes that there is significant space to continue expanding in both existing and new geographies, within both main and secondary/smaller cities.

The Company has a disciplined site selection process and employs rigorous analytics to identify new fitness centre locations. The Company opened 18 new Fitness Centres during the year that ended on 31 December 2017G, opened 12 new fitness centres in 2016G, and 21 fitness centres in 2015G. Over the past several years, the Company has invested in its infrastructure and personnel and believes that it has the capacity to manage multiple new fitness centre openings every year. In addition, the Company believes that the "Fitness Time" brand can be successfully introduced abroad, as demonstrated by the opening of its fitness centres in the UAE in 2015G. Regional expansion represents incremental growth opportunities for the Company, in addition to its planned increase in its Kingdom footprint, and may be activated through wholly-owned investments, partnerships, and/or franchise arrangements.

b- Take advantage of regulatory changes regarding fitness centres for women

As part of the Government's initiatives for increasing health and fitness participation rates within the Kingdom, GSA began to issue licenses for female fitness centres in July 2017G. In light of these recent developments, the Company's strategy is to become the leading operator of female fitness centres in the Kingdom. The Company is actively working to execute a detailed plan for developing a network of female fitness centres to essentially mirror its achievements with respect to male fitness centres. The opening of the female fitness market offers significant opportunity for the Company as it effectively doubles the size of the addressable market in the Kingdom. As of 31 December, 2017G, the Company operated seven female fitness centres in the Kingdom and one in the UAE.

c- Capture existing and emerging market segments

The Company is committed to addressing as many existing market segments within the geographic jurisdictions in which it operates as are commercially viable. The Company has expanded its brand portfolio over the years to reach various income and age segments of the population, launching Fitness Time Pro in 2008G targeting professional and ambitious athletic persons aged 18 years or more (and 16 years or more in the locations with rating 16+), Fitness Time Plus targeting persons aged 25 years or more who prefer privacy and unique environment, and Fitness Time Junior in 2010G targeting children and youth between the ages of 6 and 15. The Company's strategy includes the expansion of these offerings to capture additional opportunity from existing unt- apped market segments within its core geographical market. The Company intends to offer a similar portfolio of offerings for the female market (i.e., Fitness Time Ladies Plus, Fitness Time Ladies, and Fitness Time Ladies Pro).

The Company's strategy also includes increasing its penetration within existing market segments by introducing new products and services (that are offered through existing brand categories of the fitness centres). In 2016G, the Company launched eXtreme Fitness in some of its fitness centres to address the segment of the market that prefers high intensity interval training, which followed the introduction of personal training in 2015G. While some of these initiatives are aligned to the strategy of introducing new products and services into the network, they also allow the Company to tap into existing market segments that were previously being underserved or not served at all, enhance customer experience and also improve member retention.

Emerging segments of the fitness industry are a result of the ever-evolving trends within the global fitness industry. As the Saudi market evolves, new segments will continue to emerge. The Company maintains a close watch on the industry and is well positioned to take advantage of new market segments as they emerge within the region.

d- Acquisition of existing fitness centres

Given the fragmented nature of the fitness centre market with a large number of independent fitness centres operating in the market, the Company believes there could be attractive acquisition opportunities to complement its growth plans (particularly with respect to female fitness centres). When evaluating such opportunities, the Company evaluates the design of each fitness centre and considers its alignment with the rest of the Company's fitness centres. Acquisitions are subject to appropriate review, diligence, and required approval process. Given the varying nature of the independently-operated facilities, the rationale for acquisition will depend on the specific opportunity, which may include attractive member base, attractive location, a favourable lease structure, or combinations thereof. Fundamentally, any acquisition would have to have the ability to fit into the existing network from a commercial and operational perspective and align with the overall customer proposition being offered by the Company.

4.6 Competitive Advantages

There are a number of factors that provide the Company with a strong advantage over its existing and potential future competitors. These factors have enabled the business to grow rapidly and provide a strong foundation for future growth. These factors include:

4.6.1 A strong and well-respected brand

The Company's Fitness Time brand is the largest fitness centre brand in the MENA region, both in terms of number of locations and number of members, as per International Health, Racquet & Sport Club Association (IHRSA) for 2017G. The Company's geographical reach, both within major cities and across the Kingdom, combined with its large and growing portfolio of current and past members, provides a connection with the Saudi community that most other brands cannot match. The Fitness Time network is the largest corporate consumer-facing networks operating in the Kingdom.

4.6.2 An accessible customer proposition

In addition to the carefully selected fitness equipment, amenities, and trainers, the Company's fitness centres are designed and operated with the objective of providing members with a convenient and safe environment to exercise in. Accordingly, fitness centres are designed to be open (average size of around 3,500 square meters of indoor space per fitness centre), relaxing, and large enough for all active members. Opening times for the fitness centres are designed to balance convenience for the members with efficiency in services. For example, many fitness centres open at 6:00 am and close at 12:00 am, seven days per week (with the exception of Fridays when centres open after Jumu'ah prayers).

Members have access to floor trainers in all fitness centres free-of-charge to help them develop their exercise regime and to help them understand the safe and proper ways to use each piece of equipment. They can also avail of a wide range of organised group classes and training, some of which may be free-of-charge and some are available for incremental fees.

The Company has designed the fitness centres to ensure that they are well-ventilated with air conditioning systems tailored to the high-body-heat environment (as well as to the local climate), and are fitted out to a very high level of specifications across all brand categories.

Due to the size and breadth of offerings in its facilities, the Company is able to appeal to a wide range of customer preferences. Also due to the range of brand categories and prices, the Company is able to appeal to a wide range of customer segments possessing different purchasing powers. Thus, the Company offers the most accessible fitness network within the MENA region.

4.6.3 A network of strategic locations

The Company exercises a robust approach to site selection. With expertise gained over years of experience and an intrinsic understanding of the local market, the Company has been able to successfully develop an extensive network of locations across the brand portfolio. It is this approach that has enabled the business to be so successful and management believe this approach will continue to enable success over the coming years.

As of 31 December, 2017G, the Company operated 112 centres across more than 26 cities in the Kingdom and the UAE, with locations in several additional cities under development. The Company is already present in all key cities (and key areas within those cities), as well as strategic second-tier cities, and all locations have been secured at strategic sites on a long-term basis. This creates significant competitive advantage. The Company has become a very attractive partner for large public and private sector enterprises due to its geographical footprint and ability to offer services across essentially the entire Kingdom.

The geographical footprint within the Kingdom creates competitive advantage in two key ways: (i) coverage of the three core metropolitan areas of Riyadh, Jeddah, and Dammam make it difficult for competitors to offer the same convenience to serve the community (the Company has more than 40 locations in Riyadh alone); and (ii) presence in smaller cities provides a barrier for new entrants.

Standard Fitness Time memberships are offered on a unified access basis, meaning that the member can access any fitness centre within the network at the same or lower brand category (although single-centre, or "home-rate" memberships are also available for specific fitness centres, which limits the membership to a specific fitness centre).

4.6.4 Founders are industry pioneers

The Company's founders are pioneers of the fitness centre business in the Kingdom. The Company's Managing Director and CEO have been active in the fitness industry in the Kingdom for over 22 years. They established the first fitness centre chain in the Kingdom in 1994G after the Managing Director saw the need to help improve the health and well-being of the Saudi population. The Company's founders then were subsequently instrumental in setting up the Company and developing and growing the Fitness Time branded fitness centres across the country. Therefore, the founders of the Company have an extensive experience in understanding the local market.

4.6.5 Experienced senior leadership team

To complement the local and industry expertise provided by the founders, the Company has recruited a leadership team that brings global experience across industry and functional domains. Members of the management team have been recruited from other regional and global fitness chains, which brings an inherent understanding of the competitive landscape, global best practice expertise gleamed through past experience with global brands, and a level of insight that enables efficient and informed decisions across all aspects of the business. The senior leadership team has significant experience in the fitness industry.

Regulation is a core element of fitness centre operations in the region across the entire lifespan of the fitness centre, from startup and initial opening through staffing, training, and operating. The Company's senior leadership team is experienced in the regulatory and operational requirements of the fitness industry.

4.6.6 Inherent understanding of the local and regional market

A key element of the Company's strategy, and indeed a reason for its success, is its commitment to focus on the health and fitness needs of the local population in the geographies in which it operates. All new products and services are vetted for local market relevance prior to introduction. Moreover, the Company continuously introduces new products and services to keep up with global trends. The Company has an in-house development team that designs and executes programs and tournaments that are specifically tailored to the local market (in 2017G, roughly 20,000 participants participated in 13 sports tournaments organised entirely by this in-house team).

The Company's management team has an unprecedented expertise in the fitness industry and an inherent understanding of the local and regional market. The management team understands the requirements of successfully opening and managing fitness centres in the Kingdom, and this has been demonstrated through years of growth and expansion. The Company is able to take quickly examined decisions on site selection, service offering, pricing strategy, marketing messages, customer service, operational policies, and other business-critical decisions. As a result, the Company has developed the ability to open more than 15 new fitness centres every year.

4.6.7 A unique development model

Unlike most other fitness centre chains, the Company develops each of its facilities from the ground up, following a standard approach and design concept that is consistent with the brand and its guidelines across all locations. This enables the Company to: (i) maintain consistency in the customer experience across different fitness centres; (ii) ensure that the design and layout are aligned to the brand proposition; and (iii) improve cost management through standardization of engineering design, construction, and material selection/fit-out. This development model is especially unique within the female market segment.

4.6.8 Number of members

The Company has the largest membership base of any fitness business in the MENA region, with over 209,000 active members as of 31 December 2017G. This membership number has been developed over the past ten years, growing with the maturation of each fitness centre and with the expansion of the network. The corresponding database of members is one of the primary marketing channels for the Company. Replicating a membership base of similar size and geographical reach would take several years and would require a network of similar size and scale as the Company's.

4.6.9 Region's largest portfolio of historical data

The Company has gained significant experience through the establishment of approximately 143 fitness centres (including 31 fitness centres currently under development or conversion) in the Middle East (as of 31 December 2017G). This means that the Company has the largest portfolio of historical data to review and consider when making any business decision. More than any other fitness business in the region, the Company has a large database that enables it to understand and meet the needs of the members. The Company believes that the operational knowledge gained through past location openings enables it to be in a strong position to continue opening new facilities effectively.

The database provides historical data to support important KPIs and other important aspects, such as: (i) average member growth in certain months of operations; (ii) average number of months to reach profitability; (iii) level of rent and other key expense items as a percentage of revenue; (iv) average duration from lease signing to start of operations; (v) ideal duration for pre-sales period; (vi) best channels for marketing new locations; and (vii) headcount requirements during ramp-up period.

Not only does historical data enable the Company to make reasonable decisions, but also enables it to be more efficient and accurate in budgeting and forecasting, providing clear guidance for the Shareholders.

4.6.10 The Fitness Time training academy

The Company believes that one of its biggest competitive advantages is its team. The Company and its Subsidiaries employed 2,378 people as of 31 December 2017G, the majority of whom interact with the Company's members on a daily basis in fitness centres. To maintain this team, the Company deploys a robust training and onboarding program managed internally at the Company's training academy.

All operational-level employees are provided with training in the two areas of customer service and technical certification. Both are provided upon recruitment during the onboarding process and reinforced and/or supplemented by on-going practical and classroom-based training. Training is designed to ensure all employees have current and valid certification in core areas and to enable them to advance their career by regularly adding new skills and qualifications.

4.6.11 A robust experience in serving corporate clients

The Company has the largest portfolio of corporate clients of any fitness centre business in the MENA region. It serves more than 200 companies, each of which has from 10 to more than 3,000 employee members, with a total member count of more than 29,000 as of 31 December 2016G, and 33,000 members as of 31 December 2017G. Corporate revenues represented 12.3% of total revenues in 2017G, 13.1% of total revenues in 2016G, and 12.9% of total revenues in 2015G. The Company markets its services to corporate clients under the umbrella of "Fitness Time Wellness". However, it is not considered a formal brand category.

Most corporate accounts have been in contract with the Company for several years, having renewed their agreements annually (for further details, see Section 12.5.1 (*Agreements with Key Customers*)). In most cases, corporate clients use Fitness Time membership to support employee recruitment and retention efforts and to promote employee health and wellness. The global "corporate wellness" movement is developing positively within the Kingdom: corporations are increasingly focusing on the global trend of offering employee wellness programs, and the Company is well positioned to take advantage of this trend.

4.6.12 Uniquely positioned to capture the female fitness opportunity in the Kingdom

The Company believes it is uniquely positioned to capture the female fitness opportunity within the Kingdom. The primary rationale is provided below:

- Brand – The general strength of the Fitness Time brand in the Kingdom will be a core advantage as it enters the female market.
- Member base – The Company has engaged over 1.2 million male members over the past eleven years – most of whom have female relatives that are now potential Fitness Time Ladies members. The Company has the largest pool of potential members, and the ability to reach all of them.
- Trust – The Company has built a unique level of trust with its male membership base over the past ten years. Its members, both current and past, understand what is inside a Fitness Time facility and they understand the values under which the Company operates. This trust extends into the general population, with Fitness Time being a respected local brand, and generally preferred by Saudi nationals over international brands, as per IHRSA. The Company believes this trust will play a large role in attracting female members to the Fitness Time brand.
- Speed to market – In a short period of time from the announcement of female fitness centre licensing in July 2017G, the Company has been able to open several female fitness centres. Within six months of the GSA licensing announcement, the Company opened seven fully-licensed female fitness facilities in the Kingdom, making it the largest single operator of female centres in the Kingdom.

4.7 Overview of the Company's Business

According to the estimates of IHRSA for the year 2017G, the Company operates the largest network of fitness centres in the Middle East and North Africa region under the Fitness Time brand, with 112 fitness centres as of 31 December 2017G. The Company was established in 2008G when it also acquired the trademark "Fitness Time", which was owned at the time by Fitness Time Establishment for Trading. Fitness Time Company for Trading does not currently operate any commercial business except for leasing some real estate properties on behalf of the Company.

The Company is ranked 17th globally in IHRSA's 2017G "Global 25" list in terms of number of wholly-owned fitness facilities. It is also recognized as one of the leaders in the community, and in 2015G was awarded the Mohammed Bin Rashed Al Maktoum Creative Sports Award for its innovative sports programs and projects (this award is presented annually to leading individuals and companies in the fitness industry).

4.7.1 Fitness Centres

4.7.1.1 Fitness centres number, location, size and format

The Company has grown its network of fitness centres over the past 10 years to reach 112 centres operational as of 31 December 2017G and an additional 31 centres under development or conversion as of the same period. The following table shows the number of fitness centres for the years ended 31 December 2015G, 2016G and 2017G.

Table 26: Number of fitness centres for the years ended 31 December 2015G, 2016G and 2017G:

	For the Year Ended 31 December		
	2015G	2016G	2017G
Total	91	102	112
Additions	21	12	18
Closures	1	1	1
Temporarily closed as at the end of conversion period	None	None	7*
Net Additions	20	11	10

Source: The Company

* The seven fitness centres, comprising male and junior fitness centres, were temporarily closed as at 31 December 2017G for conversion to female fitness centres. In addition, the Company closed, converted and reopened four male fitness centres as female fitness centres during 2017G.

In addition to operating Fitness Time fitness centres, the Company has also operated fitness centres for external parties across the Kingdom; however, this is not a material part of the business (revenues generated from operating fitness centres for third parties amounted to 0.1% of the average total revenues of the Company for the years 2015G, 2016G and 2017G). The specific nature of each such third-party fitness centre varies, and they are not operated under the Fitness Time brand. Services usually include the provision of sports tools and equipment, and qualified employees who are fully responsible for operating the sports centre, not to mention the provision of training sessions and programs as well as the management of members and training. Centres are usually operated on behalf of third parties according to a contract for fixed fees based on a number of factors, including the number employees to be provided as well as working hours.

The Company's fitness centres are typically located in populous areas, such as cities and the main provinces, with a focus on high-traffic areas (either residential or business) and easy accessibility (i.e., main road access and parking). Due to the Company's range of product offerings and price points, it is able to develop and operate fitness centres across a range of income demographic areas. The Company has been able to successfully operate in smaller cities due to the attractiveness of the product and "value-for-money" offering.

The Company's fitness centres range in size from 1,100 square meters to over 6,000 square meters of interior space (plus outside parking) with an average size of 3,500 square meters.

The Company operates across the following six primary formats under corresponding brands:

- Fitness Time Plus – A concept that combines fitness and luxury, specifically designed for people seeking privacy and an outstanding atmosphere. Available for members 25 years of age and above. The interior design and finishing of a Fitness Time Plus facility is structured to rival that of a 5+ star hotel experience.
- Fitness Time – High-end full-service facilities designed for customers who are interested in a broad range of facilities and fitness options. Membership is available for members aged 18 years and above, and 16 years and above (at 16+ locations).
- Fitness Time Pro – Designed for professional and aspiring athletes with a broad and yet focused set of features and services, and for competitive fees. Available for members aged 18 years and above, and 16 years and above (at 16+ locations).
- Fitness Time Junior – Full-service fitness centres for youth under 16 years of age, with equipment specifically designed for this age group.
- Fitness Time Ladies – High-end full-service fitness centres dedicated to women providing industry-leading and specifically-designed fitness equipment. The first Fitness Time Ladies fitness centres opened in 2017G.
- Fitness Time Ladies Pro – Fitness centres specifically designed for female members, and specifically for aspiring female athletes. Offering a wide range of facilities and services with very competitive subscription fees. The first Fitness Time Ladies Pro fitness centre opened November 2017G in Riyadh.

In addition to the brands noted above, the Company intends to expand its female fitness centre brand by adding "Fitness Time Ladies Plus" in the foreseeable future.

The Company had developed the Fitness Time Basic brand which operated one location until the third quarter of 2017G. The brand and single location was developed to test a budget fitness centre model and is available for the Company to reactivate in the future should market conditions justify it (the centre was closed, converted, and reopened as a Fitness Time Ladies Pro centre in 2017G).

The Company also has the Fitness Time Academy brand that is primarily associated with football-related activities and training for both young and adult athletes. In addition, the Company's partnership with FCB with respect to FCB Escola Saudi Arabia (football academy) is managed under the Fitness Time Academy brand. The partnership agreement with FC Barcelona will expire in 2018G. However, the Company plans to continue its football activities under the "Fitness Time Academy" brand. The Company had one dedicated Fitness Time Academy facility in Buraida City in Al-Qassim region, which was closed in 2017G. However, the Company continues to run football related activities under the "Fitness Time Academy" brand at a number of sites that are either associated with existing fitness centres or are rented on a need basis.

In addition, the Company operates fitness centres for external parties, however this is neither managed under the "Fitness Time" brand nor treated as a material part of the Company's business.

A breakdown of revenue and members across each category, as of 31 December 2106G and 31 December 2107G, is provided below:

Table 27: Revenue and member breakdown by fitness centre categories, as of 31 December 2016G

Fitness Centre Category	Revenue	% of total revenue	Number of Centres*	Number of Members
Fitness Time Plus	26,902	3.8%	3	2,653
Fitness Time	336,193	48.0%	49	82,789
Fitness Time Pro	210,432	30.0%	39	88,552
Fitness Time Basic	2,351	0.3%	1	1,191
Fitness Time Junior	19,895	2.8%	9	3,601
Fitness Time Academy	4,008	0,6%	1	285
Corporate Clients and rental income	101,103	14.4%	-	29,296
Total	**700,885**	**100.0%**	**102**	**208,367**

Source: The Company.

* Operational locations only

Table 28: Revenue and member breakdown by fitness centre categories, as of 31 December 2017G

Fitness Centre Category	Revenue	% of total revenue	Number of Centres*	Number of Members
Fitness Time Plus	27,476	3.7%	4	3,686
Fitness Time	360,752	49.2%	51	82,547
Fitness Time Pro	206,968	28.2%	41	73,792
Fitness Time Basic	1,320	.2%	-	
Fitness Time Junior	20,276	2.8%	8	3,718
Fitness Time Academy	166	0.02%	-	-
Fitness Time Ladies	14,576	2%	8	12,333
Corporate and rental income	101,313	13.8%	-	33,872
Total	**732,846**	**100%**	**112**	**209,948**

Source: The Company.

* Operational locations only

4.7.1.2 Fitness Centre Development Model

The Company's primary strategy for the development of new fitness centres is to acquire (through freehold or long-term lease agreements) undeveloped land and build fitness centres from the ground up. As such, the typical timeline from contract signing to start of operations is 12-18 months. Although relatively unique within the global fitness industry, this strategy has enabled the Company to have tight control on quality and consistency of the customer experience. The following table shows the typical development lifecycle of a Fitness Time fitness centre:

Table 29: Typical project development lifecycle of a Fitness Time fitness centre

Step*	Description	Timeline*
Construction approvals	Municipality approval to begin construction	1-3 months
Bid package preparation	Preparing bid drawings, RFP, identifying potential bidders	1-2 months
Vendor selection and negotiation	Screening, short-listing, technical and commercial negotiation	1-2 months
Construction	Construction of the physical building and interior finishing	9-15 months
Fit-out	Order and installation of equipment and furniture	3-4 months
Licensing	Obtaining necessary licences from the municipality civil defence and others	1-3 months
Total duration		

Source: The Company.

* Note: Some steps can be managed in parallel, resulting in a total timeline that is not the sum of each individual step.

a- Fitness centre site selection and leasing

Over the years the Company has refined its approach to site selection while attempting to retain the instinctiveness that led to historical success. The core steps of the Company's site selection process are outlined below:

- **Development roadmap** – The process begins with management preparing a 3-5-year location roadmap which outlines the targeted cities and/or municipalities based on several factors, including population density, growth projections, income levels, competitive landscape, and performance of nearby fitness centres. This roadmap is reviewed by management and taken to the Board on a regular basis (annually as a minimum) for initial approval. Each location is assigned an initial category (i.e., Fitness Time, Fitness Time Pro) and targeted year for start-of-operations.
- **Board approval** – The board reviews the roadmap presented by management and provides feedback. Once finalised and agreed, the Company begins to execute against the plan.
- **Potential site identification** – Once the roadmap is approved, management begins to seek out specific locations in line with the roadmap. Identification of potential locations is done both by Company management and by appointed external agents acting on behalf of the Company. Locations identified through this process are added to the opportunity long-list.
- **Initial screening** – Sites on the opportunity long-list are filtered based on initial criteria including site, size, price, lease duration, and owner/landlord flexibility. Site selection forms are completed for sites that pass through the initial screening stage before being passed to the executive management team for final review.
- **Management review** – Short-listed location opportunities are reviewed in detail by members of the Company's senior leadership team. Once the leadership team approves the new location, the Company enters into discussions with the site owners with the objective of negotiating and executing a lease agreement in relation to the site.
- **Board approval (if necessary)** – The Company also has a process in place for seeking Board approval for site opportunities that are not part of the approved roadmap. This ensures that the Company is able to capitalise on any attractive site opportunities as and when they come up.

The Company typically seeks to enter into leases with terms ranging between 15 years and 30 years or more, as applicable.

In the fourth quarter of 2017G, the Company established a formal board committee, the Site Selection Committee, to oversee the process outlined above. The committee was established because of the increased number of locations under consideration resulting from the launching of the female fitness centre market.

b- Fitness centre design and construction management

The Company has an internal projects team that engages a prime contractor (who in turn coordinates the subcontracts) and supports overall project management on each new fitness centre and the re-modelling of existing centres. The Company has developed a series of prototypical plans and specifications that can be easily adapted to each specific site, allowing the Company to maximize flexibility in the design process, retain control over the cost and timing of the construction process, and realize potential cost savings on each project.

Due to the Company's development strategy, construction project management is a core part of the Company's daily operations. Over the years, the Company has developed the capability to manage multiple concurrent development projects, which may be in various stages of construction. The project development process involves engineering, design, and construction, including foundation, structural works, mechanical, electrical, and other civil works, followed by interior construction, finishing, and fit-out.

This approach enables the Company to manage a large number of concurrent projects, deliver projects efficiently, and maintain a high level of quality within the projects. All contracts are offered through a competitive bidding process that ensures the Company achieves the best balance of price, service, and quality.

4.7.1.3 Fitness centres environment

a- Facilities

The Company's fitness centres generally combine modern architecture and design with best-in-class amenities and consistent look and feel at each of its fitness centres brands. Most of the Company's fitness centres are freestanding buildings designed with open architecture to make the members' movement inside each centre comfortable and easy, and with modern decorations designed to create a high-quality environment that attracts and retains members and encourages them to visit the fitness centres. The Company has dedicated outside and internal personnel who are responsible for maintaining the cleanliness of its fitness centres. Moreover, the Company regularly updates and refurbishes its fitness centres to maintain a high-quality experience. The Company's fitness centres are generally open from 6:00 am to 12:00 midnight, seven days per week (with the exception of Fridays when centres open after Jumu'ah prayers).

b- Equipment, machinery and services

The Company equips its fitness centres with industry-leading equipment across all areas. Equipment selection is generally based on a combination of factors, including: current trend in physical fitness sector, member demand for certain equipment, functionality of such equipment, and their total lifecycle cost. All equipment is designed and tested by manufacturers for heavy commercial use over long periods.

The following table shows the range of fitness centre features and services by category as of 31 December 2017G.

Table 30: Fitness Centre Features and Services by Brand as of 31 December 2017G

Feature or Service	Fitness Time Plus	Fitness Time	Fitness Time Pro	Fitness Time Ladies	Fitness Time Ladies Pro	Fitness Time Junior	Fitness Time Academy
Cardio	•	•	•	•	•	•	-
Body building	•	•	•	•	•	•	-
Group exercise	•	•	•	•	•	•	-
Rowing	•	•	-	•	-	-	-
Kinesis	•	•	-	•	-	-	-
Circuit training	•	•	•	•	•	-	-
Spinning	•	•	•	•	•	-	-
TRX®	•	•	•	•	•	-	-
Functional training	•	•	•	•	•	-	-
Swimming pool	•	•	•	•	•	•	-
Jacuzzi (hot/cold)	•	•	•	•	•	-	-
Sauna and steam bath	•	•	•	•	•	-	-
Basketball	•	•	•	•	•	•	-
Volleyball	•	•	•	•	•	•	-
Football	•	•	•	•	•	•	•
Squash	•	•	-	•	-	-	-
Tennis	•	-	-	-	-	-	-
Billiards	•	•	-	•	-	-	-
Internal running track	•	•	•	•	•	•	-
Virtual golf	•	-	-	-	-	-	-
Towels	•	•	-	•	-	-	-
Lounge	•	•	-	•	-	-	-
Amenities	•	•	-	•	-	-	-
Valet parking	•	•	-	-	-	-	-
Yoga	-	-	-	•	•	-	-

Feature or Service	Fitness Time Plus	Fitness Time	Fitness Time Pro	Fitness Time Ladies	Fitness Time Ladies Pro	Fitness Time Junior	Fitness Time Academy
Pilates	-	-	-	•	•	-	-
eXtreme Fitness	•	•	•	•	•	-	-
eXtreme Boxing	•	•	•	•	•	-	-
eXtreme Bootcamp	-	•	•	•	•	-	-
Personal Training	•	•	•	•	•	-	-

Source: The Company.

Equipment is maintained on a preventative basis by either the Company's internal maintenance team or by approved third-party service providers. Corrective maintenance is managed in a similar fashion. The Company endeavours to ensure that the equipment downtime is kept at a minimum and that members almost never have to change their exercise routine due to a piece of equipment being under maintenance. In some cases, the Company has entered into long-term warranty and/or service agreements with the original equipment manufacturer (OEM) to support the maintenance and repair program.

All equipment is installed by the Company's internal team either during the pre-launch fit-out or during the course of operations, with the latter typically being reserved for either new product launches or replacement of existing equipment. Fitness centres are designed to serve the member base during peak hours and with the goal of having no member wait more than a few minutes for a given piece of equipment. Usage and wait times are monitored regularly by each fitness centre's staff so that the Company may choose to add or remove equipment based on the usage profile. The Company also actively monitors member feedback, either directly or through social media, and makes appropriate equipment adjustments if/when necessary.

a- Fitness trainers (including personal trainers)

At the core of a member's experience within a fitness centre is the fitness trainer, and the trainers can heavily influence whether or not members will continue to use the fitness facilities and/or renew the membership in the future. The Company provides two different trainer experiences within its fitness centres as outlined below:

- Floor trainers – within each fitness centre the Company offers floor trainers to members free of charge (included as part of the membership package). Floor trainers are available to provide a variety of services to members including instructing on the proper use of equipment and advising on appropriate fitness regimens based on health and fitness objectives. They are available to respond to any question a member may have.
- Personal training – Personal training is a relatively new offering by the Company, having launched in 2015G. Personal training involves one-on-one coaching from a qualified instructor and is the first incremental-fee-for-service offering to be launched within the Company's fitness centres. Personal training sessions, which run for 60 minutes each, can be purchased in blocks of 12, 24, or 50 sessions. The personal training experience begins with a series of three introductory sessions before a member has to begin paying for the service.

Personal trainers are paid by the Company on a commission basis and based on the number of sessions they conduct in a period. The Company does not employ freelance personal trainers in the interest of maintaining the required level of quality and service within the fitness centres.

b- Classes and activities

The Company organizes and runs a full schedule of diverse group class programming across their entire network of Fitness Time centres. Individual schedules are created for each centre based on the direction of the sports department and tailored to suit the preferences of the membership base at each centre (as confirmed by the fitness centre manager within the particular location). Up to ten or more classes are run per centre per day, with capacity ranging from five participants to 70+ participants (depending on the type of class and facility size). Classes are provided as a free service to members and are a mixture of organically-developed programs and programs from international providers (such as Les Mills and others). The Company also provides aquatic-based group classes in centres with sufficient demand. Throughout the year, the Company runs several special events for their members. The specific nature of each event can vary from year to year and from event to event but are generally designed to increase participation and spur excitement within the membership base. Past events have included athletic tournaments and competitions (for both individuals and teams), new class launches, and new product trials.

c- Health and Safety

The Company believes that the health and safety of its members is paramount. It has implemented a set of health and safety policies and procedures that are in line with local regulation as well as industry best practice. Such policies are developed, deployed, and audited by the Operations team with the support of external parties where appropriate.

In addition, the Company ensures that staff members are regularly trained in core programs such as first aid and CPR by local and international service providers (in addition to requiring all of our trainers to be certified in their respective fields). All fitness centres are under constant video surveillance in all areas (except shower rooms) for the safety of the members and to ensure Company staff is adhering to defined policy. Health and safety incidents, while rare in occurrence, are raised to the CEO for necessary actions.

4.7.2 Membership model and pricing

Membership for Fitness Time is sold in fixed-duration subscriptions requiring full payment upfront. Members can purchase three, six, or 12-month memberships. In addition, the Company from time to time offers shorter duration memberships as part of selective promotion campaigns. The following table provides an overview of the Company's standard pricing by brand as of 1 January 2018G.

Table 31: Standard pricing by brand as of 1 January 2018G

Brand	Duration	List Price (SAR)[1]
Fitness Time Plus	3 months	3,045
	6 months	5,145
	12 months	8,925
Fitness Time	1 month	788
	3 months	1,838
	6 months	2,993
	12 months	4,988
Fitness Time Pro	1 month	524
	3 months	1,155
	6 months	1,943
	12 months	3,255
Fitness Time Ladies	3 months	1,838
	6 months	2,993
	12 months	4,988
Fitness Time Ladies Pro	3 months	1,155
	6 months	1,943
	12 months	3,255
Fitness Time Junior	3 months	1,418
	6 months	2,205
	12 months	3,728

Source: The Company.

1- The prices shown in the table include VAT as they represent prices as of 1 January 2018G.

Standard fees for male fitness centres are based on a "passport" rate, meaning that the member can access any fitness centre within the network without paying additional fees, as long as the centre is within the same category of his membership or lower (e.g., a Fitness Time member can access Fitness Time Pro facilities, but not vice versa). In addition, certain fitness centres may offer, on an exception basis, a "home rate" in which special membership pricing is offered for that particular fitness centre. Furthermore, the Company offers its members the flexibility of freezing their subscription at any time free of charge, subject to certain limitations based on membership duration.

Standard fees for female fitness centres are based on the "home rate" structure, with additional fees charged for accessing the entire network. Extra fees are also applicable for female members who wish to freeze or transfer their membership

Pricing is set by management and reviewed on a regular basis. The last price increase was implemented across all fitness centres and brands between 1 October 2014G and 1 January 2015G. Promotions are launched by management throughout the year to promote sales. The timing of campaigns varies from year to year due to several factors including: (i) school holidays; (ii) religious holidays; (iii) business performance; and (iv) competitor actions. Sales reports which summarise sales by area, product, and centre are provided to the Company's senior management team on a daily basis enabling quick decision making.

4.7.2.1 Membership overview

Member count has grown significantly over the past several years, driven primarily by the opening of new fitness centres. The following table shows a three-year historical view of membership growth:

Table 32: Membership evolution from 2015G to 2017G

Period	Number of Fitness Centres at Period End	Number of Members at Period End
2017G	112	209,948
2016G	102	208,367
2015G	91	151,517

Source: The Company.

The Company operates in an industry that is heavily dependent on member acquisition and retention, and one that is typically evaluated in terms of customer churn. Such figures are markedly different in the MENA region due to the complexities of selling only fixed-duration membership. The Company has been successful over the years in offsetting any negative impacts of churn by driving new member acquisition and having previous members return to the business. The Company also finds that churn rates vary during the year and are impacted by religious and school holidays.

4.7.2.2 Membership sales

The Company's fitness centres represent its point of sale for individual memberships. The fitness centres generate all of the Company's membership revenue, with the exception of corporate sales which are generally managed directly by the Company head office with the corporate client. For the year ending 31 December 2016G, 86% of the Company's revenue was delivered through sales at the fitness centres, and also for the year ending on 31 December 2017G, representing 86% of the Company's revenues. As a result, there is a significant reliance on bringing potential members into its fitness centres, which the Company has successfully demonstrated over the past ten years.

The Company is continually looking to strengthen its sales organisation in line with international best practices. In 2016G, the Company established position of a membership consultant in its fitness centres. The role of the membership consultant is to actively drive the growth in membership subscriptions by calling on potential members, assisting prospective members visiting the fitness centre, and providing necessary information (including a tour of the facility and an overview of the benefits of membership). The Company's team of membership consultants have been successful in contributing to the sale of memberships and growth in the Company's member base. The Company actively monitors the performance of membership consultants by tracking a number of metrics.

The Company is actively investing to develop new points of sale to make it easier for members to purchase and/or renew their membership. Development is underway to activate online sales channels (through a new website and new member mobile app) by Q1 2019G, and the Company continues to explore opportunities to partner with adjacent and/or complementary businesses to cross-sell product.

The balance of sales (13.1% and 12.3% of total revenue in 2016G and 2017G, respectively) is delivered through the Company's robust corporate client sales business. The Company maintains direct and indirect relationships with more than 200 corporate clients across the Kingdom that provide fitness centre memberships to their respective employees. Such relationships are managed by the Company's Sales Department. The Company markets its services to corporate clients under the umbrella of "Fitness Time Wellness". However, it is not considered a formal brand category.

4.7.2.3 Member service and satisfaction

The Company relies on its ability to differentiate itself on member service and maintain high levels of member satisfaction. The Customer Service department is responsible for handling service inquiries from members. Inquiries range from asking directions to the nearest centre to providing feedback on a particular centre or service to asking about the latest promotions and offers. Each inquiry is managed through the same process, as every member touch point impacts the likelihood of sale or renewal of membership. Members are able to engage with the Member Service team through phone, E-mail, SMS, social media, or by providing feedback through the Company's website. Senior management receive regular reports about the number and severity of inquiries by category and ensure that areas requiring frequent or similar feedback are addressed at the root cause level.

4.7.3 Information Systems

4.7.3.1 Technology and member management systems and tools

The Company continues to revamp its technology backbone. In 2016G, the Company successfully implemented Oracle® Fusion to support back-office functions (Finance, HR, and Supply Chain), and the Company is currently in the process of implementing a new membership management system. All IT projects are supported by a strong internal infrastructure (systems and people) that the Company has been developing over the past 18-24 months. Please refer to Section 4.9 (*Future Plans and Initiatives*) for more information on these near-term projects).

4.7.3.2 Data protection

Given that the Company manages a large portfolio of member data, it considers data protection to be a top priority. The Company seeks to ensure that all member data is sufficiently protected from the risks of hacking and is regularly investing in the upgrade of systems, infrastructure, and personnel to support the growing membership base. Since the Company began operations in 2008G, there has not been a single recorded breach in data security. The Company employs the Oracle Company to manage data security across the business.

4.7.4 Suppliers

The Company's strategy is to work with suppliers who deliver the best combination of price, service, quality, and overall alignment to the Company's vision. This strategy is followed across the procurement portfolio, including (but not limited to) fitness equipment, fitness centre consumable items, support services, and construction-related activities. Over time, the Company has built a strong network of domestic and international suppliers, which meet the Company's needs at competitive terms. Many suppliers, especially in the fitness equipment area, have been working with the Company since its inception.

The Company maintains a list of qualified alternative suppliers across all critical areas of its business so as to minimize reliance on any particular partner. They also maintain multiple relationships with each partner organization for critical items, allowing multiple channels into the same product/service (for example, they maintain relationships with both the local distributor agents and the head office/OEM directly and the ability to buy from either). At no time in the Company's history have they been operationally constrained by a supplier of fitness-related items (equipment and related consumables).

For critical equipment, construction and infrastructure, the Company maintains an inventory in its five Kingdom-based leased warehouses which can be readily dispatched to the relevant fitness centre if and when needed. The Company believes that this inventory, combined with its network of trained maintenance technicians and external warranty and service providers, sufficiently protects it from any critical business disturbance.

The following table contains a summary of the Company's key suppliers, by percentage of the annual total purchases for 2016G and 2017G:

Table 33: The Company's key suppliers in 2016G and 2017G

(Percentage of the Company's total purchases during 2016G)				(Percentage of the Company's total purchases during 2017G)			
Supplier	Country of HQ	%	Information about the Supplier	Supplier	Country of HQ	%	Information about the Supplier
Garner International	USA	7.8%	Sports equipment	True Fitness Technology, Inc.	USA	6.9%	Sports equipment
Argoton	Kingdom	3.5%	Constructions	Kafaat Altashgeel Contracting Co.	The Kingdom	5.1%	Constructions
AlJudi Arabia	The Kingdom	3.4%	Constructions	AlJudi Arabia for Contracting Establishment	USA	5%	Sports equipment
Alqwa Almsanda contractor	The Kingdom	3.2%	Man power				
Fitness Start	The Kingdom	2.9%	Sports equipment	Alqwa Almsanda contractor	The Kingdom	4.4%	Man power
				Argoton Construction and Decoration Co. Ltd.	The Kingdom	3.6%	Constructions

Source: The Company.

The Company reviews equipment supply agreements on an annual basis across all categories. Negotiations are based on a combination of price, service, and quality, as well as the supplier's ability to support the Company's growth.

4.7.5 Marketing and Promotion

The Fitness Time brand is a well-established, trusted, and respected brand in the health and fitness industry, and is synonymous with quality, size, amenities, and cleanliness. The "Fitness Time" brand name was launched in 2005G. The Company acquired the trademark "Fitness Time" on 25/12/1429H (corresponding to 24/12/2008G), which was owned by Fitness Time Establishment for Trading. The on-going advertising and promotional support behind the brand name coupled with quality product and service and consistent market performance have together led to the development of strong brand equity in the fitness category.

The Company's marketing strategy is to position the Fitness Time brand as a high-end value-for-money brand across all segments and price points in which it operates. The Company seeks to position the services provided at Fitness Time centres as the highest-end offering while providing competitive pricing. The Company's strategy is also to position the brand as one that is deeply committed to the development of society within Kingdom and broader MENA region.

The Company has clearly defined brand guidelines to which all agencies and partners must adhere to in order to ensure consistent brand messaging in the market. All staff are expected to reflect the values of the brand in all external communications, both formal and otherwise, with utmost importance placed on any interaction with current or prospective members.

Social media is the primary mechanism used in marketing the Fitness Time brand. For specific campaigns or events, the Company employs online advertising, generally through the same channels and through web search engines.

4.7.6 Geographic Locations and Operations

The Company's head office is located in the city of Riyadh, Kingdom of Saudi Arabia. As of 31 December, 2017G, the Company operated 108 fitness centres in the Kingdom and four in the UAE. The table below lists the locations in which the Company operated as of 31 December 2017G:

Table 34: Details of the Company's Geographical Presence as of 31 December 2017G

Country	City	Number of Operational Fitness Centres
Kingdom of Saudi Arabia	Riyadh	42
	Jeddah	22
	Mecca	8
	Madina	5
	Khobar	4
	Dammam	5
	Jubail	4
	Taif	2
	Al Hasa	1
	Buraydah	1
	Arar	1
	Saihat	1
	Al Kharj	1
	Khamis Mushait	2
	Tabouk	1
	Hail	1
	Hafer Albaten	1
	Najran	1
	Sakaka	1
	Al Baha	1
	Jizan	1
	Dwadmy	1
	Unaizah	1
United Arab Emirates	Dubai	1
	Ras Al Khaimah	2
	Ajman	1
Total		**112**

Source: The Company.

The following table shows the Company's assets inside and outside the Kingdom and the percentage of assets outside the Kingdom in proportion to the Company's total assets as on 31 December for the years 2015G, 2016G and 2017G.

Table 35: Net Value of the Company's Assets Inside and Outside the Kingdom and their Percentage of the Company's Total Assets outside the Kingdom as at 31 December 2015G, 2016G, and 2017G

Assets inside and outside the Kingdom (in thousands of SAR)	2015G	2016G	December 2017G
GCC other than the Kingdom	47,992	44,561	56,033
Total assets outside the Kingdom	47,992	44,561	56,033
Total assets inside the Kingdom	1,001,867	1,311,826	1,448,901
Total assets	1,049,859	1,356,387	1,504,934
Percentage of assets outside the Kingdom in proportion to total assets	4.58%	3.29%	3.72%

Source: The Company.

4.8 Growth Opportunities

Companies usually launch various strategic initiatives in support of their growth plans. In line with the overall Company strategy (provided in Section 4.5.3 (*Strategy*)), the main growth initiatives for the Company consist of: (i) growing the existing core portfolio of men's fitness facilities; (ii) capturing the female market opportunity (where licensing became recently available); (iii) continuing to add incremental value-added products and services for its members; and (iv) expanding the geographical footprint, both within and outside the Kingdom. The Company believes it is well positioned to capture these growth opportunities, given its strong and established brand name, market insight, internal organisation structure, and human capital.

4.9 Future Plans and Initiatives

The following are the main initiative underway within the Company and/or planned to be launched within the coming 12 months:

4.9.1 New Centre Openings

As part of the Company's continued growth, it plans to open a number of new fitness centres in several areas in the Kingdom and the UAE. The number of fitness centres currently under development or conversion is 31, as set out in the table below, which summarises the projects that are currently under development, meaning that formal lease agreements have been signed. Projects are at various stages of completion, ranging from awaiting construction permits to final fit-out and licensing.

Table 36: Locations Under Development as of 31 December 2017G

Country	Region	Number of Centres
Kingdom of Saudi Arabia	Eastern Region	9
	Central Region	10
	Western Region	6
	Northern Region	2
	Southern Region	1
United Arab Emirates		3
TOTAL		31

Source: The Company.

4.9.2 Fitness Time Ladies

The Company is executing its plan to develop the leading network of female-only fitness centres in the MENA region. The GSA began granting licenses for female fitness centres in the Kingdom in 2017G. As of 31 December 2017G, the Company operated seven female fitness centres within the Kingdom (and one fitness centre in the UAE) with more than 20 scheduled to open within 2018G and 2019G.

The market opportunity for female fitness centres is significant, and the Company plans to establish a network that is similar in size, scale, and breadth to its male fitness centre network.

The following table outlines the female Fitness Time locations under development as of 31 December 2017G.

Table 37: Female Locations Under Development as of 31 December 2017G

Country	Region	Number of Centres
Kingdom of Saudi Arabia	Eastern Region	3
	Central Region	10
	Western Region	7
	Northern Region	1
	Southern Region	-
United Arab Emirates		2
TOTAL		23

Source: The Company.

4.9.3 Technology-Related Projects

The following technology-related projects are currently under development:

- **Upgraded membership management solution** – the Company is moving to an online, third-party hosted membership management solution to process new membership, update member information, manage access control, and to track and analyse membership statistics including usage, tenure, and demographics. The core solution is developed specifically for the fitness industry and used in over 2,800 fitness centres globally, and will be custom-tailored to suit the needs of the Company and its members. The primary enhancements that this solution provides versus the Company's current solution are: (i) increased ability to engage with the member through messaging and communication; (ii) increased ability for the member to manage their subscription profile independently; (iii) additional flexibility for product packaging and pricing; (iv) the ability to integrate with member-facing infrastructure such as the member mobile application; and (v) increased business intelligence functionality.
- **New member mobile app** – with an increasing number of members wishing to engage with the Fitness Time brand from their mobile phones, the Company is developing an improved mobile app with a number of incremental features. The new member application will be integrated with the upgraded membership management system and will allow the member to purchase subscriptions, manage their existing subscription, find and book classes and training sessions, and provide feedback directly to the Company. The new application will also provide the Company with the ability to send messages to its members based on a variety of factors (e.g., location, frequency of use, time to subscription expiry, etc.).
- **New website** – the Company is currently redeveloping its Fitness Time website to provide a better reflection of the brand and to provide additional functionality to its current and prospective members. It will include an e-commerce engine to allow individuals to purchase membership online and a member portal in which they can manage their subscription profile. The website will also be directly linked to the membership management solution.

4.10 Administrative Support Departments

The Company has a number of administrative departments that support its various business activities. Set out below is a brief description of the activities of the Company's key administrative support departments:

4.10.1 Business Development Department

The Business Development Department is responsible for developing the business of the Company by representing the Company externally, managing and developing the Company's existing and new strategic relationships, and supporting the implementation of new products and services. The Company has no fixed strategy on research due to the nature of its business. In particular, this includes:

a- identifying, evaluating and developing new business opportunities and supporting them from start-up to maturity, and future potential spin-off in sectors including retail, franchise, strategic partnerships and joint ventures and other new markets yet to be identified; and

b- representing the company at key external events and developing and managing strategic external relationships.

4.10.2 Sales Department

The Sale Department is responsible for managing and monitoring sales, liaising with customers and undertaking promotional and marketing activities on behalf of the Company. In particular, this includes:

a- implementing, updating and regularly monitoring an annual sales plan, sales forecasts and sales reports;

b- managing relationships with existing and former corporate clients, with a focus on better understanding customer requirements, meeting sales targets and increasing contract renewal rates;

c- identifying business-to-business sales opportunities and appropriate promotional offers (in coordination with the Marketing Department); and

d- conducting seminars, workshops, exhibitions, conferences, forums, and training courses with a view to promoting the Company and its products and services.

4.10.3 Information Technology Department

The Information Technology Department is responsible for managing and developing the Company's current and future information technology systems. In particular, this includes:

a- developing, implementing and maintaining an information technology strategy and specific information technology initiatives and projects on behalf of the Company to reflect its current and future technical and functional business needs;

b- maintaining the Company's information technology and communication asset portfolio, including through external procurement processes, in order to maximise the value of the Company's information technology investments in order to achieve the desired benefits from such investments;

c- ensuring information technology projects are delivered to the required standard, on time, within budget, meeting the Company's demonstrated needs, and ensuring availability, stability and security with minimal down time;

d- provision of support services for the Company's information technology applications and infrastructure, including a helpdesk for end users of desktop systems, and undertaking risk assessments, trouble shooting, diagnosis, repairs and upgrades where necessary;

e- maintaining the Company's data centre; and

f- advising in relation to security controls, solutions and policies, and preparing continuity and disaster recovery plans, to protect the Company's information technology and communication systems and to identify and resolve current and future threats and vulnerabilities.

4.10.4 Marketing Department

The Marketing Department is responsible for developing the Company's marketing strategies, with a view to enhancing the Company's brand and reputation and increasing customer numbers. In particular, this includes:

a- market research, identifying market trends and market forecasting and targeted market research, including through the monitoring of social media and by analysing consumer behaviour, frequency of visit and usage of fitness centres;

b- managing the Company's website, including press releases, fitness centre galleries, event coverage, and customer service portals;

c- planning and implementing marketing campaigns, including through promotional offers, seminars and event participation, and evaluation of the successes and failures of previous marketing campaigns;

d- appointment of third-party marketing agencies with a view to ensuring cost, quality and an adequate return on investment; and

e- managing the Company's branding and promotional materials and ensuring and protecting correct usage of the Company's identity, designs, and intellectual property, and arranging for revenuegeneration through the use of Company property for the display of advertisements or other promotional activities.

4.10.5 Customer Relations Department

The Customer Relations Department is responsible for maintaining relations with the Company's customers. In particular, this includes:

a- interacting with current and former members to resolve complaints or queries and to provide updates (for example, in relation to temporary closure of facilities, changes to opening hours and marketing events and promotions), and to identify reasons for leaving, to attract former customers back to the Company, and increase member retention rates;

b- undertaking customer surveys by phone and post to monitor market trends, identify opportunities and shortcomings, gather member suggestions, and monitor member satisfaction levels; and c- reviewing special subscription cases, for example in relation to age limitations and health issues in coordination with the fitness department, and providing feedback on such cases.

4.10.6 Operations Department (KSA)

The KSA Operations Department is responsible for overseeing the operations of the Company in the Kingdom. It is one of the most important and largest departments at the company level. In particular, this includes:

a- monitoring and regulating the day-to-day operation of each fitness centre, including in relation to opening and shutting down fitness centres on a daily basis, and coordinating the shift schedules as well as the Consumables Inventory Management Department, maintenance, cleanliness, health and safety, equipment, towel laundry and sale of subscriptions, ensuring that health and safety policies and other relevant systems are correctly implemented, and that the facilities are properly used and maintained;

b- liaising directly with members and ensuring delivery of quality member support, including tours for potential members and monitoring customer satisfaction levels while implementing solutions for identified problems, providing training and specially tailored fitness programs and new fitness services for existing members, management of group exercise and swimming classes, and coordinating various member events and competitions at the Company's facilities and elsewhere;

c- monitoring maintenance history and logs, developing automated and manual maintenance programs, providing maintenance guidelines and regulations, maintenance supply equipment in the form of tools and spare parts, and energy savings recommendations to the Fitness Centre Operations team and to fitness centre staff, with appropriate logging and regular operational checks;

d- managing relationships with external maintenance providers and ensuring that their services and warranty support obligations are provided on a timely basis and in a satisfactory manner; and

e- assisting with the procurement of new equipment, overseeing the installation of equipment, machinery and accessories in new fitness centres, and upgrades to the same in existing fitness centres.

4.10.7 Female Operations Department

The Female Operations Department is responsible for overseeing the Company's female fitness centre operations. In particular, its responsibilities include:

a- coordinating the Company's efforts to enter and grow in new geographical markets;

b- overseeing the operations and expenditure of all female fitness centres, and reviewing the performance and revenue generated from each fitness centre, including ensuring compliance with the Company's quality standards and corporate policies and procedures, and reviewing customer feedback with direct interventions where necessary;

c- determining staffing levels for the Company's female fitness centres in coordination with the Human Resources & Administration Department, and ensuring recruitment of suitably skilled employees;

d- managing the Company's corporate image in the field of female fitness centres by identifying key stakeholders and establishing strategic partnerships with governmental bodies, and overseeing maintenance and upkeep of the Company's property and equipment at its female sites.

4.10.8 International Operations Department

The International Operations Department is responsible for the Company's operation in territories other than the Kingdom. In particular, this includes:

a- coordinating efforts relating to the Company's efforts to enter and grow in new geographical markets, including by identifying suitable sites for fitness centres, identifying appropriate facilities and concepts for each site, negotiating contracts and leases for each new international site, assisting with obtaining local governmental and regulatory licenses and consents, and ensuring compliance with each relevant country's financial reporting requirements;

b- overseeing the operation and expenditure of all international fitness centres outside the Company's core territory of the Kingdom, and reviewing the performance and revenue generated from each country and fitness centre respectively, including ensuring compliance with international best practice and the Company's quality standards and corporate policies and procedures, and reviewing customer feedback with direct interventions where necessary;

c- determining staffing levels for the Company's international fitness centres in coordination with the Human Resources & Administration Department, and ensuring recruitment of suitably skilled employees;

d- managing the Company's corporate image abroad by identifying key stakeholders and establishing strategic partnerships with governmental bodies, and overseeing maintenance and upkeep of the Company's property and equipment at its international sites;

e- overseeing the construction of new facilities and closely monitoring all project phases and contractual agreements, to ensure compliance with the project scope, budget and timing, while managing relationships with key suppliers; and

f- liaising with, and obtaining support from, the Company's headquarters in the Kingdom across all functions where required, and to ensure alignment with the Company's corporate practices and policies.

4.10.9 Supply Chain Department

The Supply Chain Department is responsible for overseeing the Company's procurement process and asset usage. In particular, this includes:

a- development and monitoring of an annual procurement plan meeting the Company's budget, timeline and requirements, with variations as needed;

b- qualifying and maintaining lists of preferred material suppliers and contractors, and maintenance of relationships with the same;

c- overseeing the invoice payment and letter of credit processes, including issuance of material receipt vouchers to allow release of payment to the Company's suppliers;

d- undertaking studies to identify project specifications, issuance of requests for quotations, reviewing and conducting of technical and financial analysis of proposals and quotations received from potential suppliers, finalisation and negotiation of purchase orders, issuance of letters of intent, following up on defective or incomplete items while identifying defects and damages and taking corrective actions.

e- inventory management and ensuring that materials are stored in compliance with quality and health, safety and security policies and procedures, while conducting regular periodic physical counts to maintain accurate stock records and an accurate warehouse register; and

f- monitoring and reporting on stock replenishment levels in order to minimize material and inventory losses, and overseeing warehousing and logistics to ensure timely delivery to project sites and fitness centres, with planning and disposal of obsolete materials and assistance with shipping, customs and crossborder flows of materials, tools and machinery.

4.10.10 Project & Facilities Management Department

The Project & Facilities Management Department is responsible for supervising and implementing the Company's projects in relation to building new facilities and maintaining existing facilities. In particular, this includes:

a- managing the Company's design and engineering processes and activities;

b- preparing, approving and monitoring project timelines, estimates, estimated budgets, manuals, requests for proposals, preliminary and final architectural, structural, mechanical, safety/security and electrical designs, resolving technical difficulties/obstacles, and other problems that may arise during the design process, and archiving all designs, drawings, "asbuilt" manuals and operational manuals;

c- assisting with selection of external suppliers, architects, engineering and other consultants, reviewing and negotiating conditions of contract, specifications, bill of quantities and drawings, liaising with the same, once appointed, including by approving samples and catalogues of materials, and ensuring quality of services and materials supplied, and coordinating with the Business Development Department in relation to land lease agreements;

d- coordinating and supervising construction projects and activities related to the development of new fitness centres, both externally (with construction and advisory firms) and internally (with other departments), including by arranging project meetings, supervising project scheduling and timeline management, and assisting with scope, cost, time, quality, issue and risk management, and ensuring adherence to quality and health and safety policies and procedures, in coordination with the relevant contractor or construction companies and the Supply Chain Department, to ensure that projects are delivered on time and within budget;

e- supporting and monitoring project sites and budgets (including addressing and resolving any budget overruns), assisting with procurement of materials, licenses, permits and other resources, conducting onsite visits and supporting with the resolution of technical issues, including ensuring compliance with construction regulations and permits and testing projects once delivered; and

f- ensuring that all contracts entered into by the Company are satisfactorily complied with and paid in a timely manner, and raising and resolving disputes and change orders with the Company's suppliers, service providers, contractors and consultants, and regularly meeting with the same.

4.10.11 Finance Department

The Finance Department is, in summary, responsible for keeping accounts, issuing reports, and financial statements as well as enforcing strong internal financial control systems across the Company, safeguarding the Company's financial assets and providing accurate financial information in a timely manner. In particular, this includes:

- a- managing the financial reporting process, ensuring that financial information is reported in an accurate and timely manner, setting out accounting policies and procedures, and ensuring compliance with relevant regulatory requirements;
- b- managing and leading the financial planning process, supporting the Company's senior management in setting financial strategies, converting agreed strategies into financial plans, and reviewing the plans of the Company's departments to ensure efficiency, accuracy and alignment with the agreed strategies;
- c- ensuring availability of sufficient funds and liquidity and managing and optimising working capital requirements to meet the Company's current and future plans and obligations, including by developing and measuring key performance indicators for the Company's activities and performance, and providing recommendations in connection therewith;
- d- developing and improving the Company's internal control systems, policies and procedures to safeguard the Company's assets, and ensuring efficient workflow and compliance with corporate governance requirements;
- e- managing payments to suppliers and relationships with banks, and preparing and filing Zakat and tax return filings;
- f- identifying and mitigating the Company's risks by ensuring that the Company's assets are covered by adequate insurance policies, reducing currency and interest rate risks and close monitoring of credit risks; and
- g- collaborating and liaising with internal and external auditors for conducting effective audits of the Company's financials and key processes.

4.10.12 Corporate & Legal Compliance Department

The Corporate & Legal Compliance Department is, in summary, responsible for negotiating and resolving contracts and disputes on behalf of the Company, ensuring good corporate governance practices and providing on-going legal advice to the Company. In particular, this includes:

- a- reviewing the Company's constitutional and contractual documents and providing legal advice to the Board of Directors and the Company's senior management in connection with the legal affairs of the Company;
- b- reviewing and negotiating contracts on behalf of the Company;
- c- representing the Company before judicial bodies, and filing, presenting and defending litigation and arbitration matters;
- d- providing legal advice to the Company and its various departments;
- e- understanding and monitoring changes to laws, regulations, circulars and directives that are relevant to the Company's business; and
- f- supervising the holding of General Assembly meetings and liaising with the relevant Government authorities.

4.10.13 Human Resources & Administration Department

The Human Resources & Administration Department is, in summary, responsible for recruiting and hiring, appointing, developing, and retaining employees, determining their compensation and managing employee relations. In particular, this includes:

- a- organizing training courses and programs to prepare qualified staff in line with the Company's recruitment requirements;
- b- employing highly qualified, trained and experienced staff to meet the Company's staffing needs;
- c- developing and preparing job descriptions, a grading system and employment policies and procedures;
- d- organising and implementing orientation programmes for newly appointed employees;
- e- providing guidance and reviewing employee performance;
- f- ensuring compliance with Saudization requirements, social insurance regulations and other relevant regulations;
- g- following up employee affairs and overcoming the difficulties and problems that may face them; and
- h- supporting the welfare of employees through organising social activities and providing medical insurance and other relevant services.

The Company believes that it invests sufficient funds in the training and development programmes offered to employees either through in-house training, external training courses, sponsoring the attendance of seminars and exhibitions, and the pursuit of professional qualifications.

4.10.14 Internal Audit and Control Department

The Internal Audit and Control Department is an independent function that reports directly to the Audit Committee. To further promote independence, the Internal Audit and Control Department staff does not have operational responsibilities. The functions, powers and responsibilities of the Internal Audit and Control Department are documented in the Company's internal governance regulations, which are approved by the Board as well as the Internal Audit Regulations, which are approved by the Audit Committee and published within the Company.

The Internal Audit and Control Department at the Company supplements its role in addition to an external audit firm, KPMG Al Fozan & Partners for the current financial year. The findings of such external third-party audit firm are presented to the Audit and Risk Committee, who then recommends actions to address these findings where appropriate.

The Internal Audit and Control Department is, in in summary, responsible for examining and assessing the adequacy and effectiveness of the Company's corporate governance policies, risk management, and internal control systems. In particular, this includes:

- a- overseeing compliance with the Company's departmental policies and procedures, legal and regulatory requirements, and relevant accounting policies as defined and outlined in the Finance Department's operating manual;
- b- development and implementation of an annual audit plan using an appropriate riskbased methodology, including any risks or internal control concerns and including any special tasks requested by Senior Management and the Board of Directors through the Audit Committee;
- c- maintaining a professional audit team with sufficient knowledge, skills, experience and professional qualifications;
- d- conducting audits on the Company's systems to ensure accuracy of processes and outputs and identifying potential risks or discrepancies, and reporting on the results to the Audit Committee and senior management;
- e- ensuring that the Company complies with the Offering requirements; and
- f- identifying, assessing, managing and reviewing the Company's financial risks and controls and implementing mitigation and contingency plans and documenting the same, including in relation to risk registers, impact and probability analysis and response planning analysis.

4.11 Business Continuity

The Directors declare that there has been no suspension or interruption in the Company's business or that of its Subsidiary during the last twelve-month period which would affect or have a significant impact on its financial position.

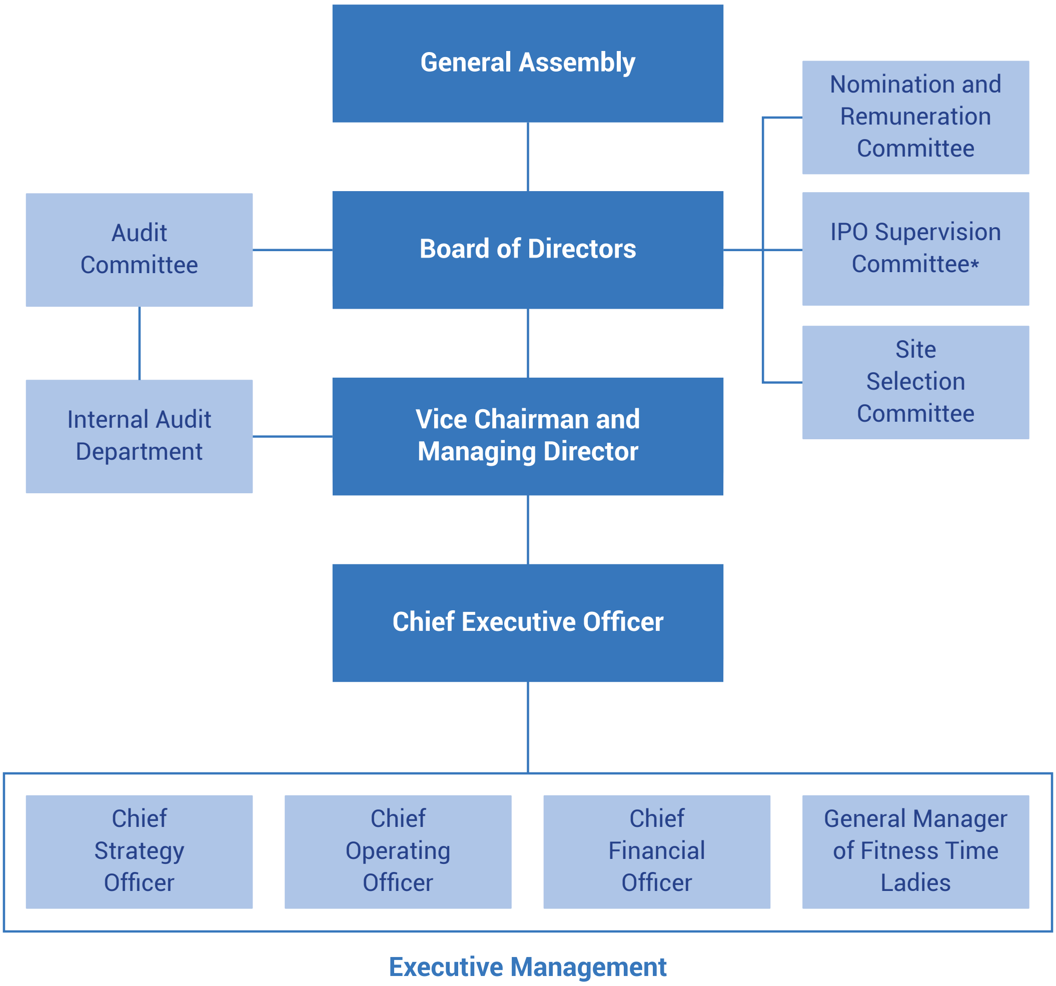
5. ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE

5.1 Organisational Structure

The Shareholders of the Company delegate responsibility to the Board of Directors for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the senior management of the Company and, in particular, the Managing Director and the Chief Executive Officer.

The following chart sets out the organisational structure of the Company:

Exhibit 6: Organisational Structure of the Company



Source: The Company.

* This Committee will be dissolved upon the completion of the Offering.

The following table summarises the ownership structure of the Company before and after the Offering:

Table 38: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)
Hamad Ali Al-Saqri	31,670,150	60.5%	316,701,500	31,670,150	60.5%	316,701,500
Target Opportunities for Trading Company[2]	13,148,224	25.1%	131,482,240	1,361,968	2.6%	13,619,680
Latifa Mohammed Al-Haqbani2	2,315,006	4.4%	23,150,060	517,917	1.0%	5,179,170
Abdulmohsin Ali Al-Haqbani	1,655,991	3.2%	16,559,910	1,655,991	3.2%	16,559,910

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Nominal Value (SAR)
Salih Mohammed Al-Haqbani[2]	844,893	1.6%	8,448,930	189,021	0.4%	1,890,210
Nahla Ali Al-Haqbani[2]	675,915	1.3%	6,759,150	151,217	0.3%	1,512,170
Khalid Ali Al-Haqbani[2]	544,956	1.0%	5,449,560	121,918	0.2%	1,219,180
Ali Hamad Al-Saqri	379,696	0.7%	3,796,960	379,696	0.7%	3,796,960
Shadan Hamad Al-Saqri	379,696	0.7%	3,796,960	379,696	0.7%	3,796,960
Noura Fahad Al-Qahtani[2]	177,426	0.3%	1,774,260	39,694	0.1%	396,940
Waleed Ali Al-Haqbani[2]	168,978	0.3%	1,689,780	37,804	0.1%	378,040
Hessa Zaid Al-Nasser[2]	135,184	0.3%	1,351,840	30,243	0.1%	302,430
Fahad Ali Al-Haqbani	88,595	0.2%	885,950	88,595	0.2%	885,950
Aljazi Abdulaziz Al-Nasser[2]	84,490	0.2%	844,900	18,902	0.04%	189,020
Noura Abdulaziz Al-Nasser[2]	63,467	0.1%	634,670	14,199	0.03%	141,990
Nada Ali Al-Haqbani[2]	50,694	0.1%	506,940	11,341	0.02%	113,410
Public	-	-	-	15,715,009	30.0%	157,150,090
Total	**52,383,361**	**100.0%**	**523,833,610**	**52,383,361**	**100.0%**	**523,833,610**

Source: The Company.

1- The shareholding percentages are rounded.

2- Selling Shareholder.

5.2 Board of Directors and Secretary of the Board

5.2.1 Composition of the Board of Directors

The Board of Directors comprises nine Directors who are appointed by the General Assembly by means of cumulative vote. As an exception to the foregoing, and so long as Target Opportunities Company for Trading holds 25.1% of the Shares, Target Opportunities Company for Trading may appoint two of the Directors as its representatives to the Board, noting that its ownership will decline to 2.6% after the Offering, and therefore, such right will expire. The Companies Law, the Corporate Governance Regulations, the Bylaws, and the internal governance regulations of the Company shall determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership in the Board of Directors, including the Chairman, shall be for a maximum period of three years for each period.

The following table sets out the Directors and the Secretary as at the date of this Prospectus:

Table 39: Company's Board of Directors

					Direct Share Ownership[1]		Indirect Share Ownership		Date of Appointment[2]
Name	Position	Nationality	Status	Independence	Pre-Offering	Post Offering	Pre-Offering	Post Offering	
Hamad Ali Al-Saqri	Chairman	Saudi	Non-executive	Non-independent	60.5%	60.5%	-	-	May 2017G
Abdulmohsin Ali Al-Haqbani	Vice Chairman and Managing Director	Saudi	Executive	Non-independent	3.2%	3.2%	-	-	May 2017G
Ali Hamad Al-Saqri	Director	Saudi	Non-executive	Non-independent	0.7%	0.7%	-	-	January 2010G

Name	Position	Nationality	Status	Independence	Direct Share Ownership[1]		Indirect Share Ownership		Date of Appointment[2]
					Pre-Offering	Post Offering	Pre-Offering	Post Offering	
Rabih Michelle Khouri	Director	French	Non-executive	Non-independent[3]	-	-	-	-	July 2013G
Walid Michelle Majdalani	Director	Dutch	Non-executive	Non-independent[3]	-	-	-	-	July 2013G
Yousef Hamad AlYousefi	Director	Saudi	Non-executive	Independent	-	-	-	-	May 2017G
Abdulrahman AL-Barrak	Director	Saudi	Non-executive	Independent	-	-	-	-	January 2018G
Christopher Errol Clawson	Director	American	Non-executive	Independent	-	-	-	-	January 2018G
Hessa Hamad Al-Saqri	Director	Saudi	Non-executive	Non-independent	-	-	-	-	January 2018G
Ibrahim Bedair	Secretary	Egyptian	-	-	-	-	-	-	October 2014G

Source: The Company.

1- The shareholding percentages are rounded.

2- Dates listed in this table are the dates of appointment in the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (*Biographies of the Members of the Board of Directors and of the Secretary of the Board of Directors*) describe the dates of their appointment, whether in the Board of Directors or in any other position.

3- Representative of Target Opportunities Company for Trading.

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. The Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for overall day to day management of the Company to the Company's senior management.

Some powers are delegated to Company's committees, consisting of the Audit Committee, the Nomination and Remuneration Committee and the Site Selection Committee (collectively, the "**Committees**"), and a number of administrative departments with responsibility for dealing with a range of operational and business matters (for further details regarding the Company's administrative departments, please see Section 4.10 (*Administrative Support Departments*)). In addition, the Board of Directors has the power to form any number of committees it considers necessary for effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or to third parties. As of the date of this Prospectus, in addition to the above permanent Committees, the Board of Directors has formed an IPO Supervision Committee advising the Board of Directors in connection with the Offering that will dissolve upon the completion of the Offering. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarised as follows:

5.2.2.1 The Board of Directors

The responsibilities of the Board of Directors include the following:

- participating in the overall direction and management of the Company;
- overseeing the Committees in line with the policies and objectives of the Company;
- approving the appointment of the Chief Executive Officer, the Chief Financial Officer and the Company's Head of Internal Audit;
- laying down a comprehensive strategy for the Company, the main work plans and the policy related to risk management;
- determining the appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets;

- supervising the main capital expenditures of the Company and acquisition/disposal of assets;
- determining the performance objectives to be achieved and supervising implementation thereof;
- monitoring the overall performance of the Company;
- reviewing and approving the organisational and functional structures of the Company;
- developing a written policy regulating conflicts of interest and remedy any possible cases of conflict by the Directors, senior management and Shareholders;
- developing written policies regulating the Company's relationship with the Shareholders, including policies in connection with the indemnification of Shareholders and settlement of complaints or disputes between the Company and Shareholders;
- developing policies in connection with maintaining relationships with customers and suppliers and protecting the confidentiality of information in relation thereto;
- establishing a code of conduct for the Company's executives and employees compatible with the proper professional and ethical standards;
- developing policies in connection with the Company's social contributions;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and implementation thereof;
- ensuring alignment of strategy and plan with the Company's existing resources, risks, economic and market conditions and growth;
- ensuring the integrity of the 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 with transparency;
- holding a meeting in the last quarter of each year to approve the budget for the following year;
- except for the Audit Committee, establishing committees of the Board of Directors with specific mandates, approving its charters and appointing its members;
- evaluating the performance of the Company's senior management members in connection with the achievement of strategy;
- ensuring that a sound system of internal control (supported by the Audit Committee) is established, implemented and maintained at all levels;
- reviewing the effectiveness of the Company's internal control systems;
- ensuring compliance with the Company's corporate governance manual and the Company's policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;
- determining the powers to be delegated to the Company's senior management members;
- approving new business initiatives and business closures;
- reviewing the performance of the committees established by the Board of Directors;
- reviewing compliance with the authority matrix;
- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;
- calling for a meeting of the General Assembly at least once a year during the six months following the end of the Company's financial year
- reviewing the Company's corporate governance manual periodically, evaluating whether any changes are required in light of updated regulations, changes in practices and communicating such changes to the Secretary; and
- recommending to the Shareholders the dividends to be distributed in accordance with the Company's dividend distribution policy and any retention of profits.

5.2.2.2 The Chairman

The Chairman shall assume the following responsibilities:

- promoting a constructive relationship between the Board of Directors and the senior management, and between the executive Directors and the non-executive Directors;
- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance, value creation for Shareholders and accountability at all levels;

- promoting a culture in the boardroom that encourages constructive criticism and alternative views on certain issues under consideration, and encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- delegating tasks to individual Directors and following up on their progress; and
- ensuring that Directors disclose their business and conflict of interest in any matter discussed in Board of Directors meetings.

5.2.2.3 The Secretary of the Board of Directors

The responsibilities of the Secretary of the Board of Directors include the following:

- managing all the administrative, technical and logistics relating to the affairs of the Board of Directors and the General Assembly meetings;
- managing and coordinating the schedules for Board of Directors meetings and meetings of the Committees;
- attending the meetings of the Board of Directors;
- preparing visual presentations, preparing and distributing minutes of meetings, archive all data, information and records relating to the Board of Directors and the Committees and monitor the implementation of resolutions of the Board of Directors and the Committees;
- ensure the flow of information within the Board of Directors and between the Board of Directors and the Company's executive management;
- preparing, maintaining and keeping a register of proceedings and resolutions of the Board of Directors and the Committees and safekeeping the official records of the Company;
- managing and developing the Board of Directors' secretariat division;
- acting as a liaison officer with the CMA and other official bodies and ensure compliance with corporate governance and other related regulations;
- assisting in the modernisation and implementation of the Company's corporate governance;
- assisting the Nomination and Remuneration Committee in preparing and implementing the induction program for incoming Directors;
- preparing status reports on the decisions of Board of Directors and implementation thereof;
- ensuring that the procedures, rules and regulations applicable to the Board of Directors are followed by the Directors;
- maintaining and updating the Company's corporate governance manual as per the instructions of the Board of Directors; and
- performing such other tasks as delegated by the Board of Directors.

5.2.3 Service Contracts with Directors

There are no service contracts entered into between the Directors and the Company.

5.2.4 Biographies of the Members of the Board of Directors and of the Secretary of the Board of Directors

The experience, qualifications and the current and other positions of each of the Directors and the Secretary of the Board of Directors are set out below:

5.2.4.1 Hamad Ali Al-Saqri, Chairman

Nationality:	Saudi
Age:	61 years.
Academic and Professional Qualifications:	• Training degree in Civil Aviation from Elstree Aerodrome Institute in London, United Kingdom in 1998G; and • Diploma from the Education Institute Riyadh, Kingdom of Saudi Arabia in 1971G;
Date of Appointment	• 7/8/1438H (corresponding to 1/5/2017G)
Current Positions:	• Chairman, Leejam Sports Company, since 2017G; • Shareholder and Chairman, Hamad Al-Saqri Holding Company, a joint stock company, based in Riyadh, the Kingdom of Saudi Arabia, engaged in investment and development, manufacturing of greases and motors oils and related technical support, including the largest oil collection and refining plant in the Middle East, since 2003G; • Partner and Chairman, Bonam Park SA, a holding company based in Meyrin, Switzerland, investing in various sectors in Europe, since 2012G; and • Shareholder and Chairman, Bonam Park SAS, a joint stock company based in Ferney-Voltaire, France, engaged in major real estate development under the trademark "UR-BAINV" and development of residential complexes in Gex area, France, since 2012G.
Past Professional Experience:	Shareholder and Chairman of Safari Co., a joint stock company, from 1985G to 2003G.

5.2.4.3 Abdulmohsin Ali Al-Haqbani, Vice Chairman of the Board of Directors and Managing Director

Nationality:	Saudi
Age:	50 years.
Academic and Professional Qualifications:	• Bachelor Degree in Military Science, King Abdulaziz Military Academy, Riyadh, Kingdom of Saudi Arabia, 1989G.
Date of Appointment	• 18/10/1425H (corresponding to 1/12/2004G)
Current Positions:	• Vice Chairman and Managing Director, Leejam Sports Company, since 2017G.
Past Professional Experience:	• Chairman and Managing Director, Leejam Sports Company, from 2008G until 2017G; and • Chief Executive Officer, Fitness centres Company, a Saudi joint stock company, fitness and fitness centres, from 1993G until 2005G.

5.2.4.4 Ali Hamad Al-Saqri, Director

Nationality:	Saudi
Age:	33 years.
Academic and Professional Qualifications:	• Bachelor Degree in International Business Administration, Seneca University, Toronto, Canada, 2006G.
Date of Appointment	• 17/1/1431H (corresponding to 3/1/2010G)
Current Positions:	• Member of the Nomination and Remuneration Committee, Leejam Sports Company, since 2017G; • Member of the Audit Committee, Leejam Sports Company, since 2017G; • Board Member, Leejam Sports Company, since 2010G; • Vice President, Hamad Ali Al-Saqri Holding Company, a joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in global real estate investment and development, manufacturing of greases and motors oils and related technical support, including the largest oil collection and refining plant in the Middle East, since 2013G; and • Board member, Hamad Ali Al-Saqri Holding Company, a joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in global real estate investment and development, manufacturing of greases and motors oils and related technical support, including the largest oil collection and refining plant in the Middle East, since 2003G.
Past Professional Experience:	• Vice President, Wacker International Establishment, a limited liability company based in Riyadh, the Kingdom of Saudi Arabia, Constructions, from 2006G until 2013G.

5.2.4.6 Rabih Michel Khouri, Director

Nationality:	French
Age:	46 years.
Academic and Professional Qualifications:	• MBA from Cambridge University, Cambridge, United Kingdom, 1999G; and • Masters in Engineering, Ecole Centrale, Paris, France, 1995G.
Date of Appointment	• 22/8/1434H (corresponding to 1/7/2013G)
Current Positions:	• Chairman of the Audit Committee, Lazurde Jewellery Company, a joint stock company based in Riyadh, the Kingdom of Saudi Arabia and listed in the Saudi Stock Exchange, specializing in the gold and jewellery sector, since 2017G; • Member of Audit Committee, Bindawood Holding Company, a Saudi joint stock company, specialized in operating supermarkets and hypermarkets under the brands of Bindawood and Danube, since 2016G; • Member of the Audit Committee, Leejam Sports Company, since 2013G; • Board Member, Lazurde Jewellery Company, a joint stock company based in Riyadh, the Kingdom of Saudi Arabia and listed in the Saudi Stock Exchange, specializing in the gold and jewellery sector, since 2017G; • Board Member, Leejam Sports Company, since 2013G; • Board member, Theeb Rent a Car Company, a Saudi joint stock company based in Riyadh, the Kingdom of Saudi Arabia, car rental business, since 2013G; • Member of the Audit Committee, Theeb Rent a Car Company, a Saudi joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in car rental services, since 2013G; • Member of the Audit Committee, Automak Company Kuwait, a joint stock company, operating in car leasing and rental business, since 2012G; and • Member of the Middle East and North Africa investment team, Investcorp Bank Bahrain, a joint stock company, financial and banking services, since 2007G.
Past Professional Experience:	• Portfolio Manager at Nord Est France, diversified industrial fund, from 2005G until 2007G; • Engagement Manager at McKinsey & Company France and North Africa, partnership providing management consultancy services, from 2000G until 2005G; and • Project Manager at Arthur Andersen France, a joint stock company providing audit and transaction services, from 1995G until 1997G and from 1999G until 2000G.

5.2.4.7 Walid Michel Majdalani, Director

Nationality:	Dutch
Age:	46 years.
Academic and Professional Qualifications:	• Master's Degree in Business Administration, Harvard University, Cambridge, Massachusetts, United States of America, 1998G; and • Bachelor Degree in Business Administration in Management Information Systems, University of Texas, Texas, United States of America, 1992G.
Date of Appointment	• 22/8/1434H (corresponding to 1/7/2013G)
Current Positions:	• Board member, Investcorp Saudi Arabia Financial Investments Company, a Saudi joint stock company, engaged in the financial services sector, since 2017G; • Board Member, Bindawood Holding Company, a Saudi joint stock company, specialized in operating supermarkets and hypermarkets under the brands of Bindawood and Danube, since 2016G; • Member of the Nomination and Remuneration Committee, Bindawood Holding Company, a Saudi joint stock company, specialized in operating supermarkets and hypermarkets under the brands of Bindawood and Danube, since 2016G; • Board Member, NDT Corrosion Control Services Company Saudi Arabia, a Saudi joint stock company, specialized in testing services of the industrial sector, since2015G; • Member of the Nomination and Remuneration Committee, NDT Corrosion Control Services Company Saudi Arabia, a Saudi joint stock company, specialized in testing services of the industrial sector, since 2015G; • Board Member, Leejam Sports Company, since 2013G; • Member of the Nomination and Remuneration Committee, Leejam Sports Company, since 2013G; • Board member, Theeb Rent a Car Company, a Saudi joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in car rental services, since 2013G; • Member of the Nomination and Remuneration Committee, Theeb Rent a Car Company, a Saudi joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in car rental services, since 2013G;

	• Board Member, Automak Company Kuwait, a public joint stock company, specialized in car leasing and rental services, since 2012G; • Member of the Nomination and Remuneration Committee, Automak Company Kuwait, a joint stock company, operating in car leasing and rental business, since 2012G; and • Member of the Middle East and North Africa investment team, Investcorp Bank Bahrain, a joint stock company, specialized in financial and banking services, since 2007G.
Past Professional Experience:	• Investment Director and Asset Manager, ABN AMRO Bank NV, a Dutchbased joint stock entity, providing a wide range of financial services including Private Equity and Infrastructure Investments, from1998G until 2007G; and • UAE Territory Manager, Oracle Corporation United States of America, a joint stock company based in the USA, providing database software and technology, cloud engineered systems and enterprise software solutions, from 1992G until 1996G.

5.2.4.8 Yousef Hamad Al-Yousefi, Director

Nationality:	Saudi
Age:	35 years.
Academic and Professional Qualifications:	• Master of Business Administration, Harvard University, Boston, United States of America, 2010G. • Bachelor of Science, Electrical Engineering, University of Colorado, Boulder, USA, 2003G.
Date of Appointment	• 26/8/1438H (corresponding to 23/5/2017G)
Current Positions:	• Chairman of the Nomination and Remuneration Committee, Leejam Sports Company, since 2018G; • Board Member, Leejam Sports Company, since 2017G; • Board Member, Saudi Fransi Capital, a Saudi closed joint stock company based in Riyadh, operating in financial services, since 2017G. • Partner, Marco Strategic Advisors (Marco), a limited liability company based in Riyadh, operating in strategic consulting services, since 2015G. • Investment Manager, Sada Holding Company, a limited liability company based in Riyadh, operating in direct investment in private ownership, since 2015G. • Founder and Chairman of the Board of Directors, Joa Energy, a limited liability company based in Riyadh, operating in energy services, since 2013G.
Past Professional Experience:	• Director of Investments and Founder of Riyad TAQNIA Fund, Saudi Technology Development and Investment Company (TAQNIA), a joint stock company based in Riyadh, wholly owned by the Public Investment Fund (PIF), operating in the management of investments, from 2012G to 2015G. • Energy Sector Analyst, Passport Capital, a limited liability company based in California, USA, specialised in investment advisory services, from 2011G to 2012G. • Consultant, King Abdullah Centre for Petroleum Studies and Research, a non-profit organization, from 2010G to 2011G. • Associate of Private Equity Department, Jadwa Investment Company, a joint stock company based in Riyadh, specialized in financial services, from May 2009G until August 2009G. • Consultant, Strategy &, previously known as CO & BOOZ, a joint stock company based in the USA, operating in consulting services, in 2008G. • Oil field Engineer, Schlumberger, a joint stock company based in Texas, USA, operating in Oil & Gas sector, oil exploration and extraction, from 2005G to 2008G. • Communications Engineer, Saudi Arabian Oil Company (Saudi Aramco), operating in the oil and gas sector from 2004G to 2005G.

5.2.4.9 Abdulrahman Mohammed Al-Barrak, Director

Nationality:	Saudi
Age:	41 years.
Academic and Professional Qualifications:	• PhD in Finance, Newcastle University, Newcastle upon Tyne, United Kingdom, 2005G; • Masters in Finance, University of Colorado, Denver, United States, 2001G; and • Bachelor Degree in Accounting, King Faisal University, Riyadh, Kingdom of Saudi Arabia, 1997G.
Date of Appointment	• 6/5/1439H (corresponding to 23/1/2018G)
Current Positions:	• Board Member, Leejam Sports Company, since 2018G; • Chairman of the Audit Committee, Leejam Sports Company, since 2018G; • Founder and Executive Partner, Thara Consulting Establishment, based in Riyadh, the Kingdom of Saudi Arabia, specialized in financial and administrative consultation services, since 2017G;

Current Positions:	• Chairman of the Audit Committee, Alandalus Property Company, a listed joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in real estate consultancy services, since 2017G; • Member of the Audit Committee, Al-Elm Information Security Company, a closed joint stock company based in Riyadh, the Kingdom of Saudi Arabia, operating in the electronic services sector, since 2017G; • Member of the Audit Committee, Etihad Etisalat Company (Mobily), a listed joint stock company based in Riyadh, the Kingdom of Saudi Arabia, operating in the telecom and information technology sector, since 2017G; • Member of the Audit Committee, National Centre for Privatization, a Saudi government organization, operating in the privatization sector, since 2017G; • Board member, Alandalus Property Company, a listed joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in real estate consultancy services, since 2017G; and • Member of the Advisory Board for the development of Makkah Region, a Saudi government entity, specialized in development projects, since 2013G.
Past Professional Experience:	• Vice Chairman of the Board, Capital Market Authority, a government entity, from March 2017G until October 2017G; • Board member, Capital Market Authority, a government entity, from 2009G until 2017G; • Vice Chairman of the Executive Committee, Saudi Organization for Certified Public Accountants, a Saudi professional membership organization, specialized in the accountancy profession, from 2014G until 2017G; • Chairman of the Audit Committee, Saudi Organization for Certified Public Accountants, a Saudi professional membership organization, specialized in the accountancy profession, from 2014G until 2016G; • Board member, Saudi Organization for Certified Public Accountants, a Saudi professional membership organization, specialized in the accountancy profession, from 2013G until 2017G; • Dean of College Affairs, King Faisal University, a Saudi government university based in Al Hufuf, the Kingdom of Saudi Arabia, from 2008G to 2009G; • Member of the University Board, King Faisal University, a Saudi government university based in Al Hufuf, the Kingdom of Saudi Arabia, from 2008G to 2009G; • Chair of the Finance Department, King Faisal University, a Saudi government university based in Al Hufuf, the Kingdom of Saudi Arabia, from 2007G to 2009G; • Board member of the Business school, King Faisal University, a Saudi government university based in Al Hufuf, the Kingdom of Saudi Arabia, from 2007G to 2009G; and • Faculty member, King Faisal University, a Saudi government university based in Al Hufuf, the Kingdom of Saudi Arabia, from 2005G to 2009G.

5.2.4.10 Christopher Errol Clawson, Director

Nationality:	American
Age:	54 years.
Academic and Professional Qualifications:	Master's Degree in Marketing, Northwestern University, Evanston, United States, 2002G; and Bachelor's Degree in Liberal Arts, San Diego State University, San Diego, United States, 1989G.
Date of Appointment	6/5/1439H (corresponding to 23/1/2018G)
Current Positions:	Board Member, Leejam Sports Company, since 2018G.
Past Professional Experience:	• President of the Life Fitness Division, Brunswick Company, Rosemont, IL, United States of America, a publicly traded corporation, specialized in the fitness sector, from 2010G until 2017G; • Corporate Vice President and Chief Executive Officer, Brunswick Corporation, Dover, Delaware, United States of America, a publicly traded corporation, specialized in the fitness sector, from 2010G until 2017G; • Chief Executive Officer and President, Johnson Health Tech, Cottage Grove, Wisconsin, United States of America, a publicly traded company in the Taiwanese Stock Exchange, specialized in the fitness sector, from 2008G until 2010G; • President, Matrix Fitness Systems, Johnson Health Tech, Cottage Grove, Wisconsin, United States of America, a publicly traded company in the Taiwanese Stock Exchange, specialized in the fitness sector, from 2007G until 2008G;

Past Professional Experience:	• Vice President, Marketing and Business Development, Stamina Products Incorporation, Springfield, Missouri, United States of America, privately held company specialized in fitness, from 2004G to 2007G; • President and General Manager, Fitness Equipment, Division of Brunswick Corporation, Moonachie New Jersey, United States of America, a publicly traded company in the New York Stock Exchange specialized in retail fitness, from 2003G until 2004G; • Vice President, Consumer Sales and Marketing, Life Fitness Division of Brunswick, Franklin Park, Illinois, United States of America, a publicly traded company in the New York Stock Exchange, specialized in fitness, from 2001G until 2003G; • Senior Director Marketing Product Manager, Life Fitness, Franklin Park, Illinois, United States of America, privately held company until 1997G and then part of publicly traded company (Brunswick) in the New York Stock Exchange, specialized in fitness, from 1995G until 2001G; • Senior Marketing Product Manager, Life Fitness, Franklin Park, Illinois, United States of America, privately held company specialized in fitness, from 1994G until 1995G; • Marketing Product Manager, Diversified Products Incorporation, Opelika, Alabama, United States of America, privately held company specialized in fitness and sporting goods, from 1992G until 1994G; • Key Account Sales Manager, Diversified Products Incorporation, Opelika, Alabama, United States of America, privately held company specialized in fitness and sporting goods, from 1990G until 1992G; • Fitness Manager and Cross-Training Representative, Sportmart Incorporation, San Diego, California, United States of America, privately held company specialized in retail sporting goods, from 1988G until 1990G; and • Team Sports and Fitness Manager, Oshman's Sporting Goods, San Diego, California, United States, privately held company specialized in retail sporting goods, from 1984G until 1988G.

5.2.4.11 Hessah Hamad Al-Saqri, Director

Nationality:	Saudi
Age:	28 years.
Academic and Professional Qualifications:	• Bachelor Degree in Applied Linguistics, Prince Sultan University, Riyadh, Kingdom of Saudi Arabia, 2013G.
Date of Appointment	• 6/5/1439H (corresponding to 23/1/2018G)
Current Positions:	• Board member, Leejam Sports Company, since 2018G; • Board member, Bonam Park SA, a holding company based in Meyrin, Switzerland, investing in various sectors in Europe, since 2017G; • President, Saudi Technology Lube Oil Company, a closed joint stock company based in Riyadh, the Kingdom of Saudi Arabia, specialized in re-refined oil manufacturing and supplying, since 2016G; and • President, Bonam Park SAS, a joint stock company based in Ferney-Voltaire, France, specialized in major real estate development under the trademark "URBAINV" and development of residential complexes in Gex area, France, since 2014G.
Past Professional Experience:	N/A

5.2.4.13 Ibrahim Bedair, Secretary of the Board of Directors

Nationality:	Egyptian
Age:	46 years.
Academic and Professional Qualifications:	• Bachelor Degree in Accounting, Tanta University, Tanta, Egypt, 1992G.
Date of Appointment	• 28/4/1434H (corresponding to 11/3/2013G)
Current Positions:	• Secretary of the Board of Directors, Leejam sports company, since 2014G; and • Compliance Manager, Leejam Sports Company, since March 2013G.
Past Professional Experience:	• Internal Audit Manager, Wafrah Company for Industry and Development, joint stock company based in Riyadh, the Kingdom of Saudi Arabia, industrial company specialized in the food production and manufacturing industry, from 1995G until 2013G. (The Secretary has never been a member of any board).

5.3 Board of Directors Committees

The Board of Directors has established the Committees to optimise the management of the Company and to meet relative regulatory requirements. Each Committee is required to have clear rules identifying its role, its powers and its responsibilities and minutes must be prepared for each meeting of each Committee (which are reviewed and approved by the Board of Directors).

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

The Audit Committee verifies the accuracy of the Company's financial statements and reports, and assists the Board with its internal oversight mechanisms of: (i) the integrity, effectiveness and accuracy of the Company's financial statements and reports; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications, independence and performance of the Company's external auditor; and (iv) the performance, soundness and effectiveness of the Company's internal control, audit and financial reporting systems. The responsibilities of this committee further include the following. The responsibilities of the Audit Committee further include the following:

- **Financial Statements and Reports:**
  - review, express an opinion on, and make recommendations to the Board regarding the initial and annual financial statements of the Company, including all announcements relating to the Company's financial performance, prior to their presentation to the Board, to ensure their integrity, fairness and transparency;
  - at the request of the Board, express a technical opinion with respect to the fairness, balance and comprehensibility of the Board report and the Company's financial statements, and whether they include the information to enable shareholders and investors to assess the Company's financial position, performance, business model and strategy;
  - review any significant or unusual issues or matters included in the Company's financial statements and reports, and review any matters raised by the Chief Executive Officer or his delegate, Chief Financial Officer or his delegate, Compliance Manager, or the Internal Auditor, or the Company's Auditor;
  - examine the accounting estimates in respect of significant matters contained in the Company's financial statements and reports; and
  - review the accounting policies in force and advise the Board of its opinion and any recommendations regarding the same.
- **Internal Control and Audit:**
  - review, and consider the effectiveness of, the Company's internal control, financial, and risk management systems;
  - review internal audit reports and pursue the implementation of corrective measures in respect of the comments included therein;
  - oversee and supervise the performance and the activities the Internal Auditor and the Company's Internal Audit Department to ensure they have access to the necessary resources and ensure their effectiveness in performing the tasks and duties assigned to them;
  - approve the Company's internal audit charter;
  - recommend to the Board decisions regarding its resolutions of appointment, removal and remuneration of the Internal Auditor; and
  - review on an annual basis the performance and the activities of the Internal Auditor and recommend to the Board their annual compensation and salary adjustment.
- **External Audit:**
  - recommend to the Board the nomination, dismissal, and remuneration of the Auditor, after reviewing the Auditor's scope of work and terms of engagement, with such recommendation having verification of the independence of the Auditor;
  - review the professional qualifications of the Auditor and the personnel that will be working within the Auditor for the Company;
  - review the performance and supervise the activities of the Auditor and report to the Board with its recommendations in respect of the same;
  - review and verify annually the independence, objectivity, and fairness of the Auditor and the effectiveness of the Auditor's audit work, taking into account the relevant rules and standards, and make recommendation to then Board in respect of the same;
  - review the Auditor's proposed audit scope, approach, and plan, and make any comments thereon;

- verify that the Auditor is not providing any technical or management services outside of the scope of the audit other than those permitted by the legislative bodies, and make recommendations to the Board in respect of the same;
- address any inquiries raised by the Auditor; and
- review the reports, qualifications and comments of the Auditor in relation to Company's financial statements and follow up on the actions taken in relation to the same.

- **Compliance:**
  - verify and monitor the Company's compliance with the applicable laws, regulations, policies and instructions;
  - review the reports and results of investigations of any competent supervisory or regulatory authority, and ensure that the Company has undertaken the necessary actions in relation to the same;
  - review the contracts and transactions to be entered into by the Company with any related party, and make recommendations to the Board in relation to the same;
  - ensure that appropriate arrangements are put in place, and implemented, to allow for the confidential and anonymous submission by the Company's employees of concerns regarding any financial, accounting or auditing matters or any cases of non-compliance through a reasonable mechanism; and
  - report to the Board any matters or issues which should be brought to the attention of the Board, and any related recommendations.

- **Reporting:**
  - report to the Board on its proceedings, recommendations, and resolutions after each meeting of the Committee on all matters within its duties and responsibilities; and
  - prepare an annual written report assessing the adequacy of the Company's internal control, financial and risk management systems, and its recommendations in respect thereof, as well as the tasks undertaken by the Committee within its competence. Copies of the report should be made available for collection by the Company's shareholders at the Company's head office and published on the website of the Company and Tadawul at the time of publishing the invitation to convene the relevant annual General Assembly meeting, and at least ten days prior to such General Assembly meeting. A copy of the report should be read out at that meeting.

- **Miscellaneous:**
  - institute and oversee special investigations as needed; and
  - perform such other related activities as requested by the Board.

The Audit Committee consists of at least three members from among the Shareholders or others, provided that (i) at least one member is an Independent Director; (ii) no Executive Director is a member; (iii) one of its member is specialized in finance and accounting. The Audit Committee convenes periodically provided that at least four meetings are held during the Company's financial year. The internal auditor and the external auditor may call for a meeting with the Audit Committee at any time as may be necessary. The term of the current Audit Committee members will expire once the first General Assembly is held following the Offering or at 31 December 2018G (whichever is earlier) according to the Extraordinary Assembly Resolution, dated 8/9/1439H (corresponding to 24/5/2018G).

The Audit Committee comprises the following members as at the date of this Prospectus:

Table 40: Audit Committee Members

Name	Role
Abdulrahman Mohammed Al-Barrak	Chairman
Rabih Michel Khouri	Member
Ali Hamad Al-Saqri	Member

Source: The Company.

5.3.2 Biographies of the Members of the Audit Committee

The experience, qualifications and the current and other positions of the members of the Audit Committee are set out below:

5.3.2.1 Abdulrahman Mohammed Al-Barrak

Please refer to Section 5.2.4.7 (*Abdulrahman Mohammed Al-Barrak, Director*) for further details regarding experience, qualifications and the current and previous positions of Abdulrahman Mohammed Al-Barrak.

5.3.2.2 Rabih Michel Khouri

Please refer to Section 5.2.4.4 (*Rabih Michel Khouri, Director*) for further details regarding experience, qualifications and the current and previous positions of Rabih Michel Khouri.

5.3.2.3 Ali Hamad Al-Saqri

Please refer to Section 5.2.4.3 (*Ali Hamad Al-Saqri, Director*) for further details regarding experience, qualifications and the current and previous positions of Ali Hamad Al-Saqri.

5.3.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration policy for the Directors and the members of the Company's senior management. The duties and responsibilities of Nomination and Remuneration Committee include the following:

- **Nomination:**
  - prepare, recommend to the Board, and oversee policies and criteria in relation to the appointment of Directors and members of the Company's executive management;
  - interview all Board candidates and ensure that all necessary and appropriate inquiries are made into the backgrounds and qualifications of such candidates before recommending them to the Board for nomination;
  - recommend to the Board candidates for nomination (or re-nomination) to the Board in accordance with the applicable laws, regulations, rules and policies;
  - at least annually review, assess, and recommend to the Board the skills, qualifications, and credentials required for membership in the Board and the Company's executive management, including setting the time commitment required for such membership and the job specifications for executive, non-executive, and independent Directors and members of the Company's executive management;
  - verify on an annual basis the independence of each independent Director in accordance with the applicable laws, regulations, and rules and the absence of any conflict of interest in case a Director also serves as a member of the board of directors of another company;
  - periodically review and make recommendations to the Board concerning the succession plans for Directors and senior executives, taking into account the challenges and opportunities facing the Company, as well as the skills and expertise required for the executive management and the Board;
  - evaluate and recommend to the Board potential candidates for executive management positions in the Company and, in particular, assist the Board in selecting, developing, and evaluating potential candidates for the position of Chief Executive Officer; and
  - develop, and periodically review, procedures for filling vacancies in the Board and the Company's executive management and make recommendations to the Board regarding the selection and approval of candidates to fill such vacancies.

- **Review and Assessment:**
  - periodically review the structure, size, composition, strengths, and weaknesses of the Board (including the skills, knowledge, and experience) and the Company's executive management; make appropriate recommendations and suggest solutions to the Board that are compatible with the interests of the Company;
  - develop and oversee an induction program for new Directors and a continuing education program for current Directors; periodically review these programs and update them as necessary; and
  - develop, recommend to the Board, and oversee an annual self-evaluation process for the Directors and certain senior executives of the Company.

- **Remuneration:**
  - prepare, recommend to the Board, and oversee the implementation and disclosure of a policy for the remuneration of Directors, executives of the Company, and members of the committees of the Board, which shall be presented before the General Assembly for approval;

- prepare an annual report on the remuneration and other payments (in cash or in kind) received by Directors, executive management and members of the Board committees, and the relation between the remuneration received and the Remuneration Policy (including a description of any significant departures from the Remuneration Policy) for presentation before the Board for consideration;
- periodically review and assess the effectiveness and appropriateness of the Remuneration Policy and make recommendations to the Board in relation to the same;
- recommend to the Board the form and amount of remuneration to be granted to the Directors, senior executives of the Company, and members of the Board committees, in accordance with the approved Remuneration Policy;
- review and make recommendations to the Board regarding the Company's incentive plans for Directors and employees, including in relation to adopting, amending, and terminating such plans; and
- prepare any disclosures required under the policies of the Company and any laws, regulations, or rules to which the Company is subject, including, at a minimum, disclosures relating to the Remuneration Policy and the Annual Report on Remuneration, and disclosures regarding remuneration in the annual report of the Board.

- **Corporate Governance:**
  - oversee, review and make recommendations and suggest any changes to the Board in relation to Company's corporate governance policies, practices, provisions and procedures, including the Company's internal corporate governance regulation, at least annually;
  - monitor, review and verify the Company's compliance with the corporate governance manual, internal corporate governance policies and applicable corporate governance requirements under the relevant laws, regulations and rules;
  - develop, review and recommend to the Board codes of professional conduct representing the Company's values as well as other internal policies and procedures in order to fulfil the relevant requirements and best practices; and
  - regularly review by the Board with respect to significant changes in the applicable governance's requirements and, developments in the corporate governance and the best practices.

- **Miscellaneous:**
  - perform such other related activities as requested by the Board.

The Nomination and Remuneration Committee consists of at least three members. Members of the Nomination and Remuneration Committee shall not be Executive Directors, provided that there shall be at least one Independent Director among them. The Chairman of the Nomination and Remuneration Committee is an Independent Director. The Nomination and Remuneration Committee shall convene periodically at least once a year and as may be necessary by the request of the Board or any of the Members.

The Nomination and Remuneration Committee comprises the following members as at the date of this Prospectus:

Table 41: Nomination and Remuneration Committee Members

Name	Role
Yousef Hamad Al-Yousefi	Chairman
Walid Michel Majdalani	Member
Ali Hamad Al-Saqri	Member

Source: The Company.

5.3.4 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and the current and other positions of the members of the Nomination and Remuneration Committee are set out below:

5.3.4.1 Yousef Hamad Al-Yousefi

Please refer to Section 5.2.4.6 (*Yousef Hamad Al-Yousefi, Director*) for further details regarding experience, qualifications and the current and previous positions of Yousef Hamad Al-Youseuf.

5.3.4.2 Walid Michel Majdalani

Please refer to Section 5.2.4.5 (*Walid Michel Majdalani, Director*) for further details regarding experience, qualifications and the current and previous positions of Walid Michel Majdalani.

5.3.4.3 Ali Hamad Al-Saqri

Please refer to Section 5.2.4.3 (*Ali Hamad Al-Saqri, Director*) for further details regarding experience, qualifications and the current and previous positions of Ali Hamad Al-Saqri.

5.3.5 Site Selection Committee

The main function of the Site Selection Committee is to supervise the process of selecting and renting the fitness centres' sites. The process of choosing sites starts with the committee preparing a timeline, varying from three to five years, for the sites. Such timeline would include the target cities or governates, which are chosen based on different factors including the population's density, growth expectation, income levels, and studying the competition around the proposed site, and the performance of nearby sport centres (if any). The committee also assigns for each site its initial category (i.e., Fitness Time or Fitness Time Pro) and the target year to start the work. The Site Selection Committee shall regularly present such plans to the Board of Directors (at least annually) to gain a preliminary approval. The Board would review the plans that the committee presents and revert back with comments. Upon receiving the Board's approval, the Company starts executing the plans.

The Site Selection Committee consists of four members. The Site Selection Committee shall convene periodically at least once a year (at least) and as may be necessary by the request of the Board or any of the Members.

The Site Selection Committee is comprised of the following members as at the date of this Prospectus:

Table 42: Site Selection Committee Members

Name	Role
Abdulmohsin Ali Al-Haqbani	Chairman
Rabih Michel Khouri	Member
Yousef Hamad Al-Yousefi	Member
Ali Hamad Al-Saqri	Member

Source: The Company.

5.3.6 Biographies of the Members of the Site Selection Committee

The experience, qualifications and the current and other positions of the members of the Site Selection Committee are set out below:

5.3.6.1 Abdulmohsin Ali Al-Haqbani

Please refer to Section 5.2.4.2 (*Abdulmohsin Ali Al-Haqbani, Vice Chairman and Managing Director of the Board of Directors*) for further details regarding experience, qualifications and the current and previous positions of Abdulmohsin Ali Al-Haqbani.

5.3.6.2 Rabih Michel Khouri

Please refer to Section 5.2.4.4 (*Rabih Michel Khouri, Director*) for further details regarding experience, qualifications and the current and previous positions of Rabih Michel Khouri.

5.3.6.3 Yousef Hamad Al-Yousefi

Please refer to Section 5.2.4.6 (*Yousef Hamad Al-Yousefi, Director*) for further details regarding experience, qualifications and the current and previous positions of Yousef Hamad Al-Yousefi.

5.3.6.4 Ali Hamad Al-Saqri

Please refer to Section 5.2.4.3 (*Ali Hamad Al-Saqri, Director*) for further details regarding experience, qualifications and the current and previous positions of Ali Hamad Al-Saqri.

5.3.7 IPO Supervision Committee

The IPO Supervision Committee is mainly responsible for providing the Board of Directors with consulting services and following up with relevant task forces comprised of the Company's employees, financial advisor, legal advisor, market consultant during the pre-offering period. The Committee is comprised of three members and holds non-periodic meetings when the need arises. Additional meetings may be held from time to time according to the request of the Board of Directors or any member thereof. This Committee will be dissolved upon the completion of the Offering.

Table 43: IPO Supervision Committee Members

Name	Role
Abdulmohsin Ali Al-Haqbani	Chairman
Rabih Michel Khouri	Member
Ali Hamad Al-Saqri	Member

Source: The Company.

5.3.8 Biographies of the Members of the IPO Supervision Committee

The experience, qualifications and the current and other positions of the members of the IPO Supervision Committee are set out below:

5.3.8.1 Abdulmohsin Ali Al-Haqbani

Please refer to Section 5.2.4.2 (*Abdulmohsin Ali Al-Haqbani, Vice Chairman and Managing Director of the Board of Directors*) for further details regarding experience, qualifications and the current and previous positions of Abdulmohsin Ali Al-Haqbani.

5.3.8.2 Rabih Michel Khouri

Please refer to Section 5.2.4.4 (*Rabih Michel Khouri, Director*) for further details regarding experience, qualifications and the current and previous positions of Rabih Michel Khouri.

5.3.8.3 Ali Hamad Al-Saqri

Please refer to Section 5.2.4.3 (*Ali Hamad Al-Saqri, Director*) for further details regarding experience, qualifications and the current and previous positions of Ali Hamad Al-Saqri.

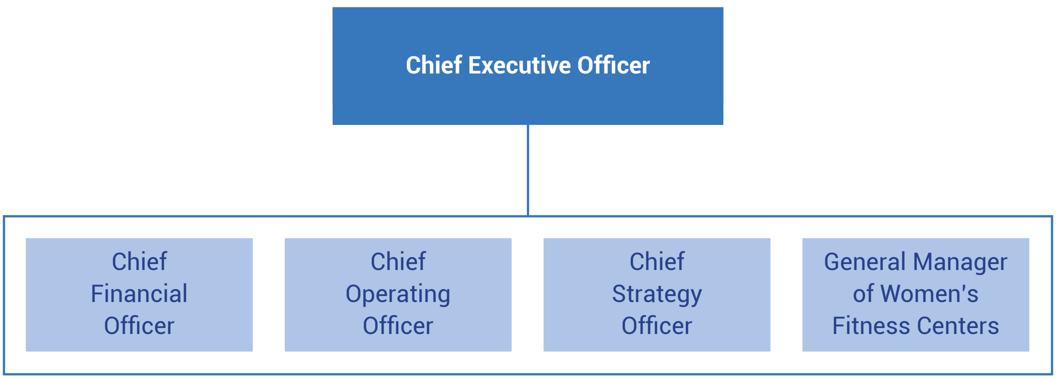
5.4 Senior Management

5.4.1 Overview of Senior Management

The senior management of the Company comprises qualified and experienced members with necessary knowledge and expertise to run the Company's business in line with the objectives and directives of the Board of Directors and the Shareholders. The Company has been successful in retaining its senior management team, developing qualified employees and promoting them to senior positions in the Company.

The following chart sets out the Senior Executives as at the date of this Prospectus:

Exhibit 7: Senior Executives Chart



Executive Management

Table 44: Details of Senior Executives

Name	Position	Date of Appoint-ment	Nationality	Age (Years)	No. of Shares held Pre-Offering	No. of Shares held Post Offering
Fahad Ali Al-Haqbani	Chief Executive Officer	1/9/2015G (corresponding to 17/11/1436H)	Saudi	38	88,595.0	88,595.0
Ahmar Azam	Chief Financial Officer	11/3/2014G (corresponding to 10/6/1435H)	American	46	–	–
Suliman Khalid Alkadi	Chief Operating Officer	1/11/2013G (corresponding to 27/12/1434H)	Saudi	35	–	–
Nathan Clute	Chief Strategy Officer	1/11/2015G (corresponding to 19/1/1437H)	Canadian	38	–	–
Susan Anne Victoria Ward	General Manager of Women's Fitness Centres	07/05/2017G (corresponding to 11/08/1438H)	British	44	–	–

Source: The Company.

5.4.2 Biographies of Senior Executives

The experience, qualifications and the current and other positions of each Senior Executive are set out below:

5.4.2.1 Fahad Ali Al-Haqbani, Chief Executive Officer

Nationality:	Saudi
Age:	38 years.
Academic and Professional Qualifications:	• Bachelor Degree in Management of Information Systems, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2001G.
Date of Appointment in the Current Position	• 17/11/1436H (corresponding to 1/9/2015G)
Current Position:	• Chief Executive Officer, Leejam Sports Company, since 2015G.
Past Professional Experience:	• Director, Leejam Sports Company, from 2008G until 2018G; • Chief Operating Officer, Leejam Sports Company, from 2008G until 2015G; • Manager of Information Security Policies and Procedures, Saudi Telecom Company, joint stock company, telecommunications, from 2001G until 2007G; and • Operations Manager, Fitness centres Company, Joint Stock Company, fitness and fitness centres, from 1996G until 2005G.

5.4.2.2 Ahmar Azam, Chief Financial Officer

Nationality:	American
Age:	46 years.
Academic and Professional Qualifications:	• Member of the Middle East Consultation, Institute of Legal Accountants, England and Wales (ICAEW) 1998G; and • Bachelor Degree (with Honours), London School of Economics and Political Science, London, United Kingdom, 1994G.
Date of Appointment in the Current Position	• 3/9/1435H (corresponding to 1/7/2014G)
Current Position:	• Chief Financial Officer, Leejam Sports Company since 2014G; and • Honorary member of the ICAO Middle East Council.

Past Professional Experience:	• Divisional Chief Financial Officer, Obeikan Investment Group, joint stock company, education and retail, from 2011G until 2014G; • Partner and Director, ICS Risk Advisors (which has been acquired by FIS Global), public company based in the USA, consulting firm, Chief Financial Officer advisory, internal audit and compliance, from 2008G until 2011G; • General Manager and Vice Chief Executive Officer, National Bank of Pakistan Americas, public company based in the Islamic Republic of Pakistan and listed in Karachi Stock Exchange, banking, from 2006G until 2007G; • Head of Internal Audit, Hunt Mortgage Group (formerly known as Centreline Corporation), public company based in the USA and listed in the New York Stock Exchange, real estate finance, from 2003G until 2005G; • Corporate Financial Controller, Life Sciences Research Company, based in the USA, clinical research organization, from 2002G until 2003G; • Audit Manager, Deloitte, United States of America, limited liability partnership based in the USA, professional advisory, from 1999G until 2002G; and • Audit Supervisor, Crowe Horwath United Kingdom, limited liability partnership based in the UK, professional advisory, from 1994G until 1999G.

5.4.2.3 Suliman Khalid Alkadi, Chief Operating Officer

Nationality:	Saudi
Age:	35 years.
Academic and Professional Qualifications:	• Bachelor Degree in Business Information System, Oxford Brookes University, Oxford, United Kingdom, 2009G.
Date of Appointment in the Current Position	• 17/11/1436H (corresponding to 1/9/2015G)
Current Position:	• Chief Operating Officer, Leejam Sports Company, since 2015G.
Past Professional Experience:	• Assistant Chief Operating Officer, Leejam Sports Company, from 2013G until 2015G; • Project Manager, LCC Company, limited liability company, based in the USA, telecommunications, from 2010G until 2013G; • Marketing Manager, Alkadi Company, establishment, trading, from 2004G until 2006G; • Club Manager, Fitness centres Company, joint stock company, fitness and fitness centres, from 2002G until 2004G; and • Customer Services Employee, Fitness centres Company, joint stock company, fitness and fitness centres, from 2000G until 2002G.

5.4.2.4 Nathan Clute, Chief Strategy Officer

Nationality:	Canadian
Age:	38 years.
Academic and Professional Qualifications:	• MBA, Cornell University, New York, United States of America, 2008G; and • Bachelor Degree in Mechanical Engineering, Queen's University, Kingston, Canada, 2002G.
Date of Appointment in the Current Position	• 19/1/1437H (corresponding to 1/11/2015G)
Current Position:	• Chief Strategy Officer, Leejam Sports Company, since 2015G.
Past Professional Experience:	• Partner, PricewaterhouseCoopers, limited liability partnership, professional advisory, from 2014G until 2015G; • Director, PricewaterhouseCoopers' PRTM Management Consulting, limited liability partnership based in the USA, Professional Consultancy, from 2011G until 2014G; • Principal, PRTM Management Consultants, limited liability company based in the USA, Professional Consultancy, from July 2011G until August 2011G; • Manager, PRTM Management Consultants, limited liability company based in the USA, Professional Consultancy, from 2009G until 2011G; • Associate, PRTM Management Consultants, limited liability company based in the USA, Professional Advisory, from 2008G until 2009G; • Business Manager, Industrial Acoustics Company, limited liability company based in the USA, manufacturing sector, from 2004G until 2008G; and • Sales Engineer, Timco Engineering, limited liability company based in the USA, manufacturing sector, from 2003G until 2004G.

5.4.2.5 Susan Anne Victoria Ward, General Manager of Women's Fitness Centres

Nationality:	British
Age:	44 years.
Academic and Professional Qualifications:	• General Certificate of Secondary Education (GCSE), national professional qualification– English B, (YMCA), fitness instruction, sports and personal training, (YMCA), diet, nutrition and weight maintenance, Preston College, Preston, England, 2002G.
Date of Appointment in the Current Position	• 10/8/1438H (corresponding to 7/5/2017G)
Current Positions:	• General Manager of Women's Fitness Centres at Leejam Sports Company since 2017G; and • General Manager, Emaar Entertainment Company, Kizdania, an Emirati joint stock company operating in entertainment services since 2016G.
Past Professional Experience:	• Operations Manager, Emaar Entertainment Company, Kizdania, an Emirati joint stock company operating in entertainment services from 2015G to 2016G; • Operations Manager, Emaar Entertainment Company, Dubai Aquarium and Underwater Zoo, an Emirati joint stock company operating in entertainment services from 2014G to 2015G; • Business and Operations Manager, Blackpool Zoo, a limited liability company based in the UK, operating in entertainment services, from 2012G until 2014G; • Centre Manager, Altrincham Leisure Centre (Trafford Community Leisure Trust, a charity based in the UK, operating in entertainment services, from 2008G until 2012G; • General Manager of Fitness First Preston, a limited liability company based in the UK, fitness centre, 2007G - 2008G.; • Head of Entertainment Operations, Marriott Preston Hotel, a limited liability company based in the UK, operating in hotel management, from 2004G to 2007G; • Customer Service Manager, Preston Fitness First, a limited liability company based in the UK, fitness centre, January 2004G - May 2004G; • Coordinator of Fitness Courses, Fitness First, fitness centre, a limited liability company based in the UK, from 2002G until 2004G; • Fitness Trainer, YMCA Fitness Centre, fitness centre, a limited liability company based in the UK, from 2001G until 2002G; • Fitness Trainer, Macdonald Hotels, United Kingdom, a limited liability company, working in hotel management, from 2000G to 2001G; • Fitness Trainer, Preston College Fitness Suit, a limited liability company based in the UK, March 2000G to October 2000G; and • Aircraft Technician and Firefighter, Royal British Navy, a government entity, from 1991G until 1999G.

5.4.2.6 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Company's senior management in which their fees and remuneration are identified depending on their qualifications and experience. These contracts include a number of benefits such as providing transportation or granting a monthly allowance for transportation or housing, or both. These contracts are renewable and subject to the Saudi Labour Law.

Fahad Ali Al-Haqbani, the Chief Executive Officer, is a shareholder in the Company. He has a written employment contract with the Company, which has been executed for an unspecified period. The duties and responsibilities of the Chief Executive Officer can be summarised as follow:

- managing the day-to-day affairs and business of the Company;
- proposing and developing the Company's strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the decisions of the Board of Directors and the Committees;
- providing input to the Chairman on the Board of Directors meetings' agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

Ahmar Azam, the Chief Financial Officer, joined the Company in 2014G. He has a written employment contract with the Company. The duties and responsibilities of the Chief Financial Officer can be summarised as follows:

- assisting in the formulation of the Company's objectives and lead the Company's financial planning process;
- leading the financial reporting process and strengthening the Company's internal control systems; and
- working to optimise the Company's cash flow, liquidity and working capital facilities;

5.5 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors shall be determined in accordance with the official decisions and instructions issued by MCI in this respect and within the limit of the provisions of Companies Law, any other complementary laws thereto and the Company's Bylaws, in addition to attendance and transportation allowances to be determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

According to Article 76 of the Companies Law that allows that remuneration is distributed as a percentage of profits, the maximum annual remuneration for each Director at the Company shall not exceed an amount of SAR 500,000.

Certain executive managers and employees were eligible to participate in a long-term incentive plan (the "**Plan**") granted by all the current shareholders of the Company (the "**Plan Shareholders**"). There are a total of fifteen employee participants in the Plan (the "**Participants**"), including the Chief Financial Officer, Chief Strategy Officer, Chief Operating Officer, VP Operations KSA, Regional Manager UAE, Fitness Department Director, Project Director and others. The Plan acts as an incentive from the Plan Shareholders to maximise financial and operational performance of the Company, as well as to act as a retention plan for the Participants.

The Plan is an equity linked management incentive plan, pursuant to which each participant acquires a certain number of units, consisting of a right to be paid a redemption amount on the occurrence of certain liquidity or termination events, determined by reference to the number of units acquired and their valuation at the time of their redemption. The units are not Shares or securities issued by the Company and do not carry any rights or entitlements (including, without limitation, voting or economic rights or entitlements) otherwise available to the holders of the Shares or securities issued by the Company.

The number of units given to each Participant is based on years of service, grade, title and salary. In accordance with the Plan, the Participants are entitled to invest in units based on a value determined as at the end of June 2015G or the end of June 2016G (depending on the Plan grant date). The price of each unit was determined based on market-based valuation methodologies for the Company and incorporates a discount to account for the fact the units do not carry any rights or entitlements (including, without limitation, voting or economic rights or entitlements) otherwise available to the holders of the Shares or securities issued by the Company. The investment in the units by the Participants is funded by a loan bearing no interest (Qard Hasan) granted by each of the Plan Shareholders to the Participants, on a pro-rata basis.

The Participants will redeem all of their units upon the occurrence of any of the following redemption triggers: (i) a sale of shares by Target Opportunities Company for Trading in either a trade sale or an initial public offering; (ii) the resignation of Participant or his/her termination for cause by the Company; or (iii) if none of the triggers listed in (i) and (ii) take place on or before 1 January, 2020G. The payment obligations of the Plan are fully funded by the Plan Shareholders, not the Company, in accordance with an agreed payment schedule. Therefore, the plan does not create any obligation or liability on the Company. The Plan is fully compliant with the Saudi Arabian laws and regulations.

The following table sets out the remuneration of the Directors and top five Senior Executives (comprising five individuals, including the Chief Executive Officer and the Chief Financial officer) for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 45: Directors and Top Five Senior Executives Remuneration in the years ended 31 December 2015G, 2016G, and 2017G

	2015G	2016G	2017G
	(SAR million)		
Directors	12.4	13.6	12.46
Members of the Committees	N/A	N/A	N/A
Senior Executives	2.4	3.0	2.96
Total	**14.8**	**16.6**	**15.42**

Source: The Company.

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company's Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the CMA. The CMA has issued on 16/5/1438H (corresponding to 13/2/2017G) the Corporate Governance Regulations amended on 7/8/1439H (corresponding to 23/4/2018G), which became effective as of 22/4/2017G, except for certain specific provisions that became effective starting on 31/12/2017G.

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company with the aim of ensuring compliance with best corporate governance practices to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guiding provisions.

The Company's internal corporate governance manual, which was adopted by the Board on 5/8/1438H (corresponding to 1/5/2017G), includes provisions in relation to the following:

a- rights of Shareholders;

b- the Board of Directors (including Board formation, membership, meetings of the Board, its working procedures, competencies, duties and powers, development, support, evaluation and remuneration);

c- Committees of the Board of Directors;

d- management and management committees;

e- internal control and audit;

f- external auditor;

g- disclosure and transparency;

h- internal policies; and

i- document retention.

As at the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

a- Paragraph (a) of Article 8 (upon calling for the General Assembly, the Company shall announce on the Exchange's Website information about the nominees for the membership of the Board).

b- Paragraph (d) of Article 17 (the Company shall notify the Authority of the names of the Board members and description of their memberships as well as any changes in their memberships).

c- Paragraph (b) of Article 19 (upon the termination of the membership of a Board member, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination).

d- Paragraph (b) of Article 20 (the Board shall annually evaluate the extent of the member's independence and ensure that there are no relationships or circumstances that affect or may affect his/her independence).

e- Paragraph (3) of Article 22 (setting forth specific and explicit policies, standards and procedures for membership in the Board and implementing them following approval by the General Assembly; the Company is currently developing a nomination policy that includes the requirements of this Paragraph to be approved by the General Assembly as soon as possible).

f- Article 43 (relating to avoidance of interest conflict and relating to conflict of interest policy; the Company is currently developing a conflict of interest policy that includes the requirements of this Article to be approved by the Board of Directors as soon as possible).

g- Article 58 (the Audit Committee shall develop arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financial or other reports; the Audit Committee shall ensure that such arrangements have been put into action through an adequate independent investigation in respect of the error or inaccuracy and shall adopt appropriate follow-up procedures; the Company is currently developing a whistleblowing policy that includes the requirements of this Article to be approved by the Board of Directors as soon as possible).

h- Paragraph (1) of Article 61 and 62 (relating to remuneration policy; the Company is currently developing a remuneration policy that includes the requirements of this Paragraph and this Article to be approved by the Board of Directors as soon as possible).

i- Paragraph (1), (3), and (8) of Article 65 (relating to policies and standards for membership of the Board; the Company is currently developing a nomination policy that includes the requirements of these paragraphs to be approved by the Board of Directors as soon as possible).

j- Article 68 (the Company shall publish the nomination announcement on the websites of the Company and the Exchange to invite persons wishing to be nominated to the membership of the Board).

k- Article 84 (relating to policies of reporting non-compliant practices; the Company is currently developing a whistleblowing policy that includes the requirements of this Article to be approved by the Board of Directors as soon as possible).

l- Article 86 (relating to professional conduct policy; the Company is currently developing a professional conduct and ethics policy that includes the requirements of this Article to be approved by the Board of Directors as soon as possible).

m- Articles 89, 90, 91(b), 92 and 93 (relating to disclosure policies and procedures; the Company is currently developing a disclosure policy that includes the requirements of this Article to be approved by the Board of Directors as soon as possible).

The Company is currently not complying with the above articles of the Corporate Governance Regulations, given that the Company is not a listed company, as at the date of this Prospectus. The Directors undertake to comply with these articles as soon as the CMA issues its approval for the listing of the Shares. In addition, the Directors confirm that the Company is currently complying with all other provisions of the Corporate Governance Regulations and the Companies Law. Note that the Company has not until now amended its Bylaws, and consequently the internal governance regulations of the Company, to be in line with the latest amendments made to the Companies Law. Furthermore, the Directors undertake to amend the Bylaws in the first General Assembly following the Offering and to comply with all decisions and instructions issued by the CMA in relation to the provisions of the Corporate Governance Regulations.

The Company has three permanent Board Committees (the Audit Committee, the Nomination and Remuneration Committee, and the Site Selection Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board of Directors (for further details, please see Section 5.3 (*Board of Directors Committees*)).

The Company's Board of Directors consists of nine Directors, most of whom are non-executive Directors, including three independent Directors in accordance with the provisions of the Corporate Governance Regulations. The Board of Directors ensures, among other things, that:

- a- all the Committees have clear competencies and that the roles and responsibilities of each Committee shall be detailed; and
- b- minutes of all meetings will be prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

In accordance with Article 95(1) of the Companies Law and Article 8(b) of the Corporate Governance Regulations, the Shareholders have adopted the cumulative voting method in relation to the appointment of Directors as reflected in the Company's Bylaws (for a summary of the Bylaws, please see Section 12.13 (*Summary of Bylaws*)). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide such voting rights between his/her selected nominees without any duplication of these votes. This method increases the chances for minority Shareholders to be represented in the Board of Directors through the right to accumulate votes for one nominee.

The Royal Decree No. M/79, dated 25/7/1439H, has been issued to amend the Companies Law. The Company has not yet accordingly amended its Bylaws and internal governance regulations. The Directors undertake to implement such amendments and the Company's Bylaws shall be amended in the first General Assembly following the Offering.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Directors confirm that:

- a- they will comply with Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations;
- b- they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which the Directors have a direct or indirect interest; and
- c- they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with Article 72 of the Companies Law.

Section 12.9 (*Related Party Contracts and Transactions*) provides a summary of the contracts and/or transactions entered into by the Company in which a Director has a direct or indirect interest. As at the date of this Prospectus, the Directors are not engaged in any activities competing with the Company's activities.

5.8 Employees

The Company adopted an employment policy aimed at building and enhancing relations between the Company and its employees. This policy covers all aspects of recruitment, work schedules, healthcare, social insurance benefits, salaries and other allowances including accommodation and transportation allowances and rewards.

5.8.1 Number of Employees

As at 31 December 2017G, the Company employed 2,374 employees (30.2% of whom were Saudi nationals) and the Company and its Subsidiary employed in total 2,378 employees (including 30.4% Saudis). The following tables set out the distribution of employees by business segment and Subsidiary and the Saudization percentage.

The following table shows the number of employees of the Company and its Subsidiary by business segment as at 31 December 2015G, 2016G and 2017G:

Table 46: Number of Employees of the Company and its Subsidiary by Business Segment as at 31 December 2015G, 2016G and 2017G:

Business Segment	31 December 2015G			31 December 2016G			31 December 2017G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Business Segment									
Staff of fitness centres	608	892	1,500	621	1,219	1,840	645	1,315	1,960
Staff of operating fitness centres	32	133	165	29	129	158	26	174	200
Head Office staff	32	137	169	28	145	173	51	167	218
Total	**672**	**1,162**	**1,834**	**678**	**1,493**	**2,171**	**722**	**1,656**	**2,378**

Source: The Company.

The table below shows the number of employees of the Company and its Subsidiary and the achieved Saudization percentages as at 31 December 2015G, 2016G and 2017G:

Table 47: Number of Employees of the Company and its Subsidiary and the Achieved Saudization Percentages as at 31 December 2015G, 2016G and 2017G:

Company	31 December 2015G				31 December 2016G				31 December 2017G			
	Saudi	Non-Saudi	Total	Saudization percentage/ Category	Saudi	Non-Saudi	Total	Saudization percentage/ Category	Saudi	Non-Saudi	Total	Saudization percentage/ Category
Leejam Sports Company	615	1,064	1,679	36.7% (Green)	674	1,493	2,167	31.3% (Green)	718	1,656	2,374	32.2% (Green)
Fitness Time Company	57	98	155	36.8% (Green)	4	-	4	100% (Platinum)	4	–	4	100% (Excellent)
Total	**672**	**1,162**	**1,834**	**36.7%**	**678**	**1,493**	**2,171**	**31.3%**	**722**	**1,656**	**2,378**	**30% (Green)**

Source: The Company.

The number of employees employed by the Company is 1,679 employees as on 31 December 2015G, and increased by 29% to reach 2,167 employees as on 31 December 2016G. As of 31 December 2017G, the number of employees increased by 8.7% to 2,374 employees. As noted in Table 47 (*Number of Employees of the Company and its Subsidiaries and the Achieved Saudization Percentages as at 31 December 2015G, 2016G and 2017G*) above, the number of employees employed by Fitness Time Company for Trading decreased from 155 as on 31 December 2015G to four employees as on 31 December 2017G because those employees were transferred to the Company.

5.8.2 Saudization

The "*Nitaqat*" Saudization programme was approved pursuant to the Minister of Labour Resolution No. 4040 issued on 12/10/1432H (corresponding to 10/9/2011G), based on Council of Ministers Resolution No. 50 issued on 21/5/1415H (corresponding to 27/10/1994G), which was applied as at 12/10/1432H (corresponding to 10/9/2011G). The Ministry of Labour established the "*Nitaqat*" programme to provide establishments with incentives to hire Saudi nationals. The program assesses an establishment's performance based on specific ranges, which are platinum and green (which is further divided into three categories low green, middle green and high green), yellow and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are non-compliant) are deemed to be non-compliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

Moreover, the Ministry of Labour and Social Development has recently approved a new amendment to the "*Nitaqat*" program under the name of "*Nitaqat Mawzon*" (Balanced *Nitaqat*) in order to improve market's performance and development and to eliminate the non-productive nationalization. It was supposed to come into effect on 12/3/1438H (corresponding to 11/12/2016G) but in response to private sector demands for additional time to achieve the nationalization rate, the Ministry of Labour and Social Development postponed the program until further notice and, as of the date of this Prospectus, no new implementation date has been set. Under the "*Nitaqat Mawzon*" program, points would be calculated based on five factors: (i) the nationalization rate; (ii) the average wage for Saudi workers; (iii) the percentage of female nationalization; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. As of now, the existing framework remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period.

For the *Nitaqat* classification of the Company and its Subsidiary, please see Table 47 (*Number of Employees of the Company and its Subsidiaries and the Achieved Saudization Percentages as at 31 December 2015G, 2016G and 2017G*) above.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

6.1 Introduction

The following management discussion and analysis of the Company presents an analytical review of its operational performance and financial position during the years ended 31 December 2015G, 2016G and 2017G. This section is based on and should be read in conjunction with the Company's special purpose audited financial statements for the year ended 31 December 2016G which have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA, as well as the notes thereto and which have been prepared by KPMG Al Fozan & Partners (Public Accountants) and its audited financial statements for the year ended 31 December 2017G in addition to the notes thereto which have been audited in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA and which have also been prepared by KPMG Al Fozan & Partners (Public Accountants). The aforementioned financial statements are part of this Prospectus. The special purpose audited financial statements for the year ended 31 December 2016G were prepared as part of the Company's preparation for adopting IFRS in the year 2017G. The data for the year ended 31 December 2015G have been extracted from the special purpose audited financial statements for the year ended 31 December 2016G, and the data for the year ended 31 December 2016G have been extracted from the audited financial statements for the year ended 31 December 2017G.

The audited financial statements for the years ended 31 December 2015G and 2016G which have been audited in accordance with the accounting standards generally accepted in the Kingdom and issued by SOCPA which have been audited by KPMG Al Fozan & Partners (Public Accounts) are also part of this Prospectus.

KPMG Al Fozan & Partners (Public Accountants) does not itself (forming part of the engagement team serving the Company), nor do its affiliates, or any of its employees' relatives have any shareholding or interest of any kind in the Company which would impair its independence. As at the date of this Prospectus, the Auditor has furnished and not withdrawn its written consents to the reference in this Prospectus of its role as auditor of the Company for the financial years ended 31 December 2015G, 2016G and 2017G.

This section may contain forward-looking statements in connection with the Company's future prospects, based on its management's current plans and expectations regarding the Company's growth, results of operations and financial conditions, and as such may involve risks and unconfirmed expectations. Actual results of the Company could differ materially from those expressed or implied by these expectations, as a result of various factors and future events, including factors discussed in this section or elsewhere in this Prospectus, particularly those set out in Section 2 (*Risk Factors*).

Please note that the figures in this section have been rounded up to the nearest thousand. As such, if summed, the numbers may differ to those which are stated in the tables. Subsequently, all annual percentages, margins, expenses and CAGRs are based on the rounded figures.

6.2 Directors' Declaration for Financial Statements

The Directors declare that the financial information presented in this section is extracted without material changes from and in a form consistent with the Financial Statements. The Directors also declare that the audited financial statements for the years ended 31 December 2015G and 2016G were prepared based on the generally accepted accounting standards in the Kingdom as issued by SOCPA and that special purpose audited financial statements for the year ended 31 December 2016G together with audited financial statements for the year ended 31 December 2017G were prepared in accordance with IFRS as endorsed by SOCPA.

The Company's Directors declare that the Company has working capital sufficient for a period of at least 12 months immediately following the date of publication of the Prospectus.

The Directors declare that there has been no material adverse change in the Company's financial or business position in the three financial years directly preceding the application for registration and offer of securities that are subject to this Prospectus and during the period from the end of the period covered in the external auditors' report up to and including the date of approval of the prospectus.

The Directors declare that there is no intention to make any fundamental change in the nature of the Company's activity.

The Directors confirm that operations have not stopped in a way that could affect or has affected its financial position significantly during the past twelve months.

The Directors confirm that all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading.

The Directors confirm that the Company does not have any properties, including contractual securities or other assets the value whereof is subject to fluctuations or is difficult to ascertain, which significantly affects the evaluation of the financial situation.

The Directors represent that no commissions, discounts, brokerage fees or non-cash compensations were given by the Company, in the three years immediately preceding the date of submission of its application for registration and offer of securities that are the subject of this Prospectus in connection with the offer of securities by the Company or any of the Company's subsidiaries.

The Directors confirm that the Company's and its Subsidiary's capital is not under option.

The Directors declare that the Company does not hold any debt instruments issued, outstanding or authorised, or otherwise created but unissued, or term loans, except for what is presented in the Section 12.6 (*Financing Agreements*) of this Prospectus.

The Directors declare that the Company does not hold any other borrowing or indebtedness, including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments, except for what is presented in the Section 12.6 (*Financing Agreements*) of this Prospectus.

The Directors declare that the Company does not have any loans, mortgages, or charges on its properties as at the date of this Prospectus, except as disclosed in this section and Section 12.6 (*Financing Agreements*).

The Directors declare that there are no significant fixed assets to be purchased or leased, except for what is disclosed in Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*).

6.3 Summary of Significant Accounting Policies

The Financial Statements for the years ended 31 December 2015G and 2016G were prepared in accordance with the accounting standards accepted in the Kingdom issued by the SOCPA and have been audited by KPMG Al Fozan & Partners (Public Accountants). The Financial Statements for the year ended 31 December 2017G were prepared in accordance with IFRS as endorsed by SOCPA and have been audited by KPMG Al Fozan & Partners (Public Accountants).

In addition, the special purpose audited financial statements for the year ended 31 December 2016G has been prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA as well as the notes thereto and have been prepared by KPMG Al Fozan & Partners (Public Accountants). These special purpose audited financial statements for the year ended 31 December 2016G have been prepared as part of the Company's preparation for adopting IFRS in the year 2017G.

The below is a summary of significant accounting policies applied by the Company:

6.3.1 Applied Accounting Standards

The Financial Statements have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and issuances issued by SOCPA.

6.3.2 Bases of Measurement

These financial statements have been prepared on a going concern basis under the historical cost convention.

6.3.3 Functional and Presentation Currency

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

6.3.4 Use of Estimates and Judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively.

6.3.5 Property and Equipment

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

The estimated useful lives of the principal classes of assets are as follows:

Table 48: Estimated Useful Lives of the Principal Classes of Assets

SAR '000	Rate
Buildings	4% - 10%
Motor vehicles	20%
Sports tool and equipment	10%
Electrical equipment and air conditioners	10%
Furniture and office equipment	12.5%
Computers	20%

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

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

Subsequent costs

Subsequent costs are capitalized only if it is probable that the future economic benefits associated with the cost will flow to the Company. All other subsequent costs are charged to profit or loss when incurred.

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

6.3.6 Capital Work in Progress

Capital work in progress is stated at cost 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.

6.3.7 Goodwill

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 acquire.

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.

Subsequent measurement

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

6.3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, used by the Company in the management of its short-term commitments and are available to the Company without any restriction.

6.3.9 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. 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 profit or loss.

6.3.10 Defined Benefit Obligation-Employee Benefits

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, is recognised immediately in other comprehensive income which is not reclassified to profit or loss in the subsequent periods. The Company determines the net interest expense on net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the – then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expense related to defined benefit plan are recognized in the profit or loss.

6.3.11 Financial Instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

A- Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

These include financials assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. The Company has not designated any financial assets at fair value through profit or loss.

Directly attributable transaction cost are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit or loss.

Held to maturity financial assets

These represent short-term investments which are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Loans and receivables

These financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Loans and receivables comprise cash and cash equivalents, and trade and certain other receivables.

Available for sale financial assets

These are initially measured at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain and loss accumulated in equity is reclassified to profit or loss. The Company has not designated any financial assets as available for sale.

De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

B- Non-derivative financial liabilities

The financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include loans and borrowing, accounts payable, due to related parties, dividends payable, accrued expense and other current liabilities which are stated at their carrying values.

C- Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

D- Impairment of financial assets

The financial assets are assessed for indicators of impairment at each statement of financial position date. Non-derivative financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables with similar risk characteristics.

The carrying amount of the financial asset is reduced for the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable which are reduced through the use of an allowance account. When the accounts receivable are considered not to be recoverable, they are written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of profit or loss. Changes in the carrying amount of the allowance account are recognized in the profit or loss account.

6.3.12 Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders in the General Assembly.

6.3.13 Zakat

The Company is subject to Zakat in accordance with the regulations of General Authority of Zakat and Tax ("GAZT"). The Zakat charge is computed in accordance with GAZT regulations. Additional Zakat if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

6.3.14 Revenue

Revenue, which is stated net of discounts, is measured at the fair value of the consideration receivable for services supplied. Subscription fees are recognized as revenue as and when related services are rendered. The subscription fee received in advance is initially recognized as deferred revenue and subsequently amortized over the subscription period.

Rental income is recognized on a straight-line basis over the term of the lease.

6.3.15 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

6.3.16 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the liability.

6.3.17 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation is recognized in the statement of income currently.

6.3.18 Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contain a lease, the Company separates payments and other consideration required by the arrangement into lease and those for other elements on the basis of their relative fair value.

Leased assets

Asset held by the Company under lease that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance lease. The Company has not entered into any such arrangement during the period.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in statement of profit or loss on a straight-line basis over the term of lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of lease.

6.3.19 Earnings per Share

The Company presents basics earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

6.3.20 Standards Issued but not yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning on and after 1 January 2018G and earlier application is permitted. The Company has performed an assessment of the initial application of, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and expect that it will not have a material impact on the Company's financial statements in the year of the initial application. However, the Company has not early adopted them in preparing these financial statements.

IFRS 9 Financial Instruments

In July 2014G, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018G, with early adoption permitted.

A- Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

B- Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

C- Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

D- Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after 1 January 2018G, with early adoption permitted.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019G. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Other amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Company's financial statements:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4). Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

6.4 Key Factors Affecting the Company's Operations

The following is a discussion of the most significant factors that have affected, or are expected to affect the Company's financial position and results of operations. These factors are based on the information currently available to the Company and may not represent all of the factors that may have an impact on the Company's business. Please see Section 2 (*Risk Factors*) and "*Important Notice*" on page (i) of this Prospectus.

a- Economic factors and impact on consumer spending

The health and fitness industry is heavily dependent upon the overall level of consumer expenditure. Current and future membership levels of the Company may be affected by changes in the members' spending patterns or behaviour, given that consumers generally view health and fitness activities in general as optional. Any decline in consumer spending levels or a decrease in income may affect the health and fitness industry more than other sectors. Although the Kingdom is making efforts to diversify sources of income and economy, the oil sector still accounts for a large share of the Kingdom's GDP. Therefore, continued fluctuations in oil prices may have an adverse and material impact on the economy and the companies operating therein (including the Company). Therefore, any significant deterioration in the general economic situation, low wages, low consumer credit availability, lifting government subsidization of energy products or increased interest and tax rates, including VAT, will have a negative impact on membership levels and corporate revenues, which in turn will have a negative impact on the Company's business, financial position, and results of operations.

b- The Fitness Time brand

The Company sees the Fitness Time brand as the largest fitness centre brand in the MENA region. Consequently, the Company considers the Fitness Time brand to be one of its most important assets. The brand derives its value from its spread, the members' knowledge and awareness thereof, and their attitudes towards it. Therefore, the Company's success heavily depends on its ability to maintain and enhance the value of its brand. Consequently, the Company faces the risk of accidents that may affect the brand and reputation of the Company due to internal factors such as actions taken or not taken by the Company's employees in relation to health, safety, comfort, etc. or external factors such as litigation, legal proceedings, misappropriation by third parties, infringing or causing damage to the intellectual property rights of the Company, complaints, investigations or otherwise of the legal procedures and illegal activities targeting the Company, particularly those that may result in negative publicity and media coverage, which will affect membership levels. This, in turn, will have a negative impact on the Company's business, financial position and results of operations.

c- Ability to successfully establish new fitness centres

The Company's growth strategy is heavily dependent on the establishment of new fitness centres, which in turn relies on the Company's ability to identify and provide suitable sites for new fitness centres in line with its standards. While the Company has demonstrated its ability in the past to identify and provide suitable locations for its fitness centres with long-term lease contracts, the Company may face competition for suitable sites in line with its standards. Therefore, if the Company cannot identify and provide suitable locations for the new fitness centres, this will negatively affect revenues and profits.

The Company's strategy is based on increasing the presence of its fitness centres in the markets currently located in the Kingdom and the United Arab Emirates. In the markets where the company currently exists, the Company intends to increase the number of fitness centres in the cities where it currently exists as well as establishing new fitness centres in new cities. The Company may open new fitness centres some of which are located in areas close to existing centres. The new centres planned to be established near existing centres may attract some members of the existing fitness centres, which may lead to a decline in revenues and profitability for the fitness centres and in turn affect the operating income of the Company.

d- Impact of employee costs and changes in applicable laws and regulations

The Company's operations are significantly dependent on the well-trained and efficient employees at the Company's fitness centres. Given the nature of the Company's business and the number of its employees, employee salaries and benefits represent a large part of the Company's operating expenses. Any increase in employee costs incurred by increasing average salaries or changes in the labour regulations applicable in the Kingdom, including changes in the Saudization requirements or imposition of additional fees on future non-Saudi employees, could have a negative impact on the Company's financial performance.

e- Seasonal factors

The Company's revenues are affected by seasonal factors, particularly during holidays, summer vacations, and examination periods, which negatively affect membership levels and the Company's income therefrom. This will have an adverse effect on the Company's business, financial position and results of operations.

f- Changes in the regulatory environment

In July 2017G, GSA started granting licenses for female fitness Centres. As of 31 December 2017G, the Company had seven female fitness centres operating in the Kingdom. The Company's strategy is to achieve a leading position in female fitness centres in the Kingdom, which represents a major opportunity for the Company, which in turn could have a positive impact on the company's business, financial position and results of operations.

6.5 Results of Operations

6.5.1 Audited Income Statements

The following table sets out the Company's audited income statements for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 49: Audited Income Statements for the Financial Years ended 31 December 2015G, 2016G and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2015G-2017G
Revenue	594,839	700,885	732,846	17.8%	4.6%	11.0%
Cost of Revenue	(332,604)	(392,873)	(454,144)	18.1%	15.6%	16.9%
Gross profit	262,235	308,012	278,702	17.5%	(9.5%)	3.1%
General and administrative expenses	(47,790)	(62,577)	(63,195)	30.9%	1.0%	15.0%
Advertising and marketing expenses	(21,651)	(25,595)	(26,829)	18.2%	4.8%	11.3%
Operating income	192,794	219,840	188,678	14.0%	(14.2%)	(1.1%)
Other income	4,006	677	7,206	(83.1%)	964.4%	34.1%
Finance charges	(9,292)	(14,246)	(18,336)	53.3%	28.7%	40.5%
Net income before Zakat	187,507	206,271	177,548	10.0%	(13.9%)	(2.7%)
Zakat	(6,523)	(4,306)	(3,349)	(34.0%)	(22.2%)	(28.3%)
Net income	180,984	201,964	174,199	11.6%	(13.7%)	(1.9%)
Re-measurement of actuarial losses on defined benefits obligations	-	-	(925)			-
Total comprehensive income	**180,984**	**201,964**	**173,274**	**11.6%**	**(14.2%)**	**(2.2%)**

Source: Financial statements for the years ending 31 December 2015G and 2016G have been audited in accordance with the accounting standards issued by SOCPA, whereas the financial statements for the year ending December 2017G have been in accordance with IFRS as endorsed by SOCPA.

The following table sets out the Company's audited income statements for the financial year ended 2017G, and special purpose income statement for the financial year ended 31 December 2016G:

Table 50: Audited Income Statements for the Financial Year ended 31 December 2017G and Special Purpose Income Statement for the Financial Year Ended 31 December 2016G:

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited Special Purpose	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2015G-2017G
Revenue	594,839	700,885	732,846	17.8%	4.6%	11.0%
Cost of Revenue	(331,414)	(395,565)	(454,144)	19.4%	14.8%	17.1%
Gross profit	**263,425**	**305,319**	**278,702**	**15.9%**	**(8.7%)**	**2.9%**
General and administrative expenses	(47,586)	(58,744)	(63,195)	23.4%	7.6%	15.2%
Advertising and marketing expenses	(21,618)	(25,570)	(26,829)	18.3%	4.9%	11.4%
Other income	4,006	677	7,206	(83.1%)	964.4%	34.1%
Operating incom	**198,227**	**221,682**	**195,884**	**11.8%**	**(11.6%)**	**(0.6%)**
Finance charges	(9,292)	(14,246)	(18,336)	53.3%	28.7%	40.5%
Net income before Zakat	**188,934**	**207,436**	**177,548**	**9.8%**	**(14.4%)**	**(3.1%)**

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited Special Purpose	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2015G-2017G
Zakat	(6,523)	(4,306)	(3,349)	(34.0%)	(22.2%)	(28.3%)
Net income	**182,412**	**203,130**	**174,199**	**11.4%**	**(14.2%)**	**(2.3%)**
Re-measurement of actuarial losses on defined benefits obligations	(1,489)	(1,173)	(925)	(21.2%)	(21.1%)	(21.2%)
Total comprehensive income	**180,923**	**201,957**	**173,274**	**11.6%**	**(14.2%)**	**(2.1%)**
As % of revenue						
Gross profit	44.3%	43.6%	38.0%	(0.7%)	(5.5%)	(6.3%)
General and administrative expenses	8.0%	8.4%	8.6%	0.4%	0.2%	0.6%
Advertising and marketing expenses	3.6%	3.6%	3.7%	0.01%	0.01%	0.03%
Operating income	33.3%	31.6%	26.7%	(1.7%)	(4.9%)	(6.6%)
Net income	30.7%	29.0%	23.8%	(1.7%)	(5.2%)	(6.9%)
KPIs						
Total no. of fitness centres at year end	91	102	112	11	10	21
Average fitness centres* (rounded)	82	97	109	15	12	27
Individual members at year end	122,194	179,071	176,076	56,877	(2,995)	53,882
Corporate members at year end	29,323	29,296	33,872	(27)	4,576	4,549
Average Individual members*	119,389	146,800	176,659	27,411	29,859	57,270
Average Corporate members*	26,833	30,793	32,265	3,960	1,472	5,432
Average revenue per fitness centre (SAR in '000)**	7,293	7,258	6,711	(36)	(547)	(582)
Average gross profit per fitness centre (SAR in '000)**	3,230	3,162	2,552	(68)	(610)	(678)
Average revenue per member (SAR in '000)***	4.1	4.0	3.5	0.1	(0.4)	(0.4)
Average revenue per Individual member (SAR in '000)***	4.3	4.1	3.6	(0.2)	(0.5)	(0.7)
Average revenue per Corporate member (SAR in '000)***	2.9	3.0	2.8	0.1	(0.2)	(0.1)

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

* Weighted average.

** Calculated using the average number of fitness centres before rounding, whereas the average number of fitness centres shown in the table have been rounded to the nearest whole number.

*** Calculated using respective segment revenue.

The Company is engaged in the development and operation of fitness centres. As at 31 December 2017G, the Company had 112 fitness centres of which 42 were located in Riyadh and 22 in Jeddah. The remaining fitness centres were located in cities across the Kingdom in addition to four fitness centres in the UAE (Dubai, Ras Al Khaimah and Ajman).

The following table sets out the details of the Company's geographical presence as at 31 December 2017G:

Table 51: Details of the Company's Geographical Presence as at 31 December 2017G:

Country	City	Number of Operational Fitness Centres
Kingdom of Saudi Arabia	Riyadh	42
	Jeddah	22
	Mecca	8
	Madina	5
	Khobar	4
	Dammam	5
	Jubail	4
	Taif	2
	Al Hasa	1
	Buraydah	1
	Arar	1
	Saihat	1
	Al Kharj	1
	Khamees Mushait	2
	Tabouk	1
	Hail	1
	Hafer Albaten	1
	Najran	1
	Sakaka	1
	Al Baha	1
	Jizan	1
	Dwadmy	1
	Unaizah	1
United Arab Emirates	Dubai	1
	Ras Al Khaimah	2
	Ajman	1
Total		**112**

Source: Company

1- The table above does not include seven fitness centres in the Kingdom that had been temporarily closed as of 31 December 2017G for the purposes of conversion into female fitness centres during 2018G.

The following table sets out the number of fitness centres for the years ended 31 December 2015G, 2016G and 2017G.

Table 52: Number of Fitness Centres for the Years Ended 31 December 2015G, 2016G and 2017G:

	For the Year Ended 31 December		
	2015G	2016G	2017G
Fitness Time Plus	3	3	4
Fitness Time*	45	49	51
Fitness Time Pro*	33	39	41
Fitness Time Junior	8	9	8
Fitness Time Basic	1	1	-
Fitness Time Academy	1	1	-
Fitness Time Ladies and Fitness Time Ladies Pro*	-	-	8
Total	**91**	**102**	**112**
Additions	21	12	18
Closures	1	1	1
Temporarily closed as at year end for conversion	-	-	7**
Net Additions during the year	20	11	10

Source: Company

* Including fitness centres in the United Arab Emirates.

** In addition to the seven male/junior fitness centres closed as at 31 December 2017G for conversion purposes, the Company closed, converted and reopened four male/junior fitness centres as female fitness centres during the year.

During the review period 2015G to 2017G, the Company operated fitness centres under eight brand categories (Fitness Time Plus, Fitness Time, Fitness Time Pro, Fitness Time Basic, Fitness Time Junior, Fitness Time Academy, Fitness Time Ladies and Fitness Time Ladies Pro) catering to different customer segments.

Revenue increased by 17.8% from SAR 594.8 million in 2015G to SAR 700.9 million in 2016G mainly driven by the ramp-up/full year effect of 2015G openings (2015G openings revenue increased from SAR 39.0 million in 2015G to SAR 103.2 million in 2016G) and the opening of 12 fitness centres during the year (five centres under Fitness Time, six centres under Fitness Time Pro, and one centre under Fitness Time Junior contributing SAR 19.4 million to revenue).

Revenue increased by 4.6% from SAR 700.9 million in 2016G to SAR 732.8 million in 2017G. The revenue growth was mainly driven by an increase in average number of fitness centres from 97 to 109 (fitness centres opened during 2016G and 2017G contributed SAR 31.5 million and SAR 23.5 million respectively to revenue growth). The increase in the average number of fitness centres also included the opening of seven female fitness centres in the Kingdom in 2017G which contributed SAR 15.2 million in revenue.

Revenue growth due to increase in number of fitness centres was partly offset by the decrease in average revenue per member from individual and corporate members from SAR 3,947 to SAR 3,508 during the same period. Due to soft operating conditions (particularly in first half of 2017G), the Company undertook a number of measures which included increasing promotions and discounts to drive growth in membership levels. These measures were successful in increasing the average number of individual and corporate members from 177,593 in 2016G to 208,924 in 2017G.

Cost of revenues primarily consisted of direct staff costs, depreciation, rent charges and utilities (water and electricity), which together comprised c.84% of the total cost of revenues between 2015G – 2017G.

Cost of revenues increased by 19.4% from SAR 331.4 million in 2015G to SAR 395.6 million in 2016G, mainly driven by higher salaries and related benefits and the opening of 12 new fitness centres in 2016G coupled with the full year effect of 2015G openings overheads.

Cost of revenues increased by 14.8% from SAR 395.6 million in 2016G to SAR 454.1 million in 2017G driven by both an increase in the average number of fitness centres (by 12) and an increase in average cost per fitness centre by 2.0% from SAR 4.1 million to SAR 4.2 million over the same period. The SAR 58.6 million increase in cost of sales in 2017G was primarily due to increase in direct staff costs (by SAR 22.3 million), depreciation (by SAR 14.1 million), water and electricity (by SAR 10.4 million), and rent (by SAR 7.7 million).

Gross profit margin remained fairly stable between 2015G (44.3%) and 2016G (43.6%), with the slight decrease attributable to the impact of newly opened fitness centres in their operation phase (fitness centres opened in 2015G and 2016G had a combined gross margin of 24.0% in 2016G—including UAE and Fitness Time Junior centres).

Gross margin decreased from 43.6% in 2016G to 38.0% in 2017G due to a number of factors that included; (i) decrease in average revenue per fitness centre by SAR 0.5 million (mainly due to decline in like-for-like Main Offering revenue during the period); (ii) the opening of new fitness centres (18 new fitness centres) that were in the ramp-up phase; and (iii) increase of 2.0% in the average cost per fitness centre, mainly due to increase in utilities costs and staff expenses.

General and administrative expenses increased by 23.4% from SAR 47.6 million in 2015G to SAR 58.7 million in 2016G mainly driven by an increase in indirect staff costs from SAR 29.6 million to SAR 35.5 million over the same period as a result of a net increase in year-end headcount from 152 to 157 which included several senior management hires, salary increments and reclassification of staff related medical expenses and accrued vacation of SAR 2.4 million (fitness centres and head office) from salaries and benefits in cost of revenue to salaries and benefits in general and administrative expenses in 2016G. Further, due to increase in utility prices, IT related communication cost and utilisation of additional office space, water, electricity and telephone expenses increased by SAR 2.5 million and allowance for doubtful debts increased by SAR 2.9 million due to provision against certain doubtful receivables related to corporate clients, old outstanding custom receivables, employee loans and other items. General and administrative expenses increased by 7.6% from SAR 58.7 million in 2016G to SAR 63.2 million in 2017G. Increase in indirect staff costs (mainly due to female headcount increase) and water, electricity and telephone expenses was offset by lower provisions for property and equipment write-off and for doubtful debts.

Advertising and marketing expenses increased by 18.3% from SAR 21.6 million in 2015G to SAR 25.6 million in 2016G, driven by an increase in FC Barcelona related expenses (from SAR 3.5 million to SAR 7.4 million due to the full year effect of service provision in addition to specific marketing expenses), coupled with an increase in staff costs from SAR 3.3 million to SAR 6.0 million driven by an increase in headcount from 26 to 34 in the same period.

Advertising and marketing expenses increased by 4.9% from SAR 25.6 million in 2016G to SAR 26.8 million in 2017G driven by an increase in social media advertising broadly in line with the growth in the Company's operations (opening of 18 new fitness centres during the same period and launch of the Fitness Time Ladies brand).

Other income mainly related to internal advertising income (for advertising space granted to third parties inside the fitness centres) and miscellaneous income such as gains/losses on fixed asset sales.

Other income decreased by 83.1% from SAR 4.0 million in 2015G to SAR 0.7 million in 2016G mainly driven by a decrease in internal advertising income (from SAR 2.3 million to SAR 0.7 million). The decrease in internal advertising income was due to the expiry of the existing contract and the Company's decision to not renew its contract with the existing advertising agency and commencement of negotiations with another advertising agency for a new contract.

Other income increased from SAR 0.7 million in 2016G to SAR 7.2 million in 2017G driven by an increase in internal advertising by SAR 2.6 million during the same period as the Company started a new agreement with a media company (during April 2017G) in relation to advertising and promotional activities inside the fitness centres. This was coupled with the increase in other miscellaneous income by SAR 2.2 million, which mainly included locker rentals, barber shops, massage and subscription transfer fees, in addition to write back of old and inactive supplier balances of SAR 1.7 million.

Finance charges related to loans and banking facilities utilised to finance fitness centre construction and development, the import of sports equipment, and working capital requirements. Finance charges increased by 53.3% from SAR 9.3 million in 2015G to SAR 14.2 million in 2016G due to recognition of finance charges (from borrowings in connection with 12 fitness centres completed during the year) as an expense in the income statement.

Finance charges increased by 28.7% from SAR 14.2 million in 2016G to SAR 18.3 million in 2017G driven by the increase in number of fitness centres from 102 to 112 (and the consequent expensing of finance charges which were capitalised within fixed assets during the development phase of respective fitness centres), and an increase in the SIBOR rate.

6.5.2 Revenue by type

The following table sets out the Company's revenue by type for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 53: Revenue by Type for the Financial Years Ended 31 December 2015G, 2016G and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Mgmt.	2016G Mgmt.	2017G Mgmt.	2015G-2016G	2016G-2017G	2015G-2017G
Individual memberships	508,963	599,782	631,533	17.8%	5.3%	11.4%
Corporate	76,866	91,762	90,420	19.4%	(1.5%)	8.5%
Rental income	9,011	9,341	10,892	3.7%	16.6%	9.9%
Total	**594,839**	**700,885**	**732,846**	**17.8%**	**4.6%**	**11.0%**
As % of total revenue						
Individual memberships	85.6%	85.6%	86.2%	0.01%	0.6%	0.6%
Corporate	12.9%	13.1%	12.3%	0.2%	(0.8%)	(0.6%)
Rental income	1.5%	1.3%	1.5%	(0.2%)	0.2%	(0.03%)
KPIs						
Individual members at year end	122,194	179,071	176,076	56,877	(2,995)	53,882
Corporate members at year end	29,323	29,296	33,872	(27)	4,576	4,549
Average Individual members*	119,389	146,800	176,659	27,411	29,859	57,270
Average Corporate members*	26,833	30,793	32,265	3,960	1,472	5,432
Average revenue per Individual member (SAR in '000)**	4.3	4.1	3.6	(0.2)	(0.5)	(0.7)
Average revenue per Corporate member (SAR in '000)**	2.9	3.0	2.8	0.1	(0.2)	(0.1)

Source: Company information

* Weighted average.

** Calculated using the relevant segments' revenues.

Individual memberships in membership bundles (comprising one, three, six and 12-month durations) are sold directly to customers at the Company's fitness centres. Individual memberships are the main revenue stream for the Company, and comprise approximately 86% of revenues from 2015G to 2017G. The Company has a standard price list for membership bundles for all of its categories (Fitness Time Plus, Fitness Time, Fitness Time Pro, Fitness Time Basic, Fitness Time Junior, Fitness Time Academy, Fitness Time Ladies and Fitness Time Ladies Pro) with seasonal/special promotions offered throughout the year in the form of discounts or free of charge periods with the aim of increasing membership levels. Therefore, the average price realised per membership sold is generally lower than the standard price.

Individual membership revenue increased by 17.8% from SAR 509.0 million in 2015G to SAR 599.8 million in 2016G, mainly driven by the ramp-up/full year effect of 2015G openings (from SAR 39.0 million to SAR 103.2 million) in addition to continued growth in personal training (which was introduced in 2015G and was available in 42 out of 102 fitness centres as at 31 December 2016G).

Average revenue per individual member decreased from SAR 4,260 in 2015G to SAR 4,090 in 2016G due to a change in sales of membership bundles (increased sales of 12-month memberships relative to three-month memberships), growth in the Fitness Time Pro category (which has lower membership fees than Fitness Time Plus and Fitness Time), and increased promotions in response to market conditions.

Average revenue per individual member decreased from SAR 4,090 in 2016G to SAR 3,570 in 2017G primarily due to discounts and promotions offered by the Company during 2017G due to soft market conditions. Individual membership revenue grew by 5.3% from SAR 599.8 million in 2016G to SAR 631.5 million in 2017G, driven by ramp up of 2016G fitness centre openings coupled with 2017G new openings (including seven new female fitness centres in the Kingdom contributed to the growth in individual membership revenue). In addition, the Company continued with rolling out personal training across its fitness centre network (personal training was available in 65 out of 112 fitness centres at 31 December 2017G). However, revenue growth from 2016G and 2017G openings and personal training was partly offset by lower like-for-like Main Offering revenues in 2017G due to promotions and discounts offered by the Company during the year to drive membership growth (average number of individual members went up from 146,800 in 2016G to 176,659 in 2017G).

Corporate revenue relates to agreements with private sector and government clients in addition to memberships sold directly by corporate sales representatives on visits to clients' offices. The Company also offers "business-to-customer" agreements whereby employees of a corporate client pay for their memberships at the centre at the pre-determined corporate rate (these are booked as individual sales). Corporate revenue increased by 19.4% from SAR 76.9 million in 2015G to SAR 91.8 million in 2016G, driven by an increase in average corporate members from 26,833 members to 30,793 members (as a result of continued efforts to grow the segment) coupled with an increase in average revenue per corporate member by SAR 120.

Corporate revenue decreased by 1.5% from SAR 91.8 million in 2016G to SAR 90.4 million in 2017G as the Company witnessed some slowdown in corporate spending during the review period. The Company undertook a number of initiatives which included renegotiating rates with existing clients and adding new clients. While these initiatives were successful in driving the increase in average number of corporate members (from 30,793 in 2016G to 32,265 in 2017G), average revenue per corporate member fell from SAR 2,980 in 2016G to SAR 2,802 in 2017G.

There is limited concentration within the corporate sales segment (the top ten clients accounted for approximately 20% of corporate revenue in 2017G). Furthermore, this does not translate into a concentration risk on an overall level given the relatively small size of the segment as compared to the individual segment (individual membership revenue made up 86.2% of 2017G total revenues).

Rental income is generated by leasing space at the fitness centres to vendors (typically food and beverage outlets). Approximately 59.0% of rental income is generated from five fitness centres located in Riyadh, Jeddah, Al-Kharj and Madinah, which have purpose-built exterior rental space (purpose-built exterior rental space is also present in fitness centres in Al-Kharj and Madinah). Rental income is not considered a main revenue stream.

Rental income remained relatively stable in 2016G (increasing slightly to SAR 9.3 million) as increased utilisation of rental space at a Jeddah fitness centre was offset by a decrease in rental income at a Riyadh fitness centre due to the conversion of space for administrative use.

Rental income increased by 16.6% from SAR 9.3 million to SAR 10.9 million due to higher utilisation of leasing space in existing fitness centres coupled with increase in leasable area due to new fitness centres (average number of fitness centres increased from 97 to 109 during the same period).

6.5.3 Like-for-Like vs. New Openings

The following table sets out the Company's like-for-like vs. new openings for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 54: Like-for-like vs. New Openings for the Financial Years ended 31 December 2015G, 2016G and 2017G

	No. of fitness centres[1]	Financial year ended 31 December			Increase/Decrease		CAGR
		2015G	2016G	2017G	2015G-2016G	2016G-2017G	2015G-2017G
		(SAR '000 except for %)					
Revenue							
Like-for-like (openings prior to 1 January 2015G)	60	439,548	447,358	418,691	1. 8%	(6.4%)	(2.4%)
Opened in FY15	13	29,583	77,980	73,140	163.6%	(6.2%)	57.2%
Opened in FY16	10	-	17,317	50,578	N/A	192.1%	N/A
Opened in FY17	10	-	-	23,513	N/A	N/A	N/A
Discontinued fitness[2] centre	-	9,220	2,956	-	(67.9%)	N/A	N/A
Converted Centres[3]	-	20,279	27,319	25,698	34.7%	(5.9%)	12.6%
Main offering[4]		**498,630**	**572,930**	**591,620**	**14.9%**	**3.3%**	**8.9%**
Fitness Time Basic closed for conversion[5]	-	1,360	2,351	1,320	72.9%	(43.9%)	(1.5%)
Fitness Time Junior	8	8,019	11,808	15,772	47.3%	33.6%	40.2%

	No. of fitness centres[1]	Financial year ended 31 December			Increase/Decrease		CAGR
		2015G	2016G	2017G	2015G-2016G	2016G-2017G	2015G-2017G
		(SAR '000 except for %)					
Fitness Time Junior closed for conversion[6]	-	5,288	8,087	4,518	52.9%	(44.1%)	(7.6%)
Fitness Time Academy closed[7]	-	355	4,008	167	1029.0%	(95.8%)	(31.5%)
Fitness Time Ladies	7	-	-	15,180	N/A	N/A	N/A
UAE	4	4,322	9,938	13,646	129.9%	37.3%	77.7%
Corporate and others[8]	-	76,866	91,762	90,623	19.4%	(1.2%)	8.6%
Total revenue	-	594,839	700,885	732,846	17.8%	4.6%	11.0%
Gross margin							
Like-for-like (openings prior to 1 January 2015G)	-	40.9%	44.0%	39.0%	3.1%	(5.0%)	(1.9%)
Opened in 2015G	-	1.2%	29.5%	23.9%	28.2%	(5.6%)	22.6%
Opened in 2016G	-	N/A	(5.5%)	21.5%	N/A	27.0%	N/A
Opened in 2017G	-	N/A	N/A	(0.5%)	N/A	N/A	N/A
Fitness Time Basic		(119.3%)	(45.3%)	(21.4%)	74.0%	23.9%	97.9%
Fitness Time Junior		(11.3%)	(11.4%)	(33.3%)	(0.1%)	(21.9%)	(22.0%)
Fitness Time Academy		57.4%	96.5%	N/A	39.1%	N/A	N/A
Fitness Time Ladies		N/A	N/A	35.8%	N/A	N/A	N/A
UAE		(146.5%)	(32.6%)	(29.1%)	113.9%	3.5%	117.4%
Total		**44.1%**	**43.9%**	**38.0%**	**(0.1%)**	**(5.9%)**	**(6.1%)**

Source: Company information

1- 112 fitness centres operational as at 31 December 2017G, which include four male/junior fitness centres converted during the year. In addition, there were seven fitness centres that were closed and in the process of conversion as at 31 December 2017G.

2- One fitness centre was discontinued in 2015G (due to government infrastructure work in its area), whereas another fitness centre had to be closed down in 2016G due to weather-related damage.

3- Six Main Offering fitness centres were closed down in 2017G for conversion to female fitness centres.

4- Representing Fitness Time Plus, Fitness Time and Fitness Time Pro centres in the Kingdom.

5- The sole Fitness Time Basic centre was closed down in 2017G for conversion to a female fitness centre.

6- Four Fitness Time Junior centres were closed down in 2017G for conversion to female fitness centres.

7- The dedicated Fitness Time Academy centre was permanently closed down in 2017G.

8- Corporate revenue is recorded at the head office level and not attributed to fitness centres as corporate members are entitled to utilise any location within their registered category. Therefore, the gross margin impact of corporate revenue is reflected at an overall Company basis and not at a fitness centre level (cost of sales and operating expenses directly attributable to the corporate segment are immaterial).

The Company's Main Offering fitness centres includes the Fitness Time Plus, Fitness Time and Fitness Time Pro brands) located in the Kingdom. The Main Offering does not include recent international expansion (UAE), the Junior brand category, and new brands (e.g., Fitness Time Ladies).

There were 93 Main Offering fitness centres operational as at 31 December 2017G, of which 60 fitness centres had been in operations since 1 January 2015G and 33 fitness centres were opened over the period from 2015G to 2017G. The typical ramp-up period to achieve profitability (using mature fitness centres as a benchmark) for new openings is up to 12 months.

a- Main Offering Fitness Centres

Like-for-like fitness centres are defined as Main Offering fitness centres that commenced operations prior to 1 January 2015G and have therefore operated throughout the historical period (2015G-2017G).

Like-for-like fitness centre revenue increased by 1.8% from SAR 439.5 million in 2015G to SAR 447.4 million in 2016G mainly driven by on-going initiatives to boost membership levels (year-end individual members increased from 94,841 to 126,746) coupled with the introduction of personal training in certain fitness centres.

Like-for-like fitness centre revenue decreased by 6.4% from SAR 447.4 million in 2016G to SAR 418.7 million in 2017G due to decline in average revenue per fitness centre from SAR 7,456 in 2016G to SAR 6,978 in 2017G on account of promotions and discounts offered by the Company during the year to drive membership growth in view of soft market conditions during the year.

The gross margin for like-for-like centres increased from 40.9% in 2015G to 44.0% in 2016G, mainly driven by revenue growth coupled with management's cost saving initiatives.

The gross margin for like-for-like centres decreased from 44.0% in 2016G to 39.0% in 2017G due to lower revenues during the year with average cost per centre increasing in 2017G.

A total of 14 fitness centres were opened in 2015G, of which five were opened in Riyadh, two in Khobar, two in Jeddah, and one each in Dammam, Najran, Sakaka, Hafr Al-Batin and Baha. However, one fitness centre in Dammam was subsequently closed down in 2017G for conversion to a female centre. Ramp-up in operations at these new fitness centres resulted in revenue increasing from SAR 29.6 million in 2015G to SAR 78.0 million in 2016G. Revenue, however, fell to SAR 73.1 million in 2017G due to reduction in average revenue per fitness centre (due to discounts and promotions offered during the year).

Eleven fitness centres were opened in 2016G of which three were opened in Riyadh, two in Jeddah and one in Dammam. In addition, there were expansions in Madinah (two fitness centres) and Taif (the city's second fitness centre) as well as debut openings in Dawadmi and Jizan. One of the fitness centres opened in 2016G (in Riyadh) was closed during 2017G as the Company decided to repurpose it as a female fitness centre.

The Company opened ten Main Offering fitness centres in 2017G, which included openings in Makkah (four fitness centres), Jubail (two fitness centres) and one each in Arar, Khamees Mushait, Unaizah and Jeddah.

One fitness centre (which opened in 2007G) was discontinued in 2015G due to roadworks in the vicinity, which resulted in the Company giving up the location.

b- Fitness Time Basic

Fitness Time Basic is the Company's budget category with membership fees lower than the Fitness Time and Fitness Time Pro categories. The first and only Fitness Time Basic centre was opened in 2015G to test the new concept's features, size and staffing model, among other areas. Revenue increased from SAR 1.4 million in 2015G to SAR 2.4 million in 2016G, driven by increased membership levels (year-end individual members increased from 765 to 1,191 over the period). Revenues in 2017G fell to SAR 1.3 million as the fitness centre was closed in Q3 2017G for its conversion into a female fitness centre.

c- Fitness Time Junior

Fitness Time Junior centres provide exercise facilities, classes and recreational spaces targeted at youth in the 6 to 15 years age bracket, with eight fitness centres across the Kingdom as at 31 December 2017G. This is complementary in nature with locations next to Fitness Time and Fitness Time Pro fitness centres, giving members the convenience of having their children involved in physical activity. The Junior category is part of the Company's corporate social responsibility initiatives and allows the Company to offer a complete suite of products to its individual and corporate clients.

Fitness Time Junior revenue increased from SAR 13.3 million in 2015G to SAR 19.9 million in 2016G, driven by the full-year effect of the four openings in 2015G (+SAR 6.0 million).

The Company opened three new Fitness Time Junior centres (in Jeddah, Makkah and Jubail) in 2017G and also decided to close four centres during the year for conversion to female fitness centres. Total Fitness Time Junior revenues increased from SAR 19.9 million in 2016G to SAR 20.3 million in 2017G, where the growth was driven by the three new openings partly offset by the four closures for conversion purposes.

The Fitness Time Junior category continued to operate at a negative gross margin over the review period (-11.3% in 2015G, -11.4% in 2016G and -33.3% in 2017G). One of the key factors that contributes to the losses in the Junior category is seasonality, as the utilisation of Fitness Time Junior centres is impacted during the school season. Management has developed a strategy to address the seasonality aspects and improve profitability for this brand category. In addition, the Company decided to covert certain Fitness Time Junior centres into female fitness centres in order to capitalise on the immediate female opportunity.

d- Fitness Time Academy

The Fitness Time Academy category primarily relates to the Company's football related activities including FC Barcelona football academy. The Company had one dedicated Fitness Time Academy centre in Buraydah (Qassim) which it decided to close in 2017G. The football academy activities are now being offered at other existing fitness centres in (Riyadh and Dammam) as well as rented third-party facilities. Total revenues of SAR 4.0 million in 2016G fell to SAR 0.2 million in 2017G in the dedicated centre, which closed during 2017G. However, the Company generated SAR 4.6 million revenue from other locations where football activities were conducted in 2017G.

e- Fitness Time Ladies and Fitness Time Ladies Pro

With the start of licensing of female fitness centres in the Kingdom in 2017G, the Company opened seven female fitness centres during second half of 2017G in three cities under both the Fitness Time Ladies and Fitness Time Ladies Pro brands. The female fitness centres generated total revenues of SAR 15.2 million. The female centres experienced a much faster revenue ramp up and achieved a gross margin of 35.8% in 2017G. In view of the strong performance of the female centres and the significant demand potential, the Company had over 20 female centres under development as at 31 December 2017G (both new centres and conversions) which are expected to open during 2018G and 2019G.

f- UAE

Two fitness centres were opened in the UAE in 2015G (in Dubai and Ras Al Khaimah) as part of the Company's plans to introduce the Fitness Time brand in the region.

UAE revenue increased from SAR 4.3 million in 2015G to SAR 9.9 million in 2016G, driven by an increase in year-end individual membership levels from 1,376 in 2015G to 2,142 in 2016G. While the UAE gross loss margin improved from -146.5% to -32.6% over the same period, the UAE fitness centres remained loss-making due to not operating at full capacity and the higher cost base as compared to Saudi Arabian fitness centres.

The Company opened a new fitness centre in Ajman (UAE) in 2017G and also reconfigured the existing male centre in Ras Al Khaimah into two separate male and female fitness centres during the year. As a result, the total number of fitness centres increased to four in 2017G, with revenues growing from SAR 9.9 million in 2016G to SAR 13.6 million in 2017G. While the UAE fitness centres had a gross loss margin of -29.1% in 2017G, performance is expected to improve going forward with the ramp up of the Ajman fitness centre and the reconfiguration of the Ras Al Khaimah centre.

6.5.3.1 Like-for-like Fitness Centres (Openings prior to 1 January 2015G) – Main Offering

The following table sets out the Company's like-for-like openings revenue by category for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 55: KSA Like-for-like Openings Revenue by Category for the Financial Years Ended 31 December 2015G, 2016G and 2017G

SAR in '000	Year ended 31 December			Increase/Decrease		CAGR
	2015G	2016G	2017G	2015G-2016G	2016G-2017G	2015G-2017G
Fitness Time Plus	17,809	20,342	20,793	14.2%	2.2%	8.1%
Fitness Time	263,367	268,467	257,876	1.9%	(3.9%)	(1.0%)
Fitness Time Pro	158,372	158,550	140,022	0.1%	(11.7%)	(6.0%)
Total	**439,548**	**447,358**	**418,691**	**1.8%**	**(6.4%)**	**(2.4%)**
Number of fitness centres						
Fitness Time Plus	2	2	2	-	-	-
Fitness Time	33	33	33	-	-	-
Fitness Time Pro	25	25	25	-	-	-
Total	**60**	**60**	**60**	**-**	**-**	**-**
Revenue per fitness centre						
Fitness Time Plus	8,905	10,171	10,397	1,266	226	1,492
Fitness Time	7,981	8,135	7,814	155	(321)	(166)
Fitness Time Pro	6,335	6,342	5,601	7	(741)	(734)
Total	**7,326**	**7,456**	**6,978**	**130**	**(478)**	**(348)**

Source: Company information

a- Fitness Time Plus

In addition to the standard facilities found in a Fitness Time fitness centre, Fitness Time Plus fitness centres offer premium lounges, massage, and business centres. The standard membership fees (as of 1 January 2018G) for this category, inclusive of VAT, are SAR 3,045 for three months, SAR 5,145 for six months and SAR 8,925 for 12 months.

There are two like-for-like fitness centres in the Fitness Time Plus category as at 31 December 2017G: one located in Jeddah (opened in 2010G) and another in Riyadh (opened in 2012G). The Company opened its third Fitness Time Plus centre in Khobar in 2015G and its fourth Fitness Time Plus centre in Makkah in 2017G (which are not part of the like-for-like portfolio).

Fitness Time Plus like-for-like revenue increased by 14.2% from SAR 17.8 million in 2015G to SAR 20.3 million in 2016G due to increased realised fees per member and the introduction of personal training.

The Company started offering shorter duration (three- and six-month) memberships during 2017G, which coupled with light promotions and discounts, was successful in growing the number of members. As a result, revenue for Fitness Time Plus like-for-like centres increased by 2.2% to SAR 20.8 million in 2017G.

b- Fitness Time

Fitness Time is the largest category with a total of 33 like-for-like fitness centres across the Kingdom (17 in Riyadh, ten in Jeddah, two in Dammam, two in Khobar, one in Makkah, and 1 in Madina) as at 31 December 2017G, and contributed approximately 59.9%, 60.0% and 61.6% of like-for-like revenue in 2015G, 2016G and 2017G, respectively. Three Fitness Time like-for-like centres were closed in 2017G for conversion to female fitness centres. The category is positioned as the second-highest category after the Fitness Time Plus offering with typical fitness centre services and equipment, swimming facilities, outside playgrounds and recreational spaces and other amenities such as lounges. The standard membership fees (as of 1 January 2018G) for this category, inclusive of VAT, are SAR 1,838 for three months, SAR 2,993 for six months and SAR 4,988 for 12 months.

Fitness Time like-for-like revenue increased by 1.9% from SAR 263.4 million in 2015G to SAR 268.5 million in 2016G, driven by a proactive approach to pricing that increased year-end individual membership levels from 48,503 in 2015G to 62,502 in 2016G, coupled with the continued roll-out of personal training.

Fitness Time like-for-like revenue decreased by 3.9% from SAR 268.5 million to SAR 257.9 million, primarily due to lower average revenue per member as a result of higher level of promotions offered during the year, in response to soft market conditions in 2017G.

c- Fitness Time Pro

The Fitness Time Pro category is positioned at a lower price point than Fitness Time. Fitness Time Pro is the second-largest category with a total of 25 like-for-like fitness centres across the Kingdom (nine in Riyadh, four in Jeddah, one in Dammam and 11 across other cities around the Kingdom) as at 31 December 2017G and make up 36.0%, 35.4% and 33.4% of like-for-like revenue in 2015G, 2016G and 2017G, respectively. The Company repurposed one Fitness Time Pro like-for-like centre during 2017G for conversion to a female centre. The standard membership fees for this category (as of 1 January 2018G), inclusive of VAT, are SAR 524 (one month), SAR 1,155 (three months), SAR 1,943 (six months) and SAR 3,255 (12 months).

Fitness Time Pro revenue increased marginally by 0.1% from SAR 158.4 million in 2015G to SAR 158.6 million in 2016G due to promotions offered during the year coupled by improvements from extending working hours in two fitness centres in Jeddah, which was offset by:

- a decline in the revenues of a fitness centre in Riyadh from SAR 5.0 million in 2015G to SAR 4.1 million in 2016G due to roadwork that impacted access to the fitness centre; and
- a reduction in the revenues of two fitness centres as a result of competitor fitness centres opening in their vicinity.

Fitness Time Pro revenue decreased by 11.7% from SAR 158.6 million in 2016G to SAR 140.0 million in 2017G mainly due to reduction in year-end individual membership levels from 62,502 in 2016G to 45,180 in 2017G attributable to overall decline in like-for-like fitness centres, relatively higher impact of soft market conditions in Tier 2 cities and migration of members from Fitness Time Pro to the Fitness Time category due to opening of new Fitness Time centres in nearby vicinities at some locations.

6.5.3.2 Key Fitness Centres Opened 2015G-2017G

The following table sets out the Company's new openings from main categories revenue by category for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 56: New Openings by Category for the Financial Years Ended 31 December 2015G, 2016G, and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G	2016G	2017G	2015G-2016G	2016G-2017G	2015G-2017G
Fitness Time Plus	3,083	6,740	6,967	118.6%	3.4%	50.3%
Fitness Time	9,580	40,056	76,023	318.1%	89.8%	181.7%
Fitness Time Pro	16,920	48,501	64,241	186.6%	32.5%	94.9%
Total	**29,583**	**95,297**	**147,231**	**222.1%**	**54.5%**	**123.1%**
Number of fitness centres						
Fitness Time Plus	1	1	2	-	1	1
Fitness Time	5	10	16	5	6	11
Fitness Time Pro	7	12	15	5	3	8
Total	**13**	**23**	**33**	**10**	**10**	**20**
Average revenue per fitness centre						
Fitness Time Plus	3,127	6,740	4,908	3,613	(1,831)	1,781
Fitness Time	3,786	5,242	6,075	1,456	833	2,289
Fitness Time Pro	4,823	5,129	4,491	307	(639)	(332)
Total	**4,211**	**5,266**	**5,214**	**1,055**	**(52)**	**1,003**

Source: Company information

Note: Average revenue per fitness centre is calculated using average number of fitness centres.

a- Fitness Time Plus

Two new Fitness Time Plus centres were opened over the historical period (in Khobar and Makkah). Revenue increased from SAR 3.1 million in 2015G to SAR 7.0 million in 2017G due to sales campaigns launched to drive growth in membership levels.

b- Fitness Time

There was a net increase of 16 fitness centres in the Fitness Time category over the historical period (2015G–2017G), which comprised 17 new fitness centre openings and one closure for conversion purposes. The 17 new Fitness Time openings over the historical period included six centres that commenced operations during 2015G, five commenced operations during 2016G and six commenced operations during 2017G. New openings in 2015G consisted of three openings in Riyadh, one in each of Khobar and Dammam, and one in Jeddah. Openings in 2016G consisted of fitness centres in each of Riyadh, Jeddah, Dammam, Taif and Madina. Openings in 2017G consisted of fitness centres of two in Makkah, two in Jubail and one each in Unaizah and Khamis Mushait. The fitness centre that opened in Dammam in 2015G was subsequently closed in 2017G for conversion to a female centre.

Revenue from new openings amounted to SAR 40.1 million in 2016G, of which SAR 8.5 million was generated from fitness centres opened during the year and SAR 31.5 million was generated from fitness centres opened during 2015G.

Revenue from new openings increased from SAR 40.1 million in 2016G to SAR 76.0 million in 2017G, primarily driven by growth of revenue from fitness centres opened in 2016G (from SAR 8.5 million in 2016G to SAR 29.0 million in 2017G) and fitness centres opened during the year (SAR 13.7 million), partly offset by reduction in revenue relating to 2015G openings.

c- Fitness Time Pro

There were 16 Fitness Time Pro new openings over the historical period together with one closure in 2017G resulting in a net increase of 15 new Fitness Time Pro centres. The 16 new openings comprised seven that commenced operations in 2015G, six commenced operations in 2016G and three commenced operations in 2017G. New openings in 2015G consisted of two fitness centres in Riyadh, one in Jeddah, and one in each of Najran, Sakaka, Hafr Al-Batin and Baha. There were six Fitness Time Pro openings during 2016G of which two opened in Riyadh, and one opened in each of Jeddah, Madina, Dawadmi and Jizan. Openings in 2017G consisted of fitness centres of one each in Arar, Jeddah and Makkah. The fitness centre that opened in Riyadh in 2016G was subsequently closed in 2017G for conversion to a female centre.

Revenue from Fitness Time Pro new openings amounted to SAR 48.5 million in 2016G, of which SAR 8.8 million was generated from fitness centres opened during the year and SAR 39.7 million from fitness centres opened in 2015G.

Revenue from new openings increased from SAR 48.5 million in 2016G to SAR 64.2 million in 2017G primarily driven by growth in revenue of fitness centres opened in 2016G (from SAR 8.8 million in 2016G to SAR 21.5 million in 2017G) in addition to the contribution of fitness centres opened during the year (SAR 8.8 million), partly offset by reduction in revenue relating to 2015G openings.

6.5.4 Revenue by City

The following table sets out the Company's revenue by city for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 57: Revenue by City for the Financial Years Ended 31 December 2015G, 2016G, and 2017G

SAR in '000	Year ended 31 December			Increase/Decrease		CAGR
	2015G	2016G	2017G	2015G-2016G	2016G-2017G	2015G-2017G
KSA						
Riyadh	223,730	261,537	260,199	16.9%	(0.5%)	7.8%
Jeddah	118,002	138,127	143,043	17.1%	3.6%	10.1%
Dammam	34,198	40,030	43,906	17.1%	9.7%	13.3%
Other cities	137,722	159,492	181,429	15.8%	13.8%	14.8%
Subscription membership revenues & rental revenue (excluding Corporate and Rental UAE revenues)	513,652	599,185	628,576	16.7%	4.9%	10.6%
UAE	4,322	9,938	13,646	129.9%	37.3%	77.7%
Corporate and others revenue	76,866	91,762	90,623	19.4%	(1.2%)	8.6%
Total	594,839	700,885	732,846	17.8%	4.6%	11.0%
Number of fitness centres						
Riyadh	41	43	42	2	(1)	1
Jeddah	19	21	22	2	1	3
Dammam	5	6	5	1	(1)	0
Other cities	24	30	39	6	9	15
Total KSA	89	100	108	11	8	19
UAE	2	2	4	-	2	2
Average revenue per fitness centre						
Riyadh	6,144	6,078	6,019	(66)	(59)	(125)
Jeddah	6,603	6,996	6,352	393	(644)	(251)
Dammam	6,630	5,880	6,014	(750)	622	(128)
Other cities	6,634	6,384	5,354	(250)	(1,030)	(1,280)
Total KSA	6,404	6,336	5,908	(68)	(428)	(496)
UAE	3,201	4,969	4,845	1,768	(124)	1,644

Source: Company information

Note: Average revenue per fitness centre is calculated using average number of fitness centres.

a- Riyadh

Revenue from centres located in Riyadh increased by 16.9% from SAR 223.7 million in 2015G to SAR 261.5 million in 2016G, mainly driven by the increase in revenue from 2015G openings (from SAR 14.7 million to SAR 44.4 million) in addition to new openings during the year (contributing SAR 8.2 million to revenue). Furthermore, like-for-like fitness centre revenue increased from SAR 201.2 million to SAR 206.0 million over the same period, driven by an increase in membership levels coupled with the roll-out of personal training. Average revenue per fitness centre declined slightly due to the large number of newly opened fitness centres operating in their ramp-up phase.

Riyadh fitness centres experienced a slight drop in revenue of 0.5% from SAR 261.5 million in 2016G to SAR 260.2 million in 2017G, with like-for-like fitness centre revenue decreasing from SAR 206.0 million to SAR 201.1 million over the same period. While there were two new fitness centre openings in Riyadh in 2017G, three fitness centres were closed during the year for conversion into female fitness centres.

b- Jeddah

Revenue increased by 17.1% from SAR 118.0 million in 2015G to SAR 138.1 million in 2016G, driven by the ramp-up/ full-year effect of two fitness centres opened in 2015G (revenue increased from SAR 2.1 million to SAR 14.0 million over the period) coupled with like-for-like revenue growth (revenue increased from SAR 114.4 million to SAR 121.6 million over the period). Average revenue per fitness centre increased from SAR 6.6 million to SAR 7.0 million over the same period.

Revenue increased by 3.6% from SAR 138.1 million in 2016G to SAR 143.0 million in 2017G, driven by ramp-up of two new fitness centre opened in 2016G (revenue growth of SAR 8.7 million) and opening of two new fitness centres in 2017G contributing SAR 7.7 million. This is partially offset by decrease in like-for-like fitness centre revenue from SAR 135.6 million to SAR 124.1 million over the same period mainly due to decrease in number of members including the cannibalization effect from new fitness centres and temporarily closure of one fitness centre for conversion to female centre.

c- Dammam

There were a total of five fitness centres in Dammam as at 31 December 2017G (four opened before 1 January 2015G and one each opened in 2015G and 2016G, with one closure in 2017G for conversion to female centre).

Revenue increased by 17.1% from SAR 34.2 million in 2015G to SAR 40.0 million in 2016G, driven by the ramp-up effect of the fitness centre opened in 2015G coupled with the opening of a new fitness centre during the year. Average revenue per fitness centre decreased from SAR 6.6 million to SAR 5.9 million over the same period due to the new opening operating in its ramp-up phase.

Revenue further increased by 9.7% from SAR 40.0 million in 2016G to SAR 43.9 million in 2017G driven by ramp-up of one fitness centre opened in 2016G (revenue growth of SAR 3.4 million) and opening of one converted fitness centre in 2017G contributing SAR 3.1 million. This is partially offset by decrease in like-for-like fitness centre revenue from SAR 37.0 million to SAR 34.3 million over the same period mainly due to decrease in number of members including temporarily closure of one fitness centre for conversion to female centre.

d- Other cities in the Kingdom

There were 17 fitness centres with opening dates prior to 1 January 2015G located in other cities in the Kingdom. The cities include Makkah (three fitness centres), Khobar (two fitness centres), Madina (two fitness centres), Buraydah (two fitness centres), Ahsa (two fitness centres), and one fitness centre in each of Al Kharj, Taif, Hail, Khamees Mushait, Saihat and Tabouk.

There were 26 net new openings in other cities in the Kingdom over three years (2015G, 2016G and 2017G) with Company's presence increasing from 11 cities (other than Riyadh, Jeddah and Dammam) as at 1 January 2015G to 20 cities as at 31 December 2017G. The Company opened nine fitness centres in 2015G, six fitness centres in 2016G and 14 fitness centres in 2017G. Furthermore, the Company closed down three centres in the other cities in 2017G, which included the Fitness Time Academy centre in Buraydah and two other centres (closed for conversion).

Revenue increased by 15.8% from SAR 137.7 million in 2015G to SAR 159.5 million in 2016G mainly driven by the increase in number of individual membership of 2015G openings. Like-for-like revenue decreased from SAR 118.6 million to SAR 117.0 million over the same period due to the impact of competitor openings in two locations.

Average revenue per fitness centre decreased from SAR 6.6 million in 2015G to SAR 6.4 million in 2016G as the ramp-up of 2015G openings was offset by the slight decrease in like-for-like revenue, coupled with the opening of six fitness centres.

Revenue increased by 13.8% from SAR 159.5 million in 2016G to SAR 181.4 million in 2017G driven by ramp-up of 2016G openings and 14 new fitness centre openings in 2017G, which was partly set off by decrease in like-for-like revenue (from SAR 121.3 million to SAR 98.2 million over the same period) and closure of 2 fitness centres for conversion to female centres.

Average revenue per fitness centre decreased from SAR 6.4 million in 2016G to SAR 5.4 million in 2017G due to the large number of newly opened fitness centres (14 fitness centres) operating in their ramp-up phase and decrease in number of individual members of like for like fitness centres including the cannibalization effect from new centres.

6.5.5 Cost of Revenue

The following table sets out the Company's cost of revenue for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 58: Cost of Revenue for the Financial Years Ended 31 December 2015G, 2016G, and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited Special Purpose	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2015G-2017G
Salaries and related benefits	111,784	137,003	159,325	22.6%	16.3%	19.4%
Depreciation	66,162	77,637	91,775	17.3%	18.2%	17.8%
Rent expenses	54,773	65,897	73,588	20.3%	11.7%	15.9%
Water and electricity	36,367	52,068	62,420	43.2%	19.9%	31.0%
Maintenance and repair	15,961	8,774	8,627	(45.0%)	(1.7%)	(26.5%)
Cleaning and services expenses	24,314	29,336	33,329	20.7%	13.6%	17.1%
Consumables	7,558	10,200	9,379	35.0%	(8.0%)	11.4%
Other expenses	14,495	14,650	15,700	1.1%	7.2%	4.1%
Total	**331,414**	**395,565**	**454,144**	**19.4%**	**14.8%**	**17.1%**
Headcount at year end	1,500	1,965	2,171	465	206	671
Average salary per headcount	74,523	69,722	73,388	(4,801)	3,666	(1,135)
Per average fitness centre (SAR in '000)						
Salaries and related benefits	1,363	1,412	1,459	49	47	96
Depreciation	807	800	840	(6)	40	33
Rent expenses	668	679	674	11	(5)	6
Water and electricity	444	537	572	93	35	129
Maintenance and repair	195	90	79	(104)	(11)	(116)
Cleaning and services expenses	297	302	305	6	3	8
Consumables	92	105	86	13	(19)	(6)
Other expenses	177	151	144	(26)	(7)	(33)
Total	**4,042**	**4,078**	**4,159**	**36**	**81**	**117**
As % of revenue						
Salaries and related benefits	18.8%	19.5%	21.7%	0.8%	2.2%	2.9%
Depreciation	11.1%	11.1%	12.5%	-	1.4%	1.4%
Rent expenses	9.2%	9.4%	10.0%	0.2%	0.6%	0.8%
Water and electricity	6.1%	7.4%	8.5%	1.3%	1.1%	2.4%
Maintenance and repair	2.7%	1.3%	1.2%	(1.4%)	(0.1%)	(1.5%)
Cleaning and services expenses	4.1%	4.2%	4.5%	0.1%	0.4%	0.5%
Consumables	1.3%	1.5%	1.3%	0.2%	(0.2%)	0.0%
Others	2.4%	2.1%	2.1%	(0.3%)	0.1%	(0.3%)
Total	**55.7%**	**56.4%**	**62.0%**	**0.7%**	**5.5%**	**6.3%**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

a- Salaries and related benefits

Salaries and related benefits consist of the remuneration of fitness centre management, support staff and some other operational staff. Salaries and related benefits increased by 22.6% from SAR 111.8 million in 2015G to SAR 137.0 million in 2016G, driven by the operation at full capacity of the new fitness centres opened in 2015G, the opening of 12 fitness centres during the year and the addition of personal training and sales support staff. Average salaries and related benefits per fitness centre increased by 3.6% mainly due to increased headcount levels due to the addition of personal training and sales support staff.

Salaries and related benefits increased by 16.3% from SAR 137.0 million in 2016G to SAR 159.3 million in 2017G as a result of increase in headcount driven by 18 new fitness centre openings during the year. Average salaries and related benefits per fitness centre increased by approximately 3.3% in 2017G mainly because of annual increments given to staff, new hirings for female centres (at salary levels generally higher than male staff), and higher commission relating to personal training, which were partly offset by a reduction in incentive and overtime expenditures as a result of management initiatives to reduce costs.

b- Depreciation

Depreciation consists of the depreciation of buildings and construction, sports equipment and other fixed assets associated with the Company's fitness centres.

Depreciation increased by 17.3% from SAR 66.2 million in 2015G to SAR 77.6 million in 2016G, driven by the opening of 12 new fitness centres in 2016G, in addition to the full year effect of prior year openings' depreciation charges.

Average depreciation expense per fitness centre decreased slightly in 2016G due to the acquisition of two fitness centres along with the two plots of land upon which they are located as property. The depreciation charges relating to these two fitness centres are relatively lower than those of the fitness centres developed by the Company and located on leased land as the useful life for the buildings is not constrained by land lease duration (as is the case for other fitness centres that have been developed on leased land). Furthermore, the construction costs of new fitness centres are often higher than those of acquired centres. Also contributing to the decrease in average depreciation expense per fitness centre was the increase in the lease term of a fitness centre in the UAE which brought about an increase in the depreciation period for that fitness centre.

In line with the growth of the Company's fitness centre network (18 new fitness centre openings), depreciation increased by 18.2% from SAR 77.6 million in 2016G to SAR 91.8 million in 2017G. Average depreciation expense per fitness centre increased by 5.2% in 2017G due to higher capital expenditures for certain new fitness centres, refurbishment of existing centres and conversion of four fitness centres to female centres during the year.

c- Rent expenses

The Company's business model is based on leasing land on a long-term basis and constructing its own building and related facilities. Therefore, rent expenses are largely related to land lease costs for the Company's fitness centres.

Rent expenses increased by 20.3% from SAR 54.8 million in 2015G to SAR 65.9 million in 2016G, driven by the full-year effect of the prior year's openings' rent expenses, coupled with the opening of 12 new fitness centres over the same period. Average rent expense per fitness centre remained stable over the same period.

Rent expenses grew by 11.7% from SAR 65.9 million in 2016G to SAR 73.6 million in 2017G as a result of 18 new fitness centre openings during the year and the full-year impact of 2016G openings. Average rent expense per fitness centre remained largely unchanged over the same period.

d- Water and electricity

Water and electricity expenses increased by 43.2% from SAR 36.4 million in 2015G to SAR 52.1 million in 2016G, driven by the opening of 12 fitness centres over the period, coupled with the full-year impact of the openings in 2015G and reclassification of generator fuel costs of SAR 8.8 million from repairs and maintenance to water and electricity under cost of revenue in 2016G. Average water and electricity expenses per fitness centre increased by 20.9% driven by increase in the utility prices in 2016G and reclassification of generator fuel costs.

The impact of the increase in the prices of utilities in the country in 2016G was partly mitigated by the introduction of cost saving initiatives aimed at reducing water and electricity expenses. These included modifying certain fitness centres' opening hours to reduce operations during low-traffic times of day and decreasing reliance on electricity generators by coordinating with the Saudi Electricity Company to ensure the timely connection of new openings to the electrical grids.

Water and electricity expenses increased by 19.9% from SAR 52.1 million in 2016G to SAR 62.4 million in 2017G due to: (i) increase in the average number of fitness centres; and (ii) increased use of generator fuel in the recently opened fitness centres. Average water and electricity expenses per fitness centres increased in 2017G driven by higher number of recently opened fitness centres running on generators (which require fuel) and increased utilisation of the fitness centres given the growth in average number of members during the year.

e- Maintenance and repair

Maintenance and repair expenses consist of general fitness centre maintenance costs for fitness equipment and other facilities. Maintenance and repair expenses decreased by 45.0% from SAR 16.0 million in 2015G to SAR 8.8 million in 2016G, mainly due to reclassification of generator fuel costs of SAR 8.8 million from repairs and maintenance to water and electricity under cost of revenue in 2016G, partly offset by the increase in the number of operating fitness centres during the period. Average maintenance and repair expenses per fitness centre fell by 53% in 2016G due to reclassification of generator fuel costs (to water and electricity) coupled with cost savings through the utilisation of in-house capabilities in place of third-party service providers for swimming pool maintenance.

Maintenance and repair expenses further decreased by 1.7% from SAR 8.8 million in 2016G to SAR 8.6 million in 2017G primarily due to continuance of Company's cost optimisation efforts where certain services (swimming pool maintenance and sport equipment repairs) were managed in-house instead of outsourcing them, despite the increase in the number of fitness centres in 2017G (average maintenance and repair expenses per fitness centre decreased over the same period).

f- Cleaning and services expenses

Cleaning and services expenses consist of the costs of outsourced cleaning services and cleaning equipment and materials. Cleaning and services expenses increased by 20.7% from SAR 24.3 million in 2015G to SAR 29.3 million in 2016G, driven by new openings over the period and the ramp-up of the fitness centres opened in 2015G. This was partially offset by the renegotiation of contracts with outside vendors, resulting in reduced rates. Average cleaning and services expenses per fitness centre remained relatively stable at approximately SAR 0.3 million over the historical period.

Cleaning and services expenses increased by 13.6% from SAR 29.3 million in 2016G to SAR 33.3 million in 2017G driven mainly by the increase in the average number of fitness centres from 97 to 109 during the same period. Average cleaning and services expenses per fitness centre remained largely unchanged at SAR 0.3 million in 2017G.

g- Consumables

Consumables consist of day-to-day items such as cleaning products and towels used in fitness centres. Consumables expenses increased by 35.0% from SAR 7.6 million in 2015G to SAR 10.2 million in 2016G, driven by the new openings and the full-year effect of prior year openings, as well as the increase in membership levels over the same period.

Despite the increase in the Company's fitness centre network during 2017G and growth in the average number of members, consumables expenses reduced by 8.0% from SAR 10.2 million in 2016G to SAR 9.4 million in 2017G. This is primarily due to better cost controls achieved through the ERP system resulting in improved inventory management.

h- Other expenses

Other expenses included government and recruiting expenses, security and safety, telecommunications and subscriptions (relating to fitness centre telephone and internet packages), and security and safety expenses, among others.

Other expenses increased by 1.1% from SAR 14.5 million in 2015G to SAR 14.7 million in 2016G as an increase in government and recruiting expenses was partially offset by:

- a decrease in telecommunications expenses from SAR 2.2 million to SAR 1.7 million as a result of revised contractual terms and a change in the employee mobile allowance policy; and
- a decrease in security and safety expenses from SAR 3.8 million to SAR 2.6 million due to the reduction in the number of security guards deployed at the Company's fitness centres as part of wider cost control initiatives.

Other expenses increased by 7.2% from SAR 14.7 million in 2016G to SAR 15.7 million in 2017G mainly due to increase in government and recruiting expenses which are mainly related to visas costs (by SAR 2.7 million) in line with increase in headcount which resulted in higher Iqama charges and additional visa costs, compensation for dependents fee (introduced in 2017G), and higher stationery expenses (by SAR 0.8 million) given the growth in average number of members, which were partly offset by:

- a decrease in telecommunications expenses from SAR 1.7 million to SAR 0.3 million mainly due to reclassification of IT related communication cost of SAR 1.6 million in 2017G to general and administrative expense (water, electricity and telephone), partly offset by an increase in other subscriptions (newspapers, magazines, etc.) by SAR 0.2 million;

- a decrease in supervision and training allowances from SAR 0.8 million to SAR Nil due to reclassification of supervision and training allowances of SAR 0.6 million in 2017G to salaries and related benefit under cost of revenue; and
- a decrease in other expenses (per diem, freight charges, hospitality expense, vehicle rent, etc.) from SAR 5.5 million in 2016G to SAR 5.0 million in 2017G due to cost control measures.

6.5.6 General and Administrative Expenses

The following table sets out the Company's general and administrative expenses for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 59: General and Administrative Expenses for the Financial Years Ended 31 December 2015G, 2016G, and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited Special Purpose	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2015G-2017G
Salaries and related benefits	29,619	35,488	45,228	19.8%	27.4%	23.6%
Water, electricity and telephone	1,898	4,379	6,499	130.7%	48.4%	85.0%
Property and equipment written off	5,248	2,897	651	(44.8%)	(77.5%)	(64.8%)
Allowance for doubtful debt	-	1,840	(2,028)	N/A	(210.2%)	N/A
Professional fees	2,853	2,410	1,938	(15.5%)	(19.6%)	(17.6%)
Depreciation	1,502	2,124	3,338	41.4%	57.20%	49.1%
Governmental and recruiting	2,737	1,185	1,815	(56.7%)	53.2%	(18.6%)
Others	3,730	8,420	5,753	125.7%	(31.7%)	24.2%
Total	**47,586**	**58,743**	**63,195**	**23.4%**	**7.6%**	**15.2%**
Headcount at year end	152	157	165	5	8	13
Average annual salary per employee (SAR)	194,862	226,038	274,108	31,177	48,071	79,248
As % of revenue						
Salaries and related benefits	5.0%	5.1%	6.2%	0.1%	1.1%	1.2%
Water, electricity and telephone	0.3%	0.6%	0.9%	0.3%	0.3%	0.6%
Property and equipment written off	0.9%	0.4%	0.1%	(0.5%)	(0.3%)	(0.8%)
Allowance for doubtful debt	N/A	0.3%	(0.3%)	N/A	(0.6%)	N/A
Professional fees	0.5%	0.3%	0.3%	(0.2%)	(0.04%)	(0.2%)
Depreciation	0.3%	0.3%	0.5%	-	0.2%	0.2%
Governmental and recruiting	0.5%	0.2%	0.2%	(0.3%)	0.1%	(0.3%)
Others	0.6%	1.2%	0.8%	0.6%	(0.4%)	0.2%
Total	**8.0%**	**8.4%**	**8.6%**	**0.4%**	**0.2%**	**0.6%**

Source: Special purpose Audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

a- Salaries and benefits

Salaries and benefits increased by 19.8% from SAR 29.6 million in 2015G to SAR 35.5 million in 2016G. The increase is mainly due to higher average salary per employee compared to 2015G, which is due to i) several senior hires and ii) reclassification of staff related medical expenses and accrued vacation (SAR 2.4 million from cost of revenue to general and administrative expenses).

Salaries and benefits increased by 27.4% from SAR 35.5 million in 2016G to SAR 45.2 million in 2017G mainly due to increase in headcount (from 157 to 165 during the same period), which included several senior hirings (including for the female business) and increase in management bonuses.

b- Water, electricity and telephone

Water, electricity and telephone expenses consist of expenses for general and administrative utilities (for offices and warehouses).

Water, electricity and telephone expenses increased from SAR 1.9 million in 2015G to SAR 4.4 million in 2016G, driven by an increase in utility prices, IT related communication cost (internet, higher bandwidth, etc.) and the utilisation of additional office space at one of the Company's fitness centres for administrative purposes.

Water, electricity and telephone expenses increased by SAR 48.4% from SAR 4.4 million in 2016G to SAR 6.5 million in 2017G mainly due to: (i) reclassification of IT related communication cost of SAR 1.6 million in 2017G from cost of revenue (telecommunication and subscription) due to centralization of IT department and associated communication costs; and (ii) increase in water, electricity and telephone by SAR 0.5 million due to addition of new corporate office.

c- Property and equipment written off

Property and equipment written off amounted to SAR 5.2 million in 2015G and SAR 2.9 million in 2016G.

The Company conducted a physical count of fixed assets with the aim of removing fixed assets mistakenly listed in the balance sheet (due to duplications or incorrect listings); the process has resulted in writing off of fitness equipment that had been listed under general and administrative expenses as follows:

- SAR 5.2 million resulting from historical cost of SAR 8.3 million in 2015G less accumulated depreciation of SAR 3.1 million.
- SAR 2.9 million resulting from historical cost of SAR 5.4 million in 2015G less accumulated depreciation of SAR 2.5 million.

The Company completed the physical verification exercise in 2017G which included fixed asset tagging. The Company wrote off SAR 6.9 million of property and equipment during the year, of which SAR 6.2 million was against existing provisions and SAR 0.7 million was charged to the income statement under general and administrative expenses.

d- Allowance for doubtful debt

The Company has a formal provisioning policy which recommends providing for:

(i) 25% of gross receivables outstanding between four and six months;
(ii) 50% of balances outstanding between six months and one year;
(iii) 75% of balances outstanding between one and two years; and
(iv) 100% of balances outstanding over two years.

The Company did not record any doubtful debt provision expense in 2015G because the existing provision balance was deemed sufficient. In 2016G, a provision expense of SAR 1.8 million was recorded, which related to corporate clients' receivables.

The allowance for doubtful debt in 2017G was a negative SAR 2.0 million as the Company reversed existing provisions following collection of old receivables which had been provided for earlier. The existing provisions balance as at 31 December 2017G was in line with the Company's provisioning policy.

e- Professional fees

Professional fees consist of financial statement auditing and advisory services. Professional fees decreased from SAR 2.9 million in 2015G to SAR 2.4 million in 2016G as the consultancy services for IFRS and development of structures and procedures undertaken in 2015G were completed.

Professional fees further decreased to SAR 1.9 million in 2017G as certain projects initiated in 2016G were completed during the year, which was partly offset by SAR 0.3 million in fees relating to non-executive board members.

f- Depreciation

Depreciation costs, which pertain to office property and equipment, increased from SAR 1.5 million in 2015G to SAR 2.1 million in 2016G as additional office space was utilised for administrative purposes in one of the Company's fitness centres.

Depreciation costs increased from SAR 2.1 million in 2016G to SAR 3.3 million in 2017G, which mainly related to fixtures and furniture for the additional office space utilised during the year and amortisation of costs relating to the ERP system.

g- Governmental and recruiting expenses

Governmental and recruiting expenses consist of visa permits, residence permits and other recruiting expenses associated with personnel. Governmental and recruiting expenses decreased by 56.7% from SAR 2.7 million in 2015G to SAR 1.2 million in 2016G due to the adoption of accrual accounting for visa/resident permit expenses.

Governmental and recruiting expenses increased by 53.2% from SAR 1.2 million in 2016G to SAR 1.8 million in 2017G due to higher recruitment costs related to new hirings (particularly for the female business), and new visa costs.

h- Other expenses

Other expenses consist of printing expenses for promotional flyers, stationary, maintenance, cleaning and other miscellaneous expenses.

Other expenses increased by 125.7% from SAR 3.7 million in 2015G to SAR 8.4 million in 2016G due to a provision of SAR 3.2 million for fixed assets intended for replacement during 2017G. The provision, which is equivalent to the net book value of the assets, was recorded in accrued expenses as the disposal/replacement decision was taken during 2016G. In addition, the Company recorded provision of SAR 0.8 million relating to long outstanding refundable deposits with customs and certain receivables from employees who are no longer with the Company, and SAR 0.2 million relating to other items. Maintenance and cleaning expenses increased by SAR 0.5 million due to maintenance work in head office and usage of additional office space for administrative purposes.

Other expenses decreased by 31.7% from SAR 8.4 million in 2016G to SAR 5.8 million in 2017G mainly due to decrease in provision for other assets by SAR 1.7 million (due to reversal of provision of SAR 0.7 million relating to advances to suppliers, contractors and other receivables, which were subsequently recovered), decrease in donations by SAR 0.3 million and lower repair and maintenance cost by SAR 0.6 million due to maintenance work conducted at head office in previous year.

6.5.7 Advertising and Marketing Expenses

The following table sets out the Company's advertising and marketing expenses for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 60: Advertising and Marketing Expenses for the Financial Years Ended 31 December 2015G, 2016G, and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited Special Purpose	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2015G-2017G
Advertising and marketing expenses	18,312	19,565	22,678	6.8%	15.9%	11.3%
Salaries and related benefits	3,305	6,005	4,151	81.7%	(30.9%)	12.1%
Total	**21,617**	**25,570**	**26,829**	**18.3%**	**4.9%**	**11.4%**
As % of revenue						
Advertising and marketing expenses	3.1%	2.8%	3.1%	(0.3%)	0.3%	(0.01%)
Salaries and related benefits	0.6%	0.9%	0.6%	0.3%	(0.3%)	(0.01%)

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

a- Advertising and marketing expenses

Advertising and marketing expenses mainly consist of fees paid to vendors and agencies to promote the Fitness Time brand and specific initiatives (new openings, special promotions, etc.).

Advertising and marketing expenses increased by 6.8% from SAR 18.3 million in 2015G to SAR 19.6 million in 2016G due to an increase in FC Barcelona's marketing expenses (from SAR 3.5 million to SAR 7.4 million) due to the full-year provision of services in addition to specific marketing expenses. These were partially offset by a decrease in outdoor advertising expenses and print media advertising, by shifting promotional activities towards social media.

Advertising and marketing expenses increased by 15.9% from SAR 19.6 million in 2016G to SAR 22.7 million in 2017G driven by an increase in social media advertising and promotion as well as outdoor advertising expenses in line with the opening of 18 new fitness centres during the year and launch of the female business.

b- Salaries and benefits

Salaries and benefits consist of in-house advertising and marketing staff, and fees for outsourced personnel provided by external agencies. Salaries and benefits increased from SAR 3.3 million in 2015G to SAR 6.0 million in 2016G as a result of an increase in headcount during the year.

Salaries and benefits decreased from SAR 6.0 million in 2016G to SAR 4.2 million in 2017G mainly due to reclassification of fitness centre related bonuses and sales commission (SAR 1.9 million) to salaries and benefits in cost of sales, which was partly offset by increase in sales and marketing department headcount.

6.5.8 Other Income

Other income decreased by 83.1% from SAR 4.0 million in 2015G (SAR 2.6 million excluding the profit from sale of the land) to SAR 0.7 million in 2016G, mainly driven by a decrease in internal advertising income (from SAR 2.3 million to SAR 0.7 million). The decrease in internal advertising income was due to the expiry of the existing contract and negotiations with another advertising agency for a new contract.

Other income increased from SAR 0.7 million in 2016G to SAR 7.2 million in 2017G driven by: (i) an increase in internal advertising during the same period as the Company started a new agreement with a media company (during April 2017G) in relation to advertising and promotional activities inside the fitness centres (SAR 2.6 million); (ii) an increase in other miscellaneous income, which mainly included locker rentals, barber shops, massage and subscription transfer fees (SAR 2.2 million); and (iii) reversal of old and inactive supplier balances (SAR 1.7 million).

6.5.9 Net Income

The following table sets out the Company's net income for the financial years ended 31 December 2015G, 2016G and 2017G:

Table 61: Net Income for the Financial Years Ended 31 December 2015G, 2016G, and 2017G

SAR in '000	Financial year ended 31 December			Increase/Decrease		CAGR
	2015G Audited Special Purpose	2016G Audited	2017G Audited	2015G-2016G	2016G-2017G	2016G-2017G
Operating income	198,227	221,682	195,884	11.8%	(11.6%)	(0.6%)
Finance charges	(9,292)	(14,246)	(18,336)	53.3%	28.7%	40.5%
Income before Zakat	188,934	207,436	177,548	9.8%	(14.4%)	(3.1%)
Zakat	(6,523)	(4,306)	(3,349)	(34.0%)	(22.2%)	(28.3%)
Net income	182,412	203,130	174,199	11.4%	(14.2%)	(2.3%)
Re-measurement of actuarial losses on defined benefits obligations	(1,489)	(1,173)	(925)	(21.2%)	(21.1%)	(21.2%)
Total comprehensive income	180,923	201,957	173,274	11.6%	(14.2%)	(2.1%)
Operating income margin	33.3%	31.6%	26.7%	(1.7%)	(4.9%)	(6.6%)
Net income margin	30.7%	29.0%	23.8%	(1.7%)	(5.2%)	(6.9%)

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Finance charges increased by 53.3% from SAR 9.3 million in 2015G to SAR 14.2 million in 2016G due to the expensing of finance charges relating to borrowings in connection with 12 fitness centres completed during the year.

Finance charges increased by 28.7% from SAR 14.2 million in 2016G to SAR 18.3 million in 2017G driven by the increase in number of fitness centres from 102 to 112 (and the consequent expensing of finance charges which were capitalised within fixed assets during the development phase of respective fitness centres), and an increase in the SIBOR rate.

Net income margin decreased from 30.7% in 2015G to 29.0% in 2016G due to:

- decrease in the operating income margin from 33.3% to 31.6% over the same period (as a result of a decline in the gross margin due to 2014G and 2015G openings operating in their ramp-up phase and an increase in indirect staff costs); and
- increase of financing expenses (from SAR 9.3 million to SAR 14.2 million over the same period).

Net income margin further decreased from 29.0% in 2016G to 23.8% in 2017G mainly due to:

- decrease in average revenue per fitness centre (from SAR 7.3 million in 2016G to SAR 6.7 million in 2017G);
- increase in cost of sales per fitness centre (by 2.0%), and
- increase in finance charges by 28.7% from SAR 14.2 million in 2016G to SAR 18.3 million in 2017G driven by the increase in number of operational fitness centres, which were partially financed through debt (bank loans).

6.5.10 Audited Balance Sheets as at 31 December 2015G, 2016G and 2017G

The following table sets out the Company's audited balance sheets as at 31 December 2015G, 2016G and 2017G:

Table 62: Audited Balance Sheets as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited	2016G Audited	2017G Audited
Assets			
Cash and bank balances	57,219	61,609	56,022
Short-term investments	-	50,000	17,000
Accounts receivable, net	14,285	8,504	8,923
Due from related party	35	35	35
Prepayments and other current assets	87,710	80,823	119,036
Total current assets	**159,250**	**200,970**	**201,016**
Property and equipment	890,562	1,145,923	1,285,102
Long-Term Prepayment	-	-	9,323
Goodwill	-	9,446	9,446
Investment in unconsolidated subsidiary	48	48	48
Total non-current assets	**890,609**	**1,155,417**	**1,303,918**
Total assets	**1,049,859**	**1,356,387**	**1,504,935**
Current liabilities			
Loans and borrowings	62,878	84,311	76,494
Accounts payable	26,695	23,675	37,305
Deferred revenue	176,092	217,856	261,576
Deferred rentals - current portion	-	-	3,168
Dividend payable	26,727	32,598	-
Accrued expenses and other current liabilities	77,818	92,650	49,752
Provision for Zakat	7,028	6,614	4,488
Total current liabilities	**377,239**	**457,703**	**432,781**
Non-current liabilities			
Loans and borrowings	217,044	357,420	366,151
Employees' end of services benefits	12,528	17,430	23,930
Deferred rentals	-	-	53,129
Total non-current liabilities	**229,572**	**374,850**	**443,210**
Total liabilities	**606,811**	**832,553**	**875,991**
Shareholders' equity			
Share capital	195,000	195,000	523,834
Statutory reserve	64,498	64,498	17,420
Retained earnings	183,550	264,336	87,690
Total shareholders' equity	**443,048**	**523,834**	**628,943**
Total liabilities and shareholders' equity	**1,049,859**	**1,356,387**	**1,504,935**

Source: Financial statements for the years ending 31 December 2015G and 2016G have been audited in accordance with the accounting standards issued by SOCPA, whereas the financial statements for the year ending 31 December 2017G have been audited in accordance with IFRS as endorsed by SOCPA.

The following table sets out the Company's audited balance sheet as at 31 December 2017G, and special purpose audited balance sheet as at December 2016G:

Table 63: Audited Balance Sheet as at 31 December 2017G, and Special Purpose Balance Sheet as at December 2016G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Assets			
Cash and bank balances	57,219	61,609	56,022
Short-term investments	-	50,000	17,000
Accounts receivable, net	14,285	8,504	8,923
Due from related party	35	35	35
Prepayments and other current assets	87,710	80,823	119,036
Total current assets	**159,250**	**200,970**	**201,016**
Property and equipment	890,562	1,145,924	1,285,102
Long-Term Prepayment	-	-	9,323
Goodwill	-	9,446	9,446
Investment in unconsolidated subsidiary	48	48	48
Total non-current assets	**890,609**	**1,155,417**	**1,303,918**
Total assets	**1,049,859**	**1,356,387**	**1,504,935**
Current liabilities			
Loans and borrowings	62,878	84,311	76,494
Accounts payable	26,695	23,675	37,305
Deferred revenue	176,092	217,856	261,576
Deferred rentals - current portion	-	1,054	3,168
Dividend payable	26,727	32,598	-
Accrued expenses and other current liabilities	77,818	45,334	49,752
Provision for Zakat	7,028	6,614	4,488
Total current liabilities	**377,239**	**411,441**	**432,781**
Non-current liabilities			
Loans and borrowings	217,044	357,420	366,151
Employees' end of services benefits	12,590	17,499	23,930
Deferred rentals	-	46,262	53,129
Total non-current liabilities	**229,634**	**421,182**	**443,210**
Total liabilities	**606,873**	**832,623**	**875,991**
Shareholders' equity			
Share capital	195,000	195,000	523,834
Statutory reserve	64,498	64,498	17,420
Retained earnings	183,489	264,267	87,690
Total shareholders' equity	**442,986**	**523,765**	**628,943**
Total liabilities and shareholders' equity	**1,049,859**	**1,356,387**	**1,504,935**
Current ratio	0.4	0.5	0.5
Bank debt to equity	0.6	0.8	0.7
Total liabilities/total assets	**0.6**	**0.6**	**0.6**
Total liabilities/total shareholders' equity	**1.4**	**1.6**	**1.4**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

6.5.12 Current Assets

The following table sets out the Company's current assets as at 31 December 2015G, 2016G and 2017G:

Table 64: Current Assets as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Cash and bank balances	57,219	61,609	56,022
Short-term investments	-	50,000	17,000
Prepayments and other current assets	87,710	80,823	119,036
Accounts receivable, net	14,285	8,504	8,923
Due from related party	35	35	35
Total current assets	159,250	200,970	201,016

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

a- Cash and bank balances

The following table sets out the Company's cash and bank balances as at 31 December 2015G, 2016G and 2017G:

Table 65: Cash and Bank Balances as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Cash in hand	450	3,526	2,864
Cash at bank – current accounts	56,769	58,083	53,158
Total	57,219	61,609	56,022

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

The Company's cash policy is to ensure that an optimum level of liquidity is maintained to meet operational requirements and fulfil upcoming commitments. This optimum level is reviewed annually.

Cash and bank balances increased from SAR 57.2 million as at 31 December 2015G to SAR 61.6 million as at 31 December 2016G due to an increase in operating cash flows (driven by operating income growth and deferred revenue in-flows), which was partially offset by an increase in cash used in investing activities in connection with fitness centres under development.

Cash and bank balances decreased from SAR 61.6 million as at 31 December 2016G to SAR 56.0 million as at 31 December 2017G due to lower cash flow from operations during the period and higher repayment of bank borrowings.

b- Short-term investments

Short-term investments comprise investment of excess cash reserves in Sharia compliant deposits with a bank. Short-term investments decreased from SAR 50.0 million as at 31 December 2016G to SAR 17.0 million as at 31 December 2017G to fund working capital requirements.

c- Prepayments and other current assets

The following table sets out the Company's prepayments and other current assets as at 31 December 2015G, 2016G and 2017G:

Table 66: Prepayments and other current assets as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Prepaid expenses	39,367	45,207	51,388
Advances to suppliers and contractors	38,479	22,345	52,917
Consumables	4,606	6,797	13,231
Initial public offering cost due from shareholders	243	3,406	175
Other receivables	5,015	3,068	1,325
Total	87,710	80,823	119,036

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Prepayments and other current assets amounted to SAR 119.0 million as at 31 December 2017G mainly consisting of prepaid expenses (SAR 51.4 million) and advances to suppliers and contractors (SAR 52.9 million).

Prepaid expenses mainly consist of rent for operational properties. The Company typically operates its fitness centres on leased land with long-term underlying contracts (15-30 years on average). Land lease contracts relating to operating fitness centres had an average remaining life of 12 years as at 31 December 2017G of which 8 (out of 112 fitness centres) had remaining lease terms between three and five years. The majority of leases relating to operating fitness centres had remaining lease terms over ten years.

Prepaid expenses increased from SAR 39.4 million as at 31 December 2015G to SAR 45.2 million as at 31 December 2016G, driven by an increase in the number of leased plots of land for 12 new openings and fitness centres under development.

Prepaid expenses increased from SAR 45.2 million as at 31 December 2016G to SAR 51.4 million as at 31 December 2017G due to increase in prepaid rent attributable to higher number of operational fitness centres (102 centres as at 31 December 2016G and 112 centres as at 31 December 2017G).

Advances to suppliers and contractors (SAR 52.9 million as at 31 December 2017G) consist mainly of advances to contractors in connection with the development of fitness centres. Advances typically amount to 5%-10% of contract value.

Advances to suppliers and contractors decreased from SAR 38.5 million as at 31 December 2015G to SAR 22.3 million as at 31 December 2016G due to a revision of policies and procedures relating to contractor payments which improved the Company's liquidity.

Advances to suppliers and contractors increased from SAR 22.3 million as at 31 December 2016G to SAR 52.9 million as at 31 December 2017G driven by an increase in advances to contractors in connection with the progress of work on fitness centres under development including conversions (31 fitness centres were under development as at 31 December 2017G).

Consumables consist of stocks of day-to-day items such as cleaning products, towels and other items used in fitness centres. These items have a relatively long shelf-life. Consumables increased from SAR 4.6 million as at 31 December 2015G to SAR 6.8 million as at 31 December 2016G, consistent with the increase in fitness centres during the period.

Consumables increased from SAR 6.8 million as at 31 December 2016G to SAR 13.2 million as at 31 December 2017G mainly driven by growth in Company's operations and stock purchased in connection with planned fitness centre openings.

Initial public offering costs due from shareholders consist of the costs and fees associated with the initial public offering process that the Selling Shareholders are responsible for. They will reimburse the Company from the initial public offering proceeds. Initial public offering costs due from shareholders increased from SAR 0.2 million as at 31 December 2015G to SAR 3.4 million as at 31 December 2016G, in line with the work carried for the offering process. Initial public offering costs, however, decreased to SAR 0.2 million as at 31 December 2017G as the shareholders reimbursed the Company by settling the Offering costs against dividends declared for Q3 2017G.

Other receivables decreased from SAR 5.0 million as at 31 December 2015G to SAR 3.1 million as at 31 December 2016G, primarily driven by the amortization of development costs relating to the FC Barcelona Football Academy (which commenced in 2016G).

Other receivables decreased from SAR 3.1 million as at 31 December 2016G to SAR 1.3 million as at 31 December 2017G mainly due to write off of certain project specific development costs (initial franchise cost and eXtreme Fitness) incurred in previous years.

d- Accounts receivable, net

The following table sets out the Company's provision for doubtful debt as at 31 December 2015G, 2016G and 2017G:

Table 67: Provision for Doubtful Debt as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Subscriptions and membership receivables	13,455	11,382	8,160
Rental receivables	4,528	1,845	3,149
Accounts receivable, gross	17,984	13,228	11,308
Provision for doubtful debt			
Subscriptions and membership receivables	(2,320)	(3,813)	(626)
Rental receivables	(1,378)	(911)	(1,759)
Total provisions	(3,698)	(4,724)	(2,385)
Accounts receivable, net	14,285	8,504	8,923

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Accounts receivable primarily consist of subscription and membership dues from corporate clients. Corporate clients (with business-to-business agreements) are typically invoiced for the full amount of memberships (corporate business-to-customer members are required to pay cash upon subscription). Certain key corporate clients are granted monthly billing terms.

Net accounts receivable decreased from SAR 14.3 million as at 31 December 2015G to SAR 8.5 million as at 31 December 2016G, mainly driven by a decrease in gross corporate and rental receivables over the same period due to improved collections.

There was also an increase in the provision for doubtful accounts receivable from SAR 3.7 million as at 31 December 2015G to SAR 4.7 million as at 31 December 2016G as a result of an increase in the general provision consistent with the Company's provisioning policy, as well as a specific provision pertaining to a corporate client.

Net account receivables marginally increased from SAR 8.5 million as at 31 December 2016G to SAR 8.9 million as at 31 December 2017G. Gross receivables reduced from SAR 13.2 million as at 31 December 2016G to SAR 11.3 million as at 31 December 2017G due to lower corporate receivables (on account of reduction in corporate revenue as well as improved collections), which was partly offset by higher rental receivables (driven by increase in number of fitness centres and resultant increase in leasable area).

The reduction in gross receivables was offset by a decrease in provision for doubtful debt balance (by SAR 2.3 million) due to a reversal in line with the Company's policy as this included certain old provisions that were collected during the year.

The following table sets out the Company's accounts receivable aging as at 31 December 2017G:

Table 68: Account Receivables Aging as at 31 December 2017G

SAR in '000	Current	1–30 days	31–60 days	61–90 days	91–120 days	121+ days	Total
Accounts receivable, gross	6,451	1,612	373	115	889	1,868	11,308

Source: Financial Statements for the financial year ended 31 December 2017G

The following table sets out the Company's provision for doubtful debt as at 31 December 2015G, 2016G and 2017G:

Table 69: Provision for Doubtful Debt as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Balance at the beginning of the year	3,698	3,698	4,724
Provision for the year	-	1,840	(2,028)
Write-off during the year	-	(814)	(310)
Balance at the end of the year	3,698	4,724	2,385

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

e- Due from a related party

The due from a related party amounting to SAR 35,450 as at 31 December 2017G relates to net expenses incurred on behalf of the Subsidiary. The Company has a 95%shareholding in the Subsidiary, which discontinued its operations upon transferring the Fitness Time trademark. As the Subsidiary is immaterial to the Company, it is not consolidated in the Financial Statements.

6.5.13 Non-current Assets

The following table sets out the Company's non-current assets as at 31 December 2015G, 2016G and 2017G:

Table 70: Non-current Assets as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Property and equipment	890,562	1,145,924	1,285,102
Long-term prepayment	-	-	9,323
Goodwill	-	9,446	9,446
Investment in unconsolidated subsidiary	48	48	48
Total non-current assets	890,609	1,155,417	1,303,918

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Non-current assets mainly consist of property and equipment, goodwill and investment in the unconsolidated Subsidiary. The increase in non-current assets from SAR 890.6 million as at 31 December 2015G to SAR 1,303.9 million as at 31 December 2017G was due to the increase in property and equipment by SAR 394.5 million over the same period.

a- Property and equipment

The following table sets out the Company's property and equipment as at 31 December 2015G, 2016G and 2017G:

Table 71: Property and Equipment as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Building and construction	592,042	647,524	790,665
Capital work-in-progress	75,420	199,043	130,207
Sports tools and equipment	167,129	192,474	225,523
Land	-	48,936	73,252
Electrical equipment and air conditions	48,876	46,639	50,010
Computers	2,247	6,761	8,840
Furniture and office equipment	3,885	3,842	6,126
Motor vehicles	963	705	480
Total	890,562	1,145,924	1,285,102

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Property and equipment amounted to SAR 1,285.1 million as at 31 December 2017G, mainly consisting of buildings and construction (SAR 790.7 million), capital work in progress (SAR 130.2 million) and fitness equipment (SAR 225.5 million).

The Company's business model its to mostly develop its own fitness centres on land leased on a long-term basis. The Company typically owns the building that is constructed on leased land (for more information about real estate properties leased by the Company, please refer to Section 12.8.2 (*Lease Agreements*)). However, in some limited instances the Company either: (i) has rented the fitness centre building or (ii) it owns the land on which the fitness centre has been developed (for more information about real estate properties owned by the Company, please refer to Section 12.8.1 (*Title Deeds*)). The Company owns all the fixtures, fittings and equipment's (including sports and exercise equipment) relating to its fitness centres. However, the Company leases certain vehicles typically through two to three year operating lease contracts.

As of 31 December 2017G, the Company had 31 fitness centres under construction (including conversions of exiting fitness centres into female fitness centres) for which it will be incurring capital expenditure (capital expenditures include the construction of buildings, the purchase of machinery and fitness tools and equipment's, electrical equipment and air conditioners, computers, furniture and office equipment) during 2018G and 2019G. In addition, the Company continues to evaluate locations to lease lands for the developing new fitness centres in the future. Building and construction consist of the Company's fitness centre portfolio as well as warehouses and offices. The following expenditures are included as part of construction cost: material, labour, contract costs, engineering, insurance, rent and finance costs incurred during the construction period.

Building and construction net book value increased from SAR 592.0 million as at 31 December 2015G to SAR 647.5 million as at 31 December 2016G, mainly driven by the growth in the number of fitness centres from 91 to 102 over the same period.

Building and construction net book value increased from SAR 647.5 million as at 31 December 2016G to SAR 790.7 million as at 31 December 2017G mainly driven by the completion of 18 new fitness centres and conversion of four existing fitness centres during the period.

Capital work in progress primarily consists of direct and indirect construction costs of fitness centres under construction. These costs are transferred to the appropriate fixed assets categories upon project completion. The typical duration between the start of a fitness centre's development and start of operations is 12 months.

Capital work in progress increased from SAR 75.4 million as at 31 December 2015G to SAR 199.0 million as at 31 December 2016G as additions in connection with 47 fitness centres under construction (SAR 244.2 million) were partially offset by transfers (SAR 120.5 million) relating to the opening of 12 fitness centres during the year.

Capital work in progress decreased from SAR 199.0 million as at 31 December 2016G to SAR 130.2 million as at 31 December 2017G mainly as the additions (SAR 196.1 million) were offset by transfers (SAR 264.9 million) in line with the completion of 18 new fitness centres during the same period.

Sports tools and equipment includes fitness equipment available within fitness centres. Sports tools and equipment net book value increased from SAR 167.1 million as at 31 December 2015G to SAR 192.5 million as at 31 December 2016G, driven by the opening of 12 new fitness centres over the period in addition to the replacement/addition of new equipment (SAR 17.2 million) at existing fitness centres.

Sports tools and equipment net book value increased from SAR 192.5 million as at 31 December 2016G to SAR 225.5 million as at 31 December 2017G mainly due to additions (SAR 43.9 million) relating to opening of new fitness centres (18) and replacement/addition of new equipment (SAR 24.3 million) at existing centres). The increase was offset by depreciation charges (SAR 30.7 million) and disposals (SAR 4.4 million) relating to replaced assets.

While such fitness equipment typically have an estimated useful life of ten years, the Company's policy is to replace equipment within shorter intervals at some fitness centres in order to maintain quality levels (on a limited case-by-case basis) and to accommodate new trends in fitness offerings that are relevant and have a strong business case. The longevity of the Company's fixed assets is also supported by a maintenance policy that emphasises a proactive approach to preventive and corrective maintenance and relatively lower usage of equipment given the size of the premises and members per fitness centre.

During 2016G, the Company conducted a physical inventory of fixed assets with the goal of removing incorrectly listed fixed assets from the balance sheet (these may be duplicates or erroneous entries). The exercise resulted in fitness equipment write-offs stated under general and administrative expenses, as follows:

- SAR 5.2 million consisting of SAR 8.3 million of historical cost and SAR 3.1 million of accumulated depreciation in 2015G; and
- SAR 2.9 million consisting of SAR 5.4 million of historical cost and SAR 2.5 million of accumulated depreciation in 2016G.

During 2017G, the Company completed the exercise of physical verification of fixed assets including physical tagging of assets across the fitness centres network. This resulted in write-off of assets having net book value of SAR 6.9 million, consisting of SAR 19.8 million of historical cost and SAR 12.9 million of accumulated depreciation in 2017G. This write-off of SAR 6.9 million during the year 2017G was adjusted by utilizing existing provisions (SAR 6.2 million) and by direct write-off of SAR 0.7 million recorded under general and administrative expenses.

The Company owned lands with a value of SAR 73.3 million as at 31 December 2017G. The Company typically undertakes long-term leases rather than land purchases for its operations, but purchase options are considered if favourable deals are identified.

In 2015G, the Company sold land in Riyadh (net book value of SAR 51.4 million) to a shareholder in a sale and leaseback arrangement. Two fitness centres and the Company's head office are located on the land. The sale (which recorded a profit of SAR 1.4 million) was at arms-length and supported by three independent valuations. Lease charges relating to the land amount to SAR 2.8 million per annum.

In 2016G, the Company purchased two plots of land in Jeddah for SAR 48.9 million. These plots were initially leased by the Company in 2006G and 2011G, but the Company decided to purchase them.

The Company acquired a plot of land in Riyadh in 2017G for SAR 24.3 million for the purposes of developing a new fitness centre, which was under constructions as at 31 December 2017G. The Company currently has three lands, two of which have existing fitness centres, and a plot of land on which a new fitness centre is being developed.

Electrical equipment and air conditioners' net book value decreased from SAR 48.9 million in 2015G to SAR 46.6 million as at 31 December 2016G as additions (SAR 5.3 million mainly related to the opening of 12 fitness centres) were offset by depreciation charges.

Electrical equipment and air conditioners' net book value increased from SAR 46.6 million as at 31 December 2016G to SAR 50.0 million as at 31 December 2017G, mainly due to additions and transfers (amounting to SAR 13.2 million relating to new openings over the same period). The increase was offset by depreciation charges amounting to SAR 7.4 million and disposals amounting to SAR 2.4 million.

Computers' net book value increased from SAR 2.2 million as at 31 December 2015G to SAR 6.8 million as at 31 December 2016G, driven by additions of SAR 5.4 million relating mainly to the costs of the new ERP system.

Computers net book value increased from SAR 6.8 million as at 31 December 2016G to SAR 8.8 million as at 31 December 2017G driven by additions of SAR 1.5 million relating mainly to the implementation of Oracle ERP system, in addition to transfers of SAR 2.9 million in relation to implementation of various modules of ERP system i.e., FA module, UAE setup, etc. (SAR 1.1 million), IT project implementation cost (SAR 0.6 million), new customer management system (SAR 0.6 million) and maintenance software (SAR 0.2 million), amongst others.

Furniture and office equipment's net book value remained relatively stable between 31 December 2015G and 31 December 2016G as additions of SAR 0.8 million (relating to the opening of 12 new fitness centres and new office space in Riyadh) were offset by depreciation charges (SAR 0.8 million).

Furniture and office equipment's net book value increased from SAR 3.8 million as at 31 December 2016G to SAR 6.1 million as at 31 December 2017G mainly due to additions relating to opening of 18 new fitness centres.

Motor vehicles consist of vehicles used for transporting employees to and from fitness centres. Motor vehicles' net book value decreased from SAR 1.0 million as at 31 December 2015G to SAR 0.7 million as at 31 December 2016G because additions of SAR 0.2 million were offset by depreciation charges (SAR 0.5 million).

Motor vehicles' net book value further decreased from SAR 0.7 million as at 31 December 2016G to SAR 0.5 million as at 31 December 2017G because additions of SAR 0.06 million were offset by depreciation charges (SAR 0.28 million).

Land is stated at cost and depreciable property and equipment are stated at cost less accumulated depreciation. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement when incurred. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

The following table sets out the Company's depreciation rates:

Table 72: Depreciation Rates

SAR in '000	Rate
Building and construction	4%-10%
Motor vehicles	20%
Sport tools and equipment	10%
Electrical equipment and air conditions	10%
Computers	20%
Furniture and office equipment	12.5%

Source: Audited financial statements for the year ending 31 December 2017G.

b- Goodwill

Goodwill amounted to SAR 9.4 million as at 31 December 2017G and was recorded in 2016G due to the acquisition of two operating fitness centres for SAR 24.4 million. The fitness centres' fair value was estimated at SAR 15.0 million by the Company and therefore goodwill of SAR 9.4 million was recognised. Goodwill is subject to annual impairment tests. The value of goodwill has remained constant as there has been no impairment in goodwill when tested as the recoverable amount exceeded the book value of goodwill as at 31 December 2017G.

c- Investment in unconsolidated subsidiary

Investment in unconsolidated subsidiary (SAR 0.05 million as at 31 December 2017G) relates to the Company's 95% shareholding in the Subsidiary, which discontinued its operations (other than leasing certain properties on behalf of the Company) upon sale of its operations to the Company in 2010G. As the Subsidiary is immaterial to the Company, it is not consolidated in the Financial Statements.

6.5.14 Current liabilities excluding loans

The following table sets out the Company's current liabilities as at 31 December 2015G, 2016G and 2017G:

Table 73: Current Liabilities as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Deferred revenue	176,092	217,856	261,576
Deferred rental – current portion	-	1,054	3,168
Accrued expenses and other current liabilities	77,818	45,334	49,752
Dividend payable	26,727	32,598	-
Accounts payable	26,695	23,675	37,305
Provision for Zakat	7,028	6,614	4,488
Total current liabilities excluding loans	**314,361**	**327,130**	**356,288**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

a- Deferred revenue

Deferred revenue amounted to SAR 261.6 million as at 31 December 2017G, and mainly consists of deferred membership revenue (SAR 250.8 million). Deferred revenue consists of revenue received in advance for individual membership bundles (SAR 250.8 million) and personal training fees (SAR 6.9 million), and deferred rental income (SAR 3.8 million).

Deferred revenue increased from SAR 176.1 million as at 31 December 2015G to SAR 217.9 million as at 31 December 2016G, driven by an increase in average membership levels (individual and corporate) from 146,222 as at 31 December 2015G to 177,593 as at 31 December 2016G.

Deferred revenue increased from SAR 217.9 million as at 31 December 2016G to SAR 261.6 million as at 31 December 2017G, due to an increase in subscription income over the same period mainly due to the increase in number of fitness centres from 102 to 112 and growth in average number of members (individual and corporate) from 177,593 to 208,924 during the same period.

Deferred rental income increased from SAR 2.9 million as at 31 December 2015G to SAR 3.8 million as at 31 December 2017G, consistent with the growth in rental income due to increased utilisation of rental space by third-party tenants.

The deferred revenue balance as at 31 December 2017G is expected to be primarily recognised as revenues during 2018G (SAR 134.1 million in Q1, SAR 63.9 million in Q2, SAR 32.7 million in Q3 and SAR 14.3 million in Q4). Smaller amounts (SAR 5.6 million in 2019G, SAR 0.2 million in 2020G, and SAR 0.02 million in 2021G) are scheduled to be recognized beyond one year. These amounts consist of memberships purchased in advance by customers wishing to take advantage of promotional prices, as well as purchases before the increase in standard fees in 2015G (members were given the opportunity to purchase packages in advance at the old price levels).

b- Accrued expenses and other current liabilities

The following table sets out the Company's accrued expenses and other current liabilities as at 31 December 2015G, 2016G and 2017G:

Table 74: Accrued Expenses and Other Current Liabilities as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Rent	43,530	-	-
Accrued expenses	31,013	38,665	48,647
Provision for write-off of property and equipment	2,170	5,217	-
Advance from customers	1,105	1,453	1,105
Accrued expenses and other current liabilities	**77,818**	**45,334**	**49,752**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Accrued rent represents liability related to the rent-free period on certain leasehold properties of the Company. As per applicable accounting standards, lease expenses must be spread equally over the entire lease term which includes the rent-free period. The monthly expense related to the rent-free period is accrued during the period and amortised over the rest of the lease term. The current and non-current portions of the accrued rent balance in the financial statements for the year ended 31 December 2016G and 2017G have been shown separately in the balance sheet, whereas the accrued rent balance has been shown under accrued expenses and other current liabilities in the financial statements for the years ended 31 December 2015G.

Accrued rent as at 31 December 2016G and 31 December 2017G was SAR 47.3 million and SAR 56.3 million respectively (presented separately as deferred rental current and non-current portion in liabilities on the balance sheet). Accrued rent increased from SAR 43.5 million as at 31 December 2015G to SAR 47.3 million as at 31 December 2016G and to SAR 56.3 million as at 31 December 2017G, driven by an increase in leasehold properties relating to new fitness centre openings during this period.

Accrued expenses (SAR 48.6 million as at 31 December 2017G) mainly consisted of accrued salaries (SAR 17.6 million) with respect to salaries for the month of December, which are typically paid on the first day of January.

Accrued expenses increased from SAR 31.0 million as at 31 December 2015G to SAR 38.7 million as at 31 December 2016G, driven by an increase in payroll accruals (from SAR 16.5 million to SAR 21.2 million, consistent with the increase in headcount) coupled with an increase in fitness centre staff bonus accruals (from SAR 1.7 million to SAR 4.1 million in line driven by the increase in bonuses over the same period). Fitness centre staff bonuses are linked to the achievement of sales and profitability targets, among other key performance indicators.

Accrued expenses increased from SAR 38.7 million as at 31 December 2016G to SAR 48.6 million as at 31 December 2017G mainly driven by: (i) an increase in accrued fitness centres operating expenses (by SAR 8.3 million), which mainly related to utilities, water tank, generators in line with the increase in number of fitness centres; and (ii) increase in payroll accruals (from SAR 21.2 million to SAR 25.6 million, consistent with the increase in headcount) partially offset by decrease in staff related bonus and commission accruals (from SAR 9.4 million to SAR 6.5 million).

The provision for write-off of property and equipment (SAR 5.2 million as at 31 December 2016G) consisted of:

i- SAR 3.2 million against sports equipment that management planned to replace in 2017G; and

ii- general provisions of SAR 2.0 million recorded in connection with the on-going fixed assets tagging exercise initiated in 2015G.

During 2017G the Company fully utilized the provision of SAR 6.2 million (including opening provision of SAR 5.2 million) upon completion of comprehensive exercise of physical verification, fixed asset tagging exercise initiated in previous years and planned replacements.

Advances from customers relate to corporate customers for which memberships periods have not yet commenced. Advances from customers amounted to SAR 1.1 million as at 31 December 2017G.

c- Dividend payable

Dividends payable increased from SAR 26.7 million as at 31 December 2015G to SAR 32.6 million as at 31 December 2016G, in line with the increase in net income over the period.

Dividends payable balance was nil as at 31 December 2017G as the Company declared and paid the dividends for Q1, Q2 and Q3 2017G during the year.

d- Accounts payable

Accounts payable amounted to SAR 37.3 million as at 31 December 2017G, of which SAR 32.3 million related to trade suppliers and SAR 5.0 million related to contractors.

Accounts payable decreased from SAR 26.7 million as at 31 December 2015G to SAR 37.3 million as at 31 December 2016G, driven by a decrease in contractor payables (from SAR 9.9 million to SAR 3.8 million), which are linked to fitness centre development contracts. This was partially offset by an increase in payables to trade suppliers (from SAR 16.8 million to SAR 19.9 million) driven by increased purchases due to the higher number of fitness centres coupled with the increased availability of supplier credit facilities as compared to the prior year.

Accounts payable increased from SAR 23.7 million as at 31 December 2016G to SAR 37.3 million as at 31 December 2017G due to increase in payable to trade suppliers from SAR 19.9 million to SAR 32.3 million inline with increased purchases (mainly equipment's) due to the higher number of fitness centres and higher utilization of supplier credit facilities as compared to the previous year. Payable to contractors increased from SAR 3.8 million to SAR 5.0 million on account of higher number of fitness centres under construction as compared to last year.

e- Provision for Zakat

The following table sets out the Company's provision for Zakat as at 31 December 2015G, 2016G and 2017G:

Table 75: Provision for Zakat as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Balance as at January 1	4,174	7,028	6,614
Provisions for the year	6,523	4,306	3,349
Paid during the year	(3,669)	(4,721)	(5,475)
Balance as at 31 December	**7,028**	**6,614**	**4,488**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

The Company has received Zakat certificates for all years up to and including 2016G. In addition, the Company has finalised its Zakat position with GAZT for all years up to and including 2015G.

6.5.15 Loans

The following table sets out the Company's loans as at 31 December 2015G, 2016G and 2017G:

Table 76: Loans and Borrowings as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Short-term loan	-	24,220	-
Current portion of long-term loans	62,878	60,091	76,494
Non-current portion of long-term loans	217,044	357,420	366,151
Total	**279,922**	**441,731**	**442,645**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Total loans amounted to SAR 442.6 million as at 31 December 2017G, which related to long-term loans taken by the Company to finance the construction and development of new fitness centres.

Long-term loans increased from SAR 279.9 million as at 31 December 2015G to SAR 417.5 million as at 31 December 2016G, driven by the development of fitness centres during the period (12 opened during 2016G and 30 fitness centres were under development as at 31 December 2016G).

Long-term loans increased from SAR 417.5 million as at 31 December 2016G to SAR 442.6 million as at 31 December 2017G in line with the opening of 18 new fitness centres during the year and the Company's fitness centre development pipeline (31 new fitness centres under development as at 31 December 2017G).

Short-term loans amounted to SAR 24.2 million as at 31 December 2016G and are related to working capital financing utilised to meet short-term cash needs. Short-term loans balance was nil as at 31 December 2017G as the Company utilised its cash balances and short-term investments to finance working capital needs.

The following table sets out the Company's loans by bank as at 31 December 2015G, 2016G and 2017G:

Table 77: Loans by Bank as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G	2016G	2017G
SABB	-	159,093	236,646
NCB	159,915	149,826	91,936
BSF	50,000	132,813	114,063
Alawwal	69,583	-	-
ANB	424	-	-
Total	**279,922**	**441,731**	**442,645**

Source: Company information

The following table sets out the Company's loan repayment schedule as at 31 December 2017G:

Table 78: Loan Repayment Schedule as at 31 December 2017G

SAR in '000	Loans Outstanding as at 31 December	Repayments as at 31 December					
	2017G	2018G	2019G	2020G	2021G	2022G	2023G
SABB	236,646	(39,838)	(50,484)	(49,628)	(49,628)	(38,136)	(8,933)
NCB	91,936	(30,405)	(28,903)	(27653)	(4,974)	-	-
BSF	114,063	(6,250)	(26,250)	(21,563)	(20,000)	(20,000)	(20,000)
Total	**442,645**	**(76,494)**	**(105,637)**	**(98,843)**	**(74,602)**	**(58,136)**	**(28,933)**

Source: Company information

The following table sets out the details of loans to the Company as at 31 December 2016G:

Table 79: Details of Loans to the Company as at 31 December 2017G

Bank	Outstanding balance as at 31 December			
	Value of lines of credit (SAR in '000)	2017G	Purpose	Key covenants
SABB	293,725	236,644	Finance development and construction of 25-30 new fitness centres	• Total Gearing ratio not to exceed 1.5:1 • Finance repayments to make precedence over any dividends. • Any cost overruns to be financed through company resources • Minimum net worth of SAR450 million
	45,000	–	Interest rate swap	
NCB	134,603	87,837	Construction and development of new fitness centres	• Dividend distribution not to exceed 60% of profits unless approved by bank • Updated quarterly financial reports to be provided within 45 days of each quarter
	10,000	–	Letter of guarantee	
	6,463	4,102	LC refinance (fitness equipment imports)	
	5,000	–	Interest rate swap	
	35,581	–	To finance real estate investment	
	55,702	–	To finance real estate investment	
	25,000	–	To finance working capital / Letter of credit	
Saudi Fransi Banque	300,000	100,000	Fitness centre development and fitness equipment imports	• All accounts and assets which are under the Bank's custody and control are considered as collateral
	17,187	14,063	Fitness centre construction and development	
	6,250	–	Fitness centre construction and development	• Minimum net worth of SAR 400 million • Total Gearing ratio not to exceed 1.5:1
	20,000	–	Letter of credit / short-term facility	
	20,000	–	Interest rate swap	
Total	**974,511**	**442,645**		

Source: Company information

6.5.16 Deferred Rent

The following table sets out the Company's deferred rent as at 31 December 2015G, 2016G and 2017G:

Table 80: Deferred Rent as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Total Deferred Rent	-	47,316	56,296
Deferred Rent - Current	-	(1,054)	(3,168)
Deferred Rent – Non-Current	**-**	**46,262**	**53,129**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

Accrued rent represents liability related to the rent-free period on certain leasehold properties of the Company. As per applicable accounting standards, lease expenses must be spread equally over the entire lease term which includes the rent-free period. The monthly expense related to the rent-free period is accrued during the period and amortised over the rest of the lease term. The current and non-current portions of the accrued rent balance in the financial statements for the year ended 31 December 2016G and 2017G have been shown separately in the balance sheet, whereas the accrued rent balance has been shown under accrued expenses and other current liabilities in the financial statements for the years ended 31 December 2015G.

Accrued rent increased from SAR 43.5 million as at 31 December 2015G (shown under accrued expenses and other current liabilities) to SAR 47.3 million as at 31 December 2016G and to SAR 56.3 million as at 31 December 2017G, driven by an increase in leasehold properties relating to new fitness centre openings during this period.

6.5.17 Employees' End of Services Benefits

The employee's end of service benefits balance represents the Company's obligation in respect of the defined obligation plan, which is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods. Employees end of service benefits increased from SAR 12.6 million as at 31 December 2015G to SAR 23.9 million as at 31 December 2017G driven primarily by an increase in number of employees from 1,834 in 2015G to 2,378 in 2017G, in addition to the length of employee services, and salary increments over the periods.

6.5.18 Shareholders' Equity

The following table sets out the Company's shareholders' equity as at 31 December 2015G, 2016G and 2017G:

Table 81: Shareholders' Equity as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Share capital	195,000	195,000	523,834
Statutory reserve	64,498	64,498	17,420
Retained earnings	183,489	264,267	87,690
Total shareholders' equity	442,986	523,765	628,943

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

The share capital of the Company was SAR 523.8 million divided into 52.4 million shares with a per share value of SAR 10 as at 31 December 2017G. The share capital of the Company increased from SAR 195.0 million as at 31 December 2016G to SAR 523.8 million as at 31 December 2017G through capitalisation of statutory reserves and retained earnings.

In accordance with the Companies Law and the Bylaws, the Company has established a statutory reserve by setting aside 10% of the annual net income until the reserve equals 30% of the share capital. Following the increase in the share capital in 2017G, the Company transferred SAR 17.4 million from retained earnings to statutory reserve during the year. This reserve is not available for dividend distribution.

6.5.19 Dividends

The following table sets out the Company's distribution of dividends for the years 2014G, 2015G 2016G and 2017G:

Table 82: Distribution of Dividends for the Years 2014G, 2015G, 2016G, and 2017G

SAR '000	2014G	2015G	2016G	2017G
Declared dividends for the period	113,000	183,930	121,179	93,512
Paid dividends throughout the period	60,183	157,168	115,308	100,693
Net comprehensive income for the year	137,761	180,923	201,957	173,273
Pay-out ratio	82%	102%	60%	54%

Source: Company information

Note: Pay-out ratio for 2017G is based on dividends declared and paid for Q1, Q2 and Q3 2017G. Dividends for Q4 2017G were declared and paid during Q1 2018G.

The Company adjusted SAR 7.1 million of offering expenses due from the shareholders against SAR 100.7 million dividends paid during 2017G, resulting in net cost payment of SAR 93.6 million to the shareholders in 2017G.

The Company changed its payment policy in 2015G from annual to quarterly distribution, which resulted in the distribution of dividends for 2014G (for the full year) and 2015G (for the first three quarters) in 2015G.

The Company declared SAR 68.1 million in dividends for the first, second and third quarters in 2017G, which were settled during the year along with payment of SAR 32.6 million relating to the fourth quarter in 2016G.

6.5.20 Cash Flow Statement

The following table sets out the Company's cash flow statements for financial years 2015G, 2016G and 2017G:

Table 83: Cash Flow Statements for Financial Years 2015G, 2016G, and 2017G

SAR in '000	Financial year ended 31 December		
	2015G Audited	2016G Audited	2017G Audited
Operating activities			
Net income before zakat	187,507	206,271	177,548
Adjustments for:			
Depreciation	67,664	79,761	95,112
Employee's end of service benefits	4,571	6,008	6,142
Gain on sale of PPE	(1,459)	-	-
Property and equipment written-off	5,248	2,897	651
Allowance for doubtful accounts	-	2,867	(2,701)
Changes in operating assets and liabilities			
Increase in account receivable	102	3,941	1,609
Increase in due from a related party	5	-	-
Increase in deferred rentals	-	-	8,981
Increase in prepayments and other current assets	(29,426)	5,861	(53,965)
(Decrease) / increase in accounts payable	(12,036)	(3,021)	13,630
Decrease in due to a related party	-	-	-
Increase in deferred revenue	21,075	41,763	43,720
Decrease / (increase) in accrued expenses and other current liabilities	23,530	14,832	10,622
Cash from operations	266,780	361,180	301,350
Zakat paid	(3,669)	(4,721)	(5,475)
Employee's end of service benefits paid	(548)	(1,105)	(636)
Net cash generated from operating activities	262,564	355,354	295,239
Investing activities			
Addition of property and equipment	(198,348)	(347,466)	(241,147)
Net cash used in investing activities	(198,348)	(347,466)	(241,147)
Financing activities			
Dividend paid	(157,168)	(115,308)	(93,593)
Proceed from loans	134,011	221,885	134,041
Repayment of loans	(55,241)	(60,076)	(133,128)
Net cash used in financing activities	(78,399)	46,501	(92,679)
Net change in cash and cash equivalents	(14,183)	54,389	(38,587)
Cash at the beginning of the year	71,403	57,219	111,609
Cash at the end of the year	57,219	111,609	73,022

Source: Financial statements for the years ending 31 December 2015G and 2016G have been audited in accordance with the accounting standards issued by SOCPA, whereas the financial statements for the year ending 31 December 2017G have been audited in accordance with IFRS as endorsed by SOCPA

The following table sets out the Company's audited cash flow statements for financial year 2017G, and special purpose for the financial year 2016G:

Table 84: Audited Cash Flow Statements for Financial Year 2017G, and Special Purpose for the Financial Year 2016G

SAR in '000	Financial year ended 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Operating activities			
Net income before zakat	188,934	207,436	177,548
Adjustments for:			
Depreciation	67,664	79,761	95,112
Employee's end of service benefits	3,144	4,842	6,142
Gain on sale of PPE	(1,459)	-	-
Property and equipment written-off	5,248	2,897	651
Allowance for doubtful accounts	-	2,867	(2,701)
Changes in operating assets and liabilities			
Increase in account receivable	102	3,941	1,609
Increase in due from a related party	5	-	-
Increase in deferred rentals	-	3,785	8,981
Increase in prepayments and other current assets	(29,426)	5,861	(53,965)
(Decrease) / increase in accounts payable	(12,036)	(3,021)	13,630
Increase in deferred revenue	21,075	41,763	43,720
Decrease / (increase) in accrued expenses and other current liabilities	23,530	11,047	10,622
Cash from operations	**266,780**	**361,180**	**301,350**
Zakat paid	(3,669)	(4,721)	(5,475)
Employee's end of service benefits paid	(548)	(1,105)	(636)
Net cash generated from operating activities	**262,564**	**355,354**	**295,239**
Investing activities	5	-	-
Consideration paid for business combination	-	(24,500)	-
Addition of property and equipment	(198,348)	(322,966)	(241,147)
Net cash used in investing activities	**(198,348)**	**(347,466)**	**(241,147)**
Financing activities			
Dividend paid	(157,168)	(115,308)	(93,593)
Proceed from loans	134,011	221,885	134,041
Repayment of loans	(55,241)	(60,076)	(133,128)
Net cash used in financing activities	**(78,399)**	**46,501**	**(92,679)**
Net change in cash and cash equivalents	**(14,183)**	**54,389**	**(38,587)**
Cash at the beginning of the year	71,403	57,219	111,609
Cash at the end of the year	**57,219**	**111,609**	**73,022**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

a- Cash from operating activities

Net cash generated from operating activities increased from SAR 262.6 million in 2015G to SAR 355.4 million in 2016G, driven by the ramp-up/full-year effect of fitness centres opened in 2015G, as well as an increase in unearned revenue due to growth in year-end individual membership levels from 122,194 to 179,071 over the same period.

Net cash generated from operating activities decreased from SAR 355.4 million in 2016G to SAR 295.2 million in 2017G, primarily due to the decrease in net income before Zakat from SAR 207.4 million in 2016G to SAR 177.5 million in 2017G and lower cash from working capital changes (SAR 63.3 million in 2016G and SAR 24.6 million in 2017G).

b- Cash used in investing activities

Capital expenditures amounted to SAR 787.0 million over the period 2015G-2017G.

Additions of property and equipment amounted to SAR 198.3 million in 2015G, mainly consisting of buildings and construction and fitness equipment in connection with openings during the year (21 fitness centres) and fitness centres planned for the following year.

Additions of property and equipment amounted to SAR 347.5 million in 2016G, mainly driven by additions to capital work-in-progress (SAR 244.2 million) in relation to fitness centre openings planned for 2017G and 2018G.

Additions of property and equipment amounted to SAR 241.1 million in 2017G, mainly driven by additions to capital work-in-progress (SAR 196.1 million) in relation to fitness centre openings planned for 2018G and 2019G.

c- Cash used in financing activities

Net cash used in financing activities amounted to SAR 78.4 million in 2015G, driven by an increase in dividends paid in line with net income growth over the period coupled with a change in the policy requiring quarterly distributions (previously annual).

Net cash generated from financing activities amounted to SAR 46.5 million in 2016G as a result of higher proceeds from long-term loans used to finance fitness centre construction and development. Dividends paid decreased over the period because 2015G payments included 2014G dividends.

Net cash generated from financing activities reduced from SAR 46.5 million in 2016G to an outflow of SAR 92.7 million in 2017G driven higher debt repayments and lower utilisation of new loans (given lower additions of property and equipment during 2017G).

6.5.21 Potential Commitments and Liabilities

The following table illustrates the Company's potential commitments and liabilities as at 31 December 2015G, 2016G, and 2017G:

Table 85: The Company's Potential Commitments and Liabilities as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G	2016G	2017G
Capital Commitments	108,223	49,712	56,738
Letters of Guarantee	-	5,300	4,566
Total Potential Commitments and Liabilities	**108,233**	**55,012**	**61,304**

Source: Company information

The Company has capital commitments of SAR 56.7 million as at 31 December 2017G for contracts for the construction and development of fitness centres. These capital commitments represent mainly contractual payments to be made by the Company in the future under contracts relating to the construction of fitness centres and periodic payments for anticipated development work. These obligations do not include payments for work performed. The obligations are expected to be paid by end of FY 2019G based on the completion of the project works

Letters of guarantee (SAR 4.6 million as at 31 December 2017G) relate to the guarantees provided under the agreements relating mainly to lands leased from the municipality on which the Company's fitness centres are located.

Table 86: The Company's Operating Lease Commitments as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Less than one year	60,868	90,814	86,605
More than one year and less than five years	299,339	344,076	386,493
More than five years	817,410	785,402	872,895
Total	**1,177,618**	**1,220,293**	**1,345,992**

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

The Company has entered into various lease agreements in respect of its fitness centres, office space and warehouses. The Company's total operating lease commitments have increased from SAR 1,177.6 million as at 31 December 2015G to SAR 1,346.0 million as at 31 December 2017G in line with the growth in the number of fitness centres.

6.5.22 Related Party Transactions

Table 87: The Company's Significant Related Party Transactions as at 31 December 2015G, 2016G, and 2017G

SAR in '000	As at 31 December		
	2015G Audited Special Purpose	2016G Audited	2017G Audited
Lease rentals paid to a shareholder	3,400	3,400	3,400
Purchase of sports equipment from companies where shareholders have an interest			
SPORTA	-	342	1,526
ABS	-	200	67
Total purchases of sports equipment from companies where shareholders have an interest	-	542	1,594
Proceeds from disposal of sports equipment to companies where shareholders have an interest	-	-	325
Services provided to the company by other affiliated companies			
SKAT Logistics	-	3,830	5,696
Alix Partners	-	-	575
Theeb Rent a Car	-	153	711
Fidwah Contracting Company	-	-	683
Services received from other affiliated companies	-	3,984	7,665

Source: Special purpose audited financial statements for the year ending 31 December 2016G and audited financial statements for the year ending 31 December 2017G.

The Company has entered into transactions with related parties in relation to leasing of real estate properties, purchase of sports equipment, sale of sports equipment and receipt of services (for more information about related party transactions, please refer to Section 12.9 (*Related Party Contracts and Transactions*)).

6.5.23 Reconciliation of the Financial Statements in accordance with the IFRS

Reconciliation of the financial statements in accordance with the SOCPA standards and IFRS covers the financial year ended 31 December 2016G.

a- Statement of financial position

The following table sets out the Company's statement of financial position:

Table 88: Company's Statement of Financial Position

Year	Line item	SOCPA (SAR)	IFRS/ Special-purpose (SAR)	Difference (SAR)	Explanation
2016G	Employees' end-of-service benefits	17,430,159	17,499,216	69,057	The difference represents an increase in the End of Service Benefit (EOSB) liability as a result of the external actuarial valuation of the EOSB liability in accordance with IAS 19R requirements. The increase in the EOSB liability was adjusted through the retained earnings in the 2016G IFRS special purpose financial statements.
	Retained Earnings	264, 335,892	264,266,835	69,057	

Source: The Company.

b- Statement of profit and loss

The following table sets out the Company's statement of profit and loss:

Table 89: Company's Statement of Profit and Loss

Year	Line item	SOCPA (SAR)	IFRS/ Special-purpose (SAR)	Difference (SAR)	Explanation
2016G	Cost of revenues	392,872,765	391,944,246	928,519	The differences (amounting in total to SAR 1,165,304) represent the actuarial valuation losses resulting from an increase in the present value of EOSB liability in 2016G. In the SOCPA based financial statements the Company had included the EOSB liability re-measurement under "Cost of revenues", "Advertising and marketing expenses" and "General and administrative expenses" within the statement of profit and loss, however under IAS 19R, such IAS 19R re-measurements should be recognised immediately in full in the statement of comprehensive income. As a result, these amounts have been reallocated to the statement of comprehensive income for 2016G (refer to the adjustment below included in the other comprehensive income within the IFRS special purpose financial statements amounting to SAR 1,172,849). The remaining difference amounting to SAR 7,500 (between SAR 1,165,304 and SAR 1,172,849) represents an additional insignificant increase in the EOSB liability as calculated under IAS 19 requirements.
	Advertising and marketing expenses	25,594,754	25,396,708	198,046	
	General and administrative expenses	62,577,086	62,538,347	38,739	

Source: The Company.

c- Statement of comprehensive income

The following table sets out the Company's statement of comprehensive income:

Table 90: Company's Statement of Comprehensive Income

Year	Line item	SOCPA (SAR)	IFRS/ Special-purpose (SAR)	Difference (SAR)	Explanation
2016G	Re-measurement of defined benefit liability – employees' benefits	–	1,172,849	1,172,849	As detailed above, this difference represents the re-measurement actuarial losses (refer to note 13 in IFRS financial statements) to the statement of other comprehensive income in line with IAS 19R requirements. The remaining difference amounting to SAR 7,500 (between SAR 1,165,304 and SAR 1,172,849) represents an additional insignificant increase in the EOSB liability as calculated under IAS 19 requirements.

Source: The Company.

7. DIVIDEND DISTRIBUTION POLICY

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including the right to receive a portion of the dividends declared. The declaration and payment of any dividends will be recommended by the Board of Directors before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. The distribution of dividends is subject to certain limitations contained in financing agreements entered into with the lenders. For example, the Company must obtain the approval of The National Commercial Bank (NCB), Banque Saudi Fransi and Samba Financial Group prior to distributing dividends exceeding 60% of net profit. Samba Financial Group's approval is not required after listing the Company's Shares on the Exchange. In addition, under the facility agreement entered into with The Saudi British Bank, the Company must make all due financing repayment in priority over dividend distributions (for further details, please see Section 12.6 (*Financing Agreements*)). The distribution of dividends is also subject to the limitations contained in the Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a- 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

b- the Ordinary General Assembly may, upon request of the Board of Directors, set aside 20% of the net profits to form an additional reserve to be allocated towards one or more specific purposes;

c- the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind; and

d- The remainder of the net profits shall, unless the ordinary general assembly decides otherwise, be distributed to the Shareholders as dividends.

The Company may, quarterly or semi-annually, distribute interim dividends in accordance with the rules established by the competent authority.

The table below summarises dividends declared and distributed by the Company since the start of 2015G:

Table 91: Dividends Declared and Paid during the Years Ended 2015G, 2016G and 2017G and (thousands of Saudi Riyals)

SAR '000	2015G	2016G	2017G	31 March 2018G
Declared dividends for the period	183,930	121,179	93,512	17,525
Paid dividends throughout the period	157,168	115,308	100,693*	25,417
Total net comprehensive income of the year	180,984	201,964	173,274	32,479
Ratio of net income to declared dividends	102%	60%	54%	54%

Source: The Company.

Note: 2017G Ratio of income to declared dividends is based on the dividends declared during Q1, Q2 and Q3 2017G as well as dividends of Q4 2017G declared and paid during Q1 2018G. Dividends distributions of Q1 2018G have been declared and paid in Q2 2018G.

* The Company adjusted SAR 7.1 million of Offering expenses due from the shareholders against SAR 100.7 million dividends paid during 2017G, resulting in net cash payment of SAR 93.6 million to the shareholders in 2017G.

Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus, as the first entitlement of Offer Shares shall be in dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As at the date of this Prospectus, the Directors undertake that there are no declared or outstanding dividends except as set out above.

8. USE OF PROCEEDS

The total proceeds from the Offering are estimated at SAR (817,180,468), of which approximately SAR (35,000,000) will be applied towards the Offering expenses, which include the fees of the Financial Advisors, the Lead Manager, the Underwriter, the legal advisors, the reporting accountants, the Selling Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering.

The Net Offering Proceeds of approximately SAR (782,180,468) will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares that will be sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholders will bear all fees, costs and expenses in relation to the Offering.

9. CAPITALISATION AND INDEBTEDNESS

Prior to the Offering, the Current Shareholders owned the entire issued share capital of the Company and, following the completion of the Offering, the Current Shareholders will own 70% of the share capital of the Company.

The table below sets out the capitalisation of the Company as derived from the Company's special purpose audited financial statements for the financial year ended 31 December 2016G, and the audited financial statements for the financial year ended 31 December 2017G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto and set out in Section 19 (*Financial Statements and Auditors' Report*).

Table 92: Capitalisation and Indebtedness of the Company

SAR in Thousands	2015G	2016G	2017G
Short-term loan	-	24,220	-
Current portion of long-term loans	62,878	60,091	76,494
Non-current portion of long-term loans	217,044	357,420	366,151
Total Loans	279,922	441,731	442,645
Shareholders' equity:			
Share capital	195,000	195,000	523,834
Statutory reserve	64,498	64,498	17,420
Retained earnings	183,489	264,267	87,690
Total shareholders' equity	442,986	523,765	628,943
Total Capitalisation (Total Loans + SH Equity)	722,908	965,496	1,071,588
Total Loans / Total Capitalisation	0.39	0.46	0.41

Source: The audited financial statements for the financial year ended 31 December 2017G and the special purpose audited financial statements for the financial year ended 31 December 2016G.

The Directors declare that:

a- none of the shares of the Company or its Subsidiary is under option;

b- neither the Company nor its Subsidiary have any debt instruments as at the date of this Prospectus; and

c- subject to any material adverse change in the Company's business, they believe that its existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least 12 months following the date of this Prospectus.

10. STATEMENTS BY EXPERTS

All the Advisors, whose names are listed starting on page (vi), have given and, as at the date of this Prospectus, not withdrawn, their written consent to the publication of their names, addresses, logos and statements attributed to each of them in this Prospectus, and do not, themselves, nor do their employees forming part of the team serving the Company, or any of their relatives, have any shareholding or interest of any kind in the Company or its Subsidiary as at the date of this Prospectus which would impair their independence.

11. DECLARATIONS IN RESPECT OF DIRECTORS

The Directors declare the following:

a- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

b- none of the companies in which any of the Directors, Senior Executives or the Secretary was employed, in a managerial or supervisory capacity, was declared bankrupt or insolvent during the past five years;

c- except as specified in Section 12.9 (*Related Party Contracts and Transactions*) they do not, themselves, nor do any of Senior Executives, Secretary, or their relatives or affiliates, have any interest in any written or verbal contract or arrangement in effect or contemplated or expected to be conducted with the Company and its Subsidiary;

d- except as otherwise described in Section 5.2.1 (*Composition of the Board of Directors*), and Section 12.9 (*Related Party Contracts and Transactions*), neither they nor any of their relatives have a direct or an indirect interest whatsoever in the Shares or the business of the Company or its Subsidiary nor in any debt Instruments of the Company or its Subsidiary, and the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

e- no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or its Subsidiary within the three years immediately preceding the application for the registration and offer of securities in connection with the issue or sale of any securities;

f- there has been no interruption in the Company's business or that of its Subsidiary that may significantly affect or have affected their financial situation during the last 12 months;

g- there is no intention to introduce any material changes to the nature of the Company's business or that of its Subsidiary;

h- they will not vote on General Assembly resolutions that relate to any transaction or contract in which the Directors have a direct or indirect interest;

i- there has been no material adverse change in the financial or trading position of the Company or its Subsidiary in the three years immediately preceding the date of filing the application for registration and offering of securities subject to this Prospectus and during the period from the end of the period covered in the external auditors' report to the date of this Prospectus;

j- as at the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other arrangement involving the employees in the capital of the Company;

k- the Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the balance sheet;

l- except as disclosed in Section 2 (*Risk Factors*) and Section 6.4. (*Principal Factors Affecting the Company's Operations*), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

m- except as disclosed in Section 2 (*Risk Factors*) and Section 6.4. (*Principal Factors Affecting the Company's Operations*), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company's operations or financial position;

n- the statistical information used in Section 3 (*Market Overview*) obtained from third-party sources represents the latest information available from each respective source;

o- the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;

p- all agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed; the agreement between the Current Shareholders mentioned on page (32) of this Prospectus will end after the completion of the offering. The Directors undertake that provisions of such agreement do not run contrary to the relevant laws;

q- all terms and conditions that may affect the decisions of the investors to invest in Offer Shares have been disclosed;

r- as at the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities or that of its Subsidiary, and the Company has no intention to enter into any new agreements with Related Parties except as specified in Section 12.9 (*Related Party Contracts and Transactions*);

s- Selling Shareholders will incur all the expenses and costs related to the offering, and such costs will be deducted from the offering proceed, including the fees of the financial consultant, the underwriter, the legal consultants, the public accountants, the market consultant and the receiving bodies, along with the marketing, printing, and distribution expenses and other offering-related expenses;

t- there is no dispute with, or an objection from GAZT;

u- they have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, Capital Market Law and its implementing regulations, Rules on the Offer of Securities and Continuing Obligations and Listing Rules;

v- all of the Company's employees are under its sponsorship;

w- as at the date of this Prospectus, the Shareholders whose names appear in Section 4.4 (*Current Shareholding Structure*) and Appendix A are the legal and beneficial owners of the Shares in the Company. The Board of Directors confirms that the Company's structure is consistent with the Foreign Investment Law;

x- all increases in the capital of the Company are in compliance with the laws and regulations of the Kingdom;

y- except as disclosed in Section 2 (*Risk Factors*), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

z- except as disclosed in Section 2.2.10 (*Risk Associated with Licenses and Approvals*), and Section 12.4 (*Government Consents, Licenses, and Certificates*) as at the date of this Prospectus, the Company has obtained all necessary licenses and permits to carry out its business activities;

aa- except as disclosed in Section 12.12 (*Litigation*), neither the Company nor its Subsidiary is a party to any litigation, claims, lawsuits or current proceedings that could materially affect the business operations or financial position of the Company;

bb- the Company has not issued any debt instruments, nor does it have any term loans or any other material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments), other than what was disclosed in Section 12.6 (*Financing Agreements*);

cc- the Board of Directors undertake that none of the Company's assets are under mortgage, right or charge as of the date of this Prospectus;

dd- the Company, individually or in association with its Subsidiary, has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

ee- no Shares of the Company or shares in its Subsidiary are under option;

ff- as at the date of this Prospectus, neither the Company nor its Subsidiary have a policy in connection with research and development;

gg- the audited financial statements for the financial years ended 31 December 2015G and 2016G, and the notes attached thereto, have been prepared in accordance with SOCPA accounting standards. The Company's audited financial statements for the fiscal year that ended on 31 December 2017G, and the notes thereto, have been prepared according to IFRS as endorsed by SOCPA. The special purpose audited financial statements for the financial year ended 31 December 2016G, and the notes attached thereto, have been also prepared by the Company's management in compliance with the IFRS as endorsed by SOCPA and have been audited by KPMG Al-Fozan and Partners;

hh- the financial information appearing in this Prospectus has been extracted from the audited financial statements for the financial years ended on 31 December 2015G and 2016G prepared according to SCOPA accounting standards, the audited financial statements for the financial year ended on 31 December 2017G prepared according to IFRS as endorsed by SOCPA, and the special purpose audited financial statements for the financial year ended on 31 December 2016G prepared according to IFRS as endorsed by SOCPA, and no material amendments have been made thereto except for rounding;

ii- the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA;

jj- Except as disclosed in Sections 2.1.27 (*Risk Imposed by Indebtedness*) and 12.6 (Financing Agreements), all necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint stock company; and

kk- the Company is committed to all the terms and conditions under the agreements with lenders granting loans, facilities and financing.

In addition to the above, the Board of Directors confirms that:

a- third-party information and data included in this Prospectus, including the information obtained or derived from the market research conducted by the Market Consultant, is reliable and have no reason to believe that such information is materially inaccurate;

b- the Company has prepared its internal control policies on sound principles where the Company has implemented a policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and it will ensure the implementation of the necessary supervisory controls in accordance with Part 5 of the Corporate Governance Regulations in order to manage potential risks. The Directors review and revise internal monitoring controls on an annual basis;

c- the internal control, accounting, and information technology systems of the Company are sufficient and adequate;

d- except as disclosed in Section 12.9 (*Related Party Contracts and Transactions*), as at the date of this Prospectus, there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;

e- as at the date of this Prospectus, none of the Directors participated in any activities similar or competitive with the activities of the Company or its Subsidiary. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

f- unless otherwise approved by the General Assembly, the Board of Directors may not have a direct or indirect interest in the transactions and contracts entered into by the Company;

g- the Directors will notify the Board of Directors of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;

h- all transactions with Related Parties shall be entered into on a commercial basis and all works and contracts with Related Parties shall be subject to vote in meetings of the Board of Directors and, if required by the Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

i- the Directors and the Chief Executive Officer shall not have the right to vote on decisions relating to their fees and remuneration; and

j- neither the Directors nor any Senior Executive shall obtain a loan from the Company or its Subsidiary, and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

a- record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors;

b- disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations; and

c- comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations.

12. LEGAL INFORMATION

12.1 The Company

Leejam Sports Company is a Saudi joint stock company registered under commercial registration No. 1010337986 dated 14/6/1433H (corresponding to 6/5/2012G) and formed pursuant to Ministerial Resolution No. 146/S dated 29/4/1429H (corresponding to 6/5/2008G), on the establishment of the Company, approving the Company's incorporation as a Saudi joint stock company with a capital of five hundred twenty-three million eight hundred thirty-three thousand and six hundred and ten Saudi Riyals (SAR 523,833,610) divided into fifty-two million three hundred eighty-three thousand and three hundred and sixty-one (52,383,361) ordinary Shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per Share. The Company's head office and registered office is located in Riyadh, P.O. Box 295245, Riyadh 11351, Kingdom of Saudi Arabia. According to its commercial registration certificate, the Company's main activities include the construction, management, and operation of sports and entertainment centres; wholesale and retail trading in sports' clothes and equipment; owning real estate and constructing buildings necessary to achieve its purposes; and other other necessary activities for the Company (for further details, please see Section 4.7 (*Overview of the Company's Business*)).

12.2 Shareholding Structure

The following table summarises the ownership structure of the Company before and after the Offering:

Table 93: Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Nominal Value (SAR)	Ownership (%)[1]	Number of Shares	Nominal Value (SAR)	Ownership (%)[1]
Hamad Ali Al-Saqri	31,670,150	316,701,500	60.5%	31,670,150	316,701,500	60.5%
Target Opportunities for Trading Company[2]	13,148,224	131,482,240	25.1%	1,361,968	13,619,680	2.6%
Latifa Mohammed Al-Haqbani[2]	2,315,006	23,150,060	4.4%	517,917	5,179,170	1.0%
Abdulmohsin Ali Al-Haqbani	1,655,991	16,559,910	3.2%	1,655,991	16,559,910	3.2%
Salih Mohammed Al-Haqbani[2]	844,893	8,448,930	1.6%	189,021	1,890,210	0.4%
Nahla Ali Al-Haqbani[2]	675,915	6,759,150	1.3%	151,217	1,512,170	0.3%
Khalid Ali Al-Haqbani[2]	544,956	5,449,560	1.0%	121,918	1,219,180	0.2%
Ali Hamad Al-Saqri	379,696	3,796,960	0.7%	379,696	3,796,960	0.7%
Shadan Hamad Al-Saqri	379,696	3,796,960	0.7%	379,696	3,796,960	0.7%
Noura Fahad Al-Qahtani[2]	177,426	1,774,260	0.3%	39,694	396,940	0.1%
Waleed Ali Al-Haqbani[2]	168,978	1,689,780	0.3%	37,804	378,040	0.1%
Hessa Zaid Al-Nasser[2]	135,184	1,351,840	0.3%	30,243	302,430	0.1%
Fahad Ali Al-Haqbani	88,595	885,950	0.2%	88,595	885,950	0.2%
Aljazi Abdulaziz Al-Nasser[2]	84,490	844,900	0.2%	18,902	189,202	0.04%
Nada Ali Al-Haqbani[2]	50,694	506,940	0.1%	14,199	141,990	0.03%
Noura Abdulaziz Al-Nasser[2]	63,467	634,670	0.1%	11,341	113,410	0.02%
Public	-	-	-	15,715,009	157,150,090	30.0%
Total	**52,383,361**	**523,833,610**	**100.0%**	**52,383,361**	**523,833,610**	**100.0%**

Source: The Company.

1- The shareholding percentages are rounded.

2- Selling Shareholder

For further information regarding the Shareholders and the shareholding structure of the Company, please see Section 4.4 (*Current Shareholding Structure*).

12.3 Subsidiaries

The Company holds direct ownership interest in one direct domestic Subsidiary as follows:

Table 94: The Subsidiary

No.	Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Ownership
1.	Fitness Time Company for Trading	Kingdom of Saudi Arabia	95%	-	5% is held by Mr. Waleed Ali Mohammed Al-Haqbani

Source: The Company.

For further details regarding the Subsidiary, please see Section 4.3 (*Company Structure*).

12.4 Government Consents, Licences and Certificates

The Company (including its branches) holds several operational and regulatory licences and certificates from relevant competent authorities which are periodically renewed. The Board members declare that the Company obtained all licences and certificates necessary to execute its operations in order to maintain such activities, except as note for certain of its operational licenses in Table 97 (*Summary of Operational Licences Obtained by the Company and its Subsidiary*), although the Company has submitted all necessary applications to the competent authorities to obtain such licences. The Zakat Certificate for Fitness Time Company for Trading has expired, and the Company is working to renew it. The following tables list licences and certificates currently held by the Company and its Subsidiary:

Table 95: Details of Commercial Registration Certificates Obtained by the Company and its Subsidiary

Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
Leejam Sports Company	Riyadh, the Kingdom of Saudi Arabia	Joint stock company	1010337986	14/6/1433H (corresponding to 6/5/2012G)	2/6/1443H (corresponding to 6/1/2022G)
	Jeddah, the Kingdom of Saudi Arabia	Branch	4030248720	23/7/1434H (corresponding to 2/6/2013G)	23/7/1443H (corresponding to 25/2/2022G)
	Najran, the Kingdom of Saudi Arabia	Branch	5950032239	2/3/1437H (corresponding to 13/12/2015G)	2/3/1442H (corresponding to 19/10/2020G)
	Dammam, the Kingdom of Saudi Arabia	Branch	2050108503	15/5/1437H (corresponding to 24/2/2016G)	15/5/1442H (corresponding to 30/12/2020G)
	Taif, the Kingdom of Saudi Arabia	Branch	4032050910	29/1/1438H (corresponding to 30/10/2016G)	29/1/1441H (corresponding to 29/9/2019G)
	Jazan, the Kingdom of Saudi Arabia	Branch	5900035652	21/3/1438H (corresponding to 20/12/2016G)	21/3/1441H (corresponding to 18/11/2019G)
	AlJubail, the Kingdom of Saudi Arabia	Branch	2055025936	7/8/1438H (corresponding to 3/5/2017G)	7/8/1443H (corresponding to 11/3/2022G)
	Jeddah, the Kingdom of Saudi Arabia	Branch	4030180323	19/6/1429H (corresponding to 23/6/2008G)	8/3/1440H (corresponding to 17/11/2018G)
	Riyadh, the Kingdom of Saudi Arabia	Branch	1010439237	11/2/1437H (corresponding to 23/11/2015G)	11/2/1442H (corresponding to 28/9/2020G)
	Riyadh, the Kingdom of Saudi Arabia	Branch	1010439239	11/2/1437H (corresponding to 23/11/2015G)	11/2/1442H (corresponding to 28/9/2020G)
	Riyadh, the Kingdom of Saudi Arabia	Branch	1010612788	13/2/1439H (corresponding to 2/11/2017G)	13/2/1440H (corresponding to 24/10/2018G)

Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
Fitness Time Company for Trading	Riyadh, Kingdom of Saudi Arabia	Limited Liability Company	1010205550	3/1/1426H (corresponding to 12/2/2005G)	9/11/1439H (corresponding to 22/7/2018G)
	Jeddah, Kingdom of Saudi Arabia	Branch	4030169151	19/4/1428H (corresponding to 6/5/2007G)	9/11/1439H (corresponding to 22/7/2018G)
	Jeddah, Kingdom of Saudi Arabia	Branch	4030206391	21/12/1431H (corresponding to 27/11/2010G)	9/11/1439H (corresponding to 22/7/2018G)

Source: The Company.

Table 96: Details of Regulatory Licences and Certificates Obtained by the Company and its Subsidiary

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiry Date
Leejam Sports Company	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	101000276646	Chamber of Commerce and Industry membership certificate	19/3/1437H (corresponding to 31/12/2015G)	1/6/1443H (corresponding to 15/1/2022G)
	GAZT	1110282021	Restricted Zakat clearance certificate	11/8/1439H (corresponding to 27/4/2018G)	25/8/1440H (corresponding to 30/4/2019G)
	GOSI	25720120	Certificate of fulfilment of social insurance obligations	21/8/1439H (corresponding to 7/5/2018G)	21/9/1439H (corresponding to 5/6/2018G)
	Ministry of Labour	20001712038378	Certificate of compliance with Saudization requirements	9/4/1439H (corresponding to 28/12/2017G)	21/11/1439H (corresponding to 3/8/2018G)
	Department of Economic Development, Government of Dubai, United Arab Emirates	724509	Professional licence	11/1/2015G (corresponding to 20/3/1436H)	10/1/2019G (corresponding to 22/4/1440H)
	Department of Economic Development, Government of Ras Al-Khaimah, United Arab Emirates	41352	Professional licence	3/3/2015G (corresponding to 12/5/1436H)	8/3/2019G (corresponding to 18/6/1440H)
	Department of Economic Development, Government of Ajman, United Arab Emirates	78538	Professional licence	24/8/2016G (corresponding to 20/11/1437H)	24/8/2018G (corresponding to 12/12/1439H)
Fitness Time Company for Trading	GAZT	3011154022	Zakat and Income Tax Registration Certificate	5/9/1438H (corresponding to 31/5/2017G)	14/8/1439H (corresponding to 30/4/2018G)
	GOSI	24674716	Certificate of fulfilment of social insurance obligations	17/4/1439H (corresponding to 4/1/2018G)	20/8/1439H (corresponding to 5/6/2018G)

Source: The Company.

Table 97: Summary of Operational Licences Obtained by the Company and its Subsidiary

Issuing Authority	Total Number of Valid Licences	Total Number of Expired Licences	Total Number of Outstanding Licences
Kingdom of Saudi Arabia/Central Region			
Central Municipality, Kingdom of Saudi Arabia	47 licences	Two licenses	None
General Authority of Sports	49 licences	None	None
General Directorate of Civil Defence, Kingdom of Saudi Arabia	39 licences	Nine licenses	One license
Kingdom of Saudi Arabia/Eastern Region			
Eastern Municipality, Kingdom of Saudi Arabia	17 licences	None	None
General Authority of Sports	17 licences	None	None
General Directorate of Civil Defence, Kingdom of Saudi Arabia	15 licences	Two licenses	None
Kingdom of Saudi Arabia/Western Region			
Western Municipality, Kingdom of Saudi Arabia	42 licences	One licence	One licence
General Authority of Sports	44 licences	None	None
General Directorate of Civil Defence, Kingdom of Saudi Arabia	37 licences	Five licenses	One licence

Source: The Company.

12.5 Material Agreements

The Company has entered into a number of agreements for the purposes of its business. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company believes that all such agreements, in addition to the key provisions thereunder, have been included in this section and that there are no other agreements which are material in the context of the Company's business. The Company has not breached the conditions and undertakings included in such agreements. These summaries do not purport to describe all the applicable terms and conditions of such agreements and are qualified in their entirety by the respective agreements. In addition, please see also Sections 12.6 (*Financing Agreements*), 12.8.2 (*Lease Agreements*), and 12.7 (*Insurance Policies*) for details regarding the Company's financing agreements, lease agreements, and insurance policies. The following table sets out the material agreements (except for financing agreements, lease agreements and insurance policies) entered in to by members of the Company for the purposes of their business:

Table 98: Details of Material Agreements

Name of Agreement	Parties	Brief Description	Term and Renewable Mechanism	Value
Agreements with Key Customers				
Leejam Corporation Partnership Agreement made by the Company with more than 100 clients (Business to Business Agreement)	The Company has entered into partnership agreements with a number of its key customers (over 100 customers).	Under this agreement, the Company offers preferential pricing of its gym memberships to the customer and the customer reimburses the Company directly for the cost of the memberships according to the commercial terms in this agreement.	The agreement is for a term of one year and it could be renewed through a subsequent agreement or an addendum. Either party may terminate this agreement by providing one-month written notice.	In 2017G, the Company generated SAR 90.4 million from these partnership agreements.

Name of Agreement	Parties	Brief Description	Term and Renewable Mechanism	Value
Agreements with Key Contractors and Suppliers				
Contractor Agreement	The Company (as the owner) and Kafaat Altashgeel Contracting Co. (as contractor).	The Company has entered into this agreement with the Contractor on 14/6/1438H (corresponding to 13/3/2017G) to build a "Pro" gym for the Company in Abha.	The agreement is for a term of nine Gregorian months, commencing from the date the contractor receives the site. The project has been extended till 17/10/1439H (corresponding to 1/7/2018G).	SAR 8,600,000
Contractor Agreement	The Company (as the owner) and AlJudi Arabia for Contracting Establishment (as contractor).	The Company has entered into this agreement with the Contractor on 11/1/1439H (corresponding to 1/10/2017G) to build "Fitness" and "Ladies" gyms for the Company in Yanbu.	The agreement is for a term of five Gregorian months, and three months for the "Fitness" gym commencing from the date the contractor receives the project from the Royal Commission, and a letter of the receipt signed by the parties and receive the down payment. The project has been extended to 17/10/1439H (corresponding to 1/7/2018G).	SAR 15,500,000
Contractor Agreement	The Company (as the owner) and Argoton Contraction and Decoration Co. Ltd. (as contractor).	The Company has entered into this agreement with the Contractor on 5/8/1438H (corresponding to 1/5/2017G) to build a "Pro" gym for the Company in Wali Ala'ahd district, Mecca.	The agreement is for a term of 12 Gregorian months, commencing from the date the contractor receives the project or the down payment, whichever is later. Given the contractor's delay, the project has been extended to 4/11/1439H (corresponding to 17/7/2018G).	SAR 10,117,716
Contractor Agreement	The Company (as the owner) and ASTRA - Construction (as contractor).	The Company has entered into this agreement with the Contractor on 9/6/1439H (corresponding to 25/2/2018G) to construct a sports building comprised of commercial shops and a female fitness centres for the Company in Alnozha district, Riyadh.	The agreement is for a term of twelve Gregorian months, commencing from the date the contractor receives or is invited to receive the site, whichever occurs first.	SAR 15,990,170
Contractor Agreement	The Company (as the owner) and ALHARAFI and Partners Company for Construction (as contractor).	The Company has entered into this agreement with the Contractor on 4/5/1439H (corresponding to 21/1/2018G) to construct a sports building comprised of commercial shops and a fitness centres for the Company in Alaqeeq district, Riyadh.	The agreement is for a term of twelve Gregorian months, commencing from the date the contractor receives the site or the down payment, whichever occurs first.	SAR 23,710,909
Contractor Agreement	The Company (as the owner) and AlJudi Arabia for Contracting Company (as contractor).	The Company has entered into this agreement with the Contractor on 9/6/1438H (corresponding to 25/2/2018G) to build a female fitness centres for the Company in Alfalah district, Riyadh.	The agreement is for a term of fourteen Gregorian months, commencing from the date the contractor receives the site or the down payment, whichever occurs first.	SAR 22,500,000

Name of Agreement	Parties	Brief Description	Term and Renewable Mechanism	Value
Contractor Agreement	The Company (as the owner) and Fadwa Trading and Contracting Company (as contractor).	The Company has entered into this agreement with the Contractor on 25/5/1439H (corresponding to 11/2/2018G) to build a "Fitness Time" fitness centres for the Company in Alqaa Albarid district, Buraidah.	The agreement is for a term of seven Gregorian months, commencing from the date the contractor receives the site, or the down payment, whichever occurs first.	SAR 8,350,000
Contractor Agreement	The Company (as the owner) and Operational Efficiency Company for project management and development – construction department (as contractor)	The Company has entered into this agreement with the Contractor on 14/5/1439H (corresponding to 31/1/2018G) for the modification and restoration of the sport club "Fitness Pro" in Shuhada district, Taif.	The agreement is for a term of six Gregorian months, commencing from the date the contractor receives the site, or the down payment, whichever occurs first.	SAR 7,097,416
Other Material Agreements				
Regional Partnership Agreement	The Company (as licencee) and Futbol Club Barcelona (as licensor).	The Company has the exclusivity for the use of the licensor's name in the fitness, sports and wellness centres categories in the territory of the Kingdom and in the United Arab Emirates, including: (i) association rights; (ii) naming rights; (iii) image rights, (iv) media and digital rights, (v) marketing rights, (vi) merchandising rights, (vii) promotional pack, and (viii) FCB Escola and Clinics.	The agreement is for a term of three years and three months, commencing from 18/6/1436H (corresponding to 1/4/2015G) and expires on 16/10/1439H (corresponding to 30/6/2018G).	The Company shall pay to FC Barcelona EUR 1,200,000 (SAR 5,400,000) for every year of the agreement.
Key Framework Agreement for Goods and Services	The Company (as the service provider) and Saudi Basic Industries Corporation (SABIC) (as the customer)	The Company provides its sports centre in Al-Firdous district in Jubail Industrial City exclusively to Saudi Basic Industries Corporation (SABIC) employees, their parents, their children and their siblings. The company provides memberships for the employees of SABIC in all its Fitness Centres in the Kingdom.	The agreement is from 15/8/1439H (corresponding to 1/5/2018G) and expires on 9/9/1444H (corresponding to 31/3/2023G) and is renewable automatically every year unless the Saudi Basic Industries Corporation (SABIC) notifies the Company otherwise.	The Saudi Basic Industries Corporation (SABIC) shall pay the minimum of SAR 9,500,000 to the Company for every year of the agreement.

Source: The Company.

12.5.1 Agreements with Key Customers

Under the Leejam Corporation Partnership Agreement with over 100 customers (Business to Business Agreement), the Company offers preferential pricing of its fitness centre memberships to the customer and the customer reimburses the Company directly for the cost of the memberships according to the commercial terms in this agreement. The Company enters into this agreement with its key customers (over 100 customers) such as Saudi Telecom Company and The Saudi British Bank. This agreement has an overview of the products and services and it sets out the commercial terms, activation of this agreement, conditions of use and terms or business. The term of this agreement is one year and it could be renewed through a subsequent agreement or an addendum. Either party may terminate this agreement by providing one-month written notice stating the intention to terminate this agreement and the main reasons that caused such action. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2 Agreements with Key Contractors and Suppliers

12.5.2.1 Contractor Agreement with AlJudi Arabia Establishment for Contracting and Industrial Works.

The Company has entered into this agreement with AlJudi Arabia Establishment for Contracting and Industrial Works (as contractor) on 11/1/1439H (corresponding to 1/10/2017G) to build "Fitness" and "Ladies" gyms for the Company in Yanbu. The parties have agreed that the contractor will build the Company's gym (Ladies) in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 15,500,000 that will be paid in nine instalments linked to the stages of the project. The agreement shall be valid for five Gregorian months, and three months for the "Fitness" gym commencing from the date the contractor received the project from the Royal Commission, a letter of the receipt signed by the parties and receive the down payment. The project has been extended to 17/10/1439H (corresponding to 1/7/2018G). This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.2 Contractor Agreement with Kafaat Altashgeel Contracting Co.

The Company has entered into this agreement with Kafaat Altashgeel Contracting Co. (as contractor) on 14/6/1438H (corresponding to 13/3/2017G) to build a "Pro" gym for the Company in Abha. The parties have agreed that the contractor will build the Company's gym in a manner that is in conformity with the requirements of the Company, municipality, and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 8,600,000 that will be paid as instalments linked to the stages of the project. The agreement shall be valid for nine Gregorian months from the date the contractor receives the project. The project has been extended to 17/10/1439H (corresponding to 1/7/2018G). This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.3 Contractor Agreement with Argoton Contraction and Decoration Co. Ltd.

The Company has entered into this agreement with Argoton Contraction and Decoration Co. Ltd. (as contractor) on 5/8/1438H (corresponding to 1/5/2017G) to build a "Pro" gym for the Company in Wali Ala'ahd district. The parties have agreed that the contractor will build the Company's gym in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 10,117,716 that will be paid as instalments linked to the stages of the project. The agreement shall be valid for 12 Gregorian months, commencing from the date the contractor received the project or the down payment, whichever is later. Given the contractor's delay, the project has been extended to 4/11/1439H (corresponding to 17/7/2018G). This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.4 Contractor Agreement with ASTRA – Construction.

The Company has entered into this agreement with ASTRA – Construction (as contractor) on 19/6/1439H (corresponding to 25/2/2018G) to construct a sports building comprised of commercial shops and a female fitness centres for the Company in Alnozha district, Riyadh. The parties have agreed that the contractor will build the Company's building in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 15,990,170 that will be paid in periodic progress billings to be approved by the Project Consultant as well as the Company's Engineering Management. The agreement shall be valid for twelve Gregorian months, commencing from the date the contractor receives or is invited to receive the site, whichever occurs first. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.5 Contractor Agreement with ALHARAFI Co.

The Company has entered into this agreement with ALHARAFI Co. (as contractor) on 4/5/1439H (corresponding to 21/1/2018G) to construct a sports building comprised of commercial shops and a fitness centres for the Company in Alaqeeq district, Riyadh. The parties have agreed that the contractor will build the Company's gym in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 23,710,909 that will be paid in periodic progress billing to be approved by the Project Consultant as well as the Company's Engineering Management. The agreement shall be valid for twelve Gregorian months, commencing from the site or down payment receiving date, whichever occurs first. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.6 Contractor Agreement with Operational Efficiency Company for Project Management and Development – Construction Department.

The Company has entered into this agreement with Operational Efficiency Company for Project Management and Development – Construction Department (as contractor) on 14/5/1439H (corresponding to 31/1/2018G) to amend and renovate a "Pro" sports building for men" for the Company in Alshuhadaa district, Taif. The parties have agreed that the contractor will construct the sports building in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 7,097,416 that will be paid in periodic progress billings to be approved by the Project Consultant as well as the Company's Engineering Management. The agreement shall be valid for six Gregorian months commencing from the site or down payment receiving date, whichever occurs first. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.7 Contractor Agreement with AlJudi Arabia Company for Contracting and Industrial Works.

The Company has entered into this agreement with AlJudi Arabia Company for Contracting and Industrial Works (as contractor) on 9/6/1439H (corresponding to 25/2/2018G) to build a female fitness centres for the Company in Alfalah district, Riyadh. The parties have agreed that the contractor will build a building for the Company in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 22,500,000 that will be paid in periodic progress billings to be approved by the Project Consultant as well as the Company's Engineering Management. The agreement shall be valid for fourteen Gregorian months commencing from the site or down payment receiving date, whichever occurs first. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.8 Contractor Agreement with Fadwa Trading and Contracting Company

The Company has entered into this agreement with Fadwa Trading and Contracting Company (as contractor) on 25/5/1439H (corresponding to 11/2/2018G) to build a "Fitness Time" fitness centres for the Company in Alqaa Albarid district, Buraidah. The parties have agreed that the contractor will build a building in a manner that is in conformity with the requirements of the Company, municipality and all relevant government agencies. The contractor is responsible for delivering a building that is ready to function and without any issues that are unacceptable to the government agencies or will hinder the delivery of services. The contractor's scope of work includes all items necessary to complete the project.

The Agreement value is SAR 8,350,000 that will be paid in periodic progress billings to be approved by the Project Consultant as well as the Company's Engineering Management. The agreement shall be valid for seven Gregorian months commencing from the site or down payment receiving date, whichever occurs first. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom. This agreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.5.2.9 Goods Suppliers

As to the suppliers of goods (e.g., sports equipment), the Directors confirm that the Company does not have agreements with goods suppliers, rather, it has purchase orders with suppliers that provide such goods.

12.5.3 Regional Partners' Agreement

The Company (as licensee) has entered with FC Barcelona (as licensor) into a partnership agreement on 18/6/1436H (corresponding to 1/4/2015G), pursuant to which, the Company shall have exclusivity for the use of the licensor's name in the fitness, sports and wellness centres categories in the territory of the Kingdom and in the United Arab Emirates, including: (i) association rights; (ii) naming rights; (iii) image rights; (iv) media and digital rights; (v) marketing rights; (vi) merchandising rights; (vii) promotional pack; and (viii) FCB Escola and Clinics. The agreement is for an initial term of three years and three months, automatically renewable thereafter for a consecutive period of two years. The Company may terminate the agreement with prior notice by no later than 28/4/1439H (corresponding to 15/1/2018G). The Company notified the FC Barcelona of an agreement termination request as of 1/7/2018G. The Company shall pay to Futbol Club Barcelona EUR 1,200,000 (SAR 5,400,000) for every year of the agreement. The agreement is governed by the laws and regulations of the Kingdom. The agreement will not be renewed upon its expiring on 30/06/2018G. This agreement will not be renewed following its expiry on 16/10/1439H (corresponding to 30/6/2018G).

12.5.4 Key Framework Agreement for Goods and Services

The Company (as service provider) has entered with Saudi Basic Industries Corporation (SABIC) (as the customer) into a framework agreement for goods and services on 15/8/1439H (corresponding to 1/5/2018G) where the Company shall provide its sports centre services located in Al-Firdous district in Jubail Industrial City exclusively to Saudi Basic Industries Corporation (SABIC) employees, their parents, their children and their siblings. The company provides memberships for the employees of SABIC in all its Fitness Centres in the Kingdom. The agreement is from 15/8/1439H (corresponding to 1/5/2018G) and expires on 9/9/1444H (corresponding to 31/3/2023G) and is renewable automatically every year unless the Saudi Basic Industries Corporation (SABIC) notifies the Company otherwise. The Saudi Basic Industries Corporation (SABIC) shall pay the minimum of SAR 9,500,000 to the Company for every year of the agreement. This agreement shall be governed by applicable Saudi laws.

12.6 Financing Agreements

The Company has entered into four financing agreements relating to its business. The following is a summary of such agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company has not breached any of the conditions and undertakings included in such agreements. These summaries include only the material terms and conditions, not all applicable terms and conditions of such agreements and are qualified in their entirety by the respective agreements.

Certain financing agreements to which the Company is a party include provisions that either require the submission of a prior notification of any change of control or change in the ownership structure of the Company, or when offering the Company's share for public subscription or introducing new provisions that require prior approval of the funding parties. The Company, in this regard, obtained all the consents required from the funding parties for the Offering.

The following table sets out the financing agreements entered into by the Company for the purposes of its business:

Table 99: Details of Financing Agreements

Lender	Type of Financing	Availability Period	Financing Amount
National Commercial Bank (NCB)	Commercial Financing and Banking Services Agreement	The agreement is valid from 9/6/1439H (corresponding to 25/2/2018G) to 16/9/1439H (corresponding to 31/5/2018G)	Facilities of up to SAR 129,060,000
The Saudi British Bank (SABB)	Islamic banking facilities	The agreement was signed on 19/10/2017G (corresponding to 29/1/1439H) and is valid until 30/11/2018G (corresponding to 21/3/1440H)	Islamic banking facilities of up to SAR 338,725,000
Banque Saudi Fransi	Multipurpose facilities	The agreement was signed on 17/10/1438H (corresponding to 11/7/2017G) and is valid until 31/5/2018G (corresponding to 16/9/1439H)	Multipurpose facilities of up to SAR 363,437,500

Lender	Type of Financing	Availability Period	Financing Amount
Samba Financial Group	Term Murabaha facilities	The agreement was signed on 6/9/1439H (corresponding to 22/2/2018G) and is valid until 26/5/1440H (corresponding to 2/2/2019G)	Credit facilities through Murabaha with a total value of SAR 80,000,000

Source: The Company.

12.6.1 Finance Facilities with The National Commercial Bank (NCB)

The Company concluded a financing facility agreement with The National Commercial Bank ("**NCB**") on 9/6/1439H (corresponding to 25/2/2018G). It expired on 16/09/1439H (31/05/2018G), whereby NCB has agreed to provide the Company with facilities of up to SAR 129,060,000 comprising the following:

a- A SAR 25,000,000 commercial Tayseer facility for purposes of meeting the capital expansion needs for procurement at a profit rate of 2% per annum over applicable SAIBOR rate, repayable over 360 days. Facility matures on 31/5/2018G.

b- A SAR 25,000,000 sight letters of credit facility for purchase and import of equipment at the standard SAMA tariff rate, repayable over 180 days. Facility matures on 31/05/2018G.

c- A SAR 25,000,000 deferred letters of credit facility for purchase of equipment at the standard SAMA tariff rate with an issuance fee of 1.5% per annum, repayable over 180 days. Facility matures on 31/5/2018G.

d- A SAR 10,000,000 letters of financial guarantee for purposes of meeting the Company's needs for site and branch lease at an issuance fee of 1% per annum, repayable over 360 days. The letter of guarantee matures on 31/5/2018G.

e- A SAR 10,000,000 bid bond letters of guarantee for entering government tenders at the standard SAMA tariff rate, repayable over 180 days. The bid bond letter of guarantee matures on 31/5/2018G.

f- A SAR 10,000,000 performance bond letters of guarantee for ensuring the Company's contractual commitments at the standard SAMA tariff rate, repayable over 36 months. The performance bond letter of guarantee matures on 31/5/2018G.

g- A SAR 5,000,000 one-off profit margin swap facility to hedge against changes of SAIBOR costs at NCB's treasury rate with a tenor of ten years. Facility matures on 31/12/2027G.

h- A SAR 89,060,000 commercial Tayseer facility for building the Company's new branches throughout the Kingdom at a profit rate of 2% per annum over NCB's treasury rate, with a tenor of six years repayable in equal instalments after expiry of a one-year grace period. Facility matures on 6/11/2021G.

i- A SAR 89,060,000 multipurpose facility for meeting the Company's capital expansion needs including: (i) a Murabaha at a profit rate of 2% per annum over NCB's treasury rate, with a tenor of six years repayable in equal instalments after expiry of a one-year grace period; (ii) a sight letters of credit at the standard SAMA tariff rate with a tenor of 180 days; (iii) deferred letters of credit at the standard SAMA tariff rate plus a usage fee of 1.5% per annum, with the facility being repayable over 180 days. Facility matures on 6/11/2021G.

The facilities have been secured by the Company by a joint and several guarantee for all the facilities from each of the following shareholders: Mr. Hamad Ali Al-Saqri, Mr. Khalid Ali Al-Haqbani, Mr. Salih Mohammed Al-Haqbani, Mr. Abdulmohsin Ali Al-Haqbani, Mr. Ali Hamad Al-Saqri, Mr. Fahad Ali Al-Haqbani, and Mr. Waleed Ali Al-Haqbani; and

The Company's main covenants under the facilities include the following:

a- quarterly financial statements must be provided to NCB within 45 days from each financial quarter. The Company must also provide NCB its annual budget;

b- the Company may not distribute more than 60% if its profits without the prior approval of NCB; and

c- the Company must deposit 30% of its business sale proceeds with NCB.

An event of default would arise and the facilities will become immediately repayable if the Company defaults on its obligations, breaches its obligations visavis third parties, or undergoes an insolvency event.

In addition, NCB is entitled to terminate the agreement and require the company to repay the debt immediately without having to give reasons. Approval of NCB with regard to an initial public offering is not required, as there is no provision in the agreement confining the Company in this regard.

NCB agreed to waive the personal guarantees upon completion of the Offering pursuant to a letter therefrom dated 4/8/1438H (corresponding to 1/5/2017G). Any dispute arising therefrom shall be referred to the Kingdom's competent courts and bodies, with NCB holding the right to file lawsuits in other countries.

12.6.2 Finance Facilities with The Saudi British Bank (SABB)

The Company concluded a financing facility agreement with The Saudi British Bank ("**SABB**") on 29/1/1439H (corresponding to 19/10/2017G) to be valid until 21/3/1440H (corresponding to 30/11/2018G), whereby SABB has agreed to provide the Company with facilities comprising the following:

- a- A SAR 293,725,000 Tawarruq Murabaha finance facility to finance the construction of 25 to 30 new fitness facilities at a profit rate of 1.5% per annum over SIBOR, repayable over 20 quarterly instalments under a tenor of six years (including a one-year grace period). A brokerage fee of 0.003% is also payable to SABB.
- b- A SAR 45,000,000 rate hedging based on Waad structure with a tenor of six years for hedging future price fluctuation.

The facility has been secured by the Company as follows:

- a- A joint and several-guarantee in the amount of SAR 42,500,000 from each of Mr. Hamad Ali Al-Saqri and Mr. Abdulmohsin Ali Al-Haqbani.
- b- A promissory note in the amount of SAR 338,725,000.
- c- A letter of comfort from Target Opportunities Company for Trading approving the facilities and confirming that it will maintain its present shareholding interest in the Company.
- d- Authorization to accept any verbal instruction or instructions received by telex or fax.
- e- An insurance policy from SABB Takaful to cover risks against newly constructed fitness facilities.

The Company's main covenants under the facilities include the following:

- a- The Company must maintain a gearing ratio (of total current liabilities and total non-current liabilities to tangible net worth) that does not exceed 1.5:1. The Company must maintain a debt service charge ratio of 1.5:1. The Company must maintain a tangible net worth of SAR 450,000,000.
- b- The Company must maintain all proceeds deriving from fitness facilities being financed by SABB in account with that lender.
- c- The Company must maintain management accounts on a semiannual basis. The Company must regularly update SABB on the progress of its expansion works.
- d- All finance repayments must be made in priority over dividend payments.
- e- The Lender has a right of first refusal in relation to insurance of fitness facilities. Points of sale for SABB need to be established in any new or key branches.

The lender has the right to cancel facilities and demand immediate repayment if there is a change of the legal status of the Company.

SABB agreed to the Offering and the release of the personal guarantees upon completion of the Offering under a letter therefrom dated 4/8/1438H (corresponding to 1/5/2017G). Any dispute arising out of this agreement shall be referred to SAMA Committee and the Enforcement Court in the Kingdom.

12.6.3 Finance facilities with Banque Saudi Fransi

The Company concluded a financing facility agreement with Banque Saudi Fransi ("**BSF**") on 17/10/1438H (corresponding to 11/7/2017G) to be valid until 16/9/1439H (corresponding to 31/5/2018G), whereby BSF has agreed to provide the Company with facilities comprising the following:

- a- A SAR 20,000,000 issuance/usance letter of credit for purchase of equipment at BSF's tariff rate (subject to a 5% cash margin). As a sub-facility to this, BSF has also provided a SAR 19,000,000 Tawarruq facility at a profit rate of 2% per annum over SAIBOR repayable within 180 days.
- b- A SAR 20,000,000 interest rate swap facility.
- c- A SAR 6,250,000/50 Tawarruq Murabaha facility for the construction of gym facilities at a profit rate of 2.5% per annum plus SIBOR repayable in two quarterly instalments; the facility matures on 30/11/2017G.
- d- A SAR 17,187,000 Tawarruq facility for the construction of gym facilities at a profit rate of 2% per annum over SIBOR repayable in 11 quarterly instalments; the facility matures on 31/03/2020G.
- e- A SAR 100,000,000 Tawarruq facility for the expansion of existing gym facilities at a profit rate of 1.5% per annum over SIBOR (on a quarterly deducting basis) repayable in 20 quarterly instalments following a two-year grace period) the facility matures on 31/7/2023G.
- f- A SAR 100,000,000 Tawarruq facility, for the expansion of existing gym facilities at a profit rate of 1.5% per annum over SIBOR (on a quarterly deducting basis) repayable in 20 quarterly instalments following a two-year grace period; the facility matures on 31/7/2023G.

g- A SAR 100,000,000 Tawarruq facility, for the expansion of existing gym facilities at a profit rate of 1.5% per annum over SIBOR (on a quarterly deducting basis) repayable in 20 quarterly instalments plus profit mark up, starting from 31/10/2018G and ending on 31/7/2023G.

The facility has been secured by the Company as follows:

a- a promissory note to BSF in the amount of SAR 363,437,501;
b- personal guarantee from Mr. Hamad Al-Saqri in the amount of SAR 381,875,000; and
d- personal guarantee from Mr. Abdul Mohsen Al-Haqban in the amount of SAR 381,875,000.

The Company's main covenants under the facilities include the following:

a- the Company must maintain a maximum dividend distribution of 60%, a minimum net worth of SAR 400,000,000, and a maximum leverage of 1:1.5;
b- the Company must provide BSF with audited accounts 120 days from financial year end and quarterly unaudited financial statements within 30 days from each financial quarter;
c- the Company must maintain at least 30% of its business proceeds with BSF; and
d- the Company must maintain lender's points of sale at facilities being funded by that lender.

The lender has the right to cancel facilities and demand immediate repayment if any of the following events occur which would result in the weakening of the Company's creditworthiness, including: (i) the Company undergoes a merger/corporate re: organization; (ii) if any person or related persons acquire beneficial ownership of securities with a power to elect a majority of the board of the Company or acquire any other ownership interest which allows a person to exercise control over the Company; and (iii) if there is a change in the persons (including any legal or natural person) able to exercise "effective control" of the Company ("effective control" means: (a) control of more than half of the voting power of the Company; or (b) control of more than half of the issued share capital of the Company). In addition, BSF is entitled to terminate the agreement and require the company to repay the debt immediately without having to give reasons.

BSF approved the Offering and release of the personal guarantees upon completion of the Offering under a letter therefrom dated 14/9/1438H (corresponding to 8/6/2017G). Any dispute arising out of this agreement shall be referred to SAMA Committee and the Enforcement Court in the Kingdom.

12.6.4 A Term Murabaha Facility Agreement with SAMBA

The Company concluded a term Murabaha facility agreement with SAMBA Financial Group on 6/6/1439H (corresponding to 22/2/2018G), whereby SAMBA has agreed to provide the Company with credit facilities through Murabaha with a total value of SAR 80,000,000 comprising of the following: (i) purchase of any Sharia-complaint good by SAMBA; or (ii) credit sale of such goods with a profit margin of over cost price to be paid to SAMBA and calculated based on a profit rate of 1.5% per every quarter over applicable SAIBOR rate, repayable over 6 years in 20 equal quarter payments with a grace period of one year. The facilities are valid until 17/6/1440H (corresponding to 22/2/2019G). The Guarantees provided under this agreement are as follows:

a- A personal joint-liability guarantee provided by Hamad Ali Al-Saqri and Abdulmohsin Ali Al-Haqbani for SAMBA with a value of SAR 100,000,000, provided that SAMBA will release this guarantee once the Company's Offering is completed.

Most key financial and operational warranties given by the Company to Samba under this agreement include the following:

a- a guarantee that cash rate, net ownership rights, and debt coverage rate shall not be less than 1:2.5, SAR 400 million, nor 1.5 times, consecutively;
b- a guarantee that no dividends over than 60% of the net profit of the Company shall be distributed till the Company's shares are listed; and

SAMBA has agreed in the agreement to release the personal guarantee and the condition stating that no more than 60% of the profits shall be distributed once the Company has been listed. Theagreement shall be governed by Saudi laws and any dispute arising therefrom shall be referred to competent courts in the Kingdom.

12.7 Insurance Policies

The Company maintains insurance policies covering different types of risks to which it may be exposed. These insurance policies have been issued by several insurance companies inside the Kingdom. The following table sets out the key particulars of the insurance policies held by the Company and its Subsidiary:

Table 100: Details of Insurance Policies

Policy No.	Types of Coverage	Insurer	Validity	Maximum Insurance Coverage
P/600/6004/15/00020453	Money Insurance	Malath Cooperative Insurance & Reinsurance Co.	From 18/2/2017G (corresponding to 21/5/1438H) to 31/8/2018G (corresponding to 19/12/1439H).	• Cash in safe: Maximum limit per safe: SAR 100,000.00. • Cash in transit: Maximum limit per sending: SAR 1,500,000.00.
P/600/6005/15/00020452	Fidelity Guarantee Insurance	Malath Cooperative Insurance & Reinsurance Co.	From 18/2/2017G (corresponding to 21/5/1438H) to 31/8/2018G (corresponding to 19/12/1439H).	SAR 1,500,000.00 per person. No. of insured Employees: 217. Sum Insured: SAR 68,299,724.00.
1/VF/33761/0/0	Vehicle Insurances	AXA Cooperative Insurance Company	From 26/5/2017G (corresponding to 1/9/1437H) to 25/5/2019G (corresponding to 20/9/1440H)	Towing, protection and removal costs up to SAR 1,000 per event. Emergency Medical Expenses SAR 1,000 per person any one occurrence. Self-Repair Authority SAR 1,000. Up to SAR 10,000,000 Third Party liability.
P/600/5004/16/00002065	Property All Risk	Malath Cooperative Insurance & Reinsurance Co.	From 1/9/2017G (corresponding to 9/12/1438H) to 31/8/2018G (corresponding to 19/12/1439H)	This policy provides coverage for 118 sites. The coverage varies from branch to branch based on the insured property in each branch.
P/600/6011/16/00021127	Comprehensive General Liability	Malath Cooperative Insurance & Reinsurance Co.	From 1/9/2017G (corresponding to 9/12/1438H) to 31/8/2018G (corresponding to 19/12/1439H)	Annual aggregate SAR 5,000,000 One occurrence limits SAR 1,000,000
P/600/8505/16/00004161	Goods in Transit Open Cover	Malath Cooperative Insurance & Reinsurance Co.	From 1/9/2017G (corresponding to 9/12/1438H) to 31/8/2018G (corresponding to 19/12/1439H)	SAR 6,000,000
P/600/6015/16/00021128	Directors and Officers Liability	Malath Cooperative Insurance & Reinsurance Co.	From 1/9/2017G (corresponding to 9/12/1438H) to 31/8/2018G (corresponding to 19/12/1439H)	SAR 1,000,000 each and every claim and in the aggregate
01/019/21073559/18	Obligatory Cooperative Insurance	Arabian Insurance Cooperative Company	From 22/3/2018G (corresponding to 12/6/1437H) to 21/3/2018G (corresponding to 03/7/1439H)	Current employees are qualified for insurance from document commencement date. As for employees who are recruited in the future, they will be qualified for the insurance starting from the employment date or the date on which they reach the Kingdom.

Source: The Company.

12.8 Real Estate

12.8.1 Title Deeds

The Company owns the following plots of land:

Table 101: Details of Title Deeds

Registered Owner	Title Deed Particulars	Location	Description and Purpose
Leejam Sports Company	Title deed number 420211023161, dated 1/4/1437H (corresponding to 12/1/2016G).	Alfaiha'a district, Jeddah city	To establish a building, for the purposes of conducting sports activities or for any other appropriate commercial utilisation, plot of land with a total size of 721.78 sqm. There is currently an existing fitness centre on the land.
Leejam Sports Company	Title deed number 520211023160, dated 1/4/1437H (corresponding to 12/1/2016G).	Alfaiha'a district, Jeddah city	To establish a building, for the purposes of conducting sports activities or for any other appropriate commercial utilisation, plot of land with a total size of 717 sqm. There is currently an existing fitness centre on the land.
Leejam Sports Company	Title deed number 920211023159, dated 1/4/1437H (corresponding to 12/1/2016G).	Alfaiha'a district, Jeddah city	To establish a building, for the purposes of conducting sports activities or for any other appropriate commercial utilisation, plot of land with a total size of 587.5 sqm. There is currently an existing fitness centre on the land.
Leejam Sports Company	Title deed number 320211023162, dated 1/4/1437H (corresponding to 12/1/2016G).	Alfaiha'a district, Jeddah city	To establish a building, for the purposes of conducting sports activities or for any other appropriate commercial utilisation, plot of land with a total size of 591.5 sqm. There is currently an existing fitness centre on the land.
Leejam Sports Company	Title deed number 322301000111, dated 25/5/1438H (corresponding to 22/2/2017G).	Southern Obhur, Jeddah city	To establish a building, for the purposes of conducting sports activities or for any other appropriate commercial utilisation, plot of land with a total size of 4,550 sqm. There is currently an existing fitness centre on the land.
Leejam Sports Company	Title deed number 710124035911, dated 16/10/1438H (corresponding to 10/7/2017G).	Al Rawabi District, Riyadh	To establish a building, for the purposes of conducting sports activities or for any other appropriate commercial utilisation, plot of land with a total size of 9,350 sqm. There is currently no fitness centre on the land, and the company is currently working to establish one centre thereon.

Source: The Company.

12.8.2 Lease Agreements

The Company and its Subsidiary have entered into various lease agreements in order to build or establish and operate their Fitness Centres. The Company being the lessee in these agreements ensures to pay the annual rent amount as specified in each agreement and shall generally have the right to assign and sublease the agreements in whole or in part to any third party. The leasing term varies for every lease agreement, generally falling between the ranges of five to 30 years; few agreements provide for automatic renewal, having long-term lease agreements means that the aforementioned leases shall require the agreement of both parties in order to renew the lease for similar subsequent periods. The sizes of leased plots are generally no less than 240 sqm and no more than 36,000 sqm. As a general rule either party of the lease agreements may terminate the agreement if the other party was in breach of any of the obligations provided in the agreement following a minimum of a seven-day notice period and a maximum of a 180-day notice period; the general rule of termination is that upon termination the Company shall transfer ownership of any structure established on the leased plot to the lessor, free of charge; as an exception to the rule, three lease agreements mandate that the Company remove any structure established on the leased plot upon termination of the Agreement and six lease agreements do not contain an explicit clause regarding what happens to the established structure upon termination. The following table sets out the number of lease agreements by remaining lease term as of the date of this Prospectus:

Table 102: Number of Lease Agreements by Remaining Lease Term as of the Date of this Prospectus

Remaining Term of Lease (years)	Number of lease agreements
0-5	13
6-15	80
16-25	32
Total	125

Source: The Company.

For more details on the Lease Agreements, see Appendix B of this Prospectus.

12.9 Related Party Contracts and Transactions

12.9.1 Lease Agreement between the Company and Hamad Ali Al-Saqri

The Company (as lessee) has entered into a lease agreement with its major shareholder, Hamad Ali Al-Saqri (as lessor), after it has directly sold this land to him, for leasing to the Company the land in AlGhadeer District, Riyadh, owned by Hamad Ali Al-Saqri. This is in consideration of SAR 3,400,000 to be paid annually for the entirety of the leasing term. The agreement shall be valid from 10/3/1436H (corresponding to 1/1/2015G) to 7/2/1450H (corresponding to 30/6/2028G). The agreement may be renewed for further subsequent periods upon a formal written request and agreement from both parties at least three months prior to expiry of the agreement. The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreement shall be referred to competent courts in the Kingdom.

12.9.3 Management and Operation Agreement between the Company and Fitness Time Company for Trading

Fitness Time Company for Trading (the Customer) has entered into a management and operation agreement with the Company (the Service Provider) for a period of one year commencing from 15/01/1431H (corresponding to 01/01/2010G), automatically renewable for a similar period unless notice stating otherwise is given by one of the parties. The parties agreed on operating and managing the Customer's business by the Service Provider pursuant to the terms and provisions of the Agreement including, but not limited to, providing technical oversight of the fitness centres of the Customer and bearing the related charges and expenses incurred thereby. The Customer will transfer the earned revenues to the Service Provider and be responsible for obtaining the permits and official documents necessary for conducting operations and entering into agreements with banks. In case of any dispute arising from the Agreement, it shall be resolved by way of arbitration pursuant to the Saudi Arbitration Law. Arbitration shall be held in Jeddah, Kingdom of Saudi Arabia.

12.9.4 Purchase Orders to Supply Sports Equipment Concluded between the Company and Khalid Al-Haqbani (a Shareholder)

The Company (the Customer) entered into a number of purchase orders with SPORTA, a subsidiary of Al Hayat Investment Co. (the Supplier) owned by Shareholder Khalid Al-Haqbani, to supply fitness equipment. The first purchase order was entered into with the Company on 08/01/1438H (corresponding to 10/10/2016G) followed by a number of purchase orders the last of which was concluded on 18/7/1439H (corresponding to 4/4/2018G). The two parties have agreed that the Customer will pay 50% of the value of the equipment prior to delivery and the remaining 50% will be paid 45 days after delivery. The cost of the purchase orders ranges between SAR 2,500 and SAR 619,124.40.

12.9.6 Purchase Orders to Supply Fitness Equipment Concluded with the Company and Ali Al-Saqri (a Director)

The Company (the Customer) concluded a purchase order with IBS company (the Supplier), which is owned by Ali Al-Saqri, a Shareholder and Director, to supply fitness equipment. The Purchase Order was concluded on 25/01/1437H (corresponding to 08/11/2015G). The two parties have agreed that the customer will pay the value of the equipment in three instalments: the first will be paid prior to delivery, the second will be paid one month after the first instalment, and the last will be paid after delivery. The cost of the Purchase Order was SAR 316,610.

12.9.8 Purchase Orders for Consulting Services between the Company and Alix Partners

The Company (as the customer) entered into a number of purchase orders with Alix Partners (as the Service Provider), in which the Shareholder "Target Opportunities for Trading Company" has indirect beneficial interest, to provide the Company with consulting services in relation to the development of procurement and savings systems. The purchase order agreement was concluded on 3/1/1439H (corresponding to 24/9/2017G). The parties agreed that the customer will pay a down payment of SAR 75,000. The rest of the entitlements will be paid throughout the work period in four instalments of SAR 600,000 in addition to the costs. Any dispute arising from this agreement shall be referred to arbitration in accordance with the rules of the DIFC at the London Court of International Arbitration by one or more arbitrators appointed pursuant to such rules.

12.9.9 Purchase orders for electrical works concluded between the Company and Hamad Al-Saqri (Board Member)

The Company (as the customer) entered into a number of purchase orders with Fadwa Contracting (as the supplier) and owned by Hamad Al-Saqri (Board Member) to carry out electrical work. The latest purchase order was concluded on 15/8/1439H (corresponding to 1/5/2018G). The parties agreed that the customer will pay the full amount after the completion of the works. The purchase order costs SAR 246,675.

12.9.11 Main Agreement for Car Rental between the Company and Theeb Rent a Car Company

The Company (as the lessee) concluded a framework agreement with Theeb Rent a Car Company (as the lessor), in which the shareholder "Target Opportunities for Trading Company" has indirect beneficial share. The Company concluded the agreement on 3/7/1436H (corresponding to 21/4/2015G). The agreement shall be valid unless all periods of sub lease contracts have expired and all vehicles rented under these contracts have been returned, noting that the agreement is valid as of the date of this Prospectus. Any dispute arising from this contract shall be referred to the competent courts in the Kingdom, if failed to reach an amicable solution.

12.9.12 Customs Clearance Agreement between the Company and Sulaiman Khalid Al-Qadi for Commercial Services

The Company (as the customer) concluded a customs clearance agreement with Sulaiman Al-Qadi (as the Service Provider) which is owned by Sulaiman Khalid Al-Qadi (an executive at the Company), as it is specialized in the provision of customs clearance and logistics services. Whereas the Company wishes to obtain such services, the agreement was signed on 23/3/1437H (corresponding to 3/1/2016G) and shall be valid for a period of one year. This contract has been extended to 26/4/1440H (corresponding to 2/1/2019G). The parties agreed that the service provider will conduct the customs clearance services through its authorized persons and affiliates, while the Company is committed to pay the billing approved by the parties within 10 days of billing receipt. In the event of a dispute, the parties shall make efforts to resolve the dispute amicably within 15 days. Otherwise, the dispute shall be referred to the competent courts in Riyadh, Kingdom of Saudi Arabia.

12.9.13 Subscription sale agreement concluded between the Company and Target Opportunities Company (shareholder)

The Company (as the service provider) has entered into an agreement with the shareholder (Target Opportunities Company) to sell subscriptions to Investcorp employees. The agreement was signed on 23/03/1439H (corresponding to 12/12/2017G) and shall be valid for one year commencing from 23/03/1439H corresponding to 12/12/2017G with the possibility of being renewed annually. Any dispute arising out of this Agreement shall be referred to the courts in the Kingdom of Saudi Arabia.

12.10 Conflicts of Interests

Except what has been disclosed in Section 12.9 (*Related Party Contracts and Transactions*), the Directors confirm they do not have a conflict of interest in relation to contracts and/or transactions entered into with the Company, and none of them was engaged in any activities similar to, or competing with, the Company's activities as at the date of this Prospectus.

12.11 Intellectual Property

12.11.1 Trademarks

The Company and its Subsidiary have registered a number of trademarks on which they rely as a brand for their respective businesses. The Company and its Subsidiary rely on these trademarks to ensure the success of their businesses and support their competitive position in the market. Therefore, if the Company or its Subsidiary fails to protect their trademarks or either of them is forced to take legal action necessary to protect the same, this can have an adverse effect on their ability to use them, which would affect their businesses and results of their operations (for more information about risks related to the trademarks, please refer to Section 2.1.3 (*Dependence on "Fitness Time" Brand*)).

The following table sets out certain key particulars of all the Company's registered trademarks:

Table 103: Details of Registered Trademarks

Country of Registration	Trademark	Status/Expiry Date	Class	Logo
Kingdom of Saudi Arabia	Drawing of zigzag lines in green, blue, yellow and below it is the name Leejam in Arabic and in Latin letters.	Protection commenced on 21/3/1430H (corresponding to 18/3/2009G)/ valid until 20/3/1440H (corresponding to 28/11/2018G).	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and in Latin letters in the colour grey under three triangle shapes shaded in red, orange and yellow.	Protection commenced on 21/5/1439H (corresponding to 7/2/2018G) / valid until 20/5/1449H (corresponding to 21/10/2027G)	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and Fitness Time Ladies in Latin letters in grey and pink with three not sharp pink triangles above one corner.	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
Kingdom of Saudi Arabia	A star and five squares in green and below it is the name Fitness Time in Arabic and Fitness Time Academy in Latin letters.	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and Fitness Time Basic in Latin letters and three triangles in dark blue above the logo.	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and Fitness Time Junior in Latin letters and small squares above the logo in several colours (red, orange, blue and green).	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and Fitness Time Plus in Latin letters and five triangles in grey and green.	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and Fitness Time Pro in Latin letters and a stripe in yellow and black.	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
Kingdom of Saudi Arabia	The name Fitness Time in Arabic and Fitness Time Wellness in Latin letters and ten triangles in blue and grey.	Protection commenced on 14/11/1437H (corresponding to 17/8/2016G)/ valid until 21/11/1447H (corresponding to 8/5/2026G).	41	
United Arab Emirates	The name Fitness Time in Arabic and in Latin letters in the colour grey under three triangle shapes shaded in red, orange and yellow.	Protection commenced on 30/2/1436H (corresponding to 22/12/2014G)/ valid until 21/6/1446H (corresponding to 22/12/2024G).	41	
United Arab Emirates	The name Fitness Time in Arabic and Fitness Time Ladies in Latin letters in grey and pink with three not sharp pink triangles above one corner.	Protection commenced on 1/4/1436H (corresponding to 21/1/2015G)/ valid until 21/7/1446H (corresponding to 21/1/2025G).	41	

Country of Registration	Trademark	Status/Expiry Date	Class	Logo
United Arab Emirates	The name Fitness Time in Arabic and Fitness Time Pro in Latin letters and a stripe in yellow and black.	Protection commenced on 1/4/1436H (corresponding to 21/1/2015G)/ valid until 21/7/1446H (corresponding to 21/1/2025G).	41	
United Arab Emirates	The name Fitness Time in Arabic and Fitness Time Basic in Latin letters and three triangles in dark blue above the logo.	Protection commenced on 1/4/1436H (corresponding to 21/1/2015G)/ valid until 21/7/1446H (corresponding to 21/1/2025G).	41	
United Arab Emirates	The name Fitness Time in Arabic and Fitness Time Junior in Latin letters and small squares above the logo in several colours (red, orange, blue and green).	Protection commenced on 1/4/1436H (corresponding to 21/1/2015G)/ valid until 21/7/1446H (corresponding to 21/1/2025G).	41	

Source: The Company.

12.11.2 The Company's Other Intellectual Properties

The Company owns its internet domain name. The following table sets out the details of the internet domain name registered under the Company's name:

Table 104: Details of Internet Domain Name

Internet Domain Name	Expiry Date
FITNESTIME.COM.SA	21/5/2019G
LEEJAM.COM.SA	21/5/2019G

Source: The Company.

12.12 Litigation

The Directors confirm that the Company is not involved in any material litigations, lawsuits, actual or possible complaints, or existing proceedings, which would, individually or collectively, have a material effect on the Company, nor is it aware of any threatened or pending material litigation or any facts which, individually or collectively, give rise to a material risk of material litigation, except for the following:

12.12.1 The Company v. Java Day Company

The Company has initiated claim No. 273243859/1437H (2015G-2016G) against Java Day Company in the General Court of Riyadh in respect of Java Day Company refraining from paying the rental value of the leased premises due to not having a municipality licence. The total amount at dispute is SAR 80,000. The Court requested a clarification regarding the property licences from the municipality. On 5/8/1438H (corresponding to 2/2/2017G), the judge postponed the hearing and gave the defendant a time limit. The next hearing was set on 22/10/1438H (corresponding to 16/7/2017G). The Court asked the parties to request a statement from the Secretariat but the Court still did not receive the statement. The next hearing was set on 22/3/1439H (corresponding to 11/12/2017G). On 22/3/1439H (corresponding to 11/12/2017G), the Court requested to inquire from the secretariat of Riyadh City about the Company's licenses which are related to the dispute. The next hearing was set on 26/5/1439H (corresponding to 12/2/2018G). On 26/5/1439H (corresponding to 12/2/2018G), the Court made the same request as during the previous hearing. The next hearing was set on 29/7/1439H (corresponding to 15/4/2018G). On 29/7/1439H (corresponding to 15/4/2018G) the hearing was postponed to 11/10/1439H (corresponding to 25/6/2018G). The total amount at dispute was treated as doubtful debt in its results of operations and, accordingly, no negative financial impact resulting from this dispute will be reflected in the Company's future results of operations.

12.12.2 The Company v. Fatima Ayed

The Company has initiated claim No. 3850211/1438H (2016G-2017G) against Fatima Ayed in the General Court of Jeddah in respect to Fatima Ayed refraining from paying the rental of a barber shop within the Company's fitness centre at Alsalamah District, Jeddah. The total amount at dispute is SAR 347,689. On 21/6/1438H (corresponding to 20/3/2017G), the defendant did not attend the hearing. The next hearing was set on 22/10/1438H (corresponding to 16/7/2017G). On 22/10/1438H (corresponding to 16/7/2017G), the defendant did not attend the hearing. The next hearing was set on 1/5/1439H (corresponding to 18/1/2018G), and the defendant did not attend the hearing. The next hearing was set on 2/8/1439H (corresponding to 18/4/2018G). On 2/8/1439H (corresponding to 18/4/2018G) the Court asked for the attendance of a Company's representative to testify. The next hearing was set on 20/11/1439H (corresponding to 15/4/2018G). The Court asked for the attendance of a Company's representative to testify. The next hearing was set on 20/11/1439H (corresponding to 15/4/2018G). Note that the total amount at dispute was treated as doubtful debt in its results of operations and, accordingly, no negative financial impact resulting from this dispute will be reflected in the Company's future results of operations.

12.12.3 The Company v. Elegant Office - Khaldoon Al Huwaidi Group

The Company has initiated claim No. 391436649/1439H (2017-2018G) in the General Court of Riyadh against the Elegant Office – Khaldoun Al Huwaidi Group, given that the defendant refrained from paying the rent of office furniture shop located on a land owned by the Company in King Abdul Aziz neighbourhood, Riyadh. The total disputed amount is SAR 804,825. On 3/8/1439H (corresponding to 19/4/2018G), the first hearing was postponed, as parties were willing to reach an amicable solution, but with no success. The next hearing was set on 18/10/1439H (corresponding to 2/7/2018G).

12.12.4 Fayez Hossawi v. the Company

Fayez Hossawi, father of Manhal Hossawi, a person dead by accidental drowning, has initiated claim No. 391711107/1439H (2017G-2018G) against the Company in the General Court of Mekkah. The plaintiff claimed blood money (diyah) for accidental drowning of his son in the swimming pool of the Company's sports centre in Alawali neighbourhood, Mecca. The plaintiff claims were limited to blood money of SAR 300,000 and a compensation for psychological damage, which the plaintiff estimated at SAR 500,000. The next hearing was set on 19/9/1439H (corresponding to 3/6/2018G). Note that in the event that a verdict is issued against the Company, the total amount at dispute, will be covered by Malath Cooperative Insurance & Reinsurance Co. through the insurance coverage for "comprehensive liability" and thus, no negative financial impact resulting from this dispute will be reflected in the Company's future results of operations.

12.12.5 United Standards Company v. the Company

United Standards Company has initiated claim No. 13677/1438H (2016G-2017G) against the Company in the Commercial Court of Riyadh. The plaintiff requested the Company to pay SAR 2,551,249 as a final payment for establishing a sports centre for the company in Umm al-Joud neighbourhood, Mekkah. In the first hearing set on 24/4/1439H (corresponding to 11/1/2018G), the Company requested the plaintiff to put the case into writing. The next hearing was set on 22/5/1439H corresponding to 8/2/2018G. On 22/5/1439H (corresponding to 8/2/2018G), the judge adjourned the hearing to put the case into writing properly. The next hearing was set on 5/7/1439H (corresponding to 22/3/2018G). On 5/7/1439H (corresponding to 22/3/2018G), the plaintiff has properly presented its claim. The next hearing was set on 1/8/1439H (corresponding to 17/4/2018G). On 1/8/1439H (corresponding to 17/4/2018G), the Company submitted its response. The next hearing was set on 21/9/1439H (corresponding to 5/6/2018G). The Company did not create a provision in its financial statements for this particular case, based on the Company's legal department analysis of this case and that the Company is in good standing and there is no need to create such provision.

12.12.6 The Company v. Al Shawaya International Co. Ltd.

The Company has initiated claim No. 392391153/1439H (2017G-2018G) against the Al Shawaya International Co. Ltd. in the General Court of Jeddah, as the defendant refrained from paying rent for a restaurant in the building of the Company's sports centre located in Salama district in Jeddah. The total amount at dispute is estimated at SAR 632,850. The first hearing was set on 1/9/1439H (corresponding to 16/5/2018G) and the defendant did not attend such hearing. The next hearing was set on 3/11/1439H (corresponding to 16/7/2018G).

12.12.7 Omar Klintin v. the Company

Omar Klintin has initiated claim No. 3450954/1438H (2016G-2017G) against the Company in the General Court of Jeddah. The plaintiff claimed that he was injured in the Company's fitness centre and demanded a total amount of SAR 3,000,000 for damages. The hearing was set on 14/5/1439H (corresponding to 31/1/2018G). On 14/5/1439H (corresponding to 31/1/2018G), the plaintiff specified the amount it claims to be SAR 300,000 and the Company requested to disregard of the claim and the next hearing was set on 19/7/1439H (corresponding to 5/4/2018G). On 19/7/1439H (corresponding to 5/4/2018G) the judge requested the appearance of the plaintiff before the court to ensure the authenticity of its allegation. The next hearing was set on 22/9/1439H (corresponding to 6/6/2018G). Note that in the event that a verdict is issued against the Company the total amount at dispute will be covered by Malath Cooperative Insurance & Reinsurance Co. through the insurance coverage for "comprehensive liability" and thus, no negative financial impact resulting from this dispute will be reflected in the Company's future results of operations.

12.12.8 Mohammed Mahmoud Mostafa v. the Company

Former employee Mohammaed Mahmoud Mostafa has initiated labour claim No. 17605/1439H (2017G-2018G) against the Company at the Primary–Commission for Settlement of Labour Disputes in the Labour Office in Jeddah. The plaintiff claimed that he was wrongfully dismissed by the Company and claimed for damages for wrongful dismissal and the outstanding payments with the total of SAR 28,470. A first instance decision No. 1877 was issued for the plaintiff on 27/5/1439H (corresponding to 12/2/2018G) and the Company was ordered to pay SAR 28,470. The Company appealed the first instance decision and the next hearing is scheduled in the Superior-Commission for Settlement of Labor Disputes in Jeddah on 12/10/1439H (corresponding to 26/6/2018G).

12.12.9 Fahad Mohammed Ahmed Mahdi v. the Company

Former employee Fahad Mohammed Ahmed Mahri has initiated labor claim No. 316/1439H (2017G-2018G) against the Company at the Primary-Committee for Settlement of Labor Disputes in the Labor Office in Mecca. The plaintiff claimed that that he was wrongfully dismissed by the Company and claimed for damages for wrongful dismissal and the outstanding payments with the total of SAR 40,457. A first instance decision No. 968 was issued for the plaintiff on 25/3/1439H (corresponding to 13/12/2017G) and the Company was ordered to pay SAR 40,457. The Company has appealed the first instance decision and the next hearing is scheduled at the Superior Commission for the settlement of labor disputes on 5/9/1439H (corresponding to 21/5/2018G). On 5/9/1439H (corresponding to 21/5/2018G), the plaintiff submitted a reply memorandum, and the Company requested an extra time and the hearing was postponed to 24/10/1439H (corresponding to 8/7/2018G).

12.12.10 Hanan Ali Saleh v. the Company

Former employee Hanan Ali Saleh has initiated labor claim No. 5873/1439H (2017G-2018G) against the Company at the Primary-Committee for Settlement of Labor Disputes in the Labor Office in Riyadh. The plaintiff claimed that she was wrongfully dismissed by the Company and claimed damages for wrongful dismissal and the outstanding payments with an estimated amount of SAR 57,000. On 14/5/1439H (corresponding to 31/1/2018G) the plaintiff has submitted the statement of claim. A hearing was scheduled on 9/8/1439H (corresponding to 25/4/2018G), and the next hearing is scheduled on 3/11/1439H (corresponding to 16/7/2018G).

12.13 Summary of Bylaws

12.13.1 Name of the Company

The name of the Company is "Leejam Sports Company" a joint stock company registered under commercial registration No 1010337986, dated 14/06/1433H (corresponding to 6/05/2012G).

12.13.2 Objects of the Company

The Company's objects are:

- a- owning, managing, operating, and maintaining sports and recreational centres;
- b- contracting services for maintenance, cleaning and operating the buildings and factories;
- c- commercial, including wholesale and retail trade in sportswear, tools and equipment;
- d- real estate, which includes ownership of land, development and establishment of buildings necessary for the benefit of the Company;
- e- advertisement services;
- f- owning, developing and operating hotels and furnished apartments;
- g- transportation (by land, sea and air) and relocation of goods and equipment, storing and cooling (storage units for food preservation and refrigeration), transporting and supplying (carrying passengers, transporting, equipment and storage units for food preservation within the Kingdom);
- h- importing sports equipment, necessities and sportswear for the clubs owned by the Company; and
- i- employee and third-party training and qualification.

12.13.3 Participation

The Company may establish companies (limited liability or closed joint stock companies) provided the capital is SAR 5,000,000 at minimum. It may own shares and quotas in other existing companies or merge with them. It also has the right to participate with others in the establishment of joint-stock or limited liability companies after satisfying the requirements of regulations and instructions in this regard. The Company may also circulate these shares or quotas, not including mediation in circulation.

12.13.4 Head Office of the Company

The head office of the Company is in the city of Riyadh. The Board of Directors may establish branches, offices or agencies for the Company within or outside the Kingdom.

12.13.5 Duration of the Company

The term of the Company shall be 99 years commencing from the date of issue of the resolution of the Minister of Commerce and Industry announcing the Company's incorporation. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.13.6 Company's Share Capital

The Company's share capital shall be five hundred twenty-three million eight hundred thirty-three thousand and six hundred and ten Saudi Riyals (SAR 523,833,610) divided into fifty-two million three hundred eighty-three thousand and three hundred and sixty-one (52,383,361) nominal Shares, with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary Shares.

12.13.7 Capital Subscription

The Shareholders have subscribed to all share Capital.

12.13.8 Preferred Shares

The extraordinary General Assembly of the company, in accordance with principles laid down by the competent authority, may issue preferred Shares, and put it up for sale, or convert regular Shares to preferred Shares. Such preferred Shares don't grant the right to vote on the General Assemblies of Shareholders; but rather they shall grant their owners the right to obtain a bigger proportion, more than the regular shares, of the profits, after appropriation the statutory reserve.

12.13.9 Nominal Share Value

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. A Share shall be indivisible visàvis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.13.10 Transferability of the Shares Ownership

Shares that are subscribed for by the founders, shall not be transferable before the publication of the balance sheet for two complete fiscal years, each of not less than 12 months, from the date of the incorporation of the Company. Such provisions shall apply to any Shares subscribed for by the Shareholders in case the capital is increased before the lapse of such lock up period, for the remaining duration of this period. However, title to the cash Shares may be transferred during the lock-up period in accordance with the provisions regarding the sale of rights, by one of the founders to another or to a Director to present such Shares as a guarantee for his management or by the heirs of a deceased founder to third parties.

12.13.11 Shareholders' Register

The nominal Shares shall be transferred by registration in the Shareholders' register, which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the Shares and the paid-up value of such Shares. The transfer of title to a Share shall not be effective visàvis the Company or any third party except from the date of such recording in the said register or the completion of the transfer process through the automated share information system. In case the Company is listed in the capital market, its shares shall be traded according to the regulations of the capital market.

12.13.12 Unpaid Value of Shares

If a Shareholder fails to pay the value of a Share when it falls due, the Board of Directors may, after giving such Shareholder notice by registered mail sent to his address specified in the Shareholders' register, sell such Shares in a public auction or a capital market, according to the circumstances and in accordance with the regulations specified by the competent authority. Nevertheless, a defaulting Shareholder may, up to the date fixed to sell such Shares, pay the outstanding value of the Share plus all expenses incurred by the Company. The Company shall recover from the proceeds of the sale such amounts as are due to it and shall refund the balance to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the assets of the Shareholder for the unpaid balance. The Company shall cancel the Share so sold and issue the purchaser a new Share certificate bearing the serial number of the cancelled Share and make a notation to that effect in the Shareholders' register.

12.13.13 Increase of Share Capital

The Extraordinary General Assembly may resolve to increase the Company's capital, provided that the original capital shall have been paid up in full, unless the unpaid part of the capital is allocated for Shares issued in exchange for converting debt instruments or financing instruments into Shares and the period specified for conversion has not be expired. Such resolution shall specify the manner in which the capital shall be increased. The capital may be increased in one of the following ways: a) issue of new Shares against contributions in cash or in kind; b) issue of new Shares against debts of a specific amount due and payable by the company; c) issue of new Shares for the amount of the reserve which an extraordinary General Meeting resolves to capitalise; and d) issue of new Shares against the debt instruments and the financing instruments.

The Extraordinary General Assembly shall allocate in all cases the issued Shares when increasing the capital or any part thereof for the staff members of the company or for any other subsidiary company thereof or part thereof or any of that. It is not permissible to Shareholders to practice their priority right when the company issues Shares for the staff.

The Shareholder has—at the time of issuing the Extraordinary General Assembly—the approval decision to increase the capital—the priority to subscribe the new shares issued in exchange for cash stakes.

The Extraordinary General Assembly may suspend working with the priority of the Shareholders in underwriting for increasing the capital in exchange for cash shares or giving priority to non-shareholders in the cases that may be seen appropriate for the interest of the Company.

The new shares shall be distributed to the holder of priority rights who requested subscription, in proportion of the priority rights they hold from the total priority rights resulting from the increase in the capital, provided that what they get shall not exceed the new Shares requested. The rest of the new Shares shall be distributed to the original holders of priority rights who have requested more than their portion by what they have of original Shares provided that what they get does not exceed what they asked of the new shares, while the remaining of the Shares shall be offered to third parties, unless otherwise provided by the Extraordinary General Assembly or the Capital Market Authority.

Shares representing contributions in kind that are issued on capital increase shall be governed by the provisions for the evaluation of contributions in kind made at the time of incorporation of the company. The Ordinary General Assembly shall act in place of the constituent general meeting in this regard.

12.13.14 Decrease of Share Capital

The Extraordinary General Assembly may decide to decrease the capital if it exceeds the need of the Company or if the Company suffered losses. And in the latter case only, the capital may be decreased to below the limit set in Article 54 of the Companies' Law. That decision shall not be issued until after reading the auditor's report about the reasons causing the decrease and the commitments on the Company and the effect of the reduction on these commitments.

If the capital decrease is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

The capital may be decreased in one of the following ways: a) cancelling a number of Shares equivalent to the amount of the proposed reduction, and b) the Company purchasing a number of Shares equivalent to the amount of the proposed reduction and then cancelling the same.

12.13.15 Board of Directors

The Company shall be managed by a Board of Directors consisting of nine members to be elected by the Ordinary General Assembly for a term not exceeding three years.

Target Opportunities Company for Trading may appoint two members on the Board to represent it, and it is entitled to replace one or both members at any time as long as it remains the owner of 25.1% of the Company's capital. Target Opportunities Company for Trading may not vote on the appointment of any other members of the board.

12.13.16 Membership Termination

A Director's membership in the Board shall be terminated upon the expiry of the Board's term or upon the termination of that Director's membership in the Board pursuant to any applicable laws or regulations in the Kingdom, however, the ordinary General Assembly may at any time dismiss all Board members or some of them, without prejudice to the right of the dismissed member towards the Company to claim compensation if dismissed unreasonably or in inappropriate time. Board member has the right to retire on condition that this is done in an appropriate time or else, he or she shall be liable towards the Company for damage resulting from his retirement.

12.13.17 Board Vacancy

If the position of a member becomes vacant, the Board of Directors may appoint a temporary member to fill the vacancy, regardless the number of votes obtained at the assembly, provided that, such member shall be experienced and eligible. The ministry (and the Authority if the company is listed at the Capital Market Authority) shall be notified within five business days from the date of the appointment, and such appointment shall be laid before the first meeting of the Ordinary General Assembly. The new member shall complete the unexpired term of his predecessor. If the number of Board members falls below the minimum number prescribed in the Company's Bylaws or the Articles of Association, the Ordinary General Assembly must be convened within 60 days to elect the required number of board members.

12.13.18 Powers and Duties of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with the widest powers to manage the Company and supervise its affairs within and outside the Kingdom. It may, for example:

Represent the Company in its relations with others and with government authorities, private entities, Sharia Courts, judicial authorities, the Board of Grievances, the Directorate of Civil Rights, labour offices, high and primary committees, negotiable instruments committees and all other judicial committees, arbitration panels, police departments, Chambers of Commerce and Industry, private companies and establishments of all types; enter into tenders and auctions; award contracts; receive and pay; receive rights from others; acknowledge, claim, defend, plead, litigate, discharge, reconcile, assign and reject; request the performance of oath and rejection thereof; accept judgments and object thereto; request arbitration; request the execution of judgments and appeal thereto; collect execution proceeds; obtain evidentiary deeds and request the amendment of title deeds and measurements provided therein. Moreover, the Board shall have the right to participate in the incorporation of companies in which the Company holds shares; sign all types of contracts, deeds and documents before the notary public, including, for example, the articles of association of the companies in which the Company holds shares and any amendments and appendices thereto as well as all shareholders' resolutions in such companies (including those relating to the increase of capital, purchase of shares and assignment of shares) and authenticate contracts and sign before the General Department of Companies at the MCI and before the notary public.

The Board may amend, change, issue, renew, collect and cancel commercial registration certificates; change the names of affiliate companies; pledge the Company's movable and fixed assets to guarantee the Company's loans and those of its affiliates and sell and purchase real estate, lands, shares and movable and fixed assets in accordance with the following conditions:

a- the Board of Directors shall set out in its resolution the reasons for the sale;
b- the sale value shall be for an equivalent value;
c- the sale shall be immediate, except in cases of necessity and after obtaining sufficient guarantees; and
d- the sale shall have no negative effect on the Company's activities.

The Board of Directors shall also have the right to execute contracts and deeds before the notary public and governmental authorities; conclude loan agreements, guarantees and corporate guarantees; waive the priority of the debts due to the Company and discharge the Company' debtors from their obligations in a manner that serves the Company's interests and in accordance with the relevant accounting principal used to write-off debts, provided that, the reasons of such decision is recorded in the minutes of meeting of the Board of Directors and that the Board's decision observes the following:

a- the discharge shall be after the lapse of at least one year from the establishment of the debt; and
b- the discharge shall be for a specified maximum amount for each year for each debtor.

The Board of Directors shall also have the right to issue official powers of attorney in the name of the Company; sell, purchase, evacuate and accept real estate and lands; purchase and sell shares, stocks and movable and fixed assets; receive payment in any manner it deems appropriate; receive and handover; lease; receive and pay; open accounts and credits and extend the same; withdraw from, and deposit with, banks; obtain loans from banks; issue any banking guarantee; invest the Company's funds in local and international markets within or outside the Kingdom; pay remunerations; appoint and dismiss attorneys, employees and workers; request visas; recruit employees from abroad, sign their employment contracts and determine their salaries; request the issuance of residency permits (Iqama); transfer and release employee sponsorships and submit its recommendations in respect of appointing the Company's auditors to the General Assembly.

The Board of Directors shall also have the right to conclude and obtain loans from Government funds and financial institutions, regardless of the tenor thereof; execute all banking facilities agreements; liaise and negotiate with treasury departments of banks in respect of gold prices, commission amounts and all works relevant to treasury departments; receive and handover documents and papers with banks and specify the currency exchange rates. In addition, the Board shall have the right to conclude and obtain commercial loans for a tenor not exceeding the term of the Company, provided that, the following conditions shall apply in respect of any loan having a tenor exceeding three years:

- a- the loan amounts executed in any given financial year shall not exceed 50% of the Company's capital;
- b- the Board shall specify, in its resolution, the manner in which the loan will be used and how it will be repaid; and
- c- the Board shall ensure that the terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, its Shareholders or the securities offered to the Company's creditors.

The Board has the right to delegate to one or more of its members or to third parties, any specific work or works.

12.13.19 Remuneration of the Directors

Remuneration of the Directors shall be determined by the Ordinary General Assembly in accordance with the official decisions and directives issued in this regard, and within the limits stipulated by the provisions of the Companies Law and the complementary laws and regulations.

The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by Directors during the financial year in the way of remuneration, expenses, and other benefits, as well as of all the amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration of technical, administrative or advisory services. It must also include the number of sessions of the Board and the number of sessions each Director attended as of the date of the last General Assembly.

12.13.20 The Authorities of the Chairman, Deputy, Managing Director, and Secretary

The Board shall appoint one of its members as Chairman and one as Deputy and the Board may appoint a Managing Director. No member can be a chairman and be appointed to any other executive position in the company.

The Chairman shall be responsible for inviting the Board and the General Assembly to meetings, while the Managing Director conducts the Company's day to day activities and also is responsible for implementing the resolutions of the Chairman and the Board.

The Chairman shall have the following authorities:

- a- to represent the Company in official and media forums;
- b- to waive, ratify contracts and tenders, settle and contract in the name, and on behalf, of the Company, not exceeding SAR 10,000,000;
- c- to represent the Company in its relations with third parties, government authorities, private entities, Sharia courts, other judicial authorities, Board of Grievances and all other judicial committees inside or outside the Kingdom. In addition, the Chairman shall have the authority to sign before the notary public on articles of association of companies in which the Company participates and on amendments thereto; and shall have the authority to litigate and defend; and
- d- such other authorities as granted to him by the Board of Directors.

The Chairman and the Managing Director may delegate some or all of their powers to any of the Board members, Company staff or any third party. The Board of Directors shall appoint a Secretary, whether from amongst its members or otherwise, and shall determine his authorities and remuneration by virtue of a resolution of the Board. The term of the office of the Chairman, the Managing Director and the Secretary, if a member of the Board, shall not exceed their respective terms of service as members of the Board and may be reappointed and also the Board may dismiss any of them at any time without prejudice of the right of the dismissed, if the dismissal was due to illegitimate reasons or in an inappropriate time.

12.13.21 Board Meetings

The Board of Directors shall be convened no less than four times per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board if so requested by any two Directors.

12.13.22 Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the present Board Members and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary. The Board may conduct its meeting through video or audio conferences and in this case, the Secretary shall send copies of the minutes to be signed by the Board members.

12.13.23 Quorum and Representation

A meeting of the Board shall be duly convened only if attended by at least five of the Directors, including at least one member representing the Target Opportunities Company for Trading. In the event that a Director appoints another Director to attend a Board meeting as his proxy, then such proxy shall be appointed in accordance with the following guidelines:

a- a Director may not act as proxy for more than one other Director in attending the same meeting;

b- a proxy shall be appointed in writing; and

c- a Director acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

Board resolutions shall be adopted with the approval of the majority of the members represented or in attendance. In the event of a tie, the Chairman of the Board shall have a casting vote.

12.13.24 Board Decisions

Board resolutions shall be adopted with the approval of the member representing the Target Opportunities Company for Trading (as long as it owns 25.1% of the Company's capital) when deciding on the following:

a- Relying on an action plan or any changes more than 10%.

b- Acquire or enter into an agreement to acquire assets or conduct other investments in exchange for more than:
 - i- SAR 5,000,000 in any individual case; and
 - ii- SAR 10,000,000 in total in any fiscal year (for every case except where it is certified under the annual budget).

c- Purchasing, act upon or create any obligation on whichever grounds with a fair market value exceeding:
 - i- SAR 5,000,000 in any individual case; and
 - ii- SAR 10,000,000 in total in any fiscal year (in every case other than when certified under the annual budget).

. Execution of the initial public offering.

d- Bear or incur any capital expenses that exceed or possibly would exceed SAR 10,000,000 during the financial year, in accordance with the annual budget report.

e- Establish any new branches or subsidiary companies or close or convert any branch to a limited liability company, joint stock company or any other legal entity, in every case except what is in accordance with the annual budget.

f- Engage in new business activities, abandon or change the essence of existing business activities, except what is in accordance with the annual budget.

g- Start core business operations in any country where the Company does not operate at that time, except what is in accordance with the annual budget.

h- Take action or sell any trademark, patent, licences or any other intellectual property rights.

i- Appoint or terminate or change the powers of any of the Senior Managers.

j- Except what is in accordance with the annual budget:
 - i- execute any change to compensations or incentives or cut off or other benefits for any of the Senior Managers; and/or
 - ii- increase or decrease the total amount for compensation or incentives or end of service entitlements or other advantages for the staff base (except Senior Managers).

k- Establish or change or end any raise or share of profits or stock options or other incentive project for any Director or employee in the Company.

l- Appoint any Committee for the Board of Directors or delegate any powers belonging to the Committee to the Board.

m- Except what is related to purchasing, funding or selling or leasing (in the ordinary course of business) or any other act, entering in or amending and/or changing any contracts or agreements and/or other commitments where the Company's obligation or responsibility under that contract or agreement and/or the other commitments exceed or possibly would exceed SAR 3,000,000 (contrary to what is under the budget).

n- Borrow, guarantee, refinance, assume, incur and/or commit to the indebtedness with an amount greater than SAR 15,000,000; and grant, establish, incur or bear any right to reserve upon any lien on any of the company's Company assets (except for the obligations that are covered under the certified annual budget or under the existing credit facilities of the company).

o- Entering into any agreement or arrangement with any Shareholder, or Board member, or manager or employee, or subsidiary, or any associating company to any Shareholder or Board member that undertakes any activities not regularly done by the Company.

p- Start or settle any proceedings or arbitration over a disputed amount exceeding SAR 1,000,000.

q- In case of a tie of votes, the side to which the meeting's Chairman belongs shall prevail.

It is for the Board of Directors to issue decisions to pass, by presenting them to all the Directors separately, as long as any of the Directors does not request a Board meeting for deliberations, these decisions are shown to the Board for approval in the first following meeting.

12.13.25 Issuing Sukuk and Bonds

The Company may issue, according to the Capital Market's Law, debt instruments or financing instruments. The Company may only issue debt instruments or financing instruments convertible into shares after passing a resolution from the Extraordinary General Meeting, fixing the maximum number of Shares that may be issued against these instruments, whether such instruments are issued at the same time, through a series of issue processes or through one or more programs for issuing the debt instruments or financing instruments. The Board of Directors shall issue– without the need for a new approval by this meeting—new shares against these instruments the holders of which ask to convert after the end of the period of the request for the conversion specified for the holders of these instruments. The Board of Directors shall take the necessary actions to amend the Company's Bylaws regarding the number of issued shares and concerning the capital.

Subject to the provisions of Article 122 of the Companies Law, the Company may convert the debt instruments or financing instruments to shares in accordance with the Capital Market's Law. In all cases, these debt instruments or financing instruments may not be converted to shares in the two following cases:

a- if the conditions for issuing the debt instruments and financing instruments do not stipulate the possibility of converting these instruments to shares by raising the company's capital; and

b- if a holder of the debt instrument or financing instrument does not agree on that conversion.

12.13.26 Conflict of Interest

A Board member may not have any interest whether direct or indirect in the transactions made for the account of the Company, except with an authorisation from the Ordinary General Assembly, to be renewed annually. The Board member must declare to the Board any personal interest such member may have in the transactions made for the account of the Company. Such declaration shall be noted in the minutes of meeting. The interested Board member shall not participate in the deliberation or voting on such resolution.

The Chairman shall communicate to the Ordinary General Assembly when it convenes the transactions in which any Board member has a personal interest. Such communication shall be accompanied by a special report from the Auditor.

A member may not, without authorisation from the Ordinary General Assembly, to be renewed annually, participate in any business competitive with that of the Company or engage in any of the commercial activities carried on by the Company.

12.13.27 Shareholders' Assemblies

Any Shareholder, regardless of the number of his Shares, shall have the right to attend the Constituent General Assembly personally or by proxy, provided that, other Board members or Company staff may not attend by proxy.

a- Constituent General Assembly

The founders shall invite all shareholders to a Constituent General Assembly, within 45 days from the date of the decision of the Ministry to incorporate the Company. To be validly constituted, the constituent General Assembly must be attended by Shareholders representing at least half (1/2) of the Company's capital. If such majority was not achieved, an invitation shall be sent for a second meeting to be held at least 15 days from the invitation date. In any event, this second meeting shall be valid regardless of the number of Shareholders represented therein. The Constituent General Assembly shall have the competencies listed in Article 63 of the Companies Law.

b- Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called upon when necessary.

c- Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted under the law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

d- Manner of Convening Assemblies

Public and private assemblies convene at the invitation of the Board in accordance to the Companies Laws and regulations.

If requested to do so by the Company's Auditor, the Auditing Committee or by a number of Shareholders representing at least 5% of the Company's capital. The auditor may convene the General Assembly if the Board did not invite the General Assembly within 30 days from the date of the Auditor's request.

The competent authority may by its decision invite the Ordinary General Assembly to be convened in the following cases:

- i- After the lapse of the term set out in Article 87 of the law without being convened.
- ii- If the number of the Board of Directors is reduced to less than the minimum number required for its validity to convene, taking into account the provisions of Article 69 of the law.
- iii- If there are violations of the provisions of the law or the Bylaws of the Company or maladministration of the affairs of the Company.
- iv- If the Board did not call for the General Assembly meeting within 15 days from the date of the auditor's request or the Audit Committee or a number of Shareholders representing at least 5% of the capital.

A number of Shareholders representing at least 2% of the capital, may submit a request to the relevant entity to call for a meeting of the Ordinary General Assembly if any of the cases mentioned in the above paragraph apply. The competent entity shall within 30 days as of the Shareholders' request, send invitations, provided that, the invitation includes the meeting agenda and the items to be approved by the Shareholders.

The call for the General Assembly meeting shall be published in a daily newspaper distributed in the locality of the head office of the Company, at least ten days prior to the date set for the meeting. Nevertheless, a notice sent by registered mail to all Shareholders on the mentioned date shall suffice. A copy of both the invitation and the agenda shall be sent to the Ministry as well as to the Authority in companies listed in the financial market, within the period specified for publication.

e- Record of Attendance

Shareholders who wish to attend the General Assembly shall register their names in the Company's head office before the time specified for the Assembly.

f- Quorum of the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, ***provided that***, the invitation for the first meeting mentioned the possibility of having a second meeting. Otherwise, a notice shall be published in the manner prescribed in Article 30 of these Bylaws, and the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

g- Quorum of the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing at least 75% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that, the invitation for the first meeting mentioned the possibility of having a second meeting. Otherwise, a notice shall be published in the manner prescribed in Article 33 of the Bylaws, and the second meeting shall be deemed valid if attended by Shareholders representing at least 15% of the Company's share capital. If the required quorum has not been provided in the second meeting, there shall be an invitation for a third meeting in accordance with Article 91 of the Companies Law and the third meeting shall be deemed valid irrespective of the number of Shares represented therein.

h- Voting Rights

Each Shareholder shall have a vote for every Share represented by him in the constituent General Assembly meeting and cumulative voting shall be used in electing the Board of Directors.

i- Resolutions

Resolutions of the Constituent General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority, 50%, of the Shares represented at the assembly.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority vote of three-quarters (3/4) of the Shares represented at the meeting.

j- Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the auditor. The Directors or the auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then such Shareholder may refer the issue to the General Assembly and its decision in this regard shall be conclusive.

k- Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman, or in his absence, his delegate. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes written for the meeting shall include the names of the Shareholders present, in person or represented by proxy, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register that shall be signed by the Chairman, the Secretary and the canvasser.

12.13.28 Audit Committee

An Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly. The resolution shall determine the number of its members, provided that the number of members shall not be less than three and not more than five members. The resolution shall also specify the rules and procedures of its work, rules of composition, functions and the remuneration of its members.

The Audit Committee shall review the Company's financial statements and the reports and notes to be provided by the auditor and shall express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the internal control in the Company, along with other activities within its competence. The Board of Directors shall deposit enough copies of this report in the Company's head office at least ten days prior to the date of the regular general meeting convention, in order to provide it to any Shareholder wishing to have the same. The report shall be read out at the meeting.

12.13.29 The Auditor

The Company shall have one or more auditor of the auditors licenced to practice in the Kingdom. The Ordinary General Assembly may appoint the auditor annually and may also determine his remuneration and the duration of work. The Ordinary General Assembly may change this auditor at any time without prejudice to his rights in compensation if such change was due to illegitimate reason or inappropriate time.

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as it deems necessary. It may further verify the Company's assets and liabilities. The Chairman shall enable the auditor to perform his duties, specified in the preceding paragraph. If the auditor encountered difficulties in this regard, he shall record that in a report submitted to the Board of Directors. If the Board does not facilitate the work of the auditor, the latter shall call the Ordinary General Assembly to consider the matter.

12.13.30 Financial Year

The Company's financial year shall commence on 1 January and expire on 31 December each year, provided that, the first financial year shall commence on the date of the ministerial resolution announcing the incorporation of the Company and expire on 31 December of the following year.

12.13.31 Financial Documents

At the end of each fiscal year, the Company shall prepare the financial statements of the Company and a report of its activities and financial position for such fiscal year, including the proposed method to distribute the net profits. The Board of Directors shall put these documents at the disposal of the auditor at least 45 days prior to the date specified for the General Assembly.

The Chairman of the Board of Directors, the Managing Director and the Chief Financial Officer shall sign the documents set forth in the above paragraph, and copies thereof shall be deposited at the Company's headquarters at the disposal of the Shareholders at least ten days before the date specified for the General Assembly.

The Chairman of the Board of Directors shall provide the Shareholders with the financial statements of the Company, the Board of Directors' report and the Auditor's report, unless they are published in a daily newspaper distributed in or near the city where the headquarters of the Company is situated. The Chairman shall also send a copy of these documents to the Ministry of Commerce and Investment and the Capital Market Authority at least 15 days before the date specified for the General Assembly.

12.13.32 Distribution of Dividends

The Company's annual net profits shall be allocated as follows:

a- 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's capital;

b- The Ordinary General Assembly may, upon request of the Board of Directors, set aside 20% of the net profits to form an additional reserve to be allocated towards one or more specific purposes;

c- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind; and

d- The remainder of the net profits shall be distributed to the Shareholders unless otherwise decided by the Ordinary General Assembly.

The Company may distribute semi-annually or quarterly interim dividends in accordance with the rules determined by the competent authority.

12.13.33 Disputes

Where the Directors have committed an act that has caused a particular damage to a Shareholder, such Shareholder shall have the right to sue the Directors for liability, provided that, the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such action.

12.13.34 Company's Losses

If the Company's losses amount to half (1/2) of the paid-up capital, at any time during the fiscal year, then any officer of the Company or the auditor upon becoming aware of such losses shall notify the Chairman of the Board of Directors, and the Chairman shall immediately inform the members of the Board of Directors. The Board of Directors shall, within 15 days of such notification, convene an Extraordinary General Assembly to meet within 45 days from the date on which the Board was notified of the losses, to resolve whether to increase or reduce the capital of the Company pursuant to the provisions of the Companies Law, such that the losses become less than half (1/2) of the Company's paid-up capital, or dissolve the Company before the end of its term as stated in these Bylaws.

The Company shall be deemed terminated by operation of law if the General Assembly is not convened during the term specified in the above paragraph, or if the General Assembly is convened but is unable to adopt a resolution on the matter, or if the General Assembly resolves to increase the capital in accordance with the conditions specified in the above paragraph but the capital increase is not fully subscribed for within 90 days from the date on which the General Assembly adopted the resolution to increase the capital.

12.13.35 Dissolution and Winding up of the Company

The Company, upon its dissolution, shall enter a liquidation phase during which time it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify his powers, fees, any restrictions on his powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be further extended without a judicial order. The authority of the Board of Directors shall cease upon the dissolution of the Company; however, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies so far as they do not conflict with those of the liquidator.

12.14 Description of Shares

12.14.1 Share Capital

The Company's nominal issued and paid–up capital five hundred twenty-three million, eight hundred thirty-three thousand, and six hundred and ten Saudi Riyals (SAR 523,833,610) consisting of (52,383,361) Shares, with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary shares.

12.14.2 Ordinary Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. A Share shall be indivisible visàvis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.14.3 Transfer of Shares

The transfer of Shares is governed by, and must comply with, the rules and regulations governing companies listed on Tadawul.

12.14.4 Repurchase of Shares

Pursuant to Article (112) of the Companies' Law, the Company may purchase its Shares according to the controls imposed by the competent authority; however, the shares purchased by the company shall not have any votes in shareholders' meetings.

12.14.5 Rights of the Holders of Ordinary Shares

Pursuant to Articles (110) of the Companies Law, a Shareholder is vested with all the rights attached to the Shares, which include in particular the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend General Assembly meetings and participate in the deliberations and vote on its resolutions, the right to dispose of the Shares, the right to access the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Directors and to contest the validity of the resolutions adopted at General Assembly meetings in accordance with the conditions and restrictions set forth in the Companies' Law and the Bylaws.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the auditor. The Directors or the auditor shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then such Shareholder may refer the issue to the General Assembly and its decision in this regard shall be conclusive.

12.14.6 General Assembly

A General Assembly duly convened shall be deemed to represent all the Shareholders and shall be held in the city where the Company's head office is located. Any subscriber may attend the constituent General Assembly and any Shareholder, regardless of the Shares he/she holds, has the right to attend the General Assembly, whether in person or by proxy.

With the exception of the constituent General Assembly, the general meetings of Shareholders are either Ordinary General Assembly or Extraordinary General Assembly meetings. Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called upon when necessary.

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted under the law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

12.14.7 Convening a General Assembly

The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Company's auditor or by a number of Shareholders representing at least 2% of the Company's capital. A notice shall be published in a daily newspaper circulated in the city where the Company's head office is located at least ten days prior to the time set for such meeting. The notice shall include the agenda of the meeting and a copy of the notice and the agenda shall be sent, within the period set for publication, to the General Department of Companies at the MCI.

12.14.8 Quorum of an Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least half (1/2) of the Company's share capital. If such quorum cannot be attained at the first meeting, a notice shall be published in the manner prescribed in Article 35 of the Bylaws, and the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

12.14.9 Quorum of an Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing at two thirds (2/3) of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the previous Section 12.14.8 (*Quorum of an Ordinary General Assembly*). The second meeting shall be valid only if attended by a number of Shareholders representing at least a quarter (1/4) of the Company's share capital.

12.14.10 Voting Rights

A General Assembly duly convened shall be deemed to represent all the Shareholders and shall be held in the city where the Company's head office is located. Any Shareholder, regardless of the Shares he holds, has the right to attend the General Assembly, whether in person or by proxy.

Each Shareholder shall have a vote for every Share represented by him in the constituent General Assembly meeting. Votes at the meetings of the Ordinary General Assembly and the Extraordinary General Assembly shall be computed based on the number of Shares represented at the meeting. The General Assembly shall elect the Directors through the accumulative voting method pursuant to the Corporate Governance Regulations issued by the CMA, as amended from time to time.

12.14.11 Term of the Company

The term of the Company shall be ninety-nine (99) years commencing from the date of issue of the resolution of the Minister of Commerce and Industry announcing the Company's incorporation. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

12.14.12 Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on the proposal of the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's dissolution. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are appointed. The Company's departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

Resolutions of the Constituent General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority, 50%, of the Shares represented at the assembly.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority vote of three-quarters (3/4) of the Shares represented at the meeting.

12.14.13 Change of Shareholders' Rights

The rights of the Shareholders to receive a share in the Company's profits declared for distribution, receive a share in the Company's assets surplus upon liquidation, attend General Assembly meetings and participate in the deliberations and vote on its resolutions, dispose of the Shares, access the Company's books and documents, supervise the acts of the Board of Directors, institute proceedings against the Directors and contest the validity of the resolutions adopted at General Assembly meetings (in accordance with the conditions and restrictions set forth in the Companies' Law and the Bylaws) are granted pursuant to the Companies' Law and, therefore, may not be changed.

12.15 Assurances relating to the Legal Information

The Board members assure the following:

a- The Offering does not conflict with the applicable Saudi laws and their implementing regulations.

b- The Offering does not violate any contract that the Company is a party to.

c- All material legal information relating to the Company has been disclosed in this Prospectus.

d- Other than what has been stated in Section 12.12 (*Litigation*), the Company and its Subsidiary are not subject to any legal claims or proceedings that may materially affect, solely or collectively, on any works of the Company or its Subsidiary or their financial situation.

e- Board members are not facing any legal claims or proceedings that may materially affect, solely or collectively, on any operations of the Company or its Subsidiary or their financial situation.

13. UNDERWRITING

The Company, the Selling Shareholders and the Underwriter (being Samba Capital & Investment Management Company) have entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Underwriter has agreed, subject to certain conditions, to fully underwrite the Offering of 15,715,009 Offer Shares. The name and address of the Underwriter are set out below:

13.1 Underwriter

Samba Capital & Investment Management Company
14th Floor, Kingdom Centre Al Olaya Street P.O. Box 220007 Riyadh 11311 Kingdom of Saudi Arabia Tel: + 966 (11) 477 4770 Fax: + 966 (11) 211 7438 Website: www.sambcapital.com E-mail: ipo@sambacapital.com

The agreed principal terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

a- the Selling Shareholders undertake to the Underwriter that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Offering Period, they shall:

  i- sell and allocate the Offer Shares to any Individual Investor or Participating Entity whose application for Offer Shares has been accepted by a Selling Agent; and

  ii- sell and allocate to the Underwriter the Offer Shares that are not purchased by Individual Investor or Participating Entities pursuant to the Offering; and

b- the Underwriter undertakes to the Selling Shareholders that it will purchase any Offer Shares that are not subscribed for by Individual Investor or Participating Entities, as stated below:

Table 105: Underwritten Shares

Underwriter	No. of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
Samba Capital & Investment Management Company	15,715,009	100%

The Company and Selling Shareholders have committed to satisfy all the provisions of the Underwriting Agreement.

13.3 Underwriting Costs

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders agreed on behalf of the Company to pay the Underwriter's costs and expenses in connection with the Offering.

14. EXPENSES

The Selling Shareholders will be responsible for all costs associated with the Offering, which are estimated at approximately SAR (35,000,000). This figure includes the fees of each of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, legal advisors to the Company and the Underwriter, reporting accountants, Selling Agents, Market Consultant, in addition to marketing expenses, printing and distribution expenses and other related expenses. The Offering expenses will be deducted from the proceeds of the Offering. The Company will not be responsible for payment of the Offering expenses.

15. COMPANY'S UNDERTAKINGS FOLLOWING LISTING

Following Admission, the Company undertakes to:

a- complete Form 8 (relating to compliance with the Corporate Governance Regulations) and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, explain the reasons for such non-compliance;

b- provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative may attend;

c- submit transactions and contracts in which a Director has a direct or indirect interest for the authorisation of the General Assembly (in accordance with the Companies Law and Corporate Governance Regulations) and renew such authorisation on an annual basis, provided that the interested Director shall be prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, please see Section 12.9 (*Related Party Contracts and Transactions*));

d- disclose material developments related to the projects set out in Section 4.9 (*Future Plans and Initiatives*); and

f- comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules, and the Corporate Governance Regulations immediatly upon listing.

Similarly, following the Admission, the Board of Directors undertakes to:

a- record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors; and

b- disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16. WAIVERS

The Company has not applied to the CMA for any exemption from any regulatory requirement.

17. SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of securities and an application for listing of securities on the Exchange in accordance with the Rules on the Offer of Securities and Continuing Obligations, and Listing Rules.

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Selling Agent is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of 15,715,009 Offer Shares with a fully paid nominal value of SAR 10 per share at a Retail Offer Price of SAR (52) per Offer Share for the Offering to the Individual Investors. Offer Shares represent 30% of the Company's issued capital with the total value of the Offering amounting to SAR (817,180,468). The Offering of the Offer Shares to the Individual Investors and the listing of the Offer Shares is contingent on the successful subscription by the Participating Entities of 100% of the Offer Shares. The Offering will be cancelled if it is not fully subscribed for at this stage. The CMA has also the right to suspend the Offering if, at any time after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of investors:

- **Tranche (A): Participating Parties**

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (for further details, please see Section 1 (*Definitions and Abbreviations*)). Participating Entities will initially be allocated 15,715,009 Offer Shares, representing 100% of the Offer Shares. In the event that there is sufficient demand by Individual Investors. The Lead Manager shall have the right to initially reduce the previously allocated Offer Shares to Participating Entities to 14,143,508 Offer Shares, representing 90% of the total Offer Shares.

- **Tranche (B): Individual Investors**

Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her own benefit, and GCC investors having natural personality. The subscription by a person in the name of his divorced wife shall be deemed invalid and those who perform such transactions will be subject to penalty under the laws of the Kingdom. In case there has been two subscriptions, the second one is deemed null and only the first one shall prevail. A maximum of (1,571,501) ordinary Offer Shares representing 10% of the total Offer Shares will be allocated for individual investors. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Lead Manager may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them, subject to the approval of the CMA.

17.2 Book-building and Subscription by Participating Entities

a- The Company and the Financial Advisor will, without any restrictions, determine the price range for the purposes of book-building, which will made available to all Participating Entities.

b- Each of the Participating Entities must submit an offer to purchase the Offer Shares during the book building period by filling and submitting the Bid Form. The Participating Entities may change or cancel their Bid Forms at any time during the book-building process, provided that such change shall be made through submitting an amended or additional Bid Form, where applicable, before offer price determination to be made before the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than 100,000 shares nor more than 2,619,167 shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with Book Building Instructions.The number of requested shares shall be subject to allocation. The Lead Manager will inform the Participating Entities of the offer price and the number of Offer Shares initially allocated thereto. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms.

c- After book-building for the Participating Entities, the Lead Manager will announce the covering percentage for the Participating Entities.

d- The Lead Manager and the Company will have the power to determine the Offer Price based on the forces of supply and demand, provided that it does not exceed the price set out in the underwriting agreement and provided that the Offer Price is in accordance with the tick size applied by the Tadawul.

17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of ten Offer Shares and a maximum of 250,000 Offer Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be available during the Offering Period at Selling Agents' branches. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors who have recently participated in recent initial public offerings can also subscribe through the internet, banking telephone or ATMs of any of the Selling Agents' branches that offer any or all such services to its customers, provided that, the following requirements are satisfied:

- a- the Individual Investor shall have a bank account at a Selling Agent which offers such services; and
- b- there should have been no changes to the personal information or data of the Individual Investor since his subscription in the last Offering.

A signed Subscription Application Form represents a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting it.

Individual Investors may obtain a copy of this Prospectus and the Subscription Application Form from the branches of the following Selling Agents (the prospectus is also available on the websites of the CMA, the Financial Advisor and company):

SELLING AGENTS
Al Rajhi Bank Olaya road P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: + 966 (11) 211 6000 Fax: + 966 (11) 460 0705 Website: www.alrajhibank.com.sa E-mail: contactcentre1@alrajhibank.com.sa
Arab National Bank King Faisal Street PO. Box 56921, Riyadh 11564 Kingdom of Saudi Arabia Tel.: +996 (11) 402 9000 Fax: +996 (11) 402 7747 Website: www.anb.com.sa E-mail: info@anb.com.sa
Banque Saudi Fransi Ma'ather Street P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: + 966 (11) 404 2222 Fax: + 966 (11) 404 2311 Website: www.alfransi.com.sa E-mail: communications@alfransi.com.sa
National Commercial Bank King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: + 966 (12) 649 3333 Fax: + 966 (12) 643 7426 Website: www.Alahli.com.Sa E-mail: contactus@alahli.com
Riyad Bank King Abdulaziz Road P.O. Box 22622 , Riyadh 11614 Kingdom of Saudi Arabia Tel: + 966 (11) 401 3030 Fax: + 966 (11) 404 2311 Website: www.sabb.com E-mail: customercare@riyadbank.com

SELLING AGENTS	
The Saudi British Bank (SABB) Prince Abdulaziz Bin Musa'ad Bin Jalawi Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: + 966 (12) 405 0677 Fax: + 966 (12) 643 7426 Website: www.Alahli.com.Sa E mail: contactus@alahli.com	SABB ساب
Samba Financial Group King Abdul Aziz Road PO. Box 833, Riyadh 11421 Kingdom of Saudi Arabia Tel.: +996 (11) 4774770 Fax: +996 (11) 4799402 Website: www.samba.com E-mail: CustomerCare@samba.com	samba سامبا

The Selling Agents will commence receiving Subscription Application Forms at their branches throughout the Kingdom beginning on 19/11/1439H (corresponding to 1/8/2018G) until 25/11/1439H (corresponding to 7/8/2018G). Once the Subscription Application Form is signed and submitted, the relevant Selling Agent receiving it will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Selling Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Retail Offer Price of SAR (52) per Offer Share.

Subscriptions by Individual Investors for less than ten Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is 250,000 Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Selling Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

a- the original and copy of the Individual Investor's national civil identification card (in case of individuals subscriber);

b- the original and copy of the Individual Investor's national civil identification card (in case of GCC subscriber)

c- the original and copy of the family civil identification card (when subscribing on behalf of family members);

d- the original and copy of a power of attorney (when subscribing on behalf of others);

e- the original and copy of certificate of guardianship (when subscribing on behalf of orphans);

f- the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);

g- the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and

h- the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form. The power of attorney must be notarised by a notary public for the Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside the Kingdom. The concerned official of the Selling Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each prime Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the prime Individual Investor. In this case:

a- all Offer Shares allocated to the prime Individual Investor and dependent Individual Investors will be registered in the prime Individual Investor's name;

b- the prime Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and c- the prime Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

a- the Offer Shares that will be allocated are to be registered in a name other than the name of the prime Individual Investor;

b- dependent Individual Investors intend to apply for a different number of Offer Shares than the prime Individual Investor; and

c- the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant prime Individual Investor). In the latter case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non–Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as prime Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Retail Offer Price of SAR (52) per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

a- delivery by the Individual Investor of the Subscription Application Form to any of the Selling Agents;

b- payment in full by the Individual Investor to the Selling Agent of the total value of the Offer Shares subscribed for; and

c- delivery to the Individual Investor by the Selling Agent of the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Selling Agents by authorising a debit of the Individual Investor's account held with the Selling Agent to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he has applied for.

17.4 Allocation and Refunds

The Lead Manager and the Selling Agents shall open and operate escrow accounts. The Lead Manager and each of the Selling Agents shall deposit all amounts received from the Subscribers into the escrow accounts mentioned above.

The Lead Manager and Selling Agents, as applicable, will notify the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation and refunds process shall be made no later than 3/12/1439H (corresponding to 14/8/2018G) (for further details, please see "*Key Dates and Subscription Procedures*", page (xiii), and Section 17 (*Subscription Terms and Conditions*)). Subscribers should communicate with the Lead Manager or the branch of the Selling Agents where they submitted their Subscription Application Form, as applicable, for any further information.

17.4.1 Allocation of Offer Shares to Participating Entities

The allocation of the Offer Shares to Participating Entities will, after completion of the allocation of the Offer Shares to Individual Investors, be determined by the Financial Advisor in coordination with the Company at their discretion, provided that the initial Offer Shares allocated to Participating Entities shall not be less than (15,715,009) ordinary shares representing (100%) of the Offer Shares, and provided that the final allocation for the Participating Entities shall not be less than 14,143,508 ordinary shares, representing (90%) of the Offer Shares.

17.4.2 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of 1,571,501 Offer Shares, representing (10%) of the Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is ten Offer Shares, and the maximum allocation per Individual Investor is 250,000 Offer Shares. The balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Individual Investor to the total applied for Offer Shares. In the event that the number of Individual Investors exceeds 157,150 Individual Investors, the Company will not guarantee the minimum allocation of Offer Shares per Individual Investor, and the Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Selling Agent.

17.5 Circumstances Where Listing May be Suspended or Cancelled

17.5.1 Power to Suspend or Cancel Listing

The CMA may suspend stock trading or cancel the listing at any time as it deems fit, in any of the following circumstances:

a- the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
b- the Issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or market rules;
c- the Company fails to pay any fees due to the CMA or the Exchange or penalties due to the CMA on time;
d- if it considers that the Company or its business, the level of its operations or its assets is no longer suitable for the continued listing of shares in the market;
e- when reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the source has given sufficient information regarding the target entity and the CMA is convinced, after the announcement of the Company, that sufficient public information is available on the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage; or
f- when information about the proposed transaction of reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the market cannot be informed accordingly.

The Exchange shall suspend the trading of securities of an Issuer in any of the following cases:

a- when the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the requirements of Rules on the Offer of Securities and Continuous Obligations until its disclosure;
b- when the auditor's report on the financial statements of the Issuer contains an opposing opinion or an abstention from opinion expressing until the opposing opinion or abstention from opinion expressing is removed;
c- if the liquidity requirements of Chapters 2 and 3 of the Listing Rules are note met after listing after the time limit set by the Exchange for the Issuer to rectify its conditions unless the CMA agrees otherwise; or
d- the issuance of a decision by an extraordinary general assembly of the Issuer to reduce its capital for the two trading days following the issuance of the decision.

17.5.2 Voluntary Cancellation of Listing

An Issuer whose securities have been listed on the Exchange may not cancel the listing of its securities without the prior approval of the CMA. To obtain the CMA approval, the Issuer must provide the cancellation application to the CMA along with a simultaneous notice to Exchange. The application has to include the following:

a- specific reasons for the request for the cancellation;
b- a copy of the disclosure described in item "d" below;
c- a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Issuer; and
d- names and contact information of the financial advisor and legal advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

The CMA may, at its discretion, approve or reject the cancellation request.

The Issuer must obtain the consent of the extraordinary general assembly on the cancellation of the listing after obtaining the CMA approval.

Where cancellation is made at the Issuer's request, the Issuer must disclose that to the public as soon as possible. The disclosure has to include the reason for the cancellation, the nature of the event resulting in the cancellation, and how it affects the Issuer's activities.

17.5.3 Temporary Trading Suspension

An Issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Exchange rules, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange suspends trading of the securities of that Issuer as soon as it receives the request.

When trading is temporarily suspended at the Issuer's request, the Issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it and how it affects the Issuer's activities.

The CMA may impose a temporary trading suspension without a request from the Issuer when the CMA has information or there are circumstances that affect the Issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. An Issuer whose securities are subject to temporary trading suspension must continue to comply with the CML, its implementing regulations and Exchange rules.

A temporary trading suspension will be lifted following the elapse of the period referred to in the second paragraph above, unless the CMA or the Exchange decide otherwise.

17.5.4 Lifting of Suspension

Lifting of trading suspension is subject to the following:

- a- adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;
- b- that lifting the suspension is unlikely to affect the normal activity of the Exchange; and
- c- the Issuer complies with any other conditions that the CMA may require.

In the event that the listing suspension continues for six months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the listing of Issuer.

17.5.5 Re-registering and Admission to Listing of Cancelled Securities

An Issuer is required to submit a new application for registration and admission to listing in order to re–register and admit to listing securities which have been cancelled.

17.6 Approvals and Decisions Under Which the Offer Shares are Offered

The following are the decisions and approvals under which the Offer Shares are publicly offered:

- a- the Company's Board of Directors decision recommending the Offering;
- b- the Company's General Assembly resolution approving the Offering; and
- c- the CMA's announcement regarding its approval of the Offering.

17.7 Lock-up Period

The Substantial Shareholders mentioned on page (x) of this Prospectus may not dispose of any of their Shares for a period of six months from the date on which trading of the Shares commences on the Exchange. At the end of this Lock-up Period, the Selling Shareholders may dispose of their Shares without obtaining prior approval of the CMA.

17.8 Acknowledgments by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

- a- agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;
- b- warrants that he/she has read this Prospectus and understood all its content;
- c- accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes in the Offer Shares accordingly;
- d- declares that neither himself nor any of his family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;
- e- accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form; and
- f- warrants not to cancel or amend the Subscription Application Form after submitting it to the Selling Agent.

17.9 Shares' Record and Trading Arrangements

Tadawul shall keep a shareholders' record containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.10 Saudi Stock Exchange

In 1990G, full electronic trading in the Kingdom equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. The said times are subject to change during the month of Ramadan and they are announced by the Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Issuers are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.11 Trading of Company's Shares

It is expected that dealing in the Shares will commence on Tadawul after finalisation of the allocation process and the announcement of the start date of trading by Tadawul. Following Admission, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the Shares in accordance with QFI Rules. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with Authorised Persons to acquire, hold and trade in the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that Authorised Persons shall be deemed the legal owners of the Shares under the swap agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.12 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for the investing foreign institutions, taking into account the relevant rules and instructions. All recipients of this Prospectus must inform themselves of any regulatory restrictions on the Offer Shares and the sale of Offer Share and to observe all such restrictions.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office in Riyadh, Al Ghadir District, Thumamah Road, P.O. Box 295245, Postal Code 11351, Kingdom of Saudi Arabia, between 9:00 am and 5:00 pm from 3/11/1439H (corresponding to 16/7/2018G) until 25/11/1439H (corresponding to 7/8/2018G) for a period of no less than 20 days prior to the end of the Offering Period:

- a- CMA announcement of the approval of the Offering;
- b- resolution of the Company's General Assembly authorising the Offering, dated 6/5/1439H (corresponding to 23/1/2018G);
- c- Company's Bylaws;
- d- Company's articles of association (and those of its Subsidiary) and amendments thereto;
- e- Company's commercial registration certificate issued by the MCI (and that of its Subsidiary);
- f- audited financial statements for the Company and its Subsidiary for the financial years ended 31 December 2015G, 2016G and 2017G;
- g- Company's special purpose audited financial statements for the financial year ended 31 December 2016G;
- h- Valuation report prepared by the Financial Advisor;
- i- Market study report prepared by the Market Consultant;
- j- All other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;
- k- Contracts and agreements disclosed in Section 12.9 (*Related Party Contracts and Transactions*) in which a Director or Senior Executive or any of their relatives is interested in relation to the business of the Company;
- l- letters of consent from each of:
  - i- Financial Advisor, Lead Manager, Bookrunner and Underwriter (Samba Capital & Investment Management Company) for the inclusion of its name and logo in this Prospectus;
  - ii- the Auditor for the inclusion of it's name and logo as auditor of the Company (KPMG Al-Fozan & Partners), along with the audit reports for the same years, in this Prospectus;
  - iii- the Financial Due Diligence Advisor (PricewaterhouseCoopers) for the inclusion of its name, logo and statements, if any, in this Prospectus;
  - iv- the Market Consultant (Portas Consulting Limited) for the inclusion of its name, logo and statements, in this Prospectus;
  - v- the Legal Advisor (The Law Firm of AlSalloum and AlToaimi in association with White & Case LLP), for the inclusion of it's name, logo and statements in this Prospectus; and
- m- Underwriting Agreement.

19. FINANCIAL STATEMENTS AND AUDITORS' REPORT

This section contains the audited financial statements for the financial years ended 31 December 2015G and 2016G, and the accompanying notes thereto. The audited financial statements for the financial years ended 31 December 2015G and 2016G, and the accompanying notes thereto, have been prepared in compliance with accounting standards promulgated by SOCPA and audited by KPMG Al Fozan & Partners. This section contains also the audited financial statements for fiscal year that ended 31 December 2017G, and the accompanying notes thereto, prepared according to IFRS and audited by KPMG Al-Fozan & Partners, and the special purpose audited financial statements for the financial year that ended 31 December 2016G, and the accompanying notes thereto, prepared by the management in compliance with the IFRS as endorsed by SOCPA and audited by KPMG Al Fozan & Partners. As part of its preparation for the adoption of IFRS for the financial year ended on 31 December 2017G, the Company prepared the special purpose audited financial statements for the financial year ended 31 December 2016G.

LEEJAM SPORTS COMPANY

(A Saudi Closed Joint Stock Company)

Financial Statements

For the year ended 31 December 2015

together with the

Independent Auditors' Report

KPMG

KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
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Kingdom of Saudi Arabia

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Fax +966 11 874 8600
Internet www.kpmg.com

Licence No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

To: The Shareholders
Leejam Sports Company

We have audited the accompanying financial statements of **Leejam Sports Company** ("the Company"), which comprise the balance sheet as at 31 December 2015 and the related statements of income, cash flows and shareholder's equity for the year then ended and the attached notes (1) through (27) which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and the Company's bylaws 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements taken as a whole:

1) present fairly, in all material respects, the financial position of the **Leejam Sports Company** as at 31 December 2015, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and

2) comply with the requirements of the Regulations for Companies and Company's bylaws with respect to the preparation and presentation of financial statements.

Emphasis of Matter

We draw attention to the comparative figures in the accompanying financial statements; except for the adjustments described in note (25) to the financial statements, these comparative figures are presented based on the audited financial statements of the Company for the year ended 31 December 2014, and as part of our audit, we have audited the adjustments described in note (25) to the financial statements which have been applied to restate the comparative figures. In our opinion, these adjustments are appropriate and correctly applied.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License no.: 348

Date: 19 Jumda I 1437H
Corresponding to: 28 February 2016

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(Expressed in Saudi Arabian Riyals)

	Notes	2015	2014
			Restated
ASSETS			
Current assets			
Cash and bank balance	(4)	57,219,221	71,402,521
Accounts receivable, net	(5)	13,457,002	13,558,949
Due from a related party	(6)	35,450	40,000
Prepayments and other current assets	(7)	76,703,054	47,276,887
Total current assets		147,414,727	132,278,357
Non-current assets			
Property and equipment, net	(8)	890,609,052	816,564,771
Total non-current assets		890,609,052	816,564,771
Total assets		1,038,023,779	948,843,128
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Loans and borrowings	(9)	62,877,775	53,498,416
Accounts payable	(10)	26,695,430	38,731,489
Deferred revenue	(11)	173,651,303	152,576,352
Dividend payable		26,727,494	52,817,106
Accrued expenses and other current liabilities	(12)	68,423,671	44,894,006
Provision for zakat	(15)	7,027,869	4,173,918
Total current liabilities		365,403,542	346,691,287
Non-current liabilities			
Loans and borrowings	(9)	217,044,381	147,654,422
Employees' end of service benefits	(13)	12,528,002	8,504,530
Total non-current liabilities		229,572,383	156,158,952
Total liabilities		594,975,925	502,850,239
SHAREHOLDERS' EQUITY			
Share capital	(1)	195,000,000	195,000,000
Statutory reserve	(14)	64,497,724	46,399,289
Retained earnings		183,550,130	204,593,600
Total shareholders' equity		443,047,854	445,992,889
Total liabilities and shareholders' equity		1,038,023,779	948,843,128

The accompanying notes (1) to (27) form an integral part of these financial statements.

LEEJAM SPORT COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2015
(Expressed in Saudi Arabian Riyals)

		2015	2014
			Restated
Revenue	(16)	594,839,163	450,303,698
Cost of revenue	(17)	(327,503,857)	(247,624,954)
Gross profit		267,335,306	202,678,744
Advertising and marketing expenses	(18)	(19,772,211)	(10,726,164)
General and administrative expenses	(19)	(54,769,277)	(49,165,952)
Operating income		192,793,818	142,786,628
Finance charges		(9,292,337)	(4,146,467)
Other income		4,005,531	2,866,290
Net income before Zakat		187,507,012	141,506,451
Zakat	(15)	(6,522,662)	(3,745,325)
Net income for the year		180,984,350	137,761,126
EARNINGS PER SHARE			
Attributable to operating income	(21)	9.89	7.32
Attributable to other income	(21)	0.21	0.15
Attributable to net income for the year	(21)	9.28	7.06

The accompanying notes (1) to (27) form an integral part of these financial statements.

LEEJAM SPORT COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASHFLOWS
For the year ended 31 December
(Expressed in Saudi Arabian Riyals)

	Notes	2015	2014 Restated
OPERATING ACTIVITIES			
Net income before zakat		187,507,012	141,506,451
Adjustments for:			
Depreciation		67,633,672	55,036,863
Employees' end of service benefits		4,571,218	2,921,841
Gain on sale of property and equipment		(1,428,394)	--
Property and equipment written-off		5,247,914	--
Allowance for doubtful accounts and written off		--	4,400,332
		263,531,422	203,865,487
Changes in operating assets and liabilities			
Increase in account receivables		101,947	(5,813,763)
Increase in due from a related party		4,550	(40,000)
Increase in prepayments and other current assets		(29,426,167)	(14,583,903)
(Decrease)/increase in accounts payable		(12,036,059)	5,131,350
Decrease in due to a related party		--	(8,923,739)
Increase in unearned revenue		21,074,951	32,867,853
Decrease/(increase) in accrued expenses and other			
current liabilities		23,529,666	3,363,488
Cash from operations		266,780,310	215,866,773
Zakat paid		(3,668,711)	(3,071,407)
Employees' end of service benefit paid		(547,746)	(412,001)
Net cash from operating activities		262,563,853	212,383,365
INVESTING ACTIVITIES			
Purchase of property and equipment		(198,348,028)	(194,678,207)
Net cash used in investing activities		(198,348,028)	(194,678,207)
FINANCING ACTIVITIES			
Dividends paid		(157,168,443)	(60,182,894)
Proceed from loans and borrowings		134,010,693	153,569,213
Repayment of loans and borrowings		(55,241,375)	(89,747,990)
Net cash (used in) / from financing activities		(78,399,125)	3,638,329
NET INCREASE / (DECREASE) IN CASH AND			
CASH EQUIVALENTS		(14,183,300)	21,343,487
Cash and cash equivalents at beginning of the year		71,402,521	50,059,034
CASH AND CASH EQUIVALENTS AT THE END			
OF THE YEAR	(4)	57,219,221	71,402,521

Supplementary Information

Non-cash transactions included adjustment of divided payable amounting to SAR 52.8 million adjusted against the sale of land to a shareholder.

The accompanying notes (1) to (27) form an integral part of these financial statements

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2014 (as reported)	195,000,000	34,255,924	208,303,316	437,559,240
Prior year adjustment (note 25)	--	(1,632,748)	(14,694,729)	(16,327,477)
Balance as at 1 January 2014 (Restated)	195,000,000	32,623,176	193,608,587	421,231,763
Net income for the year (Restated)	--	--	137,761,126	137,761,126
Transfer to statutory reserve	--	13,776,113	(13,776,113)	--
Dividend declared during the year	--	--	(113,000,000)	(113,000,000)
Balance as at 31 Dec, 2014 (Restated)	195,000,000	46,399,289	204,593,600	445,992,889
Net income for the year	--	--	180,984,350	180,984,350
Transfer to statutory reserve	--	18,098,435	(18,098,435)	
Dividend declared during the year	--	--	(183,929,385)	(183,929,385)
Balance as at 31 December 2015	195,000,000	64,497,724	183,550,130	443,047,854

The accompanying notes (1) to (27) form an integral part of these financial statements

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

(Expressed in Saudi Arabian Riyals)

1. ORGANISATION AND ACTIVITIES

Leejam Sport Company is a Saudi Closed Joint Stock company ("the Company") which 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 number

4030180323 dated 19 Jumada II 1429H. In 2012, the Company's head office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration number 1010337986 dated 14 Jumada II, 1433H (May 6, 2012).

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

Branch location	C.R.	Date
Jeddah	4030180323	19/6/1429
Riyadh	1010360365	24/2/1434
Jeddah	4030248720	22/7/1434

The objectives of the Company are the 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 current activity is confined to managing sport centers according to the Deputy General President for Sport Affairs letter No.1435 and renting out premises.

The Company acquired trademark "Fitness Time", which was owned by Fitness Time Establishment (Fitness Time) and registered the same under the Company's name with the Ministry of Commerce & Industry/Department of trademark registration under the registration certificate number 1031/7 dated 25 Dhul-Hijjah 1429H (December 23, 2008) and for a period of 10 years renewable for a similar period or periods at the option of the Company for a nominal fee.

The Company owned 95% shareholding in Fitness Time, having carrying value of SR 45,000, who discontinued their operations after transferring of trademark to the Company. The management believes that Fitness Time is immaterial to the Company hence; do not consolidate it in the financial statements of the Company.

The share capital of the Company is SR 195 million divided into 19.5 million shares of SR 10 each. As at 31 December 2015, the shareholders and their respective holdings are as follows:

	No. of shares	Share capital
Hamad Bin Ali Bin Saud Al Saqri	11,863,115	118,631,150
Target Opportunities for Trading Company	4,894,500	48,945,000
Latifa Mohammed Saleh Al Hakbani	861,773	8,617,730
Abdulmehsen Bin Ali Bin Moh. Al Hakbani	616,452	6,164,520
Saleh Bin Moh. Bin Saleh Al Hakbani	314,516	3,145,160
Nahla Ali Moh. Al Hakbani	251,613	2,516,130
Khalid Bin Ali Bin Moh. Al Hakbani	270,484	2,704,840
Ali Hamad Ali Moh. Al Saqri	141,344	1,413,440
Hessah Zaid Moh. Al Nasser	50,323	503,230
Waleed Bin Ali Bin Moh. Al Hakbani	62,903	629,030
Fahad Bin Ali Bin Moh. Al Hakbani	32,980	329,800
Nora Fahad Mo'tak Al Qahtani	66,048	660,480
Nada Ali Moh. Al Hakbani	18,871	188,710
Al Jazy Abdulaziz Abdullah Al Nasser	31,452	314,520
Nora Abdulaziz Abdullah Al Nasser	23,626	236,260
	19,500,000	195,000,000

1. ORGANISATION AND ACTIVITIES (CONTINUED)

The address of the Company's registered office is as follows: Thumamah Street

PO Box 295245 Riyadh 11351 Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

The accompanying financial statements have been prepared on historical cost basis, using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the functional and reporting currency of the Company.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Company:

a) Revenue

Revenues from subscription fees during the year are recognized based on accrual basis using the straight line method over the term of subscription period and are stated net of discounts. Revenues received during the year and have not been earned are stated as unearned revenues under current liabilities.

Rental income is recognized in on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Expenses

Advertising and marketing expenses principally comprise of costs incurred in the marketing and sale of the Company's services.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues or advertising and marketing expenses as required under accounting standards generally accepted in the Kingdom of Saudi Arabia.

Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

c) Financial assets and financial liabilities

The financial assets comprise cash and cash equivalents, trade accounts receivable and due from related parties. These financial assets are stated at their nominal values and reduced by an appropriate allowance for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include accounts payable, due to related parties, dividends payable and loans which are stated at their nominal values.

d) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For certain categories of financial assets, such as accounts receivable, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include an increase in the number of delayed payments in the portfolio past the credit period.

The carrying amount of the financial asset is reduced for the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable which are reduced through the use of an allowance account. When the accounts receivable are considered not to be recoverable, they are written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income. Changes in the carrying amount of the allowance account are recognized in the statement of income.

e) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment.

The estimated rates of depreciation for the current and comparative year's are as follows:

Buildings and construction	5% - 10%
Motor vehicles	20%
Sport tools and equipment	10%
Electrical equipment & Air-conditions	10%
Computers	20%
Furniture & office equipment	12.5%

f) Capital work in progress

Capital work-in-progress represents all costs relating directly and indirectly to projects in progress and is capitalized as property and equipment when the project is completed. Depreciation on such assets is calculated only after asset is ready for its intended use.

g) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction 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 and, otherwise, such costs are charged to the statement of income.

h) Impairment of non-current assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Non-current assets other than intangible assets and 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. Impairment losses recognized on intangible assets and available for sale securities are not reversible.

i) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the statement of income currently.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) End-of-service indemnities

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

k) Zakat

The Company is subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). The zakat charge is computed on the zakat base computed based on DZIT regulations. Additional zakat if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

l) Leases

The Company accounts for tangible assets acquired under finance lease arrangements by recording the assets and the related liabilities. The amounts are determined on the basis of lower of fair market value of assets and present value of minimum lease payments. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Amortization is charged to income applying the straight-line method using the following annual rates.

Payment under operating lease is recognized in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

As lessor, rentals receivable under operating leases are recorded in the statement of income on a straight line basis over the term of the operating lease.

m) Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final Dividends are recorded in the period in which they are approved by the shareholders.

n) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

- Headquarter and central region
- Western region
- Eastern region
- International Region UAE

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying financial statements.

4. CASH AND BANK BALANCE

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

	2015	2014
Cash in hand	450,048	490,312
Cash at bank – current accounts	56,769,173	70,912,209
	57,219,221	71,402,521

5. ACCOUNTS RECEIVABLE

	2015	2014
Subscriptions and membership receivables	13,322,182	10,957,512
Rentals receivables	3,833,248	6,299,865
Allowance for doubtful debts		
-Subscriptions and membership receivables	(1,378,000)	(1,378,000)
-Rentals receivables	(2,320,428)	(2,320,428)
	13,457,002	13,558,949

6. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Fitness Time Establishment	Affiliate owned by some shareholders
The Shareholders	Owners
Board of Directors	Directors

The significant transactions and the related approximate amounts are as follows:

	2015	2014
Remuneration of key management Personnel	2,443,676	2,492,341
Salaries and remuneration of executive board members	12,390,572	9,997,169

As at 31 December 2014, the land with carrying value of SR 51,422,160 was held as collateral by National Commercial Bank against the facilities amounting to SR 40 million granted to the Company and a related party. During the year ended 31 December 2014, the General Assembly of the shareholders of the Company it was resolved to sell the land to one of the shareholders at an amount of SR 52,850,554 and the title deed of the land was transferred from the bank to the shareholder during year ended 31 December 2015.

In the normal course of business, transactions with related parties are carried out on an arm length basis.

Due from a related party as of December 31, comprise the following:0

	2015	2014
Fitness Time Establishment	35,450	40,000
	35,450	40,000

7. PREPAYMENTS AND CURRENT ASSETS

	2015	2014
Prepaid Rental expenses	39,416,538	26,184,171
Margin deposits on letters of credit	24,779,650	2,537,522
Advances to suppliers and contractors	2,918,974	3,731,628
Consumables	4,606,222	1,672,406
Receivable from Human Resources Development Fund	382,402	2,451,685
Development Cost	2,945,028	--
Other	2,531,883	11,577,118
Allowance for Impairment	(877,643)	(877,643)
	76,703,054	47,276,887

8. PROPERTY & EQUIPMENT

Cost	1 January 2015	Written off	Additions	Sold	Transfer	31 December 2015
Land	51,422,160	--	--	(51,422,160)	--	--
Building & Construction	510,487,098	(3,744,130)	11,651,441	--	199,853,744	718,248,153
Motor vehicles	3,339,071	--	--	(37,500)	--	3,301,571
Sport tools and equipment	189,737,659	(4,086,751)	39,748,433	--	12,085,566	237,484,907
Electrical equipment & Air conditions	63,719,693	--	10,053,712	--	--	73,773,405
Computers	5,597,268	(515,286)	1,396,368	--	--	6,478,350
Furniture & office Equipment	4,704,559	--	1,459,731	--	--	6,164,290
Capital Work in progress	153,320,497	--	134,038,342		(211,939,310)	75,419,529
Total Cost	**982,328,005**	**(8,346,167)**	**198,348,028**	**(51,459,660)**	**--**	**1,120,870,205**
Depreciation						
Building & Constructions	(89,372,011)	1,202,351	(37,988,920)	--	--	(126,158,580)
Motor vehicles	(1,917,011)	--	(458,618)	37,500	--	(2,338,129)
Sport tools and equipment	(51,673,421)	1,821,321	(20,503,790)	--	--	(70,355,890)
Electrical equipment & Air conditions	(18,014,884)	--	(6,882,789)	--	--	(24,897,673)
Computers	(3,201,009)	74,581	(1,105,116)	--	--	(4,231,544)
Furniture & office Equipment	(1,584,898)	--	(694,439)	--	--	(2,279,337)
Total Depreciation	**(165,763,234)**	**3,098,253**	**(67,633,672)**	**37,500**	**--**	**(230,261,153)**
Net Book Value	**816,564,771**	**(5,247,914)**	**130,714,356**	**(51,422,160)**	**--**	**890,609,052**

Capital work-in-progress represents payments for construction of new sport clubs and centers for the Company which are still under setting up and include buildings and sport equipment. The balance of capital work-in-progress above includes borrowing cost capitalized during the year amounting to SR 4,120,758. The capitalization rate is based on the Company's weighted average cost of borrowings used to finance the capital expenditures.

Property and equipment includes motor vehicles registered under the names of some shareholders with net book value of SR 783,570 (2014: SR 1,422,060).

9. LOANS AND BORROWINGS

The Company has credit, documentary credit and letter of guarantee facilities with a limit of SR 407 million (2014: SR 343 million) from local banks in the form of short-term and long-term loans, letters of credit and letters of guarantee.

These facilities are subject to Saudi interbank prevailing commercial commission rate ranging from 2.85% - 5.23% (2014: 2.85% - 5.23%) and are secured by promissory notes, comfort letter issued by a related party and unconditional personal guarantees issued by some major shareholders of the Company. These facilities are having maturities from Feb 2016- Oct 2020G.

As of December 31, the following amounts are outstanding in relation to these facilities:

	2015	2014
Short term loan	476,365	864,199
Current portion of long term loans	62,401,410	52,634,217
Total Current portion of short term loan and long term loans	62,877,775	53,498,416
Non - Current portion of long term loans	217,044,381	147,654,422
Total Loans and Borrowings	279,922,156	201,152,838

10. ACCOUNTS PAYABLE

	2015	2014
Accounts payable to suppliers – trade	16,775,189	17,793,530
Accounts payable to contractors	9,920,241	20,937,959
	26,695,430	38,731,489

11. DEFFERED REVENUE

	2015	2014
Deferred subscription revenue	170,710,014	149,862,025
Deferred rental revenue	2,941,289	2,714,327
	173,651,303	152,576,352

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2015	2014
Accrued salaries and remuneration of executive board members	23,420,926	16,442,069
Other accrued expense	1,472,284	5,353,587
Advance from customers	--	178,873
Deferred expense - rent	43,530,461	22,919,477
	68,423,671	44,894,006

13. END-OF-SERVICE BENEFITS

	2015	2014
January 1	8,504,530	5,994,690
Provision for the year	4,571,218	2,921,841
Paid during the year	(547,746)	(412,001)
December 31	12,528,002	8,504,530

14. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

15. ZAKAT

The movement in zakat provision is as follows

	2015	2014
January 1	4,173,918	3,500,000
Provision for the year	6,522,662	3,745,325
Paid during the years	(3,668,711)	(3,071,407)
December 31	7,027,869	4,173,918
The zakat charge for the year is as follow		
Provision for the year	6,522,662	3,745,325
	6,522,662	3,745,325

Zakat is charged at higher of net adjustable income and zakat bases as required by Department of Zakat and Income Tax (DZIT). In both 2015 and 2014, zakat charge is based on the net adjustable income.

16. REVENUE

	2015	2014
Subscriptions and membership revenues	585,828,626	442,021,991
Rental income	9,010,537	8,281,707
	594,839,163	450,303,698

17. COST OF REVENUE

	2015	2014
Salaries and related benefits	102,625,598	75,815,262
Depreciation	66,162,365	53,450,220
Rent expenses	54,773,077	40,775,965
Water and electricity	36,367,051	25,966,850
Maintenance and repair	15,960,521	16,463,312
Cleaning and services expenses	24,314,326	21,335,270
Consumables	7,557,865	3,320,363
Telecommunications and subscriptions	2,222,972	1,961,534
Security and safety	3,822,201	3,951,325
Stationery	1,035,514	876,075
Supervision and training allowance	498,404	585,381
Governmental and recruiting expenses	2,249,223	1,121,110
Property and equipment - Written off	5,247,914	-
Other expenses	4,666,827	2,002,287
	327,503,857	247,624,954

18. ADVERTISING AND MARKETING EXPENSES

	2015	2014
Advertising and promotion expenses	18311587	9,902,798
Salaries and related benefits	1,460,624	823,366
	19,772,211	10,726,164

19. GENERAL AND ADMINISTRATTVE EXPENSES

	2015	2014
Salaries and related benefits	42,049,674	31,831,796
Rent expenses	809,926	707,128
Water, electricity and telephone	1,897,677	967,331
Professional fees	2,852,903	2,279,796
Maintenance, repair and cleaning	471,325	489,782
Vehicles expenses	451,706	410,454
Depreciation	1,501,607	1,586,643
Governmental and recruiting expenses	2,737,285	3,101,976
Hospitality expenses	82,521	198,418
Stationery	917,194	1,056,931
Allowance for doubtful accounts and written off	-	4,400,332
Donations	315,000	1,500
Others	682,459	2,133,865
	54,769,277	49,165,952

20. OPERATING LEASE ARRANGEMENTS

	2015	2014
Payments under operating leases recognized as an Expense during the year		
- Cost of Revenue	54,773,077	40,775,965
- General Administrative expense	809,926	707,128
	55,583,003	41,483,093

Operating lease payments represent rentals payable by the company for fitness centers and labor accommodation under leases:

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

	2015	2014
Less than one year	60,868,470	52,368,113
More than one year and less than five years	299,339,158	245,946,475
More than five years	817,410,318	609,602,609
	1,177,617,946	907,917,197
Operating lease revenues recognized as income during the year	9,010,537	8,281,707

Operating lease collections represent rentals receivable to the Company for leased property to third parties. The lease term is for one year and renewable.

21. BASIC EARNINGS PER SHARE

The earnings per share from net income were computed by dividing the net income over the weighted average number of shares outstanding during the year which consists of 19.5 million shares.

The earnings per share, from continuing activities, were computed by dividing the operating income over the weighted average number of shares outstanding during the year which consists of 19.5 million shares.

The earning per share from other activities were computed by dividing the other income from the other activities net of the zakat due on the other activities over the weighted average number of shares outstanding during the year which consists of 19.5 million shares.

22. CAPITAL COMMITMENTS

As of 31 December 2015 the Company had capital commitments for contracts for setting up sport centers and clubs amounting to SR 108,232,600 (2014: SR 91,902,983).

23. DIVIDEND

Based on the General assembly meeting held on 18 June 2015 dividends amounting to SR 75,338,775 were declared for the year 2014 representing 38.635% of the Company's capital at SR 3.86 per share.

The board on the meeting held on 09 December 2015 proposes to approve SR 108,590,610 as dividend for the year 2015.

24. SEGMENTS REPORTING

	Segment				
As at and for period ended 31 Dec 2015	Head Quarter & Central Region	Western Region	Eastern Region	International Region	Total
Revenue	320,490,343	195,244,849	74,791,269	4,312,702	594,839,163
Cost of revenue	(168,668,476)	(105,086,464)	(42,895,036)	(10,853,881)	(327,503,857)
Gross profit	151,821,867	90,158,385	31,896,233	(6,541,179)	267,335,306
Net income	116,451,777	58,790,459	16,275,645	(10,533,531)	180,984,350
Total assets	425,183,421	377,073,455	187,774,887	47,992,016	1,038,023,779
Total liabilities	313,532,915	219,875,802	46,961,877	14,605,331	594,975,925

	Segment				
As at and for period ended 31 Dec 2014	Head Quarter & Central Region	Western Region	Eastern Region	International Region	Total
Revenue	242,991,616	152,950,292	54,361,790	--	450,303,698
Cost of revenue	(135,586,440)	(82,659,550)	(29,378,964)	--	(247,624,954)
Gross profit / (loss)	107,405,176	70,290,742	24,982,826	--	202,678,744
Net income / (loss)	65,045,887	55,513,543	17,201,696	--	137,761,126
Total assets	588,552,625	236,014,129	124,276,374	--	948,843,128
Total liabilities	390,873,010	94,131,272	17,845,957	--	502,850,239

25. PRIOR YEAR ADJUSTMENT

a- Rent expense amounting to SR 9.8 million has not been accrued/ capitalized during grace period before 2014, consequently retained earnings as at 31 December 2014 has been restated.

b- Accounting error has occurred in recording invoices before 2014 amounting to SR 2.5 million, consequently retained earnings as at 31 December 2014 has been restated.

c- Depreciation expense amounting to SR 6.7 million (2014: SR 2.7m and SR4m before 2014) has not been correctly recognized as an expense in and before 2014, consequently retained earnings as at 31 December 2014 has been restated.

Consequently, the balances as of January 1, 2014 and December 31, 2014 have been restated to reflect the adjustment as follows:

Impact on comparative figures - Equity

	Balance - as reported	Impact of restatement	Balance - as restated
For the year ended 31 December 2014			
Retained earnings	208,303,316	(14,694,729)	193,608,587
Statutory reserve	34,255,924	(1,632,748)	32,623,176
Impact on opening equity	**242,559,240**	**(16,327,477)**	**226,231,763**

Impact on comparative figures - Statement of Income

	Balance - as reported	Impact of restatement	Balance - as restated
For the year ended 31 December 2014			
Depreciation Expense	52,310,414	2,716,449	55,036,863
Impact on income from operations	**140,477,575**	**(2,716,449)**	**137,761,126**

Impact on comparative figures –Balance Sheet

	Balance - as reported	Impact of restatement	Balance - as restated
For the year ended 31 December 2014			
Trade Receivable	16,044,792	(2,485,843)	13,558,949
Prepayment and other assets	44,459,265	2,817,622	47,276,887
Property and Equipment , Net	813,020,999	3,543,771	816,564,771
Accrued expenses and other current liabilities	(21,974,529)	(22,919,477)	(44,894,006)
Net assets	**851,550,527**	**(19,043,926)**	**832,506,601**

26. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

27. COMPARATIVE FIGURES

Certain figures for 2014 have been reclassified to conform to the presentation for the current year.

LEEJAM SPORTS COMPANY

(A Saudi Closed Joint Stock Company)

Financial Statements

For the year ended 31 December 2016

together with the

Independent Auditors' Report

KPMG Al Fozan & Partners
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Leejam Sports Company
Riyadh, Saudi Arabia

We have audited the accompanying financial statements of **Leejam Sports Company** (the "Company") which comprise the balance sheet as at 31 December 2016 and the related statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 29 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company's bylaws 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements taken as a whole:

1) present fairly, in all material respects, the financial position of the **Leejam Sports Company** as at 31 December 2016, and of its results of operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

Date: 26 Jumada'I, 1438H
Corresponding to: 23 February 2017

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Notes	2016	2015
ASSETS			
Current assets			
Cash and bank balances	(4)	61,608,616	57,219,221
Short term investment	(5)	50,000,000	--
Accounts receivable, net	(6)	8,503,684	14,285,088
Due from a related party	(7)	35,450	35,450
Prepayments and other current assets	(8)	80,822,532	87,710,350
Total current assets		200,970,282	159,250,109
Non-current assets			
Investment in unconsolidated subsidiary	(1a)	47,500	47,500
Goodwill	(9)	9,445,544	--
Property and equipment, net	(9)	1,145,923,758	890,561,552
Total non-current assets		1,155,416,802	890,609,052
Total assets		1,356,387,084	1,049,859,161
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current liabilities			
Loans and borrowings	(10)	84,311,037	62,877,775
Accounts payable	(11)	23,674,717	26,695,430
Deferred revenue	(12)	217,855,615	176,092,384
Dividend payable		32,598,051	26,727,494
Accrued expenses and other current liabilities	(13)	92,650,103	77,817,972
Provision for zakat	(14)	6,613,663	7,027,869
Total current liabilities		457,703,186	377,238,924
Non-current liabilities			
Loans and borrowings	(10)	357,420,123	217,044,381
Employees› end of service benefits	(15)	17,430,159	12,528,002
Total non-current liabilities		374,850,282	229,572,383
Total liabilities		832,553,468	606,811,307
Shareholders' equity			
Share capital	(1)	195,000,000	195,000,000
Statutory reserve	(16)	64,497,724	64,497,724
Retained earnings		264,335,892	183,550,130
Total shareholders' equity		523,833,616	443,047,854
Total liabilities and shareholders' equity		1,356,387,084	1,049,859,161

The accompanying notes (1) to (29) form an integral part of these financial statements.

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Notes	2016	2015
Revenue	(17)	700,884,583	594,839,163
Cost of revenue	(18)	(392,872,765)	(332,603,825)
Gross profit		308,011,818	262,235,338
Advertising and marketing expenses	(19)	(25,594,754)	(21,651,266)
General and administrative expenses	(20)	(62,577,086)	(47,790,254)
Operating income		219,839,978	192,793,818
Finance charges		(14,246,262)	(9,292,337)
Other income		677,057	4,005,531
Net income before Zakat		206,270,773	187,507,012
Zakat	(14)	(4,306,367)	(6,522,662)
Net income for the period		201,964,406	180,984,350
EARNINGS PER SHARE			
Attributable to operating income	(22)	11.27	9.89
Attributable to other income	(22)	0.03	0.21
Attributable to net income for the year	(22)	10.35	9.28

The accompanying notes (1) to (29) form an integral part of these financial statements.

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASHFLOWS

For the year ended 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Notes	2016	2015
OPERATING ACTIVITIES			
Net income before zakat		206,270,773	187,507,012
Adjustments for:			
Depreciation	(9)	79,760,888	67,663,972
Employees' end of service benefits	(15)	6,007,560	4,571,218
Gain on sale of property and equipment		--	(1,458,694)
Property and equipment written-off	(20)	2,897,362	5,247,914
Allowance for impairment			
Subscription and membership receivables	(6)	1,839,924	--
Advance to suppliers	(8)	223,948	--
Other current assets	(8)	802,975	--
		2,866,847	--
		297,803,430	263,531,422
Changes in operating assets and liabilities			
Decrease in account receivables		3,941,481	101,947
Due from a related party		--	4,550
Decrease/ (increase) in prepayments and other current assets		5,860,895	(29,426,167)
Decrease in accounts payable		(3,020,713)	(12,036,059)
Increase in unearned revenue		41,763,231	21,074,951
Increase in accrued expenses and other current liabilities		14,832,131	23,529,666
Cash from operations		361,180,455	266,780,310
Zakat paid		(4,720,573)	(3,668,711)
Employees' end of service benefit paid		(1,105,403)	(547,746)
Net cash generated from operating activities		355,354,479	262,563,853
INVESTING ACTIVITIES			
Addition of property and equipment		(347,466,000)	(198,348,028)
Net cash used in investing activities		(347,466,000)	(198,348,028)
FINANCING ACTIVITIES			
Dividends paid		(115,308,096)	(157,168,443)
Proceeds from loans and borrowings		221,884,741	134,010,693
Repayment of loans and borrowings		(60,075,729)	(55,241,375)
Net cash generated from /(used in) financing activities		46,500,916	(78,399,125)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		54,389,395	(14,183,300)
Cash and cash equivalents at beginning of the year		57,219,221	71,402,521
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(23)	111,608,616	57,219,221

The accompanying notes (1) to (29) form an integral part of these financial statements

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2015	195,000,000	46,399,289	204,593,600	445,992,889
Net income for the year	--	--	180,984,350	180,984,350
Transfer to statutory reserve	--	18,098,435	(18,098,435)	--
Dividend declared during the year	--	--	(183,929,385)	(183,929,385)
Balance as at 31 December 2015	195,000,000	64,497,724	183,550,130	443,047,854
Balance as at 1 January 2016	195,000,000	64,497,724	183,550,130	443,047,854
Net income for the year	--	--	201,964,406	201,964,406
Dividend declared during the year	--	--	(121,178,644)	(121,178,644)
Balance as at 31 December 2016	195,000,000	64,497,724	264,335,892	523,833,616

The accompanying notes (1) to (29) form an integral part of these financial statements.

1. ORGANISATION AND ACTIVITIES

Leejam Sport Company is a Saudi Closed Joint Stock company ("the Company") which 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 number 4030180323 dated 19 Jumada II 1429H. In 2012, the Company's head office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration number 1010337986 dated 14 Jumada II, 1433H (May 6, 2012).

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

Location	C.R.	Date
Riyadh	1010439237	11/2/1437H
Riyadh	1010439239	11/2/1437H
Dammam	2050108503	15/5/1437H
Jazan	5900035652	21/3/1438H
Jeddah	4030248720	23/7/1434H
Jeddah	4030180323	19/6/1429H
Najran	5950032239	2/3/1437H
Taif	4032050910	29/1/1438H
UAE	10386214	03-Mar-15

The objectives of the Company are the 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 current activity is confined to managing sport centers according to the Deputy General President for Sport Affairs letter No.1435 and renting out premises.

The Company acquired trademark "Fitness Time", which was owned by Fitness Time Establishment (Fitness Time) and registered the same under the Company's name with the Ministry of Commerce & Industry/Department of trademark registration under the registration certificate number 1031/7 dated 25 Dhul-Hijjah 1429H (December 23, 2008) and for a period of 10 years renewable for a similar period or periods at the option of the Company for a nominal fee.

a) The Company owned 95% shareholding in Fitness Time, who discontinued their operations after transferring of trademark to the Company. The management believes that Fitness Time is immaterial to the Company hence; do not consolidate it in the financial statements of the Company.

1. ORGANISATION AND ACTIVITIES (CONTINUED)

The share capital of the Company is SR 195 million divided into 19.5 million shares of SR 10 each. As at 31 December 2016, the shareholders and their respective holdings are as follows:

	No. of shares	Share capital
Hamad Bin Ali Bin Saud Al Saqri	11,930,735	119,307,350
Target Opportunities for Trading Company	4,894,500	48,945,000
Latifa Mohammed Saleh Al Hakbani	861,774	8,617,740
Abdulmehsen Bin Ali Bin Moh. Al Hakbani	616,452	6,164,520
Saleh Bin Moh. Bin Saleh Al Hakbani	314,516	3,145,160
Nahla Ali Moh. Al Hakbani	251,613	2,516,130
Khalid Bin Ali Bin Moh. Al Hakbani	202,863	2,028,630
Ali Hamad Ali Moh. Al Saqri	141,344	1,413,440
Hessah Zaid Moh. Al Nasser	50,323	503,230
Waleed Bin Ali Bin Moh. Al Hakbani	62,903	629,030
Fahad Bin Ali Bin Moh. Al Hakbani	32,980	329,800
Nora Fahad Mo›tak Al Qahtani	66,048	660,480
Nada Ali Moh. Al Hakbani	18,871	188,710
Al Jazy Abdulaziz Abdullah Al Nasser	31,452	314,520
Nora Abdulaziz Abdullah Al Nasser	23,626	236,260
	19,500,000	195,000,000

The address of the Company's registered office is as follows:

Thumamah Street, PO Box 295245

Riyadh 11351, Kingdom of Saudi Arabia.

2. BASIS OF PREPERATION

Statement of compliance

These financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has amended its By-laws for any changes to align the By-laws to the provisions of The Law.

Basis of measurement

These financial statements have been prepared on the historical cost convention using the accrual basis of accounting and the going concern concept.

Use of estimates and judgments

The financial statements prepared by the management require the use of estimates and assumptions, which have an effect on the financial position, and results of operations. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Company:

a) Revenue

Revenues from subscription fees during the year are recognized based on accrual basis using the straight-line method over the term of subscription period and are stated net of discounts. Subscription received during the year and have not been earned are stated as deferred revenues under current liabilities.

Rental income is recognized on a straight-line basis over the term of the lease period.

b) Expenses

Advertising and marketing expenses principally comprise of costs incurred in the marketing and sale of the Company's services.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues or advertising and marketing expenses as required under accounting standards generally accepted in the Kingdom of Saudi Arabia.

Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

c) Financial assets and financial liabilities

The financial assets comprise cash and cash equivalents, trade accounts receivable and due from related parties. These financial assets are stated at their nominal values and reduced by an appropriate allowance for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include accounts payable, due to related parties, dividends payable and loans, which are stated at their nominal values.

d) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For certain categories of financial assets, such as accounts receivable, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis, Objective evidence of impairment for a portfolio of receivables could include an increase in the number of delayed payments in the portfolio past the credit period.

The carrying amount of the financial asset is reduced for the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable which are reduced through the use of an allowance account. When the accounts receivable are considered not to be recoverable, they are written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income. Changes in the carrying amount of the allowance account are recognized in the statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Goodwill

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 NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire 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.

Subsequent measurement

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

f) Property and equipment

Land is stated at cost and depreciable property and equipment are stated at cost less accumulated depreciation. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement when incurred. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation for the current and comparative years are as follows:

Buildings and construction	2.5% - 10%
Motor vehicles	20%
Sport tools and equipment	10%
Electrical equipment and Air-conditions	10%
Computers	20%
Furniture and office equipment	12.5%

g) Capital work in progress

Capital work-in-progress represents all costs relating directly to projects in progress and is capitalized as property and equipment when the project is completed. Depreciation on such assets is calculated only after asset is ready for its intended use.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

i) Impairment of non-current assets

The carrying amounts of the Company's non-current assets are reviewed at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Company compares the non-current asset's carrying amount with the non-discounted estimated cash flow from the asset's use. If the carrying amount exceeds the non-discounted cash flow from the asset, the Company estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered an impairment loss.

An impairment loss is recognized immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

j) Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

k) End-of-service indemnities

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

l) Zakat

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The zakat charge is computed on the higher of zakat or zakatable income base determined under GAZT regulations. Additional zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

m) Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee, rentals payable under operating leases are charged to the statement of income on a straight line basis over the term of the operating lease.

As lessor, rentals receivable under operating leases are recorded in the statement of income on a straight line basis over the term of the operating lease.

n) Dividends

Interim dividend are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

o) Operating segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

- Headquarter and central region
- Western region
- Eastern region
- International Region UAE

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying financial statements.

4. CASH AND BANK BALANCES

	2016	2015
Cash in hand	3,525,655	450,048
Cash at bank – current accounts	58,082,961	56,769,173
	61,608,616	57,219,221

5. SHORT TERM INVESTMENT

This represents short term investment in term deposit receipt of a commercial bank, carrying markup at the rate of 2.05% per annum, having original maturity of one month.

6. ACCOUNTS RECEIVABLE, NET

	2016	2015
Subscriptions and membership receivables	11,382,192	13,455,243
Rental receivables	1,845,441	4,528,273
	13,227,633	17,983,516
Allowance for accounts receivable		
Subscriptions and membership receivables	(3,812,679)	(2,320,428)
Rental receivables	(911,270)	(1,378,000)
	(4,723,949)	(3,698,428)
	8,503,684	14,285,088

6. ACCOUNTS RECEIVABLE, NET (CONTINUED)

6.1 Movement in allowance for accounts receivable is as follows:

	2016	2015
Balance at beginning of the year	3,698,428	3,698,428
Charge for the year		
Subscription and membership receivables (Note 20)	1,839,924	--
Write-off during the year		
Subscription and membership receivables	(347,673)	--
Rental receivables	(466,730)	--
	(814,403)	--
Balance at end of the year	4,723,949	3,698,428

The ageing of accounts receivable that were not impaired at the reporting is as follows:

	2016	2015
Neither past due nor impaired	5,971,503	5,296,482
Past due 0-30 days	1,339,493	4,342,296
Past due 31-60 days	1,030,566	1,579,040
Past due 61-90 days	119,622	2,057,416
Past due 91-120 days	42,500	1,009,854
Total accounts receivable	8,503,684	14,285,088

7. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Fitness Time Establishment	Subsidiary
The Shareholders	Owners
Board of Directors	Directors

The significant transactions and the related approximate amounts are as follows:

	2016	2015
Remuneration of key management personnel	16,526,070	14,834,248
Lease rentals paid to a shareholder against leasehold land	3,400,000	3,400,000
Initial public offering cost receivable from shareholders	3,162,481	243,171

In the normal course of business, transactions with related parties are carried out on an arm's length basis.

Due from a related party as of December 31, other than disclosed elsewhere in the financial statements, comprise the following:

	2016	2015
Fitness Time Establishment	35,450	35,450

8. PREPAYMENT AND OTHER CURRENT ASSETS

	2016	2015
Prepaid expenses		
Rent	36,396,973	33,959,710
Housing	4,066,090	3,521,199
Others	4,743,460	1,885,826
	45,206,523	39,366,735
Advances to suppliers and contractors	22,569,355	38,479,030
Allowance for impairment (Note 20)	(223,948)	--
	22,345,407	38,479,030
Consumables	6,797,139	4,606,222
Initial public offering cost due from shareholders (Note 8.1)	3,405,652	243,171
Other receivables	4,748,429	5,892,835
Allowance for impairment (Note 20)	(1,680,618)	(877,643)
	3,067,811	5,015,192
	80,822,532	87,710,350

8.1 This represents consultancy fees and other similar expenses incurred in relation to the initial public offering of the Company, which are recoverable from the shareholders.

9. PROPERTY AND EQUIPMENT, NET

	2016								
	Land	Building	Motor vehicle	Sport tools and equipment	Electrical equipment and air conditions	Computers	Furniture and office equip-ment	Capital work in progress (Note 9.2)	Total
Cost									
As at 1 January 2016	--	718,200,653	3,301,571	237,484,907	73,773,405	6,478,350	6,164,290	75,419,529	1,120,822,705
Additions during the year	48,936,000	23,684,720	224,170	9,525,231	5,345,389	5,352,711	797,308	244,154,927	338,020,456
Transfers during the year	--	77,230,174	--	43,301,069	--	--	--	(120,531,243)	--
Write off during the year	--	--	--	(5,364,314)	--	--	--	--	(5,364,314)
As at 31 December 2016	48,936,000	819,115,547	3,525,741	284,946,893	79,118,794	11,831,061	6,961,598	199,043,213	1,453,478,847
Accumulated depreciation									
As at 1 January 2016	--	(126,158,580)	(2,338,129)	(70,355,890)	(24,897,673)	(4,231,544)	(2,279,337)	--	(230,261,153)
Charge for the year	--	(45,433,344)	(482,631)	(24,584,062)	(7,582,569)	(838,435)	(839,847)	--	(79,760,888)
Eliminated on write offs	--	--	--	2,466,952	--	--	--	--	2,466,952
As at 31 December 2016	--	(171,591,924)	(2,820,760)	(92,473,000)	(32,480,242)	(5,069,979)	(3,119,184)	--	(307,555,089)
NBV as at 31 December 2016	48,936,000	647,523,623	704,981	192,473,893	46,638,552	6,761,082	3,842,414	199,043,213	1,145,923,758
NBV as at 31 December 2015	--	592,042,073	963,442	167,129,017	48,875,732	2,246,806	3,884,953	75,419,529	890,561,552

9. PROPERTY AND EQUIPMENT, NET

9.1 The depreciation charge for the years ended 31 December has been allocated as follows:

	2016	2015
Cost of revenue (note 18)	77,637,215	66,162,365
General and administrative expenses (note 20)	2,123,673	1,501,607
	79,760,888	67,663,972

9.2 This represents construction costs and capital equipment amounting to SAR 141.3 and SAR 57.7 (2015: SAR 48 and SAR 27) million, respectively. The capital equipment mainly represent items of gym, which will become available for use upon completion of the construction work.

9.3 During the year ended 31 December 2016, the Company acquired two running fitness clubs located in Dwadmi and Khaleej, along with their entire customer base. The acquisition will enable the Company to save time required to construct new clubs.

a. Consideration transferred

The fair value of consideration transferred on the acquisition date was as follows:

	2016
Cash	24,500,000

b. Acquisition related cost

The Company incurred acquisition related cost that has been included in general and administrative expenses.

c. Identifiable assets acquired and liabilities assumed

The following table summarized the summary of identifiable assets acquired and liabilities assumed because of the acquisition.

	2016
Property and equipment (note 9.3d)	15,054,456
Liabilities *	--
Total identifiable assets acquired	15,054,456
Purchase consideration (note 9.3a)	24,500,000
Goodwill recognized on business combination	9,445,544

* The acquisition does not involve transfer of any liability to the Company.

d. The market comparison technique and cost technique was used for the valuation of property and equipment acquired. The valuation model considers quoted market price for similar items when they are available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

e. The Company has performed the impairment testing of goodwill as of 31 December 2016. The recoverable amount of the two acquired clubs are calculated based on a value in use calculation using cash flow projections approved by senior management covering 5 and 15 years. The discount rate applied to cash flow projections is 4%. As the recoverable amount exceeded the carrying amount of goodwill, the Company has assessed that there is no impairment in goodwill.

10. LOANS AND BORROWINGS

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.

These facilities are subject to various floating and fixed Saudi interbank prevailing commercial commission rates ranging from SIBOR +1.5% to Fixed 5.20% and are secured by promissory notes and unconditional personal guarantees issued by some major shareholders of the Company. These facilities are due to mature on or before September 2023G and has been classified into current and non-current based on their contractual maturities.

As at December 31, the following amounts are outstanding in relation to these facilities:

	2016	2015
Current liabilities		
Short term loan	24,220,338	--
Current portion of long term loans	60,090,699	62,877,775
	84,311,037	62,877,775
Non-current liabilities		
Non - current portion of long term loans	357,420,123	217,044,381
Total loans and borrowings	441,731,160	279,922,156

11. ACCOUNTS PAYABLE

	2016	2015
Accounts payable to:		
Suppliers	19,909,411	16,775,189
Contractors	3,765,306	9,920,241
	23,674,717	26,695,430

12. DEFERRED REVENUE

	2016	2015
Deferred subscription revenue		
subscription income	209,356,107	170,710,014
personal training	4,994,792	2,441,081
	214,350,899	173,151,095
Deferred rental income	3,504,716	2,941,289
	217,855,615	176,092,384

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2016	2015
Rent (note 13.1)	47,315,721	43,530,461
Accrued expenses	38,664,829	31,013,086
Provision for write off of property and equipment (note 13.2)	5,216,664	2,169,646
Advance from customers	1,452,889	1,104,779
	92,650,103	77,817,972

13.1 This represents the liability related to the rent free period on certain leasehold properties of the Company.

13.2This represents a provision recognized on account of probable write-offs of property and equipment as a result of on-going comprehensive exercise of physical verification.

14. ZAKAT

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

	2016	2015
Share capital	195,000,000	195,000,000
Retained earnings	264,335,892	183,488,618
Reserves	64,497,724	64,497,724
Adjusted income for the year	215,479,140	180,984,350
Non-current assets	1,155,416,802	890,609,052

The movement in provision for zakat is as follow:

	2016	2015
Balance as at 01 January	7,027,869	4,173,918
Provision for the year	4,306,367	6,522,662
Paid during the year	(4,720,573)	(3,668,711)
Balance as at 31 December	6,613,663	7,027,869

15. EMPLOYEES' END OF SERVICE BENEFITS

	2016	2015
Balance as at 01 January	12,528,002	8,504,530
Provision for the year	6,007,560	4,571,218
Paid during the year	(1,105,403)	(547,746)
Balance as at 31 December	17,430,159	12,528,002

16. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve equals 30% of the share capital. No such transfer was made during the year as the total reserves equal to the 30% of the share capital. This reserve is not available for dividend distribution.

17. REVENUE

	2016	2015
Revenue		
Membership and subscription income	666,308,598	575,999,591
Personal training	25,235,185	9,829,035
Rentals	9,340,800	9,010,537
	700,884,583	594,839,163

18. COST OF REVENUE

	2016	2015
Salaries and related benefits	134,310,237	112,973,479
Depreciation (Note 9)	77,637,215	66,162,365
Rent expenses	65,897,494	54,773,077
Water and electricity	43,280,102	36,367,051
Cleaning and services expenses	29,335,792	24,314,326
Maintenance and repair	17,561,283	15,960,521
Consumables	10,200,409	7,557,865
Governmental and recruiting expenses	3,196,974	2,249,223
Security and safety	2,553,272	3,822,201
Telecommunications and subscriptions	1,709,330	2,222,972
Stationery	855,917	1,035,514
Supervision and training allowance	793,794	498,404
Other expenses	5,540,946	4,666,827
	392,872,765	332,603,825

19. ADVERTISING AND MARKETING EXPENSES

	2016	2015
Advertising and marketing	12,122,512	14,794,101
FC Barcelona (note 19.1)	7,442,498	3,517,486
Salaries and related benefits	6,029,744	3,339,679
	25,594,754	21,651,266

19.1 This includes contractual fees incurred in respect of commercial rights and licenses under regional partnership agreement with Football Club Barcelona.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Salaries and related benefits	39,321,032	29,822,737
Governmental and recruiting expenses	1,185,423	2,737,285
Water, electricity and telephone	4,379,050	1,897,677
Allowance for impairment in:		
Subscription and membership receivables (Notes 6)	1,839,924	--
Advance to suppliers (Note 8)	223,948	--
Other current assets (Note 8)	802,975	--
	2,866,847	--
Professional fees	2,409,809	2,852,903
Depreciation (Note 9)	2,123,673	1,501,607
Maintenance, repair and cleaning	1,297,308	471,325
Rent expenses	987,297	809,926
Stationery	182,349	917,194
Property and equipment written off	2,897,362	5,247,914
Donations	499,996	315,000
Vehicles expenses	142,973	451,706
Hospitality expenses	38,489	82,521
Others	4,245,478	682,459
	62,577,086	47,790,254

21. OPERATING LEASE ARRANGEMENTS

	2016	2015
Payments under operating leases recognized as an expense during the year		
- Cost of revenue	65,897,494	54,773,077
- General and administrative expense	987,297	809,926
	66,884,791	55,583,003

Operating lease payments represent rentals payable by the company for fitness centers and labor accommodation under leases:

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

	2016	2015
Less than one year	90,814,315	60,868,470
More than one year and less than five years	344,076,232	299,339,158
More than five years	785,402,407	817,410,318
	1,220,292,954	1,177,617,946
Operating lease revenues recognized as income during the year	9,340,800	9,010,537

Operating lease collections represent rentals receivable by the Company for properties leased to the third parties. The lease term is for one year and renewable.

22. EARNINGS PER SHARE

The earnings per share from net income has been computed by dividing the net income over the weighted average number of shares outstanding during the year, which consists of 19.5 million shares.

The earnings per share, from continuing activities, has been computed by dividing the operating income amount net of the due zakat on the main continuing activities over the weighted average number of shares outstanding during the year which consists of 19.5 million shares.

The earning per share from other activities has been computed by dividing the other income from the other activities net of the zakat due on the other activities over the weighted average number of shares outstanding during the year, which consists of 19.5 million shares.

23. CASH AND CASH EQUIVALENTS

	2016	2015
Cash and bank balances (Note 4)	61,608,616	57,219,221
Short term investments (Note 5)	50,000,000	--
	111,608,616	57,219,221

24. CAPITAL COMMITMENTS

As at 31 December 2016, the Company had capital commitments for contracts for setting up sport centers and clubs amounting to SR 49,712,028 (2015: SR 108,232,600).

25. DIVIDEND

In the board meeting held on 19 November 2015, the board recommended the distribution of 60% of the quarterly net income as a dividend on an on-going basis, which was subsequently ratified by the shareholders in their meeting held on 22 March 2016.

26. OPERATINGS SEGMENTS

As at and for period ended 31 Dec 2016	Segment				Total SR
	Headquarter and Central Region SR	Western Region SR	Eastern Region SR	International Region (UAE) SR	
Revenue	380,542,778	210,289,952	100,113,373	9,938,480	700,884,583
Cost of revenue	(205,290,330)	(111,602,124)	(62,720,715)	(13,259,596)	(392,872,765)
Gross profit/ (loss)	175,252,448	98,687,828	37,392,657	(3,321,115)	308,011,818
Net income	117,363,273	67,293,979	23,924,058	(6,616,904)	201,964,406
Total assets	705,257,283	424,464,689	182,103,962	44,561,150	1,356,387,084
Total liabilities	556,793,390	160,756,361	82,902,321	32,101,396	832,553,468

As at and for period ended 31 Dec 2015	Segment				Total SR
	Headquarter and Central Region SR	Western Region SR	Eastern Region SR	International Region (UAE) SR	
Revenue	320,490,343	195,244,849	74,791,269	4,312,702	594,839,163
Cost of revenue	(173,768,444)	(105,086,464)	(42,895,036)	(10,853,881)	(332,603,825)
Gross profit/ (loss)	176,721,899	90,158,385	31,896,233	(6,541,179)	292,235,338
Net income	116,451,777	58,790,459	16,275,645	(10,533,531)	180,984,350
Total assets	437,018,803	377,073,455	187,774,887	47,992,016	1,049,859,161
Total liabilities	325,368,297	219,875,802	46,961,877	14,605,331	606,811,307

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets of the Company comprise principally cash and cash equivalents, accounts receivables and other current assets. Financial liabilities of the Company comprise of short-term and long-term borrowings, accounts payable and certain other current liabilities.

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its commission bearing liabilities on bank borrowings. The Company manages its commission rate risk by maintaining floating rate term loans at an acceptable level.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to receivables by setting credit limits for individual customers and monitoring outstanding receivables. The Company's bank balances are placed with reputable local banks.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that an enterprise 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.

As at 31 December 2016, current liabilities of the Company exceeded its current assets by SAR 256.7 million, however, as the current liabilities includes SAR 217.9 million of deferred income representing fee received in advance, the Company is not exposed to any significant liquidity risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. The foreign currency risk with respect to the US Dollars is limited as the Saudi Riyals is pegged to the US Dollar.

28. CORRESPONDING FIGURES

Certain corresponding figures in these financial statements have been rearranged and reclassified, wherever necessary, for better presentation and disclosures.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issuance by Board of Director on 23 February 2017G.

LEEJAM SPORTS COMPANY

(A Saudi Closed Joint Stock Company)

Special Purpose Financial Statements

For the year ended 31 December 2016

together with the

Independent Auditors' Report

KPMG Al Fozan & Partners
Certified Public Accountants
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Licence No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT ON THE SPECIAL PURPOSE FINANICIAL STATEMENTS

The Shareholders
Leejam Sports Company
Riyadh, Saudi Arabia
Saudi Closed Joint Stock Company

We have audited the accompanying special purpose financial statements (the "financial statements") of Leejam Sports Company ("the Company") which comprise the special purpose statement of financial position as at 31 December 2016 and the related special purpose statements of profit or loss, other comprehensive income, changes in shareholders' equity and cash flows for the year then ended and the attached notes 1 through 34 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of preparation described in Note 2a to these financial statements 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the accompanying special purpose financial statements of Leejam Sports Company for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the basis of preparation described in Note 2a to the financial statements.

Restriction on Distribution and Use

We draw attention to Note 2a to the financial statements, which describes the basis of preparation. These financial statements and our report thereon are intended solely for the Company's management for submitting to Capital Market Authority and should not be used for any other purpose.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

Date: 03 Jumada' II, 1438H
Corresponding to: 02 March 2017

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Notes	2016	2015
ASSETS			
Non-current assets			
Property and equipment, net	(4)	1,145,923,758	890,561,552
Goodwill	(5)	9,445,544	--
Investment in an unconsolidated subsidiary	(1a)	47,500	47,500
Total non-current assets		1,155,416,802	890,609,052
Current assets			
Trade receivables	(6)	8,503,684	14,285,088
Due from a related party	(7)	35,450	35,450
Prepayments and other current assets	(8)	80,822,532	87,710,350
Short term investment	(9)	50,000,000	--
Cash and bank balances	(10)	61,608,616	57,219,221
Total current assets		200,970,282	159,250,109
Total assets		1,356,387,084	1,049,859,161
EQUITY AND LIABILITES			
Equity			
Share capital	(11)	195,000,000	195,000,000
Statutory reserve		64,497,724	64,497,724
Retained earnings		264,266,835	183,488,618
Total equity		523,764,559	442,986,342
Liabilities			
Non-current liabilities			
Loans and borrowings	(12)	357,420,123	217,044,381
Defined benefit obligation – employees	(13)	17,499,216	12,589,514
Total non-current liabilities		374,919,339	229,633,895
Current liabilities			
Loans and borrowings	(12)	84,311,037	62,877,775
Accounts payable	(14)	23,674,717	26,695,430
Accrued expenses and other current liabilities	(15)	92,650,103	77,817,972
Deferred revenue	(16)	217,855,615	176,092,384
Dividend payable		32,598,051	26,727,494
Provision for zakat	(17)	6,613,663	7,027,869
Total current liabilities		457,703,186	377,238,924
Total liabilities		832,622,525	606,872,819
Total equity and liabilities		1,356,387,084	1,049,859,161

The accompanying notes (1) to (34) form an integral part of these financial statements

LEEJAM SPORT COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016
(Expressed in Saudi Arabian Riyals)

	Notes	2016	2015
Revenue	(18)	700,884,583	594,839,163
Cost of revenue	(19)	(391,944,246)	(331,414,373)
Gross profit		308,940,337	263,424,790
Advertising and marketing expenses	(20)	(25,396,708)	(21,617,060)
General and administrative expenses	(21)	(62,538,347)	(47,586,473)
Other income		677,057	4,005,531
Operating profit		221,682,339	198,226,788
Finance costs	(22)	(14,246,262)	(9,292,337)
Net profit before Zakat		207,436,077	188,934,451
Zakat	(17)	(4,306,367)	(6,522,662)
Net profit for the year		203,129,710	182,411,789
Earnings per share	(23)	10.41	9.35

The accompanying notes (1) to (34) form an integral part of these financial statements.

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Note	2016	2015
Net profit for the year		203,129,710	182,411,789
Other comprehensive income Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit liability – employees' benefits	(13)	(1,172,849)	(1,488,951)
Total comprehensive income for the year		201,956,861	180,922,838

The accompanying notes from (1) to (34) form an integral part of these financial statements.

LEEJAM SPORT COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2016
(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2015	195,000,000	46,399,289	204,593,600	445,992,889
Net profit for the year	--	--	182,411,789	182,411,789
Other comprehensive income	--	--	(1,488,951)	(1,488,951)
Total comprehensive income for the year	--	--	180,922,838	180,922,838
Transfer to statutory reserve	--	18,098,435	(18,098,435)	--
Dividend declared during the year	--	--	(183,929,385)	(183,929,385)
Balance as at 31 December 2015	195,000,000	64,497,724	183,488,618	442,986,342
Balance as at 1 January 2016	195,000,000	64,497,724	183,488,618	442,986,342
Net profit for the year	--	--	203,129,710	203,129,710
Other comprehensive income	--	--	(1,172,849)	(1,172,849)
Total comprehensive income for the year	--	--	201,956,861	201,956,861
Dividend declared during the year	--	--	(121,178,644)	(121,178,644)
Balance as at 31 December 2016	195,000,000	64,497,724	264,266,835	523,764,559

The accompanying notes (1) to (34) form an integral part of these financial statements.

LEEJAM SPORT COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(Expressed in Saudi Arabian Riyals)

	Notes	2016	2015
OPERATING ACTIVITIES			
Net profit before zakat		207,436,077	188,934,451
Adjustments for non-cash items:			
Depreciation	(4)	79,760,888	67,663,972
Employees' benefits	(13)	4,842,256	3,143,779
Gain on disposal of property and equipment		--	(1,458,694)
Property and equipment written-off	(21)	2,897,362	5,247,914
Allowance for impairment in trade receivables	(6)	1,839,924	--
Provision for advances to suppliers	(8)	223,948	--
Provision for other current assets	(8)	802,975	--
		297,803,430	263,531,422
Changes in operating assets and liabilities			
Decrease in trade receivables		3,941,481	101,947
Due from a related party		--	4,550
Decrease/ (increase) in prepayments and other current assets		5,860,895	(29,426,167)
Decrease in accounts payable		(3,020,713)	(12,036,059)
Increase in deferred revenue		41,763,231	21,074,951
Increase in accrued expenses and other current liabilities		14,832,131	23,529,666
Cash from operations		361,180,455	266,780,310
Zakat paid		(4,720,573)	(3,668,711)
Employees' benefits paid		(1,105,403)	(547,746)
Net cash generated from operating activities		355,354,479	262,563,853
INVESTING ACTIVITIES			
Additions to property and equipment		(322,966,000)	(198,348,028)
Consideration paid for business combination	(5)	(24,500,000)	--
Net cash used in investing activities		(347,466,000)	(198,348,028)
FINANCING ACTIVITIES			
Dividend paid		(115,308,096)	(157,168,443)
Proceeds from loans and borrowings		221,884,741	134,010,693
Repayment of loans and borrowings		(60,075,729)	(55,241,375)
Net cash generated from /(used in) financing activities		46,500,916	(78,399,125)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		54,389,395	(14,183,300)
Cash and cash equivalents at beginning of the year		57,219,221	71,402,521
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(24)	111,608,616	57,219,221

The accompanying notes (1) to (34) form an integral part of these financial statements

1. ORGANISATION AND ACTIVITIES

Leejam Sport Company is a Saudi Closed Joint Stock company ("the Company") which 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 number 4030180323 dated 19 Jumada II 1429H. In 2012, the Company's Head Office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration number 1010337986 dated 14 Jumada II, 1433H (May 6, 2012).

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

Location	C.R.	Date
Riyadh	1010439237	11/2/1437H
Riyadh	1010439239	11/2/1437H
Dammam	2050108503	15/5/1437H
Jazan	5900035652	21/3/1438H
Jeddah	4030248720	23/7/1434H
Jeddah	4030180323	19/6/1429H
Najran	5950032239	2/3/1437H
Taif	4032050910	29/1/1438H
UAE	10386214	03-Mar-15

The objectives of the Company are the 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 current activity is confined to managing sport centers according to the Deputy General President for Sport Affairs letter No.1435 and renting out premises.

The Company acquired trademark "Fitness Time", which was owned by Fitness Time Establishment (Fitness Time) and registered the same under the Company's name with the Ministry of Commerce & Industry/Department of trademark registration under the registration certificate number 1031/7 dated 25 Dhul-Hijjah 1429H (December 23, 2008) and for a period of 10 years renewable for a similar period or periods at the option of the Company for a nominal fee.

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has amended its By-laws for any changes to align the By-laws to the provisions of The Law.

a) The Company owned 95% shareholding in Fitness Time, which 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.

1. ORGANISATION AND ACTIVITIES (CONTINUED)

The share capital of the Company is SR 195 million divided into 19.5 million shares of SR 10 each. As at 31 December 2016, the shareholders and their respective holdings are as follows:

	No. of shares	Share Capital
Hamad Bin Ali Bin Saud Al Saqri	11,930,735	119,307,350
Target Opportunities for Trading Company	4,894,500	48,945,000
Latifa Mohammed Saleh Al Hakbani	861,774	8,617,740
Abdulmehsen Bin Ali Bin Moh. Al Hakbani	616,452	6,164,520
Saleh Bin Moh. Bin Saleh Al Hakbani	314,516	3,145,160
Nahla Ali Moh. Al Hakbani	251,613	2,516,130
Khalid Bin Ali Bin Moh. Al Hakbani	202,863	2,028,630
Ali Hamad Ali Moh. Al Saqri	141,344	1,413,440
Hessah Zaid Moh. Al Nasser	50,323	503,230
Waleed Bin Ali Bin Moh. Al Hakbani	62,903	629,030
Fahad Bin Ali Bin Moh. Al Hakbani	32,980	329,800
Nora Fahad Mo'tak Al Qahtani	66,048	660,480
Nada Ali Moh. Al Hakbani	18,871	188,710
Al Jazy Abdulaziz Abdullah Al Nasser	31,452	314,520
Nora Abdulaziz Abdullah Al Nasser	23,626	236,260
	19,500,000	195,000,000

The address of the Company's registered office is as follows:

Thumamah Street

PO Box 295245

Riyadh 11351

Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Statement of compliance

These special purpose financial statements have been prepared by the management of the Company for internal reporting purposes and its preparation to adopt the International Financial Reporting Standards (IFRSs). There is a possibility that the accompanying special purpose financial statements may require adjustment because of revisions of or changes to standards or interpretations of the International Accounting Standards Board, before constituting the final IFRS financial statements as at 31 December 2017G when the Company will prepare its first complete set of IFRS financial statements.

(b) Basis of measurement

The accompanying financial statements have been prepared on a going concern basis under the historical cost convention except for employees' benefits which are measured at present value using actuarial techniques.

2. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statement is included in the following notes;

- Note 26 and Note 3(n) - Lease: whether an arrangement contains a lease;
- Note 26 and Note 3(n) - Lease classification

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017G is included in the following notes:

- Note 13 - Measurement of defined benefit obligation: key actuarial assumptions
- Note 5 and Note 3(c) – Impairment of goodwill

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are as follows:

a. Property and equipment

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

The estimated useful life of the principal classes of assets is as follows:

Buildings	2.5% – 10%
Motor vehicles	20%
Sport tool and equipment	10%
Electrical equipment and air conditions	10%
Furniture and office equipment	12.5%
Computers	20%

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Property and equipment (continued)

Subsequent costs

Subsequent cost is capitalized only if it is probable that the future economic benefits associated with the cost will flow to the Company. All other subsequent cost are charged to profit or loss when incurred.

b. Capital work in progress

Capital work in progress is stated at cost 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.

c. Goodwill

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 NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire,

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.

Subsequent measurement

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

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

e. Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction 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 and, otherwise, such costs are charged to the statement of profit or loss.

f. Employees' benefits – defined benefit plan

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in other comprehensive income which are not reclassified to profit or loss in the subsequent periods. The Company determines the net interest expense on net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the – then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expense related to defined benefit plan are recognized in the profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial instruments

The Company classifies non derivative financial assets in to the following categories; financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

The Company classifies non derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

(i) Non- derivative financial assets - measurement

Financial assets at fair value through profit or loss

These include financials assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. The Company has not designated any financial assets at fair value through profit or loss.

Directly attributable transaction cost are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit or loss.

Held to maturity financial assets

These represents short term investments which are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Loans and receivables

These financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Loans and receivables comprise cash and cash equivalents, and trade and certain other receivables.

Available for sale financial assets

These are initially measured at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain and loss accumulated in equity is reclassified to profit and loss. The Company has not designated any financial assets as available for sale.

De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial instruments (continued)

(ii) Non- derivative financial liabilities

The financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include loans and borrowing, accounts payable, due to related parties, dividends payable, accrued expense and other current liabilities which are stated at their carrying values.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The financial assets are assessed for indicators of impairment at each statement of financial position date. Non derivative financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables with similar risk characteristics.

The carrying amount of the financial asset is reduced for the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable which are reduced through the use of an allowance account. When the accounts receivable are considered not to be recoverable, they are written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of profit or loss. Changes in the carrying amount of the allowance account are recognized in the profit or loss account.

h. Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

i. Zakat

The Company is subject to zakat in accordance with the regulations of Saudi General Authotiry of Zakat and Tax ("GAZT"). The zakat charge is computed in accordance with GAZT regulations. Additional zakat if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

j. Revenue

Revenue, which is stated net of discounts, is measured at the fair value of the consideration receivable for services supplied. Subscription fees is recognized as revenue as and when related services are rendered. The subscription fee received in advance is initially recognized as deferred revenue and subsequently amortized over the subscription period.

Rental income is recognized on a straight-line basis over the term of the lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Fair value measurement

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

l. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the statement of income currently.

n. Leases

Determining whether an arrangement contain a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contain a lease, the Company separates payments and other consideration required by the arrangement into lease and those for other elements on the basis of their relative fair value.

Leased assets

Asset held by the Company under lease that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance lease. The Company has not entered into any such arrangement during the year.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease paym ents

Payments made under operating leases are recognised in statement of profit and loss on a straight line basis over the term of lease. Lease incentive received are recognised as an integral part of the total lease expense, over the term of lease.

o. Earnings per share

The Company presents basics earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

p. Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve equals 30% of the share capital. No such transfer was made during the year as the total reserves equal to the 30% of the share capital. This reserve is not available for dividend distribution.

q. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017G and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these special purpose financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Standards issued but not yet effective (continued)

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Standards issued but not yet effective (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

iv. Hedge accounting

IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised.

v. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Standards issued but not yet effective (continued)

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Company's' financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

r. New currently effective requirements

The following standards/ amendments are effective during the year, however, the adoption of these standards/ amendments has no effect on the Company's financial statements.

- IFRS 14 Regulatory Deferral Accounts: First specific IFRS guidance on rate-regulated activities.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11): Requires business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Further it clarifies the accounting for additional interests in a joint operation where joint operator retains control.
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38): Explicitly bans the use of revenue-based methods of depreciation for property, plant and equipment. Further, it introduces restrictions on the use of revenue-based amortization for intangible assets.
- Agriculture - Bearer Plants (Amendments to IAS 16 and IAS 41): Changes the scope of Bearer plants from IAS 41 Agriculture to IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41.
- Equity Method in Separate Financial Statements (Amendments to IAS 27) allow use of equity method for separate financial statements.
- Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1): Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports.

4. PROPERTY AND EQUIPMENT

	Land	Building	Motor vehicle	Sport tools and equipment	Electrical equipment and air conditioners	Computers	Furniture and office equipment	Capital work in progress	Total
Cost									
As at 1 January 2015	51,422,160	510,439,598	3,339,071	189,737,659	63,719,693	5,597,268	4,704,559	153,320,497	982,280,505
Additions during the year	--	11,651,441	--	39,748,433	10,053,712	1,396,368	1,459,731	134,038,342	198,348,027
Transfers during the year	--	199,853,744	--	12,085,566	--	--	--	(211,939,310)	--
Write offs during the year	(51,422,160)	(3,744,130)	(37,500)	(4,086,751)	--	(515,286)	--	--	(59,805,827)
As at 31 December 2015	--	718,200,653	3,301,571	237,484,907	73,773,405	6,478,350	6,164,290	75,419,529	1,120,822,705
As at 1 January 2016	--	718,200,653	3,301,571	237,484,907	73,773,405	6,478,350	6,164,290	75,419,529	1,120,822,705
Additions during the year	48,936,000	12,758,740	224,170	6,704,010	4,417,189	5,213,661	557,303	244,154,927	322,966,000
Acquisition through business combination (note 5)	--	10,925,980	--	2,821,221	928,200	139,050	240,005	--	15,054,456
Transfers during the year	--	77,230,174	--	43,301,069	--	--	--	(120,531,243)	--
Write offs during the year	--	--	--	(5,364,314)	--	--	--	--	(5,364,314)
As at 31 December 2016	48,936,000	819,115,547	3,525,741	284,946,893	79,118,794	11,831,061	6,961,598	199,043,213	1,453,478,847
Accumulated depreciation									
As at 1 January 2015	--	(89,372,011)	(1,917,011)	(51,673,421)	(18,014,884)	(3,201,009)	(1,584,598)	--	(165,762,934)
Charge for the year	--	(37,988,920)	(458,618)	(20,503,790)	(6,882,789)	(1,105,116)	(694,739)	--	(67,633,972)
Eliminated on write offs	--	1,202,351	37,500	1,821,321	--	74,581	--	--	3,135,753
As at 31 December 2015	--	(126,158,580)	(2,338,129)	(70,355,890)	(24,897,673)	(4,231,544)	(2,279,337)	--	(230,261,153)
As at 1 January 2016	--	(126,158,580)	(2,338,129)	(70,355,890)	(24,897,673)	(4,231,544)	(2,279,337)	--	(230,261,153)
Charge for the year	--	(45,433,344)	(482,631)	(24,584,062)	(7,582,569)	(838,435)	(839,847)	--	(79,760,888)
Eliminated on write offs	--	--	--	2,466,952	--	--	--	--	2,466,952
As at 31 December 2016	--	(171,591,924)	(2,820,760)	(92,473,000)	(32,480,242)	(5,069,979)	(3,119,184)	--	(307,555,089)
NBV as at 31 December 2015	--	592,042,073	963,442	167,129,017	48,875,732	2,246,806	3,884,953	75,419,529	890,561,552
NBV as at 31 December 2016	48,936,000	647,523,623	704,981	192,473,893	46,638,552	6,761,082	3,842,414	199,043,213	1,145,923,758

4. PROPERTY AND EQUIPMENT (CONTINUED)

4.1 Depreciation charge for the years ended 31 December has been allocated as follows

	2016	2015
Cost of revenue (note 19)	77,637,215	66,162,365
General and administrative expenses (note 21)	2,123,673	1,501,607
	79,760,888	67,663,972

4.2 This represents construction costs and capital equipment amounting to SAR 141.3 million and SAR 57.7 million (2015: SAR 48 million and SAR 27 million), respectively. The construction costs include an amount of SAR 2.7 million (2015: 1.7 million) in respect of borrowing costs. The capital equipment mainly represent items of gym, which will become available for use upon completion of the construction work.

4.3 The costs of clubs completed and transferred to buildings include an amount of capitalized borrowing cost amounting to SAR 1.5 million (2015: SAR 2.4 million), calculated using a capitalization rate of 4.22% (2015: 4.22%).

5. GOODWILL

During the year ended 31 December 2016, the Company acquired two running fitness clubs located in Dwadmi and Khaleej, along with their entire customer base. The acquisition has enabled the Company to save time required to construct new clubs.

a. Consideration transferred

The fair value of consideration transferred on the acquisition date was as follows:

	2016
Cash	24,500,000

b. Acquisition related costs

The Company incurred acquisition related costs that have been included in general and administrative expenses for the year.

c. Identifiable assets acquired and liabilities assumed

The summary of identifiable assets acquired and liabilities assumed because of the acquisition is as follows:

	2016
Property and equipment (note 4 and note 5d)	15,054,456
Liabilities*	--
Total identifiable assets acquired	15,054,456
Purchase consideration (note 5a)	24,500,000
Goodwill recognized on business combination	9,445,544

* The acquisition does not involve transfer of any liability to the Company.

5. GOODWILL (CONTINUED)

d. The market comparison technique and cost technique was used for the valuation of property and equipment acquired. The valuation model considers quoted market price for similar items when they are available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

e. The Company has performed the impairment testing of goodwill as of 31 December 2016. The recoverable amount of the two acquired clubs are calculated based on a value in use calculation using cash flow projections approved by senior management covering 5 and 15 years. The discount rate applied to cash flow projections is 4%. As the recoverable amount exceeded the carrying amount of goodwill, the Company has assessed that there is no impairment in goodwill.

6. TRADE RECEIVABLES

	2016	2015
Subscriptions and membership receivables	11,382,192	13,455,243
Rentals receivables	1,845,441	4,528,273
	13,227,633	17,983,516
Allowance for impairment		
- Subscriptions and membership receivables	(3,812,679)	(2,320,428)
- Rental receivables	(911,270)	(1,378,000)
	(4,723,949)	(3,698,428)
	8,503,684	14,285,088

Movement in allowance for impairment is as follows:

	2016	2015
Balance at beginning of the year	3,698,428	3,698,428
Charge for the year		
- subscription and membership receivables	1,839,924	--
Write-offs during the year		
- subscription and membership receivables	(347,673)	--
- rentals receivables	(466,730)	--
	814,403	--
Balance at end of the year	4,723,949	3,698,428

7. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of its shareholders, subsidiary company and key management personnel. The transactions and balances with related parties are made on terms equivalent for those that prevails in an arm's length transactions.

The significant transactions and the related approximate amounts are as follows:

	2016	2015
Remuneration of key management personnel	16,526,070	14,834,248
Lease rentals paid to a shareholder	3,400,000	3,400,000
Initial public offering cost receivable from shareholders (note 8.1)	3,162,481	243,171

7. RELATED PARTY TRANSACTIONS (CONTINUED)

Due from related parties as of December 31, comprise the following:

	2016	2015
Fitness Time Establishment	35,450	35,450

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2016	2015
Prepaid expenses:		
- Rent	36,396,973	33,959,710
- Housing	4,066,090	3,521,199
- Others	4,743,460	1,885,826
	45,206,523	39,366,735
Advances to suppliers and contractors	22,569,355	38,479,030
Provision for doubtful advances (Note 21)	(223,948)	--
	22,345,407	38,479,030
Initial public offering cost receivable from shareholders (note 8.1)	3,405,652	243,171
Consumables	6,797,139	4,606,222
Other current assets	4,748,429	5,892,835
Provision for doubtful balances(Note 21)	(1,680,618)	(877,643)
	3,067,811	5,015,192
	80,822,532	87,710,350

8.1 This represents consultancy fees and other similar expenses incurred in relation to the initial public offering of the Company, which are recoverable from the shareholders.

9. SHORT TERM INVESTMENT

This represents short term investment in term deposit receipt of a commercial bank, carrying markup at the rate of 2.05% per annum, with maturity of one month.

10. CASH AND BANK BALANCES

	2016	2015
Cash in hand	3,525,655	450,048
Cash at bank – current accounts	58,082,961	56,769,173
	61,608,616	57,219,221

11. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 195 million (2015: SR 195 million) divided into 19.5 million shares with a nominal value SR 10 each.

12. LOANS AND BORROWINGS

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.

These facilities are subject to various floating and fixed Saudi interbank prevailing commercial commission rates ranging from SIBOR + 1.5% to Fixed 5.20% and are secured by promissory notes and unconditional personal guarantees issued by some major shareholders of the Company. These facilities are due to mature on or before September 2023 and has been classified into current and non-current based on their contractual maturities.

As of December 31, the following amounts are outstanding in relation to these facilities:

	2016	2015
Non-current liabilities		
Non - current portion of long term loans	357,420,123	217,044,381
Current liabilities		
Short term loan	24,220,338	--
Current portion of long term loans	60,090,699	62,877,775
	84,311,037	62,877,775
Total loans and borrowings	441,731,160	279,922,156

13. DEFINED BENEFIT OBLIGATION– EMPLOYEES

	2016	2015
Present value of defined benefit obligation	17,499,216	14,834,248

Movement in the present value of the defined benefit obligations

	2016	2015
Balance as at 1 January	12,589,514	8,504,530
Benefits paid by the Company	(1,105,403)	(547,746)
Current service costs and interest	4,842,256	3,143,779
Remeasurement losses	1,172,849	1,488,951
Balance as at 31 December	17,499,216	12,589,514
Expenses recognized in the statement of profit or loss		
Current service cost	4,360,783	2,813,866
Interest on obligation	481,473	329,913
	4,842,256	3,143,779
Key actuarial assumptions		
- Discount rate used	3.5%	4.0%
- Future growth in salary	2.0%	3.0%

13. DEFINED BENEFIT OBLIGATION– EMPLOYEES (CONTINUED)

Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2016	Increase	Decrease
Discount rate (1% movement)	(991,156)	885,977
Future salary increases (1% movement)	935,876	(1,030,215)
2015		
Discount rate (1% movement)	(717,603)	804,212
Future salary increase	779,421	(706,235)

Risks Associated with Defined Benefit Plans

Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk:

The risk of actual withdrawals varying with the valuation assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

14. ACCOUNTS PAYABLE Payable to:

	2016	2015
Trade suppliers	19,909,411	16,775,189
Contractors	3,765,306	9,920,241
	23,674,717	26,695,430

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2016	2015
Accrued rent (note 15.1)	47,315,721	43,530,461
Accrued expenses	38,664,829	31,013,086
Provision for write off of property and equipment (note 15.2)	5,216,664	2,169,646
Advances from customers	1,452,889	1,104,779
	92,650,103	77,817,972

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

15.1 This represents the rent relating to the rent free period on certain leasehold properties of the Company. The rent is not yet due and will be payable as per the terms of the Agreement.

15.2 This represents a provision recognized on account of probable write offs of property and equipment as a result of on-going comprehensive exercise of physical verification.

16. DEFERRED REVENUE

	2016	2015
Deferred subscription revenue		
- subscription income	209,356,107	170,710,014
- personal training fee	4,994,792	2,441,081
	214,350,899	173,151,095
Deferred rental income	3,504,716	2,941,289
	217,855,615	176,092,384

17. ZAKAT

Provision for Zakat

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

	2016	2015
Share capital	195,000,000	195,000,000
Retained earnings	264,335,892	183,488,618
Reserves	64,497,724	64,497,724
Adjusted income for the year	215,479,140	190,087,695
Non-current assets	1,155,416,802	890,609,052

The movement in provision for zakat is as follow:

	2016	2015
Balance as at 01 January	7,027,869	4,173,918
Charge for the year	5,386,978	6,522,662
Reversal of extra provision related to prior year	(1,080,611)	--
	4,306,367	6,522,662
Paid during the year	(4,720,573)	(3,668,711)
Balance as at 31 December	6,613,663	7,027,869

18. REVENUE

	2016	2015
Revenue		
- Subscriptions and membership income	666,308,598	575,999,591
- Personal training	25,235,185	9,829,035
- Rentals	9,340,800	9,010,537
	700,884,583	594,839,163

19. COST OF REVENUE

	2016	2015
Salaries and related benefits	133,381,718	111,784,027
Depreciation (note 4)	77,637,215	66,162,365
Rent expenses	65,897,494	54,773,077
Water and electricity	43,280,102	36,367,051
Cleaning and services expenses	29,335,792	24,314,326
Maintenance and repair	17,561,283	15,960,521
Consumables	10,200,409	7,557,865
Governmental and recruiting expenses	3,196,974	2,249,223
Security and safety	2,553,272	3,822,201
Telecommunications and subscriptions	1,709,330	2,222,972
Stationery	855,917	1,035,514
Supervision and training allowance	793,794	498,404
Other expenses	5,540,946	4,666,827
	391,944,246	331,414,373

20. ADVERTISING AND MARKETING EXPENSES

	2016	2015
Advertizing and marketing	12,122,512	14,794,101
FC Barcelona (note 20.1)	7,442,498	3,517,486
Salaries and related benefits	5,831,698	3,305,473
	25,396,708	21,617,060

20.1 This includes contractual fees incurred in respect of commercial rights and licenses under regional partnership agreement with Football Club Barcelona.

21. GENERAL AND ADMINSTRATIVE EXPENSES

	2016	2015
Salaries and related benefits	39,282,293	29,618,956
Governmental and recruiting expenses	1,185,423	2,737,285
Property and equipment written off	2,897,362	5,247,914
Water, electricity and telephone	4,379,050	1,897,677
Professional fees	2,409,809	2,852,903
Depreciation (Note 4)	2,123,673	1,501,607
Allowance for impairment in trade receivables (Notes 6)	1,839,924	--
Provision for doubtful advances to suppliers (Note 8)	223,948	--
Provision for other current assets (Note 8)	802,975	--
Maintenance, repair and cleaning	1,297,308	471,325
Rent expenses	987,297	809,926
Stationery	182,349	917,194
Donations	499,996	315,000
Vehicles expenses	142,973	451,706
Hospitality expenses	38,489	82,521
Others	4,245,478	682,459
	62,538,347	47,586,473

22. FINANCE COSTS

	2016	2015
Interest on loans and borrowings	10,710,097	6,272,529
Bank charges	3,536,165	3,019,808
	14,246,262	9,292,337

23. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding at the year-end which consist of 19.5 million shares (2015: 19.5 million).

24. CASH AND CASH EQUIVALENTS

	2016	2015
Short term investment (note 9)	50,000,000	--
Cash and bank balances (note 10)	61,608,616	57,219,221
	111,608,616	57,219,221

25. COMMITMENTS AND CONTIGENCIES

As of 31 December 2016, the Company had capital commitments for contracts for setting up sport centers and clubs amounting to SR 49,712,028 (2015: SR 108,232,600).

26. OPERATING LEASE ARRANGEMENTS

	2016	2015
Rentals under operating leases recognized as an expense during the year are as follows:		
- Cost of revenue	65,897,494	54,773,077
- General and administrative expenses	987,297	809,926
	66,884,791	55,583,003

These represent rentals payable by the Company for fitness centers and labor accommodation under leases.

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

	2016	2015
Less than one year	90,814,315	60,868,470
More than one year and less than five years	344,076,232	299,339,158
More than five years	785,402,407	817,410,318
	1,220,292,954	1,177,617,946

27. DIVIDEND

In the board meeting held on 19 November 2015, the board recommended the distribution of 60% of the quarterly net income as a dividend on an on-going basis, which was subsequently ratified by the shareholders in their meeting held on 22 March 2016.

28. 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 Board of Directors. The Company's activities consist solely of the provision of high quality health and fitness facilities.

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

- Headquarter and central region
- Western region
- Eastern region
- International Region UAE

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying financial statements

As at and for year ended 31 Dec 2016	Segment				
	Headquarter & Central Region	Western Region	Eastern Region	International Region (UAE)	Total
Revenue	380,542,778	210,289,952	100,113,373	9,938,480	700,884,583
Cost of revenue	(204,361,811)	(111,602,124)	(62,720,715)	(13,259,596)	(391,944,246)
Gross profit	176,180,967	98,687,828	37,392,658	(3,321,116)	308,940,337
Comprehensive income	117,355,728	67,293,979	23,924,058	(6,616,904)	201,956,861
Total assets	705,257,283	424,464,689	182,103,962	44,561,150	1,356,387,084
Total liabilities	556,862,447	160,756,361	82,902,321	32,101,396	832,622,525

As at and for year ended 31 Dec 2015	Segment				
	Head quarter & Central Region	Western Region	Eastern Region	International Region (UAE)	Total
Revenue	320,490,343	195,244,849	74,791,269	4,312,702	594,839,163
Cost of revenue	(172,578,992)	(105,086,464)	(42,895,036)	(10,853,881)	(331,414,373)
Gross profit	147,911,351	90,158,385	31,896,233	(6,541,179)	263,424,790
Comprehensive income	116,390,265	58,790,459	16,275,645	(10,533,531)	180,922,838
Total assets	437,018,803	377,073,455	187,774,887	47,992,016	1,049,859,161
Total liabilities	325,429,809	219,875,802	46,961,877	14,605,331	606,872,819

29. DETERMINATION OF FAIR VALUES

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purpose on the basis of accounting policies disclosed in the financial statements. As at the reporting date, carrying value of the Company's financial assets and liabilities are reasonable approximation of their fair value. Accordingly, no fair value information has been disclosed in these financial statements.

30. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk
(ii) Liquidity risk; and
(iii) Market risk

Risk management framework

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. The Company is exposed to credit, liquidity and market risks.

Risk management structure

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

Board of Directors

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

Senior management

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

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

(i) Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from Company's receivables and balances with banks.

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.

Exposure to credit risk

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

	2016	2015
Assets		
Trade receivables (note 6)	8,503,684	14,285,088
Due from related party (note 7)	35,450	35,450
Other current assets	8,154,081	6,136,006
Cash at bank (note 10)	58,082,961	56,769,173
Short term investment (note 9)	50,000,000	--
	124,776,176	77,225,717

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Cash and cash equivalents

The Company held balances with banks of SR 108,082,961as at 31 December 2016. Which represents their maximum exposure on these assets. These balances are held with banks which are rated A1, based on Cpi financial rating.

Trade receivables

The ageing of trade receivables that were not impaired at the reporting date is as follows:

	2016	2015
Neither past due nor impaired	5,971,503	5,296,482
Past due but not impaired:		
0-30 days	1,339,493	4,342,296
31-60 days	1,030,566	1,579,040
61-90 days	119,622	2,057,416
91-120 days	42,500	1,009,854
Total trade receivables	8,503,684	14,285,088

The Company believes that unimpaired amounts that are past due by more than 30 days are still collectible in full based on historical behavior and extensive analysis of customer credit risk.

The credit quality of trade receivables is assessed based on a credit policy established by the Company. The Company monitors customer credit risk by grouping trade receivables based on their characteristics.

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	2016	2015
Balance at the beginning of the year	3,698,428	3,698,428
Charge for the year	1,839,924	--
Write offs during the year	(814,403)	--
Balance at the end of the year	4,723,949	3,698,428

Geographical concentration of risks of financial assets with credit risk exposure

The Company's operations are principally in the Kingdom of Saudi Arabia and majority of the balances with banks is maintained within the Kingdom.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

Liquidity risk is the risk that an enterprise 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.

As at 31 December 2016, current liabilities of the Company exceeded its current assets by SAR 256.7 million, however, as the current liabilities includes SAR 217.9 million of deferred income representing subscription fee received in advance, which the Company is not required to repay, the Company is not exposed to any significant liquidity risk.

a) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2016 based on contractual 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.

2016	Within 3 months	3 to 12 months	1 to 5 Years	No fixed maturity	Total
	(SAR)				
Loans and borrowing	41,200,746	63,832,437	400,015,014	--	505,048,197
Accounts payable	23,674,717	--	--	--	23,674,717
Accrued expenses	38,664,829	--	--	--	38,664,829
Dividend payable	32,598,051	--	--	--	32,598,051
	136,138,343	63,832,437	400,015,014	--	599,985,794

2015	Within 3 months	3 to 12 months	1 to 5 Years	No fixed maturity	Total
	(SAR)				
Loans and borrowing	19,830,469	57,159,675	246,664,662	--	323,654,806
Accounts payable	26,695,430	--	--	--	26,695,430
Accrued expenses	31,013,086	--	--	--	31,013,086
Dividend payable	26,727,494	--	--	--	26,727,494
	104,266,479	57,159,675	246,664,662	--	408,090,816

(iii) Market risk

Market risk is the risk that the fair value 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. The Company is neither subject to special commission rate risk nor the fluctuation in the foreign exchange rates in the normal course of its business, as the Company did not undertake any significant transactions in foreign currency. Further, the loans and borrowings of the Company are subject to fixed mark up, hence the Company is not exposed to any changes in the market mark up rate.

31. 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's target is to achieve a return on capital above 20%; in 2016 the return was 23%.

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 loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

32. CORRESPONDING FIGURES

Certain corresponding figures in these financial statements have been rearranged and reclassified, wherever necessary, for better presentation and disclosures.

33. RECONCLIATION BETWEEN SPECIAL PURPOSE FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENT

In preparing the IFRS statement of financial position, the Company has analyzed the impact and noted following adjustment is required to the amounts reported under financial statements for the year ended December 31, 2016 prepared in accordance with the generally accepted accounting standards (GAAP) in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

	SOCPA	Effect of transition to IFRS	IFRS
	31 December 2016		
	SAR	SAR	SAR
Profit for the year	201,956,861	1,172,849	203,129,710
Other comprehensive income for the year	--	1,172,849	(1,172,849)

The only accounting effect of transition to IFRSs was application of employee benefits (IAS 19). The present value of employee benefit liability as determined under IAS 19 is not materially different from the amounts already recognized as the liability for "Employee benefits" under SOCPA. The only effect of transition is allocation of actuarial losses on defined benefit plan being recognized in other comprehensive income and decrease in expense in profit and loss.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the management on 02 March 2017.

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
Financial Statements
For the year ended 31 December 2017
together with the
Independent Auditors' Report

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Licence No. 46/11/323 issued 11/3/1992

Independent auditors' report

To the Shareholders of Leejam Sports Company- Closed Joint Stock Company Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Leejam Sports Company ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

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 *Auditors' Responsibilities for the Audit of the Financial Statements section* of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors 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, Company's By-Laws and the provisions of Companies' Law 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

KPMG

Auditors' 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 auditors' 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 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 judgement 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, then we are required to draw attention in our auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

C.R. 46
KPMG Al Fozan & Partners
Certified Public Accountants

Riyadh on 12 Jumada'II 1439H
Corresponding to: 28 February 2018

LEEJAM SPORTS COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(Expressed in Saudi Arabian Riyals)

	Notes	2017	2016
ASSETS			
Non-current assets			
Property and equipment	(4)	1,285,102,266	1,145,923,758
Goodwill	(5)	9,445,544	9,445,544
Investment in an unconsolidated subsidiary	(1a)	47,500	47,500
Long-term prepayment	(6)	9,323,015	--
Total non-current assets		1,303,918,325	1,155,416,802
Current assets			
Prepayments and other assets	(7)	119,036,174	80,822,532
Due from a related party	(8)	35,450	35,450
Trade receivables	(9)	8,922,683	8,503,684
Short term investment	(10)	17,000,000	50,000,000
Cash and bank balances	(11)	56,021,973	61,608,616
Total current assets		201,016,280	200,970,282
Total assets		1,504,934,605	1,356,387,084
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	(12)	523,833,610	195,000,000
Statutory reserve	(13)	17,419,888	64,497,724
Retained earnings		87,689,705	264,266,835
Total shareholders' equity		628,943,203	523,764,559
Liabilities			
Non-current liabilities			
Loans and borrowings – non-current	(14)	366,151,163	357,420,123
Defined benefit obligation – employee benefits	(15)	23,930,307	17,499,216
Deferred rentals	(16)	53,128,602	46,262,210
Total non-current liabilities		443,210,072	421,181,549
Current liabilities			
Loans and borrowings – current portion	(14)	76,493,562	84,311,037
Deferred rentals – current portion	(16)	3,167,641	1,053,511
Accounts payable	(17)	37,305,070	23,674,717
Accrued expenses and other liabilities	(18)	49,751,780	45,334,382
Deferred revenue	(19)	261,575,595	217,855,615
Dividends payable		--	32,598,051
Provision for Zakat	(20)	4,487,682	6,613,663
Total current liabilities		432,781,330	411,440,976
Total liabilities		875,991,402	832,622,525
Total shareholders' equity and liabilities		1,504,934,605	1,356,387,084

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

LEEJAM SPORTS COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

(Expressed in Saudi Arabian Riyals)

	Notes	2017	2016
Revenue	(21)	732,845,594	700,884,583
Costs of revenue	(22)	(454,143,904)	(395,565,384)
Gross profit		278,701,690	305,319,199
Advertising and marketing expenses	(23)	(26,828,678)	(25,570,182)
General and administrative expenses	(24)	(63,194,630)	(58,743,735)
Other income		7,205,599	677,057
Operating profit		195,883,981	221,682,339
Finance costs	(25)	(18,336,194)	(14,246,262)
Net profit before Zakat		177,547,787	207,436,077
Zakat	(20)	(3,348,903)	(4,306,367)
Net profit for the year		174,198,884	203,129,710
Earnings per share	(26)	3.33	3.88

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

LEEJAM SPORTS COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in Saudi Arabian Riyals)

	Notes	2017	2016
Net profit for the year		174,198,884	203,129,710
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of actuarial losses on defined benefit obligation – employee benefits	(15)	(924,897)	(1,172,849)
Total comprehensive income for the year		173,273,987	201,956,861

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

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017
(Expressed in Saudi Arabian Riyals)

	Notes	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2016		195,000,000	64,497,724	183,488,618	442,986,342
Net profit for the year		--	--	203,129,710	203,129,710
Other comprehensive income		--	--	(1,172,849)	(1,172,849)
Total comprehensive income for the year		--	--	201,956,861	201,956,861
1st interim dividend declared during the period		--	--	(19,655,755)	(19,655,755)
2nd interim dividend declared during the period		--	--	(34,520,168)	(34,520,168)
3rd interim dividend declared during the period		--	--	(34,404,669)	(34,404,669)
4th interim dividend declared during the period		--	--	(32,598,052)	(32,598,052)
		--	--	(121,178,644)	(121,178,644)
Balance as at 31 December 2016		195,000,000	64,497,724	264,266,835	523,764,559
Balance as at 1 January 2017		195,000,000	64,497,724	264,266,835	523,764,559
Net profit for the year		--	--	174,198,884	174,198,884
Other comprehensive income		--	--	(924,897)	(924,897)
Total comprehensive income for the year		--	--	173,273,987	173,273,987
Transfer to statutory reserve		--	17,419,888	(17,419,888)	--
Increase in share capital	(12)	328,833,610	(64,497,724)	(264,335,886)	--
1st interim dividend declared during the period	(30)	--	--	(25,119,010)	(25,119,010)
2nd interim dividend declared during the period	(30)	--	--	(19,781,332)	(19,781,332)
3rd interim dividend declared during the period	(30)	--	--	(23,195,001)	(23,195,001)
		--	--	(68,095,343)	(68,095,343)
Balance as at 31 December 2017		523,833,610	17,419,888	87,689,705	628,943,203

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

LEEJAM SPORTS COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2017
(Expressed in Saudi Arabian Riyals)

	Notes	2017	2016
OPERATING ACTIVITIES			
Net profit before Zakat		177,547,787	207,436,077
Adjustments for non-cash items:			
Depreciation	(4)	95,112,150	79,760,888
Property and equipment written off	(4)	651,053	2,897,362
(Reversal of) / charge to provision for advances to suppliers and contractors	(7)	(223,948)	223,948
(Reversal of) / charge to provision for other assets	(7)	(449,000)	802,975
(Reversal of) / charge to allowance for impairment in trade receivables, net	(9)	(2,027,995)	1,839,924
Employee benefits	(15)	6,141,941	4,842,256
		276,751,988	297,803,430
Changes in operating assets and liabilities			
(Increase) / decrease in prepayments and other assets		(53,964,515)	5,860,895
Decrease in trade receivables		1,608,996	3,941,481
Increase in deferred rentals		8,980,522	3,785,260
Increase / (decrease) in accounts payable		13,630,353	(3,020,713)
Increase in accrued expenses and other liabilities		10,622,484	11,046,871
Increase in deferred revenue		43,719,980	41,763,231
Cash from operations		301,349,808	361,180,455
Employee benefits paid	(15)	(635,747)	(1,105,403)
Zakat paid	(20)	(5,474,884)	(4,720,573)
Net cash generated from operating activities		295,239,177	355,354,479
INVESTING ACTIVITIES			
Additions to property and equipment		(241,146,797)	(322,966,000)
Consideration paid for business combination		--	(24,500,000)
Net cash used in investing activities		(241,146,797)	(347,466,000)
FINANCING ACTIVITIES			
Dividends paid		(93,592,588)	(115,308,096)
Proceeds from loans and borrowings		134,041,213	221,884,741
Repayments of loans and borrowings		(133,127,648)	(60,075,729)
Net cash (used in) / generated from financing activities		(92,679,023)	46,500,916
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(38,586,643)	54,389,395
Cash and cash equivalents at beginning of the year		111,608,616	57,219,221
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(29)	73,021,973	111,608,616

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

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES

Leejam Sport Company is a Saudi Closed Joint Stock company ("the Company") which 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 number 4030180323 dated 19 Jumada II 1429H. In 2012, the Company's head office was transferred from Jeddah to Riyadh and the Company obtained the amended commercial registration number 1010337986 dated 14 Jumada II, 1433H (May 6, 2012).

The Company has following branches, which are operating under a separate CR's;

Location	C.R.	Date
Riyadh	1010337986	14/6/1433H
Riyadh	1010439237	11/2/1437H
Riyadh	1010439239	11/2/1437H
Dammam	2050108503	15/5/1437H
Jaizan	5900035652	21/3/1438H
Jeddah	4030248720	23/7/1434H
Jeddah	4030180323	19/6/1429H
Najran	5950032239	2/3/1437H
Taif	4032050910	29/1/1438H
UAE	10386214	13/5/1436H

The objectives of the Company are the 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 current activity is confined to managing sport centers according to the Deputy General President for Sport Affairs letter No.1435 and renting out premises.

a) The Company acquired 95% of the outstanding shares of Fitness Time for Trading Company Limited in order to acquire the trademark "Fitness Time", owned by it and registered the same under the Company's name with the Ministry of Commerce & Industry/Department of trademark registration under the registration certificate number 1031/7 dated 25 Dhul-Hijjah 1429H (December 23, 2008) and for a period of 10 years renewable for a similar period 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.

1. ORGANIZATION, OWNERSHIP AND ACTIVITIES (CONTINUED)

The share capital of the Company is SAR 523.8 million divided into 52.38 million shares of SAR 10 each. As at 31 December 2017, the shareholders and their respective holdings are as follows:

	No. of shares	Share capital
Hamad Ali Al-Saqri	31,670,150	316,701,500
Target Opportunities for Trading Company	13,148,224	131,482,240
Latifa Mohammed Al-Haqbani	2,315,006	23,150,060
Abdulmohsin Ali Al-Haqbani	1,655,991	16,559,910
Salih Mohammed Al-Haqbani	844,893	8,448,930
Nahla Ali Al-Haqbani	675,915	6,759,150
Khalid Ali Al-Haqbani	544,956	5,449,560
Ali Hamad Al-Saqri	379,696	3,796,960
Shadan Hamad Al-Saqri	379,696	3,796,960
Noura Fahad Al-Qahtani	177,426	1,774,260
Waleed Ali Al-Haqbani	168,978	1,689,780
Hessa Zaid Al-Nasser	135,184	1,351,840
Fahad Ali Al-Haqbani	88,595	885,950
Al Jazi Abdulaziz Al-Nasser	84,490	844,900
Noura Abdulaziz Al-Nasser	63,467	634,670
Nada Ali Al-Haqbani	50,694	506,940
	52,383,361	523,833,610

The address of the Company's registered office is as follows:

Thumamah Street

PO Box 295245

Riyadh 11351

Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

Up to and including the year ended 31 December 2016, the Company prepared and presented its statutory financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements. For the financial year ended 31 December 2017, the Company has elected to prepare its statutory financial statements in accordance with IFRS instead of SOCPA. In these financial statements, the term "Previous GAAP" refers to SOCPA GAAP before the adoption of IFRS.

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Previously, the Company has also prepared special purpose financial statements in accordance with IFRS for IPO purposes and accordingly, have already adopted IFRS in previous year. Therefore, these financial statements are not the first IFRS financial statements of the Company. However, for the purpose of users of the financial statements, an explanation of how the transition to IFRS in the preparation of statutory financial statements for the year ended 31 December 2017 has affected the reported financial position, financial performance and cash flows of the Company from previous GAAP is provided in note 35.

(b) Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention.

(c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statement is included in the following notes;

- Note 28 and Note 3(n) - Lease: whether an arrangement contains a lease;
- Note 28 and Note 3(n) - Lease classification

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2017 is included in the following notes:

- Note 5 and Note 3(c) – Impairment of goodwill

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are as follows:

a. Property and equipment

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

The estimated useful lives of the principal classes of assets is as follows:

Buildings	4% – 10%
Motor vehicles	20%
Sports tool and equipment	10%
Electrical equipment and air conditioners	10%
Furniture and office equipment	12.5%
Computers	20%

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

Subsequent costs

Subsequent costs are capitalized only if it is probable that the future economic benefits associated with the cost will flow to the Company. All other subsequent costs are charged to profit or loss when incurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Capital work in progress

Capital work in progress is stated at cost 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.

c. Goodwill

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 acquire.

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.

Subsequent measurement

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

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, used by the Company in the management of its short-term commitments and are available to the Company without any restriction.

e. Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. 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 profit or loss.

f. Defined benefit obligation- employee benefits

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, is recognised immediately in other comprehensive income which are not reclassified to profit or loss in the subsequent periods. The Company determines the net interest expense on net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the – then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expense related to defined benefit plan are recognized in the profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial instruments

The Company classifies non derivative financial assets in to the following categories; financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

The Company classifies non derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

(i) Non- derivative financial assets - measurement

Financial assets at fair value through profit or loss

These include financials assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. The Company has not designated any financial assets at fair value through profit or loss.

Directly attributable transaction cost are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognized in profit or loss.

Held to maturity financial assets

These represent short term investments which are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Loans and receivables

These financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Loans and receivables comprise cash and cash equivalents, and trade and certain other receivables.

Available for sale financial assets

These are initially measured at fair value plus any directly attributable costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain and loss accumulated in equity is reclassified to profit or loss. The Company has not designated any financial assets as available for sale.

De-recognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial instruments (continued)

(ii) Non- derivative financial liabilities

The financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities include loans and borrowing, accounts payable, due to related parties, dividends payable, accrued expense and other current liabilities which are stated at their carrying values.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The financial assets are assessed for indicators of impairment at each statement of financial position date. Non derivative financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables with similar risk characteristics.

The carrying amount of the financial asset is reduced for the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable which are reduced through the use of an allowance account. When the accounts receivable are considered not to be recoverable, they are written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of profit or loss. Changes in the carrying amount of the allowance account are recognized in the profit or loss account.

h. Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders in the General Assembly.

i. Zakat

The Company is subject to Zakat in accordance with the regulations of General Authority of Zakat and Tax ("GAZT"). The Zakat charge is computed in accordance with GAZT regulations. Additional Zakat if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

j. Revenue

Revenue, which is stated net of discounts, is measured at the fair value of the consideration receivable for services supplied. Subscription fees are recognized as revenue as and when related services are rendered. The subscription fee received in advance is initially recognized as deferred revenue and subsequently amortized over the subscription period.

Rental income is recognized on a straight-line basis over the term of the lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the liability.

m. Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the statement of profit or loss currently.

n. Leases

Determining whether an arrangement contain a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contain a lease, the Company separates payments and other consideration required by the arrangement into lease and those for other elements on the basis of their relative fair value.

Leased assets

Asset held by the Company under lease that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance lease. The Company has not entered into any such arrangement during the period.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in statement of profit or loss on a straight line basis over the term of lease. Lease incentive received are recognised as an integral part of the total lease expense, over the term of lease.

o. Earnings per share

The Company presents basics earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

p. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning on and after 1 January 2018 and earlier application is permitted. The Company has performed an assessment of the initial application of, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and expect that it will not have a material impact on the Company's financial statements in the year of the initial application. However, the Company has not early adopted them in preparing these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Standards issued but not yet effective (continued)

iv. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Other amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Company's financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4). Amendments respond to industry concerns about the impact of differing effective dates.
- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

4. PROPERTY AND EQUIPMENT

	Land	Buildings	Motor vehicles	Sports tools and equipment	Electrical equipment and air conditioners	Computers	Furniture and office equipment	Capital work in progress (Note 4.2)	Total
Cost									
As at 1 January 2016	--	718,200,653	3,301,571	237,484,907	73,773,405	6,478,350	6,164,290	75,419,529	1,120,822,705
Additions during the year	48,936,000	12,758,740	224,170	6,704,010	4,417,189	5,213,661	557,303	244,154,927	322,966,000
Acquisition through business combination	--	10,925,980	--	2,821,221	928,200	139,050	240,005	--	15,054,456
Transfers during the year	--	77,230,174	--	43,301,069	--	--	--	(120,531,243)	--
Write offs during the year	--	--	--	(5,364,314)	--	--	--	--	(5,364,314)
As at 31 December 2016	48,936,000	819,115,547	3,525,741	284,946,893	79,118,794	11,831,061	6,961,598	199,043,213	1,453,478,847
As at 1 January 2017	48,936,000	819,115,547	3,525,741	284,946,893	79,118,794	11,831,061	6,961,598	199,043,213	1,453,478,847
Additions during the year	24,315,525	7,545,149	56,600	2,588,189	8,049,186	1,476,918	964,237	196,150,993	241,146,797
Transfers during the year	--	188,873,224	--	65,592,887	5,192,132	2,993,964	2,334,884	(264,987,091)	--
Write offs during the year (Note 4.3)	--	--	(334,764)	(11,848,205)	(7,407,318)	(177,151)	(47,084)	--	(19,814,522)
As at 31 December 2017	73,251,525	1,015,533,920	3,247,577	341,279,764	84,952,794	16,124,792	10,213,635	130,207,115	1,674,811,122
Accumulated depreciation									
As at 1 January 2016	--	(126,158,580)	(2,338,129)	(70,355,890)	(24,897,673)	(4,231,544)	(2,279,337)	--	(230,261,153)
Charge for the year	--	(45,433,344)	(482,631)	(24,584,062)	(7,582,569)	(838,435)	(839,847)	--	(79,760,888)
Eliminated on write offs	--	--	--	2,466,952	--	--	--	--	2,466,952
As at 31 December 2016	--	(171,591,924)	(2,820,760)	(92,473,000)	(32,480,242)	(5,069,979)	(3,119,184)	--	(307,555,089)
As at 1 January 2017	--	(171,591,924)	(2,820,760)	(92,473,000)	(32,480,242)	(5,069,979)	(3,119,184)	--	(307,555,089)
Charge for the year	--	(53,277,420)	(281,632)	(30,731,524)	(7,440,678)	(2,368,278)	(1,012,618)	--	(95,112,150)
Eliminated on write offs (Note 4.3)	--	--	334,764	7,447,291	4,978,228	153,466	44,634	--	12,958,383
As at 31 December 2017	--	(224,869,344)	(2,767,628)	(115,757,233)	(34,942,692)	(7,284,791)	(4,087,168)	--	(389,708,856)
NBV as at 31 December 2016	48,936,000	647,523,623	704,981	192,473,893	46,638,552	6,761,082	3,842,414	199,043,213	1,145,923,758
NBV as at 31 December 2017	73,251,525	790,664,576	479,949	225,522,531	50,010,102	8,840,001	6,126,467	130,207,115	1,285,102,266

4 PROPERTY AND EQUIPMENT (CONTINUED)

4.1 The depreciation charge for the years are allocated as follows:

	2017	2016
Costs of revenue (Note 22)	91,774,547	77,637,215
General and administrative expenses (Note 24)	3,337,603	2,123,673
	95,112,150	79,760,888

4.2 The Capital Work-in-Progress (CWIP) as of 31 December 2017 represents construction costs and capital equipment amounting to SAR 83.6 million and SAR 46.6 million (December 2016: SAR 141.3 million and SAR 57.7 million), respectively. The construction cost includes an amount of SAR 1.5 million (December 2016: SAR 2.7 million) in respect of borrowing costs capitalized during the construction period. The total borrowing cost capitalized under CWIP during the year amount to SAR 4.2 million, and the capitalization rate was 4%. The capital equipment mainly include gym equipment, which have been procured but are not currently available for use.

4.3 This includes assets costing SAR 19.81 million having net books values of SAR 6.86 million that have been written off during the year against Provision for write off of property and equipment (Note 18.1) and direct write-offs of assets costing SAR 1.95 million having net books values of SAR 0.65 million.

5. GOODWILL

This represents goodwill recognized during 2016 as a result of a business combination through acquisition of two running fitness clubs located in the cities of Dwadmi and Riyadh. The acquisition has enabled the Company to save time required to construct new clubs. The total consideration paid for the acquisition of these clubs amounted to SAR 24.5 million.

Impairment test

The Company performed the impairment testing of goodwill as of 31 December 2017. The recoverable amount of the two acquired clubs was calculated based on a value in use calculation using cash flow projections for next 15 years, approved by the senior management. There is no impairment in goodwill when tested at stressed discount rate of 14%. The recoverable amount exceeded the carrying amount of goodwill as at that date, hence the management of the Company believes that the goodwill is not impaired at 31 December 2017.

Management determined forecast revenue growth based on past performance and its expectations of market development. The discount rate reflects management's estimate of the specific risks relating to the clubs. The calculation of value in use is most sensitive to the assumptions on revenue growth rate and costs of revenue used to extrapolate cash flows as well as the factors used in computing Terminal Value.

Sensitivity to Changes in Assumptions

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the goodwill to materially exceed its recoverable amount.

6. LONG TERM PREPAYMENT

This represents additional rent paid in advance in respect of a piece of land in Dubai where the Company is currently operating a fitness club. The current lease agreement is due to expire in 2029 and the Company is making annual payments under this agreement. During the period, the Company has paid SAR 9.32 million, in advance to secure the lease for a further period of 15 years after the expiry of the said agreement in 2029.

7. PREPAYMENTS AND OTHER ASSETS

	2017	2016
Prepaid expenses:		
- Rent	41,580,914	36,396,973
- Housing	4,502,607	4,066,090
- Others	5,304,694	4,743,460
	51,388,215	45,206,523
Advances to suppliers and contractors	52,917,116	22,569,355
Provision for doubtful advances (Note 7.1)	--	(223,948)
	52,917,116	22,345,407
Consumables	13,231,143	6,797,139
Initial public offering cost recoverable from existing shareholders (Note 7.2)	175,000	3,405,652
Other receivables	2,556,318	4,748,429
Provision for doubtful balances (Note 7.3)	(1,231,618)	(1,680,618)
	1,324,700	3,067,811
	119,036,174	80,822,532

7.1 Movement in provision to suppliers and contractors is as follows:

	2017	2016
Balance at the beginning of the year	223,948	--
(Reversal) / charge for the year	(223,948)	223,948
Balance at the end of the year	--	223,948

7.2 This represents consultancy fees and other similar expenses incurred in relation to the initial public offering of the Company. During the year, the Company incurred further costs of SAR 3,870,154 and has deducted an amount of SAR 7,100,806 (being the cumulative cost of IPO until 30 September 2017) from the interim dividend distributed for the quarter ended 30 September 2017.

7.3 Movement in provision for doubtful balances of other assets is as follows:

	2017	2016
Balance at the beginning of the year	1,680,618	877,643
(Reversal) / charge for the year	(449,000)	802,975
Balance at the end of the year	1,231,618	1,680,618

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of its shareholders, subsidiary company, key management personnel and other affiliates. The transactions and balances with related parties are made on terms mutually agreed between the parties in the ordinary course of business.

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the year, the significant transactions with these related parties are as follows:

	2017	2016
Remuneration of key management personnel	15,420,733	16,901,022
Lease rentals paid to a shareholder	3,400,000	3,400,000
Initial public offering cost recovered / recoverable from existing shareholders (Note 7.2)	3,870,154	3,162,481
Purchase of sports equipment from companies where shareholders have interest		
- Sporta Spa and Fitness Equipment	1,526,257	341,808
- The ABS Company	67,425	199,823
Proceeds from disposal of sports equipment to Sports Spa and Fitness Equipment	324,700	--
Custom clearance and other services received from other affiliated companies:		
- Skat Logistics	5,695,970	3,830,409
- Alix Partners	574,500	--
- Theeb – rent a car	711,470	153,429
- Fidwah Contractor	683,387	--

The above transactions resulted in the following balances with these related parties:

	2017	2016
Due from a related party		
Fitness Time For Trading Company Limited	35,450	35,450
Advances to related parties included in prepayments and other assets		
Skat Logistics	419,583	506,903
Fidwah Contractor	438,453	--
Sporta Spa and Fitness Equipment	751,779	--
	1,609,815	506,903

TRADE RECEIVABLES	2017	2016
Subscriptions and membership receivables	8,159,607	11,382,192
Rentals receivables	3,148,549	1,845,441
	11,308,156	13,227,633
Allowance for impairment (Note 9.1)		
- Subscriptions and membership receivables	(625,976)	(3,812,679)
- Rentals receivables	(1,759,497)	(911,270)
	(2,385,473)	(4,723,949)
	8,922,683	8,503,684

9. TRADE RECEIVABLES (CONTINUED)

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

	2017		2016	
	Subscription and membership receivables	Rental receivables	Subscription and membership receivables	Rental receivables
Balance at beginning of the year	3,812,679	911,270	2,320,428	1,378,000
(Reversal) / charge for the year	(2,876,222)	848,227	1,839,924	--
	936,457	1,759,497	4,160,352	1,378,000
Write-off against provision	(310,481)	--	(347,673)	(466,730)
Balance at end of the year	625,976	1,759,497	3,812,679	911,270

10 SHORT TERM INVESTMENT

This represents short term investment in term deposit receipts of a local bank, carrying markup at the rate of 1.4% per annum (31 December 2016: 2.05% per annum), with maturity up to 1 month (31 December 2016: 1 month).

11. CASH AND BANK BALANCES

	2017	2016
Cash in hand	2,864,226	3,525,655
Cash at bank – current accounts	53,157,747	58,082,961
	56,021,973	61,608,616

12. SHARE CAPITAL

Authorized issued and paid up share capital

The authorized, issued and paid up share capital of the Company is SAR 523.8 million (December 2016: SAR 195 million) divided into 52.3 million (December 2016: 19.5 million) shares with a nominal value of SAR 10 each.

Increase in share capital

The Board of Directors, in their meeting held on 16 January 2017, proposed to increase the Company's share capital from SAR 195,000,000 to SAR 523,833,610 via transfer of retained earnings and statutory reserve held by the Company as at 31 December 2016 as per the statutory financial statements of the Company prepared under SOCPA accounting standards.

The Board's proposal was submitted to shareholders in their extra-ordinary general meeting held on 25 April 2017, where they resolved to increase the Company's share capital as proposed by the Board of Directors. Accordingly, the Company's share capital increased from SAR 195,000,000 to SAR 523,833,610, by issuance of 32,883,361 new ordinary shares of SAR 10 each to the existing shareholders on pro rata basis.

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. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital.

14. LOANS AND BORROWINGS

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.

These facilities are subject to various floating and fixed Saudi interbank prevailing commercial commission rates ranging from SIBOR + 1.5% to SIBOR + 2.5% and range of fixed commission rate of 3.4% to 5.17%. These facilities are secured by promissory notes and unconditional personal guarantees issued by some major shareholders of the Company. These facilities are due to mature on or before November 2023 and have been classified into current and non-current based on their contractual maturities.

The following amounts are outstanding in relation to these facilities:

	2017	2016
Non-current liabilities		
Non-current portion of long term loans	366,151,163	357,420,123
Current liabilities		
Short term loan	--	24,220,338
Current portion of long term loans	76,493,562	60,090,699
	76,493,562	84,311,037
Total loans and borrowings	442,644,725	441,731,160

The outstanding balance of accrued financial costs as at 31 December 2017 is SAR 0.38 million (31 December 2016: SR 0.37 million) which is included in accrued expense. In addition, the company has unutilized loan facilities from local banks of SAR 296.9 million expiring in 2018 and renewable as per the terms of agreement.

15. DEFINED BENEFIT OBLIGATION – EMPLOYEE BENEFITS

	2017	2016
Present value of defined benefit obligation	23,930,307	17,499,216

Movement in the present value of the defined benefit obligation is as follows:

	2017	2016
Balance at beginning of the year	17,499,216	12,589,514
Benefits paid during the year	(635,747)	(1,105,403)
Current service costs and interest	6,141,941	4,842,256
Remeasurement of actuarial losses recognized in OCI	924,897	1,172,849
Balance at the end of year	23,930,307	17,499,216

Expense recognized in the statement of profit or loss Current Service cost

	5,540,594	4,360,782
Interest on obligation	601,347	481,474
	6,141,941	4,842,256

The amounts recognised in the statement of profit or loss have been allocated as follows:

	2017	2016
Costs of revenue (Note 22.1)	4,623,316	3,303,266
Advertising and marketing expenses (Note 23.2)	144,365	99,238
General and administrative expenses (Note 24.1)	1,374,260	1,439,752
	6,141,941	4,842,256

Key actuarial assumptions		
- Discount rate used	3.65%	3.50%
- Future growth in salary	2.15%	2.00%

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumption, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2017	Increase	Decrease
Discount rate (1% movement)	(1,187,403)	1,325,878
Future salary increase (1% movement)	1,419,028	(1,304,376)
2016		
Discount rate (1% movement)	(991,156)	885,977
Future salary increase (1% movement)	935,876	(1,030,215)

15. DEFINED BENEFIT OBLIGATION – EMPLOYEE BENEFITS (CONTINUED)

Risks associated with defined benefit obligation

Salary increase risk:

The most common type of defined benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the valuation assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

16. DEFERRED RENTALS

The Company is allowed rent free period on certain leasehold properties under certain agreements with the respective landlords. These rentals are not yet due and are payable in future periods as per the terms of the agreements, however, for the purpose of recognizing the expense, the rent expense is evenly spread over the agreement period.

These rentals are payable on or before year 2043 and have been classified into current and non-current based on their maturities.

	2017	2016
Non-current liabilities		
Non-current portion of deferred rentals	53,128,602	46,262,210
Current liabilities		
Current portion of deferred rentals	3,167,641	1,053,511
Total deferred rentals	56,296,243	47,315,721

17. ACCOUNTS PAYABLE

	2017	2016
Payable to:		
- Trade suppliers	32,271,829	19,909,411
- Contractors	5,033,241	3,765,306
	37,305,070	23,674,717

17.1 During the year, long outstanding unclaimed supplier balances amounting SAR 1.7 million were written back and included as part of other income.

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	2017	2016
Accrued expenses	48,646,988	38,664,829
Provision for write off of property and equipment (Note 18.1)	--	5,216,664
Advances from customers	1,104,792	1,452,889
	49,751,780	45,334,382

18.1 This represented a provision previously recognized on account of expected write offs of property and equipment based on the expected results of comprehensive exercise of physical verification which was completed during the period ended 30 June 2017. The management fully utilised the provision against identified actual impaired assets costing SAR 17.9 million and having net book values of SAR 6.2 million, written off in the current period. The movement of provision for write off of property and equipment is as follows:

	2017	2016
Balance at the beginning of the year	5,216,664	2,169,646
Additional provision during the year	988,422	3,047,018
Utilised during the year (Note 4.3)	(6,205,086)	--
Balance at the end of the year	--	5,216,664

19. DEFERRED REVENUE

	2017	2016
Deferred subscription income from:		
membership fee	250,832,414	209,356,107
personal training fee	6,950,732	4,994,792
	257,783,146	214,350,899
Deferred rental income	3,792,449	3,504,716
	261,575,595	217,855,615

20. ZAKAT

Provision for Zakat

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

	2017	2016
Share capital	523,833,610	195,000,000
Retained earnings	87,689,705	264,335,892
Reserves	17,419,888	64,497,724
Adjusted income for the year	177,547,787	215,479,140
Non-current assets	1,303,918,325	1,155,416,802

The movement in provision for Zakat is as follow:

	2017	2016
Balance at beginning of the year	6,613,663	7,027,869
Charge for the year	4,487,682	5,386,978
Reversal of prior year over provision	(1,138,779)	(1,080,611)
	3,348,903	4,306,367
Paid during the year	(5,474,884)	(4,720,573)
Balance at end of the year	4,487,682	6,613,663

Status of final zakat assessments

The Company has filed its zakat returns for the years ended 31 December 2016. GAZT has issued the final assessment for the years up until 2015.

21. REVENUE

	2017	2016
Revenue		
- Subscriptions and membership income	676,832,018	666,308,598
- Personal training	45,121,309	25,235,185
- Rentals	10,892,267	9,340,800
	732,845,594	700,884,583

22. COSTS OF REVENUE

	2017	2016
Salaries and related benefits (Note 22.1)	159,324,995	137,002,856
Depreciation (Note 4.1)	91,774,547	77,637,215
Rent expenses (Note 28)	73,588,192	65,897,494
Water and electricity	62,420,420	52,067,769
Cleaning and services expenses	33,329,143	29,335,792
Consumables	9,378,741	10,200,409
Maintenance and repair	8,627,408	8,773,616
Governmental and recruiting expenses	5,915,371	3,196,974
Security and safety	2,723,143	2,553,272
Stationery	1,688,872	855,917
Telecommunications and subscriptions	329,567	1,709,330
Others	5,043,505	6,334,740
	454,143,904	395,565,384

22.1 This includes defined benefits obligation – employee benefits amounting to SAR 4.6 million (December 2016: SAR 3.3 million).

23. ADVERTISING AND MARKETING EXPENSES

	2017	2016
Advertising and marketing	15,320,257	12,122,512
FC Barcelona license and commercial fees (Note 23.1)	7,357,845	7,442,498
Salaries and related benefits (Note 23.2)	4,150,576	6,005,172
	26,828,678	25,570,182

23.1 This represents contractual fees incurred in respect of commercial rights and licenses under regional partnership agreement with Football Club Barcelona signed for the period until 30 June 2018.

23.2 This includes defined benefits obligation - employee benefits amounting to SAR 0.14 million (December 2016: SAR 0.1 million).

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Salaries and related benefits (Note 24.1)	45,227,785	35,487,681
Water, electricity and telecommunication	6,499,425	4,379,050
Professional fees	1,938,469	2,409,809
Depreciation (Note 4.1)	3,337,603	2,123,673
Governmental and recruiting expenses	1,815,352	1,185,423
Rent expenses (Note 28)	1,853,034	987,297
(Reversal of) / charge to allowance for impairment in trade receivables, net	(2,027,995)	1,839,924
Property and equipment written off (Note 4.3)	651,053	2,897,362
(Reversal of) / charge to provision for advances to suppliers and contractors (Note 7.1)	(223,948)	223,948
(Reversal of) / charge to provision for other assets (Note 7.3)	(449,000)	802,975
Maintenance, repair and cleaning	693,073	1,297,308
Stationery	421,131	182,349
Others	3,458,648	4,926,936
	63,194,630	58,743,735

24.1. This includes defined benefits obligation – employee benefits amounting to SAR 1.4 million (December 2016: SAR 1.4 million).

25. FINANCE COSTS

	2017	2016
Interest on loans and borrowings	14,648,648	10,710,097
Bank charges	3,687,546	3,536,165
	18,336,194	14,246,262

26. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year ended 31 December 2017 and 31 December 2016, by the weighted average number of shares outstanding at the end of the respective year, which consisted of 52.38 million shares as at 31 December 2017 (31 December 2016: 52.38 million shares).

Weighted average number of shares

Number of issued shares on 1 January 2016	19,500,000
Effect of increase in share capital (Note 26.1)	32,883,361
Weighted average number of shares on 1 January 2016	52,383,361

26.1 The weighted average number of shares for the year ended 31 December 2017 and 31 December 2016 have been arrived at by taking the effect of increase in the share capital from the beginning of the earliest period presented (i.e. 1 January 2016), in order to comply with the requirements of IAS 33.

27. COMMITMENTS AND CONTINGENCIES

The Company has capital commitments for contracts for setting up fitness centers and clubs amounting to SAR 56.7 million (31 December 2016: SAR 50 million) and letter of guarantees issued amounting to SAR 4.6 million (31 December 2016: SAR 5.3 million) against land lease.

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

	2017	2016
Less than one year	86,604,638	90,814,315
More than one year and less than five years	386,492,569	344,076,232
More than five years	872,894,782	785,402,407
	1,345,991,989	1,220,292,954

28. OPERATING LEASE ARRANGEMENTS

These represent rentals payable by the Company for fitness centers and labor accommodation under leases. Operating leases rentals recognized under expenses during the year are as follow:

	2017	2016
- Costs of revenue	73,588,192	65,897,494
- General and administrative expenses	1,853,034	987,297
	75,441,266	66,884,791

29. CASH AND CASH EQUIVALENTS

	2017	2016
Short term investment (Note 10)	17,000,000	50,000,000
Cash and bank balances (Note 11)	56,021,973	61,608,616
	73,021,973	111,608,616

30. DIVIDEND

The Board of Directors, in their meetings held on 25th April 2017, 24th July 2017 and 9th Nov 2017, recommended the distribution of SAR 25.12 million, SAR 19.78 million and SAR 23.19 million as interim dividends for the periods ended 31 March 2017, 30 June 2017 and 30 September 2017 respectively.

31. 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 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:

- Headquarter and central region
- Western region
- Eastern region
- International Region UAE

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

As at and for year ended 31 December 2017	Segment				Total
	Headquarter & Central Region	Western Region	Eastern Region	International Region - UAE	
Revenue	373,923,175	247,619,754	97,656,413	13,646,252	732,845,594
Costs of revenue	(212,250,897)	(157,006,348)	(67,759,889)	(17,126,770)	(454,143,904)
Gross profit/ (loss)	161,672,278	90,613,406	29,896,524	(3,480,518)	278,701,690
Comprehensive income / (loss)	101,564,958	56,924,705	18,781,446	(3,997,122)	173,273,987
Depreciation	(43,621,138)	(34,179,793)	(14,569,175)	(2,742,044)	(95,112,150)
Total assets	697,462,068	538,629,876	212,809,390	56,033,271	1,504,934,605
Total liabilities	563,603,624	243,572,840	34,782,401	34,032,537	875,991,402

31. OPERATING SEGMENTS (CONTINUED)

As at and for year ended 31 December 2016	Segment				Total
	Headquarter & Central Region	Western Region	Eastern Region	International Region - UAE	
Revenue	377,395,384	226,208,661	87,342,058	9,938,480	700,884,583
Costs of revenue	(204,959,466)	(119,539,651)	(57,806,671)	(13,259,596)	(395,565,384)
Gross profit/ (loss)	172,435,918	106,669,010	29,535,387	(3,321,116)	305,319,199
Comprehensive income/ (loss)	114,967,205	71,118,813	19,691,958	(3,821,115)	201,956,861
Depreciation	(41,439,869)	(22,744,978)	(13,680,513)	(1,895,528)	(79,760,888)
Total assets	705,257,283	432,863,940	173,704,711	44,561,150	1,356,387,084
Total liabilities	556,862,447	224,278,667	19,380,015	32,101,396	832,622,525

32. DETERMINATION OF FAIR VALUES

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purpose on the basis of accounting policies disclosed in the financial statements. At the reporting date, carrying value of the Company's financial and non-financial assets and liabilities reasonably approximate to their fair value.

33. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk;
(ii) Liquidity risk; and
(iii) Market risk.

Risk management framework

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. The Company is exposed to credit, liquidity and market risks.

Risk management structure

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

Board of Directors/ Audit Committee

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

Senior management

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

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

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from Company's receivables and balances with banks.

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.

Exposure to credit risk

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

	31 December 2017	31 December 2016
Financial assets		
Other assets* (note 7)	2,731,318	8,154,081
Due from a related party (note 8)	35,450	35,450
Trade receivables, gross (note 9)	11,308,156	13,227,633
Short term investment (note 10)	17,000,000	50,000,000
Bank balances (note 11)	53,157,747	58,082,961
	84,232,671	129,500,125

* This includes IPO cost recoverable from existing shareholders and other receivables.

Cash and cash equivalents

The Company held balances with banks of SAR 53,157,747 and short term investment of SAR 17,000,000 as at 31 December 2017, which represents their maximum exposure on these assets. These balances are held with banks which are rated A1, based on Moody's rating.

Trade receivables

The ageing of trade receivables that were not impaired at the reporting date is as follows:

	31 December 2017	31 December 2016
Neither past due nor impaired	6,451,372	5,971,503
Past due but not impaired:		
0-30 days	1,753,201	1,339,493
31-60 days	331,517	1,030,566
61-90 days	115,205	119,622
91-120 days	271,388	42,500
Total trade receivables	8,922,683	8,503,684

The credit quality of trade receivables is assessed based on a credit policy established by the Company. The Company monitors customer credit risk by grouping trade receivables based on their characteristics.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Other current assets

The management believes that the Company is not significantly exposed to credit risk on its other current assets as the balance is not significant. The Company believes that unimpaired amounts that are past due by more than 30 days are still collectible in full based on historical behavior and extensive analysis of customer credit risk.

Geographical concentration of risk of financial assets with credit risk exposure

The Company is not exposed to significant credit risk based on its geographical concentration as the Company's operations are principally based in the Kingdom of Saudi Arabia and all financial assets carrying credit risk are concentrated within the Kingdom of Saudi Arabia except for immaterial balance with a bank in United Arab Emirates.

(ii) Liquidity risk

Liquidity risk is the risk that an enterprise 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.

As at 31 December 2017, current liabilities of the Company has exceeded its current assets by SAR 231.76 million. However, the current liabilities includes SAR 261.58 million of deferred revenue representing subscription fee received in advance, SAR 3.17 million of deferred rentals and SAR 1.10 million of advances from customers, which the Company does not expect and is not legally required to repay as at 31 December 2017. Further, the Company has unutilized banking facility of SR 45 million as of 31 December 2017, which the management can avail in case of any shortfall. Therefore, the Company is not exposed to any significant liquidity risk in the foreseeable future.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2017 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 December 2017	Within 3 months	3 to 12 months	1 to 5 Years	No fixed maturity	Total
	(SAR)				
Loans and borrowing*	23,199,347	71,203,737	401,114,929	--	495,518,013
Accounts payables	37,305,070	--	--	--	37,305,070
Accrued expenses and other liabilities	48,646,988	--	--	--	48,646,988
	109,151,405	71,203,737	401,114,929	--	581,470,071

* The loan and borrowing include finance cost of SAR 52.87 million (December 2016: SAR 63.32 million).

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (continued)

31 December 2016	Within 3 months	3 to 12 months	1 to 5 Years	No fixed maturity	Total
			(SAR)		
Loans and borrowing	41,200,746	63,832,437	400,015,014	--	505,048,197
Accounts payables	23,674,717	--	--	--	23,674,717
Accrued expenses and other liabilities	38,664,829	--	--	--	38,664,829
Dividend payable	--	--	--	32,598,051	32,598,051
	103,540,292	63,832,437	400,015,014	32,598,051	599,985,794

(ii) 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. A significant portion of the loans and borrowings of the Company is subject to a fixed mark-up rate, hence the Company is not significantly exposed to any changes in the market mark-up rate. Further, these loans and borrowings are carried at amortized cost and hence the Company is not exposed to changes in their fair values.

34. 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 loans and borrowings less cash and cash equivalents. Adjusted equity comprises all components of equity.

35. EXPLANATION OF TRANSITION TO IFRS FOR THE PREPARATION OF STATUTORY FINANCIAL STATEMENTS

As mentioned in note 2a, until 2016, the Company prepared its statutory financial statements under Previous GAAP (SOCPA). In addition, the Company also adopted IFRS in previous year while preparing special purpose financial statements for IPO purposes. However, from financial year ended 31 December 2017, the Company has elected to prepare its statutory financial statements under IFRS.

Since these are the Company's first statutory financial statements prepared under IFRS, therefore, for the better understanding of the users of the financial statements, the Company has voluntarily prepared the reconciliation of equity that was presented under statutory financial statements for the year ended 31 December 2016 and the opening equity that is being presented under these financial statements.

35. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of equity as at 1 January 2017

	Balance as per Previous GAAP	Effect of transition to IFRS and reclassifications	Balance as per IFRS
		31 December 16	
ASSETS			
Non-current assets			
Property and equipment	1,145,923,758	--	1,145,923,758
Goodwill	9,445,544	--	9,445,544
Investment in an unconsolidated subsidiary	47,500	--	47,500
Total non-current assets	**1,155,416,802**	**--**	**1,155,416,802**
Current assets			
Trade receivables	8,503,684	--	8,503,684
Due from a related party	35,450	--	35,450
Prepayments and other assets	80,822,532	--	80,822,532
Short term investment	50,000,000	--	50,000,000
Cash and bank balances	61,608,616	--	61,608,616
Total current assets	**200,970,282**	**--**	**200,970,282**
Total assets	**1,356,387,084**	**--**	**1,356,387,084**
EQUITY AND LIABILITIES			
Equity			
Share capital	195,000,000	--	195,000,000
Statutory reserve	64,497,724	--	64,497,724
Retained earnings (Note 35.1)	264,335,892	(69,057)	264,266,835
Total shareholders' equity	**523,833,616**	**(69,057)**	**523,764,559**
Liabilities			
Non-current liability			
Loans and borrowings – non-current	357,420,123	--	357,420,123
Defined benefits obligation – employees' benefits (Note 35.1)	17,430,159	69,057	17,499,216
Deferred rental (Note 35.2)	--	46,262,210	46,262,210
Total non-current liabilities	**374,850,282**	**46,331,267**	**421,181,549**

35. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Reconciliation of equity as at 1 January 2017 (CONTINUED)

	Balance as per Previous GAAP	Effect of transition to IFRS and reclassifications	Balance as per IFRS
	31 December 16		
Current liabilities			
Loans and borrowings	84,311,037	--	84,311,037
Deferred rental – current portion (Note 35.2)	--	1,053,511	1,053,511
Accounts payable	23,674,717	--	23,674,717
Accrued expenses and other liabilities (Note 35.2)	92,650,103	(47,315,721)	45,334,382
Deferred revenue	217,855,615	--	217,855,615
Dividends payable	32,598,051	--	32,598,051
Provision for Zakat	6,613,663	--	6,613,663
Total current liabilities	**457,703,186**	**(46,262,210)**	**411,440,976**
Total liabilities	**832,553,468**	**69,057**	**832,622,525**
Total equity and liabilities	**1,356,387,084**	**--**	**1,356,387,084**

35.1 This represents recognition of re-measurement losses on defined benefit obligation – employee benefits on the basis of actuarial valuation, in the retained earnings reported under previous GAAP.

Reconciliation of statements of profit or loss, other comprehensive income and cash flows for the year ended 31 December 2016

There were no material differences in the comparative figures of statements of profit or loss, other comprehensive income and cash flows presented in the current year statutory financial statements prepared under IFRS and the statutory financial statements prepared under the previous GAAP (SOCPA) for the year ended 31 December 2016.

35.2 The following comparative figures in these financial statements have been rearranged and reclassified for better presentation and disclosures:

Reclassified from	Amount (SAR)	Reclassified to	Amount (SAR)
Accrued and other liabilities	47,315,721	Deferred rentals – non current	46,262,210
		Deferred rentals – current	1,053,511

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved by the Board of directors on 26 February 2017.

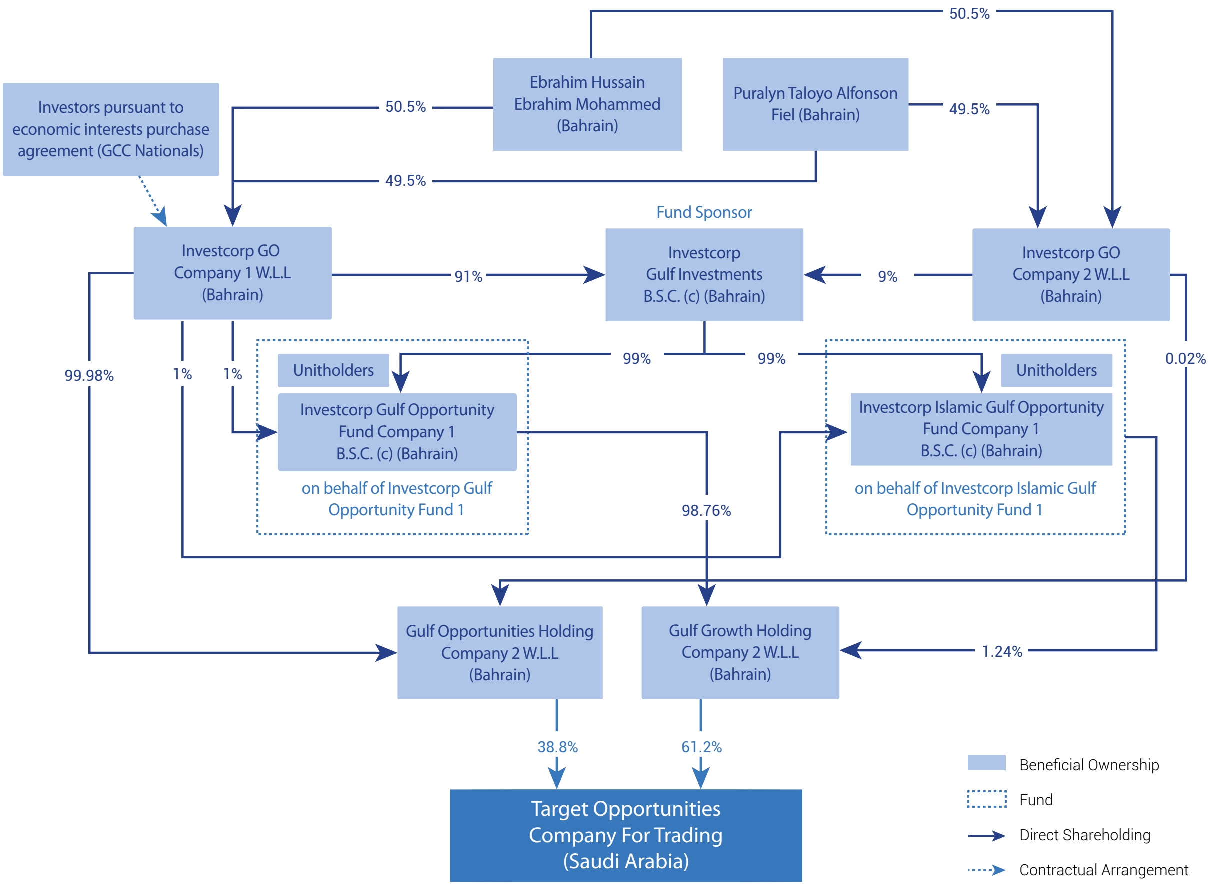
APPENDIX A

This Appendix contains more detailed information regarding the shareholding structure of Target Opportunities Company for Trading, a Saudi limited liability company registered under commercial registration No. 1010384646, dated 23/9/1434H (corresponding to 31/7/2013G). Target Opportunities Company for Trading's head office and registered office is located in Riyadh, Alfaisaliah Tower, P.O. Box 61992, Riyadh 11575, Kingdom of Saudi Arabia. The current share capital of Target Opportunities Company for Trading is SAR 100,000, divided into 1,000 shares with a fully paid nominal value of SAR 100 per share.

The principal activities of Target Opportunities Company for Trading are implementing general construction contracts, maintenance and services of import, export and marketing. As of the date of this Prospectus, Target Opportunities Company for Trading operates primarily as a holding company with 13,148,224 Shares in the Company (representing 25.1% of its capital). There are no operating revenues attributed to Target Opportunities Company for Trading. In addition, the company does not conduct any operating activity.

The following chart sets out the ownership structure of Target Opportunities Company for Trading as of the date of this Prospectus:

Exhibit 8: Ownership Structure of Target Opportunities Company for Trading as of the Date of this Prospectus



Source: The Company.

The following table sets out the ownership structure of Target Opportunities Company for Trading as of the date of this Prospectus:

Table 106: Ownership Structure of Target Opportunities Company for Trading as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value (SAR)	Value of Shares (SAR)	Ownership Percentage
Gulf Growth Holding Company 2 W.L.L.	612	100	61,200	61.2%
Gulf Opportunities Holding Company 2 W.L.L.	388	100	38,800	38.8%
Total	1,000	100	100,000	100%

Source: The Company.

The ownership structure of the Company is in compliance with the Foreign Investment Act (the "FIA") and the other relevant regulations pursuant to which the issuance of a foreign investment license by Saudi Arabian General Investment Authority (SAGIA) is applicable to business entities based in the Kingdom that are wholly or partially owned by persons other than: (i) GCC nationals; and/or (ii) companies established within the GCC that are wholly-owned by GCC nationals (Clause (e) of Article 1 of the FIA and Article 3 of the Economic Agreement Between the GCC States).

The licensing requirements of the FIA are not applicable to business entities that are wholly–owned by: (i) GCC nationals; and/or (ii) companies established within the GCC that are wholly-owned by GCC nationals. Moreover, the licensing requirements of the FIA are only applicable to foreign investments made by way of legal ownership of the underlying equity interest, whether directly or indirectly, as evidenced by the relevant constitutional documents.

Accordingly, the licensing requirements of the FIA are not applicable to the Company given that all of the direct and indirect shareholders of record (legal owners) in the Company are either GCC nationals or are companies that were established within the GCC and whose shareholders consist wholly of GCC nationals pursuant to their respective constitutional documents.

Descriptions of Target Opportunities Company for Trading's shareholders are set out below:

1. Gulf Growth Holding Company 2 W.L.L.

1.1 Overview of Ownership Structure of Gulf Growth Holding Company 2 W.L.L.

Gulf Growth Holding Company 2 W.L.L. is a Bahraini Limited Liability Company, registered in the Kingdom of Bahrain under commercial registration No. 86057-1, dated 18/8/1434H (corresponding to 27/6/2013G). Gulf Growth Holding Company 2 W.L.L.'s head office and registered office is located in Flat 51, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 250,000 (SAR 2,500,000) divided into 5,000 shares with a fully paid up nominal value of BHD 50 (SAR 500) per share.

As at the date of this Prospectus, Gulf Growth Holding Company 2 W.L.L. operates primarily as a holding company holding 612 shares in Target Opportunities Company for Trading (representing 61.2% of its capital). Gulf Growth Holding Company 2 W.L.L. is a special purpose vehicle ("**SPV**") used in the legal structure of Investcorp Gulf Opportunity Fund 1 and Investcorp Islamic Gulf Opportunity Fund 1.

Gulf Growth Holding Company 2 W.L.L. is a beneficial owner as of the date of this Prospectus of 15.4% of the Shares in the Company. After the Offering, it will beneficially own 10.8% of the Shares in the Company. 98.76% of the beneficial ownership of the Shares in Gulf Growth Holding company L.L.C. is held on behalf of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c), the fund company established in relation to Investcorp Gulf Opportunity Fund 1, and 1.24% of the beneficial ownership of Gulf Growth Holding company L.L.C. in the Company's shares in the Company is held on behalf of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c), the fund company established in relation to Investcorp Islamic Gulf Opportunity Fund 1.

The following table sets out the ownership structure of Gulf Growth Holding Company 2 W.L.L. as at the date of this Prospectus:

Table 107: Ownership Structure of Gulf Growth Holding Company 2 W.L.L. as of the Date of this Prospectus

Shareholders	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)	4,938	246,900	2,469,000	98.76%
Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c)	62	3,100	31,000	1.24%
Total	5,000	250,000	2,500,000	100%

Source: The Company.

Descriptions of Gulf Growth Holding Company 2 W.L.L.'s shareholders are set out below:

1.1.1 Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)

Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) is a closed joint stock company with registration number 67221-1, incorporated in Bahrain on 26/11/1428H (corresponding to 6/12/2007G). Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) was formed for the sole purpose of establishing Investcorp Gulf Opportunity Fund 1, which is a Bahrain domiciled closed-ended exempt collective investment undertaking registered with the Central Bank of Bahrain. Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) exerts efforts to legally own the fund assets on its behalf (see Section 1 (*Definitions and Abbreviations*) for the exempted fund definition).

The principal purpose of Investcorp Gulf Opportunity Fund 1 is to invest within the six Gulf Cooperation Council countries and, on a selective basis, the wider MENA region, including Turkey.

Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) does not conduct any activities directly related to Investcorp Gulf Opportunity Fund 1 or otherwise, and it does not compete with the Company's business. Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) is a 99% owned subsidiary of Investcorp Gulf Investments B.S.C.(c), with the other 1% being owned by Investcorp GO Company 1 W.L.L.

The following table sets out the shareholding in Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) as at the date of this Prospectus:

Table 108: Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)'s Shareholding Structure as of the Date of this Prospectus

Shareholder	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Investcorp Gulf Investments B.S.C.(c).	99	990	9,900	99%
Investcorp GO Company 1 W.L.L.	1	10	100	1%
Total	100	1,000	10,000	100%

Source: The Company.

Descriptions of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)'s shareholders are set out below:

a- Investcorp Gulf Investments B.S.C.(c)

Investcorp Gulf Investments B.S.C.(c) is registered under commercial registration No. 66923-1, dated 27/11/1428H (corresponding to 7/11/2007G). Investcorp Gulf Investments B.S.C.(c)'s head office and registered office is located in Flat 42, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 250,000 (SAR 2,500,000) divided into 25,000 shares with a fully paid up nominal value of BHD 10 (SAR 100) per share. Investcorp Gulf Investments B.S.C.(c) is a Bahrain shareholding company (closed) that is licenced by the Central Bank of Bahrain as Investment Business Firm – category 2 and whose sole purpose is to act as a promoter of investment funds. In particular, the main activities for this corporate category are acting as an agent, making arrangements, conducting management and maintenance, providing advisory, and operating collective investment funds.

As at the date of this Prospectus, Investcorp Gulf Investments B.S.C.(c) operates, among other funds, as the fund promoter of Investcorp Gulf Opportunity Fund 1, holding 99 Shares in Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) (representing 99% of its capital), and the fund promoter of Investcorp Islamic Gulf Opportunity Fund 1, holding 99 Shares in Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) (representing 99% of its capital).

The following table sets out the shareholding in Investcorp Gulf Investments B.S.C.(c) as at the date of this Prospectus:

Table 109: Investcorp Gulf Investments B.S.C.(c)'s Shareholding Structure as of the Date of this Prospectus

Shareholder	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Investcorp GO Company 1 W.L.L.	22,750	227,500	2,275,000	91%
Investcorp GO Company 2 W.L.L.	2,250	22,500	225,000	9%
Total	25,000	250,000	2,500,000	100%

Source: The Company.

Descriptions of Investcorp Gulf Investments B.S.C.(c)'s shareholders are set out below:

i- Investcorp GO Company 1 W.L.L.

Investcorp GO Company 1 W.L.L. is registered under commercial registration No. 66849-1, dated 18/10/1428H (corresponding to 30/10/2007G). Investcorp GO Company 1 W.L.L.'s head office and registered office is located in Flat 1, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 20,000 (SAR 200,000) divided into 400 shares with a fully paid up nominal value of BHD 50 (SAR 500) per share.

As at the date of this Prospectus, Investcorp GO Company 1 W.L.L. serves primarily as a holding company, holding in particular shares in Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c), Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c), and Investcorp Gulf Investments B.S.C.(c).

The following table sets out the shareholding in Investcorp GO Company 1 W.L.L. as at the date of this Prospectus:

Table 110: Investcorp GO Company 1 W.L.L.'s Shareholding Structure as of the Date of this Prospectus

Shareholder	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Ebrahim Hussain Ebrahim Mohammed	202	10,100	101,000	50.5%
Puralyn Taloyo Alfonso Fiel.	198	9,900	99,000	49.5%
Total	400	20,000	200,000	100%

Source: The Company.

Descriptions of Investcorp GO Company 1 W.L.L.'s shareholders are set out below:

Ebrahim Hussain Ebrahim Mohammed

Mr. Ebrahim Hussain Ebrahim Mohammed, a Bahraini national, holds shares of Investcorp GO Company 1 W.L.L. and Investcorp GO Company 2 W.L.L. as nominee for Investcorp Bank BSC pursuant to a nominee arrangement. All voting and management rights with respect to these shares have been delegated to the representatives of Investcorp Management Services Limited ("**Fund Manager**") acting as fund manager pursuant to a power of attorney. The purpose of the power of attorney is to enable the fund manager to direct the voting of the legal shares in the best interests of Investcorp Gulf Opportunity Fund 1 and the unitholders.

Puralyn Taloyo Alfonso Fiel

Mrs. Puralyn Taloyo Alfonso Fiel, a Bahraini national, holds shares of Investcorp GO Company 1 W.L.L. and Investcorp GO Company 2 W.L.L. as nominee for Investcorp Bank B.S.C. pursuant to a nominee arrangement. All voting and management rights with respect to these shares have been delegated to the representatives of Investcorp Management Services Limited acting as the Investcorp Opportunity Fund 1 fund manager pursuant to a power of attorney. The purpose of the power of attorney is to enable the fund manager to direct the voting of the legal shares in the best interests of Investcorp Gulf Opportunity Fund 1 and the unitholders.

The direct and beneficial shareholders of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) do not have any rights over the assets of Investcorp Gulf Opportunity Fund Company 1 other than the share capital of BD1,000, whether during the life of Investcorp Gulf Opportunity Fund 1 or upon its liquidation. According to undertakings for collective investment regulations, assets, financial instruments, and investments of Investcorp Gulf Opportunity Fund 1 shall be under the acquisition of Maintenance Secretary on behalf of the fund (this is achieved by way of a contractual, not structural, arrangement).

ii- Investcorp GO Company 2 W.L.L.

Investcorp GO Company 2 W.L.L. is registered under commercial registration No. 66848-1, dated 18/10/1428H (corresponding to 30/10/2007G). Investcorp GO Company 2 W.L.L.'s head office and registered office is located in Flat 11, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 20,000 (SAR 200,000) divided into 400 shares with a fully paid–up nominal value of BHD 50 (SAR 500) per share. Investcorp GO Company 2 W.L.L. is a holding company that was established to be a shareholder in Investcorp Gulf Investments B.S.C.(c). due to the requirement of the Bahrain Commercial Companies Law issued by the Decree-law No. 21 of 2001 ("**Bahraini Companies Law**") that a Bahrain shareholding company (closed) have two shareholders.

As at the date of this Prospectus, Investcorp GO Company 2 W.L.L. serves primarily as a holding company, holding shares in Investcorp Gulf Investments B.S.C.(c).

The following table sets out the shareholding in Investcorp GO Company 2 W.L.L. as at the date of this Prospectus:

Table 111: Investcorp GO Company 2 W.L.L.'s Shareholding Structure as of the Date of this Prospectus

Shareholder	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Ebrahim Hussain Ebrahim Mohammed	202	10,100	101,000	50.5%
Puralyn Taloyo Alfonso Fiel.	198	9,900	99,000	49.5%
Total	400	20,000	200,000	100%

Source: The Company.

Descriptions of Investcorp GO Company 2 W.L.L.'s shareholders, Ebrahim Hussain Ebrahim Mohammed and Puralyn Taloyo Fiel, are set out above.

1.1.2 Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c)

Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) is a closed joint stock company with registration number No. 67463-1 incorporated in Bahrain on 28/12/1428H (corresponding to 7/1/2008G). Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) was formed for the sole purpose of establishing Investcorp Islamic Gulf Opportunity Fund 1, which is a Bahrain domiciled closed-ended exempt collective investment undertaking registered with the Central Bank of Bahrain. The principal purpose of Investcorp Islamic Gulf Opportunity Fund 1 is to invest within the six Gulf Cooperation Council countries and, on a selective basis, the wider MENA region, including Turkey, on a Sharia'h-compliant basis, and in parallel with Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c), as Investcorp Islamic Gulf Opportunity Fund 1 only makes investments through the investments of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c)

Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) does not conduct any activities directly related to Investcorp Islamic Gulf Opportunity Fund 1 or otherwise, and it does not compete with the Company's business. Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) is a 99% owned subsidiary of Investcorp Gulf Investments B.S.C.(c), with the other 1% being owned by Investcorp GO Company 1 W.L.L.

The following table sets out the shareholding in Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) as at the date of this Prospectus:

Table 112: Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)'s Shareholding Structure as of the Date of this Prospectus

Shareholder	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Investcorp Gulf Investments B.S.C.(c).	99	990	9,900	99%
Investcorp GO Company 1 W.L.L.	1	10	100	1%
Total	100	1,000	10,000	100%

Source: The Company.

1.2 Overview of Investment Funds in the Ownership Structure of Gulf Growth Holding Company 2 W.L.L.

1.2.1 Investcorp Gulf Opportunity Fund 1

Investcorp Gulf Opportunity Fund 1 is a closed-ended exempt investment fund established according to the Collective Investment Undertakings Regulations and is registered with the Central Bank of Bahrain. Investcorp Gulf Opportunity Fund 1 can be described as a joint investment program that aims to allow its investors an opportunity to collectively partake in Investcorp Gulf Opportunity Fund 1's B.S.C.(c) profits (Investcorp Management Services Limited) and, the unitholders of Investcorp Gulf Opportunity Fund 1 do not have any management control over the decisions of Investcorp Gulf Opportunity Fund 1. The fund manager is responsible for making all investment decisions in connection with Investcorp Gulf Opportunity Fund 1's B.S.C.(c) investments, and the fund administrator and the custodian are responsible for undertaking all administrative and custodial actions in connection with Investcorp Gulf Opportunity Fund 1, whereas the rights of unitholders in Investcorp Gulf Opportunity Fund 1 are limited to the right to receive proceeds as described in the private placement memorandum prepared in relation to Investcorp Gulf Opportunity Fund 1 and other limited rights that are described in the instrument pursuant to which Investcorp Gulf Opportunity Fund 1 was created. While the unitholders in Investcorp Gulf Opportunity Fund 1 are considered beneficial owners of all the assets of which Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) is the legal owner on behalf of Investcorp Gulf Opportunity Fund 1, including any equity investments made by Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) on behalf of Investcorp Gulf Opportunity Fund 1 (such as Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)'s stake in Gulf Growth Holding Company 2 W.L.L.), the unitholders do not enjoy any of the rights set out in the Companies' Law, the CML or its implementing rules issued thereunder or the Company's Bylaws including the right to vote or any rights conferred by the Shares to the Shareholders. Moreover, pursuant to the terms and conditions of Investcorp Gulf Opportunity Fund 1, its unitholders have no contractual right to receive the Shares in the Company.

Pursuant to the CIU Regulations, Bahrain domiciled CIUs/funds may be constituted either as common CIUs established under the law of contract, trusts established under the Financial Trusts Law issued by the Decree-law No. 23 of 2016G (the "**Financial Trust Law**") or Corporates established under the Companies Law. Each Bahrain domiciled CIU/fund must have its separate legal vehicle.

Investcorp Gulf Opportunity Fund 1 has been structured as an exempt fund pursuant to the CIU Regulations as a contractual arrangement between Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) and the investors. This is the most common form of fund structure in Bahrain and would fall under the category of common CIUs as described above. Investcorp Gulf Opportunity Fund 1 does not have a separate legal status and the investors have subscribed to the units in Investcorp Gulf Opportunity Fund 1 and not to the shares in Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c). As Investcorp Gulf Opportunity Fund 1 does not have separate legal status, any investments and contractual arrangements are made by Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) (in its capacity as the legal entity to which the Investcorp Gulf Opportunity Fund is affiliated) acting on behalf of Investcorp Gulf Opportunity Fund 1 and Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) is the legal owner of the 98.76% ownership interest in Gulf Growth Holding Company 2 W.L.L. However, under the Bahraini legislative framework applicable to Investcorp Gulf Opportunity Fund 1, the direct and beneficial shareholders of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) do not have any rights over the assets or the management of Investcorp Gulf Opportunity Fund 1, whether during the life of Investcorp Gulf Opportunity Fund 1 or upon its liquidation. As per the CIU Regulations, the assets, financial instruments and investments of Investcorp Gulf Opportunity Fund 1 are held by the custodian for and on behalf of Investcorp Gulf Opportunity Fund 1 (this is achieved by way of a contractual, not structural, arrangement). As a result, despite being the legal owner, Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) does not beneficially own any assets on its own (or its shareholders') behalf. All payments and receipts of finances pertaining to Investcorp Gulf Opportunity Fund 1 are made by the custodian, who will not release any funds to the shareholders of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c). Upon liquidation, in accordance with the above, the remaining assets of Investcorp Gulf Opportunity Fund 1 will be distributed to the unitholders of Investcorp Gulf Opportunity Fund 1. The liquidation of Investcorp Gulf Opportunity Fund 1 also requires a number of approvals from the unitholders as well as the Central Bank of Bahrain.

The board of directors of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) is responsible for the overall management and supervision of Investcorp Gulf Opportunity Fund 1. Subject to the prior approval of the Central Bank of Bahrain, the directors of Investcorp Gulf Opportunity Fund (which are the directors of the Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)) are nominated and appointed by Investcorp Gulf Investments B.S.C.(c), who must immediately notify the Central Bank of Bahrain when a board member submits his resignation from his position or if his membership is terminated, together with an explanation as to the reasons why, and removal of a board member of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) would need a shareholders resolution passed at the shareholders meeting in accordance with the Bahrain Commercial Companies Law and the relevant articles of association. The Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism must be invited to all shareholders meetings.

The CIU Regulations require that the operator of a Bahrain domiciled fund must hold an appropriate license issued by the Central Bank of Bahrain or by a financial services regulator of an overseas jurisdiction. Investcorp Gulf Investments B.S.C.(c) is duly licenced as an investment business firm — category 2 by the Central Bank of Bahrain and is authorised to operate a collective investment undertaking. In particular, the main activities for this corporate category are acting as an agent, making arrangements, conducting management and maintenance, providing advisory, and operating collective investment funds.

Investcorp Bank B.S.C.(c) provides administrator, custodian and registrar services to Investcorp Gulf Opportunity Fund 1 and is duly licenced to do so. Investcorp Gulf Opportunity Fund 1 is managed by Investcorp Management Services Limited.

The following summarises the key information related to Investcorp Gulf Opportunity Fund 1:

Date of Registration and Term: Investcorp Gulf Opportunity Fund 1 was registered on 10/10/1428H (corresponding to 22/11/2007G) by the Central Bank of Bahrain. The duration of Investcorp Gulf Opportunity Fund 1 is ten Gregorian years subject to the fund manager's right to extend the term for up to two additional one-year periods to permit an orderly dissolution of Investcorp Gulf Opportunity Fund 1. As at 26/10/1438H (corresponding to 20/07/2017G), the manager of Investcorp Gulf Opportunity Fund Company 1 BSC (C), in accordance with the funds terms and conditions, extended the term of the Fund for two additional Gregorian years, and such term shall expire on 20/7/2019G.

Investment Objective: Investcorp Gulf Opportunity Fund 1's B.S.C.(c) investment objective is to generate medium to long-term capital appreciation through equity and equity–related investments in "Greenfield" opportunities and acquisition of majority or possibly minority interests in well established businesses within the six GCC countries. Investcorp Gulf Opportunity Fund 1's B.S.C.(c) territory also includes the wider MENA region, including Turkey. Investcorp Gulf Opportunity Fund 1 may also pursue private investment in public equity opportunities in the GCC and MENA regions as well as the acquisition of small international firms with significant growth potential in the Arabian Gulf.

Exit Strategy: Investcorp Gulf Opportunity Fund 1's B.S.C.(c) objective is to exit investments through various mediums including initial public offerings, trade sales to local, regional or foreign investors and sales to other private equity investors before the expiration of its term (including the two-year extension period described above). There is no default mechanism in place as at the date of this Prospectus for the liquidation of Investcorp Gulf Opportunity Fund 1 at the expiration of its term.

Board of Directors: The board of directors of Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) is comprised of three persons (Ayman Husain Mansoor AlArrayedh, Mufeed Abdulnabi Abdali Rajab and Syed Abbas Marghoob

Rizvi), of which none owns any direct or beneficial interest in the Company. Moreover, none of the directors have any legal or beneficial ownership in the Company.

Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c) maintains a diversified base of investors who have subscribed for units in Investcorp Gulf Opportunity Fund 1. Through the legal structure of Investcorp Gulf Opportunity Fund 1, its unitholders are deemed, according to applicable Saudi law, to be the beneficial owners of 15.17% of the Shares in the Company as at the date of this Prospectus and will be deemed to beneficially own only 1.57% after the Offering. There are no unitholders in Investcorp Gulf Opportunity Fund 1 beneficially owning 5% or more of the Shares in the Company.

1.2.2 Investcorp Islamic Gulf Opportunity Fund 1

Investcorp Islamic Gulf Opportunity Fund 1 is a closed–ended exempt investment fund established according to the CIU Regulations and is registered with the Central Bank of Bahrain. Investcorp Islamic Gulf Opportunity Fund 1 can be described as a joint investment program that aims to allow its investors an opportunity to collectively partake in Investcorp Islamic Gulf Opportunity Fund 1's B.S.C.(c) profits. The unitholders of Investcorp Islamic Gulf Opportunity Fund 1 do not have any management control over the decisions of Investcorp Islamic Gulf Opportunity Fund 1. The fund manager is responsible for making all investment decisions in connection with Investcorp Islamic Gulf Opportunity Fund 1's B.S.C. (Investcorp Management Services Limited) (c) investments, and the fund administrator and the custodian are responsible for undertaking all administrative and custodial actions in connection with Investcorp Islamic Gulf Opportunity Fund 1, whereas the rights of unitholders in Investcorp Islamic Gulf Opportunity Fund 1 are limited to the right to receive proceeds as described in the private placement memorandum prepared in relation to Investcorp Islamic Gulf Opportunity Fund 1 and other limited rights that are described in the instrument pursuant to which Investcorp Islamic Gulf Opportunity Fund 1 was created. While the unitholders in Investcorp Islamic Gulf Opportunity Fund 1 are considered beneficial owners of all the assets of which Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) is the legal owner on behalf of Investcorp Islamic Gulf Opportunity Fund 1, including any equity investments made by Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) on behalf of Investcorp Islamic Gulf Opportunity Fund 1 (such as Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c)'s stake in Gulf Growth Holding Company 2 W.L.L.), the unitholders do not enjoy any of the rights set out in the Bahraini Companies' Law, the CML or its implementing rules issued thereunder or the Company's Bylaws including the right to vote or any rights conferred by the Shares to the Shareholders. Moreover, pursuant to the terms and conditions of Investcorp Islamic Gulf Opportunity Fund 1, its unitholders have no contractual right to receive the Shares in the Company.

Pursuant to the CIU Regulations, Bahrain domiciled CIUs/funds may be constituted either as common CIUs established under the law of contract, trusts established under the Financial Trusts Law, or Corporates established under the Companies Law. Each Bahrain domiciled CIU/fund must have its separate legal vehicle.

Investcorp Islamic Gulf Opportunity Fund 1 has been structured as an exempt fund pursuant to the CIU Regulations as a contractual arrangement between Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) and the investors. This is the most common form of fund structure in Bahrain and would fall under the category of common CIUs as described above. Investcorp Islamic Gulf Opportunity Fund 1 does not have a separate legal status and the investors have subscribed to the units in Investcorp Islamic Gulf Opportunity Fund 1 and not to the shares in Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c). As Investcorp Islamic Gulf Opportunity Fund 1 does not have separate legal status, any investments and contractual arrangements are made by Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) (in its capacity as the legal entity to which the Investcorp Gulf Opportunity Fund is affiliated) acting on behalf of Investcorp Islamic Gulf Opportunity Fund 1 and Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) is the legal owner of the 1.24% ownership interest in Gulf Growth Holding Company 2 W.L.L. However, under the Bahraini legislative framework applicable to Investcorp Islamic Gulf Opportunity Fund 1, the direct and beneficial shareholders of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) do not have any rights over the assets or the management of Investcorp Islamic Gulf Opportunity Fund 1, other than the share capital of BB1,000, whether during the life of Investcorp Islamic Gulf Opportunity Fund 1or upon its liquidation. As per the CIU Regulations, the assets, financial instruments and investments of Investcorp Islamic Gulf Opportunity Fund 1 are held by the custodian for and on behalf of Investcorp Islamic Gulf Opportunity Fund 1 (this is achieved by way of a contractual, not structural, arrangement). As a result, despite being the legal owner, Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) does not beneficially own any assets on its own (or its shareholders') behalf. All payments and receipts of finances pertaining to Investcorp Islamic Gulf Opportunity Fund 1 are made by the custodian, who will not release any funds to the shareholders of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c). Upon liquidation, in accordance with the above, the remaining assets of Investcorp Islamic Gulf Opportunity Fund 1 will be distributed to the unitholders of Investcorp Islamic Gulf Opportunity Fund 1. The liquidation of Investcorp Islamic Gulf Opportunity Fund 1 also requires a number of approvals from the unitholders as well as the Central Bank of Bahrain.

The board of directors of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) is responsible for the overall management and supervision of Investcorp Islamic Gulf Opportunity Fund 1. Subject to the prior approval of the Central Bank of Bahrain, the directors of Investcorp Islamic Gulf Opportunity Fund (which are the directors of the

Investcorp Gulf Opportunity Fund Company 1 B.S.C.(c)) are nominated and appointed by Investcorp Gulf Investments B.S.C.(c), who must immediately notify the Central Bank of Bahrain when a board member submits his resignation from his position or if his membership is terminated, together with an explanation as to the reasons why, and removal of a board member of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) would need a shareholders, resolution passed at the shareholders, meeting in accordance with the Bahrain Commercial Companies Law and the relevant articles of association. The Central Bank of Bahrain and the Ministry of Industry, Commerce and Tourism must be invited to all shareholders meetings.

The CIU Regulations require that the operator of a Bahrain domiciled fund must hold an appropriate license issued by the Central Bank of Bahrain or by a financial services regulator of an overseas jurisdiction. Investcorp Gulf Investments B.S.C.(c) is duly licenced as an investment business firm — category 2 by the Central Bank of Bahrain and is authorised to operate a collective investment undertaking. In particular, the main activities for this corporate category are acting as an agent, making arrangements, conducting management and maintenance, providing advisory, and operating collective investment funds.

Investcorp Bank B.S.C. provides administrator, custodian and registrar services to Investcorp Islamic Gulf Opportunity Fund 1 and is duly licenced to do so. Investcorp Islamic Gulf Opportunity Fund 1 is managed by Investcorp Management Services Limited.

The following summarises the key information related to Investcorp Islamic Gulf Opportunity Fund 1:

Date of Regulation and Term: Investcorp Islamic Gulf Opportunity Fund 1 was registered with the Central Bank of Bahrain on 15/1/1429H (corresponding to 24/1/2008G). The duration of Investcorp Islamic Gulf Opportunity Fund 1 is ten Gregorian years subject to the Fund Manager's right to extend the term for up to two additional one-year periods to permit an orderly dissolution of Investcorp Islamic Gulf Opportunity Fund 1. The Term has been extended to expire on 24/1/2020G.

Investment Objective: Investcorp Islamic Gulf Opportunity Fund 1's B.S.C.(c) investment objective is to generate medium to long term capital appreciation through Sharia'-hcompliant equity and equity related investments in "Greenfield" opportunities and acquisition of majority or possibly minority interests in well established businesses within the six GCC countries. Investcorp Islamic Gulf Opportunity Fund 1's territory also includes the wider MENA region, including Turkey. Investcorp Islamic Gulf Opportunity Fund 1 may also pursue PIPE opportunities in the GCC and MENA regions as well as the acquisition of small international firms with significant growth potential in the Arabian Gulf.

Exit Strategy: Investcorp Islamic Gulf Opportunity Fund 1's B.S.C.(c) objective is to exit investments through various mediums including initial public offerings, trade sales to local, regional or foreign investors and sales to other private equity investors.

Board of Directors: The board of directors of Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) is comprised of three persons (Ayman Husain Mansoor AlArrayedh, Mufeed Abdulnabi Abdali Rajab and Syed Abbas Marghoob Rizvi), of which none owns any legal or beneficial ownership interest in the Company. Moreover, none of the directors have any legal or beneficial ownership in the Company.

Investcorp Islamic Gulf Opportunity Fund Company 1 B.S.C.(c) maintains a diversified base of investors who have subscribed for units in Investcorp Islamic Gulf Opportunity Fund 1. Through the legal structure of Investcorp Islamic Gulf Opportunity Fund 1, its unitholders are deemed, to be the beneficial owners of only 0.19% of the Shares in the Company as at the date of this Prospectus and will be deemed to beneficially own only 0.02% after the Offering. There are no unitholders in Investcorp Islamic Gulf Opportunity Fund 1 beneficially owning 5% or more of the Shares in the Company.

2. Gulf Opportunities Holding Company 2 W.L.L.

2.1 Overview of Ownership Structure of Gulf Opportunities Holding Company 2 W.L.L.

Gulf Opportunities Holding Company 2 W.L.L. is a Bahraini Limited Liability Company, registered in the Kingdom of Bahrain under commercial registration No. 86099-1, dated 22/8/1434H (corresponding to 1/7/2013G). Gulf Opportunities Holding Company 2 W.L.L.'s head office and registered office is located in Flat 22, Building 499, Road 1706, Diplomatic Area 317, Kingdom of Bahrain. The current share capital of the company is BHD 250,000 (SAR 2.500.00) divided into 5,000 shares with a fully paid–up nominal value of BHD 50 (SAR 500) per share.

As at the date of this Prospectus, Gulf Opportunities Holding Company 2 W.L.L. operates primarily as a holding company holding 388 shares in Target Opportunities Company for Trading (representing 38.8% of its capital). Gulf Opportunities Holding Company 2 W.L.L. has entered into an administration agreement with Investcorp Management Services Limited, a wholly–owned subsidiary of Investcorp Bank B.S.C., pursuant to which Investcorp Management Services Limited manages Gulf Opportunities Holding Company 2 W.L.L. and has the right to vote its shares and appoint the members of its board of directors, until such time as the administration agreement is terminated in accordance with its terms.

Gulf Opportunities Holding Company 2 W.L.L. is a beneficial owner as at the date of this Prospectus of 9.74% of the Shares in the Company. After the Offering, it will beneficially own 1.01% of the Shares in the Company. 99.98% of the beneficial ownership of the Shares in the Company is held on behalf of Investcorp GO Company 1 W.L.L., and 0.02% of the beneficial ownership of the Shares in the Company is held on behalf of Investcorp GO Company 2 W.L.L.

The following table sets out the ownership structure of Gulf Opportunities Holding Company 2 W.L.L. as at the date of this Prospectus:

Table 113: Ownership Structure of Gulf Opportunities Holding Company 2 W.L.L. as of the Date of this Prospectus

Shareholders	No. of Shares	Value of Shares (BHD)	Value of Shares (SAR)	Ownership Percentage
Investcorp GO Company 1 W.L.L.	4,999	249,950	2,499,500	99.98%
Investcorp GO Company 2 W.L.L.	1	50	500	0.02%
Total	5,000	250,000	2,500,000	100%

Source: The Company.

Descriptions of Investcorp GO Company 1 W.L.L. and Investcorp GO Company 2 W.L.L. are set out above.

2.2 Overview of Investment Through Economic Purchase Interests

Investcorp GO Company 1 W.L.L. has entered into agreements solely with GCC individual investors pursuant to which such GCC persons have agreed to acquire economic participation interests (i.e., contractual derivative economic interests) in the proceeds that Investcorp GO Company 1 W.L.L. derives from its beneficial ownership of the Shares in the Company. These agreements are subject to the Bahraini law and have no specific validity period as they remain in force as long as the economic interests are still owned by the investor. These economic interests can only be sold after obtaining the written approval of Investcorp GO Company 1 W.L.L. Such economic participation interests are not units in an investment fund subject to the regulations of Central Bank of Bahrain and their holders do not directly or indirectly own any ownership interests in the Company (the holders of the economic participation interests are not considered beneficial owners of the assets of Investcorp GO Company 1 W.L.L., including any beneficial ownership of Shares in the Company). There is also no single holder of the economic participation interests that would be entitled to receive an amount of cash equal to the full economic attributes of the equivalent ownership of 5% or more of Shares in the Company.

The holders of the economic participation interests do not have any management control over the decisions of Investcorp GO Company 1 W.L.L. The holders of the economic participation interests also do not enjoy any of the rights set out in the Companies' Law, the CML or its implementing rules issued thereunder or the Company's Bylaws including the right to vote or any rights conferred by the Shares to the Shareholders. Their rights are limited to the right to receive from Investcorp GO Company 1 W.L.L. an amount of cash equal to the full economic attributes of the equivalent ownership of shares of the Company attributable to Investcorp GO Company 1 W.L.L., including the right to a pro rata share of all net proceeds received by Investcorp GO Company 1 W.L.L. from its indirect investment in the Company and distributed to Investcorp GO Company 1 W.L.L., whether as a result of any dividend or other distribution on the investment, the realization of the investment through a sale or initial public offering, or otherwise. The economic participation interests do not entitle their holders to receive the Shares in the Company. The performance obligations of Investcorp GO Company 1 W.L.L. under the economic participation interests are guaranteed by Investcorp Bank B.S.C.

APPENDIX B

This Appendix contains details of the lease agreements entered into by the Company and its subsidiary. The following table presents the main details of such agreements:

Table 114: Details of Lease Agreements of the Company and its Subsidiary

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Prince Turki bin Ibrahim bin Abdulaziz Al-Saud	Al-Khuzama District, Diriyah.	7,221.91	Total rent is SAR 14,750,000 throughout the term of the Lease.	17 years commencing from 05/05/1435H (corresponding to 03/06/2014G).
Company	Abdullah Abdul Rahman Al-Hamdan	Al Khamashiyyah District, Hail	36,000	Total rent is SAR 7,500,000 throughout the term of the Lease.	15 years commencing from 22/11/1426H (corresponding to 24/12/2005G).
Company	Abdelkader Said Mohammed Bajnid and Maryam Ali Ahmed Bayounes	Al Munsiyah District, Riyadh	7,581	Total rent is SAR 9,500,000 throughout the term of the Lease.	21 years and a half commencing from 01/12/1434H (corresponding to 06/10/2013G). The Lease may be renewed for a similar period by mutual agreement.
Company	Yusuf Bin Ahmed Kanoo Company Ltd.	Al Zahraa District, Riyadh	5,000	Total rent is SAR 32,200,000 throughout the term of the Lease.	20 years commencing from 6/7/1441H (corresponding to 1/3/2020G). The Lease may be renewed for a similar period by mutual agreement.
Company	Hamad bin Ali Sagri	Al Ghadeer District, Riyadh	8,570.36	Total rent is SAR 44,200,000 throughout the term of the Lease.	13 years and six months commencing from 10/03/1436H (corresponding to 01/01/2015G).
Company	Al-Shabab FC	Al-Shabab FC, Al Sahafa District, Riyadh	1,400	Total rent is SAR 5,000,000 throughout the term of the Lease.	Five years commencing from 04/08/1437H (corresponding to 18/01/2016G).
Company	Al-Shabab FC	Up Scale, Al Sahafa District, Riyadh	2,800	Total rent is SAR 6,000,000 throughout the term of the Lease.	Five years commencing from 04/08/1437H (corresponding to 18/01/2016G).
Company	Prince Turki bin Abdul Mohsen bin Mishary Al Saud	Dhahrat Laban, Riyadh	7,200	Total rent is SAR 8,792,000 throughout the term of the Lease.	17 years commencing from 01/01/1435H (corresponding to 04/11/2013G).
Company	Naif Mohamed Eid Al Harbi	Prince Mohammed Bin Saad Street, Al-Aqeeq District, Riyadh	5,590	Total rent is SAR 41,175,000 throughout the term of the Lease.	18 years and six Hijri months commencing from 1/6/1440H (corresponding to 7/2/2019G).
Company	Radstar Investment Enterprises Ltd.	Plaza Star 2, Al Badea District, Riyadh	2,550	Total rent is SAR 9,350,000 throughout the term of the Lease.	19 years and four months commencing from 01/09/1434H (corresponding to 09/07/2013G).
Company	Ibrahim Mohamed Al-Mansour	Medina Road, Al Suwaidi District, Riyadh	6,180	Total rent is SAR 9,800,000 throughout the term of the Lease.	16 years commencing from 01/03/1432H (corresponding to 04/02/2011G).
Company	Saleh Al Zaaki and Mohammed Al Zaaki	Shubra, Al-Suwaidi District, Riyadh	5,226	Total rent is SAR 20,000,000 throughout the term of the Lease.	21 years commencing from 09/09/1433H (corresponding to 28/07/2012G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Abdulqader Saeed Mohammed Bajnid	Al-Nazim District, Riyadh	4,200	Total rent is SAR 7,500,000 throughout the term of the Lease.	21 Hijri years and six months commencing from 26/11/1434H (corresponding to 02/10/2013G).
Company	Abdullah Al-Salem, Al-Jawharah Al-Rawaf	Al Malaqa District, Riyadh	2,700	Total rent is SAR 8,750,000 throughout the term of the Lease.	16 Hijri years commencing from 14/01/1437H (corresponding 27/10/2015G).
Company	Fahad Al Saeed	Ibn Othaimeen Street, Unaizah	2,400	Total rent is SAR 15,516,450 throughout the term of the Lease.	22 years commencing from 10/11/1436H (corresponding to 25/08/2015G).
Company	Gassim Amanah	Al-Qaa Al-Bared District, Buraidah	3,114	Total rent is SAR 5,328,000 throughout the term of the Lease.	25 years commencing from 1/6/1437H (corresponding to 11/3/2016G).
Fitness Time Company for Trading	Zakia Mohammed Badr	Seville District, Riyadh	3,660	Total rent is SAR 4,125,000 throughout the term of the Lease.	15 years commencing from 07/07/1427H (corresponding to 01/08/2006G).
Company	Abdulaziz Al Jeraisy	Al-Badi'a District, Riyadh	6,500	Total rent is SAR 16,250,000 throughout the term of the Lease.	20 Hijri years commencing from 16/11/1431H (corresponding to 24/10/2010G).
Company	Mohammed bin Abdulaziz Al Ajaji	Al-Taawon District, Jeddah	5,400	Total rent is SAR 16,243,500 throughout the term of the Lease.	20 years commencing from 27/01/1427H (corresponding to 26/02/2009G).
Company	Abdulmohsen Alhokair group for Tourism and Development Co.	Riyadh Yard Centre (Unit FS2), Alrawdah District, Riyadh	1,800	Total rent is SAR 16,714,000 throughout the term of the Lease.	20 Gregorian years commencing after the grace period ends. (its period is 1 Gregorian year commencing from the site receiving date). The Company has not received the site yet.
Company	Abdulmohsen Alhokair group for Tourism and Development Co.	Riyadh Yard Centre (Unit FS3), Alrawdah District, Riyadh	1,800	Total rent is SAR 16,714,000 throughout the term of the Lease.	20 Gregorian years commencing after the grace period ends. (its period is 1 Gregorian year commencing from the site receiving date). The Company has not received the site yet.
Company	Maha Ouda Abdullah Alouda	Alnuzha District, Riyadh	3,224	Total rent is SAR 47,000,000 throughout the term of the Lease.	20 Gregorian years commencing from 8/10/2017G (corresponding to 18/1/1439H).
Company	Mohammed bin Jahim bin Abdullah Al Zamami	Al Kharj	7,405.36	Total rent is SAR 8,400,000 throughout the term of the Lease.	21 years and six months commencing from 15/04/1431H (corresponding to 31/30/2010G).
Company	Suleiman Al - Abbad	Al Rabwa District, Riyadh	1,661	Total rent is SAR 10,000,000 throughout the term of the Lease.	20 years commencing 15/12/1430H (corresponding to 03/12/2009G).
Company	Hessah Al-Mojil, Badriya Al-Mojil, Fawzia Al-Mojil	Al Rawabi District, Riyadh	5,414.36	Total rent is SAR 14,900,000 throughout the term of the Lease.	21 years commencing from 25/11/1427H (corresponding to 16/12/2006G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Abdullah Ibrahim Al Ajlan	Al-Suwaidi District, Riyadh	3,715.79	Total rent is SAR 3,650,000 throughout the term of the Lease.	15 years commencing from 01/05/1429H (corresponding to 05/05/2008G).
Company	Badriya Al-Mojil, Fawzia Al-Mojil	Al-Imam Al-Shafei Street, Al-Manar District, Riyadh	4,800	Total rent is SAR 11,000,000 throughout the term of the Lease.	21 years commencing from 25/11/1427H (corresponding to 16/12/2006G).
Company	Ali Mohammed Al Muneef & Brothers Transport Co.	Shifa District, Riyadh	7,700	Total rent is SAR 12,800,000 throughout the term of the Lease.	16 years commencing from 06/12/1429H (corresponding 04/12/2008G).
Company	Abdulrahman Al-Mojil	Al Sahafa District, Riyadh	1,750	Total rent is SAR 5,250,000 throughout the term of the Lease.	15 years commencing from 01/01/1433H (corresponding to 26/11/2011G).
Company	Mohamed El Sheikh	Al Sahafa District, Riyadh	1,750	Total rent is SAR 4,500,000 throughout the term of the Lease.	15 years commencing from 01/01/1433H (corresponding to 26/11/2011G).
Company	Fahid Al Osaimi	Al Aziziyah District, Riyadh	7,944	Total rent is SAR 9,000,000 throughout the term of the Lease.	15 years commencing from 01/06/1433H (corresponding to 22/04/2012G).
Company	Osama Al Yahya	Al Aziziyah District, Riyadh	6,851	Total rent is SAR 9,045,000 throughout the term of the Lease.	15 years commencing from 15/12/1432H (corresponding to 18/05/2011G).
Company	Ali Abdullah Al-Twaijri	Western El-Montazah, Buraidah	12,107.5	Total rent is SAR 8,400,000 throughout the term of the Lease.	21 years commencing from 02/01/1431H (corresponding to 19/12/2009G).
Company	Sheikha Ibrahim Al Fares	King Abdul Aziz Road, Salah Al-Din District, Riyadh	First property: 2,491 Second Property: 2,500	Total rent is SAR 19,600,000 throughout the term of the Lease.	16 Hijri years commencing from 22/05/1431H (corresponding 07/05/2010G).
Company	Mohammed Al-Mutairi	King Faisal District - Riyadh	2,889	Total rent is SAR 9,300,000 throughout the term of the Lease.	14 years commencing from 16/09/1434H (corresponding to 23/07/2013G).
Company	Heirs of Ali Al-Munif	Al-Mansoura District, Riyadh	6,094	Total rent is SAR 7,300,000 throughout the term of the Lease.	16 years commencing from 07/11/1429H (corresponding 05/11/2008G).
Company	Ali Al Saif	Nakheel District, Riyadh	3,000	Total rent is SAR 9,750,000 throughout the term of the Lease.	15 years commencing from 01/03/1432H (corresponding to 04/02/2011G).
Company	Hassan EL Qahtani	Al-Nazim District, Riyadh	7,480	Total rent is SAR 17,000,000 throughout the term of the Lease.	21 Hijri years, commencing from 29/02/1435H (corresponding to 01/01/2014H).
Company	Abdullah Al-Namlah	Al-Nafil District, Riyadh	5,078.50	Total rent is SAR 21,000,000 throughout the term of the Lease.	20 Hijri years commencing from 08/11/1433H (corresponding to 23/09/2012G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Talal Mohammed Taha Bakhsh	Alrahmaneyah District, Riyadh	4,800	Total rent is SAR 46,100,000 throughout the term of the Lease.	20 Gregorian years commencing from 1/11/2017G (corresponding to12/2/1439H).
Company	Ibrahim Mohammed Saedan	Othman bin Affan Road, Alfalah District, Riyadh	6,300	Total rent is SAR 32,363,440 throughout the term of the Lease.	20 Hijri years commencing from 19/6/1440H (corresponding to 25/2/2019G).
Company	Sheikh Mansour Ali Alsaleh Albarrak	King Abdullah Road, Alhamra District, Riyadh	4,400	Total rent is SAR 30,100,000 throughout the term of the Lease.	20 Hijri years commencing from 1/12/1438H (corresponding to 24/8/2017G).
Company	Abdul Aziz Al - Wasel	Al-Waha District, Riyadh	3,360.6	Total rent is SAR 12,000,000 throughout the term of the Lease.	16 years commencing from 15/06/1433H (corresponding to 06/05/2012G).
Company	Mohammed Al-Muneef	Al-Waha District, Riyadh	2,961	Total rent is SAR 9,875,000 throughout the term of the Lease.	16 Hijri years commencing from 20/03/1432H (corresponding 23/02/2011G).
Company	Abdul Aziz Al - Wasel	Al-Yasmeen District, Riyadh	8,052	Total rent is SAR 20,900,000 throughout the term of the Lease.	20 Hijri years commencing from 15/07/1433H (corresponding to 05/06/2012G).
Company	Ahmed Al-Twaijri	Al-Yarmouk District, Riyadh	First property: 1,568.78 Second Property: 2,660.77	Total rent is SAR 6,750,000 throughout the term of the Lease.	15 Hijri years and six months (free of charge) commencing from 08/02/1433H (corresponding to 09/07/2011G).
Company	Mohammed Abdullah Al Majed	Hittin District, Riyadh	2,235.96	Total rent is SAR 9,250,000 throughout the term of the Lease.	20 Hijri years commencing from 01/08/1433H (corresponding to 21/06/2010G).
Company	Othman Al-Shaleel	Al Karama Street, Shubra District, Riyadh	5,500	Total rent is SAR 10,000,000 throughout the term of the Lease.	21 years commencing from 08/07/1430H (corresponding to 10/06/2009G).
Company	Kingdom Schools	Kingdom Schools, Al Rabie District, Riyadh	1,900	Total rent is SAR 531,000 throughout the term of the Lease.	Three years commencing from 01/03/1437H (corresponding to 21/12/2015G).
Company	Said Mohammed Basemih	Warehouse, AL Sali District, Riyadh	1,680	Total rent is SAR 201,600 throughout the term of the Lease.	One Year commencing from 01/01/1437H (corresponding to 14/10/2015G). The Lease will be automatically renewed for a similar period unless either party informs of its intent to terminate the Lease at least 30 days prior to the end of the previous period.
Company	Said Mohammed Basemih	Warehouse AL Sali District, Riyadh	1,700	Total rent is SAR 170,000 throughout the term of the Lease.	One Year commencing from 10/10/1438H (corresponding to 5/7/2017G). The Lease will be automatically renewed for a similar period unless either party informs of its intent to terminate the Lease at least 2 months prior to the end of the previous period.

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Ahmad Abdullah Almajed	Warehouse, Plot No. 439, block No. 25, Rana scheme, Riyadh	906	Total rent is SAR 81,540 throughout the term of the Lease.	One year commencing from 10/2/1439H (corresponding to 31/10/2017G).
Company	Ali Fawzan Al Fawzan	Warehouse, AL Sali District, Riyadh	3,360	Total rent is SAR 403,200 throughout the term of the Lease.	One year commencing from 25/08/1436H (corresponding to 12/06/2015G). The agreement is still valid as the contract has been renewed under the same conditions and requirements.
Company	Ahmad Abdul Aziz AlMojil	Al-Nada District, Riyadh	5,292	Total rent is SAR 15,000,000 throughout the term of the Lease.	15 years commencing from 28/01/1435H (corresponding to 01/12/2013G).
Company	Baghlaf Al Zafer Holding Group	Al Khaleej District, Riyadh	5,760	Total rent is SAR 12,000,000 throughout the term of the Lease.	16 years commencing from 11/08/1433H (corresponding to 01/07/2012G).
Company	Baghlaf Al Zafer Holding Group	Prince Bandar Road, Al Khaleej District, Riyadh	3,600	Total rent is SAR 7,500,000 throughout the term of the Lease.	13 Hijri years and eight months commencing from 01/05/1437H (corresponding to 10/02/2016G).
Company	Al Olaya Avenue	King Fahad Road, Olaya Avenue, Riyadh	2,967	Total rent is SAR 28,212,480 throughout the term of the Lease.	15 Hijri years commencing from 10/10/1434H (corresponding to 17/08/2013G).
Company	Ali Al Abdullah	Dar AlBayda, Riyadh	2,725	Total rent is SAR 7,300,000 throughout the term of the Lease.	18 Hijri years commencing from 15/09/1437H (corresponding to 20/05/2016G).
Company	Northern Borders Municipality	Mansouriya District, Arar	4,819	Total rent is SAR 2,812,500 throughout the term of the Lease.	25 years commencing from 12/5/1437H (corresponding to 21/2/2016G).
Company	Abdul Rahman Muamna	Gornata Street, Jeddah	8,400	Total rent is SAR 15,505,000 throughout the term of the Lease.	19 calendar years commencing from 08/11/2008G (corresponding to 08/08/1429H).
Company	Jeddah Chamber of Commerce & Industry	Warehouse, Al Khumra District, Jeddah	872	Total rent is SAR 1,214,260 throughout the term of the Lease.	12 years commencing from 20/05/1437H (corresponding to 29/02/2016G).
Company	Sheikh Aqil Al - Aqeel	Al Safa District, Jeddah	3,250	Total rent is SAR 9,000,000 throughout the term of the Lease.	15 Hijri years commencing from 01/10/1437H (corresponding to 07/07/2016G).
Company	Adel Mohammed Alamoudi	Sayid Alshuhada Street, Prince Fawaz District, Jeddah	6,550	Total rent is SAR 37,500,000 throughout the term of the Lease.	15 Gregorian years commencing from the end of the grace period (its period is seven months commencing from the site receiving date). The Company has not received the site yet.
Company	Abdul Aziz Al Maghrabi	Al-Nahda District, Jeddah	Two flats (5 and 6): with a total area of 290 square meters	Total rent is SAR 450,000 throughout the term of the Lease.	5 Hijri years commencing from 07/12/1429H (corresponding to 06/12/2008G). The term of the Lease has ended and the Lease is still in force.

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Huda Sweilem	Al-Basateen District, Jeddah	2,992	Total rent is SAR 9,500,000 throughout the term of the Lease.	20 Hijri years commencing from 01/11/1433H (corresponding to 17/09/2012G).
Company	Ahmed Abdullah Al-Sama	Al-Naseem District, Jeddah	2,460	Total rent is SAR 23,129,167 throughout the term of the Lease.	15 calendar years commencing from the end of the grace period (its period is seven months commencing from the site receiving date). The Company has not received the site yet.
Company	Ahmed Abdullah Al-Sama	Al Shati District, Jeddah	4,741.30	Total rent is SAR 57,783,338 throughout the term of the Lease.	15 calendar years commencing from 25/8/1440H (corresponding to 1/5/2019G).
Company	Mohammed Jilani	Makkah Road, Kilo 14, Jeddah	10,000	Total rent is SAR 20,000,000 throughout the term of the Lease.	22 Hijri years commencing from 27/02/1433H (corresponding to 22/01/2012G).
Company	Arab Investment Growth Corporation	Hamdaniya District, Jeddah	3,360	Total rent is SAR 13,800,000 throughout the term of the Lease.	16 Hijri years commencing from 01/05/1435H (corresponding to 03/03/2014G).
Company	Sultan Al Bassami	Zahrat Al Naeem District, Jeddah	3,000	Total rent is SAR 9,900,000 throughout the term of the Lease.	16 calendar years commencing from 01/07/2011G (corresponding to 29/07/1432H).
Company	Mansour Al Shehri	Saqr Quraish Street, Al Salama District, Jeddah	8,035	Total rent is SAR 42,000,000 throughout the term of the Lease.	21 Hijri years commencing from 01/08/1432H (corresponding to 03/07/2011G).
Company	Hussein Mustafa Nazif	Shahar District, Taif 1	7,680	Total rent is SAR 20,000,000 throughout the term of the Lease.	21 Hijri years commencing from 02/07/1435H (corresponding to 01/05/2014G).
Company	Abdulmohsen Alhokair group for Tourism and Development Co.	Alhokair Time Centre (Unit FS1), Sh'har street, Altaif	1,800	Total rent is SAR 13,410,000 throughout the term of the Lease.	15 Gregorian years commencing after the grace period ends.
Company	Jazan Municipality	Jazan City	13,530.47	Total rent is SAR 9,458,485 throughout the term of the Lease.	25 years commencing from 09/04/1436H (corresponding to 29/01/2015G).
Company	Jeddah Municipality	Al-Farwisiyah District, Jeddah	5,471.15	Total rent is SAR 3,520,005 throughout the term of the Lease.	15 years commencing from 05/06/1436H (corresponding to 25/03/2015G).
Company	Abdulaziz Al-Hadithi	Abha	6,000	Total rent is SAR 12,750,000 throughout the term of the Lease.	20 calendar years commencing from 23/04/1439H (corresponding to 11/01/2018G).
Company	Abdulrahman Ibrahim Abu Harba	Al-Sail Al-Kabeer District, Taif	16,000	Total rent is SAR 12,962,499 throughout the term of the Lease.	15 Hijri years and three Hijri months (the three months shall be deemed a grace period to obtain licences) commencing from 01/10/1432H (corresponding to 31/08/2011G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Ahmed Abdullah Al-Sama	Al-Arbeen Street, Jeddah	6,074	Total rent is SAR 56,000,000 throughout the term of the Lease.	20 calendar years commencing from 25/07/1434H (corresponding to 09/01/2013G).
Company	Sabeen Centre	Sabeen Centre, Jeddah	2,650	Total rent is SAR 14,250,000 throughout the term of the Lease.	15 calendar years commencing from the end of the grace period (which lasts for six months) on 03/06/1432H (corresponding to 07/05/2011G).
Company	Tabuk Municipality	Tabuk	6,514	Total rent is SAR 2,187,500 throughout the term of the Lease.	25 years commencing from 25/12/1437H (corresponding to 26/09/2016G).
Company	Tabuk Municipality	Tabuk	6,517	Total rent is SAR 2,187,500 throughout the term of the Lease.	25 years commencing from 25/12/1437H (corresponding to 26/09/2016G).
Company	Abdulelah & Ibrahim Abdulaziz AlMousa Son's Company	Al Mousa Complex, Tabuk	7,200	Total rent is SAR 2,600,000 throughout the term of the Lease.	15 Hijri years commencing from 08/07/1430H (corresponding to 30/06/2009G).
Company	The Royal Commission of Jubail and Yanbu	Yanbu	Centre: 3,287 Land: 13,111	Total rent is SAR 12,737,125 throughout the term of the Lease.	25 Hijri years commencing from 11/03/1437H (corresponding to 22/12/2015G).
Company	Holy Capital Amanah	Wali Al-Ahd District, Jeddah	2,387.7	Total rent is SAR 10,000,000 throughout the term of the Lease.	25 years commencing from 11/03/1437H (corresponding to 22/12/2015G).
Company	Ibrahim bin Hussein bin Muslim	Al Andalus District, Jeddah	7,161	Total rent is SAR 7,250,000 throughout the term of the Lease.	15 Hijri years commencing from 01/02/1430H (corresponding to 28/01/2009G).
Company	Saeed AlGhamdi	Makarona District, Jeddah	2,808	Total rent is SAR 9,500,000 throughout the term of the Lease.	15 Hijri years commencing from 01/07/1433H (corresponding to 22/05/2012G).
Company	Bakhit al-Nazawi	Abyar Ali, Medina	8,099.86	Total rent is SAR 11,700,000 throughout the term of the Lease.	20 years commencing from 01/01/1432H (corresponding to 08/12/2010G).
Company	Saleh Salem Bin Mahfouz	Masrah District, Jeddah	5,735	Total rent is SAR 5,057,562 throughout the term of the Lease.	21 calendar years commencing from 01/07/2007G (corresponding to 15/06/1428H).
Company	Masoud bin Hamoud Al Osaimi and Brothers	Al-Sharaa District, Makkah	6,500	Total rent is SAR 12,000,000 throughout the term of the Lease.	20 calendar years commencing from 01/01/2011G (corresponding to 25/01/1432H).
Company	Heirs of Ahmed Bahhaz	Second Ring Road, Makkah	5,736	Total rent is SAR 12,600,000 throughout the term of the Lease.	21 years commencing from 01/01/1429H (corresponding to 10/01/2008G).
Company	Industrial Property Authority	Al-Omra District, Makkah	8,679	Total rent is SAR 7,811,100 throughout the term of the Lease.	20 years commencing from 29/11/1431H (corresponding from 06/11/2010G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Industrial Property Authority	Al-Omra District, Makkah	784.76	Total rent is SAR 635,670 throughout the term of the Lease.	18 years commencing from 03/01/1434H (corresponding to 17/11/2012G).
Company	Al Falah Schools	Al Aziziyah District, Jeddah	1,822	Total rent is SAR 1,800,000 throughout the term of the Lease.	3 years commencing from 01/10/1431H (corresponding to 10/09/2010G). The annual rent is SAR 600,000 during the initial term of the Lease. The Lease provides for suspension periods where the Lease may be renewed every three years (until 30/09/1446H (corresponding to 30/03/2025G)) upon the Company's request subject to the following conditions: (i) payment of the rent in full for the last three years; (ii) increasing the rent by SAR 50,000 every three years.
Company	Amen Jamil Theca	Al-Fayhaa' District, Makkah	10,089.41	Total rent is SAR 27,500,000 throughout the term of the Lease.	20 calendar years commencing from 01/07/2015G (corresponding to 14/09/1436H).
Company	Manea Al-Ghabari	Al-Mousamah District, Najran	5,500	Total rent is SAR 9,800,000 throughout the term of the Lease.	15 calendar years commencing from 01/12/2014G (corresponding to 08/02/1436H).
Company	Ayedah Jaber AlHarbi	Al-Manar District, Jeddah	7,237	Total rent is SAR 25,000,000 throughout the term of the Lease.	20 calendar years commencing from 18/12/1435H (corresponding to 15/10/2014G).
Company	Abdulrahman Ahmed Saman	Wadi Bathan, Medina	7,780	Total rent is SAR 9,500,000 throughout the term of the Lease.	16 years commencing from 01/01/1429H (corresponding to 09/01/2008G).
Company	Al Madinah Municipality	Saeed Abdul Rahman Street, Medina	2,925	Total rent is SAR 15,625,000 throughout the term of the Lease.	25 Hijri years commencing from 10/08/1435H (corresponding to 08/06/2014G).
Company	Al Madinah Municipality	Al Aziziyah Street, Medina	2,299	Total rent is SAR 3,650,000 throughout the term of the Lease.	10 Hijri years commencing from 01/01/1438H (corresponding to 02/10/2016G).
Company	Sanabel Alkhair for Financial Investment Company Limited	Olaya District, Al Khobar	4,927.32	Total rent is SAR 18,000,000 throughout the term of the Lease.	16 Hijri years commencing from 01/08/1434H (corresponding to 10/06/2013G).
Company	Sultan Al-Khareem	Al Khuzama District, Al Khobar	9,498	Total rent is SAR 31,105,950 throughout the term of the Lease.	22 Hijri years commencing from 01/03/1435H (corresponding to 03/01/2014G).
Company	Fahd Abdullah Al-Mojil	Al-Zohour District, Dammam	5,900	Total rent is SAR 20,812,500 throughout the term of the Lease.	16 calendar years and six calendar months commencing from 16/03/2014G (corresponding to 15/05/1435H).
Company	Farhan Al Qahtani	Al Nour District, Dammam	4,022.85	Total rent is SAR 11,100,000 throughout the term of the Lease.	20 years commencing from 01/01/1433H (corresponding to 27/11/2011G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Mohammed & Abdullah S. Al Saadi Co.	Dammam-Al Khobar Highway before Al Khobar Entrance	7,750	Total rent is SAR 21,200,000 throughout the term of the Lease.	15 calendar years commencing from 11/ 12/1438H (corresponding to 02/09/2017G).
Company	Abdullah Al Shuaibi	South Sulaymaniyah, Al Ahsa	22,709.40	Total rent is SAR 8,000,000 throughout the term of the Lease.	20 Hijri years commencing from 15/11/1432H (corresponding to 13/10/2011G).
Company	Alahsa Municipality	Al Mobarraz 1	4,213.60	Total rent is SAR 1,959,375 throughout the term of the Lease.	25 years commencing from 25/01/1431H (corresponding to 11/01/2010G).
Company	Alahsa Municipality	Al Mobarraz 2	4,971.90	Total rent is SAR 1,953,135 throughout the term of the Lease.	25 years commencing from 25/01/1431H (corresponding to 11/01/2010G).
Company	Abdul Aziz Al Suhaimi	Al Faisaliah District, Dammam	3,310	Total rent is SAR 13,800,000 throughout the term of the Lease.	20 Hijri years commencing from 04/11/1433H (corresponding to 20/09/2012G).
Company	The Royal Commission of Jubail and Yanbu	Jalmudah District, Jubail	15,616	Total rent is SAR 12,492,800 throughout the term of the Lease.	20 Hijri years commencing from 22/01/1437H (corresponding to 04/11/2015G).
Company	Sheikh Ali Qassem Al Ansari	Al Hizam Al Thahabi District, Dammam	5,600	Total rent is SAR 15,200,000 throughout the term of the Lease.	20 Hijri years commencing from 10/10/1428H (corresponding to 22/10/2007G).
Company	Abdullah Sulaiman Al Nasser Al Saadi	Al Hizam Al Thahabi District, Dammam	3,750	Total rent is SAR 3,500,000 throughout the term of the Lease.	16 Hijri years commencing from 13/08/2011G (corresponding to 13/09/1432G).
Company	Abdulmohsen Al-Tamimi	Olaya, Al Khobar	5,179.40	Total rent is SAR 16,500,000 throughout the term of the Lease.	16 Hijri years commencing from 01/11/1432H (corresponding to 29/09/2011G).
Company	Saudi Amusement Centres Company	Corniche, Dammam	6,300	Total rent is SAR 16,000,000 throughout the term of the Lease.	20 calendar years commencing from 01/02/2009G (corresponding to 05/02/1430H).
Company	Mohammed Al-Jaryfani	Al-Waha District, Dammam	2,462.25	Total rent is SAR 7,750,000 throughout the term of the Lease.	16 Hijri years commencing from 02/04/1432H (corresponding to 08/03/2011G).
Company	Hussain Al Sughairat	Saihat	8,784.5	Total rent is SAR 4,000,000 throughout the term of the Lease.	20 calendar years commencing from 01/03/1429H (corresponding to 09/03/2008G).
Company	Hamad Al-Qahtani	Sharkia Street, Dammam	240	Total rent is SAR 31,000 throughout the term of the Lease.	One year commencing from 12/10/1436H (corresponding to 29/07/2015G). The Lease is still in force.
Company	Abdullah bin Mohsen al-Mutairi	Hafar Al Batin 1	3,000	Total rent is SAR 8,449,996 throughout the term of the Lease.	15 years and five months commencing from 28/08/1435H (corresponding to 26/06/2014G).

Lessee	Lessor	Location	Area (m²)	Annual Rent	Lease Term
Company	Sulaiman Al - Muhaimeed	Hafar Al Batin 2	2,520	Total rent is SAR 45,000,000 throughout the term of the Lease.	15 years commencing from 28/08/1435H (corresponding to 26/06/2014G).
Company	Al Suhaimi Real Estate Co.	Al Faisaliah District, Dammam	3,310	Total rent is SAR 10,373,000 throughout the term of the Lease.	19 years and four months commencing from 05/11/1433H (corresponding to 20/09/2012G).
Company	International Tourism Company	King Fahad Park, Dammam	7,455	Total rent is SAR 15,000,000 throughout the term of the Lease.	20 years commencing from 02/07/1435H (corresponding to 01/05/2014G).
Company	AL-NAEEM Mall	Al Naeem, Ras Al Khaimah, United Arab Emirates	30,718	Total rent is AED 20,120,290 throughout the term of the Lease.	15 years commencing from 01/03/2015HG (corresponding to 10/05/1436H).
Company	Al Shaab Sports & Cultural Club	Al-Hazana, Sharjah, U.A.E.	60,000	Total rent is AED 22,338,750 throughout the term of the Lease.	22 years commencing from the date on which the permit for construction on the leased land is issued (the Company has not yet received the permit). The Lease may be renewed for one or more further periods under a formal written agreement between the two parties to be executed at least six months prior to the end of the term of the Lease.
Company	Al Shabab Al Arabi Club	Al Mamzar, Dubai, U.A.E.	2,200	Total rent is AED 15,762,500 throughout the term of the Lease.	16 years commencing from 18/06/1433H (corresponding to 09/05/2012G).
Company	Ajman Cultural Sporting Club	Al Rashidiya District, Ajman, U.A.E.	3,000	Total rent is AED 11,250,000 throughout the term of the Lease.	15 years commencing from 20/01/2017HG (corresponding to 21/04/1438H). The lease may be renewed.
Company	Dawood Abdul Rahman AlHajri	Al Satwa District, Dubai, U.A.E.	3,225	Total rent is AED 23,100,000 throughout the term of the Lease.	18 years commencing from the date of issuance of the licence for building on the leased land on 02/09/2016G (corresponding to 29/11/1437H).

Source: The Company.