شـركـة الأنـديـة للـريـاضـة
SPORT CLUBS COMPANY

Sport Clubs Company Prospectus

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A Saudi closed joint-stock company converted pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G), under Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G).

Offering Period

One day,
On Tuesday 13/01/1447H
(corresponding to 08/07/2025G)

Offering of thirty-four million, three hundred and twenty thousand (34,320,000) ordinary shares, representing thirty percent (30%) of the share capital of the Sport Clubs Company after the capital increase (equivalent to thirty-three percent (33%) of the Company's share capital before the capital increase) for public subscription at an Offer Price of seven Saudi Riyals and fifty halalas (SAR 7.5) per share.

Sport Clubs Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi closed joint-stock company converted pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G), and registered under Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), issued in Riyadh in the Kingdom of Saudi Arabia ("**KSA**" or the "**Kingdom**"). The Company's headquarters and registered office are located on Imam Saud bin Faisal Road, Al Sahafah District, P.O. Box 79, Riyadh 13321, Kingdom of Saudi Arabia. As of the date of this Prospectus, the Company's share capital is one hundred and four million Saudi Riyals (SAR 104,000,000), divided into one hundred and four million (104,000,000) ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share (the "**Shares**"). The Company's post-Offering share capital will amount to one hundred and fourteen million, four hundred thousand Saudi Riyals (SAR 114,400,000), divided into one hundred and fourteen million, four hundred thousand (114,400, 000) ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share. As of the date of this Prospectus, the Company has one subsidiary, Third Sports Amaken Company (hereinafter referred to as the "**Subsidiary**") (for further details regarding the Subsidiary, please refer to Section 4.7.1 (*Overview of the Subsidiary*)).

The Company's sport centers commenced their activities in 1994G through six fitness centers, five of which were under the name "Body Masters Fitness Center" and one under the name "Safwa Sports Center", pursuant to licenses issued by the General Presidency of Youth Welfare (currently the Ministry of Sports). Pursuant to the Memorandum of Association notarized on 29/01/1422H (corresponding to 23/04/2001G), the Company was established as a limited liability company under the name "Sport Clubs Company" with Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), and a share capital of five hundred thousand Saudi Riyals (SAR 500,000), divided into one hundred (100) in-kind shares with a nominal value of five thousand Saudi Riyals (SAR 5,000) per share, through the merger and transfer of the aforementioned sport centers, along with their rights and obligations, into the Company's share capital upon its incorporation. Mohammed Abdulaziz Saleh Al-Haqbani, the owner of the aforementioned fitness centers before their merger and conversion, sold twenty-five (25) shares to Saad Suleiman Saleh Al-Haqbani, twenty-five (25) shares to Waleed Ali Mohammed Al-Haqbani, thirteen (13) shares to Tariq Abdullah Abdulrahman Al-Omar and twelve (12) shares to Adel Abdullah Abdulrahman Al-Omar, in exchange for cash consideration. Pursuant to the Partners' decision dated 21/01/1427H (corresponding to 20/02/2006G), Waleed Ali Mohammed Al-Haqbani sold all of his shares in the Company, amounting to twenty-five (25) shares, in exchange for cash consideration, consisting of twelve (12) shares to Abdullah Abdulaziz Saleh Al-Haqbani and thirteen (13) shares to Abdullah Suleiman Saleh Al-Haqbani. The nominal value of the Company's shares was also reduced from five thousand Saudi Riyals (SAR 5,000) to one thousand Saudi Riyals (SAR 1,000) per share, and the Company's share capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to ten million Saudi Riyals (SAR 10,000,000), divided into ten thousand (10,000) shares with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share. The share capital increase of nine million, five hundred thousand Saudi Riyals (SAR 9,500,000) was paid-up through cash contributions from the Partners. Pursuant to the Partners' resolution dated 04/06/1429H (corresponding to 08/06/2008G), the Company's share capital was increased from ten million Saudi Riyals (SAR 10,000,000) to seventy-four million Saudi Riyals (SAR 74,000,000), divided into seventy-four thousand (74,000) shares with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share. The share capital increase was paid-up through the capitalization of sixty-four million Saudi Riyals (SAR 64,000,000) from the retained earnings account. Pursuant to the Partners' resolution dated 25/06/1429H (corresponding to 29/06/2008G), Mohammed Abdulaziz Saleh Al-Haqbani and Saad Suleiman Saleh Al-Haqbani sold all of their shares in the Company, amounting to thirty-seven thousand (37,000) shares, to Projects Contracting & Trading Co. for cash consideration. Abdullah Suleiman Saleh Al-Haqbani, Tariq Abdullah Abdulrahman Al-Omar, Abdullah Abdulaziz Saleh Al-Haqbani and Adel Abdullah Abdulrahman Al-Omar also sold all of their shares in the Company, amounting to thirty-seven thousand (37,000) shares to Amwal AlKhaleej Commercial Investment Company for cash consideration. The Company's share capital was also increased from seventy-four million Saudi Riyals (SAR 74,000,000) to one hundred and four million Saudi Riyals (SAR 104,000,000), divided into one hundred and four thousand (104,000) shares with a nominal value of one thousand Saudi Riyals (SAR 1,000) per share. The increase of thirty million Saudi Riyals (SAR 30,000,000) was met through cash contributions. Pursuant to the Partners' resolution dated 16/04/1434H (corresponding to 26/02/2013G), Projects Contracting & Trading Co. sold all of its shares in the Company, amounting to forty-one thousand, six hundred (41,600) shares, to Middle East Financial Investment Company in exchange for cash consideration. Pursuant to the Partners' resolution dated 20/03/1437H (corresponding to 31/12/2015G), Amwal AlKhaleej Commercial Investment Company transferred all of its shares in the Company, amounting to sixty-two thousand, four hundred (62,400) shares, to Al-Amwal Al-Khaleejiah II Ltd, without consideration. Pursuant to the Partners' resolution dated 09/08/1439H (corresponding to 25/04/2018G), Middle East Financial Investment Company transferred all of its shares in the Company, amounting to forty-one thousand, six hundred (41,600) shares to Special Opportunities Investment Company, without consideration. Pursuant to the Partners' resolution dated 26/04/1441H (corresponding to 23/12/2019G), Al-Amwal Al-Khaleejiah II Ltd transferred all of its shares in the Company, amounting to sixty-two thousand, four hundred (62,400) shares, to Elaf Al-Khaleej Commercial Investment Company, without consideration. Pursuant to the Partners' resolution dated 29/11/1441H (corresponding to 20/07/2020G), Elaf Al-Khaleej Commercial Investment Company sold a portion of its shares in the Company, amounting to thirty-five thousand, eight hundred and eighty (35,880) shares, to Diamond Opportunities Sports Company, in exchange for cash consideration. Pursuant to the Partners' resolution dated 22/02/1444H (corresponding to 18/09/2022G), Diamond Opportunities Sports Company transferred one (1) of its shares in the Company to Silver Opportunities Investment Company, with a total value of one thousand Saudi Riyals (SAR 1,000), without consideration. Approval was also granted to convert the Company from a limited liability company to a closed joint-stock company with a share capital of one hundred and four million Saudi Riyals (SAR 104,000,000), divided into ten million, four hundred thousand (10,400,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The conversion of the Company was announced pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G). On 27/11/1445H (corresponding to 04/06/2024G), Elaf Al-Khaleej Commercial Investment Company transferred, as a part of an internal restructuring, one million, seven hundred and ninety-nine thousand, two hundred and ninety-seven (1,799,297) of its shares in the Company to nine (9) individuals. Elaf Al-Khaleej Commercial Investment Company did not receive cash consideration for the transfer of shares; rather, the transfer occurred as part of the internal restructuring. It transferred four hundred and seventy-four thousand, two hundred and fifty-one (474,251) shares to Abdulkadir Al Muhaidib & Sons Company, four hundred and seventy-four thousand, two hundred and fifty-one (474,251) shares to Al Fozan Holding Co., three hundred and thirty-one thousand, nine hundred and thirty-two (331,932) shares to Ammar Abdulwahed Faleh Al-Khudairy, one hundred and thirty-six thousand, six hundred and eighty-nine (136,689) shares to Omran Muhammad Abdulrahman Al-Omran, ninety-one thousand, one hundred and twenty-six (91,126) shares to Prince Sultan Mohammed Saud Al Kabeer Al Saud, ninety-one thousand, one hundred and twenty-six (91,126) shares to Abdullatif Alissa Group Holding Co., ninety-one thousand, one hundred and twenty-six (91,126) shares to Abdulaziz Alsaghyir Commercial Investment Co., ninety-one thousand, one hundred and twenty-six (91,126) shares to Abdullah Saad Abdulrahman Al-Rashid and seventeen thousand, six hundred and seventy (17,670) shares to Fahad Abdullah Abdullatif Almubarak. Pursuant to the Extraordinary General Assembly resolution dated 18/02/1446H (corresponding to 22/08/2024G), the nominal value of the Company's shares was reduced from ten Saudi Riyals (SAR 10) per share to a nominal value of one Saudi Riyal (SAR 1) per share. Approval was also granted for the Company's share capital to be increased from one hundred and four million Saudi Riyals (SAR 104,000,000) to one hundred and fourteen million, four hundred thousand Saudi Riyals (SAR 114,400,000), divided into one hundred and fourteen million, four hundred thousand (114,400,000) shares with a nominal value of one Saudi Riyal (SAR 1) per share, through the issuance of ten million, four hundred thousand (10,400,000) ordinary shares to be offered for public subscription (as detailed below). On 21/08/1446H (corresponding to 20/02/2025G), Elaf Al-Khaleej Commercial Investment Company completed its internal restructuring by transferring two million, eight hundred and thirty-six thousand and twelve (2,836,012) of its shares in the Company to seven individuals. It did not receive cash consideration for the transfer of shares; rather, the transfer occurred as part of the internal restructuring. It transferred one million, one hundred and six thousand, four hundred and forty-four (1,106,444) shares to Ammar Abdulwahed Faleh Al-Khudairy, four hundred and fifty-five thousand, six hundred and thirty-six (455,636) shares to Omran Muhammad Abdulrahman Al-Omran, three hundred and three thousand, seven hundred and fifty-seven (303,757) shares to Prince Sultan Mohammed Saud Al Kabeer Al Saud, three hundred and three thousand, seven hundred and fifty-seven (303,757) shares to Abdullatif Alissa Group Holding Co., three hundred and three thousand, seven hundred and fifty-seven (303,757) shares to Abdulaziz Alsaghyir Commercial Investment Co., three hundred and three thousand, seven hundred and fifty-seven (303,757) shares to Abdullah Saad Abdulrahman Al-Rashid and fifty-eight thousand, nine hundred and four (58,904) shares to Fahad Abdullah Abdullatif Almubarak. For further details regarding the Company's history, please refer to Section 4.3 (*Corporate History and Evolution of Share Capital*).

As of the date of this prospectus, the Company's capital is one hundred and four million Saudi Riyals (SAR 104,000,000), divided into one hundred and four million (104,000,000) ordinary shares, each with a fully paid nominal value of one Saudi Riyal (SAR 1). The Company's post-Offering share capital will be one hundred and fourteen million, four hundred thousand Saudi Riyals (SAR 114,400,000), divided into one hundred and fourteen million, four hundred thousand (114,400,000) ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share as a result of the Company's capital increase through the issuance and Offering of ten million, four hundred thousand (10,400,000) new shares, representing 9.09% of the Company's post-Offering share capital, to be offered for public subscription after the Offering.

The initial public offering (the "**Offering**") consists of the offering of thirty-four million, three hundred and twenty thousand (34,320,000) ordinary shares through: (1) the sale of twenty-three million, nine hundred and twenty thousand (23,920,000) ordinary shares of the Company's existing shares (the "**Sale Shares**") by the Company's current Shareholders (collectively, the "**Current Shareholders**" or the "**Selling Shareholders**") on a pro-rata basis according to their respective ownership percentages in the Company; and (2) the issuance of ten million, four hundred thousand (10,400,000) new ordinary shares (the "**New Shares**", referred to jointly with the Sale Shares as the "**Offer Shares**" and each individually as an "**Offer Share**") at an Offer Price of seven Saudi Riyals and fifty halalas (SAR 7.5) per share (the "**Offer Price**"), with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. The Sale Shares represent 20.91% and the New Shares will represent 9.09% of the Company's share capital upon completion of the Offering, amounting to a total of thirty percent (30%) of the Company's share capital after the issuance of the New Shares and the Company's capital increase.

Subscription to the Offer Shares shall be limited to two tranches of investors (hereinafter referred to collectively as the "**Investors**") as follows:

Tranche A: Participating Parties: This tranche includes the categories entitled to participate in the book-building process in accordance with the Book Building Instructions (as defined in Section 1 (*Definitions and Abbreviations*)) issued by the Capital Market Authority (the "**CMA**"). Such categories are collectively referred to as the "**Participating Parties**" and each as a "**Participating Party**" (for further details, please refer to Section 1 (*Definitions and Abbreviations*)). The number of Offer Shares to be provisionally allocated to Participating Parties is thirty-four million, three hundred and twenty thousand (34,320,000) Offer Shares, representing one hundred percent (100%) of the total Offer Shares. The final allocation shall be made after the end of the subscription period for Individual Investors (as defined in Tranche B below). In the event there is sufficient demand from Individual Investors, the Financial Advisor (defined in Section 1 (*Definitions and Abbreviations*)), in consultation with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Entities to a minimum of twenty-seven million, four hundred and fifty-six thousand (27,456,000) Offer Shares, representing eighty percent (80%) of the total Offer Shares. The number and percentage of Offer Shares to be allocated to the Participating Entities involved in the book building process among the Participating Parties (collectively, the "**Participating Entities**" and each a "**Participating Entity**") will be determined by the Financial Advisor in consultation with the Company, using the discretionary allocation mechanism. Accordingly, certain Participating Parties may not be allocated any shares.

Tranche B: Individual Investors: This tranche includes Saudi natural persons, including any Saudi female divorcee or widow with minor children from a non-Saudi husband, who may subscribe for her own benefit in the names of her minor children, provided that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom and nationals of Gulf Cooperation Council (the "**GCC**") countries, in each case who have an investment account and an active portfolio with a Receiving Agent and are entitled to open an investment account with a Capital Market Institution (collectively referred to as the "**Individual Investors**", and each an "**Individual Subscriber**", and, together with the Participating Entities, as the "**Subscribers**"). Subscription for the Offer Shares by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription shall be considered void and only the first subscription will be considered. A maximum of six million, eight hundred and sixty-four thousand (6,864,000) ordinary Offer Shares, representing 20% of the total Offer Shares, shall be allocated to Individual Investors. In the event that Individual Investors do not subscribe for all of the Offer Shares allocated thereto, the Financial Advisor, in coordination with the Company, may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares to which they subscribed.

The Company's Current Shareholders listed on page (xv) own 100% of the Company's pre-Offering share capital. The Sale Shares shall be sold by all of the Current Shareholders on a pro-rata basis according to their respective ownership percentages in the Company as set out in Table 5 "*Direct Ownership Structure of the Company Pre- and Post-Offering*" Following completion of the Offering, the Selling Shareholders will collectively own seventy percent (70%) of the Shares and will therefore retain a controlling interest in the Company. The Offering Proceeds, after deduction of the Offering Expenses (the "**Net Offering Proceeds**"), shall be distributed as follows: (1) One hundred and sixty-one million, nine hundred and seventy-five thousand, seven hundred and fifty-eight Saudi Riyals (SAR 161,975,758) shall be distributed among the Selling Shareholders on a pro-rata basis according to their respective ownership percentages of the Sale Shares; and (2) seventy million, four hundred and twenty-four thousand, two hundred and forty-two Saudi riyals Saudi Riyals (SAR 70,424,242) shall be distributed to the Company to establish and equip new fitness clubs, purchase high-efficiency fitness equipment, develop certain existing fitness clubs and repay outstanding debts (for further details, please refer to Section 8 (*Use of Offering Proceeds*)). The Offering has been fully underwritten by the Underwriter (for further details, please refer to Section 12 (*Underwriting*)). Both Special Opportunities Investment Company and Diamond Opportunities Sports Company will be subject to a lock-up period during which they will be prohibited from disposing of their shares in the Company for a period of six (6) months (the "**Lock-up Period**") from the date trading of the Company's shares commences on the Saudi Exchange ("**Tadawul**" or the "**Exchange**"). They may dispose of their shares after the end of the Lock-up Period. Table 2 "Substantial Shareholders and Their Ownership Percentages in the Company Pre- and Post-Offering" sets out the ownership percentages of the Substantial Shareholders pre- and post-Offering.

The Offering Period for Individual Investors shall commence on Tuesday 13/01/1447H (corresponding to 08/07/2025G) and will remain open for a period of one day, (the "**Offering Period**"). Subscription applications for the Offer Shares may be submitted by Individual Investors via the Receiving Agents' websites and electronic platforms mentioned on pages (ix) and (xi), or through any other means provided by the Receiving Agents, through which Individual Investors will be able to subscribe to the Company's shares during the Offering Period (for further information, please refer to Section 16 (*Subscription Terms and Conditions*)). Participating Parties may register their applications through the Bookrunner during the book building process, which will take place prior to the Offering of the Shares to Individual Investors.

Each Individual Subscriber who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) Offer Shares. The minimum number of Shares that can be allocated is ten (10) Offer Shares per Individual Subscriber. The balance of the Offer Shares, if any, will be allocated pro-rata based on the ratio of Offer Shares applied for by each Individual Subscriber to the total number of Offer Shares requested for subscription. In the event that the number of Individual Investors exceeds six hundred and eighty-six thousand, four hundred (686,400) Subscribers, the Company will not guarantee the allocation of the minimum allocation of ten (10) Shares per Subscriber. In such case, the allocation will be determined at the discretion of the Financial Advisor, in coordination with the Company. Excess subscription monies (if any) will be refunded to Individual Investors without any charge or commission being withheld by the relevant Receiving Agents. Announcement of the final allocation will be made no later than Thursday 15/01/1447H (corresponding to 10/07/2025G) and excess subscription monies (if any) will be refunded no later than Sunday 18/01/1447H (corresponding to 13/07/2025G) (for further details, please refer to the "*Key Dates and Subscription Procedures*" section on page (xviii) and Section 16 (*Subscription Terms and Conditions*)).

The Company has one class of ordinary shares. Each share grants its holder the right to one vote. Each Shareholder in the Company (a "**Shareholder**") has the right to attend and vote at General Assembly meetings of Shareholders (the "**General Assembly**"). Shareholders may also delegate others to attend and vote at General Assembly meetings on their behalf. No Shareholder benefits from any preferential voting rights. Holders of Offer Shares will be entitled to receive their portion of any dividends declared or distributed by the Company as of the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, please refer to Section 7 (*Dividend Distribution Policy*)).

Prior to the Offering, the Shares have not been listed or traded on any market in the Kingdom or elsewhere. The Company has submitted an application for the registration and offering of the Shares to the CMA, and an application for admission of the Shares to listing on the Exchange. All required documents have been submitted to the relevant authorities, all requirements have been met and all official approvals pertaining to the Offering have been obtained, including this Prospectus. It is expected that trading of the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and satisfaction of the regulatory requirements (for further details, please refer to the "*Key Dates and Subscription Procedures*" section on page (xviii). Saudi Arabian nationals, non-Saudi Arabian nationals holding legal residency in the Kingdom, companies, commercial banks and investment funds established in the Kingdom or in GCC countries the majority of whose share capital is owned by GCC citizens, as well as GCC citizens, will be permitted to trade in the Company's Shares after they are registered with the CMA and listed on the Exchange. The following categories will also be permitted to invest in the Company's shares pursuant to the Rules for Foreign Investment in Securities (as defined in Section 1 (*Definitions and Abbreviations*)): (1) Qualified Foreign Investors; (2) Foreign Strategic Investors; and (3) any foreign natural or legal person who is a client of a Capital Market Institution authorized by the CMA to conduct management business. Non-GCC nationals who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom (collectively the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to invest indirectly in the shares in order to acquire an economic interest therein by entering into swap agreements with Capital Market Institutions authorized by the CMA (hereinafter referred to as the "**Capital Market Institutions**") to purchase and trade in shares listed on the Exchange for the benefit of Foreign Investors. Under the swap agreements, the Capital Market Institutions will be the registered legal owners of such shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors that should be carefully considered before deciding to subscribe for the Offer Shares, please refer to the "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*).

Financial Advisor, Lead Manager, Bookrunner and Underwriter

BSF Capital

Receiving Agents

This Prospectus contains information submitted as part of the application for the registration and offering of securities in accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority in the Kingdom of Saudi Arabia (hereinafter referred to as the "CMA") and the application for the listing of securities as per the requirements of the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear in this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and, having made all reasonable inquiries and to a reasonable extent, confirm that to the best of their knowledge and belief, there are no other facts the omission of which would lead to make any statement herein misleading. Neither the CMA nor the Exchange assume any responsibility for the contents of this Prospectus, make any representations as to its accuracy or completeness and they expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus was issued on 20/09/1446H (corresponding to 20/03/2025G).


شـركـة الأنـدية للرياضة
SPORT CLUBS COMPANY
BODY EXPERTS
بودي إكسبرتس
BODY MOTIONS
بودي موشنز
BODY MASTERS
بودي ماسترز

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares or a Bid Form, Individual Investors and Participating Entities will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which can be obtained by visiting the website of the Company (http://www.sportclubs.com.sa), the CMA (www.cma.org.sa), Tadawul (www.saudiexchange.sa) or the Financial Advisor (www.bsfcapital.sa).

The Company has appointed BSF Capital as its financial advisor (hereinafter referred to as the "**Financial Advisor**"), Lead Manager (the "**Lead Manager**"), Bookrunner (the "**Bookrunner**") and Underwriter (the "**Underwriter**") in connection with the Offering of the Offer Shares for public subscription.

This Prospectus includes information that has been provided in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors, whose names appear on page (xv) of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm that to the best of their knowledge and belief, having made all reasonable inquiries, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus which is relevant to the market and industry in which the Company operates has been derived from external sources and publicly available information, data and analyses from publications issued by data, information and news providers. While neither the Company nor the Selling Shareholders, Financial Advisor or any of the Company's other Advisors whose names appear on pages (vii) to (viii) of this Prospectus (collectively referred to with the Financial Advisor as the "**Advisors**") have any reason to believe that any of the market and industry information contained herein is materially inaccurate, such information has not been independently verified by the Company, the Selling Shareholders or the Advisors. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any such information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the financial position of the Company and the value of the Offer Shares may be adversely affected as a result of future developments such as inflation, interest rates, taxation or other economic or political factors or other factors beyond the control of the Company (for further information, please refer to Section 2 (*Risk Factors*)). Neither the delivery of this Prospectus, nor any oral or written information related to the Offer Shares may be deemed, construed or relied upon in any way as a promise, affirmation or representation as to any future revenues, results or events.

This Prospectus should not be regarded as a recommendation by the Company, the Directors, the Selling Shareholders, the Receiving Agents or any of the Advisors to participate in the subscription to the Offer Shares. The information contained in this Prospectus is deemed of a general nature and has been prepared without taking into account the individual investment objectives, financial situation or personal investment needs of the persons wishing to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus shall be responsible for obtaining independent professional advice from a CMA-licensed financial advisor in relation to the Offering in order to assess the suitability of the investment opportunity and the information contained in this Prospectus with regard to their own investment objectives, financial condition and needs, including the benefits and risks associated with investing in the Offer Shares. An investment in the Offer Shares may be suitable for some investors but not others. Prospective investors should not rely on the decision or vision of another party regarding whether or not to invest as a basis for their own examination of the investment opportunity, or such investor's individual circumstances.

Subscription to the Offer Shares shall be limited to two tranches of investors as follows:

Tranche A: Participating Entities: This tranche comprises the parties entitled to participate in the book-building process in accordance with the Book Building Instructions (for further details, please refer to Section 1 (*Definitions and Abbreviations*).

Tranche B: Individual Investors: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a non-Saudi husband, who may subscribe for her own benefit in the names of her minor children, provided that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case who have an investment account and an active portfolio with a Receiving Agent and are entitled to open an investment account with a Capital Market Institution. Subscription for the Offer Shares by a person in the name of his divorcee shall be deemed invalid, and if it is proven that a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be deemed null and void, and only the first subscription will be considered (for further details, please refer to Section 16 (*Subscription Terms and Conditions*)).

It is expressly prohibited to distribute this Prospectus or sell the Offer Shares to any person in any country other than the Kingdom, except for certain investors including GCC nationals, Qualified Foreign Investors and/or certain other Foreign Investors through the conclusion of swap agreements, provided that the laws and directives regulating the same are observed. This Offering does not constitute an invitation to sell or a solicitation of an offer to purchase securities in any jurisdiction in which the Offering is unlawful or not permitted. Recipients of this Prospectus must review all legal restrictions related to the Offering and sale of Offer Shares and ensure compliance therewith. Each eligible Individual Subscriber and Participating Party must read this Prospectus in full and seek advice from their attorneys, financial advisors and other professional advisors regarding the various statutory, tax, regulatory and economic considerations related to their investment in the Offer Shares, and they will personally bear the fees associated with such advice. No assurances can be made that any profits will be achieved from investment in the Offer Shares.

Market and Industry Information

Unless the source is otherwise stated, the market, economic and industry data contained in this Prospectus has been included using underlying data from independent third parties. Statistics, data and other information in this Prospectus relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's activities and the markets in which it operates are based on published and publicly available data obtained from multiple independent third-party sources.

In particular, unless otherwise specifically stated, the information contained in Section 3 (*Market and Industry Information*) has been derived from the market study report dated 05/09/1445H (corresponding to 15/03/2024G) (the "**Market Study Report**") prepared exclusively for the Company by Portas Consulting MEA (the "**Market Consultant**"). The Market Consultant is an independent third-party provider of consulting services related to strategic market research. For further information regarding the Market Consultant, please visit its website (www.portasconsulting.com).

Neither the Market Consultant nor any of its subsidiaries, sister companies, partners, shareholders, directors, managers or any of their relatives owns any shares or any interest of any kind in the Company or its Subsidiary as of the date of this Prospectus. The Market Consultant has given and, as of the date of this Prospectus, has not withdrawn its written consent for the use of its name, logo, statements and the market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Directors believe that the information and data contained herein which has been obtained from other sources, including publicly available sources and the Market Study Report prepared by the Market Consultant, is reliable. However, such information has not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and, therefore, none of the aforementioned bears any liability for the accuracy or completeness of said information.

Financial and Statistical Information

The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G and the reviewed consolidated interim financial statements for the nine-month period ended 30 September 2024G have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and have been audited/reviewed by Dr. Mohamed Al-Amri & Co. Chartered Accountants (the "**Auditor**") as set forth in their audit reports. The above-mentioned financial statements are included in Section 18 (*Financial Statements and Auditor's Report*). The Company publishes its financial statements in Saudi Riyals.

Forecasts and Forward-Looking Statements

The forecasts set forth in this Prospectus have been prepared on the basis of certain assumptions. Future operating conditions may differ from the assumptions used, and consequently, no 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 "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "might", "will", "should", "predicts", "expects" or the negative forms thereof or other similar terms or comparable terminology. These forward-looking statements reflect the views of the Company as of the date of this Prospectus with respect to future events but are not a guarantee of future performance. There are numerous factors that 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 further detail in other sections of this Prospectus (for further information, please refer to Section 2 (*Risk Factors*)). Should one or more of these risks or uncertainties materialize, or any assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described in this Prospectus as estimated, believed, expected or planned.

Pursuant 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 the publication of this Prospectus and before the end of the Offering, the Company becomes aware that: (a) there has been a significant change in any material information contained in this Prospectus; or (b) additional significant issues have arisen 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 included in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing 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. Accordingly, prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance thereon.

Definitions and Abbreviations

For further details regarding the terms and abbreviations used in this Prospectus, please refer to Section 1 (*Definitions and Abbreviations*).

General Provisions

Certain financial and statistical information in this Prospectus has been rounded to the nearest integer. As such, if the figures contained in the tables are summed, there may be a slight difference compared to the figures reported in the audited financial statements. In cases where amounts in this Prospectus are converted from US dollars to Saudi Riyals, the exchange rate used is 3.75 Saudi Riyals for every US dollar.

In this Prospectus, Hijri dates are mentioned along with their corresponding Gregorian dates where applicable. The Hijri calendar is prepared based on the expected lunar cycles. However, the beginning of each month is determined through actual observation and viewing of the moon. For this reason, conversions between the Hijri and Gregorian calendars are often subject to discrepancies of one day. Furthermore, any reference to "year" or "years" is a reference to Gregorian years, unless otherwise expressly specified in this Prospectus.

This Prospectus has been prepared using Arabic numerals, namely 1, 2, 3, 4, 5, 6, 7, 8, 9 and 0. Certain figures are formatted to be written in decimal notation, in which a decimal point is placed to the right of the decimal place with the base value. Each digit to the right of this decimal point has a base value of one-tenth of the value of the previous digit to the left. Therefore, the number 135.4 represents the number one hundred and thirty-five and four-tenths.

Corporate Directory

Board of Directors of the Company

The Company is managed by a Board of Directors consisting of six members appointed by the Ordinary General Assembly of Shareholders for a maximum term of four years. As an exception, on 01/03/1444H (corresponding to 26/09/2022G), the Conversion Assembly approved the appointment of Directors for a five-year term commencing on 01/03/1444H (corresponding to 26/09/2022G) and ending on 24/04/1449H (corresponding to 25/09/2027G). On 14/08/1446H (corresponding to 13/02/2025G), the Board of Directors appointed the Directors Yasser bin Ali Al-Hedaithy and Raed bin Abdulaziz Alammari to fill the vacant positions following the resignation of two Directors during the current Board session. The following table shows the Board formation as of the date of this Prospectus:

Table (1): Board of Directors of the Company

Name	Position	Nationality	Status[1]	Direct Ownership (%)[2]		Indirect Ownership (%)[2]		Date of Appointment [3]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Ammar Abdulwahed Faleh Al-Khudairy	Chairman	Saudi	Non-Executive	4.2555%	2.9789%	10.1809%[4]	7.1266%	01/03/1444H (corresponding to 26/09/2022G)
Abdul-Elah Saad Mohammed Al-Drees	Vice Chairman	Saudi	Non-Executive	-	-	1.1827%[5]	0.8278%	01/03/1444H (corresponding to 26/09/2022G)
Fadi Farooq Arbid	Director	Lebanese	Independent	-	-	-	-	01/03/1444H (corresponding to 26/09/2022G)
Yasser bin Ali Al-Hedaithy	Director	Saudi	Non-Executive	-	-	-	-	14/08/1446H (corresponding to 13/02/2025G)
Raed bin Abdulaziz Alammari	Director	Saudi	Non-Executive	-	-	-	-	14/08/1446H (corresponding to 13/02/2025G)
Sager Ahmed Hammad Alblawi	Director	Saudi	Independent	-	-	-	-	01/03/1444H (corresponding to 26/09/2022G)

Source: The Company.

(1) An independent Director is a non-executive Director who enjoys complete independence in his/her position and decisions and none of the independence issues stipulated in the CGRs apply to him/her, as follows: (a) owning 5% or more of the shares of the Company or any other company within its group or is a relative someone who owns such percentage; (b) being a relative of any Director of the Company or any other company within its group; (c) being a relative of any Senior Executive of the Company or of any other company within its group; (d) being a director of another company within the group of the Company for which he/she is nominated to be a director; (e) being or having been an employee, during the past two years, of the Company or another company within its group or if he/she held a controlling interest in the Company or any party dealing with the Company or another company within its group, such as auditors or key suppliers during the previous two years; (f) having a direct or indirect interest in the business and contracts concluded for the Company's benefit; (g) receiving financial consideration from the Company in addition to the remuneration for membership on the Board or any of its Committees, exceeding SAR 200,000 or 50% of the remuneration received in the previous year for membership on the Board or any of its Committees, whichever is less; (h) engaging in business that competes with the Company or conducts business in one of the Company's branches of activity; or (i) having served for more than nine years, consecutive or nonconsecutive, as a Director of the Company.

(2) The ownership percentages have been rounded.

(3) The dates mentioned in this table are the dates of appointment of the Directors for the current session of the Board. The biographies of the Directors, as detailed in Section 5.3.2 (*Biographies of the Directors and Board Secretary*), indicate the dates of their respective appointments to the Board of Directors and to any other positions.

(4) As of the date of this Prospectus, Ammar Abdulwahed Faleh Al-Khudairy has an indirect ownership interest in the Company of 10.1809% due to the following: (1) his ownership of 10.9469% of the units of MEFIC Private Equity Opportunities Fund, which is the beneficial owner of 99% of the shares in Special Opportunities Investment Company, which in turn directly owns 40.00% of the Company's shares; and (2) his ownership of 16.9446% of the units of MEFIC Private Equity Opportunities Fund 5, which is the beneficial owner of all of the shares in Diamond Opportunities Sports Company, which in turn directly owns 34.499% of the Company's shares and indirectly owns 0.0010% therein through its full ownership of Silver Opportunities Investment Company, which in turn owns 0.0010% of the Company's shares.

(5) As of the date of this Prospectus, Abdul-Elah Saad Mohammed Al-Drees holds an indirect ownership interest in the Company of 1.1827% as a result of his ownership of 3.4280% of the units of MEFIC Private Equity Opportunities Fund 5, which is the beneficial owner of all of the shares of Diamond Opportunities Sports Company, which in turn directly owns 34.499% of the Company's shares and indirectly owns 0.0010% thereof through its ownership of all of the shares of Silver Opportunities Investment Company, which in turn owns 0.0010% of the Company's shares.

The Board Secretary is Abdullah Mohammed Al-Tahhan, who was appointed to such position pursuant to the Board resolution dated 28/04/1444H (corresponding to 22/11/2022G) (for a summary biography of the Board Secretary, please refer to Section 5.3.2 (*Biographies of the Directors and Board Secretary*)).

Company Address, Representatives and Board Secretary

The Company

Sport Clubs Company
Imam Saud bin Faisal Road, Al Sahafah District
P.O. Box 79 Riyadh 13321
Kingdom of Saudi Arabia
Tel: +966 (11) 920000626
Fax: +966 (11) 4875528
Website: www.sportclubs.com.sa
Email: IR@sportclubs.com.sa

Company Representatives

Ammar Abdulwahed Faleh Al-Khudairy
Chairman
Sport Clubs Company
Imam Saud bin Faisal Road, Al Sahafah District
P.O. Box 79 Riyadh 13321
Kingdom of Saudi Arabia
Tel: +966 (11) 4400094 – Ext. 101
Fax: +966 (11) 64777 21
Website: www.sportclubscompany.com.sa
Email: a.alkhudairy@sportsclubs.com.sa

Wael Riyad Mohammed El Merhabi
CEO
Sport Clubs Company
Imam Saud bin Faisal Road, Al Sahafah District
P.O. Box 79 Riyadh 13321
Kingdom of Saudi Arabia
Tel: +966 920000626 – Ext. 226
Fax: +966 (11) 4875528
Website: www.sportclubscompany.com.sa
Email: w.elmerhabi@sportsclubs.com.sa

Board Secretary

Abdullah Mohammed Al-Tahhan
Board Secretary
Sport Clubs Company
Imam Saud bin Faisal Road, Al Sahafah District
P.O. Box 79 Riyadh 13321
Kingdom of Saudi Arabia
Tel: +966 920000626966 – Ext. 228
Fax: +966 (11) 4875528
Website: www.sportclubscompany.com.sa
Email: a.altahan@sportsclubs.com.sa

Stock Exchange

Saudi Exchange Company (Tadawul)
Tawuniya Towers, North Tower
King Fahd Road - Al Olaya 6897
Unit 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 92 000 1919
Fax: +966 (11) 218 9133
Website: www.saudiexchange.sa
Email: csc@saudiexchange.sa

Depository Center

Securities Depository Center Company (Edaa)
Tawuniya Towers
King Fahd Road - Al Olaya 6897
Unit 11
Riyadh 12211 - 3388
Kingdom of Saudi Arabia
Tel: +966 92 002 6000
Website: www.edaa.sa
Email: cc@edaa.sa

من مجموعة تداول السعودية
From Saudi Tadawul Group

Advisors

Financial Advisor, Lead Manager, Bookrunner and Underwriter
BSF Capital King Fahd Road 8092 P.O. Box 23454 Riyadh 3735 – 12313 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.bsfcapital.sa Email: SCC.IPO@BSFCapital.sa

Legal Advisor to the Company
Kirkland & Ellis International LLP King Abdullah Financial District, 7229 Innovation Boulevard 3004, Al Aqiq District Riyadh 13519 Kingdom of Saudi Arabia Tel: +966 (12) 512 2816 Website: www.kirkland.com Email: project_gladiator@kirkland.com

Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriter
Zeyad Sameer Khoshaim Company **(Professional Limited Liability Company)** 17th Floor, Tower B Olaya Towers, Al Olaya District P.O. Box 230667, Riyadh 11321 Kingdom of Saudi Arabia Tel: +966 (11) 461 8700 Fax: +966 (11) 4618799 Website: www.khoshaim.com Email: info@khoshaim.com

Financial Due Diligence Advisor
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Market Consultant
Portas Consulting MEA Dubai Media City P.O. Box 502157 United Arab Emirates Tel: +971 45755918 Website: www.portasconsulting.com Email: enquiries@portasconsulting.com

Company's Auditor
Dr. Mohamed Al-Amri & Co. Chartered Accountants 7th-8th Floor, Moon Tower, King Fahd Road P.O. Box 21421 Riyadh 8736 Kingdom of Saudi Arabia Tel: +966 (11) 2780608 Fax: +966 (11) 2782883 Website: info@alamri.com Email: www.alamri.com

Receiving Agents

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Fax: +966 (11) 282 6823
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Kingdom of Saudi Arabia
Tel: +966 (11) 920005856
Fax: +966 (11) 4600625
Website: www.alrajhi-capital.com
Email: InvestmentBankingTeam@alrajhi-capital.com

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Fax: +966 (11) 2906299
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Riyad Capital
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Fax: +966 (11) 4865908
Website: www.riyadcapital.com
Email: ask@riyadcapital.com

SNB Capital
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Kingdom of Saudi Arabia
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Fax: +966 (11) 4060052
Website: www.alahlicapital.com
Email: snbc.cm@alahlicapital.com.sa

ANB Capital
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P.O. Box 220009
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Kingdom of Saudi Arabia
+966 (11) 4062500
Fax: +966 (11) 4062548
Website: www.anbcapital.com.sa
Email: investment.banking@anbcapital.com.sa

Derayah Financial
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Fax: +966 (11) 498
Website: www.derayah.com
Email: support@derayah.com

SAB Invest
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Kingdom of Saudi Arabia
Tel.: +966 (11) 8001242442
Fax: +966 (11) 2169102
Website: www.sabinvest.com
Email: customercare@sabinvest.com

Alinma Investment Company
Al Anoud Tower 2, King Fahd Road
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Riyadh, 11544
Kingdom of Saudi Arabia
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Fax: +966 (11) 2185970
Website: www.alinmainvestment.com
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Alistithmar for Financial Securities and Brokerage Company
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Fax: +966 (11) 4896253
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Yaqeen Capital
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Kingdom of Saudi Arabia
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Fax: +966 (11) 2054827
Website: www.yaqeen.sa
Email: addingvalue@yaqeen.sa

Aljazira Capital
King Fahd Branch Road, Al Rahmaniyah
P.O. Box 20438
Riyadh, 11455
Kingdom of Saudi Arabia
Tel: +966 (11) 2256000
Fax: +966 (11) 2256182
Website: www.aljaziracapital.com.sa
Email: contactus@aljaziracapital.com.sa

Alkhabeer Capital
Madinah Road, Jeddah
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Jeddah 21362
Kingdom of Saudi Arabia
Tel: +966 (11) 6129345
Fax: +966 (11) 6856663
Website: www.alkhabeer.com
Email: info@alkhabeer.com

Sahm Capital Financial Company
King Abdullah Financial District, Tower 305
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Kingdom of Saudi Arabia
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Website: www.sahmcapital.com
Email: info@sahmcapital.com

GIB Capital
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Website: www.gibcapital.com
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Fax: +966 13 881 8412
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Awaed Alosool Capital
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Home Offices, Riyadh,
Saudi Arabia
Tel: 8001111870
Website: www.awaed.capital
Email: ipo_awaed@awaed.co

Note:

As of the date of this Prospectus, all of the above-mentioned Advisors and Receiving Agents the Auditor have given and have not withdrawn their written consent to the publication of and reference to their names, addresses, logos, statements and reports attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees forming the engagement team serving the Company, or any of their relatives have any shareholding or interest of any kind in the Company or its Subsidiary as of the date of this Prospectus which would impair their independence.

Offering Summary

This Offering summary is intended to provide a brief overview of the information contained in this Prospectus in detail. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary should 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 must be based on a consideration of this Prospectus as a whole.

In particular, the information contained in the "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) must be carefully considered prior to making any investment decision in relation to the Offer Shares.

Company Name, Description and Incorporation	Sport Clubs Company is a Saudi closed joint-stock company converted pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G), and registered under Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), issued in Riyadh in the Kingdom of Saudi Arabia. The Company's headquarters and registered office are located on Imam Saud bin Faisal Road, Al Sahafah District, P.O. Box 79, Riyadh 13321, Kingdom of Saudi Arabia. As of the date of this Prospectus, the Company's share capital is SAR 104,000,000, divided into 104,000,000 ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. Following the Offering, the Company's share capital will be SAR 114,400,000, divided into 114,400,000 ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share. As of the date of this Prospectus, the Company has one subsidiary, Third Sports Amaken Company. The Company's sports centers commenced their activities in 1994G through six fitness centers, five of which were under the name "Body Masters Fitness Center" and one under the name "Safwa Sports Center", pursuant to licenses issued by the General Presidency of Youth Welfare (currently the Ministry of Sports). Pursuant to the Memorandum of Association notarized on 29/01/1422H (corresponding to 23/04/2001G), the Company was established as a limited liability company under the name "Sport Clubs Company" with Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), and a share capital of SAR 500,000, divided into 100 in-kind shares with a nominal value of SAR 5,000 per share, through the merger and transfer of the aforementioned sport centers, along with their rights and obligations, into the Company's share capital upon its incorporation. Mohammed Abdulaziz Saleh Al-Haqbani, the owner of the aforementioned fitness centers before their merger and conversion, sold 25 shares to Saad Suleiman Saleh Al-Haqbani, 25 shares to Waleed Ali Mohammed Al-Haqbani, 13 shares to Tariq Abdullah Abdulrahman Al-Omar and 12 shares to Adel Abdullah Abdulrahman Al-Omar, in exchange for cash consideration. Pursuant to the Partners' resolution dated 21/01/1427H (corresponding to 20/02/2006G), Waleed Ali Mohammed Al-Haqbani sold all of his shares in the Company, amounting to 25 shares, including 12 shares to Abdullah Abdulaziz Saleh Al-Haqbani and 13 shares to Abdullah Suleiman Saleh Al-Haqbani, for cash consideration. The nominal value of the Company's shares was also reduced from SAR 5,000 to SAR 1,000 per share, and the Company's share capital was increased from SAR 500,000 to SAR 10,000,000, divided into 10,000 shares with a nominal value of SAR 1,000 per share. The share capital increase of SAR 9,500,000 was paid-up through cash contributions from the Partners. Pursuant to the Partners' resolution dated 04/06/1429H (corresponding to 08/06/2008G), the Company's share capital was increased from SAR 10,000,000 to SAR 74,000,000, divided into 74,000 shares with a nominal value of SAR 1,000 per share. The share capital increase was paid-up through the capitalization of SAR 64,000,000 from the retained earnings account. Pursuant to the Partners' resolution dated 25/06/1429H (corresponding to 29/06/2008G), Mohammed Abdulaziz Saleh Al-Haqbani and Saad Suleiman Saleh Al-Haqbani sold all of their 37,000 shares in the Company to Projects Contracting & Trading Co. for cash consideration. Abdullah Suleiman Saleh Al-Haqbani, Tariq Abdullah Abdulrahman Al-Omar, Abdullah Abdulaziz Saleh Al-Haqbani and Adel Abdullah Abdulrahman Al-Omar also sold all of their 37,000 shares in the Company to Amwal AlKhaleej Commercial Investment Company for cash consideration. The Company's share capital was also increased from SAR 74,000,000 to SAR 104,000,000, divided into 104,000 shares with a nominal value of SAR 1,000 per share. The increase of SAR 30,000,000 was paid-up through cash contributions. Pursuant to the Partners' resolution dated 16/04/1434H (corresponding to 26/02/2013G), Projects Contracting & Trading Co. sold all of its shares in the Company, amounting to 41,600 shares, to Middle East Financial Investment Company in exchange for cash consideration. Pursuant to the Partners' resolution dated 20/03/1437H (corresponding to 31/12/2015G), Amwal AlKhaleej Commercial Investment Company transferred all of its shares in the Company, amounting to 62,400 shares, to Al-Amwal Al-Khaleejiah II Ltd, without consideration. Pursuant to the Partners' resolution dated 09/08/1439H (corresponding to 25/04/2018G), Middle East Financial Investment Company transferred all of its shares in the Company, amounting to 41,600 shares, to Special Opportunities Investment Company, without consideration. Pursuant to the Partners' resolution dated 26/04/1441H (corresponding to 23/12/2019G), Al-Amwal Al-Khaleejiah II Ltd transferred all of its shares in the Company, amounting to 62,400 shares, to Elaf Al-Khaleej Commercial Investment Company, without consideration. Pursuant to the Partners' resolution dated 29/11/1441H (corresponding to 20/07/2020G), Elaf Al-Khaleej Commercial Investment Company sold a portion of its shares in the Company, amounting to 35,880 shares, to Diamond Opportunities Sports Company, in exchange for cash consideration. Pursuant to the Partners' resolution dated 22/02/1444H (corresponding to 18/09/2022G), Diamond Opportunities Sports Company transferred one (1) of its shares in the Company to Silver Opportunities Investment Company, with a total value of SAR 1,000, without consideration. Approval was also granted to convert the Company from a limited liability company to a closed joint-stock company with a share capital of SAR 104,000,000, divided into 10,400,000 shares with a nominal value of SAR 10 per share. The conversion of the Company was announced pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G). On 27/11/1445H (corresponding to 04/06/2024G), Elaf Al-Khaleej Commercial Investment Company transferred a portion of its shares in the Company, amounting to 1,799,297 shares, to nine persons. This Company did not receive cash compensation for the transfer of shares; rather, the transfer occurred as part of the internal restructuring. It transferred 474,251 shares to Abdulkadir Al Muhaidib & Sons Company, 474,251 shares to Al Fozan Holding Co., 331,932 shares to Ammar Abdulwahed Faleh Al-Khudairy, 136,689 shares to Omran Muhammad Abdulrahman Al-Omran, 91,126 shares to Prince Sultan Mohammed Saud Al Kabir Al Saud, 91,126 shares to Abdullatif Alissa Group Holding Co., 91,126 shares to Abdulaziz Alsaghyir Commercial Investment Co., 91,126 shares

Company Name, Description and Incorporation	to Abdullah Saad Abdulrahman Al-Rashid, and 17,670 shares to Fahad Abdullah Abdullatif Almubarak. Pursuant to the Extraordinary General Assembly resolution dated 18/02/1446H (corresponding to 22/08/2024G), the nominal value of the Company's shares was reduced from SAR 10 per share to a nominal value of one Saudi Riyal (SAR 1) per share. Approval was also granted for the Company's share capital to be increased from SAR 104,000,000 to SAR 114,400,000, divided into 114,400,000 shares with a nominal value of one Saudi Riyal (SAR 1) per share, through the issuance of 10,400,000 ordinary shares to be offered for public subscription (as detailed below). On 21/08/1446H (corresponding to 20/02/2025G), Elaf Al-Khaleej Commercial Investment Company completed its internal restructuring by transferring 2,836,012 of its shares in the Company to seven persons. This Company did not receive cash consideration for the share transfer; rather, the transfer occurred as part of the internal restructuring. It transferred 1,106,444 shares to Ammar Abdulwahed Faleh Al-Khudairy, 455,636 shares to Omran Muhammad Abdulrahman Al-Omran, 303,757 shares to Prince Sultan Mohammed Saud Al Kabeer Al Saud, 303,757 shares to Abdullatif Alissa Group Holding Co., 303,757 shares to Abdulaziz Alsaghyir Commercial Investment Co., 303,757 shares to Abdullah Saad Abdulrahman Al-Rashid and 58,904 shares to Fahad Abdullah Abdullatif Almubarak. For further information regarding the Company's history, please refer to Section 4.3 (*Corporate History and Evolution of Share Capital*).
Company Activities	In accordance with its Bylaws, the Company's activities are as follows: – Construction of buildings. – Construction work related to other civil engineering projects. – Demolition. – Preparation of sites. – Building completion and finishing. – Other specialized construction activities. – Sale of motorized vehicles. – Sale, maintenance and repair of motorcycles and spare parts and accessories thereof. – Wholesale on a fee or contract basis. – Wholesale of textiles, apparel and footwear. – Wholesale of other household goods. – Wholesale of machinery and other equipment. – Other types of retail sales in non-specialized stores. – Retail sale of fitness equipment in specialized stores. – Retail sale of apparel, footwear and leather goods in specialized stores. – Retail sale of pharmaceutical, medical, cosmetic and toiletry products in specialized stores. – Retail sale of other new goods in specialized stores. – Retail sale of textiles, apparel and footwear in kiosks and markets. – Other types of retail outside of stores, kiosks and markets. – Warehousing. – Other transportation support activities. – Real estate activities in owned or leased properties. – Real estate activities on a fee or contract basis. – Lease of recreational and fitness equipment. – Lease of machinery, other equipment and real goods. – Private security activities. – Integrated utility support activities. – General cleaning of buildings. – Education in the field of fitness and recreation. – Other human health activities. – Creative, artistic and leisure activities. – Sports club activities. – Other fitness activities. – Theme and amusement park activities. – Other amusement and recreational activities not classified elsewhere. – Repair of other personal and household goods. – Washing and dry cleaning of textiles and fur products. – Hairdressing and other types of cosmetics. – Other personal service activities not elsewhere classified. – According to its main Commercial Register, the Company's activities are as follows: – Buying, selling and division of land and real estate and off-plan sales activities. – Managing and leasing owned or leased residential properties. – Managing and leasing owned or leased non-residential properties. – Managing and leasing self-storage warehouses. – General construction of non-residential buildings (such as schools, hospitals, hotels, etc.). – Renovating residential and non-residential buildings. – Constructing public sports facilities, including stadiums.

Company Activities	– Finishing buildings. – Constructing swimming pools. – Sports academies. – Swimming classes. – Martial arts classes. – Yoga classes. – Rental of office furniture, storage cabinets and lounge chairs. – Building maintenance activities. – Management of operation and maintenance for buildings and related facilities. – Sports clubs. – Men's gyms and fitness centers. – Women's gyms and fitness centers. – Recreation centers. – Organizing entertainment events. – Operating entertainment event facilities. – Operating storage facilities for all types of goods except food. – General warehousing for a variety of goods. – Repair of bicycles. – Repair of sports devices. – Provision of linen, worker uniforms, and other related items provided by laundromats. – Women's salons. – Men's salons. – Relaxation and wellness centers. – Foot and ankle care centers. – Occupational therapy centers. – Physiotherapy centers. – Wholesale and retail sale of new vehicles (including ambulances, minibuses and four-wheel drive vehicles). – Wholesale and retail sale of used vehicles (including ambulances, minibuses, and four-wheel drive vehicles). – Food and beverage sales agencies. – Textile and apparel sales agencies. – Sale of fixed and movable assets. – Wholesale of sportswear. – Wholesale of sports shoes. – Wholesale of medical devices, equipment and supplies. – Wholesale of laboratory and diagnostic medical devices. – Wholesale of bicycles and spare parts and accessories thereof. – Wholesale of sporting goods and equipment. – Wholesale of automated products (automation robots). – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of sportswear. – Retail sales through self-service vending machines, including coffee, juice and other vending machines. As of the date of this Prospectus, the Company's actual activities consist of the following key business segments (for further information, please refer to the Section 4.1 (*Overview of the Company and its Business*)): – **Establishing, Managing and Operating Fitness Clubs**: The Company is engaged in the establishment, management and operation of its own fitness clubs. These include men's fitness clubs under the "Body Masters" brand and women's fitness clubs under the "Body Motions" brand (for further information regarding the Company's establishment, management and operation of fitness clubs, please refer to Section 4.8.1 (*Establishing, Managing and Operating Fitness Clubs*)). – **Comprehensive Fitness Facility Services (provided by Body Experts)**: The Company provides a range of comprehensive services under the "Body Experts" brand, including fitness consultancy and design and construction of gyms, fitness centers and other sports facilities for its clients, either directly or through subcontractors. Additionally, the Company offers services such as planning and layout of fitness equipment, furnishing and supply of fitness equipment, and fitness facility operation and maintenance (for further information regarding the services of Body Experts, please refer to Section 4.8.2 (*Comprehensive Fitness Facility Services (provided by Body Experts)*)).

Substantial Shareholders	The following table sets out the names of Substantial Shareholders, along with their direct shareholdings and ownership percentages in the Company pre- and post-Offering:

Table (2): Substantial Shareholders and Their Ownership Percentages in the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)
Special Opportunities Investment Company	41,600,000	40.0000%	41,600,000	32,032,000	28.0000%	32,032,000
Diamond Opportunities Sports Company	35,879,000	34.4990%	35,879,000	27,626,830	24.1493%	27,626,830
Elaf Al-Khaleej Commercial Investment Company[2]	5,691,018	5.4720%	5,691,018	4,382,084	3.8305%	4,382,084
Total	**83,170,018**	**79.9710%**	**83,170,018**	**64,040,914**	**55.9798%**	**64,040,914**

Source: The Company.

(1) The ownership percentages have been rounded.

(2) Elaf Al-Khaleej Commercial Investment Company will no longer be a Substantial Shareholder after the Offering.

Share Capital of the Company (as of the date of this Prospectus)	SAR 104,000,000.
Share Capital of the Company (after the Capital Increase)	SAR 114,400,000.
Total Number of Company Shares (as of the Date of this Prospectus)	104,000,000 fully paid ordinary shares.
Total Number of Company Shares (after the Capital Increase)	114,400,000 fully paid ordinary shares.
Nominal Value per Share	One Saudi Riyal (SAR 1) per share.
Offering	Offering of 34,320,000 ordinary shares consisting of: (1) the sale of 23,920,000 existing ordinary shares by the Current Shareholders of the Company on a pro-rata basis in proportion to their respective ownership percentages in the Company; and (2) the issuance of 10,400,000 new ordinary shares, at an Offer Price of seven Saudi Riyals and fifty halalas (SAR 7.5) per share, with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. The Sale Shares represent 20.91% and the New Shares will represent 9.09% of the Company's share capital upon completion of the Offering, amounting to a total of 30% of the Company's share capital after the issuance of the New Shares and the Company's capital increase.
Total Number of Offer Shares	34,320,000 fully paid ordinary shares.
Offer Shares as a Percentage of the Total Number of Issued Shares	The Offer Shares will represent 30% of the Company's share capital after the capital increase and the issuance of the New Shares (and are equivalent to 33% of the Company's share capital prior to the capital increase).
Offer Price	SAR 7.5 per share.
Total Value of the Offering	SAR 257,400,000.
Use of Offering Proceeds	The Offering Proceeds of approximately SAR 232,400,000 (after deduction of the Offering Expenses, which are estimated at SAR 25,000,000 Saudi Riyals will be distributed as follows: (1) (SAR 161,975,758) shall be distributed among the Selling Shareholders on a pro-rata basis according to their respective ownership percentages of the Sale Shares; and (2) SAR 70,424,242 shall be distributed to the Company to establish and equip new fitness clubs, purchase high-efficiency fitness equipment, develop certain existing fitness clubs and repay outstanding debts (for further details, please refer to Section 8 (*Use of Offering Proceeds*)).
Total Number of Offer Shares to be Underwritten	34,320,000 ordinary shares.
Total Value of Offer Shares to be Underwritten	SAR 257,400,000.

Categories of Target Investors	Subscription to the Offer Shares shall be limited to two tranches of investors as follows: – **Tranche A**: Participating Parties: This tranche comprises the parties entitled to participate in the book-building process in accordance with the Book Building Instructions (for further details, please refer to Section 1 (*Definitions and Abbreviations*)). – **Tranche B**: Individual Investors: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a non-Saudi husband, who may subscribe for her own benefit in the names of her minor children, provided that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case who have an investment account and an active portfolio with a Receiving Agent and are entitled to open an investment account with a Capital Market Institution. Subscription by a person to the Offer Shares in the name of his divorcee shall be deemed invalid, and if it is proven that a transaction of this nature has occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription shall be considered void and only the first subscription will be considered.
Total Number of Offer Shares Available for Each Target Investor Category	
Number of Offer Shares for Participating Entities	34,320,000 shares, representing 100% of the total Offer Shares. If there is sufficient demand from Individual Investors and the Participating Parties subscribe for the entire Offer Shares allocated thereto, the Financial Advisor, in coordination with the Company, shall have the right to reduce the number of shares allocated to the Participating Entities to 27,456,000 Offer Shares, representing 80% of the total Offer Shares. Provisionally, and in the event there is sufficient demand from public funds, 10,296,000 ordinary shares will be allocated to the public funds category, representing 30% of the total number of Offer Shares. If there is sufficient demand from Individual Investors for the Offer Shares, the Financial Advisor shall have the right to reduce the number of shares allocated to public funds to a minimum of 8,236,800 ordinary shares, representing 24% of the total number of Offer Shares after completion of the subscription process for Individual Investors.
Number of Shares for Individual Investors	A maximum of 6,864,000 shares, representing 20% of the total Offer Shares.
Subscription Method for Each Category of Target Investors	
Subscription Method for Participating Parties	Participating Parties may apply to participate in the book building by filling out Bid Forms, which will be made available to them by the Bookrunner during the book building period. Following the provisional allocation, Participating Parties must complete Subscription Application Forms, which will be made available to them by the Bookrunner in accordance with the instructions mentioned in Section 16 (*Subscription Terms and Conditions*).
Subscription Method for Individual Investors	Individual Investors wishing to subscribe for the Offer Shares must submit subscription applications electronically via the Receiving Agents' websites and electronic platforms that offer such service to Subscribers, or through any other means provided by the Receiving Agents, through which Individual Investors will be able to subscribe for the Company's shares during the Offering Period (for further details, please refer to Section 16 (*Subscription Terms and Conditions*)).
Minimum Number of Offer Shares to be Applied for by Each Category of Target Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	100,000 Offer Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	10 Offer Shares.
Minimum Subscription Amount for Each Category of Target Investors	
Minimum Subscription Amount for Participating Entities	SAR 750,000.
Minimum Subscription Amount for Individual Investors	SAR 75.
Maximum Number of Offer Shares to be Applied for by Each Category of Target Investors	
Maximum Number of Offer Shares to be Applied for by Participating Entities	5,719,999 Offer Shares, and with respect to public funds only, up to the maximum limit for each participating public fund, which shall be determined in accordance with the Book Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	250,000 Offer Shares.
Maximum Subscription Amount for Each Category of Target Investors	
Maximum Subscription Amount for Participating Parties	SAR 42,899,992.5.
Maximum Subscription Amount for Individual Investors	SAR 1,875,000.

Allocation Method and Refund of Excess Subscription Monies for Each Target Investor Category	
Allocation of Offer Shares to Participating Parties	The number of Offer Shares that will be provisionally allocated to the Participating Parties is 34,320,000 ordinary shares, representing 100% of the total number of Offer Shares. Final allocation shall be made after the end of the subscription period for Individual Investors. If there is sufficient demand from Individual Investors for the Offer Shares, the Financial Advisor, in coordination with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of 27,456,000 ordinary shares, representing 80% of the total number of Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties using the discretionary allocation mechanism. Accordingly, certain Participating Parties may not be allocated any Offer Shares. Provisionally, and in the event there is sufficient demand from public funds, 10,296,000 ordinary shares will be allocated to the public funds category, representing 30% of the total number of Offer Shares. If there is sufficient demand from Individual Investors for the Offer Shares, the Financial Advisor shall have the right to reduce the number of shares allocated to public funds to a minimum of 8,236,800 ordinary shares, representing 24% of the total number of Offer Shares after completion of the subscription process for Individual Investors.
Allocation of Offer Shares to Individual Investors	The Offer Shares are expected to be allocated to Individual Investors no later than Tuesday 13/01/1447H (corresponding to 08/07/2025G). Each Individual Subscriber who subscribes for the Offer Shares must apply for a minimum of ten Offer Shares and a maximum of 250,000 Offer Shares. The minimum number of shares that can be allocated is ten ordinary shares per Retail Investor. The balance of Offer Shares, if any, will be allocated pro-rata based on the number of Offer Shares applied for by each Retail Investor out of the total number of Offer Shares requested for subscription. If the number of Individual Investors exceeds 686,400, the Company shall not guarantee the minimum allocation of ten shares per Individual Subscriber. In such case, the allocation will be made as deemed appropriate by the Financial Advisor, in coordination with the Company.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without any commission or withholding by the Lead Manager or the Receiving Agents (as the case may be). Announcement of the final allocation will be made no later than Thursday 15/01/1447H (corresponding to 10/07/2025G) (for further details, please refer to the "*Key Dates and Subscription Procedures*" section on page (xviii) and Section 16 (*Subscription Terms and Conditions*).
Offering Period	The Offering will commence onThursday 08/01/1447H (corresponding to 03/07/2025G) and will continue for a period of one day, (for further information, please refer to the (*Key Dates and Subscription Procedures*) section on page (xviii).
Entitlement to Dividends	Holders of Offer Shares will be entitled to receive their portion of any dividends declared by the Company as of the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 (*Dividend Distribution Policy*)).
Voting Rights	The Company has one class of ordinary shares. None of the shares carries any preferential voting rights. Each share entitles its holder to one vote. Each Shareholder has the right to attend and vote at the meetings of General Assembly, and each Shareholder has the right to authorize any other person, other than the Company's Directors, to act on their behalf in attending General Assembly meetings and voting on the resolutions thereof (for further details, please refer to Section 11.14 (*Summary of the Company's Bylaws*)).
Restrictions on the Shares (Lock-up Period)	After the Offering, the Substantial Shareholders will be subject to a lock-up period of six (6) months from the date trading of the Offer Shares commences on the Saudi Stock Exchange. During such period, the Substantial Shareholders may not dispose of any of their shares. After the end of the Lock-up Period, the Substantial Shareholders may dispose of their shares (for further details regarding the Substantial Shareholders, please refer to Table 2 "Substantial Shareholders and Their Ownership Percentages in the Company Pre- and Post-Offering").
Listing of the Shares	Prior to the Offering, the Shares have not previously been listed in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offering of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations, and an application to the Exchange for admission of its Shares to listing in accordance with the Listing Rules. All relevant approvals required to conduct the Offering have been granted, and all supporting documentation requested by the CMA and Tadawul have been obtained. It is expected that trading of the Shares will commence on the Exchange following final allocation of the Shares (for further information, please refer to the "*Key Dates and Subscription Procedures*" section on page (xviii)).
Risk Factors	There are certain risks related to investment in the Offer Shares. Such risks can be classified as follows: (a) risks related to the Company's operations; (b) risks related to the market and sector; and (c) risks related to the Offer Shares. These risks are described in Section 2 (*Risk Factors*) and the "*Important Notice*" section on page (i) of this Prospectus and should be carefully considered prior to making an investment decision in relation to the Offer Shares.
Offering Expenses	The expenses and costs related to the Offering are estimated at approximately SAR 25,000,000, including the fees of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisor, Financial Due Diligence Advisor, Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriter, Receiving Agents and the Market Consultant, in addition to marketing, printing, distribution and other expenses related to the Offering, as well as regulatory fees. All Offering Expenses will be deducted from the total Offering Proceeds and apportioned between the Company and the Selling Shareholders on a pro rata basis based on the number of Offer Shares sold by the Selling Shareholders or issued by the Company for the purpose of increasing the share capital.
Underwriter	**BSF Capital** King Fahd Road 8092 P.O. Box 23454 Riyadh 3735 – 12313 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.bsfcapital.sa Email: SCC.IPO@BSFCapital.sa

Note: The "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) must be carefully considered prior to making a decision to invest in the Offer Shares under this Prospectus.

Key Dates and Subscription Procedures

Table (3): Expected Offering Timetable

Expected Offering Timetable	Date
Book-Building Period for Participating Entities	A period of 5 days, commencing on Sunday 26/12/1446H (corresponding to 22/06/2025G) until the end of Thursday 01/01/1447H (corresponding to 26/06/2025G).
Deadline for Submission of Subscription Application Forms for Participating Entities based on the Number of Shares Provisionally Allocated to Each of Them	Thursday 08/01/1447H (corresponding to 03/07/2025G).
Subscription Period for Individual Investors	A period of one day, Tuesday 13/01/1447H (corresponding to 08/07/2025G).
Deadline for Payment of Subscription Monies for Participating Entities based on the Offer Shares Provisionally Allocated to Each of Them	Monday 12/01/1447H (corresponding to 07/07/2025G).
Deadline for Submission of Subscription Application Forms and Payment of Subscription Monies for Individual Investors	Tuesday 13/01/1447H (corresponding to 08/07/2025G).
Announcement of the Final Allocation of Offer Shares	No later than Thursday 15/01/1447H (corresponding to 10/07/2025G).
Refund of Excess Subscription Monies (if any)	No later than Sunday 18/01/1447H (corresponding to 13/07/2025G).
Expected Date of Commencement of Trading on the Exchange	Trading of the Company's Shares is expected to commence on the Exchange upon the fulfillment of all requirements and completion of relevant statutory procedures. Trading will be announced in local newspapers and on the website of Tadawul (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the websites of Tadawul (www.saudiexchange.sa), the Financial Advisor (www.bsfcapital.sa) and the Company (www.sportclubscompany.com.sa).

How to Apply for Subscription

Subscription shall be limited to two tranches of investors as follows:

- **Tranche A: Participating Parties**: This tranche comprises the parties entitled to participate in the Book Building process in accordance with the Book Building Instructions (for further details, please refer to Section 1 (*Definitions and Abbreviations*) and Section 16 (*Subscription Terms and Conditions*)).
- **Tranche B: Individual Investors**: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a non-Saudi husband, who may subscribe for her own benefit in the names of her minor children, provided that she proves that she is a divorcee or widow and the mother of her Saudi minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case who have an investment account and an active portfolio with a Receiving Agent and are entitled to open an investment account with a Capital Market Institution. Subscription for the Offer Shares by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription shall be considered void and only the first subscription will be considered.

A. Participating Parties

Participating Parties may participate in the book-building process by completing and submitting Bid Forms to be provided by the Bookrunner during the book building period. Following the provisional allocation, Participating Parties may obtain Subscription Application Forms from the Bookrunner. After the approval of the CMA is obtained, the Bookrunner shall offer the Offer Shares to the Participating Parties during the Book Building period only. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Investors, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunner, which represents a legally binding agreement between the Company, the Selling Shareholders and the relevant Participating Entity submitting the application.

B. Individual Investors

Individual Investors wishing to subscribe for the Offer Shares must submit subscription applications electronically via the Receiving Agents' websites and electronic platforms that offer this service to Subscribers, or through any other means provided by the Receiving Agents, through which Individual Investors will be able to subscribe for the Company's shares during the Offering Period, provided that:

a. the Individual Subscriber has an investment account and an active portfolio at a Receiving Agent that offers such services;

b. there have been no changes in the personal information or data of the Individual Subscriber since they last participated in a recent IPO; and

c. Individual Investors who are not Saudi or GCC nationals must have an active stock portfolio with the Receiving Agent through which they intend to subscribe.

Subscription Application Forms must be completed by each applicant in accordance with the instructions set out in Section 16 (*Subscription Terms and Conditions*). Applicants must complete all relevant items of 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 are not met. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once it has been submitted. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be considered. Upon submission, a Subscription Application Form constitutes a legally binding agreement between the relevant applicant and the Selling Shareholders (for further information, please refer to Section 16 (*Subscription Terms and Conditions*)).

Excess subscription monies, if any, will be refunded to the Individual Subscriber's investment account held with the Receiving Agent that initially debited the subscription amount, without any commissions or withholdings by the Lead Manager or the Receiving Agents. Subscription monies shall not be refunded in cash or to third-party accounts.

For further information regarding subscription by Individual Investors or Participating Entities, please refer to Section 16 (*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 and 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. Persons wishing to subscribe for the Offer Shares are advised to read the entire Prospectus in full. Any decision by prospective investors to invest in the Offer Shares should be based on the careful consideration of this Prospectus as a whole. In particular, the "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) should be reviewed carefully prior to making any investment decision in relation to the Offer Shares. Prospective investors should not rely solely on this summary.

Overview of the Company and its Business

Sport Clubs Company is a Saudi closed joint-stock company converted pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G), and registered under Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), issued in Riyadh in the Kingdom of Saudi Arabia. The Company's headquarters and registered office are located on Imam Saud bin Faisal Road, Al Sahafah District, P.O. Box 79, Riyadh 13321, Kingdom of Saudi Arabia. As of the date of this Prospectus, the Company's share capital is SAR 104,000,000, divided into 104,000,000 ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. Following the Offering, the Company's share capital will be SAR 114,400,000, divided into 114,400,000 ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share. As of the date of this Prospectus, the Company has one subsidiary, Third Sports Amaken Company (for further details regarding the Subsidiary, please refer to Section 4.7.1 (*Overview of the Subsidiary*)).

The Company's business is divided into two main segments:

- **Establishing, Managing and Operating Fitness Clubs**: The Company is engaged in the establishment, management and operation of its own fitness clubs. These include men's fitness clubs under the "**Body Masters**" brand and women's fitness clubs under the "**Body Motions**" brand (for further information regarding the Company's establishment, management and operation of fitness clubs, please refer to Section 4.8.1 (*Establishing, Managing and Operating Fitness Clubs*)).
- **Comprehensive Fitness Facility Services (provided by Body Experts)**: The Company provides a range of comprehensive services under the "**Body Experts**" brand, including fitness consultancy and design and construction of gyms, fitness centers and other fitness facilities for its clients ("**Fitness Facilities**"), either directly or through subcontractors. Additionally, the Company offers services such as planning and layout of fitness equipment, furnishing and supply of fitness equipment, and fitness facility operation and maintenance (for further information regarding the services of Body Experts, please refer to Section 4.8.2 (*Establishing, Managing and Operating Fitness Clubs*)).

With over 30 years of expertise, the Company is regarded as one of the top players in the sports and fitness industry in the Kingdom. Body Masters, owned by the Company, was launched in 1994G as the first fitness club chain specializing in establishing, managing and operating fitness clubs in the Kingdom. Body Masters provides a wide range of men's sports, fitness and health services within two main tiers, namely "**Body Masters Premium**" and "**Body Masters Express**." Body Masters is one of the most well-known and widely distributed fitness clubs in the Kingdom. As of the date of this Prospectus, there are 40 Body Masters fitness clubs in the Kingdom, with an average area of approximately 2,500 square meters per club and a total area in excess of 100,000 square meters across several cities and regions, including Riyadh, Jeddah, Dammam, Mecca, Buraidah, Unaizah, Ar-Rass, Khobar, Al-Ahsa, Tabuk, Hafar Al-Batin, Najran, Khamis Mushait and Medina (for further information regarding Body Masters clubs, please refer to Section 4.8.1.1 (*Fitness Club Categories*)).

With the continued growth and expansion of the Body Masters club chain across the Kingdom, the Company launched Body Motions in 2020G, a chain specializing in establishing, managing and operating women's fitness clubs in the Kingdom. Body Motions fitness clubs have witnessed rapid growth and expansion since their launch, with 12 fitness clubs opened in the first two years alone. As of the date of this Prospectus, there are 16 Body Motions fitness clubs with an average area of approximately 2,300 square meters per club and a total area in excess of 35,000 square meters across numerous regions and cities, including Riyadh, Jeddah, Dammam, Buraidah, Unaizah, Al-Ahsa and Tabuk (for further information regarding Body Motions fitness clubs, please refer to Section 4.8.1.1 (*Fitness Club Categories*)).

In 2020G, the Company launched an additional business segment under the umbrella of the Body Experts brand, through which it provides comprehensive fitness solutions and a number of integrated services to its clients in relation to their fitness facilities. The Company's business model and competitive advantage with respect to Body Experts Services are concentrated on providing the services clients require for the establishment, equipment and operation of their sports facilities. This aligns with client preferences, as they often entrust such projects to the Company due to its specialized and deep-rooted experience in managing and operating fitness facilities and eliminates the need for clients to contract and deal with multiple parties to implement related projects (for further information regarding the services of Body Experts, please refer to Section 4.8.2 (*Comprehensive Fitness Facility Services (provided by Body Experts)*)).

Saudi Vision 2030 paved the way for the sports and fitness sector in the Kingdom through focusing on several goals, including promoting the practice of sports with the aim of building a vibrant sports community, in addition involving different age groups in various sports activities. The Quality of Life Program comprises a number of strategic pillars that will have an impact on the sports and fitness sector since the program aims at developing the lifestyle of individuals in the Kingdom through several aspects, including providing opportunities for citizens and residents to engage in sports on a regular basis. From this standpoint, the Company intends to provide value to the communities in which it operates by providing opportunities for increased participation in fitness activities and exercise while also positively impacting treatable lifestyle diseases such as obesity and diabetes, in line with Saudi Vision 2030 and initiatives related to the Quality of Life Program.

The Company achieved revenues of SAR 204.4 million, SAR 268.0 million, SAR 270.6 million and SAR 238.4 million in the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company's earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SAR 74.8 million, SAR 103.9 million, SAR 109.3 million and SAR 94.2 million during the same periods, respectively. The total value of the Company's assets amounted to SAR 666.9 million, SAR 665.9 million, SAR 757.1 million and SAR 844.1 million as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively, while the Company's total liabilities amounted to SAR 558.6 million, SAR 540.0 million, SAR 613.7 million and SAR 687.7 million as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively.

Brief Overview of the Evolution of the Company's Share Capital

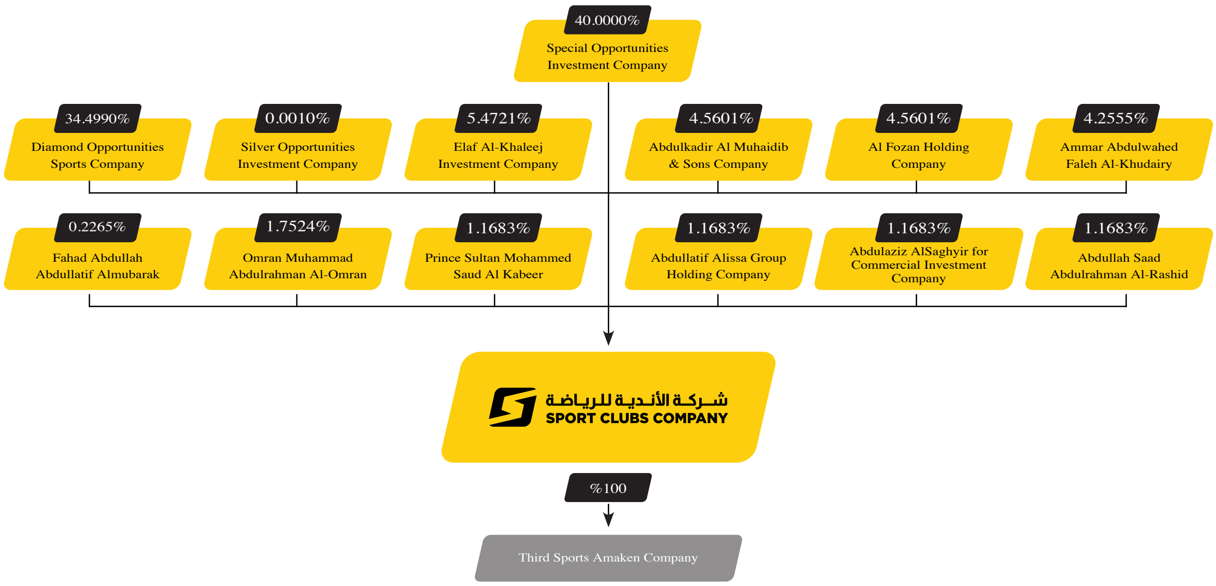
The Company's sports centers commenced their activities in 1994G through six fitness centers, five of which were under the name "Body Masters Fitness Center" and one under the name "Safwa Sports Center", pursuant to licenses issued by the General Presidency of Youth Welfare (currently the Ministry of Sports). Pursuant to the Memorandum of Association notarized on 29/01/1422H (corresponding to 23/04/2001G), the Company was established as a limited liability company under the name "Sport Clubs Company" with Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), and a share capital of SAR 500,000, divided into 100 in-kind shares with a nominal value of SAR 5,000 per share, through the merger and transfer of the aforementioned sport centers, along with their rights and obligations, into the Company's share capital upon its incorporation. Mohammed Abdulaziz Saleh Al-Haqbani, the owner of the aforementioned fitness centers before their merger and conversion, sold 25 shares to Saad Suleiman Saleh Al-Haqbani, 25 shares to Waleed Ali Mohammed Al-Haqbani, 13 shares to Tariq Abdullah Abdulrahman Al-Omar and 12 shares to Adel Abdullah Abdulrahman Al-Omar, in exchange for cash consideration. Pursuant to the Partners' resolution dated 21/01/1427H (corresponding to 20/02/2006G), Waleed Ali Mohammed Al-Haqbani sold all of his shares in the Company, amounting to 25 shares, including 12 shares to Abdullah Abdulaziz Saleh Al-Haqbani and 13 shares to Abdullah Suleiman Saleh Al-Haqbani, for cash consideration. The nominal value of the Company's shares was also reduced from SAR 5,000 to SAR 1,000 per share, and the Company's share capital was increased from SAR 500,000 to SAR 10,000,000, divided into 10,000 shares with a nominal value of SAR 1,000 per share. The share capital increase of SAR 9,500,000 was fulfilled through cash contributions from the Partners. Pursuant to the Partners' resolution dated 04/06/1429H (corresponding to 08/06/2008G), the Company's share capital was increased from SAR 10,000,000 to SAR 74,000,000, divided into 74,000 shares with a nominal value of SAR 1,000 per share. The share capital increase was paid-up through the capitalization of SAR 64,000,000 from the retained earnings account. Pursuant to the Partners' resolution dated 25/06/1429H (corresponding to 29/06/2008G), Mohammed Abdulaziz Saleh Al-Haqbani and Saad Suleiman Saleh Al-Haqbani sold all of their 37,000 shares in the Company to Projects Contracting & Trading Co. for cash consideration. Abdullah Suleiman Saleh Al-Haqbani, Tariq Abdullah Abdulrahman Al-Omar, Abdullah Abdulaziz Saleh Al-Haqbani and Adel Abdullah Abdulrahman Al-Omar also sold all of their 37,000 shares in the Company to Amwal AlKhaleej Commercial Investment for cash consideration. The Company's share capital was also increased from SAR 74,000,000 to SAR 104,000,000, divided into 104,000 shares with a nominal value of SAR 1,000 per share. The increase of SAR 30,000,000 was met through cash contributions. Pursuant to the Partners' resolution dated 16/04/1434H (corresponding to 26/02/2013G), Projects Contracting & Trading Co. sold all of its shares in the Company, amounting to 41,600 shares, to Middle East Financial Investment Company in exchange for cash consideration. Pursuant to the Partners' resolution dated 20/03/1437H (corresponding to 31/12/2015G), Amwal AlKhaleej Commercial Investment Company transferred all of its shares in the Company, amounting to 62,400 shares, to Al-Amwal Al-Khaleejiah II Ltd, without consideration. Pursuant to the Partners' resolution dated 09/08/1439H (corresponding to 25/04/2018G), Middle East Financial Investment Company transferred all of its shares in the Company, amounting to 41,600 shares, to Special Opportunities Investment Company, without consideration. Pursuant to the Partners' resolution dated 26/04/1441H (corresponding to 23/12/2019G), Al-Amwal Al-Khaleejiah II Ltd transferred all of its shares in the Company, amounting to 62,400 shares, to Elaf Al-Khaleej Commercial Investment Company, without consideration. Pursuant to the Partners' resolution dated 29/11/1441H (corresponding to 20/07/2020G), Elaf Al-Khaleej Commercial Investment Company sold a portion of its shares in the Company, amounting to 35,880 shares, to Diamond Opportunities Sports Company, in exchange for cash consideration. Pursuant to the Partners' resolution dated 22/02/1444H (corresponding to 18/09/2022G), Diamond Opportunities Sports Company transferred one (1) of its shares in the Company to Silver Opportunities Investment Company, with a total value of SAR 1,000, without consideration. Approval was also granted to convert the Company from a limited liability company to a closed joint-stock company with a share capital of SAR 104,000,000, divided into 10,400,000 shares with a nominal value of SAR 10 per share. The conversion of the Company was announced pursuant to Ministerial

Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G). On 27/11/1445H (corresponding to 04/06/2024G), Elaf Al-Khaleej Commercial Investment Company transferred a portion of its shares in the Company, amounting to 1,799,297 shares, to nine persons. This Company did not receive cash compensation for the transfer of shares; rather, the transfer occurred as part of the internal restructuring. It transferred 474,251 shares to Abdulkadir Al Muhaidib & Sons Company, 474,251 shares to Al Fozan Holding Co., 331,932 shares to Ammar Abdulwahed Faleh Al-Khudairy, 136,689 shares to Omran Muhammad Abdulrahman Al-Omran, 91,126 shares to Prince Sultan Mohammed Saud Al Kabeer Al Saud, 91,126 shares to Abdullatif Alissa Group Holding Co., 91,126 shares to Abdulaziz Alsaghyir Commercial Investment Co., 91,126 shares to Abdullah Saad Abdulrahman Al-Rashid, and 17,670 shares to Fahad Abdullah Abdullatif Almubarak. Pursuant to the Extraordinary General Assembly resolution dated 18/02/1446H (corresponding to 22/08/2024G), the nominal value of the Company's shares was reduced from SAR 10 per share to a nominal value of one Saudi Riyal (SAR 1) per share. Approval was also granted for the Company's share capital to be increased from SAR 104,000,000 to SAR 114,400,000, divided into 114,400,000 shares with a nominal value of one Saudi Riyal (SAR 1) per share, through the issuance of 10,400,000 ordinary shares to be offered for public subscription (as shown below). On 21/08/1446H (corresponding to 20/02/2025G), Elaf Al-Khaleej Commercial Investment Company completed its internal restructuring by transferring 2,836,012 of its shares in the Company to seven persons. This Company did not receive cash consideration for the share transfer; rather, the transfer occurred as part of the internal restructuring. It transferred 1,106,444 shares to Ammar Abdulwahed Faleh Al-Khudairy, 455,636 shares to Omran Muhammad Abdulrahman Al-Omran, 303,757 shares to Prince Sultan Mohammed Saud Al Kabeer Al Saud, 303,757 shares to Abdullatif Alissa Group Holding Co., 303,757 shares to Abdulaziz Alsaghyir Commercial Investment Co., 303,757 shares to Abdullah Saad Abdulrahman Al-Rashid and 58,904 shares to Fahad Abdullah Abdullatif Almubarak. For further information regarding the Company's history, please refer to Section 4.3 (*Corporate History and Evolution of Share Capital*).

Company Structure

The following chart sets out the Company's current ownership structure as of the date of this Prospectus:

Figure 1: Current Structure of the Company



The following table sets out details of the Subsidiary and the Company's shareholding therein as of the date of this Prospectus:

Table (4): Details of the Ownership Structure of the Subsidiary as of the Date of this Prospectus

Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
Third Sports Amaken Company	Kingdom of Saudi Arabia	100%	-	-

Source: The Company.

As of the date of this Prospectus, the Company's share capital is SAR 104,000,000, divided into 104,000,000 ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. The following table sets out the Company's direct ownership structure pre- and post-Offering:

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

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)
Special Opportunities Investment Company	41,600,000	40.0000%	41,600,000	32,032,000	28.0000%	32,032,000
Diamond Opportunities Sports Company	35,879,000	34.4990%	35,879,000	27,626,830	24.1493%	27,626,830
Elaf Al-Khaleej Commercial Investment Company	5,691,018	5.4721%	5,691,018	4,382,084	3.8305%	4,382,084
Abdulkadir Al Muhaidib & Sons Company	4,742,510	4.5601%	4,742,510	3,651,733	3.1921%	3,651,733
Al Fozan Holding Co.	4,742,510	4.5601%	4,742,510	3,651,733[2]	3.1921%	3,651,733
Ammar Abdulwahed Faleh Al-Khudairy	4,425,764	4.2555%	4,425,764	3,407,838	2.9789%	3,407,838
Omran Muhammad Abdulrahman Al-Omran	1,822,526	1.7524%	1,822,526	1,403,345[2]	1.2267%	1,403,345
Prince Sultan Mohammed Saud Al Kabeer Al Saud	1,215,017	1.1683%	1,215,017	935,563[2]	0.8178%	935,563
Abdullatif Alissa Group Holding Co.	1,215,017	1.1683%	1,215,017	935,563[2]	0.8178%	935,563
Abdulaziz Alsaghyir Commercial Investment Co.	1,215,017	1.1683%	1,215,017	935,563[2]	0.8178%	935,563

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)
Abdullah Saad Abdulrahman Al-Rashid	1,215,017	1.1683%	1,215,017	935,563[2]	0.8178%	935,563
Fahad Abdullah Abdullatif Almubarak	235,604	0.2265%	235,604	181,415[2]	0.1586%	181,415
Silver Opportunities Investment Company	1,000	0.0010%	1,000	770	0.0007%	770
Public[3]	-	-	-	34,320,000	30.00%	34,320,000
Total	**104,000,000**	**100%**	**104,000,000**	**114,400,000**	**100%**	**114,400,000**

Source: The Company.

(1) The ownership percentages have been rounded.

(2) These shares are considered public shares under the CMA regulations.

(3) The "public" row reflects the number and percentage of shares to be offered to the public under the Offering, namely 34,320,000 shares, representing 30% of the Company's share capital. This does not include the shares which will be owned after the Offering by certain Current Shareholders who meet the definition of "public" under the CMA regulations. These shareholders include Al Fozan Holding Co., Omran Muhammad Abdulrahman Al-Omran, Prince Sultan Mohammed Saud Al Kabeer Al Saud, Abdullatif Alissa Group Holding Co., Abdulaziz Alsaghyir Commercial Investment Co., Abdullah Saad Abdulrahman Al-Rashid and Fahad Abdullah Abdullatif Almubarak. Thus, the total number of shares owned by the public after the Offering will be 43,298,745 shares, representing 37.8486% of the Company's share capital.

Company Vision, Mission and Values

Vision

Providing a spacious and inviting environment for training and physical activity, enabling our community members to improve their quality of life, maintain their overall health and enhance their physical fitness in the most convenient ways. Our widespread centers embody a meeting place for those seeking to maintain a healthy and sustainable lifestyle, and a destination for companies supporting their employees in achieving this goal.

Mission

Encouraging our community members to adopt a healthy lifestyle and promoting regular physical activity while providing a distinctive and unique experience to our customers —both beginners and experts alike— in the fields of sports and fitness through a passionate, skilled and experienced team.

Values

Our values are a set of core principles that serve as a guiding compass for Company employees and Management in conducting business, namely:

- **Prioritizing the Interests of our Shareholders**: Striving to maximize Shareholder value through the sustainable growth of the Company's business, operations and assets.
- **Serving our Customers**: Understanding and fulfilling our customers' needs, ensuring their satisfaction and exceeding their expectations.
- **Caring about our Employees**: Valuing and nurturing Company employees as the Company's most valuable assets and the cornerstone of its success and growth.
- **Serving our Community**: Commitment to the principle of sport for all and providing an environment that accommodates all community members to promote the overall health of our society.
- **Developing our Services**: Continuously improving the Company's products and services by employing the latest fitness technologies and attracting top talent.
- **Adopting the Highest Standards**: Adhering to the highest quality standards in all of the Company's service offerings and continuous improvement thereof.
- **Communicating with all Parties**: Listening to the Company's Shareholders, customers, employees and community and responding to their feedback.

Strengths and Competitive Advantages

The Company is a leading player in the sports and fitness industry in the Kingdom, thanks to its competitive advantages and strengths, which are rooted in providing a unique and integrated experience for all members of society tailored to their aspirations, needs, and abilities. The Company seeks to leverage this advantage by capitalizing on the abundant and ever-growing opportunities in the sector, particularly with the increasing interest among individuals in adopting a healthy and balanced lifestyle, coupled with the challenges faced by individuals related to rising obesity rates and limited availability of sports facilities, and in alignment with the goals of Saudi Vision 2030 to improve the quality of life and overall health of the community. The Company's strengths and competitive advantages include:

- **A Long-Established Brand and Multiple Options**

Since its inception, the Company has focused on consolidating its position within the sports and fitness sector in the Kingdom. As of 30 September 2024G, by leveraging over 30 years of experience and development, the Company has successfully established one of the largest fitness club chains in the Kingdom, comprising 56 clubs spread across most cities and provinces in the Kingdom. These clubs span over 135,000 square meters and serve more than 125,000 active members. As of the beginning of 2024G, the Company had a market share of 10.9% in terms of revenue from the sports and fitness sector, making it the second largest in the industry. The Company attributes its leading position to several factors, most notably its ongoing commitment to establishing and operating high-quality fitness clubs that are affordable for all segments of society. The Company offers three categories of fitness clubs: Premium and Express for men's clubs under the Body Masters brand, and women's clubs under the Body Motions brand.

- **Exceptional Services at Competitive Pricing**

The Company sets itself apart by providing exceptional services that cater to the diverse needs of various segments of society at affordable prices, along with year-round promotional offers and discounts. The Company strives to enhance customer retention rates and foster long-term relationships with customers through loyalty programs. These programs incentivize Company customers to continue using its services and enhance their satisfaction with the Company's service offerings. Additionally, the Company aims to motivate its customers to maintain a healthy and active lifestyle through various loyalty programs and offers, such as renewal discounts for subscriptions and the 'Refer a Friend' program. This program automatically awards additional free days to members who refer new members. Furthermore, the Company hosts a range of competitive, sporting and social events and activities within its fitness clubs.

- **Accessible and Geographically Expansive Strategic Locations**

The number and distribution of gyms play a significant role in the Company's growth and sustainability. The Company boasts an extensive network of fitness clubs spanning 17 cities across the Kingdom, enabling it to reach new markets, attract new customers, target diverse demographics, meet the needs of various individuals, retain existing customers and strengthen its brand. Moreover, it allows the Company to capitalize on the rapid growth of major cities within the Kingdom by leveraging economies of scale. The high population density in these metropolitan areas enables the Company to optimize the utilization of its facilities and enjoy greater pricing flexibility. In locating its clubs, the Company seeks to maximize the benefit of the above factors by examining available sites, including consideration of the demand in new geographic areas, the presence of competitors, the purchasing power of potential customers, and the availability of sites suitable for the establishment of fitness clubs.

- **Passionate, Competent and Experienced Management Team**

The Company has a highly competent and passionate management team with extensive experience in the sports and fitness sector and the dynamics of the Saudi market. The majority of the Executive Management team has served the Company for more than ten years, which has provided them with a deep understanding of the Company's business and the competitive situation in the sports and fitness sector. This job stability has reflected on the sustainability and continuity of the Company's business and has provided an attractive employment environment that has enabled it to maintain low turnover rates. Thanks to this stability and managerial excellence, the Company has been able to maintain a leading position and expand its services in line with the aspirations and needs of its customers. The Company intends to complement and build on this by attracting the best local and international talent.

- **Strong Relationships with Suppliers**

The Company obtains a variety of fitness machines and equipment with the latest technology and the best specifications from a number of suppliers in order to meet the needs of customers. The Company invests in its relationships with these local and international suppliers. The Company's extensive relationships and considerable market share allow it to obtain benefits and advantages that are not available to all buyers, such as flexibility in negotiating prices and quantities in line with its requirements and targets, as well as preferential terms and conditions, faster access and flexible delivery schedules, particularly in the event of supply chain disruptions, in addition to faster responses to maintenance requests, thus granting the Company a preferential advantage and enabling it to respond and adapt to industry changes.

- **Providing Comprehensive Sports Solutions that Meet all of the Needs of Customers' Fitness Clubs, Centers and Facilities**

Continuing its successful track record of growth in managing and operating fitness clubs over the years, the Company launched an additional business segment in 2020G under the brand 'Body Experts.' This segment provides comprehensive fitness solutions and a full suite of services to its corporate clients, including fitness facility design, operation and maintenance, supply of fitness equipment, and fitness equipment layout planning and implementation, along with consulting services for all of the aforementioned. Body Experts' business model and competitive advantage are rooted in providing corporate clients with comprehensive solutions for the construction, equipment and operation of their fitness facilities. Clients outsource such projects to the Company due to its specialized and extensive experience in establishing, managing and operating fitness facilities, eliminating the need for them to engage with multiple parties and enter into various legal agreements to accomplish these tasks.

Strategy

The Company's growth strategy is based on the following key pillars:

- **Prioritizing Subscribers and Customer Experience**

The Company continuously monitors the level of services it offers as part of its goal to expand its customer base by maintaining existing customers and attracting new customers. The Company measures the level of services offered through various means, including:

1. Net Promoter Score (NPS).
2. Measuring the satisfaction of new members.
3. Surveying members whose subscriptions have expired.

- **Continuous Growth and Expansion within the Kingdom and Abroad**

The Company aims to expand both domestically and internationally by establishing fitness clubs in new regions and cities as well as by strengthening its presence in its existing locations, particularly in densely populated urban areas. Moreover, the Company has recently adopted an international expansion strategy with the aim of entering new markets.

- **Technological Development and Innovation**

The Company is committed to staying abreast of industry developments and leveraging emerging trends to enhance its operational processes and procedures, particularly in light of the rapid pace of technological advancements. This enables the Company to provide a superior customer experience.

- **Business Development through Strategic Partnerships with Leading Local and Global Companies**

The Company benefits from an extensive network of local and international partners, service providers and suppliers, enabling it to provide its customers with a distinctive and high-quality range of fitness equipment, machines and training programs, as well as qualification and development programs for its trainers.

- **Targeting Diverse Groups and Segments**

The Company continuously seeks to explore new ways to engage with its customers, respond to their needs, foster loyalty and attract new clientele. To this end, it identifies the specific needs of each customer segment and provides tailored fitness services and programs to meet the individual requirements of each customer.

Market Information

Market and Industry Overview

Macroeconomic Overview of the Kingdom

The Kingdom is the largest economy among the GCC states. The Kingdom's nominal gross domestic product (GDP) was approximately SAR 4.2 trillion in 2022G. From 2020G to 2022G, the Kingdom's economy grew at a compound annual growth rate (CAGR) of 23%, accompanied by a 140% increase in the price of Brent crude oil during the same period. The future outlook for the Kingdom's GDP is positive. Nominal GDP is projected to grow at a CAGR of 2.7% until 2030G, reaching SAR 5.1 trillion.

The Kingdom has been actively working to diversify its economy away from reliance on the oil and gas sector. This transformation and growth are supported by various initiatives under Saudi Vision 2030. Notably, sports and physical fitness play a pivotal role in the following three pillars: strengthening a vibrant society, building an ambitious nation, and developing a thriving economy. In order to achieve long-term sustainable growth, the Kingdom aims to diversify its non-oil economy. To this end, it is fostering the development of the private sector through the enactment of investment-friendly regulations and legislation, including those aimed at attracting direct foreign investment. Furthermore, the Kingdom has undertaken initiatives to enhance its global profile, including hosting major international events such as the Saudi Arabian Grand Prix. As a result, it is projected that the contribution of the oil sector to the GDP will decrease from 43% in 2022G to 37% by 2030G.

The Kingdom's Fiscal Sustainability Program, launched in 2016G, supports the nation's objectives of diversifying revenue streams. The program aims to foster private sector growth, create new job opportunities and maintain a balanced budget. The fiscal deficit is expected to narrow each year, reaching an average of SAR 24 billion between 2023G-2028G compared to SAR 88 billion in the previous three years. In addition, the Kingdom's expenditures are expected to grow at a CAGR of 2.4% from 2022G to 2030G. One indicator of the growth of the private sector is the expansion of the sports and fitness industry, whose contribution to the GDP increased from 0.4% in 2015G to 1.5% in 2022G.

The Kingdom's population is expected to grow at an annual rate of 1.3%, from 36.4 million in 2022G to 40.5 million in 2030G. Several major projects may contribute to the population increase, including NEOM, which targets a population of 2 million by 2030G. With projected economic and population growth, it is anticipated that the disposable income per capita will increase at a rate of 2.6% annually until 2030G.

Overview of the Sports and Fitness Sector in the Kingdom

Several key factors are expected to support the future growth of the Kingdom's sports and fitness industry. The Kingdom aims to bring about changes in the health habits of citizens to prevent lifestyle diseases such as diabetes and obesity, leading to increased health awareness among the population.

The Kingdom is investing in the sports and fitness sector by developing sports infrastructure, events and programs nationwide, as well as creating new areas dedicated to physical activity, such as the Sports Boulevard Project. This aligns with the Kingdom's goal of increasing the proportion of the population aged 18 and over engaging in at least 150 minutes of physical activity per week to 64% by 2030G, up from 34% in 2022G. The Kingdom has also made it easier to establish new fitness clubs by introducing a new licensing law in 2021G.

The Kingdom's growing population is expected to drive growth in the sports and fitness sector due to the increase in individuals under 40 who typically engage in regular exercise. This demographic is projected to expand by 1.6 million between 2022G and 2030G. It is anticipated that the influx of expatriates from certain regions such as Europe and the United States, where fitness club membership rates are traditionally higher, will continue to increase. Moreover, the licensing of women's fitness clubs has led to a 15% increase in overall fitness club usage from 2017G to 2024G.

Given these factors, the core segment of the Kingdom's fitness industry—paid membership gyms—is projected to grow from SAR 7.7 billion in 2024G to SAR 15.6 billion by 2030G, at a CAGR of 13%. As of 2024G, the gym membership penetration rate in the Kingdom stands at 9.6%, indicating the proportion of the target population that holds a gym membership. This figure falls short of leading regional benchmarks such as the UAE at 6.7% and is significantly lower than those of leading markets like the USA at 24.1% and Sweden at 27.1%. This trend supports the assessment that there is room for growth in the Kingdom's sports and fitness sector.

Summary of Financial Information and Key Performance Indicators (KPIs)

The financial information for the financial years ended 31 December 2021G, 2022G and 2023G has been derived from the audited consolidated financial statements for the financial year ended 31 December 2023G. The financial information for the financial periods ended 30 September 2023G and 2024G has been derived from the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G. The financial statements for all financial periods were prepared by the Auditor in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The financial information and key performance indicators set out below should be read in conjunction with Section 2 (*Risk Factors*) and Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*) of this Prospectus, as well as the Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G, which are included in Section 18 (*Financial Statements and Auditor's Report*), in addition to other financial data presented elsewhere in this Prospectus.

Table (6): Summary of the Company's Statement of Financial Position as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G

Currency: SAR '000	As of 31 December			As of 30 September
	2021G Audited	2022G Audited	2023G Audited	2024G Reviewed
Total current assets	32,915	42,714	34,497	73,849
Total non-current assets	634,070	623,227	722,595	770,244
Total assets	666,985	665,941	757,093	844,093
Total current liabilities	132,327	154,217	197,059	231,599
Total non-current liabilities	426,230	385,819	416,624	456,126
Total liabilities	558,557	540,036	613,682	687,725
Total equity	108,428	125,905	143,410	156,368
Total liabilities and equity	666,985	665,941	757,093	844,093

Source: The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G.

Table (7): Summary of the Company's Statement of Profit, Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Periods Ended 30 September 2023G and 2024G

Currency: SAR '000	Financial Year Ended 31 December			Nine-Month Period Ended 30 September	
	2021G Audited	2022G Audited	2023G Audited	2023G Reviewed	2024G Reviewed
Statement of Comprehensive Income					
Revenue	204,358	268,043	270,621	195,618	238,377
Cost of revenue	(167,842)	(198,769)	(198,236)	(145,939)	(171,957)
Gross profit	**36,517**	**69,274**	**72,385**	**49,679**	**66,420**
General and administrative expenses	(10,422)	(15,098)	(14,541)	(10,693)	(14,890)
Sales and distribution expenses	(5,164)	(9,183)	(7,798)	(7,355)	(5,883)
Expected credit losses (ECLs)	-	-	-	(1,148)	-
Other revenue	4,391	3,498	2,833	4,161	3,489
IPO expenses	-	-	-	-	(2,031)
Operating profit	25,322	48,491	52,879	34,644	47,106

Currency: SAR '000	Financial Year Ended 31 December			Nine-Month Period Ended 30 September	
	2021G Audited	2022G Audited	2023G Audited	2023G Reviewed	2024G Reviewed
Financing costs	(16,903)	(25,113)	(26,982)	(20,127)	(22,964)
Profit before Zakat	**8,419**	**23,378**	**25,897**	**14,517**	**24,142**
Zakat	(453)	(695)	(808)	(425)	(535)
Profit for the year	**7,966**	**22,683**	**25,088**	**14,092**	**23,607**
Other comprehensive income/(loss)	1,915	794	(1,583)	76	(4,219)
Comprehensive income for the period	**9,881**	**23,477**	**23,505**	**14,169**	**19,388**

Source: The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the reviewed consolidated financial statements for the nine-month periods ended 30 September 2023G and 2024G.

Table (8): Summary of the Company's Statement of Cash Flows for the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Periods Ended 30 September 2023G and 2024G

Currency: SAR '000	Financial Year Ended 31 December			Nine-Month Period Ended 30 September	
	2021G Audited	2022G Audited	2023G Audited	2023G Reviewed	2024G Reviewed
Net cash generated from operating activities	72,088	105,485	134,177	91,142	71,470
Net cash (used in) investing activities	(70,360)	(31,267)	(67,305)	(36,534)	(58,978)
Net cash generated from (used in) financing activities	5,289	(73,432)	(75,528)	(38,620)	(8,031)
Cash and cash equivalents at the beginning of the year	9,495	16,512	17,297	17,297	8,641
Cash and cash equivalents at the end of the year/period	16,512	17,297	8,641	33,285	13,101

Source: The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the reviewed consolidated financial statements for the nine-month periods ended 30 September 2023G and 2024G.

Table (9): Key Performance Indicators of the Company for the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Periods Ended 30 September 2023G and 2024G

	Financial Year Ended 31 December			Nine-Month Period Ended 30 September	
	2021G	2022G	2023G	2023G	2024G
Gross profit margin (%)	17.9%	25.8%	26.7%	25.4%	27.9%
Net profit margin (%)	3.9%	8.5%	9.3%	7.2%	9.9%
Average days payable outstanding	10	8	30	N/A	9
Average inventory turnover (days)	11	10	13	N/A	18
Return on assets (%)	1.2%	3.4%	3.3%	N/A	2.8%
Return on equity (%)	7.3%	18.0%	17.5%	N/A	15.1%
Revenue growth rate (%)	77.5%	32.2%	1.0%	15.1%	21.9%
Current ratio	0.2	0.3	0.2	N/A	0.3
Total assets to total loans	4.6	5.3	7.4	N/A	5.8
Total assets to total liabilities	1.2	1.2	1.2	N/A	1.2
Number of existing clubs - as of the end of the year/period	54	54	54	54	56
Number of active members - as of the end of the year/period	103,009	97,947	113,602	124,714	129,714

Source: Company information.

Summary of Risk Factors

Prior to investing in the Offer Shares, prospective investors are advised to carefully consider all of the information contained in this Prospectus, in particular the risk factors stated below, which are described in detail in Section 2 (*Risk Factors*).

A. Risks Related to the Company's Operations

- Risks related to the concentration of the Company's business and the industry and market in which it operates
- Risks related to the Company's inability to maintain relationships with existing customers and expand its customer base
- Risks related to the opening of new fitness clubs and the unsuitability of their geographical locations
- Risks related to the Company's operational processes
- Risks related to the maintenance and renovation of the Company's fitness clubs
- Risks related to permanent or temporary closures of the Company's fitness clubs
- Risks related to the capacity of the Company's fitness clubs
- Risks related to competition
- Risks related to the implementation of the Company's strategic plan and business expansion
- Risks related to obtaining and renewing licenses and permits required to conduct business
- Risks related to marketing activities
- Risks related to the Company's ability to preserve and continue to enhance its reputation and the value of its brands
- Risks related to the protection of intellectual property rights
- Risks related to the Company's websites
- Risks related to personal data breaches
- Risks related to the Company's IT systems
- Risks related to the significant dependence of the Company's revenue on postpaid service providers
- Risks related to payments via credit cards, Mada cards and e-payment methods
- Risks related to cash payments
- Risks related to the Company's ability to fulfill contractual obligations towards its fitness club members
- Risks related to the safety of customers of the Company's fitness clubs and users of the fitness facilities that the Company operates on behalf of its clients
- Risks related to relationships with suppliers of fitness equipment and products
- Risks related to the Company's implementation of construction and fit-out projects for its clients' sports facilities
- Risks related to leased real estate
- Risks related to real estate owned by the Company
- Risks related to the Company's reliance on Maharah for employees
- Risks related to fluctuations in currency exchange rates
- Risks related to the sustainability of the Company's revenue growth and profitability
- Risks related to the participation of certain Directors and Senior Executives in competing business
- Risks related to financing
- Risks related to future capital expenditures
- Risks related to inventory management
- Risks related to trade creditors
- Risks related to management of working capital and liquidity
- Risks related to credit and doubtful debts
- Risks related to changes in important accounting standards, new standards, accounting principles and policies
- Risks related to impairment of goodwill
- Risks related to Related Party transactions and transactions with parties in which the Directors have a direct or indirect interest

- Risks related to the Company's reliance on the expertise and capabilities of its Senior Executives
- Risks related to inadequate insurance coverage
- Risks related to Zakat and taxation
- Risks related to the Company's inability to continue to comply with the requirements of Saudization and the Labor Law
- Risks related to Government fees imposed on non-Saudi employees
- Risks related to litigation and arbitration
- Risks related to the lack of prior experience of the Company's Management in managing a public joint-stock company
- Risks related to the Company's compliance with the Companies Law, its Implementing Regulations, the CGRs and other mandatory regulations and policies
- Risks related to potential future acquisitions
- Risks related to joint ventures
- Risks related to seasonal factors and fluctuations

B. Risks Related to the Market and Industry

- Risks related to consumer spending on sports and fitness activities
- Risks related to political instability and security concerns in the Middle East
- Risks related to natural phenomena and disasters such as floods, earthquakes and other natural events
- Risks related to health and safety laws
- Risks related to the outbreak of the novel coronavirus or other infectious diseases
- Risks related to changes in Government regulations and policies in the Kingdom or the scope of their application
- Risks related to competition and the intensification thereof
- Risks related to the imposition of new fees or taxes
- Risks related to the impact of economic conditions on the Company's operations

C. Risks Related to the Offer Shares

- Risks related to effective control by the Selling Shareholders post-Offering
- Risks related to the lack of a previous market for the Company's shares and fluctuations in the share price
- Risks related to fluctuations in the market price of the shares
- Risks related to the distribution of cash dividends
- Risks related to the offering of additional shares in order to increase share capital
- Risks related to a substantial number of shares being sold on the Exchange following the Lock-up Period
- Risks related to foreign currency exchange when investing in the Offer Shares
- Risks related to failure to publish research or the publication of unfavorable research about the Company

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شركة الأندية للرياضة
SPORT CLUBS COMPANY

1. Definitions and Abbreviations

Advisors	The Company's advisors in connection with the Offering, whose names appear on pages (vii) and (viii) of this Prospectus.
Affiliate	A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Aldrees	Aldrees Petroleum and Transport Services Company.
AlUla Agreement	A development and operating agreement with the Royal Commission for AlUla Governorate related to constructing and equipping the AlUla Fitness Club.
AlUla Fitness Club	The fitness club to be operated by the Company in AlUla Governorate.
Audit Committee	The Audit Committee of the Company.
Auditor	Dr. Mohamed Al-Amri & Co. Chartered Accountants, the Auditor of the Company.
Bid Form	The Bid Form used by Participating Entities to register their applications for the Offer Shares with the Bookrunner during the book-building period. Bid Forms are to be submitted to the Bookrunner no later than the last day of the book-building process. This term includes, when applicable, the appended Bid Form when the price range is changed.
Board of Directors or the Board	The Company's Board of Directors.
Body Experts Services	A group of integrated services provided by the Company under the "Body Experts" brand, including designing, planning and distributing fitness equipment within fitness facilities, furnishing and supplying fitness equipment and operating and maintaining fitness facilities, along with providing consultancy services in connection therewith.
Body Masters Clubs	Men's fitness clubs affiliated with the Company.
Body Masters Express Clubs	A category of Body Masters Clubs under the "Body Masters Express" brand.
Body Masters Premium Clubs	A category of Body Masters Clubs under the "Body Masters Premium" brand.
Body Motions Clubs	A category of women's fitness clubs affiliated with the Company under the "Body Motions" brand.
Book Building Instructions	The Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) issued pursuant to CMA Board Resolution No. 2-94-2016, dated 15/10/1437H (corresponding to 20/07/2016G), as amended from time to time.
Bookrunner	BSF Capital.
Business Day	Any day on which the Receiving Agents are open for business in the Kingdom (with the exception of Fridays, Saturdays and any official holidays).
Bylaws	The Company's Bylaws, as summarized in Section 11.14 (*Summary of the Company's Bylaws*).
Capital Market Institution	A Capital Market Institution licensed by the CMA to engage in securities business.
Capital Market Law (CML)	The Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
CEO	The Chief Executive Officer of the Company.
CFO	The Chief Financial Officer of the Company.
Chairman	The Chairman of the Company's Board of Directors.
CMA	The Capital Market Authority in the Kingdom.
Committees	The Audit Committee and Nomination and Remuneration Committee of the Company.
Companies Law	The Companies Law issued by Royal Decree No. M/132, dated 01/12/1443H (corresponding to 30/06/2022G), as amended.
Company or Issuer	Sport Clubs Company.
Control	"Control" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a Relative or Affiliate, through any of the following: (a) holding 30% or more of the voting rights in a company; or (b) having the right to appoint 30% or more of the administrative staff. The term "Controller" shall be construed accordingly.

Corporate Governance Regulations or CGRs	The Corporate Governance Regulations issued pursuant to CMA Board Resolution No. 8-16-2017, dated 16/05/1438H (corresponding to 13/02/2017G), as amended by CMA Board Resolution No. 8-5-2023, dated 25/06/1444H (corresponding to 18/01/2023G), and as may be amended.
Cubs North Contracting Co. Agreement related to AlUla	A subcontracting agreement concluded by the Company with Cubs North Contracting Co. to carry out finishing works for the AlUla Fitness Club.
Directors (each individually a "Director")	The members of the Company's Board of Directors, who have been appointed by the Company's General Assembly and whose names appear in Table 1 "*Board of Directors of the Company*".
Exchange or Tadawul	Saudi Exchange Company (Tadawul) or the Saudi Stock Exchange.
Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Financial Advisor	BSF Capital.
Financial Due Diligence Advisor	PricewaterhouseCoopers Public Accountants.
Financial Statements	The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G, as well as the accompanying notes thereto, prepared in accordance with the IFRS endorsed in the Kingdom and the accounting standards issued by SOCPA, and audited or reviewed by the Auditor. These financial statements are included in Section 18 (*Financial Statements and Auditor's Report*).
Financial Year (FY)	The financial year of the Company, which commences on 1 January to 31 December of each calendar year.
Fitness Clubs	Gyms constructed, managed and operated by the Company.
Fitness Facilities	Gyms, centers and other fitness facilities that the Company constructs and equips on behalf of its clients.
Foreign Investors	1. Non-GCC individuals residing outside the Kingdom and non-GCC institutions registered outside the Kingdom who are entitled to invest indirectly to acquire an economic benefit in the Offer Shares by entering into swap agreements with CMA-licensed Capital Market Institutions to purchase shares listed on the Exchange. 2. Any foreign natural or legal person who is a client of a Capital Market Institution authorized by the CMA to exercise management business, provided that the Capital Market Institution has been appointed on terms that enable it to make all investment decisions on behalf of the client without the need to obtain their prior approval.
Foreign Strategic Investors (FSI)	Any foreign legal person aiming to own a direct interest in the shares of a listed company for a period of no less than two years for the purpose of contributing to enhancing the financial or operating performance of the listed company.
G	The Gregorian calendar.
GCC Investor with a Legal Personality	Legal entities the majority of whose share capital is owned by citizens or governments of GCC states, which have the nationality of a GCC state in accordance with the definition set out in the Resolution of the Supreme Council of the Gulf Cooperation Council (GCC) issued in its fifteenth session, as approved by Council of Ministers' Resolution No. 16, dated 20/01/1418H (corresponding to 27/05/1997G), as well as GCC funds the majority of whose share capital is owned by GCC states' citizens or governments.
GCC States	The states of the Gulf Cooperation Council.
GDP	Gross Domestic Product, a quantitative measure of a nation's total economic activity, which represents the monetary value of all goods produced and services provided within a nation's geographical boundaries over a specified period of time.
GDP per capita	Gross Domestic Product per capita is a measure of the average income per person in a country (calculated by dividing GDP by the population).
General Assembly	An Extraordinary General Assembly or Ordinary General Assembly of the Company's Shareholders, and "General Assembly" shall mean any General Assembly of the Company.
Glossary of Defined Terms Used in the CMA Regulations	The Glossary of Defined Terms used in the Regulations and Rules of the CMA issued pursuant to CMA Board Resolution No. 4-11-2004, dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA Board Resolution No. 3-6-2024, dated 05/07/1445H (corresponding to 17/01/2025G), and as may be amended.
GOSI	The General Organization for Social Insurance in the Kingdom.
Government	The Government of the Kingdom of Saudi Arabia (and the word "Governmental" shall be construed accordingly).
H	The Hijri calendar.
IASB	The International Accounting Standards Board.
IFRS	The International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA, including technical standards and pronouncements related to matters not covered by the IFRS, such as Zakat.
Individual Investors	Saudi natural persons, including any Saudi female divorcee or widow with minor children from a non-Saudi husband, who may subscribe for her own benefit in the names of her minor children, provided that she proves that she the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case who have an investment account and an active portfolio with a Capital Market Institution.

Investment Funds Regulations or IFRs	The Investment Funds Regulations issued pursuant to CMA Resolution No. 1-219-2006, dated 03/12/1427H (corresponding to 24/12/2006G), based on the Capital Market Law issued by Royal Decree No. M/30, dated 02/06/1424H, as amended by CMA Board Resolution No. 2-22-2021, dated 12/07/1442H (corresponding to 24/02/2021G), and as may be amended.
Investors	The Participating Entities and Individual Investors.
KAFD Fitness Club	A fitness club operated by the Company and located at King Abdullah Financial District headquarters.
Kingdom	The Kingdom of Saudi Arabia.
Labor Law	The Saudi Labor Law issued pursuant to Royal Decree No. M/51, dated 23/08/1426H (corresponding to 27/09/2005G), as amended.
Lead Manager	BSF Capital.
Legal Advisor	Kirkland & Ellis International LLP.
Listing	Admission of the Company's Shares to listing on the Exchange in accordance with the Listing Rules and, where applicable, the submission of an application to the Exchange for the listing of securities.
Listing Rules	The Listing Rules approved by CMA Board Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA Board Resolution No. 4-114-2024, dated 04/04/1446H (corresponding to 07/10/2024G) and as may be amended.
Lock-up Period	The period during which the Substantial Shareholders are subject to a lock-up of six (6) months from the date on which trading of the Company's Shares commences on the Exchange, during which they may not dispose of their shares.
Main Market	The market where registered and offered shares are traded under Part 4 of the Rules on the Offer of Securities and Continuing Obligations.
Market Consultant	Portas Consulting MEA.
Market Study Report	The Market Study Report dated 05/09/1445H (corresponding to 15/03/2024G) prepared exclusively for the Company by the Market Consultant.
Ministry of Human Resources and Social Development	The Ministry of Human Resources and Social Development of the Kingdom.
MoC	The Ministry of Commerce of the Kingdom.
Net Proceeds	The proceeds of the Offering after the deduction of all related expenses.
New Shares	10,400,000 new shares to be allocated and issued by the Company during the Offering.
Nominal Value	One Saudi Riyal (SAR 1) per share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company.
Offer Price	SAR 7.5 per share.
Offer Shares	The Sale Shares and the New Shares, which will represent 30% of the Company's share capital after the capital increase and the issuance of the New Shares.
Offering	The initial public offering of 34,320,000 ordinary shares, consisting of: (1) the sale of 23,920,000 Sale Shares; and (2) the issuance of 10,400,000 New Shares, at an Offer Price of (SAR 7.5) per share, with a fully paid nominal value of one Saudi Riyal (SAR 1) per share.
Offering Period	The period that will commence on Tuesday 13/01/1447H (corresponding to 08/07/2025G) and will remain open for one day.
Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Participating Entities	The parties participating to the book building process among the Participating Entities.

Participating Parties	The parties that are entitled to participate in the book-building process under the Book Building Instructions, namely: 1. public and private funds that invest in securities listed on the Saudi Stock 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; 2. Capital Market Institutions authorized by the CMA to deal in securities as principals, in compliance with the provisions set forth in the Prudential Rules when submitting Bid Forms; 3. clients of a Capital Market Institution authorized by the CMA to conduct management business in accordance with the provisions and restrictions set forth in the Book Building Instructions; 4. legal persons who are entitled to open an investment account in the Kingdom and an account with the Securities Depository Center, including foreign legal persons who may invest on the Exchange, taking into account the controls for listed companies' investment in securities listed on the Exchange as per CMA Circular No. 6/05158, dated 11/08/1435H (corresponding to 09/06/2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20/07/1435H (corresponding to 19/05/2014G); 5. Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Securities Depository Center; 6. Government-owned companies, whether directly or through a private portfolio manager; and 7. GCC companies and GCC funds, if permissible according to the terms and conditions of such funds.
Person	A natural or legal person recognized as such by the laws of the Kingdom.
Prospectus	This Prospectus prepared by the Company with respect to the Offering.
Prudential Rules	The Prudential Rules issued by CMA Board Resolution No. 1-40-2012, dated 17/02/1434H (corresponding to 30/12/2012G), as amended by CMA Board Resolution No. 1-129-2022, dated 04/06/1444H (corresponding to 28/12/2022G), and as may be amended.
Public	Persons other than the following: 1. Affiliates of the Issuer; 2. Substantial Shareholders of the Issuer; 3. Directors and Senior Executives of the Issuer; 4. directors and senior executives of the Affiliates of the Issuer; 5. directors and senior executives of the Substantial Shareholders of the Issuer; 6. any relatives of the persons referred to in 1, 2, 3, 4 or 5 above; 7. any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above; and 8. persons acting in concert with a collective shareholding of 5% or more of the class of shares to be listed.
Qualified Foreign Investor (QFI)	A qualified foreign investor entitled to invest in listed securities in accordance with the Rules for Foreign Investment in Securities.
Receiving Agents	The Receiving Agents listed on page (ix) of this Prospectus.
Related Party	The term "Related Party" or "Related Parties" in this Prospectus and in accordance with the Glossary of Defined Terms Used in the Regulations of the CMA and Rules issued pursuant to CMA Board Resolution No. 4-11-2004, dated 20/08/1425H (corresponding to 04/10/2004G), as amended from time to time, includes the following: 1. Subsidiaries of the Issuer, except for companies wholly owned by the Issuer; 2. Substantial Shareholders of the Issuer; 3. Directors and Senior Executives of the Issuer; 4. directors of the Affiliates of the Issuer; 5. directors and senior executives of the Substantial Shareholders of the Issuer; 6. any Relatives of the persons referred to in 1, 2, 3 or 5 above; and 7. any other company or establishment controlled by any Person referred to in (1), (2), (3), (5) or (6) above.
Relatives	Husbands, wives and minor children. For the purpose of the Corporate Governance Regulations: 1. Fathers, mothers, grandfathers, grandmothers and ascendants thereof. 2. Children, grandchildren and descendants thereof. 3. Full brothers and sisters, paternal half-brothers and sisters and maternal half-brothers and sisters. 4. Husbands and wives.
Risk Factors	A set of potential influences that should be understood and hedged against prior to making a decision to subscribe for the Offer Shares.
Rules for Foreign Investment in Securities	The Rules for Foreign Investment in Securities issued pursuant to CMA Board Resolution No. 2-26-2023, dated 05/09/1444H (corresponding to 27/03/2023G).
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), based on the Capital Market Law issued by Royal Decree No. M/30, dated 02/06/1424H, as amended by CMA Board Resolution No. 3-6-2024, dated 05/07/1446H (corresponding to 17/01/2024G), and as may be amended.
Sale Shares	23,920,000 of the Company's existing shares to be sold by the Selling Shareholders during the Offering.

Saudi Central Bank (SAMA)	The Saudi Central Bank.
Saudi GAAP	The Generally Accepted Accounting Principles in the Kingdom as endorsed by SOCPA.
Saudi Riyal or SAR	The Saudi Arabian Riyal, the official currency of the Kingdom.
Saudization	The Saudization requirements applicable in the Kingdom with regard to the labor market.
Secretary	The Secretary of the Board of Directors.
Selling Shareholders	The Shareholders in the Company whose names and ownership percentages are listed in Table 5.1 "*Ownership Structure of the Company Pre-and Post-Offering*" and who will sell part of their shares in the Offering.
Senior Executives	The Senior Executives of the Company whose names are listed in Table 5.5 "*Details of Senior Executives*".
Senior Management	The Company's Senior Executives.
Shareholder	Any holder of shares in the Company.
Shares	Any ordinary share with a nominal value of SAR 1 per share in the Company's share capital.
SOCPA	Saudi Organization for Chartered and Professional Accountants
Subscriber/Subscribers	This term includes the Participating Parties and Individual Investors participating in the Offering.
Subscription Application Form	The Subscription Application Form that Individual Investors and Participating Parties (as applicable) must complete in order to subscribe for the Offer Shares.
Subsidiary	Third Sports Amaken Company, a subsidiary of the Company.
Substantial Shareholders	Any Shareholder who individually owns 5% or more of the Issuer's shares.
Swap Agreements	Non-GCC individuals residing outside the Kingdom and non-GCC institutions registered outside the Kingdom are permitted to acquire the economic benefits of the Shares by entering into swap agreements with Capital Market Institutions licensed by the CMA to purchase, own and trade in shares listed on the Exchange for the benefit of such Foreign Investors. Under the swap agreements, the Capital Market Institutions will be the registered legal owners of such shares.
Tabby	Tabby Saudi for IT and Communications.
Tamara	Nakhla Information Systems Technology Company.
Underwriter	BSF Capital.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
VAT	The value-added tax imposed in the Kingdom in accordance with the VAT Law, which currently stands at 15%.
Vision 2030	The national strategic economic program announced by the Government in 2016G, which aims at reducing dependence on oil and the petrochemical industry, diversifying the Saudi economy and developing public services.
Zakat	Zakat imposed on Muslims as the third pillar of Islam under the applicable Saudi laws.
ZATCA	The Zakat, Tax and Customs Authority in the Kingdom.


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BODYMASTERS
إلعب

2. Risk Factors

Prior to making any investment decision in relation to the Offer Shares, prospective investors should carefully consider the following risk factors and other information contained in this Prospectus. The risks and uncertainties described below are those that the Company currently believes may materially affect it or any investment in the Offer Shares. However, the risks mentioned below do not necessarily represent all the risks that may affect the Company or any investment in the Offer Shares. There may be additional risks and uncertainties that are currently unknown to the Company, or that the Company currently believes are immaterial. The occurrence of any such risks and uncertainties could have a material adverse effect on the Company's business, financial position, results of operations and prospects. This may lead to a decrease in the price of the Company's Shares, limit the Company's ability to distribute dividends to Shareholders, and cause investors to lose all or part of their investment in the Shares.

The Directors declare that, to the best of their knowledge and belief, there are no material risks as of the date of this Prospectus which may affect the decisions of investors to invest in the Offer Shares other than those mentioned in this section. All prospective investors wishing to invest in the Offer Shares must assess the risks associated with such shares, as well as the risks associated with the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only suitable for investors who are able to assess the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts regarding which actions to take should consult a financial advisor duly licensed by the CMA for advice with respect to investing in the Offer Shares.

The risks set out below are not arranged in an order that reflects their significance or expected impact on the Company.

2.1 Risks Related to the Company's Operations

2.1.1 Risks Related to the Concentration of the Company's Business and the Industry and Market in which it Operates

The Company's primary business is the establishment, management and operation of its own gyms under licenses issued by the Ministry of Sports ("**Fitness Clubs**"). These include men's fitness clubs under the "Body Masters" brand ("**Body Masters Clubs**"), which are further subdivided into fitness clubs under the "**Body Masters Premium**" brand ("**Body Masters Premium Clubs**") and the "Body Masters Express" brand ("**Body Masters Express Clubs**"). The Company also has women's fitness clubs under the "Body Motions" brand ("**Body Motions Clubs**"). Furthermore, the Company provides a range of integrated services under the "Body Experts" brand, which include establishing and equipping gyms, fitness centers and other fitness facilities ("**Fitness Facilities**") for its clients, including designing, planning, distributing and supplying fitness equipment, furnishing, operating and maintaining fitness facilities, as well as providing advisory services in connection therewith ("**Body Experts Services**") (for further information regarding the Company's business, please refer to Section 4.8 (*Overview of the Company's Business*)). The Company's revenues are concentrated in operating its fitness clubs, which represented 99.9%, 98.9%, 99.0% and 91.2% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. Revenues generated from operating Body Masters Premium Clubs accounted for 65.7%, 58.7%, 61.3% and 54.6% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. Revenues generated from operating Body Masters Express Clubs accounted for 18.8%, 14.3%, 11.2% and 8.9% during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, while revenues generated from operating Body Motions Clubs represented 15.3%, 26.0%, 26.5% and 27.8% during the same periods, respectively. In contrast, the Company's revenues from Body Experts Services represented 0.1%, 1.1%, 1.0% and 8.8% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively.

Based on the above, the Company's revenues are concentrated in revenues from operating Body Masters Premium and Body Motions clubs, with membership fees from these categories collectively representing 81.0%, 84.7%, 87.8% and 82.4% of the Company's revenues in the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The concentration of revenues in these categories is mainly attributable to the Company's focus on opening new fitness clubs for these two categories during the previous financial periods in accordance with the Company's strategy. In this regard, it should be noted that for men's clubs, the Company's strategy is to focus on Body Masters

Premium Clubs, totaling 29 clubs as of 31 December 2021G and 2022G, 30 clubs as of 31 December 2023G and 31 clubs as of 30 September 2024G, while the number of Body Masters Express Clubs totaled 13 clubs as of 31 December 2021G, 12 clubs as of 31 December 2022G and 10 clubs as of 31 December 2023G and 30 September 2024G. Given that membership fees for Body Masters Express Clubs are economical and lower than the membership fees for Body Masters Premium Clubs, and since a large percentage of society is low- to middle-income, the Company's strategy of focusing on Body Masters Premium Clubs may lead to a reduction in the Company's market share, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's revenues from operating its fitness clubs are mainly divided into two categories: (i) membership fees, which represented 90.2%, 87.2%, 87.9% and 78.5% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively; and (ii) fees for physical health services (which include personal training, body mass index measurements, etc.), which represented 9.7%, 11.9%, 11.4% and 12.7% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. As such, the Company's revenues are largely concentrated in the membership fees of customers in its fitness clubs.

The Company also obtains the majority of its revenues from its operations in the Central and Eastern Provinces of the Kingdom. The Company's revenues from its activities in the Central Province constituted 59.48%, 62.96%, 63.8% and 67.4% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, while the Company's revenues from its activities in the Eastern Province constituted 17.13%, 14.75%, 13.3% and 11.4% of the Company's total revenues for the same periods, respectively (for further information, please refer to Section 4.11 (*Operations and Geographical Locations*)). There is no guarantee that the Company will be able to continue to grow its revenues in the Central and Eastern Provinces or maintain its market share therein.

In general, the sports and fitness sector is subject to rapid changes in customer behavior, which is affected by general economic conditions, including general spending on the sector, clients' disposable income levels, tax levels, general confidence in the economy, changes in client preferences, demographics, general interest in health and fitness and competition within the sector, among other factors detailed in Section 2.2 (*Risks Related to the Market and Industry*).

Given the concentration of the Company's revenue in a specific industry and activity, the Company's revenue is directly and materially impacted by factors affecting such industry, unlike companies that operate in various sectors. Accordingly, if the Company is unable to increase or maintain its customer membership base due to factors such as changes in discretionary spending, market saturation, a general decline in interest in health and fitness, particularly in the Central Province of the Kingdom, changes in general economic conditions, the emergence of alternative fitness clubs and intensified competition, the emergence of free alternatives, increases in membership fees due to inflation, increased VAT or other costs, or the Company's inability to keep pace with customer needs or expectations, this would have an adverse effect on the Company's business, financial position, results of operations and prospects (for further information regarding the risks related to the Company retaining its existing customers and expanding its customer base, please refer to Section 2.1.2 (*Risks Related to the Company's Inability to Maintain Relationships with Existing Customers and Expand its Customer Base*)).

2.1.2 Risks Related to the Company's Inability to Maintain Relationships with Existing Customers and Expand its Customer Base

During the financial years ended 31 December 2021G and 2022G and the nine-month period ended 30 September 2024G, the growth rate of Body Masters Premium members stood at 81%, 15% and 0.2%, respectively. However, the growth rate of the Company's members within the same category declined by 4% during the financial year ended 31 December 2023G. Furthermore, the growth rate of Body Masters Express members was 65% during the financial year ended 31 December 2021G. However, the growth rate of the Company's members within the same category declined by 16%, 11% and 5.8% during the financial years ended 31 December 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. Additionally, the growth rate of Body Motions members stood at 331%, 38% and 24.8% during the financial years ended 31 December 2021G and 2022G and the nine-month period ended 30 September 2024G, respectively. However, the Company did not achieve any growth in members within this category during the financial year ended 31 December 2023G. The retention rate of members from all categories of the Company's fitness clubs was 64%, 63%, 73% and 63% during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G.

Body Experts' sales reached a growth rate of 104% and 1.847% during the financial years ended 31 December 2021G and 2022G, respectively, before declining by 5.5% during the financial year ended 31 December 2023G, and then increasing again by 3.104% during the nine-month period ended 30 September 2024G compared to the nine-month period ended 30 September 2023G.

The growth of the Company's business and revenue is dependent on its ability to retain existing customers and acquire new customers at reasonable costs. The Company may be unable to do so due to various factors, including the dissatisfaction of customers with the quality or diversity of the Company's products or services, pricing or customer service levels; damage to the Company's reputation or brand; or adverse changes in the overall economic conditions in the Kingdom or the sports and fitness industry (for further information regarding the concentration of the Company's business, the industry and market in which it operates and its ability to maintain and enhance its reputation and the value of its brand, please refer to Section 2.1.1 (*Risks Related to the Concentration of the Company's Business and the Industry and Market in which it Operates*) and Section 2.1.12 (*Risks Related to the Company's Ability to Maintain and Continue to Enhance the Reputation and Value of its Brands*)). The Company may be unable to attract additional members if it is unable to increase the number of its fitness clubs at a suitable pace or at all, due to factors such as foreseeable or unforeseeable risks, including operational failures or accidents, delays in the construction and fit-out of new fitness clubs or the inability to retain and attract management and technical personnel (for further information regarding the risks related to the Company's reliance on the expertise and capabilities of its Senior Executives and employees and the opening of new fitness clubs, please refer to Section 2.1.38 (*Risks Related to the Company's Reliance on the Expertise and Capabilities of its Senior Executives*) and Section 2.1.3 (*Risks Related to the Opening of New Fitness Clubs and the Unsuitability of Their Geographical Locations*)). Additionally, if the Company fails to generate the expected profits from its existing fitness clubs for any reason, such as a decline in membership subscriptions or renewals from existing or prospective customers or due to the unsuitability of the geographic locations of fitness clubs, or if the costs associated with establishing or operating these fitness clubs exceed the Company's revenue therefrom, this could result in the impairment of the assets within the Company's financial statements. As of 30 September 2024G, the Company had nine fitness clubs that were not profitable. These include four Body Masters Express clubs, four Body Masters Premium clubs and one Body Motions club. This is due to several reasons, including high operating costs, intense competition, fitness buildings and equipment failing to meet client expectations, unsuitability of the clubs' geographical locations due to a mismatch between the category of fitness club and the demographic makeup and ongoing construction or renovation works in areas adjacent to clubs, among other reasons.

With respect to the Body Experts business segment, the Company cannot guarantee the need of its existing customers to engage the Company to provide operation and maintenance services for fitness facilities after their construction or fit-out is completed or that they will continue to renew the relevant existing contracts. Additionally, the Company cannot guarantee that its existing customers will need to construct, equip, operate or maintain additional gyms in the future. It is expected that many of the target customer segments, such as hotels, residential complexes, Government entities and corporations, will contract with the Company for one project or a limited number of projects only. Consequently, the Company cannot guarantee the continuity of its relationships with existing customers. Furthermore, the Company cannot guarantee the existence of new customers who are willing to contract with the Company for the construction, fit-out, operation and maintenance of fitness facilities under the Body Experts business segment, nor can it guarantee the expected schedules for the completion of such projects. Such schedules are subject to numerous factors, including economic, political and regulatory conditions; the continuation of Government and private initiatives and targets within the sports and fitness industry; and the availability of financing to customers of the Company. The average term of the Company's contracts with its Government agency and state-owned company clients involving construction or operation and maintenance works or both is six years.

Given that the growth of the Company's business and revenue is dependent on its ability to retain existing customers and acquire new customers at suitable costs, and considering the dynamic and rapidly evolving nature of the sports and fitness industry due to factors such as ongoing research and development leading to advancements in fitness equipment, facilities, training methods and exercise activities, the Company's success, revenue growth and ability to retain existing customers and acquire new customers at suitable costs may depend on its ability to offer a comprehensive and integrated range of advanced fitness products and services, anticipate and adapt to ongoing developments and evolving consumer expectations and preferences and continuously provide the latest fitness technology and equipment at suitable prices. The Company may incur significant expenses in order to retain its existing customers and acquire new customers at suitable costs if it seeks to keep pace with changes and developments in the sports and fitness industry, expand its operations, enter new geographic markets, or develop a new customer base (for further information regarding the risks related to the expansion of the Company's business, please refer to Section 2.1.9 (*Risks Related to the Implementation of the Company's Strategic Plan and Business Expansion*)). The Company cannot guarantee that any changes it makes, such as adding new services or equipment, will be widely accepted by existing or future customers.

The Company's inability to attract new customers or retain existing customers may lead to a decrease in its profit margin on services provided to customers, which in turn would reduce the Company's overall profits from its operations. This in turn could have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.3 Risks Related to the Opening of New Fitness Clubs and the Unsuitability of Their Geographical Locations

As of 30 September 2024G, the Company had a total of 56 fitness clubs located across various regions of the Kingdom (for further information regarding the Company's fitness clubs, please refer to Section 4.8.1.1 (*Fitness Club Categories*)). As of the date of this Prospectus, the Company has secured 13 new locations for fitness clubs (some of which are under construction and others for which lease agreements have been signed but construction has not yet commenced) in Riyadh, Dammam, Jeddah and Buraidah, under the "Body Masters" and "Body Motions" brands, with a total built-up area in excess of 30,000 square meters. It is anticipated that these projects will be completed during the years 2025G and 2026G (for further information regarding ongoing projects, please refer to Section 4.13.1 (*Opening New Fitness Clubs*)).

The Company's future growth is contingent upon its ability to expand by opening new fitness clubs and securing suitable locations therefor, taking into account various factors including:

- the population density of the area and the potential growth of the population within such area;
- the demographic makeup of the area and any changes thereto, and/or changes in the health behaviors and fitness preferences of the area's population (for further information regarding the impact of changes in the sports and fitness industry, please refer to Section 2.1.2 (*Risks Related to the Company's Inability to Maintain Relationships with Existing Customers and Expand its Customer Base*));
- traffic density within the area;
- ease of access to the fitness clubs, including the availability of supporting services such as an adequate number of parking spaces and similar facilities;
- the projected purchasing power of the population in the area;
- the characteristics and suitability of the site to the Company's technical specifications;
- the proximity and performance of competitors in the area;
- the proximity of the location to the Company's existing fitness clubs;
- the suitability of the lease or purchase cost of the property;
- capital and operating costs and any potential increases thereto in excess of the Company's projections, as well as the availability of necessary financing to cover such costs (for further information, please refer to Section 2.1.30 (*Risks Related to Future Capital Expenditures*), Section 2.1.29 (*Risks Related to the Company's Inability to Maintain Relationships with Existing Customers and Expand its Customer Base*) and Section 2.1.4 (*Risks Related to the Company's Operational Processes*));
- delays in construction; and
- the recruitment, training and retention of qualified employees.

If the Company is unable to identify and secure suitable locations for new fitness clubs, cover the capital expenditures and opening and operational costs within a commercially reasonable timeframe, procure a highly skilled management and technical team, design the new fitness club and its facilities to meet customer expectations, or obtain the best fitness equipment and products (for further information regarding the risks related to relationships with suppliers of fitness equipment and products, please refer to Section 2.1.22 (*Risks Related to Relationships with Suppliers of Fitness Equipment and Products*)), its growth prospects would be adversely affected and it may incur numerous losses as a result, which in turn would impact the Company's revenues and profitability. If the Company is unable to attract new members following the opening of a new fitness club or retain existing members, it may be forced to terminate the lease agreement associated with the location and compensate the lessor if the location is leased, or the Company may be compelled to sell the relevant plot at a discounted price if it is owned by the Company. If any of the aforementioned risks were to materialize, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company is also exposed to the risk of cannibalization, where the opening of new fitness clubs in close proximity to existing fitness clubs may result in a decline in revenue and profitability of the existing clubs due to some customers switching from the existing fitness clubs to the newer clubs due to them being in better locations, having more convenient access, being better-equipped or situated in nicer buildings. Accordingly, if the Company is unable to carefully select new locations, it may incur additional capital expenditures in vain and increased operating costs with only a limited increase in sales, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects. The success and profitability of new fitness clubs are highly dependent on the Company's ability to complete and operate such clubs according to the set schedules. Any delay in the Company's execution of these projects for any reason may allow competitors to open competing fitness clubs in the same geographic area in which the Company wishes to open its fitness clubs, thereby impacting the Company's competitive position in that area and adversely affecting the initial sales of the Company during the opening period. If any of the aforementioned risks were to materialize, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

It should be noted that it is normal for new fitness clubs to experience slower-than-expected initial demand upon opening due to factors such as lack of awareness or unfamiliarity of residents of the area with such clubs. The Company implements various strategies and exerts efforts to boost membership at new fitness clubs, including increased media campaigns, promotions and discounts. The Company's new clubs typically undergo a stabilization period of nine to twelve months before membership levels reach projected levels. During such period, new fitness clubs may not be profitable or may have lower-than-expected profits. There is also no guarantee that new fitness clubs will achieve economically viable membership levels within the expected timeframe. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to the Company's Operational Processes

The Company's ability to effectively operate its fitness clubs and maintain strong customer relationships is dependent on several factors, including the Company's ability to maintain high levels of operational performance, the high competence of its Management team and compliance with health and safety rules and regulations. However, there is no guarantee that the Company will continue to maintain these factors as the Company may face various operational risks, including:

- the occurrence of operational incidents that may result in injuries, fatalities, deaths or total or partial damage or degradation to the Company's property or equipment, or may cause the Company to cease or suspend its operations, or expose the Company to claims and lawsuits from its customers or third parties;
- failure to obtain sufficient working capital or credit facilities at reasonable pricing, or failure to obtain credit facilities at all (for further information regarding risks related to working capital and financing, please refer to Section 2.1.33 (*Risks Related to Management of Working Capital and Liquidity*));
- failure to obtain the necessary licenses and permits in order to execute expansion projects for its fitness clubs or to construct, equip and operate fitness facilities for its clients in a timely manner (for further information regarding risks related to licenses and permits, please refer to Section 2.1.10 (*Risks Related to Obtaining and Renewing Licenses and Permits Required to Conduct Business*)).
- the shortage of skilled labor for the required technical positions, the complete absence of such labor, or the increase in its hiring cost;
- the occurrence of force majeure events or other unforeseen circumstances that lead to delays in implementing the Company's operations or disruptions in its business, including the outbreak of infectious diseases or similar events;
- breaches by the Company's customers of their contractual obligations, whether by late performance or non-performance thereof, including late payments to the Company or failure to provide necessary instructions or approvals in a timely manner;
- breaches by third parties of their obligations to the Company, including by way of delays in the supply of materials, equipment, machinery, spare parts or delays in the handover of fitness clubs under construction, or failure to pay the Company's dues (for further information regarding risks related to relationships with suppliers of fitness equipment and products and delays in implementing projects for the construction and equipment of fitness facilities, please refer to Section 2.1.23 (*Risks Related to the Company's Implementation of Construction and Fit-Out Projects for its Clients' Sports Facilities*)); and
- fitness machines and equipment, spare parts and other fitness products required by the Company to conduct its business being exposed to damage, breakdown, theft, obsolescence, misoperation or poor storage.

The occurrence of any of the aforementioned risks would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.5 Risks Related to the Maintenance and Renovation of the Company's Fitness Clubs

The operation of fitness clubs requires ongoing investments and cash flows to ensure the availability of the necessary liquidity for carrying out routine maintenance, operations, renovations and improvements to the fitness clubs, as well as the purchase of fitness equipment and machines after the end of the useful life of current equipment and machinery, in order to maintain the growth of the customer base and ensure the continued renewal of memberships and demand for the services available at the Company's clubs. The average monthly maintenance cost per club for the financial year ended 31 December 2021G was SAR 13,171. The average monthly maintenance cost increased by 40% during the financial year ended 31 December 2022G, reaching SAR 18,495. However, the average monthly maintenance cost decreased by 2% during the financial year ended 31 December 2023G, to SAR 18,167, and increased by 14.2% to SAR 19,029 during the nine-month period ended 30 September 2024G.

Given the foregoing, it may not be feasible to undertake renovations and improvements to some of the Company's existing clubs in a manner that meets customer expectations, or such actions may require the temporary closure of certain clubs, which could lead to a decline in the Company's operating income and would have a material adverse effect on the Company's business, financial position, results of operations and prospects (for further information regarding risks related to the closure of fitness clubs, please refer to Section 2.1.6 (*Risks Related to Permanent or Temporary Closures of the Company's Fitness Clubs*)). Even if the Company were to undertake the aforementioned renovations and improvements, its existing clubs may not be able to effectively compete with other new fitness centers and gyms operated by competitors.

The estimated useful lives of buildings, machinery and sports equipment are determined based on information available to the Company's Management. This estimation takes into account the expected use of the assets and the physical damage they are subject to. The Company estimates the useful lives of equipment and machinery to be between seven and ten years. Such costs may increase, or the Company may need to replace the machines or fitness equipment before the end of their estimated useful lives as determined by the Company's asset depreciation policy, which would result in increased costs for the Company and consequently have a material adverse effect on its business, financial performance and results of operations.

Furthermore, if the Company is unable to fund the costs necessary for the maintenance, operation, renovation or development of its fitness clubs, the quality of the services provided at its clubs may decline, which could adversely affect the Company's ability to retain existing customers and attract new customers. This in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.6 Risks Related to Permanent or Temporary Closures of the Company's Fitness Clubs

The Company may permanently close some of its fitness clubs due to declining customer numbers, economic infeasibility, the expiration of lease agreements or expropriation of the real estate on which such clubs are located for public use or to enforcement proceedings (for further information regarding the risks related to real estate owned and leased by the Company, please refer to Section 2.1.25 (*Risks Related to Real Estate Owned by the Company*) and Section 2.1.24 (*Risks Related to Leased Real Estate*)). Additionally, the Company may temporarily close some of its clubs in order to undertake maintenance, renovation, improvement or conversion works, such as converting a Body Masters Express club to a Body Motions or Body Masters Premium club. Such conversions may be undertaken to increase membership or capitalize on growth opportunities in a particular geographic area.

As of the date of this Prospectus, a total of seven clubs have been fully closed since the beginning of 2021G. This includes the closure of one Body Masters Express club in 2021G, one Body Masters Express and one Body Masters Premium club in 2022G, two Body Masters Express clubs in 2023G, and two Body Masters Express club in 2025G. This was due to various reasons, including expiration of lease agreements without the Company intending to renew the same, the impossibility of renewing or obtaining the necessary licenses for fitness clubs, real estate disputes between the Company and the relevant lessor and the opening of a replacement club with higher standards and a larger area in the vicinity of the closed club. It should be noted that there is a possibility that the fitness club in Al-Hofuf will be closed within the next five years for commercial reasons as well as the fitness club in Al Murooj, Riyadh due to a real estate dispute between the Company and the heirs of the lessor (for further information regarding the financial impact of closing fitness clubs and disputes related to leased real estate, please refer to Section 2.1.20 (*Risks Related to the Company's Ability to Fulfill Contractual Obligations Towards its Fitness Club Members*), Section 2.1.24 (*Risks Related to Leased Real Estate*) and Section 11.13 (*Litigation, Claims and Legal Proceedings*)).

It should be noted that all clubs were either completely or partially closed in March 2020G due to the COVID-19 pandemic and pursuant to directives from the relevant authorities. Additionally, the Company may temporarily close part(s) of a fitness club for partial development or renovation work.

If the Company closes a club for maintenance, renovation, improvement purposes or conversion from one category to another, and there is no replacement club with similar specifications in a nearby location to the closed location, this may lead to customer dissatisfaction and a failure to meet their expectations and requirements, potentially resulting in them not renewing their memberships in the future. Furthermore, the temporary closure of one fitness club may result in increased pressure on alternative fitness clubs, which could negatively impact the level of customer service and customer satisfaction with the Company's services, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Actual revenues and financial results may fall short of the revenues and results expected from carrying out renovation works, reclassification of clubs, or the closure of certain clubs, thereby increasing capital expenditures and decreasing the expected return on investment. This would lead to an increase in the Company's costs, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.7 Risks Related to the Capacity of the Company's Fitness Clubs

The Company's fitness clubs have been designed and equipped with fitness machines and facilities to serve a specific number of clients at any given time. The capacity of each club is determined on an individual basis. Certain fitness clubs may experience an increase in customer numbers during specific hours of the day, particularly during peak times from 4 p.m. to 9 p.m. and generally throughout the holy month of Ramadan. If fitness clubs become overcrowded and exceed their capacity, the Company's ability to attract and acquire new customers may be affected. Additionally, customer experience may be impacted, as customers may encounter longer-than-usual wait times for use of the equipment and other facilities. Customer dissatisfaction with the Company's services would tarnish the Company's reputation and hinder its ability to attract and retain customers, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.8 Risks Related to Competition

The sports and fitness industry is highly competitive and offers a wide range of activities, including team sports such as soccer, basketball, volleyball, handball and cricket; racket sports such as tennis, badminton, squash, table tennis and padel; martial arts such as boxing, taekwondo and karate; individual sports such as weightlifting, cycling and gymnastics; and recreational activities such as air hockey, yoga and e-sports; and aquatic sports such as swimming. The Company's fitness clubs offer a diverse range of the aforementioned sports activities (for further information regarding the Company's operations, please refer to Section 4.1 (*Overview of the Company and its Business*)). The Company competes with other fitness club operators, both those offering a similarly diverse range of sports activities and those specializing in one or a limited number of sports activities included within the Company's offerings, such as yoga and Pilates studios or martial arts centers. The Company also faces competition from providers of virtual sports and fitness programs available through digital applications and independent personal trainers. If the Company is unable to compete effectively and continue providing added value to its customers, this may negatively impact the Company's market share, which in turn would adversely affect the Company's business, financial position, results of operations and prospects.

Moreover, the Company's competitors may try to imitate its business model or part thereof to attract its members, which may lead to a reduction in the Company's market share and, in turn, cause a decrease in its revenue growth and profitability.

The sports and fitness sector is witnessing growth in the Kingdom. As such, it is expected that new companies and competitors will enter the market, including operators of sports and fitness centers affiliated with global brands, or that businesses of existing competitors will expand, develop or merge. This may have an adverse effect on the Company, particularly if they launch effective marketing campaigns or their services are superior to those provided by the Company in terms of quality, pricing, efficiency of trainers or ability to keep apace with modern developments. In addition, the increase in the percentage and number of service providers in the market in which the Company operates may lead to a decrease in the prices of the services it provides to its clients, which would lead to a decrease in the profit margin achieved by the Company from its services provided to clients, thus reducing the Company's profit margin from its business in general. The Company may also face financial encumbrances such as increases in Government taxes, inflation and increased construction costs, and it may not be able to reflect such costs in the new pricing of services. If any of the above factors were to materialize, this would affect the Company's competitive position, which in turn would have an adverse effect on the Company's business, financial position, results of operations and prospects.

It has been recently observed that certain business owners encourage their employees to engage in sports and fitness activities by providing gyms and fitness centers within workplaces for employees. Although the Company believes that these gyms do not usually include the variety of fitness services and professional trainers available in fitness clubs and other commercial sports and fitness centers such as the Company's fitness clubs, the Company cannot guarantee that this will not affect the Company's current customer base or its ability to attract new customers due to the presence of alternative options that may be free or at nominal prices within the workplaces of employees. This in turn would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.9 Risks Related to the Implementation of the Company's Strategic Plan and Business Expansion

Entering new business sectors requires the allocation of significant resources, and there is no guarantee of the success or feasibility of such efforts in meeting the needs of the Company's customers. The Company's future performance is dependent on its ability to implement its plans and growth strategies, which include expanding its operations to different geographies and entering new sectors. In order to ensure that the various needs of its customers are adequately met, the Company must:

- retain existing customers and attract new customers;
- renovate, renew and maintain fitness clubs regularly and effectively;
- identify locations with high population density to open new fitness clubs, under terms and conditions that are favorable to the Company;
- expand geographically and enter into new local markets, as well as compete and succeed therein;
- seek to ensure compliance with and adherence to all regulatory requirements;
- develop financial and administrative systems to keep pace with expansions while maintaining and improving the current quality level of services provided by the Company;
- secure adequate financing (including the financial resources currently available to the Company) under terms that are commercially viable for the Company;
- maintain and seek to increase its current market share;
- reduce costs and establish effective controls to maintain quality and service levels;

- increase the number of qualified employees and train and manage them with the required efficiency;
- improve the infrastructure and information technology systems on which the Company relies; and
- ensure favorable economic, regulatory and market conditions for the Company.

In the event that any of the above factors are not achieved or any other factors beyond the Company's control are realized, the Company's revenues may not grow at the same rate as in previous periods, or the Company may incur additional costs without obtaining the expected revenues from implementation of its expansion plans. Moreover, it may not be possible to achieve the expected level of profitability within the timeframes specified in such plans, which would affect the Company's competitive position, increase pre-operating expenses and thus have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.10 Risks Related to Obtaining and Renewing Licenses and Permits Required to Conduct Business

The Company and its activities are subject to numerous laws and regulations that impose general and ongoing obligations, including the necessity of obtaining a number of licenses and permits to undertake its current and future activities, maintaining their validity and renewal thereof (as applicable). These include the licenses and permits required to open and operate fitness clubs, such as a municipality license to undertake commercial activities, a Ministry of Sports license for fitness centers and gyms, and a Civil Defense permit (for further information regarding licenses and permits, please refer to Section 11.5 (*Key Licenses, Approvals and Permits Obtained by the Company and its Subsidiary*)). Obtaining such licenses and permits is often lengthy, and majority of the licenses and permits are subject to terms which stipulate their suspension or cancellation if the licensee fails to comply with certain requirements or terms. In addition, when renewing or amending the scope of licenses and permits, the competent authority may not approve the renewal or amendment thereof and may impose conditions that could have an adverse effect on the Company's performance in the event the scope of the relevant license or permit is renewed or amended. The Company is in the process of renewing twelve operating licenses which have expired, including six safety licenses issued by the General Directorate of Civil Defense, one license from the Ministry of Sports and five commercial activity licenses from the Ministry of Municipalities and Housing. If the Company is unable to obtain or renew the relevant licenses or permits, this may lead to the suspension of its operations or the imposition of regulatory penalties, including the closure of the relevant fitness clubs or the imposition of fines on the Company, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.11 Risks Related to Marketing Activities

The Company plans to allocate approximately ten million Saudi Riyals (SAR 10,000,000) annually (equivalent to 4% to 5% of its operating expenses) for marketing and public relations programs to familiarize current and potential customers with the Company's various activities. It is worth noting that marketing plans typically take a relatively long time to achieve their intended goals, which may prompt the Company to increase its spending in this area. .However, there is no guarantee that marketing and public relations programs will be successful or sufficient, and therefore the Company may be forced to upscale such programs or replace them and thus incur additional financial costs. The Company must also keep pace with the media environment and the various advertising and marketing channels, including social media platforms, which are characterized by rapid development. The Company's promotional campaigns through social media or other platforms may have unexpected adverse effects, which in turn may have an adverse effect on the Company's reputation and brands (for further information regarding the risks related to the Company's ability to maintain and enhance its reputation and the value of its brand, please refer to Section 2.1.12 (*Risks Related to the Company's Ability to Maintain and Continue to Enhance the Reputation and Value of its Brands*)). If the costs allocated to marketing programs are insufficient in achieving the desired goals, or if the Company's marketing and public relations efforts are ineffective and do not align with the current media environment, the Company's competitive position, reputation and market share may be affected, which in turn may lead to a decrease in profitability. This would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.12 Risks Related to the Company's Ability to Maintain and Continue to Enhance the Reputation and Value of its Brands

In 1994G, the Company launched the "Body Masters" brand for its men's clubs, which is currently considered one of its most significant assets. The Company then launched subcategories of such brand, namely "Body Masters Premium" and "Body Masters Express". In 2020G, the Company also launched the "Body Motions" brand for women's clubs and the "Body Experts" brand for the construction, fit-out and operation and maintenance of gyms of the Company's clients (for further information regarding the Company's business, please refer to Section 4 (*Overview of the Company and the Nature of its Business*)).

The Company's brands derive their value from their reach, the knowledge and awareness of members and customers, and their perception in connection therewith. As such, the Company's success is largely dependent on maintaining and continuing to enhance its good reputation and brand value, which in turn is dependent on numerous factors such as the appropriate design and development of fitness clubs, its ability to improve the quality of services it provides to its customers, the extent to which these services meet customer expectations, the Company outperforming its competitors, and the success of its marketing plans and expansion activities. The Company's brands may also lose their value in the event competition intensifies in the market, health and safety levels decline in the Company's fitness clubs or those it operates on behalf of third parties, injuries occur therein, misconduct by its employees, the level of customer service declines, lawsuits are filed against the Company or negative media coverage of the Company. This would have an adverse effect on the growth of the number of Company customers and the Company's ability to maintain existing customers, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

If the Company is unable to keep pace with ongoing developments in the sports and fitness sector or offer advanced services and modern fitness equipment on an ongoing basis, this would have an adverse effect on its brands and reputation, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's reputation and brands are affected by information circulated through traditional or social media platforms, regardless of the reliability of such information, as customers are usually influenced by such information or rumors without verifying the credibility thereof. Any negative coverage of the Company or the sector in which it operates may lead to boycotts against fitness clubs in general or the fitness clubs of the Company in particular, as well as other social or regulatory measures that may damage the Company. In addition, in the event of any customer injury or fatality in the Company's fitness clubs or those that it establishes, equips, operates or maintains on behalf of third parties, this may lead to details being spread regarding such injuries or accidents or videos thereof, which in turn may affect the Company's reputation and its ability to attract and retain customers. This would lead to a decrease in the Company's revenues and thus have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.13 Risks Related to the Protection of Intellectual Property Rights

As of the date of this Prospectus, the Company has registered the following trademarks: "Sport Clubs Company", "Body Masters", "Premium", "Express", "Body Motions" and "Body Experts" with the Saudi Authority for Intellectual Property. The Company relies on such trademarks to conduct its business in relation thereto (for further information regarding the Company's trademarks, please refer to Section 11.11 (*Trademarks and Property Rights*)). Although the Company has registered all of its trademarks in the Kingdom, the Company does not guarantee its ongoing ability to protect its trademarks, since it is difficult to monitor the unauthorized use of trademarks and other violations of intellectual property rights. Moreover, the Company may be unable to register its trademarks in all of the countries in which it wishes to register such trademarks due to other companies in those countries having already registered the same trademark as the Company's under their names and their use thereof for their products. If the Company fails to protect its intellectual property rights—or if any other party steals, breaches or violates the Company's intellectual property rights—the value of the Company's trademarks may be affected, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

No lawsuits have been filed by or against the Company regarding intellectual property rights as of the date of this Prospectus. However, the Company may be forced to seek legal action to protect its trademark rights and other intellectual property rights. Moreover, third parties may claim that the Company has infringed on their intellectual property rights, which may result in judicial proceedings being initiated against the Company. Litigation is inherently uncertain and may distract the Company's Management, leading to the incurrence of significant costs, diversion of resources and an adverse effect on the Company's revenues and profitability, regardless of whether the Company is able to successfully maintain or defend its intellectual property rights. Furthermore, such disputes may result in the Company being required to enter into franchise or licensing agreements, which may not be available to the Company on favorable terms or at all. This would have an adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.14 Risks Related to the Company's Websites

The Company launched a new smartphone application during Q2 of 2024G, which it developed in collaboration with PROART Saudi for Information Technology. The Company also launched a website in Q3 and will also launch websites for Body Masters and Body Motions clubs during Q1 of 2025G, which the Company is developing in collaboration with Creativity Rules for Information Technology. Through such platforms, the Company's customers will be able to subscribe to the Company's fitness clubs.

The Company will also provide certain services through the aforementioned electronic platforms, including video training, live broadcasts and bookings for fitness classes. The operation of electronic platforms involves a number of risks and challenges, including the Company's inability to address electronic failures in a timely manner, provide effective services on an ongoing basis and fulfill customer requests quickly due to high pressure on the Company's technical systems, internet outages or the exposure of the Company's electronic platforms to cyberattacks. This may have an adverse effect on the quality of services and products provided by the Company, which would affect the experience and satisfaction of customers with such services and products.

In addition, the Company must continuously develop its electronic services in order to maintain its position in the market. The Company's future success depends in part on its ability to develop its electronic services, including the user experience, capacity and comprehensiveness of services provided through electronic platforms. Given that the sports and fitness sector is subject to continuous developments, the Company must continuously keep pace with such developments and upgrade its electronic services. The Company may also be required to conclude agreements with developers of electronic services in the future for the purpose of making use of advanced electronic technologies to keep pace with developments. In addition, keeping pace with developments will require significant resources from the Company and may be very costly.

If the Company does not effectively update and develop its electronic platforms to enhance its ability to meet customer demands and expectations, or if it fails to help customers swiftly solve the issues they face during the pre- or post-sales phase or to provide effective services on an ongoing basis and maintain the quality of services and products offered, the Company's ability to sell additional products and services to customers through its electronic platforms may be adversely affected, and the Company's reputation with current and future customers may be tarnished. Accordingly, if the Company fails to meet customer requirements or maintain the quality of services and products offered on its electronic platforms, or if it fails to conduct the necessary maintenance, this would affect the Company's reputation and demand levels, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The e-commerce sector is witnessing rapid growth in the Kingdom and, therefore, the Company is exposed to a number of risks in relation to its electronic sales, including the possibility of new regulatory restrictions being imposed on online commercial activities, particularly with respect to the protection of customers' personal data, privacy and advertising. The Company may not be able to comply with such regulatory restrictions in a timely manner, which may expose it to regulatory penalties and fines such as warnings, financial penalties or temporary suspension of the Company's activities. This in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.15 Risks Related to Personal Data Breaches

The Company retains personal data and other data related to its customers, including names and billing information, as well as other data such as information regarding the Company's employees and suppliers, in addition to internal and confidential Company information. Such information and data are maintained on the Company's own systems, as well as on third party systems utilized by the Company in its operations. Furthermore, the Company retains billing information, such as credit card numbers, through encryption and authentication technology. However, there is no guarantee that the aforementioned personal data will not be subject to unauthorized access, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company also stores and processes personal data of employees and customers, which is an activity subject to the Personal Data Protection Law, its Implementing Regulations, and the guidelines and procedures derived therefrom. The Personal Data Protection Law imposes a number of restrictions and obligations to ensure the protection of personal data, such as the obligation of obtaining prior consent from personal data subjects for the processing of their personal data, the appointment of one or more Company employees to ensure the Company's compliance with implementing the provisions of the Personal Data Protection Law, the implementation of the necessary organizational, administrative and technical procedures and measures to ensure the preservation of personal data, notification of the competent authority of any loss or leakage of or unauthorized access to personal data, as well as informing personal data subjects immediately of the same if any of the above causes damage to their data or person.

The Company implements a set of measures to address risks related to personal data breaches in accordance with the Personal Data Protection Law and its Implementing Regulations and the guidelines and procedures derived therefrom. However, the measures implemented by the Company may not be sufficient to protect personal data from breaches or to provide the necessary notifications to the relevant authorities regarding data breaches, or such measures may be insufficient in ensuring the Company's compliance with the provisions of the law. If data protection systems are breached or personal data is lost or stolen, this would have an adverse effect on the Company's reputation and its relationship with its current or potential customers. The Company may also face lawsuits or regulatory penalties, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company has also encountered several challenges in designing its electronic platforms with respect to specific privacy-related features, including standards related to passwords and multi-factor authentication, and restrictions on authentication requests. The Company intends to address these challenges in future versions. However, there is no guarantee that the Company will be able to address these challenges from the outset or that it will be able to address them within an appropriate time frame.

2.1.16 Risks Related to the Company's IT Systems

The Company relies heavily on information technology systems to manage its business and operate its fitness facilities and clubs. The operation of information technology systems involves internal and external risks, including malware, technical failures, software malfunctions, failure of protection systems, hacking of the Company's systems, computer viruses, leakage of confidential data and information of the Company, its customers or employees, and the lack of required updates or fixes. The Company's systems may also be disrupted due to unexpected force majeure events or power or internet outages. On the other hand, the Company's business may be adversely affected due to the loss or leakage of the Company's or its clients' data as a result of malfunctions or errors by the Company or third parties with whom the Company deals. In addition, the cost and operational consequences of implementing further updates to the Company's information technology systems and networks, data protection measures or systems, whether due to expansions, upgrades, new technologies, new or changing regulatory requirements and the like, may be significant. The management, operation and maintenance of information technology systems also requires the availability of qualified human resources to perform such tasks efficiently. However, the Company does not guarantee its continued ability to attract the necessary human resources therefor. If any of the above risks were to materialize, this would affect the Company's ability to manage its business, operate its fitness clubs, attract new clients and retain existing clients, which in turn would have a material adverse effect on the Company's business, financial position and financial and operational results.

In addition, software providers have recently increased the level of control over customer use of their software to ensure that customers comply with the license terms and pay the relevant fees for users, and that such fees match the number of users of the software. Accordingly, the Company's failure to obtain a number of software licenses corresponding to the number of actual users or its failure to comply with the terms and conditions of the software licensed for use thereby may expose it to lawsuits and claims by the providers of such software or may allow them to terminate their contracts with the Company. This may cause the Company to incur costs to rectify its status, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.17 Risks Related to the Significant Dependence of the Company's Revenue on Postpaid Service Providers

In Q4 of the financial year ended 31 December 2022G, the Company began providing post-payment options (known as "buy now, pay later") to customers who are members of its fitness clubs through post-payment service providers, namely Tabby and Tamara. The Company's sales through postpaid service providers amounted to 17.88%, 25.84% and 46.42% of the Company's total sales during the financial years ended 31 December 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. Sales through Tamara amounted to 11.90%, 25.79% and 20.59% of the Company's total sales during the financial years ended 31 December 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company did not achieve any sales through Tamara during the financial year ended 31 December 2021G. Sales through Tabby amounted to 5.98%, 0.05% and 25.83% of the Company's total sales during the financial years ended 31 December 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company did not achieve any sales through Tabby during the financial year ended 31 December 2021G (for further information regarding the contracts concluded with Tabby and Tamara, please refer to Section 11.6.2.2 (*Agreement between the Company and Tabby*) and Section 11.6.2.3 (*Agreement between the Company and Tamara*)). The Company's sales through deferred payment providers are classified within the client item on the balance sheet until the related amounts are deposited into the Company's bank accounts.

As of the date of this Prospectus, the Company has only contracted with Tamara and Tabby for the provision of such services, and, therefore, the Company considers its relationship with Tamara and Tabby to be material. Accordingly, since the Company cannot guarantee the renewal of its contracts with Tabby and Tamara, the renewal thereof on terms suitable for the Company, or that neither Tabby nor Tamara will be exposed to force majeure events or operational, financing or regulatory risks that lead to the disruption or suspension of their business or the cessation thereof for any reason, the termination of the Company's contractual relationship with any of these companies may lead to a decrease in the Company's sales, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.18 Risks Related to Payments via Credit Cards, Mada Cards and E-Payment Methods

The Company accepts payments at its fitness clubs or through its website via credit cards, Mada cards and other electronic payment methods that are made through point-of-sale (POS) systems or the Company's websites. The Company's sales from payment transactions via electronic payment methods amounted to 84.33%, 72.21%, 65.43% and 47.21% of the Company's total sales during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. If the Company encounters issues in executing payment transactions via point-of-sale devices or other electronic payment methods listed on its websites, this may result in the loss of certain clients due to the failure of electronic payment procedures and thus the difficulty of completing membership procedures. Issues related to executing payment transactions may also lead to disruptions in the collection of membership fees, which in turn would affect the Company's revenue. If any of the aforementioned factors were to occur, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company also pays fees to financial institutions responsible for credit cards, Mada cards and other electronic payment methods in exchange for their services in processing payments made through such methods. The fees charged by the relevant financial institutions are subject to periodic review. However, such fees may increase over time, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.19 Risks Related to Cash Payments

It should be noted that the Company is exposed to cash management risks. Approximately 15%, 9%, 8% and 5.6% of the Company's customers paid for their transactions in cash during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. Cash payments accounted for 15.67%, 9.91%, 8.73% and 6.37% of the Company's total sales during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company subsequently collects cash from all of its fitness clubs and deposits it daily into its bank account through its employees. Cash collections are susceptible to theft, both by Company employees and third parties. Additionally, there is a risk of receiving counterfeit currency, which cannot be deposited into the Company's bank account or used. Furthermore, insurance coverage may be inadequate to compensate the Company for any losses incurred as a result of theft or counterfeit currency. Although the Company has established controls to mitigate the risk of such thefts, any failure of these controls to work effectively could result in the loss of cash amounts, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.20 Risks Related to the Company's Ability to Fulfill Contractual Obligations Towards its Fitness Club Members

The Company offers members of its fitness clubs a variety of membership options with terms ranging from three to 12 months. Membership fees are collected in full from members at the beginning of each membership term. In accordance with the Company's accounting policies, membership fees are initially recognized as contract liabilities and are amortized over the membership term. The Company's revenue recorded as contract liabilities were SAR 65,690,925, SAR 69,354,442, SAR 76,328,694 and SAR 95,795,595 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. These figures represent 32.14%, 25.9%, 28.2%, and 40.2% of the Company's total revenues, 49.64%, 44.97%, 38.73%, and 41.36% of the Company's total current liabilities, and 11.76%, 12.84%, 12.44%, and 13.93% of the Company's total liabilities for the same periods, respectively. Given that contract liabilities can only be amortized once the related service has been provided, the Company's inability to provide member services after collecting fees from members would prevent the amortization of such liabilities, which could adversely affect the Company's financial position.

Circumstances that may prevent the amortization of contract liabilities include the complete closure of fitness clubs and the unavailability of replacement clubs within close proximity to the closed club. In such cases, members of these clubs would be entitled to a refund of the membership fees paid for the remaining period of their membership. It should be noted that the refunds resulting from the closure of fitness clubs amounted to SAR 198,515 and SAR 332,708 as of 31 December 2022G and 2023G, respectively. The Company did not incur any costs related to the closure of its fitness clubs as of the financial year ended 31 December 2021G and the nine-month period ended 30 September 2024G. Accordingly, the Company's inability to fulfill its contractual obligations due to the closure of its fitness clubs or for any other reason would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.21 Risks Related to the Safety of Customers of the Company's Fitness Clubs and Users of the Fitness Facilities that the Company Operates on Behalf of its Clients

Given the nature of the services provided by the Company and the fitness activities that can be practiced at its fitness clubs and the fitness facilities it operates for its clients, customers, users or visitors may be exposed to potential health and safety risks arising from their use of the fitness equipment and related facilities. Customers, users, or visitors may be at risk of injury, death or drowning while on the premises of the Company's fitness clubs or any of its facilities or the fitness establishments operated by the Company on behalf of its clients. This may result in the Company being subject to legal claims from the injured parties or the relevant authorities if the incident was caused by a violation of any regulatory requirements. Additionally, such incidents may be reported on social media platforms or other media outlets, which could adversely impact the Company's reputation and business operations, thereby affecting its ability to attract and retain customers, and ultimately having a material adverse effect on the Company's business, financial position, results of operations and prospects.

While the Company maintains comprehensive general liability insurance, there is no guarantee that it will be able to renew such insurance on favorable terms in the future or maintain the same level of coverage sufficient to cover potential legal claims. Furthermore, the Company does not guarantee that all claims related to the health and safety of its customers or beneficiaries of its services will be fully covered under its existing insurance policies (for further information regarding the risks related to inadequate insurance coverage, please refer to Section 2.1.39 (*Risks Related to Inadequate Insurance Coverage*)).

2.1.22 Risks Related to Relationships with Suppliers of Fitness Equipment and Products

The Company offers high-performance fitness equipment, accessories and other products with distinctive features and advanced technologies at its fitness clubs, which is considered a cornerstone of the Company's success. Most of these products are supplied by world-renowned brands such as Precor, Life Fitness and FreeMotion Fitness. Aside from certain products that are supplied to the Company by international manufacturers and agents such as FreeMotion Fitness products, which are supplied to the Company by FreeMotion Fitness, Panatta products that are supplied to the Company by Profit Sports Solutions and Ziva projects that are supplied to the Company by Johnson Health Tech UAE, the majority of such products are imported from outside the Kingdom and are supplied to the Company by local agents such as Al Hayat Investments Co., which acts as the exclusive agent and distributor for Precor products, and Delta Marketing Company (DMC), which is the exclusive agent and distributor for Life Fitness products. The Company has entered into framework agreements with said the aforementioned international and local manufacturers, agents and distributors. Under these agreements, fitness products are supplied pursuant to purchase orders issued by the Company in accordance with its internal policies.

The value of the Company's purchases from its top five suppliers of fitness products amounted to SAR 12,649,264, SAR 10,465,242, SAR 9,786,750, and SAR 15,375,433 for the Financial Years ended 31 2021G, 2022G, 2023G, and the nine-month period ended 30 September 2024G, respectively. These amounts represent 12.2%, 13.6%, 8.9%, and 18.1% of the Company's total purchases for the corresponding periods. As of 30 September 2024G, the top five suppliers of fitness products to the Company in terms of volume of purchases were DMC, FreeMotion Fitness, Profit Sports Solutions, Johnson Health Tech UAE and Al Hayat Investments Co. Total purchases from said suppliers amounted to SAR 12,388,997, SAR 9,355,926, SAR 9,523,032, and SAR 15,375,433 in the Financial Years ended 31 December 2021G, 2022G, 2023G, and the nine-month period ended 30 September 2024G, representing 11.96%, 12.17%, 8.68%, and 18.12% of the Company's total purchases for the respective periods. Purchases from DMC amounted to SAR 1,781,668, SAR 4,325,128, SAR 2,310,661, and SAR 9,344,787 in the Financial Years ended 31 December 2021G, 2022G, and 2023G, and the nine-month period ended 30 September 2024G. These amounts represent 1.72%, 5.62%, 2.11%, and 11.01% of the Company's total purchases for such periods.

Purchases from FreeMotion Fitness amounted to SAR 3,108,463, SAR 25,168, SAR 3,957,664, and SAR 3,655,891 in the Financial Years ended 31 December 2021G, 2022G, and 2023G, and the nine-month period ended 30 September 2024G, representing 3.00%, 0.03%, 3.61%, and 4.31% of the Company's total purchases in the respective periods. Purchases from Profit Sports Solutions amounted to SAR 1,783,467, representing 2.10% of the Company's total purchases for the nine-month period ended 30 September 2024G. The Company did not purchase any fitness products from Profit Sports Solutions during the financial years ended 31 December 2021G, 2022G or 2023G. Purchases from Johnson Health Tech UAE amounted to SAR 1,684,901, SAR 106,432, SAR 1,458,018, and SAR 435,274 in the Financial Years ended 31 December 2021G, 2022G, and 2023G, and the nine-month period ended 30 September 2024G, representing 1.63%, 0.14%, 1.33%, and 0.51% of the Company's total purchases for the respective periods. Purchases from Al Hayat Investments Co. amounted to SAR 5,813,964, SAR 4,899,198, SAR 1,796,688, and SAR 156,014 in the Financial Years ended 31 December 2021G, 2022G, and 2023G, and the nine-month period ended 30 September 2024G. These figures represent 5.61%, 6.37%, 1.64%, and 0.18% of the Company's total purchases for the respective periods.

The Company may face future risks related to the continuity of its relationships with these suppliers due to any reason, including force majeure events, economic, regulatory or political changes, natural disasters or similar circumstances. Furthermore, the Company's contracts with all of its suppliers are for a fixed term, and some may expire within a year or less of the date of this Prospectus. Consequently, there is no guarantee that these contracts can be renewed, and if renewed, there is no assurance that such renewals will be on terms similar to the current terms (for further information regarding the Company's contracts, please refer to Section 11.6 (*Material Agreements*)). Furthermore, the Company may not be able to find a suitable replacement with the same level of quality, qualifications and pricing, which would result in the Company incurring additional costs, either as a result of delays in obtaining the required products or as a result of obtaining such products at higher prices. The Company may not be able to pass on these costs to its customers, and consequently, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

Given the Company's reliance on imported equipment and other fitness products from outside the Kingdom for its operations, any increase in the costs of imported products, whether due to economic, regulatory or political changes in the Kingdom or the country of origin, will increase the Company's cost of sales, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects. For example, under the recent amendments to the Law of Port Service Fees and Charges, the fees charged by the Saudi Ports Authority for passengers and vessels utilizing its services have been increased in general. Handling fees for containers using specialized cranes have been raised from SAR 1,500 to SAR 6,300 per specialized container crane per hour, representing a 320% increase in the fees collected. In addition, there are port usage fees of SAR 1,000 per vessel and departure fees of SAR 1,000 per vessel. It should be noted that the Saudi Ports Authority began collecting these fees from 1 January 2021G. Given the Company's reliance on the importation of fitness equipment from outside the Kingdom and the uncertainty regarding future increases in import duties on such goods, any increase in fees imposed by the Saudi Ports Authority will negatively impact the Company's import costs and, consequently, increase its cost of sales. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.23 Risks Related to the Company's Implementation of Construction and Fit-Out Projects for its Clients' Sports Facilities

The business model of the Company, as well as that of the Body Experts business segment, are centered around providing a comprehensive suite of services required by clients for the establishment, fit-out and operation of their fitness facilities. This aligns with the wishes of Body Experts' clients, who often seek to entrust these projects to the Company due to its specialized expertise in managing and operating fitness facilities, thus eliminating the need for them to contract with multiple parties for the implementation of the related projects. As of the date of this Prospectus, the Company has three agreements with Government company and semi-Government company clients for the provision of Body Experts Services. Specifically, the Company has agreements with the Royal Commission for AlUla, King Abdullah Financial City Company and another Government entity to execute fitness facility projects for these clients (for further information regarding such agreements, please refer to Section 11.6.4 (*Client Agreements*)). Revenue generated from the Body Experts business segment represented 0.1%, 1.1%, 1.0%, and 8.8% of the Company's total revenue for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively.

Given the nascent nature of the Body Experts business segment, the Company is exposed to risks associated with entering new segments, such as a lack of sufficient prior experience in the relevant segment or the incurrence of significant expenses and the need for borrowing in order to acquire the necessary liquidity for the required expansion and operational activities within the new segment. These may include expenses related to the purchase and storage of equipment or marketing costs, which could affect the Company's business, financial position, results of operations and prospects (for further information regarding the risks associated with entering new business segments, please refer to Section 2.1.9 (*Risks Related to the Implementation of the Company's Strategic Plan and Business Expansion*)).

Given that certain activities encompassed within the scope of the aforementioned projects, such as construction, finishing, engineering and design, do not fall within the core services offered by the Company, and considering that the Company lacks the necessary resources, expertise or licenses to undertake such activities as an entity specializing therein, the Company typically—in coordination with its clients and in accordance with the terms of the agreements entered into therewith—subcontracts the construction, finishing, engineering and design aspects of the work to specialized subcontractors who are licensed to perform the relevant works. However, the Company retains responsibility for the management and operation of these projects, as well as the provision and installation of the necessary fitness equipment and machines. For example, the Company has contracted with Cubs North Contracting Co. for the execution of a number of contracting works arising from the Company's contracts with the Royal Commission for AlUla and King Abdullah Financial City Company.

Given the foregoing, the Company cannot guarantee that there are no risks associated with its business model of entering into contracts for the construction, management and operation of fitness facilities, while subcontracting construction, finishing, design and engineering works. Numerous risks may arise therefrom. For example, differences in pricing methodologies may arise between the Company and subcontractors, which could potentially result in financial losses for the Company or negatively impact the project's profitability or economic or commercial viability. This applies to differences with respect to pricing quotations, valuations of works, payment planning methods, guarantees, project management mechanisms and contract terms. Since the Company may submit its offer to the client before finalizing agreements with potential subcontractors, this leaves room for renegotiation, price increases, reductions in scope and the like. Furthermore, the Company cannot guarantee that it will obtain the approval of clients to subcontract the relevant works legally and in compliance with the contract terms. Typically, such contracts contain restrictions on subcontracting that require the client's subsequent written consent, which is often subject to a complex approval process or the subcontractor meeting specific technical and qualification criteria, such as possessing certain licenses, expertise or resources, or the volume of the subcontracted work being limited to a specific percentage of the total contract works. If the Company fails to obtain the client's approval to subcontract the relevant works or obtains approval subject to restrictions that do not align with the Company's wishes or capabilities, this may result in its inability to execute the project in part or in full in accordance with the contract terms, thereby constituting a breach of the contract and potentially entitling the client to impose penalties, seek damages from the Company or terminate the contract. It should be noted that some of the Company's contracts with its clients include representations by the Company that it has obtained all of the necessary licenses and approvals to perform the works under the contract. This may not be accurate if the scope of the agreed work includes activities that require licenses or approvals that the Company does not possess, such as licenses required to provide engineering consultancy services. This could be construed as a misrepresentation by the Company, constituting a breach of contract, which may entitle the client to impose penalties, claim compensation for any resulting damages or terminate the contract. Such actions could have an adverse effect on the Company's financial and commercial interests. Accordingly, the occurrence of any of the aforementioned is expected to have an adverse effect on the Company's business, financial position, results of operations and prospects.

It should be noted that the Company's general practice of subcontracting construction, finishing, engineering and design work does not absolve it of liability towards its clients for the performance of such work. The Company's liability may extend to ensuring that the work is completed in the required manner and within the agreed timeframe. This exposes the Company to various risks, particularly given the procedural, technical and time-related challenges associated with construction, finishing, engineering and design projects, such as obtaining the necessary permits and approvals; securing the necessary labor, materials, equipment and financing; dealing with delays in general; ensuring the adequacy of preliminary studies necessary for the commencement of works; adverse weather conditions; poor performance of personnel in charge of implementing the relevant tasks; and non-achievement of technical standards with respect to materials and equipment or the non-execution of works in the required manner. The Company may be held liable for penalties and damages to clients or third parties resulting from subcontractor errors arising from such works and may incur additional costs, financial losses, reputational damage, or negative impacts to its profitability and business objectives. Furthermore, the Company's failure to comply with the terms of contracts could lead to project or contract termination, making it difficult for the Company to secure a replacement project. Without prejudice to the Company's right to seek recourse against the subcontractor for any damages it may incur as a result of the subcontractor's actions, it is anticipated that the occurrence of any of the aforementioned will have an adverse effect on the Company's business, financial position, results of operations and prospects.

In addition to the foregoing, certain agreements concluded with the Company's clients require the Company to provide financial guarantees. For instance, the Company provided a performance guarantee of SAR 4,820,000 to Royal Commission for AlUla, and issued a final guarantee in the amount of SAR 103,522 to a Government entity who is a client of Body Experts. Given the possibility that the Company may for any reason default on its obligations under these contracts, particularly when construction, finishing, engineering and design work is subcontracted, such a default could result in the liquidation of the guarantees provided by the Company. This in turn would have an adverse effect on the Company's business, financial position, results of operations and prospects. Furthermore, the Company does not guarantee its continued ability to obtain the required guarantees in the future, whether as a result of its inability to provide guarantees to banks or for any other reason, which would have an adverse effect on the Company's ability to secure similar projects in the future. This in turn would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.24 Risks Related to Leased Real Estate

As of the date of this Prospectus, the Company leases 55 real estate properties from third parties, including 52 fitness clubs, one administrative office, one showroom for fitness equipment and products and one warehouse. It should be noted that the Company is highly reliant on leased real estate, as around 93% of its fitness clubs are located on leased premises. As of 30 September 2024G, eight of these contracts will expire before the end of 2029G. These eight leased sites represent approximately 9.7% of the Company's total revenues as of 30 September 2024G.

The Company's lease assets (right-of-use assets) amounted to SAR 255,559,009, SAR 246,041,463, SAR 309,180,796 and SAR 318,957,345 for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company's lease assets represent 38.32%, 36.95%, 40.84%, and 37.79% of the total assets for the Financial Years ended 31 December 2021G, 2022G, and 2023G, and the nine-month period ended 30 September 2024G, respectively. If the Company is unable to generate sufficient liquidity from its operating income or if it fails to secure financing from lenders or other sources, it will be unable to fulfill its obligations under the lease agreements. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company is exposed to risks associated with the termination of lease agreements by lessors or the inability to renew them on terms favorable to the Company. None of the Company's lease agreements contain explicit provisions for compensation of the Company for the construction work it has carried out on the leased premises upon the expiration or termination of the relevant lease agreements. This exposes the Company to the risk of losing its capital investments.

In the event that the Company is forced to vacate the premises before the expiration of the original term of the relevant lease agreement, or if it is unable to renew lease agreements for any reason, the Company will be forced to seek alternative locations. These alternative locations may have higher costs than its current locations or may be available on terms less favorable to the Company than those of its existing contracts. Furthermore, there is no guarantee that the Company will be able to find suitable alternative locations in its target geographies. The Company also incurs additional capital expenditures to construct and equip new clubs. In the event that any of the aforementioned risks were to materialize, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

In addition, four lease contracts out of a total of 55 are not registered electronically through the Ejar platform. These leased plots include five fitness clubs, whose revenues represented 9.3%, 7.8%, 7.7% and 7.6% of the Company's total revenues for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G. The company intends to register all remaining lease contracts on the platform during the second quarter of 2025G. Pursuant to Council of Ministers' Resolution No. 292, dated 16/05/1438H (corresponding to 13/02/2017G), and the Circular of the Minister of Justice dated 04/05/1440H (corresponding to 10/01/2019G), any lease contract not registered through the Ejar platform shall be considered as legally invalid and administratively and judicially ineffective. Accordingly, failure to register lease contracts through the Ejar platform in accordance with the aforementioned Council of Ministers' resolution may result in competent courts not considering any dispute arising from unregistered contracts, which would adversely affect the Company's right to demand from lessors the performance of their regulatory obligations arising from such contracts. This may also pose a risk to the Company due to the possibility of the lessor's withdrawal of the leased property from the Company or non-adherence to the material terms of the contract under judicial oversight and protection that may be described as unclear due to failure to register such contract legally, which may disrupt or prevent the Company from benefiting from leased properties. In addition to the above, failure to register lease contracts through the Ejar platform may limit the Company's ability to obtain the necessary regulatory licenses from the competent authorities that require the registration of lease contracts through the Ejar platform as one of the licensing terms, including the activity license issued by the Ministry of Municipalities and Housing. Accordingly, failure to register lease contracts through the Ejar platform may expose the Company to difficulties related to enforcing its rights under such contracts or obtaining the necessary regulatory licenses, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company is a party to lawsuits related to fitness clubs located in the Ulaishah and Al Murooj districts in Riyadh. These lawsuits are related to an ongoing dispute between the heirs of the lessor of these clubs, resulting in a ruling issued by the Enforcement Court to vacate the properties belonging to the testator. This real estate apportionment included properties leased by the Company located in the Ulaishah and Al Murooj districts in Riyadh. The Company objected to the foregoing by filing three lawsuits against the lessor's heirs to contest the eviction lawsuits and request compensation (for further information regarding these lawsuits, please refer to Section 2.1.43 (*Risks Related to Litigation and Arbitration*) and Section 11.13 (*Litigation, Claims and Legal Proceedings*)). As of the date of this Prospectus, the Company has vacated the fitness club located in the Ulaishah district in Riyadh and will not vacate the fitness club in the Al Murooj district, as it has entered into a lease agreement via the Ejar platform with one of the lessor's heirs (for further information regarding such lease agreements, please refer to Section 11.10 (*Lease Contracts*)).

2.1.25 Risks Related to Real Estate Owned by the Company

As of 30 September 2024G, the Company owns four plots, representing 13% of the Company's total assets. Five fitness clubs are located on such plots, and the revenue generated from those clubs represents 6%, 11%, 12% and 10.3% of the Company's total revenues during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. One of the plots is mortgaged to Alinma Bank, while the other three plots are mortgaged to Riyad Bank under the financing agreements concluded with these banks (for further information regarding the financing agreements and the risks related thereto, please refer to Section 2.1.29 (*Risks Related to Financing*)). There is no guarantee that the Company will not lose these plots for any reason. If the Company is unable to fulfill its payment obligations under the agreements concluded with the financing banks, or if it breaches any of the obligations or undertakings included in such agreements, the financing banks shall have the right to request immediate repayment of the financing amounts and initiate judicial enforcement procedures on the mortgaged assets.

In light of the various projects being implemented by the Government, including those emanating from Saudi Vision 2030, the Government has announced procedures related to the expropriation for public use of numerous real estate properties in various regions of the Kingdom. While noting that none of the Company's public property is subject to procedures of expropriation for public use, and emphasizing the existence of a special regulatory framework to fairly compensate the owners of real estate that are expropriated, the Company cannot guarantee that none of its real estate properties will be subject to expropriation for public use in the future, that it will receive commercially appropriate compensation to cover additional costs resulting from relocation to an alternative property, or the existence of a commercially appropriate alternative property for the Company. Accordingly, if any of the aforementioned risks were to materialize, this may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.26 Risks Related to Fluctuations in Currency Exchange Rates

The Company imports certain fitness equipment from manufacturers, such as FreeMotion Fitness, a US-based company, and international agents such as DMC, Profit Sports Solutions and Johnson Health Tech UAE, using foreign currencies (particularly the US dollar, euro and the United Arab Emirates dirham). Purchases imported using currencies other than the Saudi Riyal represented 3.67%, 0.78%, 3.44% and 6.5% of the total volume of the Company's purchases for the years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. As part of the Kingdom's policy, the Saudi Riyal is pegged to the US dollar at an exchange rate of SAR 3.75 per US dollar. However, there is no guarantee that the exchange rate of the Saudi Riyal against the US dollar will remain stable. Any fluctuations in the exchange rate of foreign currencies used by the Company, including the US dollar, could result in increased costs. This, in turn, would have an adverse effect on the Company's business, financial position, results of operations and prospects. The table below sets out the amounts paid in currencies other than the Saudi Riyal for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G.

Table 2.1: Amounts Paid in Currencies Other than the Saudi Riyal for the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Period Ended 30 September 2024G

Currency	31 December 2021G		31 December 2022G		31 December 2023G		30 September 2024G	
	Purchases (SAR)	As a Percentage of Cost of Revenue (%)	Purchases (SAR)	As a Percentage of Cost of Revenue (%)	Purchases (SAR)	As a Percentage of Cost of Revenue (%)	Purchases (SAR)	As a Percentage of Cost of Revenue (%)
USD	5,198,805	3.16%	991,380	0.50%	5,792,137	2.94%	4,832,761	5.7%
Euro	568,088	0.34%	215,961	0.11%	556,823	0.28%	298,091	0.4%
AED	286,613	0.17%	337,343	0.17%	420,014	0.21%	355,576	0.4%
Total	**6,053,506**	**3.67%**	**1,544,684**	**0.78%**	**6,768,974**	**3.44%**	**5,486,428**	**6.5%**

2.1.27 Risks Related to the Sustainability of the Company's Revenue Growth and Profitability

The Company's net revenues increased at a CAGR of 15.1% for the period between 2021G and 31 December 2023G. However, any growth in the Company's revenues during any of the historical periods cannot be considered as indicative of its future performance, as there is no guarantee that the Company's revenues will continue to grow in general or at current rates, and the Company may not be able to maintain the level of profitability achieved by it in recent periods or at all. The Company's results of operations may also fluctuate due to a variety of factors, some of which are beyond the Company's control, including intensification of competition in the sector in which the Company operates. This may lead to the Company losing its market share or force the Company to reduce the prices of its services and products in order to maintain or increase its market share. Such factors also include the Company's inability to diversify its business and capitalize on growth opportunities that may be available to it or that may be available in the sectors in which it operates. In addition, the Company's growth rates are likely to experience increased volatility due to economic disruptions, reductions in Government spending, higher unemployment rates, or the spread of a global pandemic such as the COVID-19 pandemic. The Company has in the past and may continue to experience cyclical fluctuations in its revenue as a result of the foregoing (for further information regarding risks related to seasonal factors and fluctuations, please refer to Section 2.1.48 (*Risks Related to Seasonal Factors and Fluctuations*)). There are a number of factors that may affect the Company's revenues and profitability, and the Company may face fluctuations in its revenues in the future for any reason. If any of the above risks were to materialize, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.28 Risks Related to the Participation of Certain Directors and Senior Executives in Competing Business

None of the Company's Directors or Senior Executives are involved in any activities that compete with the Company. However, some of them may compete with the Company in the future, either through their membership on boards of directors of competing companies, or through their engagement in business that falls within the scope of the Company's business, or through their direct or indirect shareholdings in joint-stock companies. The Directors and Senior Executives may access the internal information of the Company and may use that information for their own interests or in a way that conflicts with the Company's interests and objectives. If the Directors and Senior Executives who have interests that conflict with those of the Company have a negative influence on the Company's decisions, or if they use the information available to them regarding the Company in a way that harms its interests, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. However, in order to engage in business that competes with the Company, the Directors must obtain the approval of the General Assembly in accordance with Article 44 of the CGRs and Article 27 of the Companies Law (for further information regarding conflicts of interest, please refer to Section 5.9 (*Conflicts of Interest*)).

2.1.29 Risks Related to Financing

A. Current Financing and Facilities:

As of the date of this Prospectus, the Company has entered into four credit facility agreements under which it has obtained financing from the Social Development Bank in a total amount of SAR 10,000,000, Alinma Bank in a total amount of SAR 174,988,372, Riyad Bank in a total amount of SAR 56,998,000 and Saudi Awwal Bank in a total amount of SAR 20,000,000. An amount of SAR 211,530,793 of the facilities has been used for several purposes primarily related to establishing and equipping new fitness clubs (for further information regarding facility agreements, please refer to Section 11.7 (*Financing and Credit Facility Agreements*)). The Company intends to obtain additional credit facilities to support its expansion plans.

Total financing costs amounted to SAR 2,101,643, SAR 6,017,488, SAR 5,358,400, and SAR 4,973,721 for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, representing 1.03%, 2.24%, 1.98% and 2.09% of the Company's total revenues, respectively. As of 1 February 2025G, the Company's outstanding debt balance amounted to a total of SAR 136,328,176, which the Company is required to repay before the end of November 2031G. The Company's failure to pay its outstanding debts may result in a breach of the terms of the agreements concluded with financing entities, which in turn may result in the Company being required to pay all outstanding amounts at once or liquidate the collaterals associated with these agreements. Furthermore, an increase in the outstanding debt balance for any reason may lead to an increase in the Company's financing costs. If any of the aforementioned events were to occur, this would have an adverse effect on the Company's liquidity and profitability, which in turn would impact the Company's business, financial position, results of operations and prospects.

The aforementioned agreements include a number of obligations that must be fulfilled by the Company, as well as several cases that may be considered a breach of the provisions of such agreements, such as bankruptcy, financial reorganization, restructuring and failure to comply with the guarantees, undertakings or declarations submitted by the Company or if the same is proven to be invalid. The occurrence of any such cases or the Company's mere breach of its general obligations under those agreements may be a reason for the financing companies to terminate the relevant credit facility agreement and claim repayment of all amounts due at once, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

The Company is exposed to risks related to increasing interest rates on loans it has obtained from financing entities on a variable interest basis, which in turn may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

B. Future Financing and Facilities:

In the future, the Company may need to obtain facilities or financing from commercial banks, Government lenders or other financiers to cover its working capital requirements or implement future growth plans. The Company's ability to obtain loans and facilities from lenders at reasonable costs and under acceptable terms depends on its financial position, creditworthiness, general economic conditions, financial market conditions, commission rates, and the availability of credit from banks or third-party lenders. The Company may not be able to obtain such financing on reasonable terms or at all for any reason, such as restrictions under any existing financing, lenders' perceptions of the Company, or the Company's future results of operations, financial position and cash flows. Borrowing at variable interest rates may also make the Company vulnerable to increases in interest or commission rates (which may be significantly affected by factors beyond the Company's control, such as monetary and tax policies and global economic and political conditions), and the Company may not guarantee that it will be able to obtain such financing on reasonable terms or at all when necessary. Any increases in interest or commission rates, whether fixed or variable, will lead to higher financing costs incurred by the Company, which would adversely affect its future profitability and its ability to pay and fulfill its obligations towards lenders and may also affect the Company's ability to secure the cash flows necessary for its operations and the opening of new fitness clubs. As a result, the Company may not be able to capitalize on business opportunities, such as acquisition opportunities, or react to changes in market or industry conditions. The occurrence of any of the above events would have an adverse effect on the Company's business, financial position results of operations and prospects.

C. Guarantees Provided by Certain Shareholders and the Company:

The credit facilities obtained by the Company are linked to bank guarantees including commercial papers (promissory notes) issued by the Company in the amount of SAR 10,000,000 to the Social Development Bank, SAR 192,487,210 to Alinma Bank, SAR 76,000,000 to Riyad Bank and SAR 20,000,000 to Saudi Awwal Bank. The credit facilities are also linked to bank guarantees issued by Diamond Opportunities Sports Company, Special Opportunities Investment Company, Middle East Financial Investment Company (MEFIC Capital), Elaf Al-Khaleej Commercial Investment Company, Abdulkadir Al Muhaidib & Sons Company and Maali Al Khaleej Trading Company.

The Company has contacted the Social Development Bank to request the cancellation of guarantees issued by Diamond Opportunities Sports Company, Special Opportunities Investment Company and Middle East Financial Investment Company; Alinma Bank to request the cancellation of guarantees issued by Diamond Opportunities Sports Company, Special Opportunities Investment Company, Middle East Financial Investment Company and Elaf Al-Khaleej Commercial Investment Company; Riyad Bank to request the cancellation of guarantees issued by Abdulkadir Al Muhaidib & Sons Company, Diamond Opportunities Sports Company and Maali Al Khaleej Trading Company; and Saudi Awwal Bank to request the cancellation of guarantees issued by Abdulkadir Al Muhaidib & Sons Company, Middle East Financial Investment Company and Maali Al Khaleej Trading Company. The Company has not obtained approval from any of the banks for its request to cancel these guarantees.

Therefore, in the event of any breaches related to the guarantors—such as changes to the ownership structure or legal entity of the guarantors without obtaining the consent of the financing parties, failure to continue providing the required guarantees, or if such guarantees become unenforceable—the financing parties may require the Company to provide additional guarantees, which the Company may not be able to furnish. This may also result in the Company being required to immediately repay all remaining amounts under the relevant facilities. The Company may face difficulty in securing sufficient alternative funding sources for debt repayment, which would have a material adverse effect on the Company's operations, financial condition, operating results, and future prospects.

The Company also mortgaged its plots under the credit facilities agreement entered into with Alinma Bank and Riyad Bank. The plot located in Al Zahraa district in Riyadh was mortgaged to Alinma Bank and three other plots of land located in Riyadh, specifically in the Al Khaleej, Al Rawdah and Al-Nahdah districts, were mortgaged to Riyad Bank. If the Company violates its obligations under these agreements, Alinma Bank and Riyad Bank may enforce the mortgage on these plots, which could lead to ownership of these plots being transferred to the relevant bank and the Company losing its ownership rights, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.30 Risks Related to Future Capital Expenditures

The Company's capital expenditures amounted to SAR 70,332,822, SAR 31,266,920, SAR 67,304,721 and SAR 58,978,131 for the years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company expects to incur capital expenditures of SAR 172.1 million during the financial years ending 31 December 2024G, 2025G and 2026G, which will be used between Q4 2024G and the end of the financial year ended 31 December 2026G to establish new fitness clubs. As of 30 September 2024G, the Company incurred capital expenditures totaling approximately SAR 57.9 million to establish fitness clubs.

The Company's capital expenditures could increase as a result of a number of factors, such as costs related to the Company's planned growth and strategy or rising costs of establishing or renovating current projects, which could reduce the Company's profit margin and the funds available to operate its current projects and increase the Company's operating expenses, which would have an adverse effect on the Company's business, financial position, results of operations and prospects (for further information regarding the Company's planned growth and strategy, working capital management, and liquidity, please refer to Section 3.4 (*Key Performance Indicators*)).

2.1.31 Risks Related to Inventory Management

The Company is required to maintain adequate inventory levels of resources (such as equipment, devices and machines) in its warehouses to operate its business successfully. The Company's inventory comprises fitness equipment, fitness accessories and other fitness products intended for the purpose of sale thereof to the Company's clients or for use in the Company's fitness clubs, in addition to cleaning and disinfectant materials and spare parts for fitness equipment that are used for the purposes of operating and maintaining the Company's fitness clubs as well as other fitness facilities that the Company enters into contracts for the operation and maintenance of. The value of the Company's inventory amounted to SAR 5,022,048, SAR 6,193,824, SAR 8,209,467 and SAR 11,198,220 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively.

The Company relies on its cumulative experience to manage inventory. However, forecasts of demand for fitness equipment and products, spare parts and other materials used by the Company in its business may not be accurate, and the Company may not be able to make such forecasts accurately in the future. The Company's need for inventory may be affected in the event of unexpected damage to some of its fitness equipment or facilities or other factors beyond the Company's control. In the event that the Company's inventory levels fall below its actual needs, this may lead to a delay or interruption in the Company's business and force it to procure inventory on terms and prices that are not suitable for the Company. Moreover, if the Company's inventory levels are in excess of its needs, this may affect the Company's ability to efficiently utilize its working capital and may also force it to sell part of its inventory to third parties at reduced prices in order to manage its inventory more effectively. If any of the aforementioned factors were to occur, this could have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.32 Risks Related to Trade Creditors

The Company's trade creditor balances amounted to SAR 4,746,105, SAR 3,565,533, SAR 29,118,347 and SAR 11,224,391 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. The percentages of payables to total liabilities stood at 0.85%, 0.66%, 4.7% and 1.6% as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. It should be noted that the repayment period granted to the Company by suppliers ranges between 30 to 60 days. In the event trade creditor balances age, the Company may not be able to pay its trade payables in full or settle them during the period agreed upon with the suppliers, which may prevent the Company from securing credit purchase agreements on suitable terms in the future or may expose it to lawsuits being filed against it by creditors. This in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.33 Risks Related to Management of Working Capital and Liquidity

The financing and management of the Company's working capital depends fundamentally on its efficiency in managing inventory and receivables and on the credit facilities available to it for such purpose. It should be noted that the Company has obtained credit facilities from Alinma Bank to meet its working capital requirements. The facilities used by the Company for the purposes of financing working capital requirements amounted to SAR 13,880,444, SAR 8,375,760, SAR 10,000,000 and SAR 20,000,000 as of 31 December 2021G, 2022G, and 2023G and as of 30 September 2024G.

The Company's current ratio was 0.25x, 0.28x, 0.18x and 0.32x as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. The net working capital deficit amounted to SAR 99,411,963, SAR 111,502,892, SAR 162,561,246 and SAR 157,750,292 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. Such deficit is mainly due to an increase in contract liabilities, which are classified as current liabilities within the Company's financial statements (for further information regarding contract liabilities, please refer to Section 2.1.20 (*Risks Related to the Company's Ability to Fulfill Contractual Obligations Towards its Fitness Club Members*)).

The risks associated with working capital management are represented in the Company's inability to meet its obligations related to financial liabilities as they fall due. The Company's financial liabilities consist of trade and other payables, short-term loans, lease liabilities and a Zakat provision. The Company may be exposed to a number of risks related to working capital management, including its inability to meet its obligations when they fall due or to sell financial assets quickly and at an amount close to their fair value, or the occurrence of any emergency or unexpected events that may require immediate liquidity. This would have a material adverse effect on the Company's business and consequently its operating and financial results.

In addition, the Company's failure to manage its working capital efficiently will lead to an increase in utilized credit facilities and financing costs, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.34 Risks Related to Credit and Doubtful Debts

The Company may encounter difficulties in its ability to collect amounts due. Credit and collection risks arise due to the inability of one party to fulfill a specific financial obligation to the other party. The Company may face such risks in various situations, including when customers have outstanding balances and when other debtors fail to fulfill their obligations towards the Company. The Company's net trade receivables amounted to SAR 320,908, SAR 3,815,482, SAR 4,407,617 and SAR 26,206,260 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively, representing 0.048%, 0.57%, 0.58% and 3.1% of the Company's total assets as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively, and representing 1.00%, 8.93%, 12.78% and 35.5% of the Company's total current assets as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. The Company's trade receivables outstanding for more than 90 days represented 89.69%, 43.16%, 31.2% and 7.6% of the total trade receivables as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. The following table sets out the aging of the Company's trade receivables as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G.

Table 2.2: Aging of the Company's Trade Receivables as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G

Aging of Trade Receivables (Days)	Balance as of 31 December 2021G		Balance as of 31 December 2022G		Balance as of 31 December 2023G		Balance as of 30 September 2024G	
	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)	Value (SAR)	Percent-age (%)
1 to 90 days	235,689	10.31%	3,285,578	56.84%	4,407,617	68.8%	26,186,477	93.0%
91 to 150 days	40,163	1.76%	339,791	5.88%	0	0.3%	19,782	0.07%

Aging of Trade Receivables (Days)	Balance as of 31 December 2021G		Balance as of 31 December 2022G		Balance as of 31 December 2023G		Balance as of 30 September 2024G	
	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)	Value (SAR)	Percent-age (%)
151 to 240 days	40,034	1.75%	190,113	0.00%	0	0%	0	0
241 to 360 days	5,022	0.22%	0	3.29%	0	0%	0	0
More than 360 days	1,965,172	85.96%	1,965,172	34.00%	1,965,172	30.8%	1,965,172	7.0%
Total trade receivables	**2,286,080**	**(100%)**	**5,780,654**	**(100%)**	**6,372,789**	**(100%)**	**28,171,432**	**(100%)**
ECL provision	(1,965,172)		(1,965,172)		(1,965,172)		(1,965,172)	
Net trade receivables	320,908		3,815,482		4,407,617		26,206,260	

Source: The Company.

The Company's expected credit loss (ECL) provision amounted to SAR 1,965,172, SAR 1,965,172, SAR 1,965,172 and SAR 1,965,172 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively. The stability of this provision over these periods is due to a lawsuit filed by the Company against a former employee who worked for the Company as a sales representative. The entire provision was allocated to this lawsuit.

The following table sets out the expected movement in the ECL provision as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G.

Table 2.3: Movement in Expected Credit Loss (ECL) Provision as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G

ECL Provision	As of 31 December 2021G	As of 31 December 2022G	As of 31 December 2023G	As of 30 September 2024G
	Value (SAR)	Value (SAR)	Value (SAR)	Value (SAR)
Balance at the beginning of the period/year	1,965,172	1,965,172	1,965,172	1,965,172
Provision during the period/year	0	0	0	0
Balance at the end of the period/year	1,965,172	1,965,172	1,965,172	1,965,172

Source: The Company.

The Company grants credit periods to its clients ranging from 30 to 60 days. The Company uses a provision matrix in the calculation of ECLs from trade receivables and others Related Party receivables to estimate lifetime ECLs, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default based on historic collection trends of the Company's customers, credit ratings of Related Parties assigned by credit rating agencies and loss given default. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle receivables.

In the event that the Company's customers default on amounts due thereon, whether due to their bankruptcy or their unwillingness to fulfill their obligations with the Company, this will increase the potential of an increase in the ECL provision. In such cases, the Company will either resort to the judiciary or will increase the value of the provisions that it must set aside to cover ECLs, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects. The Company cannot guarantee that its counterparties will not default on their obligations, nor can it accurately predict their future ability to fulfill the same. In the event that debtors fail to pay the Company's dues or show a delay in the collection of receivables therefrom, this will have a material adverse effect on the availability of liquidity for the Company's needs, expenses and cash flows, and will thus have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.35 Risks Related to Changes in Significant Accounting Standards, New Standards, Accounting Principles and Policies

The consolidated financial statements of the Company and its Subsidiary for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, along with the accompanying notes thereto, were prepared in accordance with the IFRS endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA. The Company and its Subsidiary shall apply the amendments or changes made to these standards from time to time. The Group adopted standards and amendments that have no material impact as of 1 January 2021G, namely the amendments made to IFRS 7, IFRS 4, IFRS 9 and IFRS 39, which provide a number of exemptions that address the financial reporting effects when replacing the interbank-offered interest rate with an alternative near-risk-free interest rate. The Company and its Subsidiary also adopted the amendment to IFRS 16, which provides amendments related to lease concessions arising from changes in lease contracts due to the COVID-19 pandemic. The Company and its Subsidiary also reclassified certain items of the consolidated statement of financial position for the financial year ended 31 December 2021G, as follows.

Table 2.4: Reclassification of Certain Items of the Consolidated Statement of Financial Position for the Financial Year Ended 31 December 2021G

Standard - Interpretation	Financial Year Ended as of 31 December 2021G (Pre-Classification)	Reclassification	Financial Year Ended as of 31 December 2021G (Post-Classification)
Property, plant and equipment	333,737,975	(3,050,719)	330,687,256
Investment property	461,179	1,816,044	2,277,223
Intangible assets	1,956,607	1,234,675	3,191,282

For the purpose of applying IFRS 16, the Company used to capitalize the depreciation of the right-of-use assets related to leased lands into the cost of buildings over the period during which the associated buildings were constructed. This approach was consistent with accepted practices at the time. However, in November 2023G, SOCPA issued an interpretation clarifying that such approach was not permissible. Consequently, the Company made the necessary adjustments to the comparative information for the Financial Years ended 31 December 2021G and 2022G and re-presented them in the financial statements for the Financial Year ended 31 December 2023G. This adjustment resulted in an increase in the Company's cost of revenue for said years (for further details, please refer to Section 6.4 (*Comparative Figures for 2021G and 2022G*)).

Any changes to the IFRS or the requirement to apply certain new standards may adversely affect the financial statements of the Company and its Subsidiary, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects. The reapplication of previously applied standards or the application of new standards and amendments to previously applied standards will result in similar changes in subsequent financial years or other changes that may be material and whose effect is not currently apparent or which the Company and its Subsidiary cannot anticipate. In addition, the recent application of International Accounting Standards (IFRS) as endorsed in the Kingdom may result in material changes to the consolidated financial statements of the Company and its Subsidiary in the coming years. Therefore, any changes in these standards or the mandatory application of certain new standards may have a material adverse effect on the financial statements and, consequently, the Company's financial results and financial position.

2.1.36 Risks Related to Impairment of Goodwill

Goodwill is defined as an intangible asset reflecting the price paid in excess of the book value of the net assets purchased in mergers and acquisitions. In accounting, treatment of goodwill is carried out by recording the amounts paid in excess of the book value of the net assets purchased under "goodwill" assets. Goodwill resulting from the Company's acquisition of the entire Body Masters Martial Arts Academy from Al Azm Trading Company Limited on 25/04/1435H (corresponding to 25/02/2014G) was recorded at SAR 1,100,000. The book value of the center on the date of acquisition amounted to SAR 162,540, resulting in goodwill of SAR 937,460 represented by technical expertise, human resources and members.

The Company has not amortized or reduced the goodwill account since the date of acquisition due to the absence of any indication of impairment of goodwill resulting therefrom in the form of a decline in the Company's operational performance. It should be noted that goodwill is re-measured at the end of each financial year. The re-measurement of goodwill may result in the impairment thereof, and thus the amortization of all or part thereof based on the Auditor's assessment. If the remeasurement of goodwill results in its impairment, and, consequently, the amortization of part and/or all thereof, this would have a material adverse effect on the statement of profit, loss and other comprehensive income and the statement of financial position of the Company, which in turn may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.37 Risks Related to Related Party Transactions and Transactions with Parties in which the Directors have a Direct or Indirect Interest

As of the date of this Prospectus, there are no transactions between the Company and Related Parties, except for one agreement that the Company has with Aldrees Petroleum and Transport Services Company, under which an indirect interest has arisen involving the Vice Chairman of the Board of Directors, Abdul-Elah Saad Mohammed Al-Drees. The aforementioned agreement was concluded on a commercial basis to regulate the Company's use of the services of Aldrees Petroleum and Transport Services Company's gas stations to fuel the Company's vehicles. The Company may continue this contract or may enter into transactions with Related Parties in the future (for further information regarding transactions in which the Directors have a direct or indirect interest, please refer to Section 5.9.2 (*Interests of the Directors and Senior Executives in Contracts and Agreements*

Entered into by the Company)). The total value of the Company's transactions with Aldrees Petroleum and Transport Services Company amounted to SAR 402,351, SAR 307,323, SAR 435,678 and SAR 370,000 for the years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company obtained the General Assembly approval for the Company's transactions with Aldrees Petroleum and Transport Services Company on 07/11/1445H (corresponding to 15/05/2024G).

Although there are no transactions with Related Parties as of the date of this Prospectus, there is no guarantee that the terms and scope of future agreements that may be concluded with Related Parties will match the terms that could have been obtained if contracted with independent persons (i.e., non-Related Parties), particularly if the Company's interests differ from those of Related Parties. If the Company enters into contracts with any Related Party on a non-arm's length basis or if such transactions lead to the transfer of interests to the Company's Related Parties in a manner that is not appropriate, this may have an adverse effect on the Company's costs and revenues, which in turn could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

In accordance with the provisions of the Companies Law, the Company must obtain the approval of the Ordinary General Assembly if its Directors have a direct or indirect interest in such transactions. The Company may not be able to obtain the approval of the Ordinary General Assembly for future transactions in which the Directors have a direct or indirect interest, which may expose the Company to the risk of objection to or cancellation of such transactions by the interested parties. In addition, a Director with an interest in a transaction must resign or take steps to ensure that they do not have any interest (for example, by terminating the relevant contract or assigning the rights arising from the said interest). Although the Company has established policies to address conflicts of interest and dealings with Related Parties, the Company cannot guarantee that there will be no conflicts of interest from time to time due to the relationship of such parties with the Company. Any termination of these contracts or resignations of the aforementioned Directors may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's inability to identify and determine Related Parties based on the definition of the CMA or its inability to understand the regulatory environment surrounding Related Parties may affect its compliance with ensuring the validity of such transactions, that they are reviewed by the Audit Committee and are disclosed. This may expose the Company to several risks, including the inability to verify the suitability of the transactions in relation to the Company's commercial objectives or the exposure of the Company to penalties from the competent authorities. Moreover, if contracts with Related Parties expire, the Company may not be able to renew them under the same terms or on better terms. In the event that these contracts are not renewed or any of the Related Parties renews these contracts under terms that are not in line with the Company's interest or strategy, this may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.38 Risks Related to the Company's Reliance on the Expertise and Capabilities of its Senior Executives

The Company's current operations and future plans are dependent on the expertise and capabilities of its administrative and technical staff, including Senior Executives and qualified employees who have extensive experience in the Company's business, as they are one of the factors contributing to the expansion and success of the Company. The majority of the Company's Senior Executives have extensive experience in the sports and fitness sector in general, and have developed close relationships with the Company's customers, suppliers, lenders and other business partners. There is no guarantee that all or some of these employees will be retained, whether as a result of their recruitment by other competing companies or otherwise. If the Company is unable to retain any of its employees, Senior Executives or qualified staff and is unable to recruit replacements who have the same level of expertise and skills, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's Senior Executives, Management or key employees may also act in a manner that adversely affects the Company's business, including through misuse of information or systems, disclosure of confidential information or dissemination of misleading information. Such actions could result in the Company violating regulations or may affect its relationship with its customers. Additionally, the Company may not be able to prevent its Senior Management and key personnel from committing negligence or misconduct or it may be unable to ensure their compliance with the internal regulations and policies of the Company. This could result in losses, fines or financial liabilities for the Company or damage to the Company's reputation and could have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.39 Risks Related to Inadequate Insurance Coverage

The Company has a number of insurance policies to cover various risks arising from its business in addition to employee health insurance, all-risk property insurance, comprehensive general liability insurance, commercial auto insurance and project contract insurance (for further information regarding the Company's insurance policies, please refer to Section 11.8 (*Insurance Policies*)). The Company's operations may be affected by a number of risks not covered by insurance or which are excluded from insurance policies or are covered by insurance but at unreasonable costs. The Company does not guarantee that all claims filed against the Company in the future will be fully covered under its existing insurance policies. The Company may also be unable to obtain sufficient insurance coverage due to increased insurance premium rates or unavailability of insurance. In the event that the cost of insurance premiums substantially increases or the insurance contracts concluded are insufficient in covering all claims that are filed in the future against the Company or the Company is unable to obtain adequate insurance coverage due to the high cost or unavailability thereof, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.40 Risks Related to Zakat and Taxation

The Company is subject to the applicable Zakat and tax laws and regulations in the Kingdom, including the regulations issued by ZATCA. The Company and its Subsidiary have filed their Zakat and tax returns for all financial years since incorporation up to the financial year ended 31 December 2020G on a separate basis. Since 2021G, they have filed Zakat and tax returns on a consolidated basis. Accordingly, they have obtained Zakat certificates for all previous years up to the financial year ended 31 December 2024G, which are valid until 13/11/1447H (corresponding to 30/04/2026G). However, the Company has not obtained the final Zakat and tax assessments for the years from 2019G to 2023G, as all of its Zakat and tax returns for such years are still under review by ZATCA. As for the Subsidiary, it has not obtained Zakat assessments except for the financial years ended 31 December 2019G and 2020G.

The regulatory framework for Zakat and tax is subject to a number of continuous amendments and updates, as well as various different obligations that must be fulfilled by the Company. These include requirements related to the components of the Zakat base, obligations resulting from amendments to the financial statements, Zakat liabilities arising from the Zakat assessments imposed by ZATCA, disclosure of contracts whose value is in excess of SAR 100 thousand, the issuance of invoices in the required form as per tax laws, e-invoicing requirements and the reverse charge mechanism. This may require the Company to create and maintain records of tax risks, adopt tax policies and procedures, conduct periodic reviews to identify and address any Zakat or tax risks, and develop its finance staff through various training programs. Taking into account that the Company's Finance Department undertakes the tasks related to tax affairs in order to prepare Zakat and tax returns with the support of an external Zakat and tax advisor, the absence of a Zakat and tax unit within the Company, in addition to the Company's failure to adopt Zakat and tax policies and the absence of tax risk records at the Company, may limit the Company's ability to fulfill all its obligations imposed on it under the Zakat and tax laws. The Company's inability to perform all of the regulatory obligations within the specified periods and in an appropriate manner, whether in the past or in the future, or its inability to create and maintain tax risk records or adopt tax policies and procedures may lead to a breach of the Company's regulatory obligations or its Zakat or tax liabilities. This may lead to a claim for payment of Zakat or tax differences or the imposition of fines or penalties on the Company. Furthermore, any of the above may be applied retroactively, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

For example, it is worth noting that the Zakat returns for the financial years ended 31 December 2021G, 2022G and 2023G were filed based on the consolidated financial statements for the years ended 31 December 2021G and 2022G and the initial draft of the consolidated financial statements for the financial year ended 31 December 2023G. The Company subsequently adjusted the financial information contained in the financial statements for the financial years ended 31 December 2021G and 2022G in the financial statements for the financial year ended 31 December 2023G for the purposes of complying with the updated version of the IFRS endorsed in the Kingdom and the Implementing Regulation for Zakat Collection applicable during the aforementioned financial periods. The Implementing Regulation for Zakat Collection applicable during the period from 1 January 2019G to 31 December 2023G requires taxpayers to add outstanding long-term debts (i.e., those that have passed a period of one year) to the Zakat base and also requires the addition of any liability item that financed any of the Zakat base deductibles, such as debts used to finance fixed assets, regardless of whether such debts are classified as long-term. Although the Company added long-term debts to its Zakat base during the financial years ended 31 December 2021G, 2022G and 2023G, the Company did not include accounts payable and accrued expenses in the Zakat base for the year 2021G. Accordingly, the Company is currently in the process of amending its Zakat returns for the financial years ended 31 December 2021G, 2022G and 2023G and refiling them to ZATCA. The Company will also include an additional provision of SAR 170 thousand in the consolidated financial statements for the financial year ended 31 December 2024G to cover its potential Zakat liabilities that may arise from the aforementioned amendments.

The Company's Zakat provisions amounted to SAR 532,814, SAR 693,135, SAR 802,549 and SAR 608,697 as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G. As mentioned above, the Company will include an additional provision of SAR 170 thousand to cover potential Zakat liabilities for the financial year ended 31 December 2021G, which will be reflected in the consolidated financial statements for the financial year ended 31 December 2024G. Although the Company has set aside provisions for Zakat, these provisions may not be sufficient to meet the Company's Zakat liabilities for the financial periods mentioned above. In the event that the Zakat provisions set aside in its accounts are insufficient to meet any additional Zakat liabilities imposed by ZATCA, or if tax liabilities or fines are due from the Company as a result of its failure to comply with the Zakat and tax laws, this will have an adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, despite the Company's efforts to comply with the Value-Added Tax Law and its Implementing Regulations, the Company is exposed to the risk of non-compliance, whether due to the novelty of the VAT regulatory framework and it being subject to continuous amendments, or due to errors in interpreting the relevant laws and regulations, or other reasons. The Company provides discounts on membership fees for its fitness clubs to its employees and their family members and calculates the VAT that it collects therefrom based on the reduced membership fees. This is considered to be in violation of the Implementing Regulations of the Value-Added Tax Law, which require taking into account the fair market value and not the actual value whenever sales transactions are to Related Parties (as per the definition stipulated in the Implementing Regulations of the Value-Added Tax Law). Accordingly, ZATCA may request the Company to calculate VAT based on the official membership fees (i.e., the membership fees before the discount), which may result in potential tax liabilities amounting to approximately SAR 203 thousand. In addition, the Company provides free memberships to certain celebrities in exchange for them advertising and marketing the Company's services and fitness clubs. The Company does not apply VAT on these free memberships, which is also considered to be in violation of the Implementing Regulations of the VAT Law, as gifts provided by a taxable entity are not considered among the transactions exempt from tax if the purpose is to promote the economic activity of such entities. Therefore, ZATCA may request the Company to calculate VAT on these free memberships based on the official membership fees, which may result in potential tax liabilities amounting to approximately SAR 196.5 thousand. In addition, with respect to the tax returns filed by the Company with ZATCA, the Company has deducted the VAT applied to purchases of telecommunications packages that it provides to its employees, given that they are subject to the provisions of tax reimbursements, as the Company purchased these packages in the course of undertaking its business activities. However, due to the lack of a clear written policy regulating the use of these packages by the Company's employees and the possibility that employees use these packages for purposes unrelated to the Company's business activities, ZATCA may refuse to reimburse the tax in relation to the aforementioned purchases, which may result in potential tax liabilities amounting to approximately SAR 117 thousand. Although the Company has not included a VAT provision in the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G to cover the abovementioned potential tax liabilities totaling SAR 516 thousand, the Company will include a tax provision to cover its potential tax liabilities within its audited consolidated financial statements for the financial year ended 31 December 2024G.

The Company implements the e-invoicing requirements imposed by ZATCA (which, as of 4 December 2021G, provide for the issuance and saving of invoices electronically via an electronic invoicing system that is compatible with ZATCA's requirements and, as of 1 February 2024G, stipulate linkage of the Company's electronic invoicing system with ZATCA's). However, the Company, in a number of invoices it issued in the past, did not comply with certain regulatory requirements for VAT and e-invoicing requirements stipulated by ZATCA. As a result of issuing sales invoices that are not compatible with such requirements, the Company may be exposed to fines for each instance of incorrect invoice issuance, and the Company's requests for tax reimbursements may be rejected due to the lack of the required information in the Company's purchase invoices. The Company's enterprise resource planning (ERP) software does not automatically issue credit notes in the event of amendments made to electronic invoices that result in a reduction in VAT, such as cancellations of previous sales or returns of goods. In the event of amendments to electronic invoices without the issuance of credit notes, amendments to the relevant VAT amounts may be rejected, in addition to the imposition of fines by ZATCA. Such fines are calculated at 50% of the difference between the tax due and the calculated tax in cases where an incorrect tax return is filed, returns are amended after filing, or any document is filed with ZATCA related to the tax due if the same results in miscalculation of tax amounts as less than the amount actually due. In addition, the Company may be subject to a fine of up to SAR 50 thousand in the event it violates the Value-Added Tax Law or its Implementing Regulations, or a financial penalty of up to 5% of the unpaid tax for each month or part thereof until the actual payment date in the event of a delay in tax payments. The occurrence of any of the above may result in the Company incurring financial losses, which would have an adverse effect on the Company's business, financial position, results of operations and prospects.

ZATCA launched an initiative to waive fines and exempt taxpayers from financial penalties, which ends on 30 June 2025G. The initiative provides for the exemption of taxpayers from fines for late registration, payment and filing with respect to all tax systems, as well as fines for corrections of VAT returns, field control violations related to the application of e-invoicing provisions and other general VAT provisions. In order to benefit from the initiative, the taxpayer must be registered in ZATCA's tax system, submit all outstanding returns to ZATCA, such as previously non-submitted returns or returns not completely or duly disclosed, and fully settle the principal tax debt related to the due tax returns. Taxpayers may apply to ZATCA for payment in installments, provided that the application is submitted during the period of the initiative and all due installments are paid according to the installment plan approved by ZATCA. The Company will seek to benefit from the exemptions stipulated in the initiative, however it is not possible to guarantee fulfillment of all ZATCA requirements in order to benefit from the initiative during the validity period thereof. This may deprive the Company of benefiting from such exemptions under the initiative and thus cause the Company to incur further amounts in comparison to the amounts it would have incurred if it had met the requirements of the initiative during the validity period thereof.

The Government may also impose new or additional fees or taxes on companies in the future. If new taxes or fees are imposed on companies, this may have a material adverse effect on the Company's business, financial position, results of operations and prospects. For example, an increase in the VAT rate may limit demand for the Company's services and affect its profitability and expansion plans, which would have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.41 Risks Related to the Company's Inability to Continue to Comply with the Requirements of Saudization and the Labor Law

The regulations and directives of the Ministry of Human Resources and Social Development mandate compliance with the Saudization requirements (Nitaqat program), whereby all companies operating in the Kingdom are required to employ, train and retain a minimum percentage of Saudi employees. Such percentage varies depending on the activities carried out by the respective company. As of 20 October 2024G, the Company is classified within the medium green category, with a Saudization rate of 44.18%, while its Subsidiary is classified within the low green category, with a Saudization rate of 17.72%.

The Company or its Subsidiary may not be able to increase or maintain their current Saudization rates for any reason, or they may be unable to reduce the number of their non-Saudi employees. This could result in their violation of the regulatory provisions related to Saudization, which may subject them to various financial and administrative penalties or the payment of substantial fees. Additionally, the Company may lose its eligibility for certain facilities such as Government loans, or it may be unable to contract with Government entities, which could have an adverse effect on the Company's business, financial position, results of operations and prospects.

The Company may also be unable to hire Saudi employees on favorable terms or at all or retain its current Saudi employees. This in turn could affect the Company's ability to meet the required Saudization rates or lead to a significant increase in salary costs if the Company recruits a larger number of Saudi employees. Additionally, the Company may not be able to obtain the necessary visas to recruit non-Saudis, which could adversely impact smooth functioning of its business. The occurrence of any of the aforementioned events would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Furthermore, all companies operating in the Kingdom must implement employment policies and employment contracts that comply with the Saudi Labor Law, which is subject to ongoing updates by the Ministry of Human Resources and Social Development. The Company must ensure that its employment contracts are in compliance with the Labor Law and its provisions. The Company's continued failure to comply with these requirements may result in the imposition of fines on the Company, without prejudice to the rights of employees, if any, to compensation under the provisions of the law. This could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.42 Risks Related to Government Fees Imposed on Non-Saudi Employees

The Government has implemented a number of policies aimed at comprehensive reforms of the Saudi labor market. Such policies included the implementation of additional fees for each non-Saudi employee working for a Saudi establishment, effective from 14/04/1439H (corresponding to 01/01/2018G). Moreover, additional fees have been imposed on the issuance and renewal of residence permits for non-Saudi families, effective from 07/10/1438H (corresponding to 01/07/2017G). These fees gradually increased from SAR 4,800 to SAR 9,600 annually per employee as of 2020G. The Company incurred residence permit fees of SAR 7,276,338, SAR 7,279,703, SAR 8,070,672 and SAR 4,886,477 for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The increase in Government fees paid by the Company for the issuance and renewal of residence permits for its non-Saudi employees will lead to an increase in the pricing of services provided to its customers. Furthermore, such increases in fees for the issuance and renewal of residence permits for non-Saudi employees and their families will increase the cost of living. This may lead to non-Saudi employees seeking employment opportunities in other countries with lower living costs. In such case, it will be difficult for the Company to retain its non-Saudi employees and would also affect the Company's ability to maintain its employee base. The Company may be required to incur additional Government fees related to the issuance and renewal of residence permits for its non-Saudi employees, which would result in an increase in the Company's financial obligations. Consequently, increases in Government fees and difficulties in retaining non-Saudi employees would have an adverse effect on the Company's business, financial position, results of operations and prospects.

It should be noted that the Ministry of Human Resources and Social Developmentlaunched an initiative to improve the contractual relationship, which aims to support the Ministry of Human Resources and Social Development vision of establishing an attractive labor market, empowering and developing human capabilities and developing the work environment. The initiative offers three main services, namely the job mobility service, and the development of procedures for exit and re-entry as well as final exit. The initiative's services cover all expatriate workers in private sector establishments, subject to specific controls that take into account the rights of both parties to the employment contract and the terms of the contract between the employer and the expatriate worker. The job mobility service allows expatriate workers to transfer to another job upon the expiration of their employment contract without requiring the consent of their employer. The initiative also outlines the mechanisms for transfer during the term of the employment contract, provided that the notice period and specified regulations are adhered to. Accordingly, the Company cannot guarantee its ability to retain its non-Saudi employees and renew their contracts on favorable terms. This is likely to force them to seek employment elsewhere in accordance with the mechanisms outlined above.

In addition, if the Company is unable to retain its non-Saudi employees or find suitable replacements with the same skills and experience, this will result in increased costs to the Company, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.43 Risks Related to Litigation and Arbitration

As of the date of this Prospectus, the Company is a party to six lawsuits, including one related to financial embezzlement by a former employee of the Company, one filed by a member, and four lawsuits related to fitness clubs located in the Ulaishah and Al Murooj districts in Riyadh. The Company has estimated the financial impact of the financial embezzlement lawsuit at SAR 1,965,172 and has established a provision therefor for the same estimated amount. The lawsuits related to the fitness clubs located in the Ulaishah and Al Murooj districts in Riyadh are connected to an ongoing dispute between the heirs of the lessor, which resulted in a ruling issued by the Enforcement Court to vacate the properties belonging to the testator. This real estate apportionment included properties rented by the Company located in the Ulaishah and Al Murooj districts in Riyadh. The Company objected to the foregoing by filing three lawsuits against the lessor's heirs to contest the eviction lawsuits and request compensation. Although the Company filed the aforementioned lawsuits, the Company subsequently vacated the fitness club located in the Ulaishah district in Riyadh (for further information regarding these lawsuits, please refer to Section 11.13 (*Litigation, Claims and Legal Proceedings*)).

The Company is also exposed to future lawsuits and legal proceedings that may be brought by or against it. The Company cannot guarantee the final outcome of such lawsuits or proceedings or the amounts that it may be required to pay as a result thereof. Consequently, any adverse outcomes arising from such lawsuits or legal proceedings would have an adverse effect on the Company and its financial results. Given that the Company enters into contracts with numerous parties, including customers, suppliers, contractors and manufacturers, the Company is exposed to the risk of disputes arising in connection with its dealings with third parties. Such disputes may result from various factors, such as the failure to provide services to customers as required or to receive equipment, materials, tools or accessories of the required quality. The nature of the Company's business exposes it to health and safety risks, which could subject it to claims related to the safety of customers, employees and third parties. Furthermore, in the ordinary course of its business, the Company may be subject to lawsuits, claims and legal proceedings arising from operational incidents. Given the service-oriented and broad nature of the Company's business, which involves a large number of individual and institutional members, there is an increased likelihood that the Company will face claims related to the quality of its services. Additionally, due to its significant workforce of 1,258 employees as of 30 September 2024G, the Company may be exposed to labor claims and lawsuits. In any of the foregoing cases, if a judgment is issued against the Company or it is forced to settle a dispute amicably and pay substantial damages, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

In addition to the foregoing, such lawsuits and proceedings, regardless of their outcome, could result in the Company incurring significant costs, such as fees in connection with the appointment of professional advisors for the provision of advice in relation to such procedures and claims, as well as the allocation of substantial resources to handle such claims and procedures. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.44 Risks Related to the Lack of Prior Experience of the Company's Management in Managing a Public Joint-Stock Company

Since its inception, the Company has been operated as a private company. As such, the Executive Management team has limited experience in managing public joint-stock companies, particularly in relation to compliance with the rules and regulations applicable to joint-stock companies listed on the Stock Exchange. The Executive Management, in particular, must devote additional efforts to ensuring the Company's compliance with the regulatory requirements and disclosure rules applicable to companies listed on the Stock Exchange. This may reduce the amount of time that Executive Management employees devote to managing the Company's day-to-day operations. Furthermore, the Company's failure to comply with the laws and regulations applicable to listed companies and disclosure requirements in a timely manner could expose the Company to regulatory violations imposed by the relevant authorities and the imposition of financial penalties on the Company. If the amount of the fines is substantial, this would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.45 Risks Related to the Company's Compliance with the Companies Law, its Implementing Regulations, the CGRs and Other Mandatory Regulations and Policies

The Companies Law and its Implementing Regulations impose certain statutory requirements that the Company must comply with, including requirements related to adhering to the stipulated periods for holding annual Ordinary General Assembly meetings, the operating procedures of the Company's Board of Directors and other requirements that impose ongoing obligations on the Company. It should be noted that the Company previously failed to comply with certain requirements stipulated in the Companies Law. For instance, the Company did not hold its annual Ordinary General Assembly meeting during the six-month period following the end of the Company's financial year ended 31 December 2022G. Moreover, the Company also held only three Board meetings during the financial year ended 31 December 2023G, which resulted in a failure to comply with the minimum number of Board meetings required, which is four meetings per year, in accordance with the Companies Law and the Company's Bylaws. There is no guarantee that the Company or its officials will not be subject to the violations and penalties stipulated in Section 1313 of the Companies Law, which could reach up to SAR 500,000, due to its previous failure to comply with statutory requirements. Furthermore, there is no guarantee that the Company will comply with the provisions stipulated in the Companies Law and its Implementing Regulations in the future, which could expose it to additional violations or penalties. Although the Company has not previously been subject to fines or penalties for non-compliance with the Companies Law and its Implementing Regulations, if any of the violations or penalties stipulated in the Companies Law are imposed on the Company, whether for previous non-compliance with the provisions of the Companies Law or its Implementing Regulations or non-compliance therewith after the date of this Prospectus, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's Extraordinary General Assembly and Board of Directors approved the regulations and policies mandatory for listed joint-stock companies as of 18/02/1446H (corresponding to 22/08/2024G) and 22/01/1446H (corresponding to 28/07/2024G), respectively, including the Corporate Governance Manual, the Audit Committee Charter and the Nomination and Remuneration Committee Charter, all of which were drafted in accordance with the CGRs. The Company's success in properly implementing the rules and procedures set forth in the regulations and policies will depend on the Company's comprehension and understanding thereof, as well as the correct application of such rules and procedures by the Board of Directors, its Committees and the Senior Executives, particularly with respect to rules and procedures related to governance, the composition of the Board and its Committees, independence requirements, and rules regarding conflicts of interest and Related Party transactions. The Company's non-compliance with the mandatory regulations and policies set forth in the CGRs will expose it to regulatory sanctions, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, the Board of Directors approved the restructuring of the Nomination and Remuneration Committee on 05/11/1445H (corresponding to 13/05/2024G) (for further information, please refer to Section 5.4.1 (*Nomination and Remuneration Committee*)). Should the Nomination and Remuneration Committee or the Audit Committee fail to fulfill their duties and responsibilities as required, or if they fail to demonstrate commitment to protecting the Company and its Shareholders, this could affect the Company's compliance with and adherence to the provisions, regulations and policies mandated by the CGRs and continuing disclosure requirements. Furthermore, it would impact the ability of the Board of Directors to oversee the Company's operations through these Committees, thereby having a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.46 Risks Related to Potential Future Acquisitions

The Company's strategy includes expanding in size and scope. Consequently, the Company may seek to undertake acquisitions, investments or mergers that would complement or expand the scope of its business operations. Some of these transactions may be significant relative to the size of the Company's business and may require substantial capital or additional support. The aforementioned acquisitions, investments or mergers involve various risks, including the Company's failure to accurately assess the value, strengths and weaknesses of the target acquisition, investment or merger; to effectively integrate the acquired business or assets; to achieve the expected synergies; or to recover the costs of acquiring such business or assets. The Company may also incur unexpected costs or incur unforeseen liabilities and losses in connection with any business or asset it acquires, including those related to retaining key employees and potential legal liabilities (such as contractual, financial, regulatory, environmental or other liabilities and obligations), as well as risks associated with the acquired business and the maintenance and integration of procedures, controls and quality standards. These difficulties may affect the Company's ongoing operations, divert the attention of its Management and employees and increase its expenses, which could have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.47 Risks Related to Joint Ventures

The Company may, in the future, contribute to the formation of or invest in joint ventures in order to carry out its business or to achieve its expansion plans or strategic objectives. This could result in a number of risks, including the Company's inability to obtain a controlling interest in such joint ventures or companies, which could prevent the Company from ensuring that its investment objectives align with the objectives of such companies or joint ventures in the future. Furthermore, the Company's objectives may not align with those of its partners, or such partners may breach their obligations under the agreements entered into with the Company with respect to such investments and subsequent activities. Furthermore, investments and strategic partnerships may require significant time and effort from the Company's Management, and there is no guarantee that any such investments or ventures will be successful in the future, which could result in wastage of time of the Company's Management. Additionally, these investments may result in the Company incurring unexpected liabilities and being forced to collaborate with a strategic partner who may not be completely uncooperative with the Company. Furthermore, such investments may lead to additional regulatory risks, including violations by investors, partners or joint ventures of applicable laws and regulations, which in turn could cause the Company to be in violation thereof. In addition, the Company may be required to make additional cash contributions if its partners fail to fulfill their funding obligations in relation to such companies or joint ventures. If the Company were to contribute to the establishment of or invest in joint ventures or companies in the future, and if any of the aforementioned events were to occur, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.48 Risks Related to Seasonal Factors and Fluctuations

Similar to other industries, the sports and fitness sector is subject to fluctuations in market supply and demand. As such, given the nature of the Company's activities, sales generated by its fitness clubs typically decline during the last ten days of the month of Ramadan, festive seasons, summer vacations and other public holidays. Conversely, the Company's revenue remains relatively stable during the rest of the year. For instance, in April 2023G, which coincided with the last ten days of Ramadan and the Eid holidays, the Company's revenue decreased by 36% in comparison to the average monthly revenue for the same financial year. Consequently, any decrease in the Company's sales from its fitness clubs or a general decline in demand for the Company's products and services will negatively impact the Company's revenue and, as a result, will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's revenue and profitability may also be impacted by changes in climate. Climate change events such as rising temperatures, heavy rainfall and sandstorms could lead to decreased demand for services at the Company's fitness clubs. Additionally, severe weather conditions may disrupt the Company's operations or delay or halt construction projects in progress. Such fluctuations may also result in significant damage to the Company's equipment and facilities. The Company may continue to incur operating expenses and delays in project implementation due to adverse weather conditions. Adverse weather conditions may necessitate the evacuation of employees from construction projects in progress and cause the Company to incur unforeseen operational costs in order to ensure the safety of such employees. If any of these risks were to materialize, this could have an adverse effect on the Company's business, financial position, results of operations and prospects.

Furthermore, the Company may encounter difficulties in planning its operations due to the aforementioned seasonal factors and fluctuations. This limits its ability to accurately forecast future revenues or develop a precise budget for operating costs, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2 Risks Related to the Market and Industry

2.2.1 Risks Related to Consumer Spending on Sports and Fitness Activities

The sports and fitness industry is heavily reliant on the overall level of consumer spending. Given that consumers perceive commercially-offered sports and fitness activities as optional and non-essential, the Company's current and future membership levels would be impacted by any changes in the spending patterns or behaviors of members. The occurrence of adverse changes in economic conditions, or the perception or anticipation of such changes, or economic uncertainty regarding the prevailing economic conditions could lead to a reduction in discretionary spending by members. Any decrease in discretionary consumer spending or income significantly impacts the sports and fitness industry compared to other sectors. Consequently, any significant deterioration in overall economic conditions, decreases in wages, reductions in the availability of consumer credit (including revolving credit), increases in interest rates or tax rates, including the imposition of value-added tax, or the occurrence of political events that reduce consumer spending and the level of confidence in any of the geographies in which the Company operates could adversely affect membership levels. Furthermore, in such circumstances, certain competitors may resort to reducing membership fees and promoting discounts, which would further exert pressure on the Company's membership levels. Therefore, any economic downturn or reduction in discretionary consumer spending in general could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.2 Risks Related to Political Instability and Security Concerns in the Middle East

All of the Company's operations are concentrated within the Kingdom and it generates all of its revenue from its services and sales within the Kingdom. Accordingly, the Company's financial performance is contingent upon the prevailing economic and political conditions in the Kingdom and the Middle East. The Middle East is exposed to a number of geopolitical and security risks. Furthermore, given the ongoing developments in the political, economic and social environments within the Middle East region where the Company operates, investments in such region may be characterized by a degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in countries within the Middle East region may have an adverse impact on the Kingdom, which in turn could affect the Company's customers and have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.3 Risks Related to Natural Phenomena and Disasters such as Floods, Earthquakes and Other Natural Events

The Company, its business, facilities, equipment and machines may be subject to various events beyond the Company's control. Such events could have a material impact on its business, including fires, floods, or other natural disasters, which could affect the Company or any of its fitness facilities and venues. The occurrence of any such event may have a negative impact on the Company's ability to continue its operations or may result in the suspension of work at any of the Company's affected facilities or projects. This would result in a decline in the Company's revenue, as well as emergency capital expenditures and repair, reconstruction, and rehabilitation costs that the Company may have to incur to repair and restore such damaged facilities or projects to their former condition. Accordingly, the occurrence of such events would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.4 Risks Related to Health and Safety Laws

The Company is subject to the applicable health and safety regulations in the Kingdom. These health and safety regulations impose various specific obligations and standards for the protection and maintenance of health and safety. Non-compliance with such rules would result in the imposition of financial or criminal penalties, which may include the revocation or suspension of the Company's licenses, which in turn would lead to a disruption of the Company's operations and expose it to legal claims and proceedings. The Company cannot guarantee its continued strict compliance with all applicable health and safety rules and regulations. The Company may be subject to regulatory penalties or sanctions if it fails to comply with such rules, regulations or obligations. Such circumstances may result in the Company incurring losses or suffering reputational damage, which could have a material adverse impact on the Company's business, financial position, results of operations and prospects. Regulatory authorities may enforce existing rules more strictly than is currently the case or may introduce more stringent standards in the future. Additionally, they may impose higher fines or penalties for identified violations compared to current practices. The Company is unable to estimate the future financial impact of complying with these rules or the costs of non-compliance therewith. Loss of life or serious injuries to the Company's employees or customers as a result of non-compliance with the applicable health and safety regulations could disrupt the Company's operations or impose significant liabilities on the Company for damages, penalties or compensation. Additionally, such incidents could result in negative media coverage of the Company, which could affect the Company's reputation. Furthermore, the improper use of fitness machinery and equipment and the exertion of excessive physical effort poses significant health and safety risks. The realization of any of these risks, including injuries to customers while using the Company's equipment or facilities, could materially impact the Company's operations. If any of the aforementioned risks were to materialize, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.5 Risks Related to the Outbreak of the Coronavirus or Other Infectious Diseases

An outbreak of an infectious disease within the Kingdom or elsewhere, or any other serious public health concern such as a global pandemic like COVID-19, could have an adverse impact on economies, financial markets and commercial activities worldwide, including the Company's business. For example, the global COVID-19 pandemic caused volatility in global capital markets, impacted commodity prices, led to increased unemployment rates, and negatively affected global oil demand and prices. Similar to other countries, the Kingdom implemented strict precautionary and preventive measures, including travel restrictions, public transportation limitations, stay-at-home orders, social distancing requirements and prolonged closures of workplaces and economic activities, leading to a severe disruption of the Kingdom's economy. The stringency of these precautionary measures varied over time, depending on various factors including the severity of the virus outbreak. Any of the aforementioned factors, or the outbreak of other infectious diseases globally, could lead to a prolonged decline in oil prices or a sustained negative impact on the Kingdom's economy, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.6 Risks Related to Changes in Government Regulations and Policies in the Kingdom or the Scope of Their Application

The Company is subject to numerous applicable laws and regulations in the Kingdom, and Government authorities enforce such laws and regulations in accordance with Government policies and directives. Demand for the Company's services may be adversely affected by any changes in the Kingdom's laws, regulations, policies or directives or Government decisions or interpretations thereof, including changes in laws, regulations, and policies related to taxation, antitrust, liquidation, corporate governance, imports and exports, health and safety standards and any other regulations affecting the Company's business, which could impact the Company's business and operations. Any changes to the Company's regulatory environment may have an adverse effect on the Company's business, financial position, results of operations and prospects.

The nature of the regulations and laws governing the Company's activities requires ongoing compliance. Failure by the Company to comply with such regulations and laws in the required manner could result in the imposition of penalties, fines or sanctions on the Company by regulatory authorities, which would have a negative impact on the Company, limit its revenue growth and lead to a suspension of its operations or licenses. This in turn would have an adverse effect on the Company's business, financial position, results of operations and prospects.

It is important to note that the regulatory environment in the Kingdom is subject to ongoing developments, and the Company cannot predict any changes to the regulations applicable to its business. As a result, the Company may be subject to fines and penalties, which would have a material adverse effect on its business, results of operations, financial position and prospects.

2.2.7 Risks Related to Competition and the Intensification Thereof

The sectors in which the Company operates are highly competitive, with the Company facing competition from both domestic and international companies. Competition in the sports and fitness industry is generally driven by several competitive factors, including the retention of existing customers through offering competitive pricing deals, service delivery style, quality and keeping up with cutting-edge industry advancements by providing high-quality and efficient equipment, machines, innovation and customer service. Some of the Company's competitors may have lower labor and overhead costs, enabling them to offer their services at lower prices than the Company. Additionally, certain competitors may possess financial, technological and human resources that exceed those of the Company. The Company cannot guarantee that its competitors will not develop their expertise and resources in order to offer services that surpass the Company's in terms of pricing and quality. Similarly, there is no assurance that the Company will be able to maintain or enhance its competitive position in the markets in which it offers its services or that it will be able to retain its customer base at current levels. If the Company is unable to address these competitive challenges, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.8 Risks Related to the Imposition of New Fees or Taxes

The Company is currently subject to the regulatory provisions governing Zakat and value-added tax. However, the Government may impose additional fees or taxes on companies in the future. If new taxes or fees are imposed on companies, this may have a material adverse effect on the Company's business, financial position, results of operations and prospects. For example, an increase in the VAT rate may limit demand for the Company's services and affect its profitability and expansion plans, which would have a material adverse effect on its business, financial position, results of operations and prospects.

2.2.9 Risks Related to the Impact of Economic Conditions on the Company's Operations

Given that the Company's operations and activities are concentrated within the Kingdom and all of its revenue is derived from sales and services therein, its financial performance is contingent upon the economic conditions of the Kingdom as well as global economic conditions that indirectly impact the Kingdom's economy. It should be noted that investing in emerging markets, such as the Saudi market, generally entails a higher degree of risk compared to investments in other countries. Given that the oil sector constitutes the largest portion of the Kingdom's GDP, potential fluctuations in oil prices could negatively impact the Kingdom's economy. A prolonged decline in oil prices may lead to an economic recession or depression, resulting in decreased individual and corporate demand for the Company's services. This would have an adverse effect on the Company's business, financial position, results of operations and prospects.

Furthermore, fluctuations in certain economic factors, such as the availability of consumer credit, interest rates, unemployment rates, wage levels, taxes and the cost of basic services including water and electricity, can impact consumer spending and demand for the Company's services. The Company's inability to adapt to market changes may have a material adverse effect on its business, results of operations, financial position and prospects.

Furthermore, there is no assurance that negative developments in international relationships or the economic or political conditions of other countries will not adversely affect the Kingdom's economy or foreign direct investment or the capital markets therein. Similarly, there is no guarantee that such factors will not have an adverse effect on the Company's business, financial position, results of operations, future prospects, and, consequently, the price of the Company's Shares.

It should be noted that any significant, unexpected changes in the political, economic or legal environment of the Kingdom or other Middle Eastern countries could have a material adverse effect on the Company's business, financial position, results of operations and prospects. Such events may include, but are not limited to, ordinary fluctuations in the market, economic downturns, insolvency, high unemployment rates, technological shifts and other developments.

Furthermore, significant changes in tax, trade or customs tariff policies, trade relationships between the Kingdom and other countries, or any changes in domestic policies, such as the imposition of unilateral tariffs on imported goods, and any negative reaction towards the Kingdom as a result of increased customs tariffs on imports and other changes in the Kingdom's trade regulations, could result in a substantial increase in the Company's costs, restrict its access to suppliers, and reduce economic activity. This would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.3 Risks Related to the Offer Shares

2.3.1 Risks Related to Effective Control by the Selling Shareholders Post-Offering

Upon completion of the Offering, the Selling Shareholders will collectively hold 70% of the Company's share capital. As a result, the Selling Shareholders will be able to significantly influence the Company's business through their control over decisions and matters requiring their approval, including, but not limited to, resolutions related to the election of Directors, material corporate transactions, dividend distributions, and amendments to the share capital. If circumstances were to arise in which the interests of the Selling Shareholders conflict with those of the Company's minority Shareholders (including the Subscribers), the minority Shareholders may be disadvantaged, and the Selling Shareholders may otherwise exercise their control over the Company in a manner that would have an adverse effect on the Company's business, financial position, results of operations and prospects, and, consequently, on the price of the Company's Shares.

2.3.2 Risks Related to the Lack of a Previous Market for the Company's Shares and Fluctuations in the Share Price

The Company's shares have not been previously offered or traded on any stock exchange. There is no guarantee that there will be an active and liquid trading market for the Company's Shares following the completion of the Offering. If a market with sufficient liquidity does not develop and is not maintained, this could have an adverse effect on the Share price, which may adversely affect the returns expected by Subscribers or result in the total or partial loss of their investment in the Company.

2.3.3 Risks Related to Fluctuations in the Market Price of the Shares

The Offer Price was determined based on several factors, including the Company's historical performance and business prospects, the industry in which the Company operates and an assessment of the Company's management, operations and financial results. The Offer Price may not be equivalent to the trading price of the Shares after completion of the Offering. In addition, investors may not be able to resell the Offer Shares at a price equivalent to or higher than the Offer Price, or at all.

In general, the Stock Exchange experiences periods of significant price and volume volatility. Market fluctuations could result in substantial changes in the price of the Shares, which may cause in a decline in the value of the Shares, with increased price volatility if trading volume is low. The price of the Shares may be adversely affected by several factors, including the Company's performance, its projected operating results, the departure of key employees, changes in earnings estimates or forecasts, changes in business strategy, industry-specific market conditions, the general economic conditions of the Kingdom, any changes in laws and regulations, acts of terrorism, acts of war, natural disasters, catastrophic events and price fluctuations on the Stock Exchange. The occurrence of any of these risks or other factors could have a material adverse effect on the expected returns of Subscribers or result in the loss of all or part of their investment in the Company.

2.3.4 Risks Related to the Distribution of Cash Dividends

The distribution of dividends is contingent upon several factors, including the Company's ability to achieve profitability, its financial position, statutory reserve requirements, general economic conditions, cash flows, working capital requirements, capital expenditures and such other factors subject to the recommendation of the Board of Directors with respect to the announcement of dividend distributions, as deemed appropriate thereby. The Shareholders may not obtain any return on their investment in the Shares except by selling such shares at a price higher than the purchase price thereof. Accordingly, the Company does not guarantee that it will have sufficient funds to distribute dividends or that it will declare the distribution of any dividends to Shareholders in the near future. Consequently, Subscribers should be mindful of these risks as they could have a material adverse effect on their investment plans and projects (for further information, please refer to Section 7 (*Dividend Distribution Policy*)).

2.3.5 Risks Related to the Offering of Additional Shares in Order to Increase Share Capital

The requirements of the Company may necessitate an increase in its share capital. Factors that may necessitate an increase in the Company's share capital include those related to the expansion of its business beyond its current budget, the imposition of additional capital requirements as a result of new laws or regulations or the significant depletion of existing capital due to unexpected operating losses. The Company may be unable to increase its share capital when needed or in a manner that is beneficial to it or to its Current Shareholders, which could have an adverse effect on the Company's business, financial position, results of operations and prospects, and, consequently, on the price of the Company's Shares.

Furthermore, any future issuance of new shares by the Company, including a secondary offering, could dilute the shareholdings of Subscribers in the in the Company and have a material adverse impact on the trading price of the Shares as a result of future equity offerings or the sale of Shares by Substantial Shareholders. In addition, any perception by subscribers of such a sale or offering may impact the trading price of the Shares. Accordingly, Subscribers should carefully consider such risks, as they could have an adverse effect on the Company's business, financial position, results of operations and prospects, and consequently, on the price of the Company's Shares.

2.3.6 Risks Related to a Substantial Number of Shares Being Sold on the Exchange Following the Lock-up Period

Any future issuance of equity by the Company, including a rights issue, could dilute the shareholdings of Subscribers in the Company and have a material adverse impact on the trading price of the Shares as a result of future equity offerings or the sale of Shares by Substantial Shareholders. Both Special Opportunities Investment Company and Diamond Opportunities Sports Company are subject to a lock-up period of six (6) months from the date of commencement of trading of the Offer Shares. During such period, the Substantial Shareholders may not dispose of any of their shares. Following the end of the Lock-up Period, they may dispose of their shares. Although the Company does not currently plan to issue new shares immediately after the end of the subscription, any change to such policy in the future resulting in the Company making significant issuances of new shares or Special Opportunities Investment Company or Diamond Opportunities Sports Company selling large quantities of Shares following the Lock-up Period would adversely affect the price of the Shares on the Exchange. Accordingly, Subscribers should carefully consider such risks, as they may have a material adverse impact on their investment plans and projects.

2.3.7 Risks Related to Foreign Currency Exchange when Investing in the Offer Shares

The Offer Shares and any dividends distributed will be denominated in Saudi Riyals. Accordingly, any investment in the Offer Shares by an investor whose principal currency is not the Saudi Riyal will be exposed to the exchange rate risk of that foreign currency. This may adversely affect the value of such investor's investment in the Offer Shares or any dividends thereof.

2.3.8 Risks Related to Failure to Publish Research or the Publication of Unfavorable Research About the Company

Following the Offering, the Company's Shares could be affected by research and reports that research analysts publish about the Company or the industry in which it operates. If analysts cease coverage of the Company or fail to regularly publish reports thereon, this could negatively impact the Company's status and visibility on the Stock Exchange (Tadawul), which in turn could cause the price or trading volume of its Shares to decline. Moreover, if the Company's operating results do not meet the expectations of investors, the analysts who cover the Company may change their recommendations thereon, which could result in a decline in the price of the Company's Shares.

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SPORT CLUBS COMPANY

3. Market and Industry Information

The information in this section is based on the report prepared by the Market Consultant (Portas Consulting), exclusively for the Company in the period 19th February to 15th of March 2024G. The Market Consultant provides consulting services in the sports and fitness sector and has extensive experience in the Saudi Arabian Gym market. The Market Consultant was established in 2006G and is headquartered in Dubai, United Arab Emirates. For further details on the Market Consultant, visit (www.portasconsulting.com).

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

The Company and its Board of Directors believe that the information and data obtained or derived from other sources contained in this Prospectus, including that provided by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company or any Director, Senior Executive or other advisor, and thus none of them bears any liability for the accuracy or completeness of the said information.

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. As research has been conducted with an "overall industry" perspective, it may not necessarily reflect the performance of individual companies in the industry. Nothing in this report constitutes valuation or legal advice.

Conclusions shown in this section are the results of the exercise of the best professional judgement of the Market Consultant, based in part upon materials and information provided to them by third party research agencies, Government agencies and others. Prospective investors should be aware that the statistics, data, lists and other information related to markets, market size, market shares, market position and other sectoral data included in this Prospectus (and expectations, assumptions and estimates based on this information) may not be accurate indicators of the Company's future performance in the sector in which it operates. The projections and expectations contained in this section do not guarantee the future performance of the Company.

This section includes future forecasts from the Market Consultant derived from assumptions regarding the expected development of the market relevant to the Company's business. These assumptions are based on all information available up to the date of Prospectus. The main sources on which the Market Consultant builds forecasts include economic and field data provided at sector and Government level. In addition to the field-level forecast models, the main assumptions include expected future changes and trends.

3.1 Macroeconomic Situation

3.1.1 Overview of the Economy

The Kingdom is the largest economy in the Gulf Cooperation Council region, with a total nominal GDP of SAR 4.2 trillion as of 2022G. This represents an increase of 51% from 2020G levels. The Government forecasts an average growth of 2.7% year-on-year nominal GDP from 2022G, with GDP predicted to reach SAR 5.1 trillion as of 2030G. Real GDP growth in the Kingdom is set to grow positively year-on-year up to 2030G at an average rate of 3.1%. This is likely driven by an increased openness to foreign investment and high growth of non-oil sectors, a key component of Vision 2030.

As the Government seeks to diversify the Kingdom's economy, the oil contribution to real GDP is forecasted to fall at a -1.8% CAGR each year to 2030G, whilst non-oil sectors will increase at +1.2% each year. As a result, oil's share of real GDP is expected to decrease from 43.2% as of 2022G to 37.4% as of 2030G.

The following table shows the Kingdom's GDP and oil-GDP indicators from 2020G to 2030G:

Table 3.1: The Kingdom's GDP and Oil's Contribution to GDP (2020G-2030G)

	2020G	2021G	2022G	2023G2	2024G F	2025G F	2026G F	2027G F	2028G F	2029G F	2030G F	CAGR (2020G – 2022G)	CAGR (2022G – 2030G)
Nominal GDP (SAR billion)[1]	2,753	3,257	4,156	4,010	4,161	4,314	4,455	4,615	4,785	4,962	5,146	22.8%	2.7%
Real GDP growth rate (%)	(4.3%)	3.9%	8.7%	0.8%	4.0%	4.2%	3.3%	3.3%	3.1%	3.1%	3.1%	6.3%	3.1%
Oil GDP (%)	41.7%	40.5%	43.2%	42.5%[2]	41.7%	41.0%	40.3%	39.6%	38.9%	38.1%	37.4%	2.4%	(1.8%)
Non-oil GDP (%)	58.3%	59.5%	56.8%	57.5%[2]	58.3%	59.0%	59.7%	60.4%	61.1%	61.9%	62.6%	(1.6%)	1.2%

Source: International Monetary Fund, GASTAT, Ministry of Economic Planning.

(1) Nominal GDP figures have been converted from USD to SAR at an FX of 3.75 (Bloomberg, March 2024G).

(2) Oil and non-oil share of GDP is a forecast for 2023G, whilst Nominal GDP and Real GDP are actuals.

Alongside diversification of the economy, demonstrated by the decreasing share of oil GDP in Table 3.1, the Government's aim, as part of Vision 2030, is to support a vibrant society, improving the quality of life and health of the population. As such, encouraging the growth of the sports sector and physical activity is a key objective, with the sports sector having increased from 0.4% of GDP as of 2015G to 1.5% of GDP as of 2022G.[(1)] The Government aims to further increase physical activity rates, defined by the World Health Organization as 150 minutes of exercise per week, from 34% as of 2022G to 64% as of 2030G.[(2)] To support this, the Kingdom has established a new gym licensing program to encourage private investment and introduced female gyms as of 2017G.

3.1.2 Evolution of Fiscal Policy

The Government announced the Fiscal Sustainability Program (formerly the Fiscal Balance Program) as of 2016G. The Program aims to create secure foundations for the economy, supporting long-term sustainable growth and an increased role for the private sector as the Kingdom diversifies its output. It further aims to enhance job opportunities, whilst ensuring that any Government spend is controlled and efficient.

As of 2022G, Military, Health and Social Development, and Education were the three most significant areas of Government spend, at 20%, 20% and 17% respectively. Health and Social Development spend is expected to increase by 10.3% from 2022G to 2023G, reaching SAR 250 billion, becoming the largest area of spend in that year.[(3)] This is driven by support for the Social Services and improvements in the quality of services in the Health sector. The Government is aiming for a sustained increase in aggregate expenditure, with a 3% growth predicted each year, reaching 1.427 trillion as of 2030G.

Government revenues increased significantly (63%) from SAR 782 billion in 2020G to SAR 1.277 billion in 2022G. This can largely be attributed to external factors, such as a rise in average annual Brent crude oil prices of 140% during the same period, from USD 42 per barrel, to USD 101.[(4)] Projecting beyond 2022G, the Government is forecasting a contraction of 11% in revenues as of 2023G due to oil price normalization, before a 3% year-on-year increase to 2030G. The proportion of Government income from taxes is set to increase from SAR 333 billion as of 2022G to SAR 580 billion as of 2030G. This would increase the share of taxation by 6.1 percentage points on an annual basis over the same timeframe.

Due in part to the Fiscal Sustainability Program, government revenues and expenditure should generally follow a similar trajectory. As a result, the fiscal deficit is set to narrow each year, averaging SAR 23 billion from 2023G to 2030G, compared to SAR 88 billion from 2020G to 2022G. An outcome of this will be a significant slowing in the accumulation of public debt.

1 Vision 2030, HRH Crown Prince Mohammed Bin Salman interview referring to 2015G and future sports contribution to GDP.
2 GASTAT, National Sports Strategy, Sports for All Federation.
3 Ministry of Finance Budget Statement FY 2024G.
4 Statista: Brent Crude Oil Prices.

The following table shows the Kingdom's Government historic and forecasted expenditure, revenues and fiscal surplus / deficit from 2020G to 2030G:

Table 3.2: The Kingdom's Government Expenditures, Revenue and Fiscal Surplus / Deficit (2020G-2030G)

	2020G	2021G	2022G	2023G F	2024G F	2025G F	2026G F	2027G F	2028G F	2029G F	2030G F	CAGR (2020G – 2022G)	CAGR (2022G – 2030G)
Government revenue (SAR billion)	782	965	1,277	1,137	1,152	1,223	1,280	1,333	1,350	1,368	1,385	8.5%	1.0%
Tax Government revenue (%)	24.2%	29.3%	26.1%	32.6%	34.3%	34.3%	34.8%	35.5%	37.2%	39.5%	41.9%	3.9%	6.1%
Non-tax Government revenue (%)	75.8%	70.7%	73.9%	67.4%	65.7%	65.7%	65.2%	64.5%	62.8%	60.5%	58.1%	(1.3%)	(3.0%)
Government expenditure (SAR billion)	1,076	1,039	1,173	1,185	1,218	1,255	1,286	1,324	1,349	1,383	1,417	6.8%	2.4%
Fiscal surplus / deficit (SAR billion)	(294)	(74)	104	(48)	(66)	(32)	(6)	9	1	(13)	(32)	-	-

Source: International Monetary Fund, Ministry of Finance Budget Statement Fiscal Year 2024G.

3.1.3 Demographics

The Kingdom is the largest country in the Gulf Cooperation Council region, with a total population of 36.4 million as of 2022G. This population is expected to continue growing, by 1.3% each year, reaching forecasted levels of 40.5 million as of 2030G. In addition, there are a number of major developments, "Giga-projects", underway in the Kingdom, which could further boost population sizes. This notably includes the development of NEOM, which is projected to reach a population of 2 million as of 2030G and 9 million as of 2045G.

The Kingdom has a youthful demographic, with 68% of the population under the age of 40 as of 2022G. It is predicted that all age groups of the population will grow alongside the overall population. Largest growth rates will be in the older cohorts, with 60+ growing at 2.4% each year and 40-59 at 2.2%.

The gender breakdown across the Kingdom is skewed towards males, with 58.2% of the Kingdom's population male as of 2022G. This gap may widen over time, with an estimated proportion of males of 59.2% as of 2030G. The skewed population is predominantly driven by expats, of whom, 76.5% are male.

A growth in the total workforce is also forecasted across the Kingdom, increasing from 15.9 million as of 2022G to 19 million as of 2030G. Regulatory reforms aimed at increasing female participation in the workforce have been one key component of Vision 2030, with current female workforce participation at 22% as of 2022G and targeted to reach 30% participation by 2030G).[5]

As the economy grows, it is anticipated that per capita disposable incomes across the Kingdom will also rise, from SAR 52.0 thousand as of 2022G to SAR 64.0 thousand as of 2030G, a 2.6% sustained increase.[6]

The following table shows the Kingdom's total population, demographic breakdown and total workforce.

Table 3.3: The Kingdom's Total Population, Gender Breakdown, Saudi/non-Saudi Breakdown and Total Workforce (2020G-2030G)

	2020G	2021G	2022G	2023G F	2024G F	2025G F	2026G F	2027G F	2028G F	2029G F	2030G F	CAGR (2020G – 2022G)	CAGR (2022G – 2030G)
Total Kingdom population (millions)	35.0	36.0	36.4	37.0	37.5	38.0	38.5	39.0	39.5	40.0	40.5	1.4%	1.3%
Kingdom population below 40-years old (millions)	24.2	24.5	24.8	25.0	25.3	25.5	25.7	25.9	26.1	26.3	26.4	1.1%	0.8%
Proportion of males in the Kingdom (%)	57.8%	57.8%	58.2%	58.3%	58.4%	58.6%	58.7%	58.8%	59.0%	59.1%	59.2%	0.4%	0.2%

5 Vision 2030, International Labour Organization.
6 Statista, Disposable Income per Capita. Converted to SAR at an of 3.75 (Bloomberg, March 2024G).

	2020G	2021G	2022G	2023G F	2024G F	2025G F	2026G F	2027G F	2028G F	2029G F	2030G F	CAGR (2020G – 2022G)	CAGR (2022G – 2030G)
Proportion of females in the Kingdom (%)	42.2%	42.2%	41.8%	41.7%	41.6%	41.4%	41.3%	41.2%	41.0%	40.9%	40.8%	(0.6%)	(0.3%)
Proportion of Saudis in the Kingdom (%)	61.2%	63.6%	60.8%	60.3%	59.9%	59.4%	58.9%	58.9%	58.6%	58.2%	57.9%	(2.6%)	(0.6%)
Proportion of non-Saudis in the Kingdom (%)	38.8%	36.4%	39.2%	39.7%	40.1%	40.6%	41.1%	41.1%	41.4%	41.8%	42.1%	4.4%	0.9%
Total workforce in the Kingdom (millions)	16.0	15.7	15.9	16.1	16.5	17.0	17.4	17.8	18.2	18.6	19.0	1.3%	2.2%

Source: Statista, GASTAT, World Bank, OECD, Saudi Census 2022G.

3.2 Sector Key Drivers and Trends

The growth of the Kingdom's fitness sector is supported by developments across three main areas: an increased focus on health and lifestyle; government's active support for sports; and population-based trends. These will be explored in the following sub-sections.

3.2.1 Health & Lifestyle

High Incidence of Obesity and Diabetes

Obesity is highly prevalent in the Kingdom's population across both males and females, at 23.9% and 23.7% of the population respectively as of 2023G. Despite lower obesity rates than other GCC countries, the Kingdom's overall obesity level of 23.7% is higher than the global average of 13.0% - with clear gaps seen between countries that promote active lifestyle campaigns and those that do not.(7) This indicates a public health issue for the Kingdom that needs to be tackled at a national level, increasing the importance of the fitness sector to support in mitigating these concerns.

Closely tied to obesity levels, the Kingdom also faces a higher diabetes rate at 17.7% of the population as of 2023G, compared to the global average of 10.5%. This is incurring a significant health cost to the Kingdom, with SAR 6,376 of diabetes related expenditure spent per person.(8)

Health Focus for Consumers

Interest in tracking physical health is rising in the Kingdom as the population becomes more health conscious. This is seen by the growth in the fitness tracker market to SAR 1.0 billion as of 2023G (consisting of smart bands, smart watches and smart scales). The market has grown at a historic rate of 11.7% between 2020G and 2023G and is expected to continue its upward trajectory.(9)

This rising interest in fitness and health indicates a wider base of individuals engaged in sports, with participation of several sports rising between 2020G and 2022G, such as athletics swimming and football all rising by 5% or more. The development of the Kingdom's sports system can further be seen at an elite level. The number of registered athletes within the Saudi Olympic and Paralympic Committee's sports federations increased by 13.3%, from 297,130 to 336,739 and the number of coaches has increased by 53%, from 1,658 to 2,542, between 2022G and 2023G.(10).

7 World Population Review. Obesity defined as having a BMI of 30+.
8 International Diabetes Federation.
9 Statista: Fitness Trackers Worldwide.
10 Saudi Olympic and Paralympic Committee.

3.2.2 Government Support

Government Investing in Sport and Physical Activity

The Government is building on the growing interest in sport and physical activity by actively investing into the sector across three core areas: sports events, education and participation programs, and sports infrastructure.

Linked to Vision 2030's aims to diversify the economy and attract tourism, the Government is investing into the Kingdom's sports and fitness sector, raising the visibility of high-performance sports and encouraging greater participation. A wide range of events have already been held in the Kingdom, including the Riyadh Marathon, Formula One, the Spanish Super Cup and several major boxing events. This trend is expected to continue, following announcements of the Kingdom's winning bids for the 2027G AFC Asian Cup and the 2034G Asian Games, as well as the official bid submission for the 2034G FIFA World Cup.

The Kingdom has already demonstrated growing participation rates, showing an increase from 25% of the 18+ population exercising for 150 minutes or more per week in 2020G to 34% in 2022G. These levels will need to increase by a further 8% each year to meet the Government's stated target of 64% by 2030G. Alongside a reduction in restrictions for the fitness sector (see next subsection), the Government is also taking proactive measures, such as establishing community sports groups across the country. Increased participation will be further supported by the delivery of additional sports infrastructure, providing greater accessibility for the population.

Government Regulations to Encourage Investments in the Kingdom's Fitness Sector

Building on its significant investment into the sports sector, the Government is also easing regulations and providing incentives to encourage private sector investment in the Kingdom's Fitness Sector.

The Government is relaxing restrictions on the requirements to use land commercially, as well as the availability of land, making it easier to build gyms across the Kingdom. In Riyadh, new zoning guidelines have been introduced by the Municipality to facilitate mixed-use developments, which include commercial, residential, and recreational spaces. This change allows more flexibility in land use, making it easier to establish gyms in various parts of the city.[(11)]

Additionally, there has been a designation of specific zones and areas for sports and fitness-related development, such as Sports Boulevard in Riyadh. Giga projects such as NEOM and Qiddiya will also have extensive amounts of land dedicated to sports and fitness, of which gyms and fitness centers are set to play a crucial role.

The Government is also offering financial incentives, such as reduced corporate tax rates, grants, subsidies and low-interest loans to encourage private sector investment. For example, investment into less-developed regions such as Hail, Jazan and Najran will result in the qualifying investment company receiving tax privileges for a period of ten years from the start of any project, including an offset in tax against training and salary expenses for Saudis.[(12)]

This is being supplemented by a streamlining of the licensing process, including the introduction of female gym licenses as of 2017G that has resulted in around 500 licenses given out as of 2022G. In addition, the Ministry of Sport launched its online NAFES platform as of 2021G, which includes detailed technical standards required for gyms and fitness centers to receive licenses.

Similarly, workforce regulations are being streamlined through the launch of a unified KSA Visa platform, resulting in over 18.6 million visas being issued as of 2023G. This is increasing gyms' ability to attract skilled personnel such as personal trainers and fitness instructors. These policies are expected to encourage greater private investment and competition in the fitness market, which will be discussed further in Section 3.5 (*Competitive Landscape*).

11 Riyadh Region Municipality.
12 Vision 2030, Management Consultant report.

3.2.3 Population

Fitness Engagement of the Young Population

A highly active proportion of the population are typically teens and young adults. This is evidenced by global trends where 61% of gym members are aged between 18-34. The Kingdom has a significant proportion of citizens with this cohort, with 14.5% of the population aged 15-24 as of 2022G. This is notably higher than many global and regional benchmarks, such as the UAE (11.2%) and the UK (11.8%).[13] This demographic provides an ideal target market for the fitness sector as it grows.[14]

Preferences of the younger age groups include a greater openness to modern technology, with 18-34 year olds being the most frequent users of Social Media in the Kingdom and youth preferring card payments over cash. It is likely that these preferences, along with the general maturing of the fitness sector will impact competitors' growth strategies as marketing and customer retention efforts move increasingly to online means.

Growth of the Non-Saudi Population

The non-Saudi population are less likely to have a gym membership than their Saudi counterparts, with around 30% of gym users being non-Saudi (while non-Saudis comprise 40% of the total population).[15] This trend may be linked in part to demographic and socioeconomic factors, as non-Saudis typically have 54% lower monthly wages than the Saudi population, as well the cohort having an average age of 34, eight years older than the Saudi population.[16]

Despite this, the non-Saudi demographic remains of great importance to the fitness sector as the population is expected to grow more rapidly, at 2.2% each year compared to 0.7% for the Saudi population. As the population grows, it is also expected to evolve with the Kingdom likely to attract more specialized, white-collar expats over time, who come from markets with typically higher gym penetration rates (defined as the proportion of gym members within the addressable population). Attracting this new demographic could represent untapped potential and become a key feature in future gym chain marketing strategies.

Increased Exercise Rates of the Female Population

As the female workforce representation rises in line with Vision 2030 aspirations, financial independence is growing. Combining this development with an increased cultural adoption of consumer fitness has seen female memberships grow at a faster pace than males in the Kingdom – at a 15% CAGR from 2017G to 2024G vs. a 4% CAGR for males over the same time period.[17]

As gender-specific gyms present differing consumer needs, there may be a split in the market as certain chains choose to focus on one offering over another. However, it is likely that female gym preferences will evolve over time as the market matures, creating an opportunity for the fitness industry to innovate and capture a rapidly growing segment of the market.

3.3 Industry Overview

3.3.1 Market Segmentation

The gym market in the Kingdom can be categorized into two main sectors:

- Primary gyms, which are typically accessed by purchasing a membership; and
- Secondary gyms, which offer gyms services with minimal if any membership fees. Examples of secondary gyms include hotel gyms, university gyms, military gyms and residential gyms.
- The primary gym market (the main focus of this section) can be further divided into two main areas:
- Independent gyms, which are gyms with typically one or very few locations, often owned by an individual; and
- Chain gyms that include multiple branches and may be run centrally or franchised. Within chain gyms, there are:
  - Generalist gyms, which provide core gyms services and potential additional services, such as swimming pools and luxury services; and
  - Concept gyms, which tend to specialize in one or two fitness areas, such as high-intensity training.

13 Statista: Population Distribution by Age Group.
14 IHRSA 2020G.
15 Market Consultant report.
16 CEIC.
17 Market Consultant report.

- Generalist gyms are typically organized across three segments depending on the monthly membership price:
- High Value Low Cost (HVLC) segment: less than SAR 300 per month;
- Mid-Tier segment: from SAR 300 to SAR 700 per month; and
- Premium segment: more than SAR 700 per month.

The following table provides an overview of the Kingdom's primary gyms market.

Table 3.4: A summary of the Kingdom's primary gyms market

Chain / Independent	Generalist / Concept	Gym Classification	Typical Monthly Price Range(1)	Number of Gyms	% of Gyms in Primary Market
Independent	Predominantly generalist	Independent	SAR 200 – 250	1,294	74.0%
Chain	Generalist	HVLC	< SAR 300	111	6.4%
		Mid-Tier	SAR 300 – 700	239	13.7%
		Premium	SAR 700+	29	1.7%
	Concept	Concept	SAR 550 - 600	75	4.3%
Total	**N/A**	**N/A**	**N/A**	**1,748**	**100%**

Source: Market Consultant report, geo-mapped gyms database.

(1) Prices based on firsthand research of gym chains and sample of independent gyms online. Three-month discounted rates used for market sizing due to availability of data. This has been pro-rated to monthly rates. Often gyms provide further discounts in branches, but this cannot be validated in an unbiased manner across the whole market.

3.3.2 Market Size

Primary market size has been estimated by identifying three core components:

- The number of gyms in the Kingdom;
- The average number of members at these gyms; and
- The annual fees paid per member.

Number of Gyms:

As of 2024G, there are an estimated 1,748 primary market gyms across the Kingdom. This has grown at an 8% CAGR from an estimated 1,100 gyms in 2018G. As of 2024G, 1,294 gyms (74%) are independent, with gyms chains comprising 454 branches (26%). 53% of gym chains are classified within the mid-tier segment. The High Value Low Cost segment is the next most popular, with 111 gym chains (24% of the chain market).

The highest number of gyms are estimated to be in the Riyadh region, which is home to 501 gyms (29% of the primary market). Mecca and Eastern regions have the next highest at 390 (22%) and 354 (20%) respectively. Per capita the Eastern Regions and Northern Borders have the most primary gyms at 6.9 and 6.4 per 100,000 people.

Average number of members per location

There is a significant variation in the number of members, depending on the location and the type of gym. On average, concept and independent gyms are expected to be smaller in size, averaging 629 and 808 members per gym respectively. Premium gyms generally have the next fewest members at 1,189, followed by the High Value Low Cost (2,146) and mid-tier (2,196) segments. Mid-tier gyms are typically more spacious than High Value Low Cost, which often focuses on core gym services alone. Combining these findings with the number of gyms in the Kingdom, it is estimated that there are currently 1.89 million members of primary gyms in the Kingdom. The majority of these members attend independent gyms (55%), whilst mid-tier (28%) and High Value Low Cost (13%) have the most members out of the gym chains, driven by a higher number of branches and greater members per gym.

Annual fees paid per member

Pricing in the Kingdom's fitness sector is competitive, with significant discounts a common strategy to attract customers online and within branches. Discounts are less common in the more expensive, premium segment, which has fewer competitors. Due to the availability of public data and in order to maintain the same methodology applied in previous fitness market studies, prices for each of the segments have been estimated using three-month discounted advertised rates.

Combining the number of gyms, average members per gym and annual fees per member, the Kingdom's gym market has been valued at SAR 7.7 billion. It is predicted to have grown at a CAGR of 11.5% from SAR 3.6 billion as of 2017G to SAR 7.7 billion as of 2022G. This has been supported by a range of factors outlined in Section 3.2 (*Sector Key Drivers and Trends*), such as the growth of female gyms, the Government supporting physical activity and a growing population.

The following table shows the estimated market size of the Kingdom's fitness sector broken down by segment, alongside average prices, number of member and gyms.

Table 3.5: Market Size of the Kingdom's Gym Market by Segment, Average Fees and Numbers of Members and Gyms as of 2024G

Gym Classification	Number of Branches	Average Number of Members per location	Total Members (thousands)	Average Annual Fees1	Market Size (SAR million)	% of Market Size
Independent	1,294	808	1,045	2,820	2,948	38%
HVLC	111	2,146	238	2,836	676	9%
Mid-Tier	239	2,196	525	6,123	3,213	42%
Premium	29	1,189	34	15,727	542	7%
Concept	75	629	47	6,863	324	4%
Total	**1,748**	**1,081**	**1,890**	**4,076**	**7,702**	**100%**

Sources: Market Consultant report, Geo-mapped KSA gyms database.

(1) Prices based on three-month discounted membership rates pro-rated to monthly.

3.3.3 Market Forecast

3.3.3.1 Primary market forecast

Demand

The demand of primary gyms is expected to increase at c.9% per year, driven by three main factors:

- Kingdom Population growth, expected to increase consistently each year;
- Increase in physical activity, requiring a CAGR of 8% from current levels to meet the Government's objectives; and
- An increase in female gym usage, which is predicted to rise from 32% as of 2024G to 41% as of 2030G, growing at a 13% CAGR. This will narrow the gap against global averages, where 51% of the gym market are female.

The following table shows the forecasted number of members of the gym sector broken down by gender.

Table 3.6: Total Forecasted Members of the Primary Gym Market by Gender (2020G-2030G)

Gender of Primary Market Gym Members (millions)	2020G	2021G	2022G	2023G	2024G	2025G F	2026G F	2027G F	2028G F	2029G F	2030G F	CAGR (2020G – 2024G)	CAGR (2024G – 2030G)
Male members	1.17	1.22	1.24	1.26	1.28	1.36	1.45	1.54	1.63	1.72	1.81	2%	6%
Female members	0.43	0.49	0.53	0.56	0.61	0.69	0.78	0.88	1.00	1.13	1.28	9%	13%
Total gym members	**1.60**	**1.71**	**1.77**	**1.83**	**1.89**	**2.05**	**2.23**	**2.42**	**2.621**	**2.85**	**3.09**	**4%**	**9%**

Source: Market Consultant report.

(1) Male / female members may not exactly align with total gym members in all instances due to rounding differences.

A result of the forecasted rise in demand will be an increase in gym penetration rates for the Kingdom, from 6.9% of the addressable market having a gym membership as of 2024G, to 10.2% as of 2030G.

Supply

On the supply-side, the capacity of gyms is expected to increase 9% year-on-year to meet growing demand. This exceeds growth from 2020G to 2024G of 6% per year. The increased growth is supported by a reduction in regulations, evidenced by the introduction of a simpler gym licensing system as of 2021G.

Pricing

Preferences for exercise may also change over time, with consumers expected to increase loyalty towards established gym chains and transfer demand to slightly higher priced offerings as incomes and spending power continue to increase. Inflation, forecasted at 2.2% on average from 2022G to 2030G will further support an increase in prices, estimated at 3.6% per year. This is slightly below historic price rises, which increased at a rate of 4.7% from 2021G to 2024G.

Combining these factors (i.e., demand, supply and pricing), the Kingdom's fitness market is forecasted to grow at a CAGR of 12.4% annually, from SAR 7.7 billion as of 2024G to SAR 15.5 billion as of 2030G. This represents an increase slightly above historic rates, where a CAGR of 11.5% can be observed from 2017G to 2024G. The highest growth rates are likely to be seen in gym chains, which are forecasted to grow at a 15% CAGR, with independent gyms increasing at 7% each year. The premium and concept segments are estimated to increase at the highest rates of 22% and 24% respectively. This is likely due to the nascence of the sector, with a combined customer base of 82,000, compared to the more established High Value Low Cost (HVLC) and mid-tier segments, which comprise 763,000 customers. The mid-tier segment will gain the most by market size, with an increase of SAR 3.1 billion from 2024G to 2030G, accompanied by a 358,000 increase in members.

The following table shows the forecasted market size of the primary gym sectors over time.

Table 3.7: Total Forecasted Market Size of the Primary Gym Market by Segment in SAR billion (2020G-2030G)

Primary Market Segment	2020G	2021G	2022G	2023G	2024G	2025G F	2026G F	2027G F	2028G F	2029G F	2030G F	CAGR (2020G – 2024G)	CAGR (2024G – 2030G)
Independent1	2.7	2.7	2.8	2.9	2.9	3.2	3.4	3.6	3.9	4.1	4.4	3%	7%
HVLC	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.1	1.3	1.6	1.8	9%	18%
Mid-Tier	2.0	2.2	2.5	2.9	3.2	3.6	4.0	4.5	5.0	5.6	6.3	12%	12%
Premium	0.3	0.4	0.4	0.5	0.5	0.7	0.8	1.0	1.2	1.5	1.8	12%	22%
Concept	0.2	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.8	0.9	1.2	8%	24%
Total	**5.8**	**6.1**	**6.6**	**7.1**	**7.7**	**8.6**	**9.6**	**10.8**	**12.2**	**13.7**	**15.5**	**8%**	**12%**

Source: Market Consultant Report.

(1) Segments and gyms classified within these may differ slightly between historic studies, affecting historic market sizes. Segment breakdown may not exactly align with totals due to rounding differences.

3.3.3.2 Secondary Market Forecast

The secondary gym market comprises 1,279 gyms as of 2024G. This includes 69% hotel gyms, 16% university gyms, 10% gyms in private resident buildings and 5% military gyms. The secondary market is predicted to grow at a 3.8% CAGR in terms of number of gyms between 2024G and 2030G. Hotel increases are driven by the Government investing SAR 110 billion into tourism over the next five years. University places are expected to increase each year; growth in residential gyms will be supported by a rising non-Saudi population and a modest increase in military personnel is forecasted over time.

3.4 Key Performance Indicators

There are a wide variety of Key Performance Indicators (KPIs) that the fitness industry uses to measure performance. Three of the most commonly used KPIs have been selected for effective comparison across the market: membership revenue, revenue per location and average number of members per location.

Revenues are based on membership fees, however ancillary revenues may provide additional opportunities for gyms. This includes areas such as personal training sessions, nutrition and retail. Additional growth potential exists in these areas as consumers become more physically active and disposable incomes rise.

Revenues per Member

For effective comparison, revenues have been calculated by considering additional in-branch discounts (on top of discounts advertised online). These prices have been informed by available financial data for gyms in the Kingdom. When utilizing this measure, a sustained increase in membership revenue each year from 2024G to 2030G is expected. The industry average will increase by a 3.6% CAGR from 211 SAR per month as of 2024G to 260 SAR per month as of 2030G. The biggest rises can be seen in the fastest growing, premium and concept segments, supported by an increase in demand for higher priced offerings in those areas.

Average Members per Location

As supply is expected to respond effectively to rising demand on a national scale, the number of members per location in the Kingdom's fitness market will slightly increase at a 0.9% CAGR from 2024G to 2030G. The key factor for this increase is a shift in the market towards chain gyms, which typically have higher members per location on average. This has been driven by a rise in international entrants and the economies of scale afforded to chain gyms, which give them a natural advantage in constructing new gyms.

Revenues per Location

Revenues per location is a byproduct of the number of revenues per member and members per location. It is therefore expected to follow the same trend, with average annual increases in revenues per location (4.5% across the industry) exceeding expected annual inflation (2.2%).

The table below outlines the KPIs in the primary gym market as of Q1 2024G, along with a forecast to 2030G.

Table 3.8: KPIs per primary gym segment as of Q1 2024G with a forecast to 2030G

Primary Market Segment	Membership Revenue (Monthly)[1]			Average Number of Members per Location			Revenues per Location (SAR m)		
	2024G	2030G F	CAGR (2024G – 2030G)	2024G	2030G F	CAGR (2024G – 2030G)	2024G	2030G F	CAGR (2022G – 2030G)
Independent	176	199	2.0%	808	808	0%	1.7	1.9	2.0%
HVLC	128	144	2.0%	2,146	2,200	0.4%	3.3	3.8	2.4%
Mid-Tier	258	306	2.9%	2,196	2,039	(1.2%)	6.8	7.5	1.6%
Premium	1,002	1,329	4.8%	1,189	1,223	0.5%	14.3	19.5	5.3%
Concept	276	362	4.6%	629	644	0.4%	2.1	2.8	5.0%
Industry Average	211	260	3.6%	1,081	1,142	0.9%	2.7	3.6	4.5%

Source: Market Consultant report, expert interviews, desk research.

(1) For effective comparisons, fully discounted prices have been estimated per segment using an additional discount factor baselined against available financial data.

3.5 Competitive Landscape

The Company is the second biggest player in the market with an estimated 10.9% market share by market size. The Company has approximately 109,000 active members throughout 2023G and 55 locations as of 2024G. Its gym chains have three main offerings, operating in the High Value Low Cost (Body Masters Express) and mid-tier (Body Motions, Body Masters) segments across both male and female gyms. The Company has increased its number of branches significantly, with 35% of its gyms opened in the last 4 years, from 2020G to 2023G.

Body Experts is another of the Company's business lines. It is a business-to-business operation, capitalizing on its expertise in the wider Kingdom fitness sector. It provides fitness solutions to the market, with activities including contracting with entities to equip and manage their in-house gyms, such as King Abdullah Financial District and Al-Ula or taking over the operation of existing gyms. Body Experts therefore serves to benefit from the wider growth of the Fitness Industry, as described in Section 3.3.3 (*Market Forecast*) and is predicted to grow steadily in the future.

In terms of current market share in the High Value Low Cost segment, the Company is the fourth biggest player by number of locations at 9.0% as of 2024G. The Company has a higher market share by number of locations within the mid-tier segment, which is a key focus area. It has the second largest chain market share at 19.3% as of 2024G.

In terms of total revenues for fitness centers, the Company is the second largest gym chain with 10.9% market share, behind Leejam (53.3%). The Company is predicted to remain the second biggest player in the chain gym market, keeping pace with the overall industry growth.

The High Value Low Cost and mid-tier segments, where the Company operates are expected to see the rise of new competitors that will have to overcome several challenges specific to the Saudi market like the need for local knowledge, the Saudization requirements, the Kingdom-specific cultural norms and the extensive use of traditional payment methods.

The table below details the market shares of the leading gym chains in the Kingdom by market size as of Q1 2024G.

Table 3.9: Gym Chain Market Shares by Revenue as of Q1 2024G

Ranking	Gym chain	Q1 2024G Market share by Revenue (%)
1	Leejam (Fitness Time)	53.3%
2	Sport Clubs Company (Body Masters, Body Motions)	10.9%
3	Kun Sports (In2Fitness, Core)	7.4%
4	Armah (B_Fit, Optimo)	3.9%
5	PureGym	3.3%
6	Gold's Gym	3.1%
7	9Round	3%
8	Power Gym	1.7%
9	Interval Plus Crossfit	1.2%
10	Other	12.2%

Source: Market Consultant report.

(1) Excludes independent gyms.

شركة الأندية للرياضة
SPORT CLUBS COMPANY

4. Overview of the Company and the Nature of its Business

4.1 Overview of the Company and its Business

Sport Clubs Company is a Saudi closed joint-stock company converted pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G), and registered under Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), issued in Riyadh in the Kingdom of Saudi Arabia. The Company's headquarters and registered office are located on Imam Saud bin Faisal Road, Al Sahafah District, P.O. Box 79, Riyadh 13321, Kingdom of Saudi Arabia. As of the date of this Prospectus, the Company's share capital is SAR 104,000,000, divided into 104,000,000 ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. After the Offering, the Company's share capital will be SAR 114,400,000, divided into 114,400,000 ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share.

As of the date of this Prospectus, the Company has one Subsidiary, Third Sports Amaken Company (for further details regarding the Subsidiary, please refer to Section 4.7.1 (*Overview of the Subsidiary*)). The Company's business is divided into two main segments:

- **Establishing, Managing and Operating Fitness Clubs**: The Company is engaged in the establishment, management and operation of its own fitness clubs. These include men's fitness clubs under the "**Body Masters**" brand and women's fitness clubs under the "**Body Motions**" brand (for further information regarding the Company's establishment, management and operation of fitness clubs, please refer to Section 4.8.1 (*Establishing, Managing and Operating Fitness Clubs*)**).**
- **Comprehensive Fitness Facility Services (provided by Body Experts)**: The Company provides a range of comprehensive services under the "Body Experts" brand, including fitness consultancy and design and construction of gyms, fitness centers and other fitness facilities for its clients ("**Sports Facilities**"), either directly or through subcontractors. Additionally, the Company offers services such as planning and layout of fitness equipment, furnishing and supply of fitness equipment, and fitness facility operation and maintenance (for further information regarding the services of Body Experts, please refer to Section 4.8.2 (*Comprehensive Fitness Facility Services (provided by Body Experts)*)).

With over 30 years of expertise, the Company is regarded as one of the top players in the sports and fitness industry in the Kingdom. Body Masters, owned by the Company, was launched in 1994G as the first fitness club chain specializing in establishing, managing and operating fitness clubs in the Kingdom. Body Masters clubs provide a wide range of men's sports, fitness and health services under two main categories, namely "Body Masters Premium" and "Body Masters Express". Body Masters is one of the most well-known and widely distributed fitness clubs in the Kingdom. As of the date of this Prospectus, there were 40 Body Masters fitness clubs in the Kingdom, with an average area of approximately 2,500 square meters per club and a total area in excess of 100,000 square meters across several cities and regions, such as Riyadh, Jeddah, Dammam, Mecca, Buraidah, Unaizah, Ar-Rass, Khobar, Al-Ahsa, Tabuk, Hafar Al-Batin, Najran, Khamis Mushait and Medina (for further information regarding Body Masters clubs, please refer to Section 4.8.1.1 (*Fitness Club Categories*)).

With the continued growth and expansion of the Body Masters club chain across the Kingdom, the Company launched Body Motions in 2020G, a chain specializing in establishing, managing and operating women's fitness clubs in the Kingdom. Body Motions fitness clubs have witnessed rapid growth and expansion since their launch, with 12 fitness clubs opened in the first two years alone. As of the date of this Prospectus, there are 16 Body Motions fitness clubs with an average area of approximately 2,300 square meters per club and a total area in excess of 35,000 square meters across numerous regions and cities, including Riyadh, Jeddah, Dammam, Buraidah, Unaizah, Al-Ahsa and Tabuk (for further information regarding Body Motions fitness clubs, please refer to Section 4.8.1.1 (*Fitness Club Categories*)).

In 2020G, the Company launched an additional business segment under the umbrella of the Body Experts brand, through which it provides comprehensive fitness solutions and a number of integrated services to its clients in relation to their fitness facilities. The Company's business model and competitive advantage with respect to Body Experts Services are based on providing the services clients require for the establishment, equipment and operation of their fitness facilities. This aligns with client preferences, as they often entrust such projects to the Company due to its specialized and deep-rooted experience in managing and operating fitness facilities without the need for clients to contract and deal with multiple parties to implement related projects (for further information regarding Body Experts, please refer to Section 4.8.2 (*Comprehensive Fitness Facility Services (provided by Body Experts)*)).

Saudi Vision 2030 paved the way for the sports and fitness sector in the Kingdom through focusing on several goals, including promoting the practice of sports with the aim of building a vibrant sports community, in addition involving different age groups in various sports activities. The Quality of Life Program comprises a number of strategic pillars that will have an impact on the sports and fitness sector since the program aims at developing the lifestyle of individuals in the Kingdom through several aspects, including providing opportunities for citizens and residents to engage in sports on a regular basis. From this standpoint, the Company intends to provide value to the communities in which it operates by providing opportunities for increased participation in fitness activities and exercise while also positively impacting treatable lifestyle diseases such as obesity and diabetes, in line with Saudi Vision 2030 and initiatives related to the Quality of Life Program.

The Company achieved revenues of SAR 204.4 million, SAR 268.0 million, SAR 270.6 million and SAR 238.4 million in the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company's earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SAR 74.8 million, SAR 103.9 million, SAR 109.3 million, and SAR 94.2 million during the same periods, respectively. The total value of the Company's assets amounted to SAR 666.9 million, SAR 665.9 million, SAR 757.1 million and SAR 844.1 million as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively, while the Company's total liabilities amounted to SAR 558.6 million, SAR 540.0 million, SAR 613.7 million and SAR 687.7 million as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G, respectively.

4.2 Vision, Mission and Values

4.2.1 Vision

Providing a spacious and welcoming environment for training and physical activity, enabling our community members to improve their quality of life, maintain their overall health and enhance their physical fitness in the most convenient ways. Our widespread centers embody a meeting place for those seeking to maintain a healthy and sustainable lifestyle, and a destination for companies supporting their employees in achieving this goal.

4.2.2 Mission

Encouraging our community members to adopt a healthy lifestyle and promoting regular physical activity while providing a distinctive and unique experience to our customers—both beginners and experts alike—in the fields of sports and fitness through a passionate, skilled and experienced team.

4.2.3 Values

Our values are a set of core principles that serve as a guiding compass for Company employees and Management in conducting business, namely:

- **Prioritizing the Interests of our Shareholders**: Striving to maximize Shareholder value through the sustainable growth of the Company's business, operations and assets.
- **Serving our Customers**: Understanding and fulfilling our customers' needs, ensuring their satisfaction and exceeding their expectations.
- **Caring about our Employees**: Valuing and nurturing Company employees as the Company's most valuable assets and the cornerstone of its success and growth.
- **Serving our Community**: Commitment to the principle of sport for all and providing an environment that accommodates all community members to promote the overall health of our society.
- **Developing our Services**: Continuously improving the Company's products and services by employing the latest fitness technologies and attracting top talent.
- **Adopting the Highest Standards**: Adhering to the highest quality standards in all of the Company's service offerings and continuous improvement thereof.
- **Communicating with all Parties**: Listening to the Company's Shareholders, customers, employees and community and responding to their feedback.

4.2.4 Strengths and Competitive Advantages

The Company is a leading player in the sports and fitness industry in the Kingdom, thanks to its competitive advantages and strengths, which are rooted in providing a unique and integrated experience for all members of society tailored to their aspirations, needs, and abilities. The Company seeks to leverage this advantage by capitalizing on the abundant and ever-growing opportunities in the sector, particularly with the increasing interest among individuals in adopting a healthy and balanced lifestyle, coupled with the challenges faced by individuals related to rising obesity rates and limited availability of sports facilities, and in alignment with the goals of Saudi Vision 2030 to improve the quality of life and overall health of the community. The Company's strengths and competitive advantages include:

4.2.4.1 A Long-Established Brand and Multiple Options

Since its inception, the Company has focused on consolidating its position within the sports and fitness sector in the Kingdom. As of 30 September 2024G, by leveraging over 30 years of experience and development, the Company has successfully established one of the largest fitness club chains in the Kingdom, comprising 56 clubs spread across most cities and provinces in the Kingdom. These clubs span over 135,000 square meters and serve more than 125,000 active members. As of the beginning of 2024G, the Company had a market share of 10.9% in terms of revenue from the sports and fitness sector, making it the second largest in the industry. The Company attributes its leading position to several factors, most notably its ongoing commitment to establishing and operating high-quality fitness clubs that are affordable for all segments of society.

The Company offers three categories of fitness clubs: Premium and Express for men's clubs under the Body Masters brand, and women's clubs under the Body Motions brand. These categories are described below:

- **Body Masters Premium Clubs**: This is the highest tier of Body Masters clubs, granting members exclusive access to premium facilities and specialized training programs. Body Masters Premium members enjoy unlimited access to all Body Masters Premium and Express clubs across the Kingdom. Body Masters Premium members have access to a wide range of premium facilities, amenities and services, such as swimming pools, soccer pitches, billiards, table tennis, and wellness areas complete with hot and cold jacuzzis, steam rooms and saunas. Additionally, members have access to key facilities, including the group fitness studio, strength training, cardio, spinning and functional fitness zones. Complementary services are also available to such members (for further information regarding the services and benefits offered by Body Masters, please refer to Section 4.8.1.2 (*Fitness Club Environment*)). This category is a pivotal component of the Company's growth strategy and a significant contributor to its revenue, given the higher membership fees associated therewith. Revenue generated from Body Masters Premium clubs amounted to SAR 134.4 million, SAR 157.2 million, SAR 165.8 million and SAR 130.0 million for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 65.7%, 58.7%, 61.3% and 54.6% of the Company's total revenue for the same periods, respectively.
- **Body Masters Express Clubs**: This category offers excellent value for money through affordable and competitive pricing without compromising on the quality of services provided. It grants members access to Body Masters Express clubs only throughout the Kingdom. As of the date of this Prospectus, there are seven Body Masters Express clubs located in various regions across the Kingdom (for further information regarding the services and benefits offered by Body Masters Express clubs, please refer to Section 4.8.1.2 (*Fitness Club Environment*)). This category targets a broad segment of customers who prioritize price when deciding on membership. Body Masters Express clubs contribute to the Company's revenue growth by increasing the overall number of the Company's memberships. Revenue generated from Body Masters Express clubs amounted to SAR 38.5 million, SAR 38.3 million, SAR 30.2 million, and SAR 21.1 million for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 18.8%, 14.3%, 11.2% and 8.9% of the Company's total revenue for the same periods, respectively.
- **Body Motions Clubs**: In 2020G, the Company launched a new specialized chain focused on the establishment, management and operation of women's fitness clubs in the Kingdom, known as Body Motions. Since its launch, this chain has experienced rapid growth and expansion, with 12 fitness clubs opened within the first two years alone. As of the date of this Prospectus, there are 16 Body Motions clubs, with a total area in excess of 35,000 square meters, spanning multiple cities and regions, including Riyadh, Jeddah, Dammam, Qassim, Al-Ahsa, and Tabuk (for further information regarding the services and benefits offered by Body Motions clubs, please refer to Section 4.8.1.2 (*Fitness Club Environment*)). This category represents a primary revenue driver for the Company due to the growing demand for women's fitness clubs and the Company's early entry into this emerging and promising market. Revenue generated from Body Motions clubs amounted to SAR 31.4 million, SAR 69.6 million, SAR 71.8 million and SAR 66.3 million for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 15.3%, 26.0%, 26.5% and 27.8% of the Company's total revenue for the same periods, respectively.

4.2.4.2 Exceptional Services at Competitive Pricing

The Company sets itself apart by providing exceptional services that cater to the diverse needs of various segments of society at affordable prices, along with year-round promotional offers and discounts. The Company strives to enhance customer retention rates and foster long-term relationships with customers through loyalty programs. These programs incentivize Company customers to continue using its services and enhance their satisfaction with the Company's service offerings. Additionally, the Company aims to motivate its customers to maintain a healthy and active lifestyle through various loyalty programs and offers, such as special subscriptions renewal offers and the 'Refer a Friend' program. This program automatically awards additional free days to members who refer new members. Furthermore, the Company hosts a range of competitive, sporting and social events and activities within its fitness clubs.

This enables the Company to strike a balance between providing high-quality services and maintaining affordable prices, enhancing its ability to retain and expand its customer base. As a result, the Company has become the preferred choice for those seeking a distinctive fitness experience that caters to their needs and budget. This has resulted in a customer retention rate of 73% as of 31 December 2023G and 63% as of 30 September 2024G (for further information regarding the membership plans and pricing of the Company's various fitness clubs, please refer to Section 4.8.1.3 (*Membership Model and Pricing*)).

4.2.4.3 Accessible and Geographically Expansive Strategic Locations

The number and distribution of gyms play a significant role in the Company's growth and sustainability. The Company boasts an extensive network of fitness clubs spanning 17 cities across the Kingdom, enabling it to reach new markets, attract new customers, target diverse demographics, meet the needs of various individuals, retain existing customers and strengthen its brand. Moreover, it allows the Company to capitalize on the rapid growth of major cities within the Kingdom by leveraging economies of scale. The high population density in these metropolitan areas enables the Company to optimize the utilization of its facilities and enjoy greater pricing flexibility.

In locating its clubs, the Company seeks to maximize the benefit of the above factors by examining available sites, including consideration of the demand in new geographic areas, the presence of competitors, the purchasing power of potential customers, and the availability of sites suitable for the establishment of fitness clubs. The Company employs innovative technological tools to study and execute its geographic expansion. Recently, the Company has begun utilizing advanced artificial intelligence technologies developed by leading global service providers to analyze geographic data and assess the feasibility of expansion in various locations. This enables the Company to select optimal locations for expansion while controlling related costs. Based on the aforementioned analysis, a decision is made regarding whether or not to proceed with a particular location, and the specifications of the proposed club are determined, including the category and size thereof (for further information regarding the Company's approach to selecting and leasing locations for its fitness clubs, please refer to Section 4.8.1.5(a) (*Selection and Leasing of Fitness Club Locations*)).

4.2.4.4 Passionate, Competent and Experienced Management Team

The Company has a highly competent and passionate management team with extensive experience in the sports and fitness sector and the dynamics of the Saudi market. The majority of the Executive Management team has served the Company for more than ten years, which has provided them with a deep understanding of the Company's business and the competitive situation in the sports and fitness sector. This job stability has reflected on the sustainability and continuity of the Company's business and has provided an attractive employment environment that has enabled it to maintain low turnover rates. Thanks to this stability and managerial excellence, the Company has been able to maintain a leading position and expand its services in line with the aspirations and needs of its customers. The Company intends to complement and build on this by attracting the best local and international talent.

4.2.4.5 Strong Relationships with Suppliers

The Company obtains a variety of fitness machines and equipment with the latest technology and the best specifications from a number of suppliers in order to meet the needs of customers. The Company invests in its relationships with these local and international suppliers. The Company's extensive relationships and considerable market share allow it to obtain benefits and advantages that are not available to all buyers, such as flexibility in negotiating prices and quantities in line with its requirements and targets, as well as preferential terms and conditions, faster access and flexible delivery schedules, particularly in the event of supply chain disruptions, in addition to faster responses to maintenance requests, thus granting the Company a preferential advantage and enabling it to respond and adapt to industry changes.

Such equipment and machines are available in all Body Masters and Body Motions clubs, providing a comprehensive and exceptional fitness experience for all members, and are also included within Body Experts offerings.

4.2.4.6 Providing Comprehensive Sports Solutions that Meet all of the Needs of Customers' Fitness Clubs, Centers and Facilities

Continuing its successful track record of growth in managing and operating fitness clubs over the years, the Company launched an additional business segment in 2020G under the brand 'Body Experts'. This segment provides comprehensive fitness solutions and a full suite of services to its clients, including fitness facility design, operation and maintenance, supply of fitness equipment, and fitness equipment layout planning and implementation, along with consulting services for all of the aforementioned.

Body Experts' business model and competitive advantage are rooted in providing business clients with comprehensive solutions for the construction, equipment and operation of their fitness facilities. Clients outsource such projects to the Company due to its specialized and extensive experience in establishing, managing and operating fitness facilities, eliminating the need for them to engage with multiple parties and enter into various legal agreements to accomplish these tasks. Leveraging the trust associated with its brands, the Company attracts corporations and entities seeking to establish and equip fitness clubs, as part of its ongoing commitment to providing comprehensive services that cater to all customer needs. The Company has successfully garnered the trust of strategic clients such as King Abdullah Financial District Company and the Royal Commission for AlUla, as well as other Government and private entities (for further information regarding Body Experts Services, please refer to Section 4.8.2 (*Comprehensive Fitness Facility Services (provided by Body Experts)*)).

4.2.5 Strategy

The Company's growth strategy is based on the following key pillars:

4.2.5.1 Prioritizing Subscribers and Customer Experience

The Company continuously monitors the level of services it offers as part of its goal to expand its customer base by maintaining existing customers and attracting new customers. The Company measures the level of services offered through various means, including:

1. Net Promoter Score (NPS).
2. Measuring the satisfaction of new members.
3. Surveying members whose subscriptions have expired.

In 2023G, the Company established a Quality Assurance and Standards Department. The primary objective of this Department is to maintain the level of the Company's fitness clubs and the services it provides, standardize service quality measures and management and monitoring procedures in connection therewith in order to enhance the customer experience and ensure customer satisfaction, thereby offering a unique and exceptional environment and experience to customers.

The Company has focused on enhancing the customer experience by striving to offer added value to customers and by fulfilling and exceeding customer expectations. The Company considers its relationship with its customers to be a cornerstone of its strategy. It continuously strives to strengthen its relationship with customers by providing a comprehensive suite of services while also monitoring customer satisfaction through data analysis and responding to customer feedback in order to enhance the overall customer experience. This enables the Company to address any shortcomings and capitalize on opportunities for improvement in a timely manner. The Company has adopted innovative marketing strategies and effective strategic communication plans aimed at attracting new customers and strengthening relationships with existing customers. This includes establishing a strong presence on social media and participation in community events, thus enhancing its ability to connect and engage with all of society.

In its pursuit of creating exceptional customer experience, the Company is committed to providing innovative new services and programs, leveraging the latest equipment and technology and adhering to industry best practices in the sports and fitness sector.

4.2.5.2 Continuous Growth and Expansion within the Kingdom and Abroad

The Company aims to expand both domestically and internationally by establishing fitness clubs in new regions and cities as well as by strengthening its presence in its existing locations, particularly in densely populated urban areas. Moreover, the Company has recently adopted an international expansion strategy with the aim of entering new markets. Expansion will enable the Company to increase its market share, diversify revenue streams, achieve operational efficiency, strengthen its brand, invest in technology and innovation and improve the customer experience through an expanded network of clubs.

Domestic Expansion

With over three decades of experience and an extensive network spanning 17 cities across the Kingdom, the Company has established itself as a leading player in the sports and fitness industry. The Company plans to sustain and build on its success by opening a minimum of ten new clubs each year for the next five years, whether through the establishment of clubs by the Company or through the acquisition of other clubs or chains.

The Company aims to expand its network of clubs across the Kingdom to ensure accessibility for all segments of society. As of the date of this Prospectus, the Company has secured 13 new locations, which are scheduled to commence operations as fitness clubs in 2025G and 2026G (for further information regarding the new fitness clubs slated for opening, please refer to Section 4.13 (*Future Plans and Initiatives*)). This reflects the Company's commitment to enhancing operational efficiency and sustaining growth, enabling it to deliver the highest levels of service.

The Company continuously monitors the latest trends in the sports and fitness industry, exploring opportunities to introduce new services and training programs and enhance existing services and training programs at its fitness clubs, as well as developing and automating its various operations and promoting its services and fitness clubs.

As part of its expansion plans, the Company has launched the Body Masters Martial Arts Academy, dedicating spaces within its clubs to teaching self-defense and martial arts, including Brazilian jiu-jitsu, Muay Thai, boxing and MMA.

Overseas Expansion

The Company's plans to expand and enter GCC and MENA markets by concluding franchise agreements with third parties, making available to them its practical, technical and technological knowledge and granting them the right to use its trademark. Under these contracts, franchisees shall bear the costs of investing this knowledge, pay the agreed fees to the Company, maintain the confidentiality and privacy of its trademarks and adhere to the Company's operating model.

The Company deems franchise agreements to be the first step towards strengthening its regional footprint, introducing its trademark to new markets and meeting the needs of segments of members from different countries.

4.2.5.3 Technological Development and Innovation

The Company is committed to staying abreast of industry developments and leveraging emerging trends to enhance its operational processes and procedures, particularly in light of the rapid pace of technological advancements. This enables the Company to provide a superior customer experience.

To this end, the Company seeks to develop its digital structures and facilities to ensure their sustainability and operational efficiency, including digital transformation of all its business, such as the use of analytical tools, in order to ensure the sound management of its resources and efficiency of their operation. The Company has also adopted an ERP software, which helps automate its human resources operations, including sales, procurement, warehousing, financial management, customer relationship management and marketing.

The Company launched a new smartphone application during Q2 of 2024G, which enables its current and prospective customers to benefit from a number of services, including: (1) memberships and membership renewals; (2) fitness club locater through maps and virtual tours of fitness clubs using 3D maps; and (3) viewing fitness class schedules. The Company plans to add additional services in the phase two of the application, such as enabling the development of integrated fitness programs that are consistent with member requirements, accompanied by a detailed explanation of how to use the equipment via video clips. The Company launched its website in Q3 of 2024G and it also intends to launch websites for the Body Masters and Body Motions clubs. Through these platforms, the Company's customers will be able to manage their memberships, track their progress and organize their fitness programs with ease (for further information regarding the smartphone application and the websites of Body Masters and Body Motions gyms, please refer to Section 4.12.1 (*Technology, Member Management Systems and Tools*)).

4.2.5.4 Business Development through Strategic Partnerships with Leading Local and Global Companies

The Company benefits from an extensive network of local and international partners, service providers and suppliers, enabling it to provide its customers with a distinctive and high-quality range of fitness equipment, machines and training programs, as well as qualification and development programs for its trainers.

A. World-Class Group Fitness Classes and Training Programs

The Company's strategic partnerships with leading international companies in the sports and fitness sector have enabled it to provide its customers with innovative group fitness classes and training programs developed according to the highest international standards, providing an exceptional and effective training experience that achieves members' goals. Such partnerships have also enabled the adoption of the latest global training technologies and practices, thus enabling the Company to advance its capabilities to provide various fitness options, including yoga, pilates and cardio, to name a few. These fitness programs are tailored to meet the individual needs of each member and to support them in achieving their health and fitness goals within a welcoming and stimulating environment.

B. Development and Qualification Programs for Trainers and Employees

The Company has solidified its position as the pioneer in the sports and fitness sector in the Kingdom by increasing the proficiency of both its in-house and out-of-house trainers through implementing ongoing training and qualification programs as a means of advancing their skills and abilities. To this end, the Company establishes strategic collaborations and partnerships with training academies, institutes and global brands specializing in qualifying and developing the skills and knowledge of the Company's trainers and employees. This impact extends to include out-of-house trainers, which contributes to raising the quality of fitness services and ensuring the Company's leadership in the sports and fitness sector.

Through these programs, the Company is keen to ensure that such trainers are up-to-date with the latest approaches and techniques in sports and physical rehabilitation, which is directly reflected in the training and fitness programs provided to customers.

The Company is also keen to provide continuous training for its trainers and staff by holding workshops and educational courses in order to ensure the improvement of the quality of the Company's trainers and enhance its leadership position within the sports and fitness sector. The Company also regularly attends international conferences, which opens up new avenues for collaboration, creativity and development while allowing it to explore the newest trends and breakthroughs in the sports and fitness sector and share ideas and experiences with industry leaders.

4.2.5.5 Targeting Diverse Groups and Segments

The Company continuously seeks to explore new ways to engage with its customers, respond to their needs, foster loyalty and attract new clientele. To this end, it identifies the specific needs of each customer segment and provides tailored fitness services and programs to meet the individual requirements of each customer.

A. Retail Segment

Retail customers represent the bulk of the Company's clientele. The Company strives to ensure the satisfaction and loyalty of customers. To this end, it offers customers services that suit their requirements and needs, as well as providing various membership tiers in terms of pricing and services. Furthermore, the Company has various offerings for customers with the aim of motivating them to achieve their membership goals. The Company also aims to attract new retail customers by promoting memberships and personal training package offerings.

B. Government and Private Corporate Segment

Government entities and private companies support their employees in achieving their fitness and health goals in a way that improves their quality of life. This reflects on the work environment of such entities. The Company is a reliable partner for a number of these entities in achieving this goal. To this end, it provides a wide range of benefits and various offerings that meet the requirements of such entities and their employees.

These packages include competitively priced offerings that enable the employees of such entities to subscribe at special prices. This segment is further subdivided into two categories: (1) entities that enter into agreements with the Company for the provision of memberships for a set number of employees in return for a specific fee paid by such entities; and (2) entities that enter into agreements with the Company for the provision of memberships for a set number of employees in return for specific fees paid by such employees.

The Company presents a variety of offerings, including discounts for group memberships. This diversity in offerings aims at providing a comprehensive experience that enhances the wellbeing of employees of such entities and companies and achieves their objectives, including improving the quality of life of their employees, which in turn reflects in their work environment and overall health.

C. Private Corporate Segment (Body Experts Clients)

The Company attracts businesses and entities looking to establish, outfit or operate fitness facilities with the power of its brands and extensive knowledge of the sports and fitness sector. This comes as part of its efforts to offer all-inclusive services that satisfy the demands of a diverse set of clientele. The Company has gained the trust of strategic clients including King Abdullah Financial District Company, the Royal Commission for AlUla, and other public and private entities. The Company also expects significant growth within the sector in line with Saudi Vision 2030, particularly in light of its success in the projects it has implemented. The Company looks forward to meeting the needs of this segment in a way that maximizes the Company's revenue and growth.

4.3 Corporate History and Evolution of Share Capital

4.3.1 Summary of the Company's Key Milestones

The following is a summary of the key changes and milestones of the Company since its incorporation:

Table 4.1: Key Changes and Milestones

Date	Change
1994G	– The Company's sports centers commenced their activities through six fitness centers, five of which were under the name "Body Masters Fitness Center" and one under the name "Safwa Sports Center", pursuant to licenses issued by the General Presidency of Youth Welfare (currently the Ministry of Sports).
2001G	– The Company was established as a limited liability company under the name "Sport Clubs Company" with Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), and a share capital of SAR 500,000, divided into 100 in-kind shares with a nominal value of SAR 5,000 per share, through the merger and transfer of the aforementioned sport centers, along with their rights and obligations, into the Company's share capital upon its incorporation.
2006G	– Increase of the Company's share capital from SAR 500,000 to SAR 10,000,000.
2008G	– Increase of the Company's share capital from SAR 10,000,000 to SAR 74,000,000. – Increase of the Company's share capital from SAR 74,000,000 to SAR 104,000,000. – Rebranding of Body Masters clubs, including a new logo and adoption of a vision and approach towards comprehensive fitness services.
2013G	– Restructuring of the Company's Executive Management, resulting in administrative stability for the Company, with the Executive Management team formed as a result of the restructuring having remained in place from 2013G to date.
2014G	– Opening of the Martial Arts Academy, a school where students are taught and trained to practice various martial arts.
2016G	– Entry into a new geographical market, with the first fitness club in the western region being opened under the Body Masters brand.
2020G	– Launch of a new chain of fitness clubs under the Body Motions name, which specializes in the establishment, management and operation of women's fitness clubs in the Kingdom. – Number of active memberships of the Company's fitness clubs reached 100,000 memberships. – Continued geographical expansion of the Company's fitness clubs, reaching 17 cities across the Kingdom. – The Company launched an additional business segment under the umbrella of Body Experts, through which it provides comprehensive fitness solutions and a set of integrated services to its clients with respect to their fitness facilities.
2022G	– Conversion of the Company from a limited liability company to a closed joint-stock company.
2024G	– Reduction of the nominal value of the Company's Shares from SAR 10 per Share to SAR 1 per Share. – The Extraordinary General Assembly approved the increase of the Company's share capital from SAR 104,000,000 to SAR 114,400,000, divided into 114,400,000 shares with a nominal value of SAR 1 per share, through the issuance of 10,400,000 ordinary Shares to be offered for public subscription.

Source: The Company.

4.3.2 Changes in the Company's Ownership Structure, Share Capital and Legal Form Since its Incorporation

The following is a presentation of the changes in the Company's ownership structure, share capital and legal form from its incorporation to date:

4.3.2.1 Incorporation and Founding

The Company's sport centers commenced their activities in 1994G through six fitness centers, five of which were under the name "Body Masters Fitness Center" and one under the name "Safwa Sports Center", pursuant to licenses issued by the General Presidency of Youth Welfare (currently the Ministry of Sports).

Pursuant to the Memorandum of Association notarized on 29/01/1422H (corresponding to 23/04/2001G), the Company was established as a limited liability company under the name "Sport Clubs Company" with Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), and a share capital of SAR 500,000, divided into 100 in-kind shares with a nominal value of SAR 5,000 per share, through the merger and transfer of the aforementioned sport centers, along with their rights and obligations, into the Company's share capital upon its incorporation. Mohammed Abdulaziz Saleh Al-Haqbani, the owner of the aforementioned fitness centers before their merger and conversion, sold 25 shares to Saad Suleiman Saleh Al-Haqbani, 25 shares to Waleed Ali Mohammed Al-Haqbani, 13 shares to Tariq Abdullah Abdulrahman Al-Omar and 12 shares to Adel Abdullah Abdulrahman Al-Omar, in exchange for cash consideration. The Company's ownership structure after incorporation and transfer of the shares was as follows:

Table 4.2: Ownership Structure of the Company as of 29/01/1422H (corresponding to 23/04/2001G)

Partner	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Mohammed Abdulaziz Saleh Al-Haqbani	25	5,000	125,000	25.00%
Saad Suleiman Saleh Al-Haqbani	25	5,000	125,000	25.00%
Waleed Ali Mohammed Al-Haqbani	25	5,000	125,000	25.00%
Tariq Abdullah Abdulrahman Al-Omar	13	5,000	65,000	13.00%
Adel Abdullah Abdulrahman Al-Omar	12	5,000	60,000	12.00%
Total	**100**	**-**	**500,000**	**100%**

Source: The Company.

4.3.2.2 Change in Ownership and Share Capital Increase (February 2006G)

Pursuant to the Partners' resolution dated 21/01/1427H (corresponding to 20/02/2006G), Waleed Ali Mohammed Al-Haqbani sold all of his shares in the Company, amounting to 25 shares (representing 25.00% of the Company's share capital at the time), 12 shares to Abdullah Abdulaziz Saleh Al-Haqbani (representing 12.00% of the Company's share capital at the time) and 13 shares Abdullah Suleiman Saleh Al-Haqbani (representing 13.00% of the Company's share capital at the time), in exchange for cash consideration. The nominal value of the Company's shares was also reduced from SAR 5,000 to SAR 1,000 per share, and the Company's share capital was increased from SAR 500,000 to SAR 10,000,000, divided into 10,000 shares with a nominal value of SAR 1,000 per share. The share capital increase of SAR 9,500,000 was paid-up through cash contributions from the Partners. The ownership structure of the Company after the share transfer and share capital increase was as follows:

Table 4.3: Ownership Structure of the Company as of 21/01/1427H (corresponding to 20/02/2006G)

Partner	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Mohammed Abdulaziz Saleh Al-Haqbani	2,500	1,000	2,500,000	25.00%
Saad Suleiman Saleh Al-Haqbani	2,500	1,000	2,500,000	25.00%
Abdullah Suleiman Saleh Al-Haqbani	1,300	1,000	1,300,000	13.00%
Tariq Abdullah Abdulrahman Al-Omar	1,300	1,000	1,300,000	13.00%
Abdullah Abdulaziz Saleh Al-Haqbani	1,200	1,000	1,200,000	12.00%
Adel Abdullah Abdulrahman Al-Omar	1,200	1,000	1,200,000	12.00%
Total	**10,000**	**-**	**10,000,000**	**100%**

Source: The Company.

4.3.2.3 Share Capital Increase (June 2008G)

Pursuant to the Partners' resolution dated 04/06/1429H (corresponding to 08/06/2008G), the Partners agreed to increase the Company's share capital from SAR 10,000,000 to SAR 74,000,000, divided into 74,000 shares with a nominal value of SAR 1,000 per share. The increase of SAR 64,000,000 was paid-up from the retained earnings account. The ownership structure of the Company after the share capital increase was as follows:

Table 4.4: Ownership Structure of the Company as of 04/06/1429H (corresponding to 08/06/2008G)

Partner	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Mohammed Abdulaziz Saleh Al-Haqbani	18,500	1,000	18,500,000	25.00%
Saad Suleiman Saleh Al-Haqbani	18,500	1,000	18,500,000	25.00%
Abdullah Suleiman Saleh Al-Haqbani	9,620	1,000	9,620,000	13.00%
Tariq Abdullah Abdulrahman Al-Omar	9,620	1,000	9,620,000	13.00%
Abdullah Abdulaziz Saleh Al-Haqbani	8,880	1,000	8,880,000	12.00%
Adel Abdullah Abdulrahman Al-Omar	8,880	1,000	8,880,000	12.00%
Total	**74,000**	**-**	**74,000,000**	**100%**

Source: The Company.

4.3.2.4 Change in Ownership and Share Capital Increase (June 2008G)

Pursuant to the Partners' resolution dated 25/06/1429H (corresponding to 29/06/2008G), Mohammed Abdulaziz Saleh Al-Haqbani and Saad Suleiman Saleh Al-Haqbani sold all of their shares in the Company, amounting to 37,000 shares (representing 50.00% of the Company's share capital at the time), to Projects Contracting & Trading Co., in exchange for cash consideration. The Partners Abdullah Suleiman Saleh Al-Haqbani, Tariq Abdullah Abdulrahman Al-Omar, Abdullah Abdulaziz Saleh Al-Haqbani and Adel Abdullah Abdulrahman Al-Omar also sold all of their shares in the Company, amounting to 37,000 shares (representing 50.00% of the Company's share capital at the time), to Amwal AlKhaleej Commercial Investment Company, in exchange for cash consideration.

The Company's share capital was also increased from SAR 74,000,000 to SAR 104,000,000, divided into 104,000 shares with a nominal value of SAR 1,000 per share. The increase of SAR 30,000,000 was paid-up through cash contributions. The ownership structure of the Company after the share transfer and share capital increase was as follows:

Table 4.5: Ownership Structure of the Company as of 25/06/1429H (corresponding to 29/06/2008G)

Partner	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Amwal AlKhaleej Commercial Investment Company	62,400	1,000	62,400,000	60.00%
Projects Contracting & Trading Co.	41,600	1,000	41,600,000	40.00%
Total	**104,000**	**-**	**104,000,000**	**100%**

Source: The Company.

4.3.2.5 Change in Ownership (February 2013G)

Pursuant to the Partners' resolution dated 16/04/1434H (corresponding to 26/02/2013G), Projects Contracting & Trading Co. sold all of its shares in the Company, amounting to 41,600 shares (representing 40.00% of the Company's share capital at the time), to Middle East Financial Investment Company, in exchange for cash consideration. The ownership structure of the Company after the share transfer was as follows:

Table 4.6: Ownership Structure of the Company as of 16/04/1434H (corresponding to 26/02/2013G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Amwal AlKhaleej Commercial Investment Company	62,400	1,000	62,400,000	60.00%
Middle East Financial Investment Company	41,600	1,000	41,600,000	40.00%
Total	**104,000**	**-**	**104,000,000**	**100%**

Source: The Company.

4.3.2.6 Change in Ownership (December 2015G)

Pursuant to the Partners' resolution dated 20/03/1437H (corresponding to 31/12/2015G), Amwal AlKhaleej Commercial Investment Company transferred all of its shares in the Company, amounting to 62,400 shares (representing 60.00% of the Company's share capital at the time), to Al-Amwal Al-Khaleejiah II Ltd, without consideration. The ownership structure of the Company after the share transfer was as follows:

Table 4.7: Ownership Structure of the Company as of 20/03/1437H (corresponding to 31/12/2015G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Al-Amwal Al-Khaleejiah II Ltd	62,400	1,000	62,400,000	60.00%
Middle East Financial Investment Company	41,600	1,000	41,600,000	40.00%
Total	**104,000**	**-**	**104,000,000**	**100%**

Source: The Company.

4.3.2.7 Change in Ownership (April 2018G)

Pursuant to the Partners' resolution dated 09/08/1439H (corresponding to 25/04/2018G), Middle East Financial Investment Company transferred all of its shares in the Company, amounting to 41,600 shares (representing 40.00% of the Company's share capital at the time), to Special Opportunities Investment Company without consideration. The ownership structure of the Company after the share transfer was as follows:

Table 4.8: Ownership Structure of the Company as of 09/08/1439H (corresponding to 25/04/2018G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Al-Amwal Al-Khaleejiah II Ltd	62,400	1,000	62,400,000	60.00%
Special Opportunities Investment Company	41,600	1,000	41,600,000	40.00%
Total	**104,000**	**-**	**104,000,000**	**100%**

Source: The Company.

4.3.2.8 Change in Ownership (December 2019G)

Pursuant to the Partners' resolution dated 26/04/1441H (corresponding to 23/12/2019G) Al-Amwal Al-Khaleejiah II Ltd transferred all of its shares in the Company, amounting to 62,400 shares (representing 60.00% of the Company's share capital at the time) to Elaf Al-Khaleej Commercial Investment Company without consideration. The ownership structure of the Company after the share transfer was as follows:

Table 4.9: Ownership Structure of the Company as of 26/04/1441H (corresponding to 23/12/2019G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Elaf Al-Khaleej Commercial Investment Company	62,400	1,000	62,400,000	60.00%
Special Opportunities Investment Company	41,600	1,000	41,600,000	40.00%
Total	**104,000**	**-**	**104,000,000**	**100%**

Source: The Company.

4.3.2.9 Change in Ownership (July 2020G)

Pursuant to the Partners' resolution dated 29/11/1441H (corresponding to 20/07/2020G), Elaf Al-Khaleej Commercial Investment Company sold a portion of its shares in the Company, amounting to 35,880 shares (representing 34.50% of the Company's share capital at the time), to Diamond Opportunities Sports Company, in exchange for cash consideration. The ownership structure of the Company after the share transfer was as follows:

Table 4.10: Ownership Structure of the Company as of 29/11/1441H (corresponding to 20/07/2020G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)
Special Opportunities Investment Company	41,600	1,000	41,600,000	40.00%
Diamond Opportunities Sports Company	35,880	1,000	35,880,000	34.50%
Elaf Al-Khaleej Commercial Investment Company	26,520	1,000	26,520,000	25.50%
Total	**104,000**	**-**	**104,000,000**	**100%**

Source: The Company.

4.3.2.10 Change in Ownership and Conversion from a Limited Liability Company to a Closed Joint-Stock Company (September 2022G)

Pursuant to the Partners' resolution dated 22/02/1444H (corresponding to 18/09/2022G), Diamond Opportunities Sports Company transferred one of its shares in the Company with a total value of SAR 1,000 to Silver Opportunities Investment Company without consideration. Approval was also granted to convert the Company from a limited liability company to a closed joint-stock company with a share capital of SAR 104,000,000, divided into 10,400,000 shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The conversion of the Company was announced pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G). The ownership structure of the Company after the share transfer and conversion into a closed joint-stock company was as follows:

Table 4.11: Ownership Structure of the Company as of 22/02/1444H (corresponding to 18/09/2022G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)(1)
Special Opportunities Investment Company	4,160,000	10	41,600,000	40.0000%
Diamond Opportunities Sports Company	3,587,900	10	35,879,000	34.4990%
Elaf Al-Khaleej Commercial Investment Company	2,652,000	10	26,520,000	25.5000%
Silver Opportunities Investment Company	100	10	1,000	0.0010%
Total	**10,400,000**	**-**	**104,000,000**	**100%**

Source: The Company.

(1) The ownership percentages have been rounded.

4.3.2.11 Change in Ownership (July 2024G)

On 23/01/1445H (corresponding to 29/07/2024G), Elaf Al-Khaleej Commercial Investment Company, as part of an internal restructuring, transferred a portion of its shares in the Company, amounting to 1,799,297 shares (representing 17.30% of the Company's share capital) to Abdulkadir Al Muhaidib & Sons Company, Al Fozan Holding Co., Ammar Abdulwahed Faleh Al-Khudairy, Omran Muhammad Abdulrahman Al-Omran, Prince Sultan Mohammed Saud Al Kabeer Al Saud, Abdullatif Alissa Group Holding Co., Abdulaziz Alsaghyir Commercial Investment Co., Abdullah Saad Abdulrahman Al-Rashid and Fahad Abdullah Abdullatif Almubarak. Elaf Al-Khaleej Commercial Investment Company did not receive cash compensation for the share transfer; rather, the transfer occurred as part of the internal restructuring. The ownership structure of the Company after the share transfer was as follows:

Table 4.12: Ownership Structure of the Company as of 23/01/1445H (corresponding to 29/07/2024G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)(1)
Special Opportunities Investment Company	4,160,000	10	41,600,000	40.0000%
Diamond Opportunities Sports Company	3,587,900	10	35,879,000	34.4990%
Elaf Al-Khaleej Commercial Investment Company	852,703	10	8,527,030	8.1991%
Abdulkadir Al Muhaidib & Sons Company	474,251	10	4,742,510	4.5601%
Al Fozan Holding Co.	474,251	10	4,742,510	4.5601%
Ammar Abdulwahed Faleh Al-Khudairy	331,932	10	3,319,320	3.1916%
Omran Muhammad Abdulrahman Al-Omran	136,689	10	1,366,890	1.3143%
Prince Sultan Mohammed Saud Al Kabeer Al Saud	91,126	10	911,260	0.8762%
Abdullatif Alissa Group Holding Co.	91,126	10	911,260	0.8762%
Abdulaziz Alsaghyir Commercial Investment Co.	91,126	10	911,260	0.8762%
Abdullah Saad Abdulrahman Al-Rashid	91,126	10	911,260	0.8762%
Fahad Abdullah Abdullatif Almubarak	17,670	10	176,700	0.1699%
Silver Opportunities Investment Company	100	10	1,000	0.0010%
Total	**10,400,000**	**-**	**104,000,000**	**100%**

Source: The Company.

(1) The ownership percentages have been rounded.

4.3.2.12 Change in Share Nominal Value and Capital Increase (August 2024G)

Pursuant to the resolution of the Company's Extraordinary General Assembly dated 18/02/1446H (corresponding to 22/08/2024G), the nominal value of the Company's shares was reduced from ten Saudi Riyals (SAR 10) per share to one Saudi Riyal (SAR 1) per share. The ownership structure of the Company after the change in nominal value was as follows:

Table 4.13: Ownership Structure of the Company as of 18/02/1446H (corresponding to 22/08/2024G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)(1)
Special Opportunities Investment Company	41,600,000	1	41,600,000	40.0000%
Diamond Opportunities Sports Company	35,879,000	1	35,879,000	34.4990%
Elaf Al-Khaleej Commercial Investment Company	8,527,030	1	8,527,030	8.1991%
Abdulkadir Al Muhaidib & Sons Company	4,742,510	1	4,742,510	4.5601%
Al Fozan Holding Co.	4,742,510	1	4,742,510	4.5601%
Ammar Abdulwahed Faleh Al-Khudairy	3,319,320	1	3,319,320	3.1916%
Omran Muhammad Abdulrahman Al-Omran	1,366,890	1	1,366,890	1.3143%
Prince Sultan Mohammed Saud Al Kabeer Al Saud	911,260	1	911,260	0.8762%

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)[1]
Abdullatif Alissa Group Holding Co.	911,260	1	911,260	0.8762%
Abdulaziz Alsaghyir Commercial Investment Co.	911,260	1	911,260	0.8762%
Abdullah Saad Abdulrahman Al-Rashid	911,260	1	911,260	0.8762%
Fahad Abdullah Abdullatif Almubarak	176,700	1	176,700	0.1699%
Silver Opportunities Investment Company	1,000	1	1,000	0.0010%
Total	**104,000,000**	**-**	**104,000,000**	**100%**

Source: The Company.

(1) The ownership percentages have been rounded.

Approval was also granted to increase the Company's share capital from SAR 104,000,000 to SAR 114,400,000, divided into 114,400,000 shares with a nominal value of SAR 1 per share, through the issuance of 10,400,000 new ordinary shares to be offered for public subscription. The ownership structure of the Company pre- and post-Offering, as well as the New Shares after the Offering, are set out in Ownership Structure of the Company as of 23/01/1445H (corresponding to 29/07/2024G).

4.3.2.13 Change in Ownership (February 2025G)

On 21/08/1446H (corresponding to 20/02/2025G), Elaf Al-Khaleej Commercial Investment Company completed its internal restructuring by transferring two million, eight hundred and thirty-six thousand and twelve (2,836,012) shares (representing 2.73% of the Company's share capital) to Ammar Abdulwahed Faleh Al-Khudairy, Omran Muhammad Abdulrahman Al-Omran, Prince Sultan Mohammed Saud Al Kabeer Al Saud, Abdullatif Alissa Group Holding Co., Abdulaziz Alsaghyir Commercial Investment Co., Abdullah Saad Abdulrahman Al-Rashid and Fahad Abdullah Abdullatif Almubarak. Elaf Al-Khaleej Commercial Investment Company did not receive cash compensation for the share transfer; rather, the transfer occurred as part of the internal restructuring. The Company's ownership structure after the transfer of shares was as follows:

Table 4.14: Ownership Structure of the Company as of 21/08/1446H (corresponding to 20/02/2025G)

Shareholder	No. of Shares	Value per Share (SAR)	Total Value (SAR)	Ownership (%)[1]
Special Opportunities Investment Company	41,600,000	1	41,600,000	40.0000%
Diamond Opportunities Sports Company	35,879,000	1	35,879,000	34.4990%
Elaf Al-Khaleej Commercial Investment Company	5,691,018	1	5,691,018	5.4721%
Abdulkadir Al Muhaidib & Sons Company	4,742,510	1	4,742,510	4.5601%
Al Fozan Holding Co.	4,742,510	1	4,742,510	4.5601%
Ammar Abdulwahed Faleh Al-Khudairy	4,425,764	1	4,425,764	4.2555%
Omran Muhammad Abdulrahman Al-Omran	1,822,526	1	1,822,526	1.7524%
Prince Sultan Mohammed Saud Al Kabeer Al Saud	1,215,017	1	1,215,017	1.1683%
Abdullatif Alissa Group Holding Co.	1,215,017	1	1,215,017	1.1683%
Abdulaziz Alsaghyir Commercial Investment Co.	1,215,017	1	1,215,017	1.1683%
Abdullah Saad Abdulrahman Al-Rashid	1,215,017	1	1,215,017	1.1683%
Fahad Abdullah Abdullatif Almubarak	235,604	1	235,604	0.2265%
Silver Opportunities Investment Company	1,000	1	1,000	0.0010%
Total	**104,000,000**	**-**	**104,000,000**	**100%**

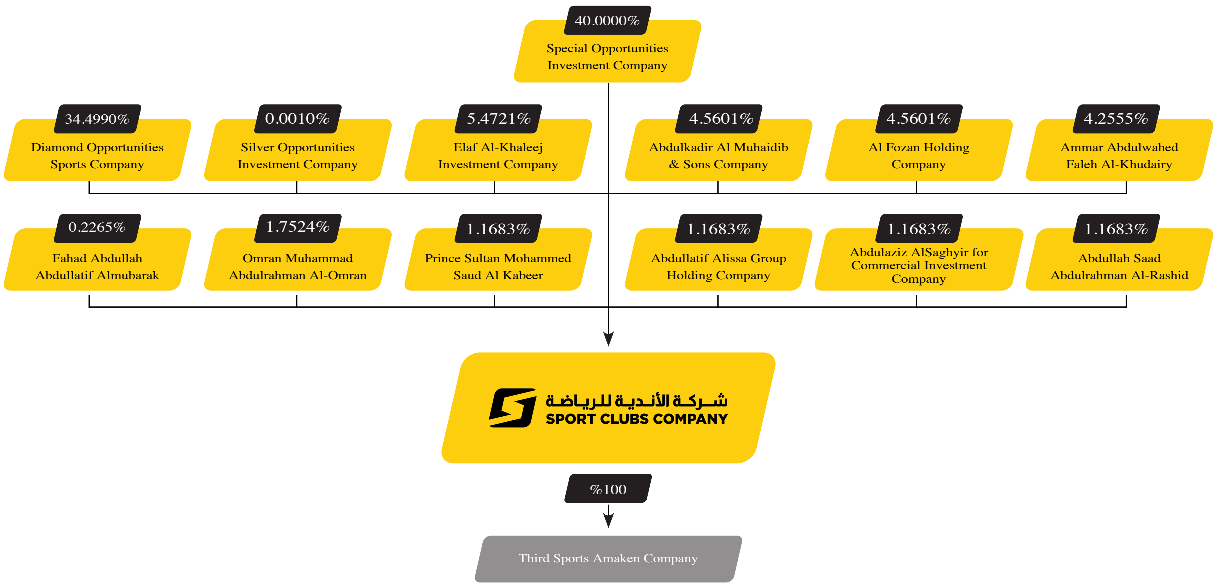
Source: The Company.

(1) The ownership percentages have been rounded.

4.4 Ownership Structure of the Company Pre- and Post-Offering

As of the date of this Prospectus, the Company's share capital is SAR 104,000,000, divided into 104,000,000 ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. Following the Offering, the Company's share capital will be SAR 114,400,000, divided into 114,400,000 ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share. It should be noted that the Company has no authorized share capital. The following chart sets out the Company's ownership structure as of the date of this Prospectus:

Figure 4.1: Ownership Structure of the Company as of the Date of this Prospectus



Source: The Company.

The following table sets out the Company's direct ownership structure pre- and post-Offering:

Table 4.15: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)[1]	Total Nominal Value (SAR)
Special Opportunities Investment Company	41,600,000	40.0000%	41,600,000	32,032,000	28.0000%	32,032,000
Diamond Opportunities Sports Company	35,879,000	34.4990%	35,879,000	27,626,830	24.1493%	27,626,830
Elaf Al-Khaleej Commercial Investment Company	5,691,018	5.4721%	5,691,018	4,382,084	3.8305%	4,382,084
Abdulkadir Al Muhaidib & Sons Company	4,742,510	4.5601%	4,742,510	3,651,733	3.1921%	3,651,733
Al Fozan Holding Co.	4,742,510	4.5601%	4,742,510	3,651,733[2]	3.1921%	3,651,733
Ammar Abdulwahed Faleh Al-Khudairy	4,425,764	4.2555%	4,425,764	3,407,838	2.9789%	3,407,838
Omran Muhammad Abdulrahman Al-Omran	1,822,526	1.7524%	1,822,526	1,403,345 [2]	1.2267%	1,403,345
Prince Sultan Mohammed Saud Al Kabeer Al Saud	1,215,017	1.1683%	1,215,017	935,563 [2]	0.8178%	935,563
Abdullatif Alissa Group Holding Co.	1,215,017	1.1683%	1,215,017	935,563 [2]	0.8178%	935,563
Abdulaziz Alsaghyir Commercial Investment Co.	1,215,017	1.1683%	1,215,017	935,563 [2]	0.8178%	935,563
Abdullah Saad Abdulrahman Al-Rashid	1,215,017	1.1683%	1,215,017	935,563 [2]	0.8178%	935,563
Fahad Abdullah Abdullatif Almubarak	235,604	0.2265%	235,604	181,415 [2]	0.1586%	181,415

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)(1)	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)(1)	Total Nominal Value (SAR)
Silver Opportunities Investment Company	1,000	0.0010%	1,000	770	0.0007%	770
Public(3)	-	-	-	34,320,000	30.00%	34,320,000
Total	**104,000,000**	**100%**	**104,000,000**	**114,400,000**	**100%**	**114,400,000**

Source: The Company.

(1) The ownership percentages have been rounded.

(2) These shares are considered public shares under the CMA regulations.

(3) The "public" row reflects the number and percentage of shares to be offered to the public under the Offering, namely 34,320,000 shares, representing 30% of the Company's share capital. This does not include the shares which will be owned by certain Current Shareholders after the Offering who meet the definition of Public under the CMA regulations. These shareholders include Al Fozan Holding Co., Omran Muhammad Abdulrahman Al-Omran, Prince Sultan Mohammed Saud Al Kabeer Al Saud, Abdullatif Alissa Group Holding Co., Abdulaziz Alsaghyir Commercial Investment Co., Abdullah Saad Abdulrahman Al-Rashid and Fahad Abdullah Abdullatif Almubarak. Thus, the total number of shares owned by the Public after the Offering will be 43,298,745 shares, representing 37.8486% of the Company's share capital.

4.5 Substantial Shareholders Owning 5% or More of the Company's Share Capital Pre- and Post-Offering

The following table sets out the details of the Substantial Shareholders pre- and post-Offering:

Table 4.16: Details of the Substantial Shareholders Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%)(1)	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)(1)	Total Nominal Value (SAR)
Special Opportunities Private Investment Company	41,600,000	40.0000%	41,600,000	32,032,000	28.0000%	32,032,000
Diamond Opportunities Sports Company	35,879,000	34.4990%	35,879,000	27,626,830	24.1493%	27,626,830
Elaf Al-Khaleej Commercial Investment Company(2)	5,691,018	5.4721%	5,691,018	4,382,084	3.8305%	4,382,084
Total	**83,170,018**	**79.9711%**	**83,170,018**	**64,040,914**	**55.9798%**	**64,040,914**

Source: The Company.

(1) The ownership percentages have been rounded.

(2) Elaf Al-Khaleej Commercial Investment Company will no longer be a Substantial Shareholder after the Offering.

4.6 Overview of Corporate Shareholders

This section sets out the details of the corporate Shareholders who directly own the Company's shares as of the date of this Prospectus.

4.6.1 Special Opportunities Investment Company

Special Opportunities Investment Company is a limited liability Company registered under Commercial Registration No. 1010496477, dated 14/04/1438H (corresponding to 12/01/2017G). The headquarters and registered office of Special Opportunities Investment Company are located in Salah Ald-Din Al Ayyubi Road, Riyadh, Kingdom of Saudi Arabia. The current share capital of Special Opportunities Investment Company is SAR 50,000, divided into 500 shares with a fully paid nominal value of SAR 100 per share.

According to its Commercial Register, the activities of Special Opportunities Investment Company include property management, and management and leasing of owned or leased residential and non-residential real estate.

The following table sets out the ownership structure of Special Opportunities Investment Company as of the date of this Prospectus:

Table 4.17: Ownership Structure of Special Opportunities Investment Company as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
AlBilad Investment Company	495	100	49,500	99%
Ibrahim Abdullah Rashid Al-Hadithi[(1)]	5	100	500	1%
Total	**500**	**-**	**50,000**	**100%**

Source: The Company.

(1) As of the date of this Prospectus, Ibrahim Abdullah Rashid Al-Hadithi owns 1% of the share capital of Special Opportunities Investment Company, as Special Opportunities Investment Company was established pursuant to the Companies Law issued by Royal Decree No. M/6, dated 22/03/1385H (corresponding to 21/07/1965G), which required the presence of two or more partners for the establishment of a limited liability company.

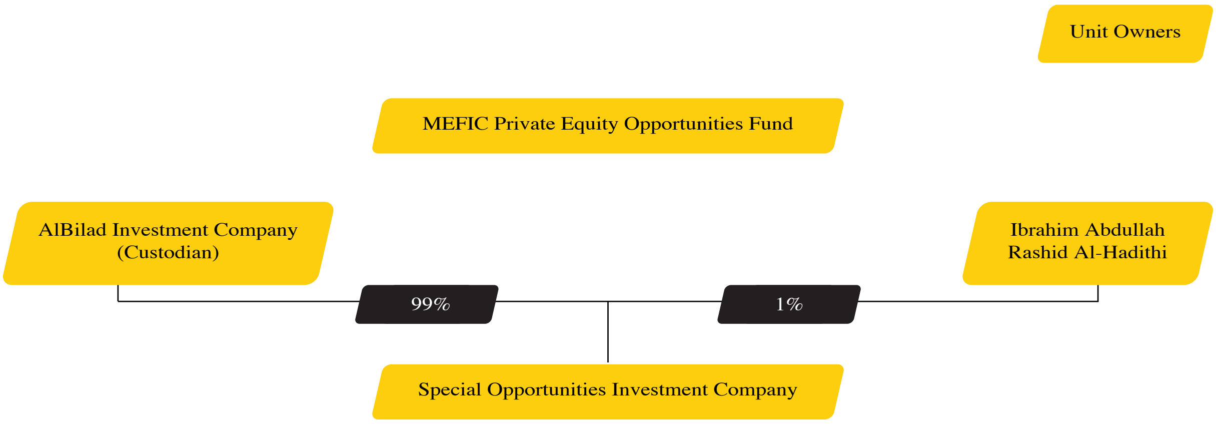
AlBilad Investment Company owns 99% of the share capital of Special Opportunities Investment Company as the custodian of MEFIC Private Equity Opportunities Fund for the purpose of registration and maintenance of the Fund's assets (including shares representing 40% of the Company's share capital), in accordance with the Investment Funds Regulations, which stipulate that the custodian must segregate each investment fund's assets from its own assets and from the assets of its other clients, and ownership in unlisted companies must be registered in the name of a company owned by the custodian. AlBilad Investment Company is a closed joint-stock company registered under Commercial Registration No. 1010240489, dated 18/11/1428H (corresponding to 20/11/2007G), and licensed by the CMA under License No. 37-08100 to provide, inter alia, custody services.

The manager of MEFIC Private Equity Opportunities Fund is Middle East Financial Investment Company (MEFIC Capital), a closed joint-stock company registered under Commercial Registration No. 1010237038, dated 02/08/1428H (corresponding to 14/08/2007G), and licensed by the CMA under License No. 37-06029 to provide, inter alia, investment management and fund operation services.

As of the date of this Prospectus, none of the unit holders of MEFIC Private Equity Opportunities Fund holds an indirect ownership percentage (resulting from their ownership of the units of MEFIC Private Equity Opportunities Fund) equal to or greater than 5% of the Company's shares, except for Middle East Financial Investment Company (MEFIC Capital), which owns 11.7210% of the units of MEFIC Private Equity Opportunities Fund, representing an indirect ownership of 4.6415% of the Company's shares pre-Offering.

The following figure sets out the ownership structure of Special Opportunities Investment Company as of the date of this Prospectus:

Figure 4.2: Ownership Structure of Special Opportunities Investment Company as of the Date of this Prospectus



Source: The Company.

4.6.2 Diamond Opportunities Sports Company

Diamond Opportunities Sports Company is a one-person closed joint-stock company registered under Commercial Registration No. 1010642421, dated 21/11/1441H (corresponding to 12/06/2020G). The headquarters and registered office of Diamond Opportunities Sports Company are located in Al Malqa District, Riyadh, Kingdom of Saudi Arabia. The current share capital of Diamond Opportunities Sports Company is SAR 500,000, divided into 50,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Diamond Opportunities Sports Company include maintaining and registering assets for and on behalf of MEFIC Private Equity Opportunities Fund 5.

The following table sets out the ownership structure of Diamond Opportunities Sports Company as of the date of this Prospectus:

Table 4.18: Ownership Structure of Diamond Opportunities Sports Company as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
AlBilad Investment Company	50,000	10	500,000	100%
Total	**50,000**	**-**	**500,000**	**100%**

Source: The Company.

AlBilad Investment Company owns all of the shares of Diamond Opportunities Sports Company as the custodian of MEFIC Private Equity Opportunities Fund 5 for the purpose of registration and maintenance of the Fund's assets (including shares representing 34.4990% of the Company's share capital), in accordance with the Investment Funds Regulations, which stipulate that the custodian must segregate each investment fund's assets from its own assets and from the assets of its other clients, and ownership in unlisted companies must be registered in the name of a company owned by the custodian. AlBilad Investment Company is a closed joint-stock company registered under Commercial Registration No. 1010240489, dated 18/11/1428H (corresponding to 20/11/2007G), and licensed by the CMA under License No. 37-08100 to provide, inter alia, custody services.

The manager of MEFIC Private Equity Opportunities Fund 5 is Middle East Financial Investment Company (MEFIC Capital), a closed joint-stock company registered under Commercial Registration No. 1010237038, dated 02/08/1428H (corresponding to 14/08/2007G), and licensed by the CMA under License No. 37-06029 to provide, inter alia, investment management and fund operation services.

As of the date of this Prospectus, none of the unit holders of MEFIC Private Equity Opportunities Fund 5 holds an indirect ownership percentage (resulting from their ownership of the units of MEFIC Private Equity Opportunities Fund 5) equal to or greater than 5% of the Company's shares, except for the following: (1) Middle East Financial Investment Company (MEFIC Capital), which owns 41.92% of the units of MEFIC Private Equity Opportunities Fund 5, representing an indirect ownership of 14.4626% of the Company's shares pre-Offering; (2) Nabil bin Dawood bin Sulaiman Al-Hoshan, who owns 17.14% of the units of MEFIC Private Equity Opportunities Fund 5, representing an indirect ownership of 5.9133% of the Company's shares pre-Offering; and (3) Ammar Abdulwahid Falih Al-Khudairy, who owns 16.9446% of the units of MEFIC Private Equity Opportunities Fund 5, representing an indirect ownership of 5.8461% of the Company's shares pre-Offering.

The following figure sets out the ownership structure of Diamond Opportunities Sports Company as of the date of this Prospectus:

Figure 4.3: Ownership Structure of Special Opportunities Investment Company as of the Date of this Prospectus

Source: The Company.

4.6.3 Elaf Al-Khaleej Commercial Investment Company

Elaf Al-Khaleej Commercial Investment Company is a one-person limited liability Company registered under Commercial Registration No. 1010442597, dated 06/06/1437H (corresponding to 15/03/2016G). The headquarters and registered office of Elaf Al-Khaleej Commercial Investment Company are located on King Fahd Road, Al Olaya District, Riyadh, Kingdom of Saudi Arabia. The current share capital of Elaf Al-Khaleej Commercial Investment Company is SAR 100,000, divided into 100 shares with a fully paid nominal value of SAR 1,000 per share.

According to its Commercial Register, the activities of Elaf Al-Khaleej Commercial Investment Company include the wholesale of electronics and electrical household appliances; the wholesale sale of software including importation thereof; the retail sale of electronics and electrical household appliances; buying, selling and division of land and real estate and off-plan sales activities; the management and leasing of owned or leased residential real estate; and the management and leasing of owned or leased non-residential real estate.

The following table sets out the ownership structure of Elaf Al-Khaleej Commercial Investment Company as of the date of this Prospectus:

Table 4.19: Ownership structure of Elaf Al-Khaleej Commercial Investment Company as of the date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Safinat Arabia Contracting Company	100	1,000	100,000	100%
Total	**100**	**-**	**100,000**	**100%**

Source: The Company.

As of the date of this Prospectus, all of the shares of Elaf Al-Khaleej Commercial Investment Company are owned by Safinat Arabia Contracting Company, a limited liability company registered under Commercial Registration No. 2051034098, dated 23/02/1428H (corresponding to 13/03/2007G). The headquarters and registered office of Safinat Arabia Contracting Company are located in Al-Khobar, Kingdom of Saudi Arabia. The current share capital of Safinat Arabia Contracting Company is SAR 500,000, divided into 5,000 shares with a fully paid nominal value of SAR 100 per share.

According to its Commercial Register, the activities of Safinat Arabia Contracting Company include general construction of residential and non-residential buildings, such as schools, hospitals and hotels; construction of airports and their facilities; general construction of Government buildings; construction of prefabricated buildings on sites; renovating residential and non-residential buildings; management and leasing of self-storage warehouses; real estate brokerage; buying, selling and division of land and real estate and off-plan sales activities; management and leasing of owned or leased residential real estate; management and leasing of owned or leased non-residential real estate; real estate development of residential buildings using modern construction methods; and real estate development of commercial buildings using modern construction methods.

The following table sets out the ownership structure of Safinat Arabia Contracting Company as of the date of this Prospectus:

Table 4.20: Ownership Structure of Safinat Arabia Contracting Company as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Abdulkadir Al Muhaidib & Sons Company	2,500	100	250,000	50%
Maali Al Khaleej Trading Company	2,500	100	250,000	50%
Total	**5,000**	**-**	**500,000**	**100%**

Source: The Company.

The following is a description of the partners in Safinat Arabia Contracting Company:

4.6.3.1 Abdulkadir Al Muhaidib & Sons Company

Abdulkadir Al Muhaidib & Sons Company is a closed joint-stock company registered under Commercial Registration No. 2050009333, dated 17/09/1400H (corresponding to 30/07/1980G). The headquarters and registered office of Abdulkadir Al Muhaidib & Sons Company is located on Dammam/Khobar Coastal Road, Dammam, Kingdom of Saudi Arabia. The current share capital of Abdulkadir Al Muhaidib & Sons Company is SAR 1,000,000,000, divided into 100,000,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Abdulkadir Al Muhaidib & Sons Company include the wholesale of sugar and sugar byproducts; wholesale of food and beverage; retail sale of building materials including cement, blocks, gypsum and cement tiles; holding real estate and movables necessary for holding companies; buying, selling and dividing land and real estate and off-plan sales activities; management and leasing of residential owned or leased real estate; management and leasing of non-residential owned or leased real estate; real estate brokerage; real estate development of residential buildings using modern construction methods; and real estate development of commercial buildings using modern construction methods.

The following table sets out the ownership structure of Abdulkadir Al Muhaidib & Sons Company as of the date of this Prospectus:

Table 4.21: Ownership Structure of Abdulkadir Al Muhaidib & Sons Company as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Amwal Al Ajial Holding Company	100,000,000	10	1,000,000,000	100%
Total	**100,000,000**	**-**	**1,000,000,000**	**100%**

Source: The Company.

As of the date of this Prospectus, all of the shares of Abdulkadir Al Muhaidib & Sons Company are owned by Amwal Al Ajial Holding Company, a limited liability company registered under Commercial Registration No. 2050063825, dated 20/02/1430H (corresponding to 15/02/2009G). The headquarters and registered office of Amwal Al Ajial Holding Company are located in Dammam, Kingdom of Saudi Arabia. The current share capital of Amwal Al Ajial Holding Company is SAR 5,000,000, divided into 500,000 shares with a fully paid nominal value of SAR 10 per share.

According to its Commercial Register, the activities of Amwal Al Ajial Holding Company include managing subsidiaries of holding companies; investing the funds of subsidiaries of holding companies; holding real estate and movables necessary for holding companies; and providing loans, guarantees and financing to subsidiaries of holding companies.

The following table sets out the ownership structure of Amwal Al Ajial Holding as of the date of this Prospectus:

Table 4.22: Ownership Structure of Amwal Al Ajial Holding as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Sulaiman Abdulkadir AbdulMohsen Al Muhaidib	140,000	10	1,400,000	28%
Essam Abdulkadir AbdulMohsen Al Muhaidib	140,000	10	1,400,000	28%
Emad Abdulkadir AbdulMohsen Al Muhaidib	140,000	10	1,400,000	28%
Maryam Abdulkadir AbdulMohsen Al Muhaidib	20,000	10	200,000	4%
Haifa Abdulkadir AbdulMohsen Al Muhaidib	20,000	10	200,000	4%
Awatef Abdulkadir AbdulMohsen Al Muhaidib	20,000	10	200,000	4%
Tamadhur Abdulkadir AbdulMohsen Al Muhaidib	20,000	10	200,000	4%
Total	**500,000**	**-**	**5,000,000**	**100%**

Source: The Company.

4.6.3.2 Maali Al Khaleej Trading Company

Maali Al Khaleej Trading Company is a limited liability company registered under Commercial Registration No. 2051033057, dated 04/08/1427H (corresponding to 28/08/2006G). The headquarters and registered office of Maali Al Khaleej Trading Company are located on Prince Turki Bin Abdulaziz Street, Al Corniche District, Khobar, Kingdom of Saudi Arabia. The current share capital of Maali Al Khaleej Trading Company is SAR 500,000, divided into 500 shares with a fully paid nominal value of SAR 1,000 per share.

According to its Commercial Register, the activities of Maali Al Khaleej Trading Company include the retail sale of scrap metal, carpentry and blacksmith tools, as well as retail sale of electrical tools and their extensions.

The following table sets out the ownership structure of Maali Al Khaleej Trading Company as of the date of this Prospectus:

Table 4.23: Ownership Structure of Maali Al Khaleej Trading Company as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Khaled Abdullatif Ahmed Al-Fozan	125	1,000	125,000	25%
Ali Abdullatif Ahmed Al-Fozan	125	1,000	125,000	25%
Abdullah Abdullatif Ahmed Al-Fozan	125	1,000	125,000	25%
Fozan Mohammed Ahmed Al-Fozan	125	1,000	125,000	25%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

4.6.4 Abdulkadir Al Muhaidib & Sons Company

For further information regarding Abdulkadir Al Muhaidib & Sons Company, please refer to Section 4.6.3.1 (*Abdulkadir Al Muhaidib & Sons Company*).

4.6.5 Al Fozan Holding Co.

Al Fozan Holding Co. is a closed joint-stock company registered under Commercial Registration No. 2051026044, dated 19/01/1423H (corresponding to 02/04/2002G). The headquarters and registered office of Al Fozan Holding Co. are located in Khobar, Kingdom of Saudi Arabia. The current share capital of Al Fozan Holding Co. is SAR 500,000,000, divided into 50,000,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Al Fozan Holding Co. include managing subsidiaries of holding companies, investing the funds of subsidiaries of holding companies, holding real estate and movables necessary for holding companies; and owning industrial property rights for subsidiaries of holding companies.

The following table sets out the ownership structure of Al Fozan Holding Co. as of the date of this Prospectus:

Table 4.24: Ownership Structure of Al Fozan Holding Co. as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Abdullatif & Mohammed Al Fozan Holding Company	30,000,000	10	300,000,000	60%
Khaled Abdullatif Ahmed Al-Fozan	5,000,000	10	50,000,000	10%
Ali Abdullatif Ahmed Al-Fozan	5,000,000	10	50,000,000	10%
Abdullah Abdullatif Ahmed Al-Fozan	5,000,000	10	50,000,000	10%
Fozan Mohammed Ahmed Al-Fozan	5,000,000	10	50,000,000	10%
Total	**50,000,000**	**-**	**500,000,000**	**100%**

Source: The Company.

As of the date of this Prospectus, Al Fozan Holding Co. has one corporate shareholder, namely Abdullatif & Mohammed Al Fozan Holding Company, a closed joint stock company registered under Commercial Registration No. 2051001547, dated 17/11/1390H (corresponding to 15/01/1971G). The headquarters and registered office of Abdullatif & Mohammed Al Fozan Holding Company are located in Khobar, Kingdom of Saudi Arabia. The current share capital of Abdullatif & Mohammed Al Fozan Holding Company is SAR 700,000,000, divided into 70,000,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Abdullatif & Mohammed Al Fozan Holding Company include managing the subsidiaries of holding companies; investing the funds of the subsidiaries of holding companies; holding the real estate and movables necessary for holding companies; providing loans, guarantees and financing to the subsidiaries of holding companies; owning the industrial property rights of the subsidiaries of holding companies; and leasing the industrial property rights of the subsidiaries of holding companies.

The following table sets out the ownership structure of Abdullatif & Mohammed Al Fozan Holding Company as of the date of this Prospectus:

Table 4.25: Ownership Structure of Abdullatif & Mohammed Al Fozan Holding Company as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Maali Holding Company	35,000,000	10	350,000,000	50%
Rawabi Al-Riyadh Ltd	35,000,000	10	350,000,000	50%
Total	**70,000,000**	**-**	**700,000,000**	**100%**

Source: The Company.

The following is a description of the shareholders of Abdullatif & Mohammed Al Fozan Holding Company:

4.6.5.1 Maali Holding Company

Maali Holding Company is a closed joint-stock company registered under Commercial Registration No. 2051023645, dated 08/07/1420H (corresponding to 17/10/1999G). The headquarters and registered office of Maali Holding Company are located in Khobar, Kingdom of Saudi Arabia. The current share capital of Maali Holding Company is SAR 100,000,000, divided into 10,000,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The activities of Maali Holding Company include managing the subsidiaries of holding companies; investing the funds of the subsidiaries of holding companies; holding the real estate and movables necessary for holding companies; owning the industrial property rights of the subsidiaries of holding companies; and leasing the industrial property rights of the subsidiaries of holding companies.

The following table sets out the ownership structure of Maali Holding Company as of the date of this Prospectus:

Table 4.26: Ownership Structure of Maali Holding Company as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Abdullatif Ahmed Abdullatif Al-Fozan	7,000,000	10	70,000,000	70%
Khaled Abdullatif Ahmed Al-Fozan	1,000,000	10	10,000,000	10%
Ali Abdullatif Ahmed Al-Fozan	1,000,000	10	10,000,000	10%
Abdullah Abdullatif Ahmed Al-Fozan	1,000,000	10	10,000,000	10%
Total	**10,000,000**	**-**	**100,000,000**	**100%**

Source: The Company.

4.6.5.2 Rawabi Al-Riyadh Ltd

Rawabi Al Riyadh Ltd. is a one-person limited liability company registered under Commercial Registration No. 2051221119, dated 23/07/1439H (corresponding to 09/04/2019G). The headquarters and registered office of Rawabi Al-Riyadh Ltd are located in Khobar, Kingdom of Saudi Arabia. The current share capital of Rawabi Al-Riyadh Ltd is SAR 20,000, divided into 200 shares with a fully paid nominal value of SAR 100 per share.

According to its Commercial Register, the activities of Rawabi Al-Riyadh Ltd include the wholesale of water tanks, including fiberglass tanks and their accessories, and the wholesale of electronics and electrical household appliances.

The following table sets out the ownership structure of Rawabi Al-Riyadh Ltd as of the date of this Prospectus:

Table 4.27: Ownership Structure of Rawabi Al-Riyadh Ltd as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Mohammed Ahmed Abdullatif Al-Fozan	200	100	20,000	100%
Total	**200**	**-**	**20,000**	**100%**

Source: The Company.

4.6.6 Abdullatif Alissa Group Holding Co.

Abdullatif Alissa Group Holding Co. is a closed joint-stock holding company registered under Commercial Registration No. 1010140514, dated 17/09/1416H (corresponding to 06/02/1996G). The headquarters and registered office of Abdullatif Alissa Group Holding Co. are located at 6854 Salah Ald-Din Al Ayyubi Road, Al Dhubbat, 4836, Riyadh, Kingdom of Saudi Arabia. The current share capital of Abdullatif Alissa Group Holding Co. is SAR 400,000,000, divided into 40,000,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Abdullatif Alissa Group Holding Co. include managing the subsidiaries of holding companies; investing the funds of the subsidiaries of holding companies; holding the real estate and movables necessary for holding companies; owning the industrial property rights of the subsidiaries of holding companies; and leasing the industrial property rights of the subsidiaries of holding companies.

The following table sets out the ownership structure of Abdullatif Alissa Group Holding Co. as of the date of this Prospectus:

Table 4.28: Ownership Structure of Abdullatif Alissa Group Holding Co. as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Takamol Limited Holding Company	11,200,000	10	112,000,000	28%
Najeeb Abdullatif Alissa	4,000,000	10	40,000,000	10%
Ziad Abdullatif Alissa	4,000,000	10	40,000,000	10%
Ibrahim Abdullatif Alissa	2,800,000	10	28,000,000	7%
Abdulrahman Abdullatif Alissa	2,800,000	10	28,000,000	7%
Khaled Abdullatif Alissa	2,800,000	10	28,000,000	7%
Naima Abdullatif Alissa	1,600,000	10	16,000,000	4%
Ibtisam Abdullatif Alissa	1,600,000	10	16,000,000	4%
Sanaa Abdullatif Alissa	1,600,000	10	16,000,000	4%
Lamiaa Abdullatif Alissa	1,600,000	10	16,000,000	4%
AlJawhara Abdullatif Alissa	1,600,000	10	16,000,000	4%
Sara Abdullatif Alissa	1,529,280	10	15,292,800	3.82%
Hoda Abdullatif Alissa	1,529,280	10	15,292,800	3.82%
Mohammed Abdullah Al-Muaiqil	400,000	10	4,000,000	1%
Tariq Mohammed Abdullah Al-Muaiqil	466,666	10	4,666,660	1.167%
Buthaina Mohammed Abdullah Al-Muaiqil	233,334	10	2,333,340	0.583%
Mona Mohammed Abdullah Al-Muaiqil	233,334	10	2,333,340	0.583%
Abdulmohsen Abdullatif Alissa	5,000	10	50,000	0.013%
Munira Abdullah Al-Mushrif	3,106	10	31,060	0.008%
Total	**40,000,000**	**-**	**400,000,000**	**100%**

Source: The Company.

As of the date of this Prospectus, Abdullatif Alissa Group Holding Co. has one corporate shareholder, namely Takamol Limited Holding Company, a limited liability company registered under Commercial Registration No. 1010656624, dated 11/02/1442H (corresponding to 28/09/2020G). The headquarters and registered office of Takamol Limited Holding Company are located at 3270 13524-6265 1, Riyadh, Kingdom of Saudi Arabia. The current share capital of Takamol Limited Holding Company is SAR 10,000, divided into 10,000 shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share.

According to its Commercial Register, the activities of Takamol Limited Holding Company include managing the subsidiaries of holding companies; investing the funds of the subsidiaries of holding companies; holding the real estate and movables necessary for holding companies; providing loans, guarantees and financing to the subsidiaries of holding companies; owning the industrial property rights of the subsidiaries of holding companies; leasing the industrial property rights of the subsidiaries of holding companies, and investment company activities.

The following chart sets out the ownership structure of Takamol Limited Holding Company as of the date of this Prospectus:

Table 4.29: Ownership Structure of Takamol Limited Holding Company as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Ahmed Abdulmohsen Abdullatif Alissa	1	1	10,000	1%
Durar International One-Person Company	1	1	10,000	1%
Abdullah Abdulmohsen Abdullatif Alissa	1	1	10,000	1%
Abdulmohsen Abdullatif Ali Alissa	3,564	1	10,000	35.64%
Munira Abdullah Abdulaziz AlMushrif	6,433	1	10,000	64.33%
Total	**10,000**	**-**	**10,000**	**100%**

As of the date of this Prospectus, Takamol Limited Holding Company has one corporate partner, Durar International Co., a one-person limited liability company registered under Commercial Registration No. 1010329143, dated 28/03/1433H (corresponding to 20/02/2012G). The headquarters and registered office of Durar International Co. are located at 6854, Riyadh 12627-4836, Kingdom of Saudi Arabia. The current share capital of Durar International Co. is SAR 50,000, divided into 5,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Durar International Co. include the wholesale and retail sale of new private vehicles, including ambulances, minibuses and four-wheel drive vehicles.

As of the date of this Prospectus, all of the shares of Durar International Co. are owned by Abdullatif Alissa Group Holding Co. (for further information regarding Abdullatif Alissa Group Holding Co., please refer to Section 4.6.6 (*Abdullatif Alissa Group Holding Co.*)).

4.6.7 Abdulaziz Alsaghyir Commercial Investment Co.

Abdulaziz Alsaghyir Commercial Investment Co. is a one-person limited liability company registered under Commercial Registration No. 1010174004, dated 26/11/1422H (corresponding to 09/02/2002G). The headquarters and registered office of Abdulaziz Alsaghyir Commercial Investment Co. are located on Salah Ald-Din Street, Al Malaz District, Riyadh, Kingdom of Saudi Arabia. The current share capital of Abdulaziz Alsaghyir Commercial Investment Co. is SAR 1,200,000, divided into 24,000 shares with a fully paid nominal value of SAR 50 per share.

According to its Commercial Register, the activities of Abdulaziz Alsaghyir Commercial Investment Co. include the general construction of residential and non-residential buildings, such as schools, hospitals and hotels; the construction of airports and their facilities; general construction of Government buildings; the construction of prefabricated buildings on site; and the renovation of residential and non-residential buildings.

The following table sets out the ownership structure of Abdulaziz Alsaghyir Commercial Investment Co. as of the date of this Prospectus:

Table 4.30: Ownership Structure of Abdulaziz Alsaghyir Commercial Investment Co. as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Qudurat Alarabia Holding Company	24,000	50	1,200,000	100%
Total	**24,000**	**-**	**1,200,000**	**100%**

Source: The Company.

As of the date of this Prospectus, all of the shares of Abdulaziz Alsaghyir Commercial Investment Co. are owned by Qudurat Alarabia Holding Company, a closed joint stock company registered under Commercial Registration No. 1010249071, dated 12/04/1429H (corresponding to 27/04/2008G). The headquarters and registered office of Qudurat Alarabia Holding Company are located on Salah Ald-Din Street, Al Malaz District, Riyadh, Kingdom of Saudi Arabia. The current share capital of Qudurat Alarabia Holding Company is SAR 125,000,000, divided into 12,500,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, the activities of Qudurat Alarabia Holding Company include managing its subsidiaries; participating in the management of other companies in which it has a shareholding and providing the necessary support thereto; owning the real estate to carry out its activities; and owning industrial property rights such as patents, trademarks and industrial and franchise rights, as well as other moral rights, and leveraging and leasing such rights for companies.

The following chart sets out the ownership structure of Qudurat Alarabia Holding Company as of the date of this Prospectus:

Table 4.31: Ownership Structure of Qudurat Alarabia Holding Company as of the Date of this Prospectus

Shareholder	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Waleed Abdulaziz Saleh Alsaghyir	3,571,428	10	35,714,280	28.57%
Hisham Abdulaziz Saleh Alsaghyir	3,571,428	10	35,714,280	28.57%
Nizar Abdulaziz Saleh Alsaghyir	3,571,428	10	35,714,280	28.57%
Nada Abdulaziz Saleh Alsaghyir	1,785,716	10	17,857,160	14.29%
Total	**12,500,000**	**-**	**125,000,000**	**100%**

Source: The Company.

4.6.8 Silver Opportunities Investment Company

Silver Opportunities Investment Company is a one-person limited liability company registered under Commercial Registration No. 1010818239, dated 12/01/1444H (corresponding to 10/08/2022G). The headquarters and registered office of Silver Opportunities Investment Company are located on Imam Saud bin Faisal Road, Al Sahafah District, Riyadh, Kingdom of Saudi Arabia. The current share capital of Silver Investment Opportunities Company is SAR 10,000, divided into 1,000 shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

According to its Commercial Register, Silver Opportunities Investment Company is engaged in investment company activities.

The following table sets out the ownership structure of Silver Opportunities Investment Company as of the date of this Prospectus:

Table 4.32: Ownership Structure of Silver Opportunities Investment Company as of the Date of this Prospectus

Partners	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value (SAR)	Ownership (%)
Diamond Opportunities Sports Company	1,000	10	10,000	100%
Total	**1,000**	**-**	**10,000**	**100%**

Source: The Company.

As of the date of this Prospectus, all of the shares of Silver Opportunities Investment Company are owned by Diamond Opportunities Sports Company. For further information regarding Diamond Opportunities Sports Company, please refer to Section 4.6.2 (*Diamond Opportunities Sports Company*).

4.7 Subsidiaries and Branches of the Company

As of the date of this Prospectus, the Company has one subsidiary, Third Sports Amaken Company, in addition to 12 branches for the purpose of undertaking its activities in various major cities across the Kingdom.

4.7.1 Overview of the Subsidiary

Third Sports Amaken Company is a limited liability company registered under Commercial Registration No. 1010334139, dated 10/05/1433H (corresponding to 02/04/2012G). The headquarters and registered office of the Subsidiary are located on Olaya Street, Al Sahafah District, P.O. Box 270070, Riyadh 11352, Kingdom of Saudi Arabia. The current share capital of the Subsidiary is SAR 100,000, divided into 100 shares with a fully paid nominal value of SAR 1,000 per share.

According to its Commercial Register, the activities of the Subsidiary include the renovation of residential and non-residential buildings; demolition and removal of buildings and other structures; finishing of buildings; building maintenance services; and general cleaning of buildings. As of the date of the Prospectus, the Subsidiary provides maintenance and cleaning services to the Company.

The following table sets out the details of the Subsidiary and the Company's shareholding therein as of the date of this Prospectus:

Table 4.33: Details of the Subsidiary and the Company's Share Therein as of the Date of this Prospectus

Name of Subsidiary	Country of Incorporation	Direct Ownership Percentage (%)	Indirect Ownership Percentage (%)	Remaining Ownership
Third Sports Amaken Company.	Kingdom of Saudi Arabia	100%	-	-

Source: The Company.

As of the date of this Prospectus, the Subsidiary does not undertake any operational activities except for the provision of cleaning and maintenance services to the Company.

4.7.2 Overview of the Company's Branches

The following table sets out the details of the Company's branches as of the date of this Prospectus:

Table 4.34: Details of the Company's Branches as of the Date of this Prospectus

No.	Registration No.	Registration Date	Expiration Date	Location	Branch Activity as per Commercial Register
1	2050069185	15/03/1431H (corresponding to 01/03/2010G)	14/03/1447H (corresponding to 06/09/2025G)	Dammam	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
2	1131028467	27/03/1430H (corresponding to 24/03/2009G)	18/09/1447H (corresponding to 07/03/2026G)	Buraidah	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
3	4650209419	02/08/1440H (corresponding to 07/04/2019G)	24/08/1447H (corresponding to 12/02/2026G)	Medina	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.

No.	Registration No.	Registration Date	Expiration Date	Location	Branch Activity as per Commercial Register
4	4030295107	05/09/1438H (corresponding to 31/05/2017G)	26/09/1447H (corresponding to 15/03/2026G)	Jeddah	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
5	1010460120	09/01/1440H (corresponding to 19/09/2018G)	09/01/1447H (corresponding to 04/07/2025G)	Riyadh	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
6	2250064353	18/03/1437H (corresponding to 29/12/2015G)	18/03/1447H (corresponding to 10/09/2025G)	Al-Ahsa	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
7	3550122370	04/06/1439H (corresponding to 20/02/2018G)	14/06/1447H (corresponding to 05/12/2025G)	Tabuk	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
8	3350147174	18/05/1441H (corresponding to 13/01/2020G)	29/05/1447H (corresponding to 20/11/2025G)	Hail	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
9	2511108063	04/06/1439H (corresponding to 20/02/2018G)	14/06/1447H (corresponding to 07/12/2025G)	Hafar Al-Batin	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
10	5855346579	21/05/1441H (corresponding to 16/01/2020G)	02/06/1447H (corresponding to 23/11/2025G)	Khamis Mushait	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.
11	4031235157	18/05/1441H (corresponding to 13/01/2020G)	29/05/1447H (corresponding to 16/11/2025G)	Mecca	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores.

No.	Registration No.	Registration Date	Expiration Date	Location	Branch Activity as per Commercial Register
12	5950032854	15/03/1438H (corresponding to 14/12/2016G)	15/03/1447H (corresponding to 07/09/2025G)	Najran	- Men's gyms and fitness centers. - Women's gyms and fitness centers. - Retail sales of sports and hunting equipment, bicycles, etc. - Retail sale of boats, bicycles, etc. - Retail sale of games and toys in specialized stores. - Retail sales through self-service vending machines, including coffee, juice and other vending machines.

Source: The Company.

4.8 Overview of the Company's Business

As of the date of this Prospectus, the Company's business is divided into two main segments, namely: (1) establishing, managing and operating fitness clubs; and (2) providing integrated services for fitness facilities (Body Experts Services).

4.8.1 Establishing, Managing and Operating Fitness Clubs

The Company is engaged in the establishment, management and operation of its own fitness clubs, including men's fitness clubs under the Body Masters brand and women's fitness clubs under the Body Motions brand. As of the date of this Prospectus, the Company has 56 fitness clubs that are fully operational, in addition to 13 new locations that have been secured and will be opened as fitness clubs during 2025G and 2026G (for further details regarding the new fitness clubs to be opened, please refer to Section 4.13.1 (*Opening New Fitness Clubs*)). The following table sets out the number of fitness clubs in the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G:

Table 4.35: Number of Fitness Clubs in the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Period Ended 30 September 2024G

	Financial Year Ended 31 December			Nine-Month Period Ended 30 September
	2021G	2022G	2023G	2024G
Existing fitness clubs at the beginning of the period	46	54	54	54
Fitness clubs opened during the period	9	2	2	2
Fitness clubs closed during the period	1	2	2	-
Existing fitness clubs at the end of the period	54	54	54	56

Source: The Company.

The Company's fitness clubs are located in all of the major cities of the Kingdom. The Company focuses on locations with high population density, such as major cities and governorates, in addition to vibrant locations (whether residential or commercial) and easily accessible locations (for example, clubs being located on public roads and having private parking available). When searching for a new location, the Company conducts a study on the purchasing power, population density and competitor presence for each proposed location. The Company typically ensures that it selects locations with geographical strength and places emphasis on locations situated on main roads. In addition, the Company has recently started utilizing advanced technologies obtained from leading global service providers that help analyze locations through artificial intelligence and big data analytics, thus enabling the Company to select optimal locations for continuous geographical expansion. Among the data analyzed is population density relative to the city, demographic distribution (age and gender), purchasing power and average per capita income in the relevant area compared to the average per capita income in the city.

The Company's fitness clubs vary in terms of size, with plots ranging from 3,000 square meters to 10,000 square meters. Building areas excluding car parking range between 2,300 square meters and 4,500 square meters, averaging 2,750 square meters.

The Company's revenue from the construction, management and operation of its fitness clubs amounted to SAR 204.2 million, SAR 265.6 million, SAR 268.7 million and SAR 217.4 million during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period 30 September 2024G, respectively, representing 99.9%, 98.9%, 99.0% and 91.2% during the same periods, respectively.

4.8.1.1 Fitness Club Categories

A. Body Masters Clubs

The Company's Body Masters clubs were launched in 1994G, pioneering the establishment, management and operation of fitness clubs within the Kingdom. Body Masters clubs provide a wide range of men's sports, fitness and health services within two main tiers, namely "Body Masters Premium" and "Body Masters Express". Body Masters is one of the most well-known and widely distributed fitness clubs in the Kingdom. As of the date of this Prospectus, there are 40 Body Masters fitness clubs in the Kingdom, with an average size of approximately 2,500 square meters per club and a total area in excess of 100,000 square meters across several cities and regions, such as Riyadh, Jeddah, Dammam, Mecca, Buraidah, Unaizah, Ar-Rass, Khobar, Al-Ahsa, Tabuk, Hafar Al-Batin, Najran, Khamis Mushait and Medina.

The following sets out a description of membership tiers within Body Masters clubs:

- **Body Masters Premium Clubs**: This is the highest tier of Body Masters clubs. Members of this tier have access to all Body Masters Premium clubs and Body Masters Express clubs throughout the Kingdom. Body Masters Premium clubs feature a wide range of amenities and services, including key facilities such as the group fitness studio, as well as strength training, cardio, spinning and functional fitness areas. Additional services and benefits include a swimming pool, wellness area (comprising a hot and cold jacuzzi, steam room and sauna), soccer pitch, recreational facilities such as billiards and table tennis, and complimentary amenities such as towels, refreshments, body soaps and shampoos. Additionally, a number of Body Masters Premium clubs offer other services such as personal training, nutrition services, body composition assessments and fat and muscle mass measurements. Furthermore, Body Masters Premium clubs offer group fitness studios with a minimum of ten varied fitness programs to cater to a wide range of workout needs and levels, as well as flexible personal training programs. As of the date of this Prospectus, there are 33 Body Masters Premium fitness clubs located in various cities and regions across the Kingdom (for further information regarding the services and offerings of Body Masters Premium, please refer to Section 4.8.1.2 (*Fitness Club Environment*)).
- **Body Masters Express Clubs**: Body Masters Express clubs are distinguished by their exceptional services at reasonable and competitive pricing. Members of Body Masters Express clubs can enjoy savings on overall membership fees without compromising on the quality of fitness programs and training services provided. Body Masters Express memberships grant access exclusively to Body Masters Express clubs across the Kingdom. As of the date of this Prospectus, there are seven Body Masters Express clubs located throughout the various regions of the Kingdom. Body Masters Express clubs feature an array of facilities and services, including group fitness studios, as well as strength training, cardio, spinning and functional fitness areas. Additionally, a number of Body Masters Express clubs offer complementary services such as personal training, nutrition services, body composition assessments and fat and muscle mass measurements. Furthermore, Body Masters Express clubs offer group fitness studios with a minimum of ten varied fitness programs to cater to a wide range of workout needs and levels, as well as flexible personal training programs (for further information regarding the services and benefits offered by Body Masters Express, please refer to Section 4.8.1.2 (*Fitness Club Environment*)).

Revenue generated from Body Masters Premium clubs amounted to SAR 134.3 million, SAR 157.2 million, SAR 165.8 million and SAR 130.0 million during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 65.7%, 58.7%, 61.3% and 54.6% of the Company's total revenue for the same periods, respectively. The Company's revenue from Body Masters Express clubs amounted to SAR 38.5 million, SAR 38.3 million, SAR 30.2 million, and SAR 21.1 million during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 18.8%, 14.3%, 11.2%, and 8.9% of the Company's total revenue for the same periods, respectively."

B. Body Motions Clubs

In 2020G, the Company launched the Body Motions chain, a specialized series of fitness clubs designed, managed and operated exclusively for women in the Kingdom. Since its launch, Body Motions has experienced rapid growth and expansion. Within the first two years alone, 12 Body Motions fitness clubs were opened. As of this Prospectus, the Body Motions chain comprises 16 clubs, spanning a total area of over 35,000 square meters across multiple cities, including Riyadh, Jeddah, Dammam, Buraidah, Unaizah, Al-Ahsa, and Tabuk.

Body Motions clubs aim to provide a unique and diverse fitness experience for women and are equipped with state-of-the-art facilities and the latest world-class equipment and machines. The Body Motions fitness club team comprises a group of highly qualified and professional female trainers who deliver top-notch training services. Body Motions clubs offer a wide range of facilities, including a strength zone, cardio area, group fitness studio, functional fitness zone, trampoline zone, boxing ring, spinning zone, yoga and pilates classes, a running track, and a swimming pool with ancillaries, among other services. Furthermore, group fitness studios at Body Motions clubs offer at minimum of 14 diverse exercise programs designed to cater to various fitness levels, in addition to flexible personal training (for further information regarding the services and benefits provided by Body Motions, please refer to Section 4.8.1.2 (*Fitness Club Environment*)).

Revenue generated from Body Motions clubs amounted to SAR 31.4 million, SAR 69.6 million, SAR 71.8 million and SAR 66.3 million for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 15.3%, 26.0%, 26.5% and 27.8% of the Company's total revenue for the same periods, respectively.

The following tables set out a breakdown of the revenue, number of fitness clubs and number of members by club category as of 31 December 2021G, 2022G and 2023G and 30 September 2024G:

Table 4.36: Revenue, Number of Fitness Clubs and Number of Members by Club Category as of 31 December 2021G

Category	As of 31 December 2021G			
	Revenue (SAR)	As a Percentage of Total Company Revenue (%)	Number of Clubs	Average Number of Active Members
Body Masters Premium clubs	134,345,940	65.7%	29	64,764
Body Masters Express clubs	38,512,784	18.8%	13	22,967
Body Motions clubs	31,350,022	15.3%	12	10,617
Total	**204,208,745**	**99.9%**	**54**	**98,348**

Source: The Company.

Table 4.37: Revenue, Number of Fitness Clubs and Number of Members by Club Category as of 31 December 2022G

Category	As of 31 December 2022G			
	Revenue (SAR)	As a Percentage of Total Company Revenue (%)	Number of Clubs	Average Number of Active Members
Body Masters Premium clubs	157,231,072	58.7%	29	68,994
Body Masters Express clubs	38,284,720	14.3%	12	18,743
Body Motions clubs	69,615,872	26.0%	13	20,741
Total	**265,131,664**	**98.9%**	**54**	**108,478**

Source: The Company.

Table 4.38: Revenue, Number of Fitness Clubs and Number of Members by Club Category as of 31 December 2023G

Category	As of 31 December 2023G			
	Revenue (SAR)	As a Percentage of Total Company Revenue (%)	Number of Clubs	Average Number of Active Members
Body Masters Premium clubs	165,827,695	61.3%	30	71,971
Body Masters Express clubs	30,247,479	11.2%	10	16,909
Body Motions clubs	71,792,911	26.5%	14	20,477
Total	**267,868,085**	**99.0%**	**54**	**109,357**

Source: The Company.

Table 4.39: Revenue, Number of Fitness Clubs and Number of Members by Club Category as of 30 September 2024G

Category	As of 30 September 2024G			
	Revenue (SAR)	As a Percentage of Total Company Revenue (%)	Number of Clubs	Average Number of Active Members
Body Masters Premium clubs	130,035,926	54.6%	31	74,757
Body Masters Express clubs	21,098,580	8.9%	10	16,570
Body Motions clubs	66,287,319	27.8%	15	23,751
Total	**217,421,824**	**91.2%**	**56**	**115,078**

Source: The Company.

The tables above present only the number of operational clubs as of 31 December 2021G, 2022G and 2023G and 30 September 2024G. It should be noted that as of the date of this Prospectus, the Company has secured 13 new locations to be opened as fitness clubs in 2025G and 2026G (for further information regarding these upcoming fitness clubs, please refer to Section 4.13.1 (*Opening New Fitness Clubs*)).

4.8.1.2 Fitness Club Environment

A. Fitness Club Facilities

The Company's fitness clubs generally combine modern architecture and design with state-of-the-art amenities, offering a consistent and uniform club experience. The Company has designed most of its fitness clubs as standalone buildings with distinct architectural styles. Furthermore, the fitness clubs feature contemporary interior designs and unique decor, creating high-quality environments aimed at attracting and retaining customers, while encouraging frequent visits. The Company places a strong emphasis on the cleanliness and sanitation of its fitness clubs. This is achieved through a dedicated cleaning team composed of both the Company's own employees and those of its Subsidiary, as well as outsourced labor provided by staffing agencies such as Maharah and Riyadet Altamayuz Ltd Co. Furthermore, the Company regularly renovates and upgrades its fitness clubs to maintain a high-quality experience. The Company's fitness clubs generally operate from 10:00 a.m. until midnight, seven days a week (except for Friday, when operations commence after the noon prayer). Notably, 16 clubs operate 24/7 across ten different cities in the Kingdom.

B. Fitness Club Services and Equipment

All categories of the Company's fitness clubs are equipped with a comprehensive range of state-of-the-art exercise equipment, machines, accessories and other fitness products featuring high performance, distinctive qualities and advanced technologies. This is considered a cornerstone of the clubs' success. Majority of the fitness equipment is sourced from world-renowned brands such as Precor, Life Fitness, FreeMotion Fitness, Panatta, Ziva and Hammer Strength. Such fitness equipment includes traditional fitness machines and aerobic exercise equipment, as well as cutting-edge technologies and machines such as electrical muscle stimulation, muscle balance analysis and body composition assessment, as well as fat and muscle mass measurement. These advancements enhance the quality of workouts and create a motivating and unique training experience for members.

The selection of equipment and machines is generally determined by several factors, including equipment quality, cost, customer preferences for specific equipment or machines, and current trends in the sports and fitness industry. All equipment and machines are designed and tested by the manufacturers to ensure suitability for long-term, heavy-duty commercial use.

The following table sets out the range of benefits and services offered by each fitness club category as of 30 September 2024G:

Table 4.40: Benefits and Services Offered by Fitness Club Category as of 30 September 2024G

Benefit or Service(1)	Body Masters Premium clubs	Body Masters Express clubs	Body Motions clubs
Group fitness studio	✓	✓	✓
Strength training area	✓	✓	✓
Cardio area	✓	✓	✓
Spinning zone	✓	✓	✓
Functional fitness zone	✓	✓	✓
Pool area	✓	×(2)	✓
Wellness area (hot and cold jacuzzi, steam room and sauna)	✓	×(2)	✓
Running track	✓	×	✓
Soccer pitch	✓	×	×
Pilates studio	×	×	✓
Boxing studio	✓	×	✓
Yoga classes	×	×	✓
Trampoline classes	×	×	✓
Recreational services (billiards and/or table tennis)	✓	×	✓

Benefit or Service(1)	Body Masters Premium clubs	Body Masters Express clubs	Body Motions clubs
Complementary services (such as towels, moisturizers, body soaps and shampoos)	✓	×	✓
Personal training	✓	✓	✓
Nutrition and/or body composition assessment, fat and muscle mass measurement	✓	✓	✓

Source: The Company.

(1) All fitness clubs within the same category do not necessarily offer every feature or service. Certain features may only be available in a limited number of clubs.

(2) Body Masters Express clubs generally do not offer pool and/or wellness area facility (hot and cold jacuzzi, steam room and sauna) services. However, such services are available at seven Body Masters Express clubs.

C. Group Classes

The Company offers a variety of group class programs across all of its fitness club categories. The Company customizes fitness programs for each individual club, taking into account the diverse preferences of its members. Generally, each of the Company's fitness clubs offers up to ten or more group classes daily, with class capacity ranging from 20 to 30 participants or more, depending on the specific class type and facility size.

The Company's group class programs include both programs developed in-house and programs provided by leading global fitness companies such as Les Mills. The Company is committed to forging strategic partnerships with top-tier global sports and fitness companies to offer innovative fitness classes and training programs developed to the highest international standards, providing its customers with an exceptional and effective workout experience.

Throughout the year, the Company organizes various contests and special events exclusively for its members. The nature of these events varies from year to year and from one event to another, but they are generally designed to increase group participation and boost member enthusiasm.

It is important to note that the Company does not impose any additional fees on members for participating in group classes, as such service is included within the relevant membership package.

D. Additional Paid Services

As part of their membership package, members of the Company's fitness clubs enjoy access to all available fitness facilities and services according to the club category. However, certain complementary services are considered standalone and are not included in club memberships. These additional services are subject to separate charges. Such additional services include:

- **Personal Training Services**: All categories of the Company's fitness clubs offer personal training services to address individual customer needs. This includes the development of a comprehensive training plan tailored to each customer's specific goals and requirements. Individuals of all ages and fitness levels can benefit from the personal training services offered at the Company's fitness clubs. Personal trainers are compensated by the Company based on a combination of commission, monthly salaries and the number of sessions they provide within a specific timeframe.
- **Body Composition Assessment and Fat and Muscle Mass Measurement**: All categories of the Company's fitness clubs offer fitness services that utilize the latest equipment and technology to scientifically assess body composition and measure fat content and muscular balance. This data is then used to create personalized workout programs for each individual, helping to prevent injuries, balance muscle groups and strengthen areas of physical weakness. These services also include the provision of a body composition analysis and assessment device. This device assists personal trainers in developing customized workout plans based on the member's analysis results and helps members track their fitness goals.
- **Nutrition Consultancy Services**: Body Motions clubs provide personalized nutrition consultancy services, including the creation of comprehensive meal plans tailored to each customer's lifestyle.
- **Fitness Accessory Sales within Clubs**: All categories of the Company's fitness clubs offer a diverse range of accessories for sale to club members. These accessories include a variety of fitness products with Body Masters and/or Body Motions branding, such as gym bags, swimwear, sports caps, workout gloves, protein shakers, bottles and other fitness accessories. Furthermore, the sale of fitness accessories represents a new venture for the Company in the retail sector, serving as an additional revenue stream and fostering a sense of loyalty among members.

Revenue generated from additional paid services is independent of and not included in the membership fees for the fitness clubs. The Company's revenue from additional paid services amounted to SAR 19.8 million, SAR 32.0 million, SAR 30.8

million and SAR 30.4 million during the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 9.7%, 11.9%, 11.4% and 12.7% of the Company's total revenue for the same periods, respectively.

E. Body Masters Martial Arts Academy

In 2014G, the Company launched the "Body Masters Martial Arts Academy", a series of specialized martial arts studios within Body Masters clubs dedicated to teaching martial arts, including Brazilian jiu-jitsu, Muay Thai, boxing and MMA. The academy is overseen by a team of highly qualified and experienced coaches who specialize in training, evaluating and developing the performance of its members, as well as preparing them to participate in local and international tournaments and competitions.

Membership of the Body Masters Martial Arts Academy requires an active Body Masters Premium membership. However, additional fees also apply for individual Body Masters Martial Arts Academy membership packages. The Company's revenue from the Body Masters Martial Arts Academy amounted to SAR 1.2 million, SAR 0.5 million, SAR 0.5 million and SAR 0.36 million for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively.

4.8.1.3 Membership Model and Pricing

The Company distinguishes itself by providing high-quality services that cater to all customer categories and segments through competitive pricing, tailored offers and discounts that suit various customer budgets, as well as customized packages designed to meet individual needs and foster brand loyalty. Membership subscriptions for all categories of the Company's fitness clubs consist of fixed-term subscriptions, the full amount of which is paid in advance. The following table sets out an overview of membership fees by fitness club category as of 30 September 2024G:

Table 4.41: Membership Fees by Fitness Club Category as of 30 September 2024G

Category	Term	Price (SAR)(1)
Body Masters Premium clubs	3 months	2,370
	6 months	3,885
	12 months	5,995
Body Masters Express clubs	3 months	1,595
	6 months	2,695
	12 months	4,495
Body Motions clubs	3 months	2,370
	6 months	3,885
	12 months	5,995

Source: The Company.

(1) The prices listed above are the standard membership fees. However, the Company may launch promotional offers from time to time and grant discounts during specific periods. The prices listed above are subject to regular review by the Company's Management and may be adjusted accordingly in the future.

4.8.1.4 Payment Channels

Individual memberships can be purchased directly from the clubs. This sales channel has been the primary source of the Company's membership revenue for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G. The Company is currently working on introducing new payment channels. To this end, it has launched a new smartphone application in Q2 of 2024G, and dedicated websites for Body Masters and Body Motions clubs are scheduled to be launched in Q1 of 2025G. These platforms will enable customers to purchase gym memberships (for further information regarding the smartphone application and the dedicated websites for Body Masters and Body Motions clubs, please refer to Section 4.12.1 (*Technology, Member Management Systems and Tools*)).

The Company also offers postpaid options (buy now, pay later (BNPL)) to its fitness club members through BNPL payment providers Tabby and Tamara. The postpaid option was also made available on the new smartphone application launched in June 2024G, as well as on the upcoming dedicated websites for Body Masters and Body Motions clubs which are scheduled to launch in Q1 of 2025G. The Company's sales through postpaid service providers amounted to 17.88%, 25.84% and 46.42% of the Company's total sales during the financial years ended 31 December 2022G and 2023G and the nine-month period ended

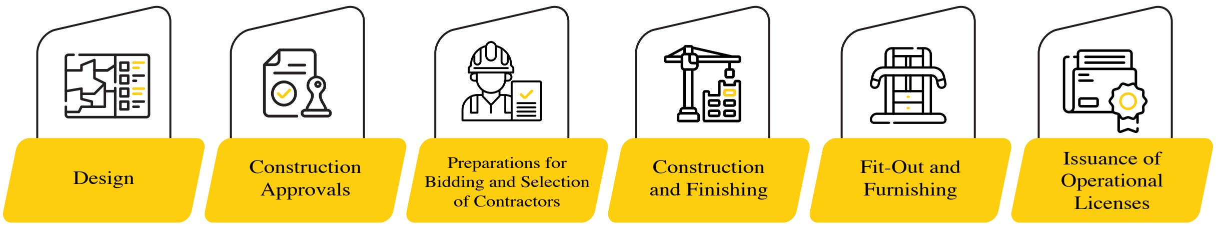
30 September 2024G, respectively. Sales through Tamara amounted to 11.90%, 25.79% and 20.59% of the Company's total sales during the financial years ended 31 December 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company did not achieve any sales through Tamara during the financial year ended 31 December 2021G. Sales through Tabby amounted to 5.98%, 0.05% and 25.83% of the Company's total sales during the financial years ended 31 December 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The Company did not achieve any sales through Tabby during the financial year ended 31 December 2021G (for further information regarding the contracts concluded with Tabby and Tamara, please refer to Section 11.6.2 (*Material Agreements between the Company and Key Service Providers*)).

4.8.1.5 Fitness Club Establishment Model

The Company's primary strategy for its fitness clubs involves leasing (through long-term lease agreements) either ready-to-use buildings or undeveloped plots for the establishment of its clubs. Majority of the Company's current fitness clubs are located on leased land, except for five clubs that were constructed on Company-owned land. The following figure sets out the key stages undertaken by the Company when establishing new fitness clubs:

Key Stages Undertaken by the Company in Establishing New Fitness Clubs:

Figure 4.4: Key Stages Undertaken by the Company in Establishing New Fitness Clubs



The timeframe for establishing a fitness club can vary due to several factors, including whether a new building will be constructed on the site or if an existing building will be leased for this purpose, as well as the category and size of the club, and the time required to obtain Government licenses, among other factors. Generally, the typical timeframe for establishing a fitness club, from the signing of the lease agreement until the commencement of operations, is between 14 and 19 months. The following table outlines the typical steps and timeframe for the establishment of new fitness clubs:

Table 4.42: Typical Steps and Timeframe for the Establishment of New Fitness Clubs

Step(1)	Timeline(1)
Design	1 month.
Construction approvals	2 to 4 months.
Preparations for bidding and selection of contractors	1 month.
Construction and finishing	8 to 10 months.
Fit-out and furnishing	1 month.
Issuance of operational licenses	1 to 2 months.
Total period	**14 to 19 months.**

Source: The Company.

(1) Certain steps can be undertaken concurrently, allowing for a shorter overall timeframe. Additionally, the timeline may be reduced by approximately 4-5 months if a ready-to-use building is leased.

A. Selection and Leasing of Fitness Club Locations

Over the years, the Company has refined its approach for selecting locations, aiming to maintain the excellence that has driven its past success. The following is a description of the key steps in the site selection process:

- **Determination of the Geographical Area**: The geographical area in which the Company intends to operate is determined through coordination between the Executive Management and the Company's Board of Directors, in accordance with the Company's strategy and plans.
- **Identifying Proposed Locations**: Several real estate experts are consulted for the identification of numerous potential locations within the targeted geographical area and the recommendation of suitable sites to the Company's Fitness Club Location Selection Committee.
- **Analytical Study of the Proposed Locations**: The proposed locations are presented to the Company's Fitness Club Location Selection Committee, an internal committee composed of certain members of the Executive Management that meets fortnightly or as needed. In evaluating the proposed locations, the Committee utilizes advanced technologies acquired from leading global service providers. These technologies employ artificial intelligence and big data analytics to analyze the proposed locations, enabling the Company to consistently select optimal sites for geographic expansion. Among the data analyzed are population density relative to the city, demographic distribution (age and gender), purchasing power and average per capita income in the relevant area compared to the average per capita income in the city. The Company typically prioritizes locations with strong geographic positioning and emphasizes locations situated on major thoroughfares.
- **Negotiating with Property Owners**: Following the determination and evaluation of the proposed locations by the Company's Fitness Club Location Selection Committee, the Committee reviews the price quotations of the property owners for the proposed locations and negotiates with them to obtain favorable rates.
- **Approval**: After the Fitness Club Location Selection Committee has completed its review of all data and obtained all of the necessary details, it presents the proposed location to the CEO for consideration and approval. Once approved, the Company proceeds to contact the property owner and enter into a lease agreement.
- **Reporting to the Board of Directors**: Monthly reports are presented to the Board of Directors outlining all details and updates regarding the newly selected locations, as well as other relevant information.

B. Management of Fitness Club Design and Construction

The Company utilizes standardized designs based on the category of the fitness club. While minor design elements may be adjusted to accommodate the club's size, the overall design remains consistent within each category. The Company's standardized designs are distinguished by their combination of architectural style and modern design, coupled with the provision of amenities. Additionally, the fitness clubs feature contemporary interior designs and unique decor, created to foster a high-quality environment aimed at attracting and retaining customers, while encouraging frequent visits.

The Company's Projects and Maintenance Department is also responsible for conducting periodic reviews of the standardized designs. This Department comprises a team of nine to ten highly experienced engineers, which significantly reduces the costs that the Company would have incurred had it hired third parties to perform such tasks. When establishing a new club, the Company's standardized design is adopted as a baseline. However, certain design elements may be modified to accommodate the club's size by outsourcing certain design details to third-party designers (both local and international), while others are handled in-house by the Company's Projects and Maintenance Department. Furthermore, the Projects and Maintenance Department plays a pivotal role in the construction process of the clubs. This Department oversees construction operations, ensuring adherence to timelines, budgets and quality standards. Additionally, it coordinates with contractors, supervises their work and monitors all stages of construction and establishment, from the design phase to final handover.

4.8.2 Comprehensive Fitness Facility Services (provided by Body Experts)

In 2020G, the Company launched an additional business segment under the Body Experts brand, providing comprehensive fitness solutions and a suite of integrated services to its clients in relation to their fitness facilities. These services encompass fitness consultancy and design and construction of gyms, centers and other fitness facilities for clients, either directly or through subcontractors. Additionally, the Company offers services such as planning and layout of fitness equipment, supply and furnishing of fitness equipment, and the operation and maintenance of fitness facilities.

The Company's business model and competitive advantage with respect to Body Experts Services are based on provision of the services clients require for the establishment, equipment and operation of their fitness facilities. This aligns with client preferences, as they often entrust such projects to the Company due to its specialized and deep-rooted experience in managing and operating fitness facilities without the need for clients to contract and deal with multiple parties to implement related projects. Through its Body Experts Services, the Company targets a diverse range of clients, including Government entities, corporations, hotels, residential complexes, specialized fitness centers, healthcare institutions, rehabilitation centers and private facilities, among other clients.

The comprehensive services for fitness facilities offered by the Company under the Body Experts brand include the following:

- **Fitness Consultations**: Within the services of Body Experts, the Company provides its clients with advanced, practical, scientific and comprehensive solutions tailored to the specific fitness activities desired by the client to create an optimal fitness environment. This includes the provision of an operational plan for fitness facilities, training programs, development plans and other fitness facility-related consultations.
- **Design and Layout**: The design and planning services offered by the Company vary based on the nature of the projects and services contracted with clients. In cases where a project requires specialized engineering and design work, the Company engages third-party service providers to execute these services. The Company oversees, manages and monitors such works, providing the specialists with the necessary information and inputs to ensure that their work is carried out in accordance with the specifications agreed upon with the client and to guarantee the quality of the outputs. This is based on the Company's longstanding experience in the establishment, management and operation of fitness clubs. Generally, these services—whether provided directly by the Company or through third-party service providers—encompass comprehensive design solutions, ranging from structural design and equipment layout plans to optimal space utilization, culminating in a concept image of the fitness center.
- **Construction and Finishing Works**: The Company engages subcontractors to execute construction and finishing works related to projects, while it oversees, manages and monitors such works. The Company also provides specialists with the necessary information and inputs to ensure that their work is carried out in accordance with the specifications agreed upon with the client and to guarantee the quality of the outputs. This is based on the Company's longstanding experience in the establishment, management and operation of fitness clubs.
- **Furnishing**: Recognizing the importance of comfort and appeal in a fitness environment, the Company, through its Body Experts Services, provides its clients with a variety of high-quality furnishing options that combine elegant design with functional usability. This includes furnishing reception areas, changing rooms and relaxation zones, as well as providing convenient storage solutions.
- **Fitness Equipment and Machinery**: As part of the Body Experts Services, the Company provides its clients with a diverse range of high-quality fitness equipment and machinery imported from leading domestic and international companies, offering clients a unique experience. Such equipment is up-to-date with the latest technology in the sports and fitness industry. The diverse range of fitness equipment and machinery provided by the Company come from leading global brands.
- **Management and Operation of Fitness Facilities**: Leveraging its longstanding experience in the establishment, management and operation of fitness clubs, the Company, through its Body Experts Services, offers its clients comprehensive solutions and flexible options to assist them in managing and operating their fitness facilities. This includes providing diverse staffing and training programs.
- **Maintenance and Support**: As part of the Body Experts Services, the Company provides its clients with comprehensive maintenance and support services, including regular maintenance, practical consultations and ongoing support to ensure maximum benefit from the services provided.

The following table details the Company's projects under the Body Experts Services as of the date of this Prospectus:

Table 4.43: Details of the Company's Ongoing Projects Under the Body Experts Services as of the Date of this Prospectus

No.	Client	Project Description	Project Duration	Project Value(1)
1	RCU	Design, development, construction, finishing and operation of a women's fitness club and a men's fitness club in AlUla.	The agreement shall be effective from 06/06/1445H (corresponding to 18/01/2024G) and shall continue for a period of ten years from the date of completion of the construction and commencement of operation and maintenance of the fitness clubs.	SAR 55,430,000 for the services of establishing two fitness clubs. SAR 27,600,000 for fitness club operation services (payable in ten equal annual installments of SAR 2,760,000).
2	KAFD	Supply and installation of fitness equipment, and provision of operational services for the fitness club located at the KAFD headquarters.	The project duration is four years, commencing from 19/01/1445H (corresponding to 06/08/2023G).	The total value of the project is SAR 4,054,904.
3	Government entity	Provision of operational services for the fitness club located at the headquarters of a Government entity.	The project duration is four years, commencing from the date of contract execution, i.e., 05/12/1442H (corresponding to 15/07/2022G).	The total value of the project is SAR 2,071,036.

Source: The Company.

(1) Amounts stated in the table are inclusive of VAT.

Revenue generated from Body Experts Services amounted to SAR 0.1 million, SAR 2.9 million, SAR 2.8 million and SAR 21.0 million for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 0.1%, 1.1%, 1.0% and 8.8% of the Company's total revenue for the same periods, respectively.

4.9 Company Customers

4.9.1 Fitness Club Customers

The operations of fitness clubs rely heavily on attracting and retaining customers, which is typically assessed by periodically comparing the numbers of active members. Over the previous years, the Company has successfully increased the number of its fitness club customers through continuously opening new fitness clubs and attracting new customers. Fitness club customers can be categorized into the following main groups:

- Individuals who subscribe directly to fitness clubs. Such customers constitute the majority of the total customer base of fitness clubs.
- Entities and companies that enter into agreements with the Company for the provision of memberships for a set number of beneficiaries in exchange for specific fees which are paid by such entities and companies.
- Entities and companies that enter into agreements with the Company for the provision of memberships for a set number of beneficiaries in exchange for specific fees which are paid by such beneficiaries.

4.9.2 Clients of Comprehensive Fitness Facility Services (provided by Body Experts)

Through its Body Experts Services, the Company targets a diverse range of clients, including Government entities, corporations, hotels, residential complexes, specialized fitness centers, healthcare institutions, rehabilitation centers and private facilities, among other clients. As of the date of this Prospectus, the Company has three agreements with Government clients and Government-owned companies for the provision of Body Experts Services. Specifically, these agreements are with the Royal Commission for AlUla, KAFD and another Government entity in relation to the implementation of fitness facility projects for such clients (for further information regarding these agreements, please refer to Section 11.6.4 (*Client Agreements*)).

4.10 Contractors, Suppliers and Service Providers

The Company's strategy is to collaborate with third parties, such as contractors, suppliers and service providers, to procure the services and products necessary for its operations. When evaluating and selecting such third parties, the Company ensures that their services and products are of high quality, competitively priced and align with the Company's vision, standards, internal policies and customer expectations. This strategy applies to all products and services procured from third parties, including, but not limited to, engineering and contracting works, fitness equipment and supplies and consumables required for the equipment, operation and maintenance of the Company's fitness clubs and those of its clients. The Company has successfully established a robust network of local and international contractors, suppliers and service providers who meet its requirements under competitive terms. The Company's total procurement costs amounted to SAR 104.6 million, SAR 76.9 million, SAR 109.7 million and SAR 84.8 million in the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively, representing 51.3%, 28.7%, 40.6% and 35.6% of the Company's total revenue for the same periods, respectively.

The Company maintains one leased warehouse in Riyadh for the storage of essential fitness equipment, allowing for easy dispatch to the relevant fitness clubs when required.

The following table sets out the Company's five largest suppliers by purchase value as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G:

Table 4.44: Top Five Company Suppliers by Purchase Value as of 31 December 2021G, 2022G and 2023G and as of 30 September 2024G

Top Five Suppliers	Country of Incorporation	Nature of the Relationship/Transaction		Imported Products/ Services	Value (SAR)	As a Percentage of Total Purchases (%)
		Contractual/ Non-Contractual	Independent/ Non-Independent			
As of 31 December 2021G						
Cubs North Contracting Co.	Kingdom of Saudi Arabia	Contractual	Independent	Contracting works	8,702,071	8.3%
Al Hayat Investments Co.	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	5,813,963	5.6%
Smart Cadres Trading Establishment	Kingdom of Saudi Arabia	Contractual	Independent	Office equipment	4,886,015	4.7%
FreeMotion Fitness	USA	Contractual	Independent	Fitness equipment	3,108,463	3.0%
Aors Contracting Establishment	Kingdom of Saudi Arabia	Contractual	Independent	Contracting works	3,028,839	2.9%
Total					**25,539,351**	**24.5%**
As of 31 December 2022G						
Al Hayat Investments Co.	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	4,899,198	6.4%
Delta Marketing Company (DMC)	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	4,325,128	5.6%
Cubs North Contracting Co.	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	4,306,709	5.6%
Bupa Insurance	Kingdom of Saudi Arabia	Contractual	Independent	Insurance services	3,109,347	4.0%
Benaat Development Contracting Establishment	Kingdom of Saudi Arabia	Contractual	Independent	Contracting works	2,818,773	3.7%
Total					**19,459,155**	**25.3%**
As of 31 December 2023G						
Aors Contracting Establishment	Kingdom of Saudi Arabia	Contractual	Independent	Contracting works	6,477,899	5.9%
FreeMotion Fitness	USA	Contractual	Independent	Fitness equipment	3,957,664	3.6%
Al-Rajhi Company for Cooperative Insurance	Kingdom of Saudi Arabia	Contractual	Independent	Insurance services	3,851,988	3.5%
Durrat Al Fikr Advertising Agency	Kingdom of Saudi Arabia	Contractual	Independent	Marketing services	3,583,963	3.3%
Bupa Insurance	Kingdom of Saudi Arabia	Contractual	Independent	Insurance services	3,538,590	3.2%
Total					**21,410,104**	**19.5%**
As of 30 September 2024G						
Delta Marketing Company (DMC)	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	9,344,787	11.0%
Cubs North Contracting Co.	Kingdom of Saudi Arabia	Contractual	Independent	Contracting works	9,720,731	11.5%
Smart Cadres Trading Establishment	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	2,979,964	3.5%
FreeMotion Fitness	Kingdom of Saudi Arabia	Contractual	Independent	Fitness equipment	3,655,891	4.3%
United Shad Limited	Kingdom of Saudi Arabia	Contractual	Independent	Contracting works	5,706,085	6.7%
Total					**31,407,458**	**37.0%**

Source: The Company.

4.11 Operations and Geographical Locations

The Company's head office is in Riyadh and all of its fitness clubs are located within the Kingdom. As of the date of this Prospectus, the Company has no operations or assets outside the Kingdom. The following table sets out the regions where the Company has opened fitness clubs as of 30 September 2024G:

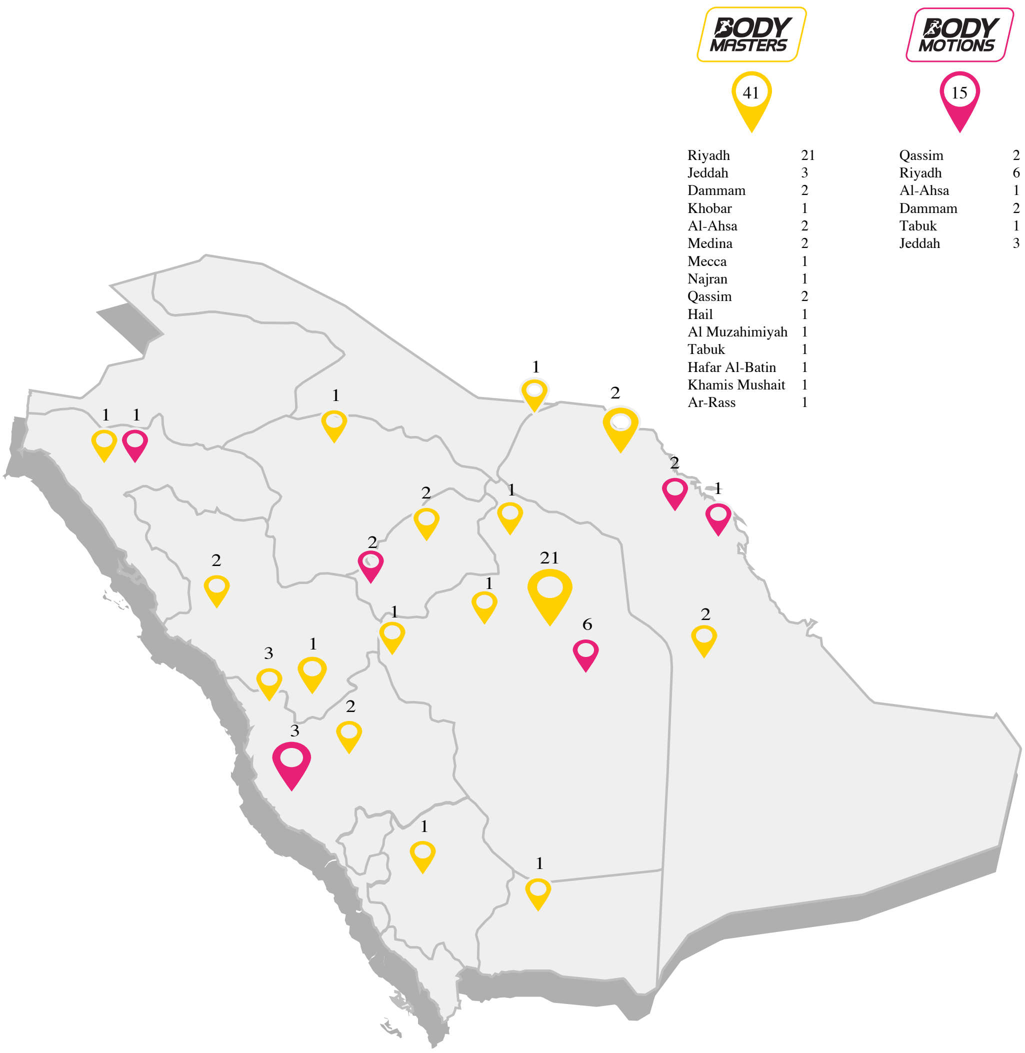
Table 4.45: Details of the Company's Geographical Presence as of 30 September 2024G

Country	Region	Number of Existing Fitness Clubs
Kingdom of Saudi Arabia	Central Region	36
	Northern Region	3
	Eastern Region	8
	Southern Region	2
	Western Region	7
Total		**56**

Source: The Company.

The following figure provides a breakdown of the Company's geographic presence by brand as of 30 September 2024G:

Figure 4.5: Breakdown of the Company's Geographic Presence by Brand as of 30 September 2024G



The following table sets out the details of the Company's revenue by geography for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G:

Table 4.46: Details of the Company's Revenue by Geography for the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Period Ended 30 September 2024G

Geographical Region	Financial Year Ended 31 December 2021G		Financial Year Ended 31 December 2022G		Financial Year Ended 31 December 2023G		Nine-Month Period Ended 30 September 2024G	
	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)	Value (SAR)	Percentage (%)
Central Region	121,561,852	59.48%	168,774,281	62.96%	172,785,816	63.8%	160,741,625	67.4%
Western Region	27,323,084	13.37%	35,654,801	13.30%	36,556,672	13.5%	28,187,895	11.8%
Eastern Region	35,013,373	17.13%	39,523,842	14.75%	35,871,279	13.3%	27,290,116	11.4%
Southern Region	8,491,312	4.16%	9,243,928	3.45%	9,772,461	3.6%	7,590,466	3.2%
Northern Region	11,968,642	5.86%	14,846,392	5.54%	15,634,487	5.8%	14,566,841	6.1%
Total	**204,358,263**	**100%**	**268,043,244**	**100%**	**270,620,715**	**100%**	**238,376,943**	**100%**

Source: The Company.

4.12 Information Systems

4.12.1 Technology, Member Management Systems and Tools

The Company focuses on developing technological infrastructure in line with its sustainability and operational efficiency standards. To this end, it has fully embraced digital transformation, utilizing analytical tools and automated communication to enhance organizational management and ensure the efficient operation of its facilities. The key components of the Company's information technology and member management systems and related tools include the following:

- **Enterprise Resource Planning (ERP) Software**: The Company has adopted an enterprise resource planning (ERP) software which helps automate various aspects of the Company's business, including operations, human resources, sales, procurement, inventory, financial management, customer relationship management and marketing.
- **Smartphone Application**: The Company has integrated the latest technologies into its various services, launching a new smartphone application in Q2 of 2024G, in line with the Company's digital transformation strategy. The Company's smartphone application enables all categories of its fitness club members to utilize the diverse features of the app, providing a distinctive customer experience. The following key features are available in the smartphone application:
  - membership purchases for new members and renewal of memberships for existing members through the app;
  - overall management of memberships, including browsing previous and current membership details and managing membership features;
  - tracking of personal training classes;
  - browsing clubs nearest to customer locations, showcasing their complete facilities, services and operating hours and offering 3D virtual tours;
  - customer access to fitness clubs using barcodes;
  - viewing offers and promotions;
  - displaying the club's group fitness schedule, including class descriptions and sample videos;
  - following up on customer training plans;
  - the "Refer a Friend" program, which automatically grants free days to customers who successfully refer new customers; and
  - booking group fitness classes (this service is available exclusively for Body Motions clubs).
- **Websites**: The Company launched a new website in Q3 of 2024G, and is currently working on launching two additional websites for Body Masters and Body Motions clubs in Q1 of 2025G. Members of all tiers at the

Company's fitness clubs will be able to utilize various features on the websites, including purchasing new memberships, renewing existing memberships, overall membership management, tracking personal training sessions, viewing nearby clubs, browsing offers and promotions and viewing group fitness schedules, among other features and services.

The Company's IT infrastructure and member management systems were built with the assistance of leading local and international IT companies to ensure their availability on an ongoing basis as well as comprehensive coverage of the Company's operations.

4.12.2 Personal Data Protection

The Company retains personal data and other data related to its customers, including names and billing information, as well as other data such as information regarding the Company's employees and suppliers, in addition to internal and confidential Company information. Such information and data are maintained on the Company's own systems, as well as on third party systems utilized by the Company in its operations. Given that it manages a large database of member information, the Company's highest priority is personal data protection. In addition, the Company is committed to ensuring that all member data is adequately protected against cyber threats and consistently invests in developing its systems, infrastructure and personnel to support its growing member base.

In its commitment to protecting member data and compliance with the Personal Data Protection Law and its Implementing Regulations, the Company has adopted a privacy policy designed to ensure the protection of the personal data of members and the fulfillment of the requirements and restrictions imposed on the Company under the Personal Data Protection Law, such as obtaining prior consent from personal data subjects for the processing of their personal data, implementing the necessary organizational, administrative and technical measures and procedures to safeguard personal data, notifying the competent authority in the event of any data breach, leak or unauthorized access of personal data and promptly notifying the data subject if any of the foregoing results in harm to their data or themselves.

4.13 Future Plans and Initiatives

The Company closely monitors supply and demand fluctuations within its business and continuously strives to adapt to such changes, keep pace with market trends and customer needs and seize growth opportunities. The following are the Company's key future projects and initiatives:

4.13.1 Opening New Fitness Clubs

As part of the Company's ongoing growth initiative, it plans to open several new fitness clubs across the Kingdom. As of the date of this Prospectus, the Company has secured 15 new locations for fitness clubs that are slated to be opened in 2025G and 2026G. The following table outlines the new locations secured for fitness clubs that are slated to be opened in 2025G and 2026G:

Table 4.47: New Locations Secured for Fitness Clubs that are Slated to be Opened in 2025G and 2026G

Club Category	City	Stage	Expected Opening Date
Body Masters (Uhud branch)	Dammam	Construction and finishing	Q2 2025G
Body Masters (AlUla branch)	AlUla	Construction and finishing	Q3 2025G
Body Motions (AlUla branch)	AlUla	Construction and finishing	Q3 2025G
Body Motions (Al Munsiyah branch)	Riyadh	The lease agreement has been signed, and the project is currently in the design phase.	Q4 2025G
Body Masters (Al Munsiyah branch)	Riyadh	The lease agreement has been signed, and the project is currently in the design phase.	Q4 2025G
Body Masters (North Obhor branch)	Jeddah	The lease agreement has been signed, and the project is currently in the design phase.	Q4 2025G
Body Motions (North Obhor branch)	Jeddah	The lease agreement has been signed, and the project is currently in the design phase.	Q4 2025G
Body Masters (Al Manar branch)	Riyadh	The lease agreement has been signed, and the project is currently in the design phase.	Q4 2025G
Body Masters (Buraidah branch)	Qassim	The lease agreement has been signed, and the project is currently in the design phase.	Q1 2026G

Club Category	City	Stage	Expected Opening Date
Body Motions (Buraidah branch)	Qassim	The lease agreement has been signed, and the project is currently in the design phase.	Q1 2026G
Body Motions (Al Nada branch)	Dammam	Construction and finishing	Q1 2026G
Body Masters (Taif branch)	Taif	The lease agreement has been signed, and the project is currently in the design phase.	Q3 2026G
Body Motions (Taif branch)	Taif	The lease agreement has been signed, and the project is currently in the design phase.	Q3 2026G
Body Masters (Al Yarmuk branch)	Riyadh	In the process of obtaining the required licenses to carry out construction and design works.	Q3 2026G
Body Motions (Al Yarmuk branch)	Riyadh	In the process of obtaining the required licenses to carry out construction and design works.	Q3 2026G

Source: The Company.

4.13.2 Foreign Expansion and Franchise Contracts

The Company's expansion plans include entering the GCC and MENA markets by granting franchises to third parties. Such franchises will provide the franchisees with operational, technical and technological know-how, along with the right to use the Company's trademarks. The franchisees will be responsible for investing such knowledge, paying agreed-upon fees, maintaining the confidentiality and privacy of the Company's trademarks and adhering to its operating model. This is a first step in strengthening the Company's regional footprint, disseminating its expertise in the sports and fitness sector and establishing a competitive and distinguished presence that caters to the needs of diverse member segments in various countries.

4.14 Research and Development

As of the date of this Prospectus, the Company does not have a research and development policy.

4.15 Corporate Social Responsibility

The Company believes in operating with a sense of responsibility and contributing to community development. This aligns with the Saudi Vision 2030 objective of advancing corporate social responsibility. The Company places corporate social responsibility and sustainability at the heart of its development and investment plans. This commitment extends to its employees, customers and the local community through participation, sponsorship and linking its role in developing sports and fitness with initiatives that seek to serve the community and advance corporate social responsibility.

Corporate social responsibility activities aim to achieve the following:

- The Company encourages and motivates all employees in order to ignite their passion for their work and for them to excel in their roles. This, in turn, helps the Company achieve its goals. Additionally, the Company provides various training opportunities for employees to acquire new skills in line with the latest technological trends, enabling them to enhance their job performance.
- Ensuring equity among all employees, treating them without discrimination and providing a safe and healthy work environment that contributes to improving employee health and well-being.
- Protecting customer rights by ensuring clarity and transparency in processes and safeguarding the interests of the Company's fitness club members. Additionally, the Company is committed to ensuring customer privacy through the application of strict standards to protect personal data.
- Balancing the Company's objectives and the broader interests of the community. This includes building positive and mutually beneficial relationships with the local community, partners and charitable, cultural and educational organizations in order to serve the community, support employee volunteer activities, and encourage them to give back more. The Company provides free memberships to eligible categories in collaboration with non-profit organizations. Additionally, the Company participates in year-round health and fitness events and initiatives to raise community awareness.
- Investing in the infrastructure of its fitness clubs to promote environmental sustainability and ensure that its clubs cater to the needs of the broader community, rather than focusing solely on a limited segment of the population.
- Commitment to respecting competitors and not harming any of them, as well as complying with all relevant laws, regulations and directives.

4.16 Overview of the Company's Departments

The Company has a number of departments that support its various business activities. The following is a brief description of the activities of the Company's departments as of the date of this Prospectus:

4.16.1 Human Resources Department

In brief, the Human Resources Department is responsible for appointing, developing and retaining employees to support the Company in achieving its objectives. Additionally, it determines employee benefits and manages employee relationships. This includes, in particular:

- Preparing the Company's human resources strategy, including workforce and succession planning, analytics and reporting.
- Employee relationships, including employee contracts, inquiries, vacations, travel, support requests, etc.
- Payroll management, including employee attendance, calculation of salaries and overtime, etc.
- Providing and renewing medical insurance for Company employees.
- Attracting talent based on Company demand.
- Calculating employee remuneration, including annual performance bonuses, wages, benefits and incentives.
- Managing employee development programs, including management training, education and development.
- Managing all Government affairs and services with the relevant Government entities, such as the Ministry of Sports and the Ministry of Human Resources and Social Development.
- Monitoring employee costs and expenses for budgeting purposes.

4.16.2 Finance Department

The Finance Department is responsible for maintaining accounting records, issuing financial reports and statements, implementing robust internal financial control systems across all Company departments, safeguarding the Company's financial assets and providing accurate financial information in a timely manner. This includes, in particular:

- Developing accounting policies and procedures and ensuring compliance with the relevant regulatory requirements.
- Managing the financial reporting process, ensuring that financial information is recorded, analyzed and disclosed accurately, in full and in a timely manner.
- Managing financial planning, supporting the Company's Senior Management in developing financial strategies, translating agreed-upon strategies into financing schemes and reviewing department plans to ensure their efficiency, accuracy and alignment with agreed strategies.
- Ensuring the availability of sufficient funds and liquidity, managing and optimizing working capital requirements to meet the Company's current and future plans and liabilities, including the development and assessment of key performance indicators for Company activities and providing recommendations thereon.
- Developing and improving the Company's internal control systems, policies and procedures in order to safeguard Company assets, ensure efficient workflow and compliance with corporate governance requirements.
- Managing supplier payments and relationships with banks, negotiating interest rates and financing terms and preparing and filing tax and Zakat returns
- Managing the Company's obligations towards employees, third parties and Government agencies.
- Identifying and working to mitigate the risks faced by the Company, including exchange rate and interest rate risks, as well as close monitoring of credit risk.
- Collaborating and coordinating with internal and external auditors for the audit of the Company's financial statements and key operations.

4.16.3 Sales and Marketing Department

The Sales and Marketing Department is vital to the Company, as it is responsible for promoting products and services, expanding the customer base and retaining existing customers. The main functions of the Sales and Marketing Department include:

- Developing sales and marketing strategies and creating comprehensive plans to achieve sales targets, increase brand awareness and communicate core brand values clearly to customers.
- Defining and implementing consistent visual identity standards for the brand, including colors, fonts and design styles that align with the character of the brand, as well as ensuring uniform application of such standards across all design elements of clubs, clothing, promotional materials and marketing collateral to enhance brand recognition.
- Managing social media pages by creating content plans that include various content types such as images, videos, articles and quick updates to ensure diversity and appeal.
- Strengthening relationships with the public through prompt and professional responses to inquiries and comments.
- Utilizing targeted advertising tools on social media platforms to reach the audience most likely to be interested in the brand.
- Utilizing the analytical tools available on social media platforms to understand content performance and audience engagement in order to optimize future campaigns and maximize resource utilization.
- Regularly reviewing and updating the visual identity to ensure alignment with market trends and customer preferences.
- Managing, designing and implementing innovative promotional campaigns, including digital and traditional advertising aimed at attracting customers, increasing sales and enhancing brand awareness and recognition within the market.
- Conducting market and competitor analysis by gathering data on market trends and competitor activities to optimize marketing and sales strategies.
- Managing, developing and maintaining excellent client relationships by reviewing client feedback, proactively handling crises to maintain a positive image in order to enhance loyalty and satisfaction, and following up on complaints until they are resolved.
- Directing and training the sales and marketing team in order to improve their performance to achieve the Company’s strategic goals.
- Evaluating the effectiveness of promotional campaigns and strategies and providing periodic reports on the results to Senior Management.

4.16.4 Procurement and Warehousing Department

The Procurement and Warehousing Department plays a pivotal role in securing and managing the goods and materials required for the Company’s operations. The main responsibilities of the Procurement and Warehousing Department include:

- Determining the Company’s needs for materials and products in accordance with set plans and following up on the latest trends in the fitness equipment industry to identify the best products that meet client expectations.
- Analyzing the supplier market to determine the best opportunities and innovations that can advance the Company’s competitiveness.
- Searching for suppliers specialized in high-quality and technologically advanced fitness equipment and evaluation thereof based on specific criteria such as innovation, sustainability and adherence to international standards.
- Negotiating and managing contracts to ensure the best terms are obtained and flexible purchasing terms are secured which allow adaptation to changes in demand or market conditions.
- Ensuring that all imported sports equipment meets international quality and safety standards and continuously monitoring suppliers’ performance to ensure compliance with agreed specifications and standards.
- Coordinating logistics and distribution to ensure that fitness equipment reaches warehouses and clubs in a timely manner.
- Maintaining appropriate inventory levels to ensure uninterrupted operations, in addition to efficiently organizing and storing goods in a manner that maintains their quality and facilitates access thereto.

- Effectively communicating with other departments to ensure that orders are fulfilled on time and to the required specifications, in addition to continuously coordinating with marketing and sales departments to understand market requirements and provide products that meet these needs.
- Integrating sustainability standards into purchasing processes, including selecting suppliers who adhere to ethical and environmental production standards and promoting practices that reduce the environmental footprint of the supply chain and import of fitness equipment.
- Collaborating with the Quality Department to ensure that all imported equipment meets the required standards.

4.16.5 Projects and Maintenance Department

The Projects and Maintenance Department plays an essential role in the Company's business and ensures that operations run efficiently. The Projects and Maintenance Department is responsible for supervising all construction projects, including coordination with and supervision of contractors, as well as following up on all stages of construction and establishment from design to final delivery. The Projects and Maintenance Department comprises a qualified team of nine to ten highly experienced and specialized engineers, which contributes to reducing the costs that the Company would incur if a third party was appointed to manage such operations. The main responsibilities of the Projects and Maintenance department include:

- Identifying suitable locations for establishing fitness clubs based on market studies and demographic analysis.
- Supervising construction operations and ensuring the adherence thereof to timelines, budgets and quality standards.
- Coordinating work among various teams, such as contractors, suppliers and operation teams, to ensure efficient workflow.
- Conducting preventive and corrective maintenance by implementing periodic maintenance programs to prevent breakdowns and deal with emergency breakdowns effectively.
- Managing resources and ensuring the availability of equipment and materials necessary to complete projects and maintenance works.
- Monitoring and evaluating the performance of projects and maintenance works to identify areas where improvement is needed.
- Coordinating with other departments to ensure that ongoing operations are not disrupted and efficiency is improved.
- Training the work team on the latest technologies and best practices in the field of projects and maintenance.

4.16.6 Club Operations Department

The Club Operations Department is responsible for supervising all activities and services provided by the Company's clubs. The Club Operations Department is responsible for ensuring efficient daily operations, supervising training staff and designing training programs that meet the needs of members. The main tasks of the Club Operations Department include:

- Daily supervision of all aspects of day-to-day club operations to ensure the provision of the best possible service to members, including with respect to services, activities and staff.
- Supervising training staff (trainers and coaches) by appointing qualified male and female trainers, regularly evaluating their performance, and organizing ongoing training courses to ensure that their skills and knowledge are up to date.
- Developing and designing diverse training programs suited to different age groups and members' health and fitness goals, taking into account modern trends in physical fitness and including them in training programs.
- Cooperating with the Sales and Marketing Department to promote training programs and special events, as well as working with the Projects and Maintenance Department to ensure the readiness and safety of equipment and facilities.
- Directing and training employees to ensure top performance and excellent service.
- Conducting periodic analyses to measure the effectiveness of training programs and member satisfaction, and submitting periodic reports to Senior Management including recommendations for improving operations and services.
- Monitoring budgets, revenues and expenditures to ensure the financial stability of clubs.
- Managing relationships with suppliers and partners to ensure the best services and products.

4.16.7 Special Projects Department

The Special Projects Department acts as a link between all departments of the Company. Its work includes coordinating between multiple teams and applying advanced strategies and tools to ensure the success of administrative projects. The Special Projects Department also identifies and defines new administrative special projects that are in line with the Company's strategic objectives. The main tasks of the Special Projects Department include the following:

- Research and development to drive innovation in the Company by leading administrative projects and new strategic initiatives that help the continuity of the Company's business.
- Planning and managing special administrative projects; developing detailed plans including objectives, timelines, resources and budgets; supervising the implementation of administrative projects; tracking progress; managing risks; and making recommendations to ensure that administrative projects are implemented and achieve their desired objectives according to the set timelines in coordination with Senior Management.
- Managing risks related to administrative projects by identifying potential risks and challenges that may affect the success of projects, as well as developing strategies to reduce risks and address potential challenges proactively.
- Coordinating with third parties and internal departments to host training courses within clubs in line with the Company's strategy of providing training courses for sports trainers in particular and the community in general within the Saudi market.
- The Special Projects Department directs the fitness equipment and solutions sales team to ensure the following:
  - Management of small projects and investor support in the fitness sector.
  - Attraction of new clients to the Body Experts business segment.
  - Strengthening of relationships with existing clients to support them with their new expansion plans.
  - Building of new relationships with global fitness solutions companies.
  - Provision of new and innovative fitness solutions for the Saudi fitness market.
  - Provision of new global sports and fitness services and solutions within the Company's clubs.
  - Provision of continuous support to the Company's clubs and supervision of the addition of new services and facilities within the clubs that contribute to enhancing the services provided to clients.
  - Supervision of retail sales within the clubs.
  - Enhanced cooperation with Government bodies, companies and private institutions to advance fitness services in the Saudi market.
  - Effective participation in local and international sports conferences and events.

4.16.8 Public Relations Department

The Public Relations Department works as a link between the Company and all third parties. It is responsible for enhancing the Company's image, building positive relationships with the general public and local communities, ensuring the Company's compliance with regulations and legislation and strengthening its relations with Government entities. The main tasks of the Public Relations Department include the following:

- Cooperating with various third parties to ensure continuous support and improve the Company's public image, developing and strengthening relations with partners and local communities, and building a broad communication network.
- Preparing and publishing press releases and organizing press conferences for important Company announcements; responding to media inquiries and organizing interviews with Senior Management.
- Serving as a link between the Company and various Government bodies by representing the Company in all dealings and negotiations with Government bodies to ensure the protection of the Company's interests.
- Keeping up to date with legislation and legal changes that may affect the Company's operations and submitting the appropriate reports to Senior Management.
- Ensuring the Company's compliance with all domestic and international regulations and legislation related to its activities.
- Addressing crises and disputes that may arise with Government bodies and effective resolution thereof.
- Obtaining the necessary permits and licenses to establish and open clubs and renew licenses nearing expiration.

4.17 Business Continuity

There has been no suspension or interruption in the Company's business during the 12-month period preceding the date of this Prospectus that would affect or has had a significant impact on its financial position, and no material change in the nature of its business is contemplated.


BODY MASTERS

5. Organizational Structure and Governance of the Company

5.1 Ownership Structure of the Company

The following table sets out the Company's ownership structure pre- and post-Offering:

Table 5.1: Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Ownership (%)(1)	Total Nominal Value (SAR)	No. of Shares	Ownership (%)(1)	Total Nominal Value (SAR)
Special Opportunities Investment Company	41,600,000	40.0000%	41,600,000	32,032,000	28.0000%	32,032,000
Diamond Opportunities Sports Company	35,879,000	34.4990%	35,879,000	27,626,830	24.1493%	27,626,830
Elaf AlKhaleej Commercial Investment Company	5,691,018	5.4721%	5,691,018	4,382,084	3.8305%	4,382,084
Abdulkadir Al Muhaidib & Sons Company	4,742,510	4.5601%	4,742,510	3,651,733	3.1921%	3,651,733
Al Fozan Holding Co.	4,742,510	4.5601%	4,742,510	3,651,733(2)	3.1921%	3,651,733
Ammar Abdulwahed Faleh Al-Khudairy	4,425,764	4.2555%	4,425,764	3,407,838	2.9789%	3,407,838
Omran Muhammad Abdulrahman Al-Omran	1,822,526	1.7524%	1,822,526	1,403,345(2)	1.2267%	1,403,345
Prince Sultan Mohammed Saud Al Kabeer Al Saud	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
Abdullatif Alissa Group Holding Co.	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
Abdulaziz Alsaghyir Commercial Investment Co.	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
Abdullah Saad Abdulrahman Al-Rashid	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
Fahad Abdullah Abdullatif Almubarak	235,604	0.2265%	235,604	181,415(2)	0.1586%	181,415
Silver Opportunities Investment Company	1,000	0.0010%	1,000	770	0.0007%	770
Public(3)	-	-	-	34,320,000	30.00%	34,320,000
Total	**104,000,000**	**100%**	**104,000,000**	**114,400,000**	**100%**	**114,400,000**

Source: The Company.

(1) The ownership percentages have been rounded.

(2) These shares are considered public shares under the CMA regulations.

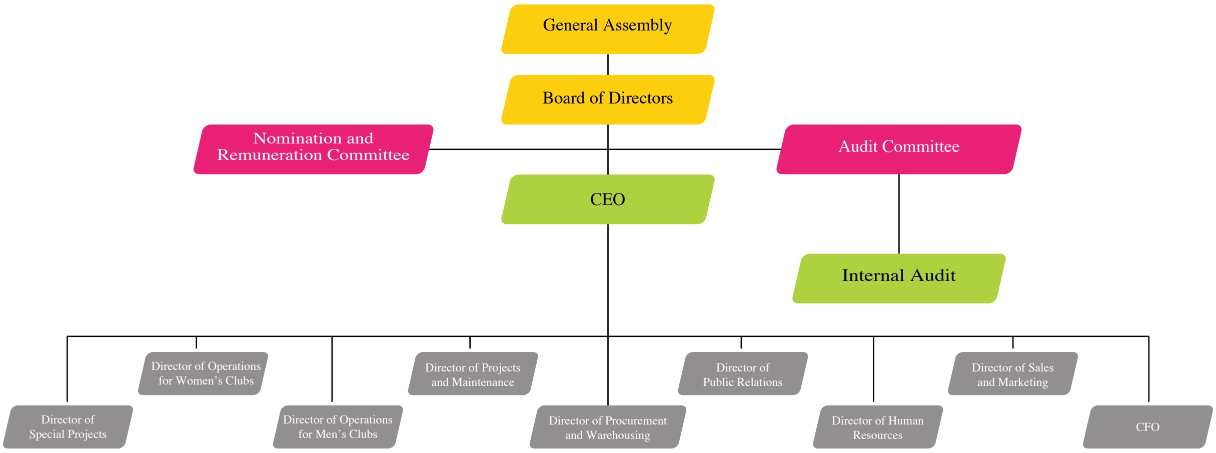
(3) The "public" row reflects the number and percentage of shares to be offered to the public under the Offering, namely 34,320,000 shares, representing 30% of the Company's share capital. This does not include the shares which will be owned by certain Current Shareholders after the Offering who meet the definition of "public" under the CMA regulations. These shareholders include Al Fozan Holding Co., Omran Muhammad Abdulrahman Al-Omran, Prince Sultan Mohammed Saud Al Kabeer Al Saud, Abdullatif Alissa Group Holding Co., Abdulaziz Alsaghyir Commercial Investment Co., Abdullah Saad Abdulrahman Al-Rashid and Fahad Abdullah Abdullatif Almubarak. The total number of shares owned by the public after the Offering will be 43,298,745 shares, representing 37.8486% of the Company's share capital.

5.2 Organizational Structure

The organizational structure of the Company is made up of the General Assembly, the Board of Directors and the Board Committees, namely the Audit Committee and the Nomination and Remuneration Committee. Such Committees assume the powers delegated thereto by the Board in accordance with the Company's Corporate Governance Manual and other internal regulations. The Board is ultimately responsible for the direction, general supervision and overall control of the Company and the Executive Management team.

The following figure sets out the organizational structure of the Company as of the date of this Prospectus:

Figure 5.1: Organizational Structure of the Company as of the date of this Prospectus



Source: The Company.

5.3 Board of Directors

Pursuant to the Company's Bylaws, the Board of Directors consists of six Directors appointed by the Ordinary General Assembly of Shareholders for a maximum term of four years. The Companies Law, the CGRs, the Bylaws and the Company's internal Corporate Governance Manual define the Board's duties and responsibilities. As an exception, on 01/03/1444H (corresponding to 26/09/2022G), the Conversion Assembly approved the appointment of the Board of Directors for a term of five years commencing from 01/03/1444H (corresponding to 26/09/2022G) and ending on 24/04/1449H (corresponding to 25/09/2027G). On 14/08/1446H (corresponding to 13/02/2025G), the Board appointed the Directors Yasser bin Ali Al-Hedaithy and Raed bin Abdulaziz Alammari to the vacant positions following the resignation of two Directors during the current Board session. The following table sets out the formation of the Board as of the date of this Prospectus:

Table 5.2: The Company's Board of Directors

Name	Position	Nationality	Status(1)	Direct Ownership (%)(2)		Indirect Ownership (%)(2)		Date of Appointment (3)
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Ammar Abdulwahed Faleh Al-Khudairy	Chairman	Saudi	Non-Executive	4.2555%	2.9789%	10.1809%(4)	7.1266%	01/03/1444H (corresponding to 26/09/2022G)
Abdul-Elah Saad Mohammed Al-Drees	Vice Chairman	Saudi	Non-Executive	-	-	1.1827%(5)	0.8278%	01/03/1444H (corresponding to 26/09/2022G)
Fadi Farooq Arbid	Director	Lebanese	Independent	-	-	-	-	01/03/1444H (corresponding to 26/09/2022G)
Yasser bin Ali Al-Hedaithy	Director	Saudi	Non-Executive	-	-	-	-	14/08/1446H (corresponding to 13/02/2025G)
Raed bin Abdulaziz Alammari	Director	Saudi	Non-Executive	-	-	-	-	14/08/1446H (corresponding to 13/02/2025G)

Name	Position	Nationality	Status[1]	Direct Ownership (%)[2]		Indirect Ownership (%)[2]		Date of Appointment [3]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Sager Ahmed Hammad Alblawi	Director	Saudi	Independent	-	-	-	-	01/03/1444H (corresponding to 26/09/2022G)

Source: The Company.

(1) An independent Director is a non-executive Director who enjoys complete independence in his/her position and decisions and none of the independence issues stipulated in the CGRs apply to him/her, as follows: (a) owning 5% or more of the shares of the Company or any other company within its group or is a relative someone who owns such percentage; (b) being a relative of any Director of the Company or any other company within its group; (c) being a relative of any Senior Executive of the Company or of any other company within its group; (d) being a director of another company within the group of the Company for which he/she is nominated to be a director; (e) being or having been an employee, during the past two years, of the Company or another company within its group or if he/she held a controlling interest in the Company or any party dealing with the Company or another company within its group, such as auditors or key suppliers during the previous two years; (f) having a direct or indirect interest in the business and contracts concluded for the Company's benefit; (g) receiving financial consideration from the Company in addition to the remuneration for membership on the Board or any of its Committees, exceeding SAR 200,000 or 50% of the remuneration received in the previous year for membership on the Board or any of its Committees, whichever is less; (h) engaging in business that competes with the Company or conducts business in one of the Company's branches of activity; or (i) having served for more than nine years, consecutive or nonconsecutive, as a Director of the Company.

(2) The ownership percentages have been rounded.

(3) The dates mentioned in this table are the dates of appointment of the Directors for the current session of the Board. The biographies of the Directors indicate the dates of their respective appointments to the Board and to any other positions (for further details, please refer to Section 5.3.2 (*Biographies of the Directors and Board Secretary*)).

(4) As of the date of this Prospectus, Ammar Abdulwahed Faleh Al-Khudairy has an indirect ownership interest in the Company of 10.1809% due to the following: (1) his ownership of 10.9469% of the units of MEFIC Private Equity Opportunities Fund, which is the beneficial owner of 99% of the shares of Special Opportunities Investment Company, which in turn directly owns 40.00% of the Company's shares; and (2) his ownership of 16.9446% of the units of MEFIC Private Equity Opportunities Fund 5, which is the beneficial owner of all of the shares of Diamond Opportunities Sports Company, which in turn directly owns 34.499% of the Company's shares and indirectly owns 0.0010% therein through its full ownership of Silver Opportunities Investment Company, which in turn owns 0.0010% of the Company's shares.

(5) As of the date of this Prospectus, Abdul-Elah Saad Mohammed Al-Drees holds an indirect ownership interest in the Company of 1.1827% as a result of his ownership of 3.4280% of the units of MEFIC Private Equity Opportunities Fund 5, which is the beneficial owner of all of the shares of Diamond Opportunities Sports Company, which in turn directly owns 34.499% of the Company's shares and indirectly owns 0.0010% thereof through its ownership of all of the shares of Silver Opportunities Investment Company, which in turn owns 0.0010% of the Company's shares.

The Board Secretary is Abdullah Mohammed Al-Tahhan, who was assigned to such position pursuant to the Board resolution dated 28/04/1444H (corresponding to 22/11/2022G). The Board Secretary does not own any shares in the Company (for further details regarding the Board Secretary, please refer to Section 5.3.2 (*Biographies of the Directors and Board Secretary*)).

5.3.1 Responsibilities of the Board of Directors

The responsibilities of the Board of Directors, the Chairman and the Board Secretary include the following:

5.3.1.1 Board of Directors

Subject to the actions and matters falling within the powers conferred on the General Assembly under the Companies Law, its Implementing Regulations and the Company's Bylaws, the Board of Directors shall be vested with the broadest powers to manage the Company and direct its business in order to achieve its objectives. The responsibilities and powers of the Board of Directors include the following:

- Developing the Company's main plans, policies, strategies and objectives, supervising their implementation and reviewing them periodically, as well as ensuring the availability of the human and financial resources necessary to fulfill the same, including:
  - Developing, reviewing and directing the Company's comprehensive strategy, key business plans and risk management policies and mechanisms.
  - Determining the Company's optimal capital structure, strategies and financial objectives, as well as approving all types of estimated budgets.
  - Overseeing the Company's key capital expenditures and the acquisition or disposal of assets.
  - Setting the Company's performance indicators, monitoring implementation thereof and overall performance.
  - Periodically reviewing and approving the organizational and functional structures of the Company.
  - Ensuring that the financial and human resources required to achieve the Company's objectives and key plans are available.

- Establishing and overseeing rules and procedures for internal control, including:
  - Developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Directors, the Executive Management and the Shareholders, including misuse of the Company's assets and facilities and misconduct resulting from dealings with Related Parties.
  - Ensuring the integrity of the financial and accounting systems, including systems related to financial reporting.
  - Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the risk management culture at the Company level, as well as disclosing such risks transparently to the Company's stakeholders and relevant parties.
  - Conducting an annual review of the effectiveness of the Company's internal control procedures.
- Developing clear and well-defined policies, standards and procedures for membership of the Board in a manner that does not conflict with the mandatory provisions of the CGRs, as well as implementing the same following the approval thereof by the General Assembly.
- Developing a written policy that regulates relationships with stakeholders in accordance with the CGRs.
- Developing policies and procedures that ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to Shareholders and stakeholders, as well as ensuring the compliance of the Executive Management therewith.
- Supervising the management of the Company's finances, cash flows and financial and credit relationships with third parties.
- Proposing recommendations to the Extraordinary General Assembly as to what it deems appropriate regarding the following:
  - Increasing or decreasing the Company's share capital.
  - Dissolving the Company prior to the expiration of its term as specified in the Bylaws or determining its continuation.
- Proposing recommendations to the Ordinary General Assembly as to what it deems appropriate regarding the following:
  - Use of the Company's reserves if they have not been allocated for a specific purpose as per the Bylaws.
  - The formation of additional financial provisions or reserves for the Company.
  - The method of distributing the net dividends of the Company.
- Preparing the Company's interim and annual financial statements and approving them prior to their publication.
- Preparing the Board of Directors' report and approving it prior to its publication.
- Ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable disclosure and transparency policies and laws.
- Developing effective communication channels which allow Shareholders to review the various aspects of the Company's businesses as well as any material developments periodically and on an ongoing basis.
- Forming specialized Board committees pursuant to resolutions that specify the term, powers and responsibilities of such committees and how the Board will monitor such committees. Such formation resolutions shall also specify the names of the committee members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.
- Determining the types of remuneration granted to Company employees, such as fixed remuneration, performance-related bonuses and share-based remuneration, without prejudice to the Implementing Regulation of the Companies Law for Listed Joint-Stock Companies.
- Notifying the Ordinary General Assembly, when it convenes, of the businesses and contracts in which any Director has a direct or indirect interest, provided that such notification includes the information provided by the Director in accordance with the CGRs and is accompanied by a special report from the Company's external auditor.
- Setting the values and standards that govern work at the Company.

- Assigning competencies and duties, whereby the Board of Directors must ensure that the Company's organizational structure defines competencies and distributes duties among the Directors and the Executive Management. To this end, the Board shall:
  - Approve and develop the internal policies related to the Company's business, including by defining the duties, competencies and responsibilities assigned to the various organizational levels.
  - Adopt a detailed written policy specifying the powers delegated to the Executive Management, including a matrix outlining such powers, the method of implementation and the duration of the delegation. The Board of Directors may request periodic reports from the Executive Management on its performance of the delegated powers.
  - Defining the matters that the Board retains the authority to decide upon.

5.3.1.2 Chairman

Without prejudice to the powers of the Board, the Chairman shall be responsible for leading the Board, supervising its operations and ensuring the effective performance of its duties. The competencies and duties of the Chairman shall include the following in particular:

- Ensuring that the Directors receive timely, complete, clear, accurate and non-misleading information.
- Ensuring that the Board discusses all key issues effectively and in a timely manner.
- Representing the Company before third parties in accordance with the Companies Law and its Implementing Regulations and the Bylaws.
- Encouraging the Directors to perform their duties effectively and in the interests of the Company.
- Ensuring the existence of effective communication channels with Shareholders and conveying their opinions to the Board.
- Encouraging constructive relationships and effective participation between the Board of Directors and the Executive Management, and between the executive, non-executive and independent Directors, as well as creating a culture that encourages constructive criticism.
- Preparing agendas for Board meetings, taking into consideration any matters raised by the Directors or the Auditor, as well as consulting with the Board of Directors and the CEO when preparing the Board agenda.
- Convening periodic meetings with the non-executive Directors without the presence of any executive officers of the Company.

5.3.1.3 Board Secretary

The competencies of the Board Secretary include the following:

- Documenting Board meetings and preparing minutes therefor which include the discussions and deliberations that took place during such meetings, as well as the location, date and times at which such meetings commenced and concluded; recording the resolutions of the Board and voting results and retaining the same in a dedicated and organized register, including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by all of the attending members and the Secretary.
- Maintaining the reports submitted to the Board and the reports prepared by it.
- Providing the Directors with the Board meeting agendas along with the related working papers, documents and information, as well as any additional information or documents requested by any Director in relation to the topics included in the agenda items.
- Ensuring that the Directors comply with the procedures approved by the Board.
- Providing sufficient notice to the Directors of the dates of Board meetings prior to the date specified for such meetings.
- Presenting draft minutes to the Directors for them to provide their opinions thereon before signature thereof.
- Ensuring that the Directors have full and prompt access to a copy the minutes of Board meetings as well as the information and documents related to the Company.
- Coordinating between the Directors.
- Organizing the disclosure register of the Board and the Executive Management.
- Providing assistance and advice to the Directors.

5.3.2 Biographies of the Directors and Board Secretary

The following are summary biographies of the Directors and Board Secretary:

5.3.2.1 Ammar Abdulwahed Faleh Al-Khudairy, Chairman

Age	61 years.
Nationality	Saudi.
Current Positions in the Company	Chairman of the Board of Directors, from 2009G to date.
Status	Non-Executive.
Independence	Non-Independent.
Academic and Professional Qualifications	– Bachelor's degree in Civil Engineering, George Washington University, USA, 1983G. – Master's degree in Engineering Management, George Washington University, USA, 1984G.
Other Current Positions and Memberships	– Chairman, Saudi Venture Capital Company (SVC), a closed joint-stock company operating in the field of venture capital investments, from 2023G to date. – Director, SIDF Investment Company (SIC), a closed joint-stock company operating in the field of industrial investment, from 2023G to date. – Director, Alkhorayef Group, a closed joint-stock company operating in the field of industry, from 2023G to date. – Chairman, Thara Al Mostaqbal Investment Company, a limited liability company operating in the field of investment, from 2022G to date. – Vice Chairman, Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO), a public joint-stock company operating in the field of health, from 2019G to date. – Director, Almarai, a public joint-stock company operating in the field of food, from 2019G to date. – General Manager, Amwal AlKhaleej, a limited liability company operating in the field of investment, from 2014G to date. – Chairman, Al Faraby Medical, a limited liability company operating in the field of health services, from 2010G to date. – Director, Dubai Saudi Arabian Contracting Company, a limited liability company operating in the field of contracting, from 2010G to date. – Director, Amwal AlKhaleej Commercial Investment Limited, a limited liability company operating in the field of investment, from 2004G to date.
Previous Professional Experience	– Chairman, Saudi National Bank, a public joint-stock company operating in the field of banking, from 2021G to 2023G. – Chairman, Samba Financial Group (currently merged with the Saudi National Bank), a public joint-stock company operating in the field of banking, from 2019G to 2021G. – Chairman, Goldman Sachs Saudi Arabia, a closed joint-stock company operating in the field of financial services, from 2018G to 2019G. – Chairman, Morgan Stanley Saudi Arabia, a closed joint-stock company operating in the field of financial services, from 2008G to 2018G. – Managing Director, Amwal AlKhaleej Commercial Investment Limited, a limited liability company operating in the field of investment, from 2004G to 2014G. – Regional Manager - Central Province, Banque Saudi Fransi, a public joint-stock company operating in the field of banking, from 1999G to 2004G. – Regional Manager - Central Province, United Saudi Commercial Bank (a former Saudi bank), a closed joint-stock company operating in the field of banking, from 1995G to 1999G.

5.3.2.2 Abdul-Elah Saad Mohammed Al-Drees, Vice Chairman

Age	67 years.
Nationality	Saudi.
Current Positions in the Company	Vice Chairman of the Board of Directors, from February 2025G to date.
Status	Non-Executive.
Independence	Non-Independent.
Academic and Professional Qualifications	Bachelor's degree in Civil Engineering, University of Texas, USA, 1978G.
Other Current Positions and Memberships	– Chairman, Food Gate Trading Company, a public joint-stock company operating in the field of food, from 2021G to date. – CEO, Aldrees Petroleum and Transport Services Company, a public joint-stock company operating in the field of trading petroleum products and retail, from 2005G to date. – Director, Aldrees Petroleum and Transport Services Company, a public joint-stock company operating in the field of trading petroleum products and retail, from 2005G to date. – Member of the Executive Committee, Aldrees Petroleum and Transport Services Company, a public joint-stock company operating in the field of trading petroleum products and retail, from 2005G to date.
Previous Professional Experience	– Member of the Audit Committee, Jarir Marketing Company, a public joint-stock company operating in the field of wholesale and retail trade, from 2010G to 2016G. – Director and CEO, Aldrees Petroleum and Transport Services Company, a public joint-stock company operating in the field of trading petroleum products and retail, from 1982G to 2003G. – Deputy Director, Saudi American Glass Company, a limited liability company operating in the field of glass manufacturing, from 1982G to 2003G. – Deputy General Manager, Mohamed Saad Aldrees & Sons Co., a limited liability company operating in the field of industry and general construction, from 1978G to 2004G. – Director of the Automotive Department, Aldrees Petroleum and Transport Services Company, a public joint-stock company operating in the field of trading petroleum products and retail, from 1978G to 1985G.

5.3.2.3 Fadi Farooq Arbid, Director

Age	48 years.
Nationality	Lebanese.
Current Positions in the Company	Director, from 2009G to date.
Status	Non-Executive.
Independence	Independent.
Academic and Professional Qualifications	– Bachelor's degree in Strategic Marketing, Nantes University, French Republic, 1997G. – Master's degree in Finance, Lancaster University, United Kingdom, 1998G. – Master's degree in Business Administration, Wharton School, USA, 2003G.
Other Current Positions and Memberships	– Director, Seez, a limited liability company operating in the field of technology, from 2016G to date. – Director, Amwal Capital Partners, a limited liability company operating in the field of investment, from 2015G to date.
Previous Professional Experience	– CEO, Amwal AlKhaleej Commercial Investment Limited, a limited liability company operating in the field of investment, from 2006G to 2015G. – Business Development Manager, Booz Allen Hamilton, a limited liability company operating in the field of financial consultancy, from 2003G to 2006G. – Brand Manager, Henkel, a limited liability company operating in the field of consumer goods, from 1998G to 2003G.

5.3.2.4 Raed bin Abdulaziz Alammari, Director

Age	44 years.
Nationality	Saudi.
Current Positions in the Company	Director, from 2025G to date.
Status	Non-Executive.
Independence	Non-Independent.
Academic and Professional Qualifications	Bachelor's degree in Accounting, King Saud University, Kingdom of Saudi Arabia, 2001G.
Other Current Positions and Memberships	– Director at GIB Capital Real Estate Fund 3, a real estate investment fund operating in the field of investment, from 2022G to date. – Director of Business Development and Wealth Management, Middle East Financial Investment Company (MEFIC Capital), a closed joint-stock company operating in the field of financial services, from December 2024G to date.
Previous Professional Experience	– Head of Business Development, Jadwa Investment, a closed joint-stock company operating in the field of funds management and investment, from 2023G to 2024G. – CEO, Rubber Future for Recycling Co., a limited liability company operating in the field of recycling, from 2019G to 2023G. – Head of Business Development in the Asset Management Division, Jadwa Investment, a closed joint-stock company operating in the field of funds management and investment, from 2007G to 2018G. – Director of Sales and Marketing in the Asset Management Division, Samba Financial Group (currently merged with the Saudi National Bank), a public joint-stock company operating in the field of banking, from 2001G to 2007G.

5.3.2.5 Yasser bin Ali Al-Hedaithy, Director

Age	53 years.
Nationality	Saudi.
Current Positions in the Company	Director, from 2025G to date.
Status	Non-Executive.
Independence	Non-Independent.
Academic and Professional Qualifications	Bachelor's degree in Accounting, King Saud University, Kingdom of Saudi Arabia, 1994G.
Other Current Positions and Memberships	– Managing Director and CEO, Middle East Financial Investment Company (MEFIC Capital), a closed joint-stock company operating in the field of providing financial services, from July 2024G to date. – Director, Middle East Financial Investment Company (MEFIC Capital), a closed joint-stock company operating in the field of providing financial services, from 2021G to date.
Previous Professional Experience	– Senior Vice President and Head of the Treasury Group, Bank Aljazira, a public joint-stock company operating in the field of banking, from 2010G to 2021G. – Head of the Treasury Group, Arab National Bank, a public joint-stock company operating in the field of banking, from 2008G to 2009G. – Head of Trading, Samba Financial Group (currently merged with the Saudi National Bank), a public joint-stock company operating in the field of banking, from 1994G to 2008G.

5.3.2.6 Sager Ahmed Hammad Alblawi, Director

Age	35 years.
Nationality	Saudi.
Current Positions in the Company	Director, from 2021G to date. Head of the Audit Committee, from 2022G to date.
Status	Non-Executive.
Independence	Independent.
Academic and Professional Qualifications	– Master's degree in Finance, George Washington University, USA, 2015G. – Bachelor's degree in Financial Management, Portland State University, USA, 2011G.
Other Current Positions and Memberships	– Director, Shar Company, a closed joint-stock company operating in the field of trade, building and construction, from 2023G to date. – Member of the Nomination and Remuneration Committee, ESPAC, a closed joint-stock company operating in the field of building materials, from 2023G to date. – Head of the Audit Committee, ESPAC, a closed joint-stock company operating in the field of building materials, from 2022G to date. – Member of the Audit Committee, Shar Holding Company, a closed joint-stock company operating in the field of investment, from 2020G to date. – Director, Shar Holding Company, a closed joint-stock company operating in the field of investment, from 2019G to date. – Member of the Nomination and Remuneration Committee, Shar Company, a closed joint-stock company operating in the field of trade, building and construction, from 2019G to date. – Member of the Projects Committee, Shar Company, a closed joint-stock company operating in the field of trade, building and construction, from 2019G to date. – Director, ESPAC, a closed joint-stock company operating in the field of building materials, from 2017G to date. – Deputy CEO, Shar Company, a closed joint-stock company operating in the field of trade, building and construction, from 2013G to date.
Previous Professional Experience	Financial Analyst, Saudi Basic Industries Corporation (SABIC), a public joint-stock company operating in the field of petrochemicals, from 2012G to 2013G.

5.3.2.7 Abdullah Mohammed Al-Tahhan, Board Secretary

Age	42 years
Nationality	Syrian.
Current Positions in the Company	– Secretary of the Board of Directors, from 2022G to date. – Director of the Finance Department, from 2014G to date.
Academic and Professional Qualifications	– Master's degree in Financial Management, Arab Academy for Banking and Financial Sciences, Syrian Arab Republic, 2008G. – Higher Diploma in Financial Markets, Arab Academy for Banking and Financial Sciences, Syrian Arab Republic, 2007G. – Bachelor's degree in Accounting, University of Damascus, Syrian Arab Republic, 2005G.
Other Current Positions and Memberships	N/A
Previous Professional Experience	– Account Manager at the Company, from 2011G to 2014G. – Senior Accountant at the Company, from 2008G to 2011G. – Cost Accountant, Nestlé, a limited liability company operating in the field of food, from 2007G to 2008G.

5.4 Board Committees

The Board of Directors has formed the undermentioned committees in order to enhance the effectiveness and efficiency of the Company's management and in fulfilment of the relevant regulatory requirements. Each committee has its own charter which determines its roles, responsibilities and powers, and minutes are prepared for each committee meeting (which are submitted to the Board of Directors for review and approval). The Audit Committee and Nomination and Remuneration Committee Charters were approved at the General Assembly meeting held on 18/02/1446H (corresponding to 22/08/2024G). The following is a description of the Company's committees:

5.4.1 Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall be formed by a resolution of the Company's Board of Directors, consisting of at least three and a maximum of five members from among the Shareholders or others, provided that at least one of the members is independent and none of the members are executive Directors. The chairman of the Nomination and Remuneration Committee shall be an independent Director.

5.4.1.1 Responsibilities of the Nomination and Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee include:

A. Remuneration:

- Preparing a clear policy for the remuneration of the Directors, Board Committee members and the Executive Management, and presenting such policy to the Board for consideration in preparation for approval by the General Assembly, provided that such policy follows performance-based standards, as well as disclosing and ensuring the implementation of such policy, along with reviewing the remunerations and making recommendations to the Board on an annual basis or at the request of the Board.
- Clarifying the relationship between the remunerations granted and the applicable remuneration policy, highlighting any material deviation from such policy.
- Determining the various bonus pools based on the performance of the Company and of each unit and department, and recommending such pools to the Board for review and approval.
- Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives.
- Proposing recommendations to the Board in respect of the remuneration of the Directors, Committee members and Senior Executives in accordance with the approved policy.
- Following up on the disclosure of remuneration included in the annual report issued by the Board of Directors.

B. Nomination:

- Preparing recommendations for the Board of Directors regarding the establishment of criteria for candidates for the position of CEO, as well as recommending contract terms, preparing job descriptions and nominating candidates to the Board for the positions of CEO, CFO and other Senior Executives.
- Proposing clear policies and standards for membership of the Board and the Executive Management.
- Proposing recommendations to the Board for the nomination or re-nomination of Directors in accordance with the approved policies and standards, while ensuring that no candidates have been convicted of a crime involving moral turpitude or dishonesty.
- Preparing a description of the capabilities and qualifications required for membership of the Board and for holding Executive Management positions.
- Determining the amount of time that Directors must allocate to the activities of the Board.
- Conducting an annual review of the skills and expertise required for membership of the Board and for holding Executive Management positions.
- Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made thereto.
- Ensuring the independence of independent Directors on an annual basis and the absence of any conflicts of interest if a Director also serves on the board of directors of another company.
- Providing job descriptions for the executive, non-executive and independent Directors and the Senior Executives.
- Setting special procedures to be followed if the position of a Director or a Senior Executive becomes vacant.
- Determining the strengths and weaknesses of the Board and recommending solutions that serve the Company's interests.

5.4.1.2 Formation of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed pursuant to the General Assembly resolution issued on 11/05/1444H (corresponding to 04/12/2022G), with the session of the Nomination and Remuneration Committee commencing from the date of the General Assembly's approval and ending on 24/06/1448H (corresponding to 04/12/2026G). On 05/11/1445H (corresponding to 13/05/2024G) and 14/08/1446H (corresponding to 13/02/2025G) the Board decided to reconfigure the Nomination and Remuneration Committee as follows:

Table 5.3: Members of the Nomination and Remuneration Committee

Name	Position	Status
Fadi Farooq Arbid	Chairman of the Nomination and Remuneration Committee	Independent
Raed bin Abdulaziz Alammari	Member of the Nomination and Remuneration Committee	Non-Executive
Ammar Abdulwahed Faleh Al-Khudairy	Member of the Nomination and Remuneration Committee	Non-Executive

Source: The Company.

5.4.1.3 Biographies of the Members of the Nomination and Remuneration Committee

The following are summary biographies of the members of the Nomination and Remuneration Committee:

A. Fadi Farooq Arbid, Chairman of the Nomination and Remuneration Committee

Please refer to Section 5.3.2.3 (*Fadi Farooq Arbid, Director*) for further details regarding the experience, qualifications and current and previous positions of Fadi Farooq Arbid.

B. Raed bin Abdulaziz Alammari, Member of the Nomination and Remuneration Committee

Please refer to Section 5.3.2.4 (*Raed bin Abdulaziz Alammari, Director*) for further details regarding the experience, qualifications and current and previous positions of Raed bin Abdulaziz Alammari.

C. Ammar Abdulwahed Faleh Al-Khudairy, Member of the Nomination and Remuneration Committee

Please refer to Section 5.3.2.1 (*Ammar Abdulwahed Faleh Al-Khudairy, Chairman*) for further details regarding the experience, qualifications and current and previous positions of Ammar Abdulwahed Faleh Al-Khudairy.

5.4.2 Audit Committee

An audit committee shall be formed pursuant to a resolution of the Company's Board of Directors consisting of Shareholders or others, provided that none of its members are executive Directors and at least one of its members is independent. The number of members of the Audit Committee shall not be less than three and not more than five, and one of them shall have experience in financial and accounting affairs.

5.4.2.1 Responsibilities of the Audit Committee

The Audit Committee shall be responsible for monitoring the Company's activities and ensuring the integrity and effectiveness of its reports, financial statements and internal control systems. The duties of the Audit Committee shall include the following in particular:

A. Financial Reporting:

- Examining and reviewing the interim and annual financial statements of the Company before presenting them to the Board to ensure their integrity, fairness and transparency, as well as offering an opinion and recommendations thereon.
- Examining the accounting policies adopted by the Company and providing advice regarding recommendations to the Board thereon.
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable and contain information that allows Shareholders and investors to assess the Company's financial position, performance, business model and strategy.
- Examining any significant or unusual issues included in the financial statements or accounts, and investigating any matters raised by the Company's CFO or any person assuming their duties or the Company's compliance officer or auditor.

- Examining accounting estimates with respect to material matters contained in the financial reports.

B. Internal Audit:

- Monitoring and supervising the performance and activities of the Company's internal auditor and Internal Audit Department to ensure the availability of the necessary resources and their effectiveness in performing the duties and tasks assigned thereto.
- Reviewing the internal control, financial and risk management systems and preparing a written report thereon, including making recommendations and providing its opinion regarding the adequacy of such systems and the work it has performed that falls under its purview, as well as submitting such report to the General Assembly.
- Analyzing the internal audit reports and following up on the implementation of the corrective measures in respect of the remarks made in such reports.
- Reviewing, along with the Company's internal auditor, any issues or difficulties related to the internal audit and the responsiveness of the various departments within the Company, including: (1) any restrictions affecting the scope of the internal auditor's activities; (2) any restrictions hindering the work of the internal audit with regard to access to the required information and materials; (3) any major disputes with the Company's departments; and (4) any material differences related to the audit that were detected or observed by the internal auditor and were not acted upon.
- Settling any disputes between the internal auditor and the Company's Management with respect to preparing reports on internal audit operations and the observations resulting therefrom.
- Discussing with the Company's Management and the Internal Audit Department the appropriateness of the Company's internal accounting and financial and operational controls.
- Reviewing all reports submitted by the Company's Internal Audit Department and the responses of the various departments thereto.
- Recommending to the Board the appointment of a director for the Internal Audit Unit or Department and proposing their remuneration.
- Evaluating the performance and qualifications of the personnel within the Internal Audit Department.
- Reviewing the appointment and replacement of the Director of the Internal Audit Department and the annual action plan for the internal audit.
- Submitting reports to the Board with respect to the above-mentioned tasks.

C. Auditor:

- Providing recommendations to the Board regarding the nomination and dismissal of the auditor and determination of their remuneration after verifying their independence and taking into consideration the relevant rules and standards.
- Supervising the auditor's activities and approving any activity which falls outside the scope of their work that they may be entrusted with while carrying out their tasks.
- Reviewing the audit plan with the auditor and ensuring that they do not provide technical or administrative work which falls outside the scope of the audit work as well as expressing any observations in this regard.
- Examining the auditor's reports and observations on the financial statements and following up on the actions taken with respect thereto.
- Responding to the inquiries of the Auditor.

D. Compliance:

- Reviewing the reports of the regulatory authorities and ensuring that the Company has taken the necessary measures with regard thereto.
- Ensuring the Company's compliance with the relevant laws, regulations, policies and directives, as well as reviewing the effectiveness of the Company's approved regulations regarding ethical conduct.
- Reviewing contracts and transactions proposed to be conducted by the Company with Related Parties, and providing its opinion thereon to the Board.
- Submitting any issues it deems necessary to the Board to take action on and expressing its recommendations as to the steps to be taken.
- Monitoring operations related to risk management.
- Reviewing the adequacy of the Company's internal control system, including the control mechanisms for the computer information and security system.

5.4.2.2 Formation of the Audit Committee

The Audit Committee was formed pursuant to the General Assembly resolution issued on 11/05/1444H (corresponding to 04/12/2022G), with the session of the Audit Committee commencing from the date of the General Assembly's approval and ending on 13/06/1447H (corresponding to 04/12/2025G). On 14/12/1445H (corresponding to 30/08/2023G), the General Assembly decided to reconfigure the Audit Committee as follows:

Table 5.4: Members of the Audit Committee

Name	Position	Status
Sager Ahmed Hammad Alblawi	Chairman of the Audit Committee	Independent
Badr Ibrahim Badr Al Swailem	Member of the Audit Committee	Independent
Hasan Ahmed Maaty Daabas	Member of the Audit Committee	Independent

Source: The Company.

5.4.2.3 Biographies of the Members of the Audit Committee

The following are the summary biographies of the members of the Audit Committee:

A. Sager Ahmed Hammad Alblawi, Chairman of the Audit Committee

Please refer to Section 5.3.2.6 (*Sager Ahmed Hammad Alblawi, Director*) for further details regarding the experience, qualifications and current and previous positions of Sager Ahmed Hammad Alblawi.

B. Badr Ibrahim Badr Al Swailem, Member of the Audit Committee

Age	55 years.
Nationality	Saudi.
Current Positions in the Company	Member of the Audit Committee, from 2023G to date.
Academic and Professional Qualifications	– Bachelor's degree in Accounting, King Saud University, Kingdom of Saudi Arabia, 1990G. – Certified Public Accountant (CPA) Certificate, American Institute of Certified Public Accountants (AICPA), USA, 1999G. – Fellowship, Saudi Organization for Certified Public Accountants (SOCPA), Kingdom of Saudi Arabia, 1995G.
Other Current Positions and Memberships	– Director, MEFIC REIT Fund, a close-ended real estate investment fund operating in the field of investing in income-generating real estate assets in the Kingdom and the GCC States, from 2023G to date. – Director, Liva Insurance, a public joint-stock company operating in the field of insurance, from 2023G to date. – Member of the Investment Committee, Liva Insurance, a public joint-stock company operating in the field of insurance, from 2023G to date. – Chairman of the Nomination and Remuneration Committee, Liva Insurance, a public joint-stock company operating in the field of insurance, from 2023G to date. – Director, Raqamat Real Estate Development and Investment Company, a closed joint-stock company operating in the field of real estate development and investment, from 2023G to date. – Chairman of the Audit Committee, Vision Bank, a closed joint-stock company operating in the field of banking, from 2023G to date. – Chairman of the Audit Committee, United Motor Group, a closed joint-stock company operating in the field of commercial car agencies, from 2022G to date. – Chairman of the Audit Committee, Care Shield Holding Company, a closed joint-stock company operating in the field of managing private hospitals and medical centers, from 2021G to date. – Director, Electrical Industries Co., a public joint-stock company operating in the field of electrical industries, from 2015G to date. – Chairman of the Audit Committee, Electrical Industries Co., a public joint-stock company operating in the field of electrical industries, from 2015G to date. – Chairman of the Audit Committee, Arsan, a limited liability company operating in the field of investment, from 2023G to date.
Previous Professional Experience	– CEO, Yanal Finance, a closed mixed joint-stock company operating in the field of finance, from 2015G to 2022G. – Member of the Audit Committee, Samba Financial Group (currently merged with the Saudi National Bank), a public joint-stock company operating in the field of banking, from 2010G to 2018G. – CEO, Electronics and Systems Holding Company, a limited liability company operating in the field of electronics, from 2009G to 2014G. – General Manager, Modern Electronics (Sony), a limited liability company operating in the field of electronics, from 2006G to 2009G. – Financial Controller, Al Faisaliah Group Holding Company, a closed joint-stock company operating in the field of investment and management of subsidiaries, from 2002G to 2006G.

C. Hasan Ahmed Maaty Daabas, Member of the Audit Committee

Age	38 years.
Nationality	Egyptian.
Current Positions in the Company	Member of the Audit Committee, from 2022G to date.
Academic and Professional Qualifications	– Bachelor's degree in Accounting, Mansoura University, Arab Republic of Egypt, 2007G. – Certified Public Accountant (CPA) Certificate, American Institute of Certified Public Accountants (AICPA), USA, 2017G.
Other Current Positions and Memberships	– Member of the Audit Committee, ESPAC, a closed joint-stock company operating in the field of building materials, from 2023G to date. – Member of the Audit Committee, Shar Company, a closed joint-stock company operating in the field of trade, building and construction, from 2023G to date.
Previous Professional Experience	– Chief Internal Audit Executive, Al Jeri Transportation Co., a closed joint-stock company operating in the field of logistics, fuel sales and other activities, from 2021G to 2024G. – Chief Audit Executive, Safety Office, a sole proprietorship operating in the field of financial services, from 2020G to 2021G. – Chief Audit Executive, Mohamed Abdulaziz Alrajhi Endowments Group, a sole proprietorship endowment establishment operating in the field of charity, from 2017G to 2020G. – Assistant Director of Audit, PricewaterhouseCoopers, a closed joint-stock company operating in the field of financial services, from 2015G to 2017G. – Director of Audit, RSM International - Alsabti & Bannaga CPA, a professional firm operating in the field of providing review, audit and accounting consultancy services, from 2010G to 2015G. – Senior Auditor, Abdulkadir Sindi & Mazen Batterjee Auditors & Chartered Accountants & Consultants, a professional firm operating in the field of providing review, audit and accounting consultancy services, from 2009G to 2010G.

5.5 Senior Executives

5.5.1 Overview of the Senior Executives

The Executive Management consists of qualified members who have the necessary knowledge and experience to manage the Company's business in line with the objectives and directives of the Board. The following table sets out the names and details of the Company's Senior Executives as of the date of this Prospectus:

Table 5.5: Details of Senior Executives

Name	Position	Date of Appointment	Nationality	Age	Number of Shares Held Pre-Offering	Number of Shares Held Post-Offering
Wael Riyad Mohammed El Merhabi	CEO	25/11/1434H (corresponding to 01/10/2013G)	French	45	-	-
Abdullah Mohammed Al-Tahhan	CFO	03/09/1435H (corresponding to 30/06/2014G)	Syrian	42	-	-
Jamil Mohammed Jamil Al Zayat	Director of Sales and Marketing	25/11/1434H (corresponding to 01/10/2013G)	Lebanese	42	-	-
Musaed Mansour Ali Al-Baytar	Director of Human Resources	21/03/1437H (corresponding to 01/01/2016G)	Saudi	34	-	-
Meshari Abdullah Mohammed Al-Wallan	Director of Public Relations	19/11/1430H (corresponding to 07/11/2009G)	Saudi	58	-	-
Faisal Mohammed Musa Al-Hereibin	Director of Procurement and Warehousing	14/04/1439H (corresponding to 01/01/2018G)	Saudi	37	-	-
Tariq Ahmed Abdulfattah Salem	Director of Projects and Maintenance	05/03/1444H (corresponding to 01/10/2022G)	Egyptian	36	-	-
Abdulrahman bin Mohammed bin Ahmad Ismail	Director of Operations for Men's Clubs	03/08/1446H (corresponding to 02/02/2025G)	Saudi	37	-	-
Christine George Jalil Molouk	Director of Operations for Women's Clubs	01/12/1441H (corresponding to 22/07/2020G)	Jordanian	37	-	-

Name	Position	Date of Appointment	Nationality	Age	Number of Shares Held Pre-Offering	Number of Shares Held Post-Offering
Dina Mohammed Maher Al-Shihabi	Director of Special Projects	05/03/1446H (corresponding to 08/09/2024G)	Jordanian	45	-	-
Ahmed Sayed Ibrahim Abdel-Maqsoud	Director of Internal Audit	08/08/1445H (corresponding to 18/02/2024G)	Egyptian	43	-	

Source: The Company.

(1) The dates provided in this table represent the dates of appointment to the current positions held within the Company.

5.5.2 Summary Biographies of the Senior Executives

The following are the summary biographies of the Senior Executives:

5.5.2.1 Wael Riyad Mohammed El Merhabi, CEO

Age	45 years.
Nationality	French.
Current Positions in the Company	CEO, from 2013G to date.
Academic and Professional Qualifications	– Master's degree in Accounting and Finance, Lancaster University, United Kingdom, 2000G. – Bachelor's degree in Business Administration, University of Balamand, Republic of Lebanon, 1999G. – Certified Financial Manager (CFM), Institute of Management Accountants (IMA), USA, 2005G.
Previous Professional Experience	– General Manager, AFIA International (a subsidiary of Savola Group), a closed joint-stock company operating in the field of food, from 2009G to 2013G. – Development Manager, Savola Foods (a subsidiary of Savola Group), a closed joint-stock company operating in the field of food, from 2008G to 2009G. – Director of Special Projects, Savola Group, a public joint-stock company operating in the field of food, from 2007G to 2008G. – Director of Development, Al Batool (a subsidiary of Savola Group), a closed joint-stock company operating in the field of commercial agencies, from 2005G to 2007G. – Category Manager, Panda Retail Company (a subsidiary of Savola Group), a closed joint-stock company operating in the field of food, from 2002G to 2005G. – Administrative Auditor, Arthur Andersen, a limited liability company operating in the field of chartered accountancy, from 2001G to 2002G.

5.5.2.2 Abdullah Mohammed Al-Tahhan, CFO

Please refer to Section 5.3.2.7 (*Abdullah Mohammed Al-Tahhan, Board Secretary*) for further information regarding the experience, qualifications, and current and previous positions of Abdullah Mohammed Al-Tahhan.

5.5.2.3 Jamil Mohammed Jamil Al Zayat, Director of Sales and Marketing

Age	42 years.
Nationality	Lebanese.
Current Positions in the Company	Director of Sales and Marketing, from 2013G to date.
Academic and Professional Qualifications	Bachelor's degree in Business Administration, Lebanese American University, Republic of Lebanon, 2005G.
Previous Professional Experience	– Marketing and Sales Manager, Al Jomaih Automotive Company (AAC), a limited liability company operating in the field of automotive sales, from 2010G to 2013G. – Senior Marketing and Sales Specialist, Al Jazirah Vehicles Agencies Co., a limited liability company operating in the field of automotive sales, from 2008G to 2010G.

5.5.2.4 Musaed Mansour Ali Al-Baytar, Director of Human Resources

Age	34 years.
Nationality	Saudi.
Current Positions in the Company	Director of Human Resources, from 2016G to date.
Academic and Professional Qualifications	– Diploma in Computing, College of Technology, Kingdom of Saudi Arabia, 2010G. – Diploma in Human Resources, King Saud University, Kingdom of Saudi Arabia, 2020G. – Bachelor's degree in Business Administration, King Faisal University, Kingdom of Saudi Arabia, 2019G.
Previous Professional Experience	– Head of the Human Resources Department at the Company, from 2014G to 2015G. – Human Resources Officer at the Company, 2013G. – Recruitment Officer at the Company, 2012G.

5.5.2.5 Meshari Abdullah Mohammed Al-Wallan, Director of Public Relations

Age	58 years.
Nationality	Saudi.
Current Positions in the Company	Director of Public Relations, from 2009G to date.
Academic and Professional Qualifications	Intermediate Education Certificate, Kingdom of Saudi Arabia, 1987G.
Previous Professional Experience	– Representative before Government Agencies, Mohammed Al-Rayes Company, a limited liability company operating in the field of contracting, from 2004G to 2008G. – Representative before Government Agencies, Wallan, a limited liability company operating in the sale of automobiles, from 1997G to 2003G.

5.5.2.6 Faisal Mohammed Musa Al-Hereibin, Director of Procurement and Warehousing

Age	37 years.
Nationality	Saudi.
Current Positions in the Company	Director of Procurement and Warehousing, from 2018G to date.
Academic and Professional Qualifications	High School Diploma, Kingdom of Saudi Arabia, 2005G.
Previous Professional Experience	– Director of Procurement and Warehousing at the Company, from November 2011G to July 2012G. – Development Department Coordinator at the Company, from April 2011G to November 2011G. – Property Manager, AlJumaiah Holding, a closed joint-stock company operating in the field of investment, from 2009G to 2011G. – Assistant Accountant, Namma Cargo Services, a limited liability company operating in the field of logistics, from 2006G to 2009G.

5.5.2.7 Tariq Ahmed Abdulfattah Salem, Director of Projects and Maintenance

Age	36 years.
Nationality	Egyptian.
Current Positions in the Company	Director of Projects and Maintenance, from 2022G to date.
Academic and Professional Qualifications	– Bachelor's degree in Civil Engineering, El Shorouk Academy, Arab Republic of Egypt, 2007G. – Bachelor's degree in Civil Engineering, Benha University, Arab Republic of Egypt, 2010G.
Previous Professional Experience	– Director of the Maintenance Department at the Company, from 2021G to 2022G. – Head of the Civil Works Department at the Company, from 2014G to 2021G. – Engineer at the Company, from 2011G to 2013G. – Structural Engineer, General Nile Company for Desert Roads, an Egyptian public sector company operating in the field of construction and roads, from 2010G to 2011G.

5.5.2.8 Abdulrahman bin Mohammed bin Ahmad Ismail, Director of Operations for Men's Clubs

Age	37 years.
Nationality	Saudi.
Current Positions in the Company	Director of Operations for Men's Clubs, from February 2025G to date.
Academic and Professional Qualifications	Bachelor's degree in Business Management, Saudi Electronic University, Kingdom of Saudi Arabia, 2022G.
Previous Professional Experience	– Director of Operations for the Central Province, Landmark Arabia, a limited liability company operating in the field of retail, from 2023G to 2025G. – General Manager of the Sales Department, Muqdam Sports, a limited liability company operating in the field of fitness clubs, from 2022G to 2023G. – Director of Sales, Leejam Sports Company, a listed joint-stock company operating in the field of fitness clubs, from 2013G to 2022G.

5.5.2.9 Christine George Jalil Molouk, Director of Operations for Women's Clubs

Age	37 years.
Nationality	Jordanian.
Current Positions in the Company	Director of Operations for Women's Clubs, from 2020G to date.
Academic and Professional Qualifications	Bachelor's degree in Industrial Engineering, University of Jordan, Hashemite Kingdom of Jordan, 2010G.
Previous Professional Experience	– Club Manager, Fit Zone Club Company, a limited liability company operating in the field of sports services, from 2017G to 2019G. – Business Relations Officer, HyperPay Jordan, a Jordanian limited liability company operating in the field of financial services, from 2013G to 2014G. – Project Analyst, Orange Jordan, a Jordanian public joint-stock company operating in the field of telecommunications and electronics, from 2010G to 2013G.

5.5.2.10 Dina Mohammed Maher Al-Shihabi, Director of Special Projects

Age	45 years.
Nationality	Jordanian.
Current Positions in the Company	Director of Special Projects, from 2024G to date.
Academic and Professional Qualifications	– Certificate in Project Management, University of Toronto, Canada, 2024G. – Master's degree in Business Administration, New York Institute of Science and Technology, USA (Hashemite Kingdom of Jordan branch), 2009G. – Bachelor's degree in Hospitality Management, Applied Science Private University, Hashemite Kingdom of Jordan, 2002G.
Previous Professional Experience	– Senior Manager and Head of the Europe, Middle East, and Africa Region, Merrithew International Inc., a limited liability company specializing in Pilates equipment and training, from 2021G to 2024G. – Director of Business Development for Women's Clubs at the Company, from 2018G to 2020G. – Consultant, Impacta, a private company operating in the field of management studies and consulting, from 2011G to 2018G.

5.5.2.11 Ahmed Sayed Ibrahim Abdel-Maqsoud

Age	43 years.
Nationality	Egyptian.
Current Positions in the Company	Internal Auditor, from 2024G to date. Secretary of the Audit Committee, from 2024G to date.
Academic and Professional Qualifications	Bachelor's degree in Commerce, Cairo University, Arab Republic of Egypt, 2004G.
Previous Professional Experience	– Director of Regulatory Compliance and Reporting at TPAY Mobile Group, an Egyptian joint-stock company operating in the digital payment services sector in the Middle East and Africa, from 2023G to 2024G. – Senior Internal Auditor at Future Pipe Industries, an Egyptian joint-stock company operating in the development and manufacture of fiberglass piping systems, from 2015G to 2023G. – Internal Auditor at Future Pipe Industries, an Egyptian joint-stock company operating in the development and manufacture of fiberglass piping systems, from 2012G to 2015G. – Senior Accountant at Future Pipe Industries, an Egyptian joint-stock company operating in the development and manufacture of fiberglass piping systems, from 2009G to 2012G. – Client Accountant at Future Pipe Industries, an Egyptian joint-stock company operating in the development and manufacture of fiberglass piping systems, from 2004G to 2009G.

5.6 Declarations of the Directors, Senior Executives and Board Secretary

Each of the Directors, Senior Executives and the Board Secretary declare the following:

- None of them have ever been declared bankrupt or subject to bankruptcy proceedings.
- There has been no insolvency during the previous five years involving a company in which any of the Directors, Senior Executives or Board Secretary were appointed by the insolvent company in an administrative or supervisory position.
- Except as disclosed in Section 5.9 (*Conflicts of Interest*) and Section 11.6.6.1 (*Framework Agreement with Aldrees Petroleum and Transport Services Company*), none of the Directors, Senior Executives, Board Secretary or any of their relatives have any direct or indirect interest in the shares or debt instruments of the Company or any interest in any other matter that could affect the business of the Company.

5.7 Contracts with Directors and Senior Executives

5.7.1 Contracts with Directors

As of the date of this Prospectus, no employment contracts or service agreements have been entered into between the Company and the Directors.

5.7.2 Contracts with Senior Executives

The following table sets out a summary of the employment and service contracts between the Company and the Senior Executives:

Table 5.6: Summary of Employment Contracts with Senior Executives

Name	Position	Date of Appointment	Date of Current Employment Contract	Contract Term and Renewal Mechanism
Wael Riyad Mohammed El Merhabi	CEO	25/11/1434H (corresponding to 01/10/2013G)	14/10/1445H (corresponding to 23/04/2024G)	One year, commencing on 16/03/1445H (corresponding to 01/10/2023G), automatically renewable for one or more similar periods unless either party notifies the other of its intention not to renew at least 30 days prior to the contract expiration date.
Abdullah Mohammed Al-Tahhan	CFO	03/09/1435H (corresponding to 30/06/2014G)	16/10/1445H (corresponding to 25/04/2024G)	One year, commencing on 08/12/1429H (corresponding to 06/12/2008G), automatically renewable for one or more similar periods unless either party notifies the other of its intention not to renew at least 30 days prior to the contract expiration date.
Jamil Mohammed Jamil Al Zayat	Director of Sales and Marketing	25/11/1434H (corresponding to 01/10/2013G)	16/10/1445H (corresponding to 25/04/2024G)	One year, commencing on 16/03/1445H (corresponding to 01/10/2023G), automatically renewable for one or more similar periods unless either party notifies the other of its intention not to renew at least 30 days prior to the contract expiration date.
Musaed Mansour Ali Al-Baytar	Director of Human Resources	21/03/1437H (corresponding to 01/01/2016G)	07/09/1434H (corresponding to 15/07/2013G)	Indefinite contract.
Meshari Abdullah Mohammed Al-Wallan	Director of Public Relations	19/11/1430H (corresponding to 07/11/2009G)	17/01/1434H (corresponding to 01/12/2012G)	Indefinite contract.
Faisal Mohammed Musa Al-Hereibin	Director of Procurement and Warehousing	14/04/1439H (corresponding to 01/01/2018G)	02/08/1445H (corresponding to 12/02/2024G)	Indefinite contract.
Tariq Ahmed Abdulfattah Salem	Director of Projects and Maintenance	05/03/1444H (corresponding to 01/10/2022G)	24/07/1445H (corresponding to 05/02/2024G)	One year, commencing on 07/10/1444H (corresponding to 27/04/2023G), automatically renewable for one or more similar periods unless either party notifies the other of its intention not to renew at least 30 days prior to the contract expiration date.
Abdulrahman bin Mohammed bin Ahmad Ismail	Director of Operations for Men's Clubs	03/08/1446H (corresponding to 02/02/2025G)	05/08/1446H (corresponding to 04/02/2025G)	One year, commencing on 03/08/1446H (corresponding to 02/02/2025G), automatically renewable for one or more similar periods unless either party notifies the other of its intention not to renew at least 30 days prior to the contract expiration date.
Christine George Jalil Molouk	Director of Operations for Women's Clubs	01/12/1441H (corresponding to 22/07/2020G)	16/10/1445H (corresponding to 25/04/2024G)	Two years, commencing on 01/12/1441H (corresponding to 22/07/2020G), automatically renewable for one or more similar periods unless either party gives the other written notice of its intention not to renew at least 30 days prior to the contract expiration date.
Dina Mohammed Maher Al-Shihabi	Director of Special Projects	05/03/1446H (corresponding to 08/09/2024G)	07/03/1446H (corresponding to 10/09/2024G)	Two years, commencing on 05/03/1446H (corresponding to 08/09/2024G), automatically renewable for one or more similar periods unless either party gives the other written notice of its intention not to renew at least 30 days before the contract expiration date.

Name	Position	Date of Appointment	Date of Current Employment Contract	Contract Term and Renewal Mechanism
Ahmed Sayed Ibrahim Abdel-Maqsoud	Director of Internal Audit	08/08/1445H (corresponding to 18/02/2024G)	08/08/1445H (corresponding to 18/02/2024G)	Two years, commencing on 08/08/1445H (corresponding to 18/02/2024G), automatically renewable for one or more similar periods unless either party gives the other written notice of its intention not to renew at least 30 days before the contract expiration date.

Source: The Company.

5.8 Remuneration of the Directors, Committee Members and Senior Executives

In accordance with the Company's Bylaws, the remuneration of the Directors shall be determined by the Ordinary General Assembly in accordance with the provisions of the Companies Law and any other relevant supplementary regulations. Meeting attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, resolutions and directives in force in the Kingdom as defined by the competent authorities.

The table below sets out the total remuneration and benefits provided by the Company or its Subsidiary to the Directors, Committee members and the top five Senior Executives of the Company (including the CEO and the CFO):

Table 5.7: Remuneration of the Directors, Committee Members and the Top Five Senior Executives

SAR	Financial Year Ended 31 December			Nine-Month Period Ended 30 September
	2021G	2022G	2023G	2024G
Directors	-	-	950,000	747,000
Committee Members	-	-	300,000	225,000
Senior Executives	4,240,038	5,329,066	5,844,833	4,485,824
Total	**4,240,038**	**5,329,066**	**7,094,833**	**5,457,824**

Source: The Company.

5.9 Conflicts of Interest

Neither the Company's Bylaws nor its internal regulations or policies grant any Director the power to vote on any contract, transactions or offer in which they have a direct or indirect interest, in accordance with Article 71 of the Companies Law and Article 27 of the Companies Law, which states that a Director may not have any direct or indirect interest in the transactions or contracts concluded on behalf of the Company without authorization from the Ordinary General Assembly or its delegate(s). Pursuant to Article 27 of the Companies Law, a Director may not engage in any business that competes with the Company or any of its activities without the authorization of the General Assembly or its delegate(s). As of the date of this Prospectus, none of the Directors is engaged in any business that competes with the Company or any of its activities.

Pursuant to Article 71 of the Companies Law, the Directors are required to disclose and notify the Board of any direct or indirect interest they have in any transaction or contract entered into on behalf of the Company. Such declaration must be recorded in the minutes of the Board meeting. The Board shall notify the Ordinary General Assembly, when it convenes, of all transactions and contracts in which any Director has a direct or indirect interest. Such notification shall be accompanied by a special report from the Auditor prepared based on the auditing principles endorsed in the Kingdom.

Directors who have a direct or indirect interest in the transactions or contracts concluded on behalf of the Company may not participate in deliberations or vote on the resolution to be adopted in this respect.

The Company has drawn up and implemented a clear written policy to deal with conflict of interest cases and transactions with Related Parties. Such policy takes into account the size of the Company, the nature of its business and its organizational structure, with the aim of ensuring the use of a clear mechanism to identify conflict of interest cases, the Company's competition standards and cases requiring the approval of the General Assembly. The Conflicts of Interest and Related Party Transactions Policy provides for strict measures in order to ensure compliance with the general rules pursuant to the Companies Law, the CGRs and the Implementing Regulation of the Companies Law for Listed Joint-Stock Companies, in addition to other relevant requirements. The Board of Directors approved the Conflicts of Interest and Related Party Transactions Policy on 22/01/1446H (corresponding to 28/07/2024G), and the General Assembly approved the competition standards and controls on 18/02/1446H (corresponding to 22/08/2024G).

5.9.1 Interests of the Directors, Senior Executives and Board Secretary in the Company's Shares or Debt Instruments

With the exception of the Directors listed below, none of the Directors, Senior Executives or Board Secretary holds any shares or debt instruments in the Company as of the date of this Prospectus. The following table sets out the details of the Directors' ownership interests in the Company:

Table 5.8: Details of the Directors' Ownership Interests in the Company

Name	Position	Ownership (%)		Description
		Direct Ownership	Indirect Ownership	
Ammar Abdulwahed Faleh Al-Khudairy	Chairman	4.2555%	10.1809%	As of the date of this Prospectus, Ammar Abdulwahed Faleh Al-Khudairy has an indirect ownership interest in the Company of 10.1809% due to the following: (1) his ownership of 10.9469% of the units of MEFIC Private Equity Opportunities Fund, which is the beneficial owner of 99% of the shares of Special Opportunities Investment Company, which in turn directly owns 40.00% of the Company's shares; and (2) his ownership of 16.9446% of the units of MEFIC Private Equity Opportunities Fund 5, which is the beneficial owner of all of the shares of Diamond Opportunities Sports Company, which in turn directly owns 34.499% of the Company's shares and indirectly owns 0.0010% therein through its ownership of all of the shares of Silver Opportunities Investment Company, which in turn owns 0.0010% of the Company's shares.
Abdul-Elah Saad Mohammed Al-Drees	Vice Chairman	-	1.1827%	As of the date of this Prospectus, Abdul-Elah Saad Mohammed Al-Drees holds an indirect ownership interest in the Company of 1.1827% as a result of his ownership of 3.4280% of the units of MEFIC Private Equity Opportunities Fund 5, which is the beneficial owner of all of the shares of Diamond Opportunities Sports Company, which in turn directly owns 34.499% of the Company's shares and indirectly owns 0.0010% thereof through its ownership of all of the shares of Silver Opportunities Investment Company, which in turn owns 0.0010% of the Company's shares.

Source: The Company.

5.9.2 Interests of the Directors and Senior Executives in Contracts and Agreements Entered into by the Company

Except as disclosed in this section, neither the Directors, Senior Executives nor the Board Secretary have any interest in any contracts or agreements entered into with the Company as of the date of this Prospectus. The following table sets out the details of such agreement (for further information, please refer to Section 11.6.6.1 (*Framework Agreement with Aldrees Petroleum and Transport Services Company*).

Table 5.9: Details of Agreements and Transactions in Effect in which the Directors Have an Interest

Parties	Nature of the Contract/ Transaction	Interested Person	Cause of Interest	Signature Date, Contract Term and Expiration Date	Total Transaction Value (SAR)		Assembly Authorization Date
					Financial Year Ended 31 December 2023G	Nine-Month Period Ended 30 September 2024G	
The Company (as client) and Aldrees Petroleum and Transport Services Company (as service provider)	Framework agreement for vehicle refueling	Abdul-Elah Saad Mohammed Al-Drees	Abdul-Elah Saad Mohammed Al-Drees is the CEO and a director of Aldrees Petroleum and Transport Services Company.	This agreement was concluded on 22/10/1445H (corresponding to 01/05/2024G). The term of the agreement is one year, automatically renewable unless either party provides written notice to the other party of its intention not to renew at least thirty days prior to the expiration of the then-current term.	435,678	370,000	07/11/1445H (corresponding to 15/05/2024G)

Source: The Company.

Based on the foregoing, each of the Directors declare and confirm that they shall:

- Comply with Articles 27 and 71 of the Companies Law and Articles 40 to 45 of the CGRs.
- Refrain from voting on any resolution of the Board or the General Assembly with respect to any business, contract or transaction entered into on behalf of the Company if they have a direct or indirect interest therein.
- Abstain from engaging in any activity that competes with the Company or any of its activities except with the authorization of the Ordinary General Assembly in accordance with Article 27 of the Companies Law.

5.10 Corporate Governance

The Company approved its internal Corporate Governance Manual and policies in accordance with the CGRs, the Companies Law and the Company's Bylaws, pursuant to the Board resolution dated 22/01/1446H (corresponding to 28/07/2024G). Furthermore, the General Assembly approved the regulations and policies requiring its approval under the CGRs in its meeting held on 18/02/1446H (corresponding to 22/08/2024G).

The Company's internal Corporate Governance Manual includes the following:

1. Corporate governance regulations.
2. Board Charter.
3. Board Membership Policy and Criteria.
4. Code of Conduct.
5. Conflicts of Interest and Related Party Transactions Policy.
6. Dividend Distribution Policy.
7. Procedures for managing relationships with stakeholders.
8. Nomination and Remuneration Committee Charter.
9. Corporate Social Responsibility Policy.
10. Whistleblowing Policy.
11. Audit Committee Charter.
12. Remuneration Policy for the Board of Directors, Board Committees and Executive Management.
13. Competition standards and controls.
14. Delegation of Authority Regulations.
15. Disclosure and Transparency Policy.
16. Internal Control Policy.

The Company is compliant with the mandatory governance requirements applicable to Saudi public joint-stock companies pursuant to the CGRs, except for certain provisions that are only applicable to listed companies, given that the Company's shares have not yet been listed on the Stock Exchange, as follows:

- Article 8(a) which provides that, upon calling for the General Assembly, the Company shall announce on the website of the Exchange information regarding the nominees for membership of the Board.
- Article 8(b) related to the restriction of voting at the General Assembly to candidates whose information is announced in accordance with Article 8(a).
- Article 13(d) and (e) related to publishing the invitation to the General Assembly and any amendments thereto on the websites of the Exchange and the Company.
- Article 13(h), which pertains to the registration of data of Shareholders wishing to attend General Assembly meetings.
- Article 14(c) related to making information related to the items on the Shareholders' General Assembly agenda available on the websites of the Exchange and the Company, in particular the Board of Directors' report, the Auditor's report, the financial statements, and the Audit Committee's report.
- Article 15(e) related to disclosing to the public and notifying the CMA and the Exchange of the results of General Assembly meetings immediately upon their conclusion.
- Article 17(d), which provides that the Company shall notify the CMA of the names of the Directors, a description of their memberships and any changes that may affect their membership within five business days of such changes.

- Article 19(b), which provides that the Board shall conduct an annual assessment of the independence status of independent Directors.
- Article 47(vii), which pertains to the meetings of the Nomination and Remuneration Committee.
- Article 54, which pertains to the meetings of the Audit Committee.
- Article 55, which provides that the Audit Committee shall establish a mechanism that enables Company employees to confidentially submit their remarks regarding any irregularities in financial reports or other matters.
- Article 65 related to the Company publishing the nomination announcement for Board membership on the websites of the Company and the Exchange to invite persons wishing to be nominated for membership of the Board, provided that the nomination period shall remain open for a minimum of one month from the date of the announcement.
- Article 71 related to the establishment of units or departments for risk assessment, risk management and internal audit.
- Article 74 with respect to the internal audit plan.
- Article 75 with respect to the internal audit report.
- Articles 86 and 87, 88(b), 89 and 90, with respect to disclosure policies and procedures.

The Company is not currently compliant with the aforementioned provisions of the CGRs due to the fact that it is a closed joint-stock company and its shares are not yet listed on the Exchange. The Directors undertake to comply with the aforementioned provisions immediately upon the listing of the Company's shares on the Exchange. The Directors further declare that the Company is currently compliant with the majority of the other provisions of the CGRs and the provisions of the Companies Law.

5.11 Employee Share Scheme

The Company does not have any employee share schemes in place or any other arrangements involving employees in the Company's share capital prior to the application for the registration and offer of securities subject to this Prospectus.

5.12 Employees

5.12.1 Number of Employees

As of 30 September 2024G, the Company and its Subsidiary had a combined total of 1,258 employees, of which 471 were Saudi nationals. The following table sets out the number of employees of the Company by department as of 31 December 2021G, 2022G, and 2023G and 30 September 2024G:

Table 5.10: Number of Employees of the Company and its Subsidiary by Department as of 31 December 2021G, 2022G, and 2023G and 30 September 2024G:

Department	As of 31 December									As of 30 September		
	2021G			2022G			2023G			2024G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
General Administration	4	4	8	2	1	3	4	3	7	3	9	12
Finance	6	12	18	6	15	21	6	13	19	7	15	22
Sales and Marketing	2	5	7	1	3	4	3	5	8	3	4	7
Procurement and Warehousing	4	3	7	9	9	18	6	10	16	10	8	18
Human Resources	14	19	33	15	22	37	15	23	38	15	33	48
Projects and Maintenance	2	10	12	2	10	12	2	19	21	3	12	15
Public Relations	5	-	5	5	-	5	5	-	5	5	0	5
Operations and Clubs	400	682	1,082	393	695	1,088	412	715	1,127	425	706	1,131
Total	**437**	**735**	**1,172**	**433**	**755**	**1,188**	**453**	**788**	**1,241**	**471**	**787**	**1,258**

Source: The Company.

The following table sets out the number of employees of the Company and its Subsidiary along with the corresponding Saudization percentages as of 31 December 2021G, 2022G and 2023G and 30 September 2024G:

Table 5.11: Number of Employees of the Company and its Subsidiary along with the Corresponding Saudization Percentages as of 31 December 2021G, 2022G and 2023G and 30 September 2024G

Entity	As of 31 December												As of 30 September			
	2021G				2022G				2023G				2024G			
	Saudi	Non-Saudi	Total	Saudization Percentage	Saudi	Non-Saudi	Total	Saudization Percentage	Saudi	Non-Saudi	Total	Saudization Percentage	Saudi	Non-Saudi	Total	Saudization Percentage
The Company	378	513	891	42.4%	370	552	922	40.1%	412	585	997	41.3%	429	593	1,022	42.0%
Subsidiary	59	222	281	20.9%	63	203	266	23.7%	41	203	244	16.8%	42	194	236	17.8%
Total	**437**	**735**	**1,172**	**37.3%**	**433**	**755**	**1,188**	**36.4%**	**453**	**788**	**1,241**	**36.5%**	**471**	**787**	**1,258**	**37.4%**

Source: The Company.

5.12.2 Saudization and Nitaqat

The Saudization program ("Nitaqat") was approved pursuant to Resolution No. 4040 of the Minister of Human Resources and Social Development, dated 12/10/1432H (corresponding to 10/09/2011G), pursuant to Council of Ministers' Resolution No. 50, dated 21/05/1415H (corresponding to 27/10/1994G). The Ministry of Human Resources and Social Development commenced implementation of the "Nitaqat" program on 12/10/1432H (corresponding to 10/09/2011G) in a bid to encourage institutions to employ Saudi citizens. The "Nitaqat" program assesses the performance of companies based on specific categories (classifications), namely platinum, green (subdivided into low, medium and high) and red. Companies that are classified within the platinum or green categories are deemed to have met Saudization requirements and are therefore entitled to a number of benefits, such as obtaining and renewing work visas or otherwise changing the occupations of their foreign workers (except for professions reserved exclusively for Saudi nationals). Companies falling within the red category (due to their non-compliance with specific requirements) are deemed to be in violation of the Saudization requirements and may be subject to certain punitive measures, such as a limitation of their ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

The Company and its Subsidiary have obtained the following Saudization certificates from the Ministry of Human Resources and Social Development for their compliance with Saudization requirements:

- Saudization Certificate No. 944735-15206670, expiration date 11/02/1447H (corresponding to 05/08/2025G), under which the Company achieved a Saudization rate of 45%.
- Saudization Certificate No. 803526-19841018, expiration date 22/02/1447H (corresponding to 16/08/2025G), under which the Subsidiary achieved a Saudization rate of 17%.

The following table sets out an overview of the Company's and its Subsidiary's compliance with the Saudization requirements by Nitaqat category as of 17/04/1446H (corresponding to 20/10/2024G):

Table 5.12: Nitaqat Categories of the Company and its Subsidiary as of 17/04/1446H (corresponding to 20/10/2024G)

Entity	Saudi	Non-Saudi	Total	Classification as per Nitaqat	Category	Activity
The Company	429	599	1,028	Large	Mid-Green	Social services
Subsidiary	39	195	234	Medium C	Low Green	Operation and maintenance

Source: The Company.

شركة الأندية للرياضة
SPORT CLUBS COMPANY

6. Management's Discussion and Analysis of Financial Position and Results of Operations

6.1 Introduction

The Management's Discussion and Analysis of the Group's Financial Position section of this Prospectus provides an analysis of Sport Clubs Company and its subsidiary (the "**Group**") operating performance and its financial position as of and for the financial years ended 31 December 2021G, 2022G and 2023G and nine-months period ending 30 September 2023G and 2024G.

This Section and the accompanying notes have been prepared on the basis of the Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and reviewed condensed consolidated financials for the nine-month period ending 30 September 2024G which have been prepared by the Group's management in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA) ("IFRS-KSA") and International Accounting Standard 34, "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia, respectively.

The Group's consolidated financial statements for the financial years ended 31 December 2023G and 2024G and the interim condensed consolidated financials for the nine-month period ending 30 September 2024G have been audited by BDO Dr. Mohammed Al-Omari & Co. – Certified Public Accountants in accordance with International Standards on Auditing as applicable in the Kingdom of Saudi Arabia, and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia.

BDO Dr. Mohammed Al-Omari & Co. – Certified Public Accountants nor any of their affiliates, employees (forming part of the team serving the Company), and their relatives, own any shares or interests of any kind in the Group that may affect their independence as at the date of the Independent Auditor's report on the Financial Statements. As at the date of this Prospectus, BDO Dr. Mohammed Al-Omari & Co. – Certified Public Accountants have given and not withdrawn their written consent to refer in this Prospectus to their role as the Company's independent auditor for the financial years ended 31 December 2021G, 2022G and 2023G and nine-month period ending 30 September 2024G.

The above-mentioned consolidated financial statements also form an integral part of this Prospectus, and this must be read along with these financial statements and the accompanying notes, which can be found in Section 18 (*Financial Statements and Auditor's Report*) of this Prospectus.

All amounts in this Section have been rounded to the nearest thousand SAR unless otherwise noted, and figures and ratios have been rounded to the nearest decimal. Therefore, the sum of these figures may differ from that shown in the tables. All ratios, indicators, annual expenditures and compound annual growth rates are based on rounded figures.

The financial information as of and for the year ended 31 December 2021G has been derived from the comparative year financial information presented in the Group's audited consolidated financial statements for the year ended 31 December 2022G. The financial information as of and for the year ended 31 December 2022G has been derived from the financial information for the comparative year presented in the Group's audited consolidated financial statements for the year ended 31 December 2023G. The financial information for the nine-month period ended 30 September 2023G has been derived from the financial information for the comparative period presented in the Group's reviewed condensed consolidated financial statements for the nine-month period ended 30 September 2024G.

This section may include forward-looking statements regarding the future capabilities of the Company, based on management's plans and expectations concerning the Group's growth, operational results, and financial position, as well as the risks and uncertainties associated with them. The actual results of the Company may materially differ from the projected outcomes due to various factors, risks, and future events, including those discussed in this section of the Prospectus or elsewhere, particularly in Section 2 (*Risk Factors*) of this Prospectus.

6.1.1 Directors' Declaration on the Financial Statements

The members of the Company's Board of Directors, to the best of their knowledge and belief, acknowledge the following:

1. The financial information contained in this section has been extracted without material change and is presented in accordance with the Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G and accompanying notes thereto, which have been prepared in accordance with IFRS-KSA, and the reviewed condensed consolidated financial statements for the period ending 30 September 2024G, which have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia.
2. The Group has sufficient working capital for the 12 months immediately following the date of publication of this prospectus.
3. There has been no material adverse change in the financial and commercial position of the Group during the three financial years immediately preceding the date of application for registration and offering of securities to the end of the period covered by the Auditor's Report and up to the date of approval of this Prospectus. The Directors confirm that all material facts relating to the Group and its financial performance have been disclosed in this Prospectus and that there are no other information, documents or facts which, if omitted, would make the statements contained in the Prospectus misleading.
4. The Board members acknowledge that all material facts related to the Group and its financial performance have been fully disclosed in this Prospectus and that there are no additional information, documents, or facts that, if omitted, would render any statement misleading.
5. The Group does not have any assets including contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which would materially affect the assessment of the financial position.
6. The Board members acknowledge that no commissions, discounts, brokerage fees, or non-cash compensation has been given by the Group to any directors, senior executives, officials in charge of the Offering, or experts during the three (3) years immediately preceding the date of filing the application for registration and offering of securities subject of this Prospectus in connection with the issuance or offering of any securities. This includes the names of any current or proposed members of the Board, executives, officials in charge of the offering, or experts who have received any such payments or benefits, or submitted a declaration to the contrary.
7. Other than as disclosed in section number (6.3.2) "*Consolidated Statement of Financial Position*" and section number (11.7) "*Financing and Credit Facility Agreements*", the Board members declare that the Group has not issued debt instruments, borrowings, indebtedness, term loans, secured or unsecured, current or approved but unissued mortgages, and that the Group has no loans or other indebtedness including overdrafts from bank accounts and no guarantee obligations (including personal guarantees, unsecured, collateralized or uncollateralized), subordinated obligations, credit or hire purchase obligations.
8. Other than as disclosed in section number (6.3.2) "*Consolidated Statement of Financial Position*" and section number (11.7) "*Financing and Credit Facility Agreements*", the Group has no contingent liabilities, guarantees, guarantee margins or significant fixed assets to be purchased or leased.
9. There is no intention to make any material changes in the nature of the Company's activities.
10. The Board members confirm that the Group do not have any governmental, economic, financial, monetary, or political policies, nor any other factors that have materially affected or could materially affect (directly or indirectly) the operations of the Group.
11. The Group's operations have not ceased in any manner that could significantly affect or has already affected its financial position during the past 12 months.
12. The Board members declare that the Group does not have any capital under option.
13. Other than as disclosed in section number (6.3.2) "*Consolidated Statement of Financial Position*" and section number (11.7) "*Financing and Credit Facility Agreements*", there are no liens, rights, encumbrances or charges on the properties of the Group as of the date of this Prospectus.
14. The Board members confirm that the Group has provided comprehensive details in this section regarding all fixed assets and investments, including contractual securities and other assets whose value is subject to fluctuations or is difficult to estimate.
15. Other than as disclosed in section number (6.3.2) "*Consolidated Statement of Financial Position*" and section number (11.7) "*Financing and Credit Facility Agreements*", the Board members confirm that the Group do not have any issued or outstanding debt instruments, term loans, mortgages (whether secured or unsecured), or approved but unissued borrowings, whether secured by collateral or personal guarantees.

16. Other than as disclosed in section number (5.3) “*Board of Directors*”, the Board members and their relatives do not hold any shares or have any interest of any kind in the Issuer or its subsidiary.
17. Other than as disclosed in section number (2) “*Risk Factors*”, the Group is not aware of any seasonal factors or economic cycles related to its business that may have an impact on its operations or financial position.
18. The Board members declare that there were no reservations in the Auditor’s Report on the financial statements of the Issuer for any of the three (3) financial years immediately preceding the date of filing the application for registration and offering of securities subject of this Prospectus.
19. The Board members confirm that no material structural changes have been made to the Issuer during the most recent financial year preceding the date of submission of the application for the registration and offering of the securities covered in this Prospectus.
20. Other than as disclosed in section number (6.4) “*Comparative Figures for 2021G and 2022G*”, the Board members declare that there has been no material change in the accounting policies of the Issuer during the three (3) financial years immediately preceding the date of submission of the application for registration and offering of securities subject of this Prospectus.
21. Other than as disclosed in section number (6.4) “*Comparative Figures for 2021G and 2022G*”, the Board members declare that there has been no material adverse change made to the audited and published financial statements and trading position for any of the three (3) financial years immediately preceding the date of filing the application for registration and offering of securities subject of this Prospectus.

6.1.2 Key Factors Affecting the Company’s Operations

The following is a discussion of the key factors that have impacted or are expected to impact the Company’s financial position and results of operations. These factors are based on the information currently available to management and may not represent all factors that could potentially affect the Company’s business.

6.1.3 Regulatory Status and Nature of Business

Sport Clubs Company was established as a limited liability company in accordance with the Companies Law in the Kingdom of Saudi Arabia and operates under Commercial Registration No. 1010167892 dated on 26 Rabi-Al-Thani 1422H (18 July 2001G) in Riyadh city.

The main activities of the company are the wholesale and retail trade in sports equipment, tools and clothing, the purchase of lands for the construction of buildings on them and their investment by sale or rent for the benefit of the company, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

In the partners’ meeting held on 1 Rabi’ Al-Awwal 1444H, corresponding to (26 September 2022G), the partners unanimously agreed to convert the legal entity of the company from a limited liability company to a closed Saudi joint stock company while retaining the number, name and date of the commercial registration of the company and its branches, and on 2 Rabi’ Al-Awwal 1444H corresponding to (27 September 2022G), The statutory procedures to amend the company’s articles of incorporation and articles of association have been completed.

The head office of the group is located at the following address:

P.O Box 270079-Riyadh 11352 Kingdom of Saudi Arabia

The following table presents details of the Group’s subsidiary, as included in the financial statements:

Subsidiary Name	Commercial Registration No.	Country of Incorporation	Direct Ownership as of 31 December 2023G	Business Activity
Third Sports Amaken Company	1010334139	Saudi Arabia	100%	Building cleaning and maintenance services

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

No.	City/Region	Commercial Registration No.	Date of Registration (Hijri)
1	Al-Qassim	1131028467	27/03/1430H
2	Dammam	2050069185	15/03/1431H
3	Khamis Mushait	5855346579	26/04/1422H
4	Hail	3350147174	18/05/1441H
5	Al-Ahsa Region	2250064353	18/03/1437H
6	Jeddah Region	4030295107	04/09/1438H
7	Najran	5950032854	15/03/1438H
8	Hafar Al-Batin	2511108063	04/06/1439H
9	Tabuk	3550122370	04/06/1439H
10	Al-Badi'ah (Women's)	1010460120	01/09/1440H
11	Al-Madinah Taibah	4650209419	02/08/1440H
12	Makkah	4031235157	18/05/1441H

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

6.1.4 Basis of preparation and key accounting policies

6.1.4.1 Statement of Compliance

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

The preparation of these consolidated financial statements in accordance with IFRS as endorsed in Saudi Arabia requires the use of significant accounting estimates. It also requires management to exercise judgment when applying the Group's accounting policies. Areas involving a high degree of judgment or complexity, or where assumptions and estimates are material to the consolidated financial statements, are disclosed in Note 4 of the consolidated financial statements.

6.1.4.2 Basis of Preparation

These consolidated financial statements have been prepared on a going concern basis, following the historical cost convention, except for employee end-of-service benefits and accrued vacation provisions, which are measured using the projected unit credit method. Lease liabilities, which are initially measured at the present value of unpaid lease payments at the commencement date, discounted using the implicit rate in the lease contract. If this rate is not readily determinable, the Group applies its incremental borrowing rate.

6.1.4.3 Presentation Currency and Functional Currency

These consolidated financial statements are presented in Saudi Riyals (SAR), which is also the functional currency of the Group.

6.1.4.4 Accounting Policy Summary

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, unless stated otherwise.

In addition, the Group adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective 1 January 2023G. These amendments require disclosure of "material" accounting policies instead of "significant" ones. While the amendments did not result in changes to the accounting policies themselves, they affected the way certain policy disclosures are presented in some cases.

Basis of Consolidation of Financial Statements

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Company:

- Power over the investee.
- Exposure to risks and have the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

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

When the Company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; And
- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.
- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.
- A change in the subsidiary's ownership interest, without loss of control, is recorded in the consolidated statement of changes in equity.
- Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is distributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment held is carried at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.
- All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Sports Amaken Company, which is referred to later with the Company as the Group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, the Third Sports Amaken Company.

Property, Plant and Equipment

Property, plant and equipment, excluding land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment losses, if any.

Historical cost includes expenditures directly attributable to the acquisition of an asset, and subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, and only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and method of depreciation are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

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

Assets	Years
Buildings	30 (or the lease period, whichever is less, for buildings over rented lands))
Buildings on leased land	The rental period or the estimated useful life, whichever is shorter
Improvements to rented buildings	The rental period or the estimated useful life, whichever is shorter
Machines and equipment	7-10
Furniture	10
Electrical hardware and software	6.66
Vehicles	5

Land and capital work in progress are not depreciated.

Stored materials and spare parts with a useful life more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on disposal of an item of property, plant and equipment, which is determined as the difference between the net sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

Capital Work-in-Progress

Capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress begins when the assets are ready for their intended use, at that time they will be transferred to property, equipment or investment property. Finance costs incurred on borrowings to finance the construction of a qualifying asset are capitalized over the time period required to complete and prepare the asset for its intended use.

Lease Contracts

The Group assesses whether a contract is a lease, or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the lessee is, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight line basis over the lease term unless there is another systematic basis for the time plan in which the economic benefits from the leased asset are exhausted.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses an incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including fixed payments), less any lease incentives.
- Variable lease payments that are dependent on an index or a price, initially measured using the index or price at the commencement date,
- The amount expected to be paid by the lessee under residual value guarantees,
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- Payment of fines for terminating the lease, if the lease reflects the exercise of the option to terminate the lease.

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

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

The Group re-measures the lease liability (and adjusts against the related right-of-use assets) if:

- The terms of the lease have changed or there has been a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments have changed due to changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments

using the initial discount rate (unless the lease payments change due to a change in the prevailing interest rate). In this case, a modified discount rate is used.

- The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is amortized over the lease term and the specified useful life, whichever is shorter. If the lease transfers ownership of an identified asset or the cost of the right to use the asset, it reflects that the Group expects to exercise the purchase option, the related right to use asset is amortized over the asset's useful life. Depreciation begins on the start date of the lease.

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies International Accounting Standard No. 36 "Impairment of Assets" to determine whether there has been any impairment in the value of right-of-use assets.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis based on the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, and any changes in estimates are accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or at the reporting date when there is an indication of impairment, either individually or at the cash-generating unit level. The calendar of indefinite lives is reviewed annually to determine whether indefinite lives are still possible. If not, the useful life is changed from indefinite to finite on a prospective basis.

The Group applies the following useful years of amortization to its intangible assets:

Assets	Years
Computer Software	5 Years

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and consistent bases of distribution can be determined, the common assets are also allocated to cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of distribution can be determined. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment by comparing the unit's carrying value, including goodwill, with the unit's recoverable amount. Intangible assets with an indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, and whenever there is an indication that the asset is impaired.

The recoverable amount is the asset's fair value less cost to sell or value in use, whichever is higher. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized directly in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to its revalued recoverable amount, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) had no impairment loss been calculated for it in previous years. The reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized in prior periods for goodwill is not reversed in a subsequent period.

Inventory

Inventory is stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price less all estimated costs of completion and any further costs involved in making the sale. The cost of raw materials and spare parts is determined on a weighted average basis. Spare parts are items that may result in fixed capital expenditures but are not discernible. They are stated at cost and determined on a weighted average basis.

Trade Receivables

Accounts receivable are recorded at the original invoice amount less impairment losses at an amount equal to the estimated lifetime credit loss. When the receivable is uncollectible, it is written off against the impairment loss. Any subsequent recoveries of amounts previously written off against "impairment losses on trade receivables" are credited to profit or loss.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks which are all available for use by the Group unless otherwise stated, and whose maturities are three months or less, and which are subject to an insignificant risk of change in value.

Statutory Reserve

In accordance with the Group's Articles of Association and Companies Regulations, the Group must transfer 10% of the annual net profit to the statutory reserve until it becomes 30% of the capital.

Employees Benefits

Employees' benefits are calculated using the expected unit credit method, with actuarial valuations performed at the end of each reporting period. Remeasurement recognized in other comprehensive income is recognized immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligation, which result from changes and reductions, are recognized directly in profit or loss as service costs from prior periods. Interest is calculated by using the discount rate at the beginning of the period on defined employee benefit obligations. Defined benefit costs are categorized as follows:

- Service cost (including current service costs and past service costs, plus gains and losses from cutbacks and adjustments);
- Cost of interest; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the related items.

The obligation is recognized for benefits related to wages, salaries, annual leave, travel tickets and sick leaves and is expected to be settled in full during the twelve-month period following the end of the period in which the service is provided. The obligation is recorded at the undiscounted amount of benefits expected to be paid in exchange for those services.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When provisions are deducted, the increase in the provision due to the passage of time is recognized as a finance cost.

Zakat

The group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, and the entitlement to zakat is recognized and charged to the consolidated statement of profit or loss and other comprehensive income. Additional zakat liabilities, if any, relating to assessments on prior years are calculated by the Authority for Zakat, Tax and Customs in the year in which the final assessments are issued.

Financial Instruments

The Group recognizes financial assets or financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

Financial Assets

Initial Recognition

Financial assets are classified, on initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing it.

For a financial asset to be classified and measured at amortized cost or FVOCI, that asset must generate cash flows that are "payments from the asset and proceeds only" on the original amount receivable. This evaluation is referred to as the (Payments from Principal and Returns Only) test (SPPI) and is performed at the financial instrument level. Financial assets with cash flows that are not 'Payments from Principal and Returns Only' are classified as FVTPL, regardless of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, from the sale of financial assets, or from both. Financial assets classified and measured at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model whose objective is to collect contractual cash flows and sell.

Subsequent Measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

A. Debt Instruments at Amortized Cost

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

B. Equity Instruments at Fair Value Through Other Comprehensive Income with no Possibility of Rolling Back to Profit or Loss

Gains and losses on valuation of these financial assets are not recycled to profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to receive is established, except when the group benefits from these returns as a recovery of part of the cost of the financial asset, in which case, these revenues are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment testing.

C. Equity Instruments at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated profit or loss.

Decline in the Value of Financial Assets

The Group applies the simplified approach in calculating impairment. Expected credit losses on financial assets are estimated using the Group's historical credit loss experience, adjusted for general economic conditions and an assessment of both the current trend as well as expectations of conditions at the reporting date, including the time value of money where it is. That is appropriate.

The expected credit loss (ECL) measurement is an indication of the probability of default, or a given loss (meaning the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data that is modified by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the consolidated statement of profit or loss and other comprehensive income, and provisions for losses measured at amortized cost are deducted from the total carrying amount of the financial assets.

Derecognition of Financial Assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group will continue to recognize its retained interest in the assets and liabilities associated with the financial asset for amounts it may have to pay.

Financial Liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group has no financial liabilities at fair value through profit or loss.

Financial Liabilities at Amortized Cost

Bank loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. These interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the repayment period is at a constant rate on the liability balance recognized in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable.

Derecognition of Financial Liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, canceled or expired.

Revenue Recognition

The Group recognizes revenue from contracts using a five-steps method as mentioned in IFRS 15:

Step 1:	Determine the contract(s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.
Step 2:	Determine the performance obligations in the contract. A performance obligation is an undertaking under the contract with the customer to transfer a good or service to the customer.
Step 3:	Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4:	Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that have more than one performance obligation, the Group will allocate a transaction price to each performance obligation in the amount to which the Group expects to be entitled in exchange for meeting each performance obligation.
Step 5:	Recognize revenue when the entity fulfills the performance obligation.

The Group satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:

a. The performance of the group does not create an asset with an alternative use of the group, and the group has an enforceable right to payment for performance completed to date.

b. Group performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.

c. The customer simultaneously receives and consumes the benefits provided by the entity's performance once the Group has performed.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the Group fulfills the performance obligation by providing the promised services, this creates a contract-based asset in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that revenue and costs, where applicable, can be measured reliably.

Subscription and Membership Revenue

Subscription and membership fees are recognized as revenue on a regular basis over the subscription period. Revenue fees received in advance are initially recognized as contract obligations and amortized over the subscription period.

Personal Training Revenue

Personal training fees are recognized as revenue when the related services are provided and performance obligations are fulfilled. Fees received in advance are initially recognized as contract obligations and are subsequently recognized when personal training sessions are conducted or the training period ends, whichever comes first.

Cost of Revenues

The cost of sales includes all direct costs of the activity, including direct labor, direct materials, and expenses related to the activity.

Expenses

Marketing expenses principally consist of costs incurred in the distribution and sale of the Group's services. All other expenses are classified as general and administrative expenses.

Finance Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that are assets that require a significant period of time to be ready for their expected use or sale are added to the cost of those assets until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific loans until they are spent on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the group, and they are recorded in the financial statements in the period that is approved by the shareholders of the group.

Dividends are recorded in the period that is approved by the Partners.

Earnings per Share

The group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

New Standards, Amendments to Standards and Interpretations

New Standards, Interpretations and Amendments Effective in the Current Year

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021G, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

New Standards, Interpretations and Amendments Not Yet Effective

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback Transaction:

These amendments clarify the accounting for sale and leaseback transactions after the date of the transaction, particularly where some or all lease payments are variable and not based on an index or rate.

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

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

Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements:

These amendments introduce disclosure requirements intended to improve transparency around supplier financing arrangements.

Amendments to IAS 21 – Lack of Exchangeability:

These amendments provide guidance on how to determine the exchange rate when a currency is not exchangeable, and how to disclose the effects.

The following are new sustainability disclosure standards under the IFRS framework, effective for annual periods beginning on or after 1 January 2024G, and subject to endorsement by SOCPA:

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

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

IFRS S2 – Climate-related Disclosures:

This is the first topic-specific standard issued under the new framework, requiring entities to disclose climate-related risks and opportunities, including governance, strategy, risk management, and metrics and targets.

Significant Accounting Estimates

The preparation of the consolidated financial statements requires management to use judgments, estimates and assumptions that may affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on current information and events available to management, final actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of the revision of accounting estimates is reflected in the review period and the future periods affected.

The following is information about significant areas of estimation, uncertainties and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

Useful Lives of Property, Plant and Equipment

The useful lives of property, plant and equipment are estimated according to the new information available to the Group's management. The management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after considering the expected use of the assets and physical damage to these assets. The management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

Determining the Lease Term with Extension and Termination Options - Group as Lessee

The Group determines the lease term as non-cancellable for any periods covered by an option to extend the contract if the Group is reasonably certain that it will be able to exercise that option, or for any periods covered by an option to terminate the contract if the Group is reasonably certain that it will not be able to exercise it. Option. The Group exercises judgment in assessing the reasonableness of ensuring that the option to extend or terminate the contract is exercised. For this purpose, the Group considers all relevant factors that constitute an economic incentive to exercise the option to extend or terminate. After the commencement date of the lease, the Group reassesses the term of the lease if there is a significant event or change in circumstances within its control that affects the Group's ability to exercise or not to exercise the option to renew or terminate the lease.

Estimate the Additional Borrowing Rate

The group cannot easily determine the interest rate implicit in the lease contracts, and therefore it uses the incremental borrowing rate to measure the lease commitments, the incremental borrowing rate represents the interest rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, Over a similar period and with a similar guarantee, the incremental borrowing rate therefore reflects what the group has to pay, which requires an estimate when observable rates are not available (such as for subsidiaries that do not conduct financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease, The group estimates the incremental borrowing rate using observable inputs (e.g. market commission rates) when available, and is required to make some judgment of the entity (e.g. independent credit assessment).

Intangible Assets

Management reviews the period and method of amortization of tangible assets with a finite useful life at least at the end of each financial year. If the expected useful lives of the assets are different from the previous estimates, the group changes the amortization period accordingly. If there is a change in the expected pattern of consumption of future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

Impairment of Non-Financial Assets

Impairment occurs when the amount of an asset or cash-generating unit exceeds its recoverable amount as fair value less costs of disposal or its value in use - whichever is higher. The fair value minus costs of disposal is based on available data from binding arm's length sales of similar assets or observable market prices minus incremental costs of disposal of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that could enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash inflows and the growth rate used for the purposes of extrapolating the future.

Employees' Benefits

The cost of employee defined benefit obligations and other post-employment benefits is determined based on a measurement at the present value of future obligations using the expected unit addition method. The actuarial valuation involves making several assumptions which may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, and mortality rates. Due to the complex and long-term nature of the valuation and underlying assumptions, the defined benefit obligation is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is the most variable indicator. In determining the appropriate discount rate, management takes into account the commission rates on corporate bonds registered in currencies consistent with the currencies in which the defined post-employment benefits obligations for employees are recorded, and they are estimated when needed with the rate of return in line with the expected duration of the defined benefits commitment. The quality of the relevant bonds is also reviewed. Those bonds that have high credit spreads are excluded from the bond analysis on which the discount rate was determined, as they do not represent high quality bonds.

The mortality rate is determined based on publicly available mortality tables in the respective countries. These mortality tables are subject to change only from Time to time according to demographic changes. Future salary increases are determined based on expected future inflation rates for the respective countries and future salary increases.

The Principle of Continuity

The Group's management has made an assessment of the Group's ability to continue its business according to the principle of continuity, and the Group is convinced that it has the resources to continue its business in the foreseeable future, and the Group's management does not have any fundamental doubts that may affect the Group's ability to continue its business. Therefore, these financial statements have been prepared according to the going concern principle.

6.2 Results of Operations for the Financial Years Ended 31 December 2021G, 2022G and 2023G

The selected financial information of the Group and its key performance indicators, as presented below, should be read in conjunction with the financial information for the financial years ended 31 December 2021G, 2022G, and 2023G, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed in the Kingdom of Saudi Arabia, as well as other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). These financial statements are included in Section 18 (*Financial Statements and Auditor's Report*) of this Prospectus.

6.2.1 Statement of Profit and Loss and Other Comprehensive Income

Table 6.1: Statement of Profit and Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G - 2022G	Variance 2022G - 2023G	CAGR 2021G - 2023G
Revenue	204,358	268,043	270,621	31.2%	1.0%	15.1%
Cost of revenue	(167,842)	(198,769)	(198,236)	18.4%	(0.3%)	8.7%
Gross profit	**36,517**	**69,274**	**72,385**	**89.7%**	**4.5%**	**40.8%**
Marketing expenses	(5,164)	(9,183)	(7,798)	77.8%	(15.1%)	22.9%
General and administrative expenses	(10,422)	(15,098)	(14,541)	44.9%	(3.7%)	18.1%
Operating profit	**20,931**	**44,992**	**50,047**	**115.0%**	**11.2%**	**54.6%**
Other income – net	4,391	3,498	2,833	(20.3%)	(19.0%)	(19.7%)
Finance costs	(16,903)	(25,113)	(26,982)	48.6%	7.4%	26.3%
Profit before Zakat	**8,419**	**23,378**	**25,897**	**177.7%**	**10.8%**	**75.4%**
Zakat expenses	(453)	(695)	(808)	53.5%	16.3%	33.6%
Profit for the year	**7,966**	**22,683**	**25,088**	**184.7%**	**10.6%**	**77.5%**
Other comprehensive income						
Items that will not be reclassified to profit or loss:						
Re-measurement (loss) / gain of employees' benefits	1,915	794	(1,583)	(58.5%)	(299.3%)	NA
Total comprehensive income for the year	**9,881**	**23,477**	**23,505**	**137.6%**	**0.1%**	**54.2%**
		As a % of revenue			**ppt**	
Gross profit	17.9%	25.8%	26.7%	8.0	0.9	8.9
Profit for the year	3.9%	8.5%	9.3%	4.6	0.8	5.4
					Var/ ppt	
Retention rate	64%	63%	73%	(0.8)	10.4	9.6
Avg. active members	98,461	108,478	109,356	10.2%	0.8%	5.4%
Number of active clubs at year end	54	54	54	-	-	-
Avg revenue per member (SAR)	1,873	2,154	2,175	15.0%	1.0%	7.8%
Avg revenue per club (SAR'000)	3,784	4,964	5,011	31.2%	1.0%	15.1%

Source: The Group's audited consolidated financial statements and management accounts for the financial years ended 31 December 2021G, 2022G and 2023G

Revenues

The Group's revenue from operations consists of three categories: (i) Sports Club Memberships (which represent the Group's core operations), (ii) Health Club Services, and (iii) Sales of Sports Equipment.

The Group's revenue increased by 31.2% between 2021G and 2022G, rising from SAR 204.4m in 2021G to SAR 268.0m in 2022G. This growth was primarily driven by the expansion of the Group's sports club network, with the opening of nine new clubs in 2021G and two additional clubs in 2022G, in addition to the recovery of the sports club sector following the lifting of COVID-19 restrictions.

Revenue increased slightly by 1.0%, increasing from SAR 268.0m in 2022G to SAR 270.6m in 2023G. This increase was primarily attributed to a SAR 4.2 m rise in sports club membership revenue, driven by the opening of two new clubs during 2023G.

The three revenue categories are as follows:

i. Sports Club Subscription, this category represents the Group's primary revenue stream, generated from membership subscriptions for various durations (3 months, 6 months, and 12 months). On average, sports club memberships accounted for 88% of total revenue between 2021G and 2023G. Revenue from sports club subscription increased by 26.7%, from SAR 184.4m in 2021G to SAR 233.6m in 2022G. It further increased by 1.8%, from SAR 233.6m in 2022G to SAR 237.9m in 2023G. This growth was driven by an increase in active members, supported by the opening of 13 new clubs between 2021G and 2023G.

ii. Health Club Services, this category includes revenue from additional fitness and wellness services offered within the clubs, such as personal training, nutritional consultations, and combat sports. Revenue from health club services increased by 61.5%, from SAR 19.8m in 2021G to SAR 32.0m in 2022G, due to an increase in the number of clubs, expansion of service offerings, and higher member enrollment. However, revenue from health club services declined by 3.8%, from SAR 32.0m in 2022G to SAR 30.8m in 2023G. This decline was due to a slight drop in demand for additional services and the Group's decision to bundle some of these services into membership packages at no additional cost, aimed at increasing membership retention and attracting new members to recently opened clubs.

iii. Sales of Sports Equipment, this category represents revenue from the sale of fitness and sports equipment through the Group's integrated facility services division (Body Experts Services). Revenue from sports equipment sales increased from SAR 150 thousand in 2021G to SAR 2.4m in 2022G, mainly due to higher equipment sales following a supply contract with a government entity and King Abdullah Financial District (KAFD) at the end of 2022G. However, revenue from sports equipment sales declined to SAR 2.0m in 2023G, following a slight reduction in equipment supply contracts after fulfilling orders for these key clients.

Cost of Revenue

The cost of revenue includes direct salaries and wages and related expenses, which accounted for an average of 49% of total operating costs between 2021G and 2023G, in addition to the depreciation of property, plant, and equipment (approximately 18%), depreciation of right-of-use assets (approximately 11%), and electricity and water costs (approximately 8%), along with other expenses.

The cost of revenue increased by 18.4%, from SAR 167.8m in 2021G to SAR 198.8m in 2022G, primarily due to an increase in direct salaries and wages and related expenses (SAR 19.7m), driven by the increase in the number of employees following the opening of new clubs during the same period, as well as an increase in maintenance costs (SAR 3.4m) due to the expansion in the number and size of clubs.

The cost of revenue remained stable between 2022G and 2023G, standing at SAR 198m, with no material changes, in line with the stability in revenue levels.

Gross Profit

Gross profit increased by 89.7%, from SAR 36.5m in 2021G to SAR 69.2m in 2022G, in line with the increase in revenue from operations, resulting in a gross profit margin of approximately 25.8% in 2022G.

Gross profit further increased by 4.5%, from SAR 69.2m in 2022G to SAR 72.4m in 2023G, in line with the growth in revenue from operations during the same financial period.

Marketing Expenses

Marketing expenses primarily consist of advertising and promotional costs, which accounted for an average of 72% of total marketing expenses between 2021G and 2023G, in addition to salaries and wages for the sales and marketing department, which represented approximately 26%.

Marketing expenses increased by 77.8%, from SAR 5.2m in 2021G to SAR 9.2m in 2022G, primarily driven by an increase in salaries and wages as well as advertising and promotional expenses, due to higher spending on marketing campaigns.

Marketing expenses decreased by 15.1%, from SAR 9.2m in 2022G to SAR 7.8m in 2023G, due to a reduction in advertising and promotional expenses during the same period, as the Group generated additional income from marketing third-party products and services, which was deducted from advertising expenses.

General and Administrative Expenses ("G&A")

General and administrative expenses primarily consist of salaries and wages, which accounted for an average of 78% of total general and administrative expenses between 2021G and 2023G, in addition to depreciation of property, plant, and equipment (7%), among other expenses.

General and administrative expenses increased by 44.9%, from SAR 10.4m in 2021G to SAR 15.1m in 2022G, primarily driven by a 20% increase in salaries and wages, resulting from a higher employee headcount and annual salary adjustments. Additionally, the increase was impacted by a non-recurring legal provision recorded in 2022G.

General and administrative expenses decreased from SAR 15.1m in 2022G to SAR 14.5m in 2023G, mainly due to a reduction in office rental expenses following the relocation of the Group's offices to its newly owned building in AlSahafa district, as well as the absence of any legal provisions, unlike the previous year.

Operating Profit

Operating profit increased by 115.0%, from SAR 20.9m in 2021G to SAR 45.0m in 2022G, in line with the increase in gross profit from the Group's core operations, driven by the expansion of operations, an increase in the number of clubs, and improvements in club offerings.

Operating profit further increased by 11.2%, from SAR 45.0m in 2022G to SAR 50.0m in 2023G, in line with the growth in gross profit and revenue.

Other Income, net

Other income includes rental income, which relates to revenue from leasing spaces within the clubs to third parties and accounted for approximately 54% of total other income between 2021G and 2023G, in addition to rent expense reductions, which constituted around 42%, and gains or losses from the disposal of property, plant, and equipment, which accounted for approximately 5%.

Other income decreased from SAR 4.4m in 2021G to SAR 3.5m in 2022G, in line with the reduction in rent expense reductions, which declined from SAR 2.3m to SAR 996k during the same period.

Other income further decreased from SAR 3.5m in 2022G to SAR 2.8m in 2023G, due to the closure of listing-related expenses for the "Nomu – Parallel Market", as well as the settlement of legal expenses related to the Corniche case. This decline was partially offset by an increase in rental income, in line with the expansion of leased spaces in newly opened clubs, along with higher rent expense reductions following negotiations with landowners.

Finance Cost

Finance costs increased by 48.6%, from SAR 16.9m in 2021G to SAR 25.1m in 2022G, due to higher interest expenses on long-term loans, in line with the securing of new loans during the same period.

Finance costs further increased by 7.4%, from SAR 25.1m in 2022G to SAR 27.0m in 2023G, driven by the increase in lease liability interest expenses, following the acquisition of new lease agreements, as well as higher banking fees and commissions, in line with the increase in fees paid to financing service providers such as Tamara and Tabby.

Profit before Zakat

Net profit before zakat increased from SAR 8.4m in 2021G to SAR 23.4m in 2022G, and further to SAR 25.9m in 2023G, driven by the increase in operating profit during the same period.

Zakat Expenses

Zakat and tax expense increased by 53.5%, from SAR 453k in 2021G to SAR 695k in 2022G, and further increased by 16.3% to SAR 808k in 2023G, due to the growth in the Group's zakat base, as assessed by zakat and tax advisors.

Profit for the Year

Profit for the year increased by 184.7%, from SAR 8.0m in 2021G to SAR 22.7m in 2022G, and further by 10.6% to SAR 25.1m in 2023G, in line with the increase in gross profit and operating profit, as well as the Group's expansion in club size and core operations, the recovery of the sports club sector in Saudi Arabia post-COVID-19, the Group's expansion into new geographical areas, and its entry into the women's fitness club sector.

Re-Measurement of Employees' Benefits

The remeasurement of employees' defined benefit liabilities resulted in gains of SAR 1.9m in 2021G and SAR 794k in 2022G, followed by losses of SAR 1.6m in 2023G. The remeasurement of employees' defined benefit liabilities pertains to actuarial gains and losses, based on evaluations conducted by independent actuaries using the projected unit credit method in accordance with IAS 19, while considering the provisions of the Saudi Labor Law and the Group's policy.

Total Comprehensive Income

Total comprehensive income increased at a compound annual growth rate (CAGR) of 237.9%, from SAR 9.9m in 2021G to SAR 23.5m in 2022G, and remained at SAR 23.5m in 2023G, driven by the increase in net income during the year and other comprehensive income.

6.2.1.1 Revenue by Activity

Table 6.2: Revenue for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G - 2022G G	Variance 2022G - 2023G	CAGR 2021G - 2023G
Sports club subscriptions	184,396	233,637	237,874	26.7%	1.8%	13.6%
Health club services	19,812	31,996	30,781	61.5%	(3.8%)	24.6%
Sports equipment sales	150	2,411	1,965	1512.3%	(18.5%)	262.5%
Total	**204,358**	**268,043**	**270,621**	**31.2%**	**1.0%**	**15.1%**
		As % of revenue			**ppt**	
Sports club subscriptions	90.2%	87.2%	87.9%	(3.1)	0.7	(2.3)
Health club services	9.7%	11.9%	11.4%	2.2	(0.6)	1.7
Sports equipment sales	0.1%	0.9%	0.7%	0.8	(0.2)	0.7

Source: Management's accounts for the financial years ended 31 December 2021G, 2022G and 2023G

Sports Club Subscriptions

The Group's primary revenue comes from membership subscriptions of varying durations, including 3-month, 6-month, and 12-month plans. Revenue from sports club memberships increased by 26.7%, from SAR 184.4m in 2021G to SAR 233.6m in 2022G, primarily due to the increase in active members following the post-COVID-19 recovery period and the easing of lockdown measures in Saudi Arabia after March 2021G. Additionally, the expansion of the Body Motion club network, with the opening of seven new Body Motion clubs during this period, contributed to the revenue growth.

Revenue from sports club subscriptions further increased by 1.8%, from SAR 233.6m in 2022G to SAR 237.9m in 2023G, driven by the opening of additional sports clubs and the Group's strategic focus on premium Body Masters and Body Motion clubs, which have higher subscription fees compared to Body Masters Express clubs.

Membership subscriptions are categorized into three durations:

Subscriptions of three months or less: These are the most common but have the lowest retention rate compared to other categories. Their share of total revenue declined from 55% in 2021G to 41% in 2023G, as more members opted for longer-term plans due to the availability of "Buy Now, Pay Later" payment options.

6-month subscriptions: These are less common, but their revenue share remained relatively stable between 23% and 26% from 2021G to 2023G.

12-month subscriptions: These have the highest retention rate, with their share of total revenue increasing from 20% in 2021G to 34% in 2023G. This growth was driven by the introduction of "Buy Now, Pay Later" models through Tabby and Tamara, which encouraged more members to commit to long-term subscriptions.

Health Club Services

Revenue from health and fitness services within the clubs, including personal training, nutritional consultations, and combat sports, increased by 61.5%, from SAR 19.8m in 2021G to SAR 32.0m in 2022G, driven by the growth in the number of clubs and expanded service offerings, as well as an increase in the number of active members during the year.

Revenue from health club services declined by 3.8%, from SAR 32.0m in 2022G to SAR 30.8m in 2023G, primarily due to a slight decrease in demand for additional services and the Group's decision to include some of these services as complimentary benefits within the membership packages to attract more members to newly opened clubs.

Sports Equipment Sales

Revenue from sports equipment sales, generated through the Integrated Facility Services Division (Body Experts Services), increased from SAR 150k in 2021G to SAR 2.4m in 2022G, driven by a rise in equipment sales following the Group's contract to supply fitness equipment to a government entity and King Abdullah Financial District at the end of 2022G.

Revenue from sports equipment sales declined from SAR 2.4m in 2022G to SAR 2.0m in 2023G, due to a slight decrease in equipment supply, following the completion of deliveries to the mentioned clients.

6.2.1.2 Revenues by Club Type

Table 6.3: Revenues by Club Type for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G MA	2022G MA	2023G MA	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Body Masters Premium	134,346	157,231	165,828	17.0%	5.5%	11.1%
Body Motions	31,350	69,616	71,793	122.1%	3.1%	51.3%
Body Masters Express	38,513	38,285	30,247	(0.6%)	(21.0%)	(11.4%)
Body Experts	150	2,912	2,753	1847.3%	(5.5%)	329.1%
Total	**204,358**	**268,043**	**270,621**	**31.2%**	**1.0%**	**15.1%**
		As % of revenue			**ppt**	
Body Masters Premium	65.7%	58.7%	61.3%	(7.1)	2.6	(4.5)
Body Motions	15.3%	26.0%	26.5%	10.6	0.6	11.2
Body Masters Express	18.8%	14.3%	11.2%	(4.6)	(3.1)	(7.7)
Body Experts	0.1%	1.1%	1.0%	1.0	(0.1)	0.9

Source: Management's accounts for the financial years ended 31 December 2021G, 2022G and 2023G

Body Masters Premium

Body Masters Premium represents the Group's primary club type, offering a full range of sports and wellness services, including fitness equipment and health services.

Revenue from Body Masters Premium clubs increased by 17.0%, from SAR 134.3m in 2021G to SAR 157.2m in 2022G, driven by the opening of new clubs, such as the AlSahafa club in 2022G, along with the Group's strategic focus on this club type and the introduction of promotional offers to attract more members.

Revenue from Body Masters Premium club memberships further increased by 5.5%, reaching SAR 165.8m in 2023G, due to the opening of the Al-Fayha club during the year and an overall increase in memberships across Body Masters Premium clubs.

Body Motions Clubs

Body Motions clubs cater exclusively to female clients and offer the same services and equipment available in Body Masters Premium clubs.

Revenue from Body Motions club memberships increased by 122.1%, from SAR 31.4m in 2021G to SAR 69.6m in 2022G, driven by the Group's strategic expansion of the Body Motions network, with the opening of seven new clubs in 2021G and one additional club in 2022G, as well as a rise in female memberships.

Revenue from Body Motions club memberships further increased by 3.1%, reaching SAR 71.8m in 2023G, supported by the opening of the Body Motions club in AlFaisaliah, Jeddah, along with higher demand from female clients, driven by increased advertising and promotional offers.

Body Masters Express Clubs

Body Masters Express clubs offer lower-cost memberships, providing only essential equipment and services without additional features.

Revenue from Body Masters Express club memberships declined by 0.6%, from SAR 38.5m in 2021G to SAR 38.3m in 2022G, primarily due to the closure of one club during 2022G.

Revenue further declined by 21.0%, from SAR 38.3m in 2022G to SAR 30.2m in 2023G, due to the closure of two additional clubs (Al-Mansouriyah and Al-Fayha) during the year, as well as the Group's strategic plan to convert several Body Masters Express clubs into Body Masters Premium clubs in the coming years, expecting higher demand for the premium category.

Body Experts

Body Experts generates revenue from the sale of fitness equipment, in addition to providing operational and equipment supply services for corporate and institutional fitness centers.

Revenue from Body Experts increased by 1,847.3%, from SAR 150k in 2021G to SAR 2.9m in 2022G, following the Group's contracts with a government entity and King Abdullah Financial District.

Revenue declined by 5.5%, from SAR 2.9m in 2022G to SAR 2.8m in 2023G, mainly due to the completion of equipment supply contracts with these clients.

6.2.1.3 Revenues by Geographical Locations

Table 6.4: Revenues by Geographical Locations for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G MA	2022G MA	2023G MA	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Central region	121,562	168,774	172,786	38.8%	2.4%	19.2%
Western region	27,323	35,655	36,557	30.5%	2.5%	15.7%
Eastern region	35,013	39,524	35,871	12.9%	(9.2%)	1.2%
Other regions	20,460	24,090	25,407	17.7%	5.5%	11.4%
Total	**204,358**	**268,043**	**270,621**	**31.2%**	**1.0%**	**15.1%**

SAR in 000s	2021G MA	2022G MA	2023G MA	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
	As % of revenue			ppt		
Central region	59.5%	63.0%	63.8%	3.5	0.9	4.4
Western region	13.4%	13.3%	13.5%	(0.1)	0.2	0.1
Eastern region	17.1%	14.7%	13.3%	(2.4)	(1.5)	(3.9)
Other regions	10.0%	9.0%	9.4%	(1.0)	0.4	(0.6)

Source: Management's accounts for the financial years ended 31 December 2021G, 2022G and 2023G

* Other regions including North and South regions

Central Region

The Central Region, primarily encompassing Riyadh and its surrounding cities, recorded a 38.8% increase in revenue, rising from SAR 121.6m in 2021G to SAR 168.8m in 2022G. This growth was driven by the opening of new clubs in the region, as well as the increase in Riyadh's population, fueled by urban migration and demographic shifts in the capital.

Revenue from the Central Region further increased by 2.4%, reaching SAR 172.8m in 2023G, due to the continued expansion in the region with the opening of additional clubs.

Western Region

The Western Region, mainly covering Jeddah and neighboring cities, saw a 30.5% increase in revenue, rising from SAR 27.3m in 2021G to SAR 35.7m in 2022G. This was driven by the opening of several Body Masters Premium clubs and Body Motions branches in Jeddah, Makkah, and Madinah, alongside increased demand in newly developed areas.

Revenue from the Western Region further increased by 2.5%, reaching SAR 36.6m in 2023G, due to the opening of additional clubs, such as the AlFaisaliah branch in Jeddah, and higher demand across existing clubs in the region.

Eastern Region

The Eastern Region, covering Khobar, Dammam, and surrounding cities, recorded a 12.9% increase in revenue, rising from SAR 35.0m in 2021G to SAR 39.5m in 2022G, driven by the opening of new clubs in the region.

Revenue from the Eastern Region declined by 9.2%, to SAR 35.9m in 2023G, primarily due to the partial and temporary closure of some clubs for renovation and facility upgrades.

Others

This category includes the Northern Region (such as Tabuk and neighboring cities) and the Southern Region. Revenue from these areas increased by 17.7%, from SAR 20.5m in 2021G to SAR 24.1m in 2022G, due to the opening of new clubs in both regions.

Revenue from Other regions further increased by 5.5%, reaching SAR 25.4m in 2023G, driven by the opening of additional clubs and increased demand across Northern and Southern cities.

6.2.1.4 Cost of Revenue

Table 6.5: Cost of Revenue for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Salaries, wages and other benefits	79,928	99,629	98,877	24.6%	(0.8%)	11.2%
Depreciation of property, plant, and equipment	31,368	35,423	35,871	12.9%	1.3%	6.9%
Depreciation of right-of-use assets	21,630	22,242	21,884	2.8%	(1.6%)	0.6%
Electricity and water	14,361	16,201	15,773	12.8%	(2.6%)	4.8%
Maintenance, supplies and hygiene	8,509	11,942	11,773	40.4%	(1.4%)	17.6%
Cost of selling sports equipment	249	1,980	1,716	696.3%	(13.3%)	162.7%
Fuels and oils	1,283	1,694	2,147	32.1%	26.7%	29.4%
Rent expenses	6,173	3,646	3,204	(40.9%)	(12.1%)	(28.0%)
Government fees and subscriptions	1,225	2,045	1,880	66.9%	(8.1%)	23.9%
Phone and mail	1,089	1,183	1,152	8.6%	(2.7%)	2.8%
Amortization of intangible assets	220	127	111	(42.5%)	(12.4%)	(29.0%)
Other	1,807	2,657	3,850	47.1%	44.9%	46.0%
Total	**167,841**	**198,769**	**198,236**	**18.4%**	**(0.3%)**	**8.7%**
		As % of revenue			**ppt**	
Salaries, wages and other benefits	39.1%	37.2%	36.5%	(1.9)	(0.6)	(2.6)
Depreciation of Property, Plant, and Equipment	15.3%	13.2%	13.3%	(2.1)	0.0	(2.1)
Depreciation of Right-of-Use Assets	10.6%	8.3%	8.1%	(2.3)	(0.2)	(2.5)
Electricity and water	7.0%	6.0%	5.8%	(1.0)	(0.2)	(1.2)
Others	10.1%	9.4%	9.5%	(0.6)	0.1	(0.5)
Total	**82.1%**	**74.2%**	**73.3%**	**(7.9)**	**(0.9)**	**(8.7)**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Salaries, Wages, and Other Benefits

Salaries, wages, and other benefits include compensation for club employees, such as trainers and customer service staff.

Salaries, wages, and other benefits increased from SAR 80.0m in 2021G to SAR 99.6m in 2022G, in line with the increase in headcount following the opening of 11 new clubs during 2021G and 2022G, as well as salary adjustments in 2022G.

Salaries, wages, and other benefits decreased slightly from SAR 99.6m in 2022G to SAR 98.9m in 2023G, due to a decline in sales commissions during the period and a reduction in end-of-service benefits following a reassessment at the end of 2023G.

Depreciation of Property, Plant, and Equipment

Depreciation of property, plant, and equipment increased from SAR 31.4m in 2021G to SAR 35.4m in 2022G, due to the opening of new clubs during 2021G–2022G.

Depreciation further increased from SAR 35.4m in 2022G to SAR 35.9m in 2023G, driven by additional expansion and the opening of two more clubs in the same year.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets increased from SAR 21.6m in 2021G to SAR 22.2m in 2022G, mainly due to the increase in land lease agreements, following the expansion in the number of clubs during the same period.

Depreciation of right-of-use assets decreased from SAR 22.2m in 2022G to SAR 21.9m in 2023G, due to the closure of some clubs during the year.

Electricity and Water

Electricity and water expenses increased from SAR 14.4m in 2021G to SAR 15.8m in 2023G, primarily due to the increase in the number of clubs and higher consumption of essential utilities over the same period.

Maintenance, Supplies and Hygiene

Maintenance, supplies, and cleaning expenses increased from SAR 8.5m in 2021G to SAR 11.8m in 2023G, mainly due to higher maintenance and cleaning service costs following the opening of new clubs.

Rent Expense

Rent expenses include short-term rental costs and vehicle leases. Rent expenses decreased from SAR 6.2m in 2021G to SAR 3.6m in 2022G, and further to SAR 3.2m in 2023G, as multiple lease agreements transitioned from short-term (annual) leases to long-term (multi-year) leases, converting them into right-of-use assets following the resumption of normal operations after the lifting of COVID-19 restrictions.

Fuel and Oil

Fuel and oil expenses increased from SAR 1.3m in 2021G to SAR 1.7m in 2022G, and further to SAR 2.1m in 2023G, in line with the opening of new clubs during the period.

Government Fees and Subscriptions

Government fees and subscriptions, primarily related to business licenses, regulatory fees, and TV subscriptions, increased from SAR 1.2m in 2021G to SAR 2.0m in 2022G, due to the renewal of multiple commercial licenses and an increase in government-imposed fees.

Government fees and subscriptions decreased slightly from SAR 2.0m in 2022G to SAR 1.9m in 2023G, due to discounts and exemptions on government licenses and subscription fees during the period.

Cost of Selling Sports Equipment

The cost of sports equipment sales relates to the purchase and supply of fitness equipment to customers. Costs increased from SAR 249k in 2021G to SAR 2.0m in 2022G, due to higher equipment sales following the Group's contract agreements for equipment supply.

The cost of sports equipment sales declined to SAR 1.7m in 2023G, due to a decrease in sports equipment sales during the year.

Phone and Mail

Telephone and postal expenses remained relatively stable between SAR 1.1m and SAR 1.2m over the period from 2021G to 2023G.

Amortization of Intangible Assets

Amortization of intangible assets declined from SAR 220k in 2021G to SAR 111k in 2023G, following the disposal of software systems replaced by newer solutions at the end of 2023G.

Other

Other expenses primarily include insurance, business travel, and consumables such as towels.

Other expenses increased from SAR 1.8m in 2021G to SAR 3.2m in 2022G, and further to SAR 3.9m in 2023G, driven by higher consumption of materials, following lower levels of consumable expenses in 2021G due to COVID-19 restrictions. This increase was also driven by higher travel costs, as the Group expanded site visits to clubs under development.

6.2.1.5 Marketing Expenses

Table 6.6: Marketing Expenses for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Advertising	3,540	6,951	5,639	96.4%	(18.9%)	26.2%
Salaries, wages and other benefits	1,514	2,055	1,963	35.7%	(4.5%)	13.9%
Depreciation of property, plant, and equipment	21	90	94	321.1%	5.3%	110.6%
Amortization of intangible assets	6	3	6	(53.4%)	100.5%	(3.3%)
Other	82	85	95	3.8%	12.2%	7.9%
Total	**5,164**	**9,183**	**7,798**	**77.8%**	**(15.1%)**	**22.9%**
		As % of revenue			**ppt**	
Advertising	1.7%	2.6%	2.1%	0.9	(0.5)	0.4
Others	0.8%	0.8%	0.8%	0.0	(0.0)	0.0
Total	**2.5%**	**3.4%**	**2.9%**	**0.9**	**(0.5)**	**0.4**

Source: The Group's audited consolidated financial statements and management accounts for the financial years ended 31 December 2022G and 2023G.

Advertising

Advertising and promotion expenses initially increased from SAR 3.5m in 2021G to SAR 7.0m in 2022G, driven by higher marketing expenditures following the post-COVID-19 recovery and efforts to regain market share.

Advertising and promotion expenses declined from SAR 7.0m in 2022G to SAR 5.6m in 2023G, as the Group generated SAR 1.2m in revenue from sponsored activities recognized in 2023G, which offset advertising costs through new partnerships.

Salaries, Wages and Other Benefits

Salaries, wages, and other benefits included salaries and incentives for the sales and marketing team. These expenses increased from SAR 1.5m in 2021G to SAR 2.1m in 2022G, primarily due to the increase in sales staff for promotional and marketing activities, as well as a rise in memberships for newly opened Body Motions clubs.

Salaries, wages, and other benefits slightly declined to SAR 2.0m in 2023G, following a minor decrease in sales commissions.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant, and equipment increased from SAR 21k in 2021G to SAR 90k in 2022G, and further to SAR 94k in 2023G. This increase was due to the expansion of the sales team and related assets used in sales operations.

Amortization of Intangible Assets

Amortization of intangible assets decreased from SAR 6k in 2021G to SAR 3k in 2022G, before increasing back to SAR 6k in 2023G.

Other

Other expenses primarily consisted of business travel and professional fees and remained relatively stable at SAR 84k between 2021G and 2022G.

In 2023G, other expenses increased to SAR 95k, reflecting higher travel costs for the sales team, in line with the Group's expansion plans.

6.2.1.6 General and Administrative Expenses

Table 6.7: General and Administrative Expenses for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Salaries, wages and other benefits	8,209	9,848	11,387	20.0%	15.6%	17.8%
Provisions formed	-	1,795	-	n/a	(100.0%)	n/a
Depreciation of property, plant, and equipment	452	949	1,301	110.0%	37.0%	69.6%
Maintenance and cleaning	276	470	535	70.3%	13.9%	39.3%
Amortization of intangible assets	115	60	30	(47.8%)	(50.0%)	(48.9%)
Phone and mail	240	179	238	(25.6%)	33.2%	(0.5%)
Other	1,130	1,798	1,049	59.1%	(41.6%)	(3.6%)
Total	**10,422**	**15,098**	**14,541**	**44.9%**	**(3.7%)**	**11.7%**
		As % of revenue			**ppt**	
Salaries, wages and other benefits	4.0%	3.7%	4.2%	(0.3)	0.5	0.2
Depreciation of PPE	0.2%	0.4%	0.5%	0.1	0.1	0.3
Other	0.3%	0.3%	0.3%	(0.0)	0.0	(0.0)
Total	**5.1%**	**5.6%**	**5.4%**	**0.5**	**(0.3)**	**0.3**

Source: The Group's audited consolidated financial statements and management accounts for the financial years ended 31 December 2022G and 2023G

Salaries, Wages and Other Benefits

Salaries, wages, and other benefits consist of compensation and benefits for the Group's management team and headquarters staff.

Salaries, wages, and other benefits increased from SAR 8.2m in 2021G to SAR 9.8m in 2022G, and further to SAR 11.4m in 2023G, primarily due to increases in base salaries and performance-based bonuses paid during the period.

Provisions Formed

Provisions represent management's allocation for ongoing legal cases. The Group recorded a SAR 1.8m provision in 2022G, while no provisions were recorded in 2021G or 2023G, as there was no requirement for additional reserves in those years. This provision was non-recurring and related to a single legal case in 2022G.

Depreciation of Property, Plant, and Equipment

Depreciation of property, plant, and equipment relates to the Group's headquarters office buildings.

Depreciation increased from SAR 452k in 2021G to SAR 949k in 2022G, and further to SAR 1.3m in 2023G, in line with the opening of the new headquarters inside the AlSahafa club during 2022G.

Maintenance and Cleaning

Maintenance and cleaning expenses include costs related to facility maintenance and cleaning services for headquarters offices.

Expenses increased from SAR 276k in 2021G to SAR 470k in 2022G, and further to SAR 535k in 2023G, following the signing of a new maintenance contract for the Group's headquarters.

Phone and Mail

Telephone and postal expenses cover telecommunications bills and printing costs for various departments within the Group.

Expenses decreased from SAR 240k in 2021G to SAR 179k in 2022G, due to a discount received from the telecommunications provider, before returning to normal levels at SAR 238k in 2023G.

Amortization of Intangible Assets

Amortization of intangible assets relates to software and IT system depreciation.

Amortization expenses declined from SAR 115k in 2021G to SAR 60k in 2022G, and further to SAR 30k in 2023G, following the sale and replacement of IT systems in 2023G.

Other

Other expenses include professional fees, government fees, and short-term lease costs.

Other expenses increased from SAR 1.1m in 2021G to SAR 1.2m in 2022G, due to higher professional service fees.

Other expenses declined from SAR 1.2m in 2022G to SAR 1.0m in 2023G, primarily due to a reduction in short-term lease expenses following the relocation of the headquarters to the newly opened offices at AlSahafa Club.

6.2.1.7 Finance Costs

Table 6.8: Finance Costs for the for the Financial Years ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Interests of lease commitments	20,397	18,241	20,410	(10.6%)	11.9%	(6.3%)
Long-term loan costs	3,637	7,932	6,880	118.1%	(13.3%)	37.5%
Bank fees and commissions	336	3,003	5,032	793.9%	67.6%	287.0%
Capitalized from the interest of lease obligations	(5,931)	(2,148)	(3,818)	(63.8%)	77.7%	(52.9%)
Capitalized from financing costs on loans	(1,535)	(1,914)	(1,522)	24.7%	(20.5%)	(0.5%)
Total	**16,903**	**25,113**	**26,983**	**48.6%**	**7.4%**	**26.3%**
		As % of revenue			**ppt**	
Interests of lease commitments	10.0%	6.8%	7.5%	(3.2)	0.7	(2.4)
Long-term loan costs	1.8%	3.0%	2.5%	1.2	(0.4)	0.8
Bank fees and commissions	0.2%	1.1%	1.9%	1.0	0.7	1.7
Capitalized from the interest of lease obligations	(2.9%)	(0.8%)	(1.4%)	2.1	(0.6)	1.5
Capitalized from financing costs on loans	(0.8%)	(0.7%)	(0.6%)	0.0	0.2	0.2

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Interests of Lease Commitments

Interest on lease liabilities relates to financing costs associated with long-term lease contracts, calculated in accordance with IFRS 16.

Interest on lease liabilities decreased from SAR 20.4m in 2021G to SAR 18.2m in 2022G, before increasing again to SAR 20.4m in 2023G, due to the increase in lease agreements secured by the Group, in line with its expansion strategy.

Long-Term Loan Costs

Interest on long-term loans relates to borrowings from Riyad Bank, Alinma Bank, and the Social Development Bank.

Interest on long-term loans increased from SAR 3.6m in 2021G to SAR 7.9m in 2022G, primarily due to the overall rise in SAIBOR rates during the period, leading to higher financing costs. However, interest expenses declined to SAR 6.9m in 2023G, following the repayment of several loans during the year.

Bank Fees and Commissions

Bank fees and commissions increased from SAR 336k in 2021G to SAR 3.0m in 2022G, and further to SAR 5.0m in 2023G, driven by higher commission payments to Tamara and Tabby, which the Group began working with in 2022G.

Capitalized Financing Costs

Capitalized financing costs represent the portion of financing costs allocated to clubs under construction. The Group capitalizes interest expenses on loans used for club development, along with interest on lease liabilities related to clubs still under construction.

6.2.1.8 Other Income, Net

Table 6.9: Other Income, Net for the Financial Years ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated	Variance 2021G-2022G	Variance 2022G – 2023G	CAGR 2021G-2023G
Rent income	1,842	2,525	1,318	37.1%	(47.8%)	(15.4%)
Discounts on rent expenses	2,325	996	1,232	(57.2%)	23.7%	(27.2%)
Depreciation for investment properties	(57)	(20)	-	(64.4%)	(100.0%)	0.0%
Gain (loss) on disposal of fixed assets	282	(3)	283	(101.1%)	(9989.4%)	0.2%
Total	**4,392**	**3,498**	**2,833**	**(20.3%)**	**(19.0%)**	**(19.7%)**
Rent income	0.9%	0.9%	0.5%	0.0	(0.5)	(0.4)
Discounts on rent expenses	1.1%	0.4%	0.5%	(0.8)	0.1	(0.7)
Depreciation for investment properties	0.1%	(0.0%)	0.1%	(0.1)	0.1	(0.0)
Gain (loss) on disposal of fixed assets	0.1%	(0.0%)	0.1%	(0.1)	0.1	(0.0)

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G

Rent Income

Rent income consists of revenue generated from leasing spaces within the clubs, such as vending machines, kitchens, and other facilities.

Rent income increased from SAR 1.8m in 2021G to SAR 2.5m in 2022G, primarily driven by an increase in leased spaces within newly opened clubs.

Rent income declined from SAR 2.5m in 2022G to SAR 1.3m in 2023G. Despite the expansion of club locations, the Group recorded an adjustment to rental income, as recommended by the external auditor, in connection with a legal case.

Discounts on Rent Expense

Discounts on Rent Expense represent concessions granted on leased land expenses. These discounts declined from SAR 2.3m in 2021G to SAR 995k in 2022G, as significant rent reductions were granted in 2021G due to COVID-19 impacts.

Discounts on Rent Expense increased from SAR 995k in 2022G to SAR 1.2m in 2023G, following additional lease concessions secured through negotiations with landlords for newly leased properties.

Depreciation for Investment Properties

Depreciation expense for investment properties relates to properties that were disposed of in 2023G. The depreciation expense amounted to SAR(57k) in FY20G and SAR(20k) in 2021G.

Gain (Loss) on Disposal of Fixed Assets

The gain/ (loss) on disposal of property, plant, and equipment amounted to SAR 282k in 2021G, and then a loss of SAR(3k) in 2022G.

In 2023G, the gain on disposal of property, plant, and equipment increased to SAR 283k.

6.2.2 Statement of Financial Position

Table 6.10: Statement of Financial Position as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Assets			
Non-Current Assets			
Property, Plant and Equipment	372,528	373,739	408,074
Right of Use Assets	255,559	246,041	309,181
Investment Properties	2,221	-	-
Intangible Assets	3,763	3,446	5,341
Total Non-Current Assets	**634,070**	**623,227**	**722.595**
Current Assets			
Inventory	5,022	6,194	8,209
Trade Receivables	321	3,815	4,408
Advance Payments and Other Receivables	11,060	15,408	13,239
Cash and Cash Equivalents	16,512	17,297	8,641
Total Current Assets	**32,915**	**42,714**	**34,497**
Total Assets	**666,985**	**665,941**	**757,093**
Equity and Liabilities			
Equity			
Share Capital	104,000	104,000	104,000
Statutory Reserve	11,128	13,396	15,905
Retained Earnings	(6,699)	8,510	23,506
Total Equity	**108,428**	**125,905**	**143,410**
Liabilities			
Non-Current Liabilities			
Lease Liability Non-Current Portion	294,448	285,519	333,420
Long Term Loans Non-Current Portion	109,010	81,358	60,677
Employees' Benefits	17,726	17,511	21,826
Contracts Liability Non-Current Portion	5,046	1,430	700

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Total Non-Current Liabilities	**426,230**	**385,819**	**416,624**
Current Liabilities			
Lease Liability Current Portion	14,992	15,739	36,029
Long Term Loans Current Portion	37,280	44,168	41,949
Account Payables	4,746	3,566	29,118
Accrued Expenses and Other Payables	14,130	22,128	13,531
Zakat Provision	533	693	803
Contracts Liability Current Portion	60,645	67,924	75,628
Total Current Liabilities	**132,327**	**154,217**	**197,059**
Total Liabilities	**558,557**	**540,036**	**613,682**
Total Equity and Liabilities	**666,985**	**665,941**	**757,093**
KPIs			
DPO	10	8	30
DIO	11	10	13
RoA	1.2%	3.4%	3.3%
RoE	7.7%	18.1%	17.5%

Source: The Group's audited consolidated financial statements and management accounts for the financial years ended 31 December 2021G, 2022G and 2023G.

Non-Current Assets

Non-current assets amounted to SAR 722.6m as of 31 December 2023G, primarily consisting of Property and Equipment (SAR 408.1m), Right-of-Use Assets (SAR 309.2m), and Intangible Assets (SAR 5.3m).

Non-current assets declined from SAR 634.1m as of 31 December 2021G to SAR 623.2m as of 31 December 2022G, primarily due to a SAR 9.5m decrease in Right-of-Use Assets, driven by depreciation charges during the period. This decline was partially offset by an increase in Property and Equipment (SAR 1.2m).

Non-current assets increased from SAR 623.2m as of 31 December 2022G to SAR 722.6m as of 31 December 2023G, driven by a SAR 34.3m increase in Property and Equipment, primarily due to the purchase of new land for SAR 21.5m and the addition of buildings on leased land for SAR 20.3m, related to newly opened clubs.

Current Assets

Current assets amounted to SAR 34.5m as of 31 December 2023G, primarily consisting of Advance Payments and Other Receivables (SAR 13.2m), Cash and Cash Equivalents (SAR 8.6m), Inventory (SAR 8.2m), and Trade Receivables (SAR 4.4m).

Current assets increased from SAR 32.9m as of 31 December 2021G to SAR 42.7m as of 31 December 2022G, primarily due to a SAR 4.3m increase in Advance Payments and Other Receivables, driven by capitalized public offering expenses related to the Group's plan to list on the Nomu – Parallel Market, which amounted to SAR 1.4m as of 31 December 2022G.

Current assets declined from SAR 42.7m as of 31 December 2022G to SAR 34.5m as of 31 December 2023G, mainly due to a SAR 8.7m decrease in Cash and Cash Equivalents, driven by higher capital expenditures, loan repayments, and a reduction in prepaid expenses following the amortization of public offering costs from the previous period.

Equity

Equity as of 31 December 2023G primarily consisted of Retained Earnings (SAR 23.5m), Share Capital (SAR 104.0m), and Statutory Reserve (SAR 16.0m).

Equity increased from SAR 108.4m as of 31 December 2021G to SAR 125.9m as of 31 December 2022G, mainly due to a SAR 15.2m increase in Retained Earnings, driven by Total Comprehensive Income of SAR 23.5m, partially offset by Dividend Payments of SAR 6.0m and a transfer of SAR 2.3m to the Statutory Reserve.

Equity further increased from SAR 125.9m as of 31 December 2022G to SAR 143.4m as of 31 December 2023G, primarily due to a SAR 15.0m increase in Retained Earnings, driven by Total Comprehensive Income of SAR 23.5m, partially offset by Dividend Payments of SAR 6.0m and a transfer of SAR 2.5m to the Statutory Reserve.

Non-Current Liabilities

Non-current liabilities amounted to SAR 416.6m as of 31 December 2023G, primarily consisting of Non-Current Lease Liabilities (SAR 333.4m), Non-Current Portion of Long-Term Loans (SAR 60.7m), and Employees' Defined Benefit Obligations (SAR 21.8m).

Non-current liabilities decreased from SAR 426.2m as of 31 December 2021G to SAR 385.8m as of 31 December 2022G, mainly due to a SAR 27.7m decrease in the Non-Current Portion of Long-Term Loans.

Non-current liabilities increased from SAR 385.8m as of 31 December 2022G to SAR 416.6m as of 31 December 2023G, primarily due to a SAR 47.9m increase in Non-Current Lease Liabilities, partially offset by a SAR 20.7m decrease in the Non-Current Portion of Long-Term Loans.

Current Liabilities

Current liabilities amounted to SAR 197.1m as of 31 December 2023G, primarily consisting of Current Portion of Contract Liabilities (SAR 75.6m), Current Portion of Long-Term Loans (SAR 41.9m), and Current Portion of Lease Liabilities (SAR 36.0m).

Current liabilities increased from SAR 132.3m as of 31 December 2021G to SAR 154.2m as of 31 December 2022G, primarily due to an increase in Accrued Expenses and Other Payables (SAR 8.0m) and an increase in the Current Portion of Long-Term Loans (SAR 6.9m).

Current liabilities further increased from SAR 154.2m as of 31 December 2022G to SAR 197.1m as of 31 December 2023G, mainly due to an increase in Trade Payables (SAR 25.6m) and an increase in the Current Portion of Lease Liabilities (SAR 20.3m).

6.2.2.1 Non-Current Assets

Table 6.11: Non-Current Assets as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Property, Plant and Equipment	372,528	373,739	408,074
Right of Use Assets	255,559	246,041	309,181
Investment Properties	2,221	-	-
Intangible Assets	3,763	3,446	5,341
Total	**634,070**	**623,227**	**722,595**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

6.2.2.2 Property, Plant and Equipment

Table 6.12: Net Book Value of Property, Plant and Equipment as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Buildings on leased ands	199,918	226,780	225,935
Machinery and equipment	54,298	55,712	53,995
Lands	15,212	17,028	38,528
Furniture and fixtures	21,095	20,452	21,773
Improvements on leased building	19,287	16,398	18,849
Buildings	9,839	9,593	8,975

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Electrical hardware	4,447	4,920	4,945
Vehicles	1,724	2,197	2,536
Capital work in progress	46,708	20,660	32,539
Total	**372,528**	**373,739**	**408,074**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Lands

The Group owns land properties that accommodate four clubs (Al-Rawdah, Al-Nahda, Al-Khaleej, and Al-Malaz). The net book value of land increased from SAR 15.2m as of 31 December 2021G to SAR 17.0m as of 31 December 2022G, following the transfer of investment properties worth SAR 1.8m during the period.

The net book value of land further increased from SAR 17.0m as of 31 December 2022G to SAR 38.5m as of 31 December 2023G, primarily due to an addition of SAR 21.5m, attributed to the purchase of land accommodating two clubs (Al-Malaz Premium and Al-Malaz Body Motions). Notably, the Group had originally entered into a 15-year lease agreement with the General Organization for Social Insurance (GOSI) for this land but proceeded with its acquisition after three years.

Buildings

Buildings primarily consist of club facilities located on the Group's owned land, including Al-Khaleej, Al-Nahda, Al-Malaz, and Al-Rawdah.

The net book value of buildings declined from SAR 9.8m as of 31 December 2021G to SAR 9.6m as of 31 December 2022G, primarily due to depreciation expenses of SAR 603k, mainly related to Al-Khaleej Club (SAR 303k) and Al-Nahda Club (SAR 102k). This decline was partially offset by the transfer of investment properties (SAR 810k), which were previously leased to third parties and later repurposed as employee accommodations.

The net book value of buildings further declined from SAR 9.6m as of 31 December 2022G to SAR 9.0m as of 31 December 2023G, due to depreciation expenses of SAR 618k incurred during the year.

Buildings on Leased Lands

Buildings on leased land accommodate a total of 54 clubs as of 31 December 2023G, of which 49 clubs are situated on 45 leased land plots, while the remaining clubs are located on four Group-owned plots (Al-Rawdah, Al-Nahda, Al-Khaleej, and both men's and women's clubs in Al-Malaz).

The net book value of buildings on leased land increased from SAR 199.9m as of 31 December 2021G to SAR 226.8m as of 31 December 2022G, primarily due to the transfer of SAR 48.3m from capital work in progress, mainly related to the opening of new clubs in Al-Sahafa.

The net book value of buildings on leased land declined slightly from SAR 226.8m as of 31 December 2022G to SAR 225.9m as of 31 December 2023G, primarily due to depreciation expenses of SAR 21.5m, which were partially offset by additions of SAR 20.3m, mainly related to the completion of fitness centers in Al-Faisaliah (for women) and Al-Fayha (for men).

Improvements on Leased Building

The net book value of leasehold improvements declined from SAR 19.3m as of 31 December 2021G to SAR 16.4m as of 31 December 2022G, primarily due to depreciation expenses of SAR 2.9m, related mainly to Body Motions Tabuk (SAR 452k), Al-Madinah Taibah (SAR 367k), and Al-Suwaidi (SAR 236k).

The net book value of leasehold improvements increased from SAR 16.4m as of 31 December 2022G to SAR 18.8m as of 31 December 2023G, driven by additions of SAR 4.9m, mainly related to Az-Zuhour Club (SAR 1.4m) and Khamis Mushait (SAR 922k). This increase was partially offset by closures of two clubs (SAR-8.0m), including Al-Fayha (SAR 5.1m) and Al-Mansouriyah (SAR 2.8m).

Machinery and Equipment

Machinery and equipment include training equipment such as cardio machines, weightlifting equipment, group exercise gear, and functional training areas.

The net book value of machinery and equipment increased from SAR 54.3m as of 31 December 2021G to SAR 55.7m as of 31 December 2022G, primarily due to additions of SAR 8.2m and transfers of SAR 1.4m from capital work in progress, following the completion of newly developed clubs.

The net book value of machinery and equipment declined from SAR 55.7m as of 31 December 2022G to SAR 54.0m as of 31 December 2023G, mainly due to depreciation expenses of SAR 8.0m, partially offset by additions of SAR 6.6m during the year.

Furniture and Fixtures

Furniture and fixtures primarily consist of air conditioning units, generators, and audio systems used in the clubs.

The net book value of furniture and fixtures decreased from SAR 21.1m as of 31 December 2021G to SAR 20.5m as of 31 December 2022G, due to depreciation expenses of SAR 3.2m and disposals worth SAR 2.5m, mainly related to electronic gates and fingerprint readers. This decline was partially offset by additions of SAR 2.9m during the year.

The net book value of furniture and fixtures increased from SAR 20.5m as of 31 December 2022G to SAR 21.8m as of 31 December 2023G, primarily due to additions of SAR 4.6m, mainly for air conditioning units and outdoor signage, partially offset by depreciation expenses of SAR 3.2m.

Electrical Hardware

Electrical equipment includes software, servers, wireless access points, and related IT infrastructure.

The net book value of electrical equipment and software increased from SAR 4.4m as of 31 December 2021G to SAR 4.9m as of 31 December 2022G, mainly due to additions of SAR 1.6m during the year.

The net book value of electrical equipment and software increased from SAR 4.9m as of 31 December 2022G to SAR 5.0m as of 31 December 2023G, primarily due to additions of SAR 1.2m, related to servers, wireless access points, and display devices, partially offset by depreciation expenses of SAR 1.1m.

Vehicles

The net book value of vehicles and transportation assets increased from SAR 1.7m as of 31 December 2021G to SAR 2.2m as of 31 December 2022G, primarily due to additions of SAR 1.2m, mainly pickup trucks (SAR 603k), partially offset by the disposal of vehicles worth SAR 537k.

The net book value of vehicles and transportation assets increased from SAR 2.2m as of 31 December 2022G to SAR 2.5m as of 31 December 2023G, due to additions of SAR 1.2m, including buses valued at SAR 856k, partially offset by depreciation expenses of SAR 843k.

Capital Work-in-Progress

Capital work-in-progress primarily consists of capitalized costs related to the construction of new clubs.

The net book value of capital work in progress decreased from SAR 46.7m as of 31 December 2021G to SAR 20.7m as of 31 December 2022G, primarily due to transfers of SAR 49.7m, related to New AlSahafa Club (SAR 25.7m), Body Motions AlSahafa (SAR 17.0m), New Headquarters (SAR 6.7m), This was partially offset by additions of SAR 24.7m during the year.

The net book value of capital work in progress increased from SAR 20.7m as of 31 December 2022G to SAR 32.5m as of 31 December 2023G, primarily due to ongoing development projects, including Jeddah AlBasateen – Body Motions (SAR 11.3m), AlAreedh (SAR 2.4m).

6.2.2.3 Right-of-Use Assets

Table 6.13: Right-of-Use Assets as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Cost			
Balance on January 1	300,705	300,705	313,430
Additions during the year	-	8,044	94,527
Remeasurement of lease liability	-	4,681	(8,789)
Balance at the end of the year	300,705	313,430	399,169
Accumulated depreciation			
Balance on January 1	(22,487)	(45,146)	(67,389)
Depreciation during year	(21,630)	(22,242)	(21,884)
Capitalized depreciation on projects in progress	(1,029)	-	(716)
Balance at the end of the year	(45,146)	(67,389)	(89,988)
Net book value	**255,559**	**246,041**	**309,181**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Right-of-use assets relate to long-term lease agreements, recognized in accordance with IFRS 16, covering land and club facilities used in the Group's operations.

The net book value of right-of-use assets declined from SAR 255.6m as of 31 December 2021G to SAR 246.0m as of 31 December 2022G, primarily due to depreciation expenses recorded during the period.

The net book value of right-of-use assets increased from SAR 246.0m as of 31 December 2022G to SAR 280.5m as of 31 December 2023G, driven by additions of SAR 55.6m, related to newly leased clubs in Al-Musayyaf, Al-Areedh, and Dammam.

6.2.2.4 Investment Properties

Investment properties were valued at SAR 2.2m as of 31 December 2021G, representing two properties owned by the Group and leased to third parties.

The balance decreased to nil as of 31 December 2022G and 31 December 2023G, as these properties were reclassified to Property and Equipment following the Group's decision to repurpose them as employee accommodations.

6.2.2.5 Intangible Assets

Table 6.14: Intangible Assets as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Programs	943	374	459
Goodwill	937	937	937
Projects under process	1,882	2,134	3,945
Total	**3,763**	**3,446**	**5,341**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Intangible assets as of 31 December 2023G consisted of Projects Under Development (SAR 3.9m), which relate to software and systems under implementation, Software (SAR 459k), and Goodwill (SAR 937k).

The net book value of intangible assets declined from SAR 3.8m as of 31 December 2021G to SAR 3.4m as of 31 December 2022G, primarily due to software disposals amounting to SAR 541k during the period.

Intangible assets increased from SAR 3.4m as of 31 December 2022G to SAR 5.3m as of 31 December 2023G, driven by the acquisition of new software during the period. Additions to projects under development amounted to SAR 1.8m, mainly related to the implementation of the Group's new Enterprise Resource Planning (ERP) system, "Microsoft Dynamics 365".

Regarding goodwill, it was recognized in FY17G following the acquisition of a martial arts business, which the Group integrated into its current operations, along with software and automated systems to support the business. The Group conducted its annual goodwill impairment test as of 31 December 2023G, determining the recoverable amount based on value-in-use calculations, and found no indicators of impairment.

6.2.2.6 Current Assets

Table 6.15: Current Assets as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Inventory	5,022	6,194	8,209
Trade Receivables	321	3,815	4,408
Advance Payments and Other Receivables	11,060	15,408	13,239
Cash and Cash Equivalents	16,512	17,297	8,641
Total Current Assets	**32,915**	**42,714**	**34,497**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

6.2.2.7 Inventory

Table 6.16: Inventory as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Operating and maintenance materials	1,909	1,917	2,749
Spare parts	2,409	2,519	2,628
Traded goods	704	1,758	2,832
Total	**5,022**	**6,194**	**8,209**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Inventory primarily consists of Spare Parts, Operating and Maintenance Materials, and Goods for Sale.

Spare Parts

Spare parts remained relatively stable at SAR 2.5m as of 31 December 2021G and 31 December 2022G, before increasing slightly to SAR 2.6m as of 31 December 2023G.

Operating and maintenance materials

Operating and maintenance materials remained stable at SAR 1.9m as of 31 December 2021G and 31 December 2022G, before increasing to SAR 2.7m as of 31 December 2023G. This increase was driven by regular maintenance activities across clubs and the opening of new clubs.

Goods for sale

Goods for sale primarily consist of sports equipment used by the Group's Integrated Facility Services Division (Body Experts Services). The value of goods for sale increased from SAR 704k as of 31 December 2021G to SAR 1.8m as of 31 December 2022G, and further to SAR 2.8m as of 31 December 2023G. This increase was mainly due to the expansion of this business segment, along with two major contracts signed with King Abdullah Financial District and a government entity.

It is important to note that the Group does not track the aging of its inventory and, as a result, does not record provisions for slow-moving, damaged, or obsolete inventory.

6.2.2.8 Trade Receivables

Table 6.17: Trade Receivables as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Trade receivables	2,286	5,781	6,373
Less: allowance for ECL	(1,965)	(1,965)	(1,965)
Total	**321**	**3,815**	**4,408**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Trade receivables amounted to SAR 4.4m as of 31 December 2023G, with a gross balance of SAR 6.4m, before deducting the expected credit loss provision of SAR 2.0m.

Trade receivables increased from SAR 321k as of 31 December 2021G to SAR 3.8m as of 31 December 2022G, primarily due to balances from financial technology platforms, where Tamara's outstanding balance reached SAR 1.3m, and Tabby's balance stood at SAR 950k.

Trade receivables further increased from SAR 3.8m as of 31 December 2022G to SAR 4.4m as of 31 December 2023G, driven by a SAR 1.8m increase in Tamara's balance.

It is important to note that the expected credit loss provision of SAR 2.0m, which remained unchanged as of 31 December 2021G, 31 December 2022G, and 31 December 2023G, is fully allocated to amounts outstanding for more than 360 days and is related to an old embezzlement case.

Table 6.18: Aging of Trade Receivables as of 31 December 2021G, 2022G and 2023G

SAR in 000s	Total	0 – 90 days	91 – 180 days	181 – 270 days	271 – 360 days	More than 360 days
31-Dec-23G	6,373	4,408	-	-	-	1,965
31-Dec-22G	5,781	3,286	340	190	-	1,965
31-Dec-21G	2,286	236	40	40	5	1,965

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2023G.

6.2.2.9 Advance Payments and Other Receivables

Table 6.19: Movement of Provisions for Credit Losses as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Prepaid expenses	7,389	8,294	5,724
Labor Supply Insurance	506	996	3,297
Employee Advances and Custodies	1,336	1,762	1,927
Advance Payments to Suppliers	679	1,818	1,421
Rent Receivables	320	426	428
Accrued Revenue	311	404	265
Letters of Guarantee	104	224	111
Leased Property Insurance	1,690	1,400	65
IPO Expenses	-	1,434	-
Related Parties	75	-	-
ECL	(1,350)	(1,350)	-
Total	**11,060**	**15,408**	**13,239**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Prepaid Expenses

Prepaid expenses consist of prepaid commissions, employee residency renewal fees, and work permits, among other items. The balance increased from SAR 7.4m as of 31 December 2021G to SAR 8.3m as of 31 December 2022G, before declining to SAR 5.7m as of 31 December 2023G. The decrease was primarily due to lower residency and work permit renewal fees, as the Group implemented a quarterly renewal option instead of an annual renewal. Additionally, prepaid commissions declined in line with the Group's revised commission policies.

Labor Supply Insurance

Labor supply insurance represents prepaid medical insurance for employees. The balance increased from SAR 506k as of 31 December 2021G to SAR 996k as of 31 December 2022G, and further to SAR 3.3m as of 31 December 2023G. This increase was driven by the rise in the number of employees, in line with the opening of new clubs, which heavily rely on outsourced labor for cleaning services.

Employee Advances and Custodies

Employee advances and custodies primarily relate to salary advances granted to employees. Under the Group's policy, employees are eligible to receive advances equivalent to one month's salary, with the option to extend up to five months, subject to case-by-case evaluation. The balance increased from SAR 1.3m as of 31 December 2021G to SAR 1.7m as of 31 December 2022G, and further to SAR 1.9m as of 31 December 2023G, driven by the Group's approach to increasing employee advances, alongside overall staff growth during the period.

Advance Payments to Suppliers

Advance payments to suppliers primarily relate to service providers and fixed asset suppliers. The balance increased from SAR 679k as of 31 December 2021G to SAR 1.8m as of 31 December 2022G, mainly due to increased payments to Delta Marketing Group (SAR 904k), Creative Rules IT Solutions (SAR 234k), Ain Qurtuba Trading (SAR 109k), The balance then declined to SAR 1.4m as of 31 December 2023G.

Rent Receivables

Rent receivables primarily relate to rental fees from third-party tenants leasing spaces within the clubs. The balance increased from SAR 320k as of 31 December 2021G to SAR 428k as of 31 December 2023G, mainly due to a rise in leased spaces within the clubs.

Accrued Revenue

Accrued revenue is related to the Human Resources Development Fund (HRDF), which provides financial support for Saudi employees. The balance increased from SAR 311k as of 31 December 2021G to SAR 404k as of 31 December 2022G, in line with an increase in the number of Saudi employees from 416 to 432.

Despite further staff growth to 452 Saudi employees as of 31 December 2023G, accrued revenue declined to SAR 265k, as previous HRDF balances accumulated in prior years were utilized during the current review period.

Letters of Guarantee

Letters of guarantee primarily relate to projects under development. The balance increased from SAR 104k as of 31 December 2021G to SAR 224k as of 31 December 2022G, before declining to SAR 111k as of 31 December 2023G.

Leased Property Insurance

Leased property insurance primarily represents prepaid insurance costs on leased club locations. The balance declined from SAR 1.7m as of 31 December 2021G to SAR 1.4m as of 31 December 2022G, before further dropping to SAR 65k as of 31 December 2023G, reflecting reduced property insurance expenses.

IPO Expenses

The Group incurred capitalized expenses of SAR 1.4m related to its plan to list shares on Nomu – Parallel Market in 2022G. These costs were written off in 2023G, as the Board of Directors decided to withdraw the listing file and reapply for listing on the Main Market (Tadawul). The related amount was recorded under other income in 2023G.

Related Parties

Related party receivables amounted to SAR 75k as of 31 December 2021G, primarily consisting of a balance due from Gulf Money Group, which was fully settled in 2022G.

ECL Provision

The expected credit loss provision relates to a legal dispute concerning land in Dammam. The provision stood at SAR 1.4m as of 31 December 2021G and 31 December 2022G, before being fully reversed to zero as of 31 December 2023G, following the settlement of the lawsuit.

6.2.2.10 Cash and Cash Equivalents

Table 6.20: Cash and Cash Equivalents as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Banks - Current accounts	15,858	16,896	8,278
Cash on hand	654	401	363
Total	**16,512**	**17,297**	**8,641**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Cash and cash equivalents amounted to SAR 8.6m as of 31 December 2023G, primarily consisting of Bank – Current Accounts (SAR 8.3m) and Cash on Hand (SAR 363k).

The balance increased from SAR 16.5m as of 31 December 2021G to SAR 17.3m as of 31 December 2022G, mainly due to an increase in Bank – Current Accounts, which rose from SAR 15.9m to SAR 16.9m during the same period.

Cash and cash equivalents subsequently declined to SAR 8.6m as of 31 December 2023G, following higher capital expenditures and bank loan repayments, which were partially offset by the Group's operational growth.

6.2.2.11 Non-Current Liabilities

Table 6.21: Non-Current Liabilities as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Lease liabilities non-current portion	294,448	285,519	333,420
Long term loans non-current portion	109,010	81,358	60,677
Employees' benefits	17,726	17,511	21,826
Contracts liability non-current portion	5,046	1,430	700
Total non-current liabilities	**426,230**	**385,819**	**416,624**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

6.2.2.12 Lease Liabilities

Table 6.22: Lease Liabilities as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Balance at the beginning of the year	323,081	309,440	301,259
Additions during the year	-	8,044	94,527
Remeasurement of lease liability	-	2,262	(10,797)
Interest costs	20,397	18,241	20,310
Paid during the year	(34,038)	(36,728)	(35,949)
Total lease liabilities	**309,440**	**301,259**	**369,450**
Lease liability current portion	14,992	15,739	36,029
Lease liability non-current portion	294,448	285,519	333,420
Total	**309,440**	**301,259**	**369,450**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Lease liabilities represent obligations associated with the Group's right-of-use assets, recognized in accordance with IFRS 16.

The balance declined from SAR 309.4m as of 31 December 2021G to SAR 301.3m as of 31 December 2022G, primarily due to a SAR 2.2m reduction in financing costs, which was partially offset by additions of SAR 8.0m during the period.

Lease liabilities increased to SAR 369.4m as of 31 December 2023G, primarily driven by new lease additions amounting to SAR 94.5m.

6.2.2.13 Long-Term Loans

Table 6.23: Long-Term Loans as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Balance at the beginning of the year	105,315	146,290	125,525
Received during the year	48,438	11,563	40,000
Paid during the year	(7,463)	(32,328)	(62,899)
Balance at the end of the year	**146,290**	**125,525**	**102,626**
Long-term loans - current portion	37,280	44,168	41,949
Long-term loans - non-current portion	109,010	81,358	60,677
Total	**146,290**	**125,525**	**102,626**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Long-term loans consist of borrowings obtained from Riyad Bank, Alinma Bank and Social Development Bank. As of 31 December 2023G, the total loan balance was allocated among these facilities as follows:

1. **Riyad Bank** - The Group secured three credit facilities from Riyad Bank, amounting to SAR 29.3m as of 31 December 2023G. These loans are secured by the Group's guarantees, backed by commitments from Abdulqader Al-Muhaidib & Sons Group (12.75%), Diamond Opportunities Sports Group (74.5%) and Maali Al-Khaleej Trading Group (12.75%). Additionally, the facilities are secured against three mortgaged land plots (Al-Nahda, Al-Rawdah, and Al-Khaleej). The purpose of these loans is to finance club expansion and capital expenditures.
2. **Alinma Bank** - The Group obtained three credit facilities from Alinma Bank, totaling SAR 68.3m as of 31 December 2023G. These loans are secured by individual and collective guarantees from the Group's shareholders, with commitments from Diamond Opportunities Sports Group (34.5%), Private Opportunities Investment Group (40%), Elaf Al-Khaleej Commercial Investment Group (25.5%) and Middle East Financial Investment Group (74.5%). The facilities were obtained to finance club expansion and working capital needs.
3. **Social Development Bank** - The Group secured a loan of SAR 10.0m from the Social Development Bank to finance the purchase of equipment for five new locations.

As of 31 December 2023G, SAR 5.1m had been utilized from the total available facility of SAR 10.0m. The loan is repayable twice a year, starting from the second year of the term, and is secured by personal guarantees from the Group's shareholders.

The Social Development Bank has the right to freeze or enforce any of the Group's assets in case of delayed or non-payment after the grace period. Additionally, the Group is required to provide supplementary guarantees, primarily in the form of promissory notes, as requested by the bank.

It is important to note that the loan agreements contain specific covenants and requirements, including timely repayment of outstanding balances and maintaining certain financial ratios as stipulated in the bank covenants. However, the Group has remained in compliance with all covenants and requirements.

6.2.2.14 Employees' Benefits

Table 6.24: Movement of Employees' Benefits During the Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Balance at the beginning of the year	21,962	21,702	23,566
Current service cost and return cost	4,640	7,835	3,932
Interest cost	593	603	1,300
Paid benefits	(3,578)	(5,779)	(5,029)
Remeasurement of actuarial liabilities	(1,915)	(794)	1,583
Balance at the end of the year	**21,702**	**23,566**	**25,352**
Employees defined benefit liabilities - current portion*	17,726	17,511	21,826
Employees defined benefit liabilities - non-current portion*	3,976	6,055	3,526
Total	**21,702**	**23,566**	**25,352**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

* The long-term employee benefits balance relates to the Group's defined benefit obligations, which represent liabilities related to employees' benefits. The short-term employee benefits balance is classified under accrued expenses and other current liabilities.

Employees' defined benefit obligations represent the estimated end-of-service benefits payable to employees upon termination, in accordance with local labor regulations and contractual arrangements.

The balance remained stable at SAR 17.6m as of 31 December 2021G and 31 December 2022G, before increasing to SAR 21.8m as of 31 December 2023G. This increase was primarily driven by a higher employee headcount, accrued interest costs, and a reduction in benefits paid during the period.

Table 6.25: Main Actuarial Assumptions as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Discount rate	3.20%	5.20%	5.20%
Salary increases rate	0.75%	0.75%	0.75%

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

6.2.2.15 Contract Liabilities

Table 6.26: Contract Liabilities as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Balance at the beginning of the year	61,737	65,691	69,354
Added during the year	190,192	238,731	247,174
Recognized during the year as subscription revenue	(184,396)	(233,637)	(237,087)
Recognized during the period as other income	(1,842)	(1,431)	(3,113)
Balance at the end of the year	**65,691**	**69,354**	**76,329**
Contracts liability current portion	5,046	1,430	700
Contracts liability non - current portion	60,645	67,924	75,628
Total	**65,691**	**69,354**	**76,329**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Contract liabilities represent the balance of deferred revenue from advance cash collections on membership sales. The Group increases this balance throughout the year by collecting upfront payments from subscribers, while revenue is recognized progressively over the subscription period in line with the service delivery timeline. The unearned portion of revenue remains within contract liabilities at year-end and is recognized in subsequent periods.

Contract liabilities increased from SAR 65.7m as of 31 December 2021G to SAR 69.4m as of 31 December 2022G, and further to SAR 76.3m as of 31 December 2023G. This growth was primarily driven by higher cash-based membership sales, supported by club network expansion and enhanced marketing efforts. Conversely, the balance was partially reduced by revenue recognized during the respective financial years.

It is important to note that the current portion of contract liabilities increased from SAR 60.6m (92% of total) as of 31 December 2021G to SAR 67.9m (98% of total) as of 31 December 2022G, and further to SAR 75.6m (99% of total) as of 31 December 2023G. The current portion represents the revenue expected to be recognized in the following financial year, while the non-current portion relates to memberships extending beyond 12 months from the reporting date.

6.2.2.16 Current Liabilities

Table 6.27: Current Liabilities as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Lease liability current portion	14,992	15,739	36,029
Long term loans current portion	37,280	44,168	41,949
Account payables	4,746	3,566	29,118
Accrued expenses and other payables	14,130	22,128	13,531
Zakat provision	533	693	803
Contracts liability current portion	60,645	67,924	75,628
Total current liabilities	**132,327**	**154,217**	**197,059**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

6.2.2.17 Accounts Payables

Table 6.28: Accounts Payables as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Trade payables - Services	3,260	2,930	8,565
Trade payables - Fixed assets	1,486	635	20,554
Total	**4,746**	**3,566**	**29,118**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Trade Payables – Services

Trade payables related to services declined from SAR 3.3m as of 31 December 2021G to SAR 2.9m as of 31 December 2022G, before increasing significantly to SAR 8.6m as of 31 December 2023G. This increase was primarily driven by outstanding balances to Al-Rajhi Takaful (SAR 2.7m) for providing medical insurance for the Group's employees, as well as an increase in the outstanding balance to Durrat Al-Fikr Advertising Agency (SAR 2.4m) for advertising services provided to the Group.

Fixed Assets Payables

Fixed assets payables amounted to SAR 1.5m as of 31 December 2021G, declined to SAR 635k as of 31 December 2022G, and then surged to SAR 20.6m as of 31 December 2023G. This sharp increase was mainly due to an outstanding balance of SAR 19.6m owed to the General Organization for Social Insurance (GOSI) as of 31 December 2023G, representing the payment due for the acquisition of land for Body Masters Premium and Body Motions clubs in Al-Malaz, which was acquired from GOSI and is scheduled for settlement in 2023G.

6.2.2.18 Accrued Expenses and Other Payables

Table 6.29: Accrued Expenses and Other Payables as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Employee Payables	8,373	11,742	10,855
Accrued Expenses	2,699	5,007	1,672
Value-Added Tax (VAT) Payable	-	1,026	899
Accrued Rent	3,058	4,352	106
Total	**14,130**	**22,128**	**13,531**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Employee Payables

Employee payables primarily consist of (1) accrued bonuses (SAR 4.6m as of 31 December 2023G), (2) the short-term portion of accrued vacation balances (SAR 3.5m as of 31 December 2023G), (3) accrued employee travel tickets (SAR 1.5m as of 31 December 2023G), and (4) accrued salaries (SAR 1.2m as of 31 December 2023G).

The employee payables balance increased from SAR 8.4m as of 31 December 2021G to SAR 11.7m as of 31 December 2022G, driven by (1) a SAR 2.1m increase in accrued vacation balances, reflecting a rise in employee headcount by 40 employees, and (2) a SAR 0.8m increase in accrued bonuses, supported by higher incentive payments alongside workforce expansion.

The balance decreased to SAR 10.8m as of 31 December 2023G, mainly due to a SAR 2.5m reduction in accrued vacation balances, following the Group's policy change limiting vacation carryover to a maximum of three years. This decline was partially offset by a SAR 1.6m increase in accrued bonuses, which included (1) a SAR 1.5m bonus payment for the Board of Directors and Group committees, and (2) a SAR 640k increase in the CEO's bonus during the period.

Accrued Expenses

Accrued expenses primarily consist of (1) accrued electricity costs (SAR 867k as of 31 December 2023G) and (2) accrued supplier payments (SAR 601k as of 31 December 2023G).

The accrued expenses balance increased from SAR 2.7m as of 31 December 2021G to SAR 5.0m as of 31 December 2022G, before declining to SAR 1.7m as of 31 December 2023G, in line with the Group's strategy to reduce electricity consumption costs.

Value-Added Tax (VAT) Payable

The VAT payable primarily relates to tax obligations settled by the Group after the financial closing period. The balance declined from SAR 1.0m as of 31 December 2022G to SAR 899k as of 31 December 2023G.

Accrued Rent

Accrued rent represents unpaid rental fees owed to landlords.

The balance increased from SAR 3.1m as of 31 December 2021G to SAR 4.4m as of 31 December 2022G, before dropping to SAR 106k as of 31 December 2023G. The decrease was primarily due to the expiration of the lease for the AlSahafa club in Riyadh in March 2021G, which was renewed for only one additional year.

6.2.2.19 Zakat Provision

Table 6.30: Movement of the Zakat Provision as of 31 December 2021G, 2022G and 2023G

SAR in 000s	31-Dec-21G Audited	31-Dec-22G Restated	31-Dec-23G Restated
Balance at the beginning of the year	189	533	693
Paid during the year	(109)	(534)	(699)
Zakat charge for the year	354	695	809
Zakat for the prior years	98	-	-
Balance at the end of the year	**533**	**693**	**803**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

The zakat provision increased from SAR 533k as of 31 December 2021G to SAR 693k as of 31 December 2022G, and further to SAR 803k as of 31 December 2023G, in line with the increase in the Group's profits during the period, which led to a higher zakat base.

As of 31 December 2023G, the Group had submitted its zakat filings for all years up to the financial year ended 31 December 2022G and had received a final assessment from the Zakat, Tax, and Customs Authority (ZATCA) in Saudi Arabia for all years up to 31 December 2018G.

6.2.2.20Equity

Table 6.31: Movement of Equity as of 31 December 2021G, 2022G and 2023G

SAR in 000s	Share capital	Statutory reserve	Retained earnings / (Accumulated losses)	Total
Balance as of 1 January	104,000	11,128	(12,742)	102,385
Profit of the year	-	-	11,116	11,116
Other comprehensive income	-	-	1,915	1,915
Total comprehensive income of the year	-	-	13,031	13,031
Balance as of 31 December 2021G	**104,000**	**11,128**	**289**	**115,416**
Adjustments	-	-	(6,988)	(6,988)
Balance as of 31 December 2021G after adjustments	**104,000**	**11,128**	**(6,699)**	**108,428**
Profit of the year	-	-	22,683	22,683
Other comprehensive income	-	-	794	794
Total comprehensive income of the year	-	-	23,477	23,477
Transferred to statutory reserve	-	2,268	(2,268)	-
Dividends paid	-	-	(6,000)	(6,000)
Balance as of 31 December 2022G	**104,000**	**13,396**	**8,510**	**125,905**
Profit of the year	-	-	25,088	25,088
Other comprehensive income	-	-	(1,583)	(1,583)
Total comprehensive income of the year	-	-	23,505	23,505
Transferred to statutory reserve	-	2,509	(2,509)	-
Dividends paid	-	-	(6,000)	(6,000)
Balance as of 31 December 2023G	**104,000**	**15,905**	**23,506**	**143,410**

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Share Capital

The Group's share capital amounted to SAR 104.0m as of 31 December 2023G, divided into 10.4 million shares, each with a nominal value of SAR 10. As of 31 December 2023G, the shareholding structure was as follows: Private Opportunities Investment Group: 40%, Diamond Opportunities Sports Group: 34%, Elaf Al-Khaleej Commercial Investment Group: 26% and Silver Opportunities Investment Group: Remaining shares.

Statutory Reserve

The statutory reserve amounted to SAR 15.9m as of 31 December 2023G. It increased from SAR 11.1m as of 31 December 2021G to SAR 13.4m as of 31 December 2022G, and further to SAR 15.9m as of 31 December 2023G, in line with legal requirements.

Retained Earnings / (Accumulated Losses)

Retained earnings improved from an accumulated loss of SAR(6.7m) as of 31 December 2021G to SAR 8.5m as of 31 December 2022G, primarily due to total comprehensive income of SAR 23.5m, partially offset by the Dividend payments of SAR(6.0m), and transfer of SAR(2.4m) to the statutory reserve.

As of 31 December 2023G, retained earnings further increased to SAR 23.5m, mainly driven by total comprehensive income of SAR 23.5m, partially offset by dividend payments of SAR(6.0m).

6.2.3 Consolidated Statement of Cash Flows

Table 6.32: Consolidated Statement of Cash Flows for the Financial Years Ended 31 December 2021G, 2022G and 2023G

SAR in 000s	2021G Audited	2022G Restated	2023G Restated
Cash flow from operating activities			
Profit before zakat	8,419	23,378	25,897
Adjustments:			
Depreciation of property plant and equipment and right of use assets	53,528	58,704	59,150
(Gain) / loss from disposal of property and equipment	(282)	3	(283)
Amortization of intangible	342	190	147
Provision for employees' benefits	5,233	8,438	5,232
Finance cost	16,903	25,113	26,982
Lease liabilities remeasurements	-	(2,419)	(2,009)
Discounts on rent expenses	(2,325)	(996)	(1,232)
	81,819	**112,411**	**113,885**
Changes in working capital:			
Trade receivables	(179)	(3,495)	(592)
Inventory	1,005	(1,172)	(2,016)
Advance payments and other current assets	382	(4,347)	2,168
Account payables	(12,104)	(1,181)	25,553
Accrued expenses and other payables	898	5,918	(6,068)
Contracts liability, net	3,954	3,664	6,974
Zakat paid	(109)	(534)	(699)
Employees' benefits paid	(3,578)	(5,779)	(5,029)
Cash generated from operating activities	**72,088**	**105,485**	**134,177**
Cash flow from investing activities			
Purchase of property and equipment	(69,888)	(32,639)	(66,040)

SAR in 000s	2021G Audited	2022G Restated	2023G Restated
Purchase of intangible assets	(913)	(353)	(2,042)
Proceeds from sale of property and equipment	441	1,725	777
Cash generated from investing activities	**(70,360)**	**(31,267)**	**(67,305)**
Cash flow from financing activities			
Payments of loans	(7,463)	(32,328)	(62,899)
Proceeds from loans	48,438	11,563	40,000
Payment of lease liability – net	(31,714)	(35,732)	(34,717)
Payment of finance costs	(3,973)	(10,935)	(11,912)
Dividends paid	-	(6,000)	(6,000)
Net cash (used in) / generated from financing activities	**5,289**	**(73,432)**	**(75,528)**
Net change in cash and cash equivalents	**7,017**	**786**	**(8,656)**
Cash and cash equivalents at the beginning of the year	9,495	16,512	17,297
Cash and cash equivalents at the end of the year	**16,512**	**17,297**	**8,641**

Source: The Group’s audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

Net Cash Generated from Operating Activities

Net cash generated from operating activities increased from SAR 72.1m in 2021G to SAR 105.5m in 2022G, primarily driven by growth in profit before zakat by SAR 11.8m, an increase in trade payables by SAR 10.9m, and an increase in accrued expenses and other current liabilities by SAR 6.9m. This was partially offset by a decrease in advance payments and other current assets by SAR 4.7m. Net cash generated from operating activities further increased from SAR 105.5m in 2022G to SAR 134.9m in 2023G, mainly due to an increase in trade payables by SAR 26.7m, which was partially offset by a decrease in accrued expenses and other current liabilities by SAR 12.0m.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to SAR(70.4m) in 2021G, before declining to SAR(31.3m) in 2022G, mainly due to a SAR 37.2m reduction in additions to property, plant, and equipment during the period. Net cash used in investing activities then increased from SAR(31.3m) in 2022G to SAR(67.3m) in 2023G, primarily due to capital expenditures related to the new land acquisition from the General Organization for Social Insurance (GOSI) in 2023G.

Net Cash (Used in) / Generated from Financing Activities

Net cash generated from financing activities amounted to SAR 5.3m in 2021G, before decreasing to SAR(73.4m) in 2022G, primarily due to loan repayments of SAR 24.9m, finance cost payments related to loans of SAR 7.3m, and dividend distributions of SAR 6.0m. Net cash used in financing activities further increased to SAR(75.5m) in 2023G, mainly driven by loan repayments of SAR 30.6m and dividend distributions of SAR 6.0m, which were partially offset by new loan facilities of SAR 28.4m obtained during 2023G.

6.3 Results of Operations for the Nine-Month Periods Ended 30 September 2023G and 2024G

6.3.1 Consolidated Statement of Profit and Loss and Other Comprehensive Income

Table 6.33: Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G Reviewed	Nine-Month Period Ended 30 September 2024G Reviewed	Var. Q3'23G-Q4'24G
Revenue	195,618	238,377	21.9%
Cost of Revenue	(145,939)	(171,957)	17.8%
Gross Profit	**49,679**	**66,420**	**33.7%**
Marketing Expenses	(7,355)	(5,883)	(20.0%)
General and Administrative Expenses	(10,693)	(14,890)	39.3%
Provision Formed	(1,148)	-	(100.0%)
Operating Profit	**30,483**	**45,647**	**49.7%**
IPO Expenses	-	(2,031)	n/a
Other Income / (Expenses), Net	4,161	3,489	(16.2%)
Finance Costs	(20,127)	(22,964)	14.1%
Profit Before Zakat	**14,517**	**24,142**	**66.3%**
Zakat Expenses	(425)	(535)	25.8%
Profit For the Year	**14,092**	**23,607**	**67.5%**
Other Comprehensive Income			
Items That Will Not Be Reclassified to Profit or Loss:			
Re-Measurement (Loss) / Gain of Employees' Benefits	76	(4,219)	(5623.9%)
Total Comprehensive Income for The Year	**14,169**	**19,388**	**36.8%**
As a % of revenue			**Ppt.**
Gross Profit	25.4%	27.9%	2.5
Profit For the Year	7.2%	9.9%	2.7
			Var/Ppt.
Retention Rate	67%	63%	(4.0)
Avg. Active Members	106,341	115,078	8.2%
Number of Active Clubs at Year End	54	56	2
Avg. Revenue Per Member (SAR)	1,609	1,625	1.0%

Source: The Group's reviewed condensed consolidated financial statements and management accounts for the nine-month period ended 30 September 2024G.

Revenue

Revenue increased by 21.9%, from SAR 195.6m in the nine-month period ended 30 September 2023G to SAR 238.4m in the nine-month period ended 30 September 2024G. This growth was primarily driven by several key factors.

1. The first contributing factor was the increase in the number of clubs, with the opening of two new clubs that generated SAR 5.1m in revenue during the period. These included Body Motions in AlBasateen, Jeddah, which opened in January 2024G, and a Premium club in AlMusayyaf, which opened in September 2023G, both of which contributed to higher membership revenue.
2. The second factor was the increase in revenue from clubs that completed their gradual growth phase, particularly those that opened in 2023G. This includes Premium Al-Fayha, which contributed an additional SAR 1.6m, and AlFaisaliah in Jeddah, which added SAR 3.2m during the period, benefiting from achieving a higher operational capacity.

3. The third driver of revenue growth was the increase in memberships and active subscribers, following the introduction of three-month membership plans under the "Buy Now, Pay Later" scheme through Tabby and Tamara. In the nine-month period ended 30 September 2024G, members were given more flexible short-term payment options, whereas in the corresponding period of 30 September 2023G, only nine-month and twelve-month plans were available. This initiative attracted more subscribers seeking flexible and short-term payment options.
4. Lastly, revenue growth was also driven by higher equipment sales, following the signing of a contract with the Royal Commission for AlUla (RCU) to build, equip, and operate a gym facility in AlUla. This contract generated SAR 19.3m in revenue for the Group during the same period.

Cost of Revenue

Cost of revenue increased by 17.8%, from SAR 145.9m in the nine-month period ended 30 September 2023G to SAR 172.0m in the nine-month period ended 30 September 2024G. This increase was primarily driven by a SAR 11.4m rise in the cost of sports equipment sales, directly related to the Royal Commission for AlUla contract. Additionally, electricity and water expenses increased by SAR 2.8m, following the opening of new clubs at the end of 2023G and during the nine-month period ended 30 September 2024G. Salaries and wages also increased by SAR 6.0m, reflecting the growth in headcount from 1,097 employees in the nine-month period ended 30 September 2023G to 1,131 employees in the nine-month period ended 30 September 2024G, in line with the expansion of newly opened clubs.

Gross Profit

Gross profit increased by 33.7%, from SAR 49.7m in the nine-month period ended 30 September 2023G to SAR 66.4m in the nine-month period ended 30 September 2024G. This growth was driven by a higher increase in revenue relative to costs, leading to an improved gross profit margin of 27.9% in the nine-month period ended 30 September 2024G, compared to 25.4% in the nine-month period ended 30 September 2023G. Additionally, the profitability of new clubs improved as they completed their initial operational ramp-up phase.

Marketing Expenses

Marketing expenses declined by 20.0%, from SAR 7.4m in the nine-month period ended 30 September 2023G to SAR 5.9m in the nine-month period ended 30 September 2024G. This decrease was primarily due to a SAR 1.8m reduction in advertising and promotional expenses, driven by supplier-supported discounts and funded advertising campaigns. This decline was partially offset by a SAR 152k increase in salaries, wages, and related expenses, reflecting higher incentive payments and commissions for the sales team.

General and Administrative Expenses

General and administrative expenses increased by 39.3%, from SAR 10.7m in the nine-month period ended 30 September 2023G to SAR 14.9m in the nine-month period ended 30 September 2024G. This increase was primarily driven by a SAR 2.8m rise in salaries and wages, reflecting the expansion of the management team during the period, as well as higher amortization of intangible assets following the implementation of the new Enterprise Resource Planning (ERP) system. Additionally, depreciation of property, plant, and equipment increased by SAR 217k, due to additions to the Group's headquarters.

Operating Profit

Operating profit increased by 49.7%, from SAR 30.5m in the nine-month period ended 30 September 2023G to SAR 45.6m in the nine-month period ended 30 September 2024G. This growth was driven by higher gross profit, which outpaced the increase in operating expenses, alongside a reduction in marketing expenses during the period.

Other Income / (Expenses), Net

Net other income declined by 16.2%, from SAR 4.2m in the nine-month period ended 30 September 2023G to SAR 3.5m in the nine-month period ended 30 September 2024G. This decrease was mainly due to lower rent expense discounts, as landlords provided fewer lease incentives. This was partially offset by an increase of SAR 168k in rental income, generated from shops and vending machines located within the clubs.

IPO Expenses

IPO expenses amounted to SAR 2.0m in the nine-month period ended 30 September 2024G, representing fees and costs incurred by the Group in preparation for its stock market listing on the Saudi Exchange (Tadawul), which were recorded in the current period.

Finance Costs

Finance costs increased by 14.1%, from SAR 20.1m in the nine-month period ended 30 September 2023G to SAR 23.0m in the nine-month period ended 30 September 2024G. This increase was mainly driven by higher interest expenses on long-term loans used to finance new club openings, as well as increased banking fees and commissions, associated with the Buy Now, Pay Later (BNPL) model and credit card transaction fees.

Profit Before Zakat

Profit before zakat increased by 66.3%, from SAR 14.5m in the nine-month period ended 30 September 2023G to SAR 24.1m in the nine-month period ended 30 September 2024G.

Zakat Expense

Zakat expense increased by 25.8%, from SAR 425k in the nine-month period ended 30 September 2023G to SAR 535k in the nine-month period ended 30 September 2024G, driven by higher taxable income and an increase in the Group's total assets.

Net Profit for the Period

Net profit for the period increased by 67.5%, from SAR 14.1m in the nine-month period ended 30 September 2023G to SAR 23.6m in the nine-month period ended 30 September 2024G.

Remeasurement of Employees' Defined Benefit Obligations

The Group recorded a remeasurement gain of SAR 76k on employees' defined benefit obligations in the nine-month period ended 30 September 2023G, compared to a remeasurement loss of SAR 4.2m in the nine-month period ended 30 September 2024G. These remeasurements relate to actuarial gains and losses, based on valuations conducted by independent actuaries using the projected unit credit method, in accordance with IAS 19, while considering Saudi labor laws and the Group's policies.

Total Comprehensive Income for the Period

Total comprehensive income increased by 36.8%, from SAR 14.2m in the nine-month period ended 30 September 2023G to SAR 19.4m in the nine-month period ended 30 September 2024G, in line with higher gross profit and operating profit during the period.

6.3.1.1 Revenues by Activity

Table 6.34: Revenues by Activity for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G Reviewed	Nine-Month Period Ended 30 September 2024G Reviewed	Var. Q3'23G-Q4'24G
Sports club subscriptions	171,104	187,058	9.3%
Health club services	23,860	30,363	27.3%
Operating sales, Sports equipment sales, and Specialized sports solutions projects	654	20,955	3106.1%
Total	**195,618**	**238,377**	**21.9%**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2023G and 2024G.

Revenue is generated from three main categories: (1) Sports Club Memberships (the Group's core operations), (2) Health Club Services, and (3) Operating Sales, Sports Equipment Sales, and Specialized Sports Solutions Projects.

Sports Club Subscriptions

Revenue from sports club memberships increased by 9.3%, from SAR 171.1m in the nine-month period ended 30 September 2023G to SAR 187.1m in the nine-month period ended 30 September 2024G. This increase was driven by an expansion in the number of sports clubs, following the opening of one club at the end of September 2023G and two additional clubs in FY24G. Additionally, higher demand for memberships was supported by the introduction of the "Buy Now, Pay Later" model, facilitated through Tamara and Tabby applications, which was made available for all membership plans.

Health Club Services

Revenue from health club services increased by 27.3%, from SAR 23.9m in the nine-month period ended 30 September 2023G to SAR 30.4m in the nine-month period ended 30 September 2024G. This growth was driven by an increase in membership enrollment, following the opening of new clubs, as well as higher demand for premium services, including nutrition consultants and personal trainers, supported by flexible payment options.

Operating Sales, Sports Equipment Sales, and Specialized Sports Solutions Projects

The Group recorded sports equipment sales revenue from its Integrated Facility Services Division (Body Experts Services) of SAR 654k in the nine-month period ended 30 September 2023G, which surged to SAR 21.0m in the nine-month period ended 30 September 2024G. This substantial increase was primarily driven by new contracts for gym equipment supply and operations, signed during FY24G with the Royal Commission for AlUla, to build and manage sports clubs within the AlUla region.

6.3.1.2 Revenues by Club Type

Table 6.35: Revenues by Club Type for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
Body Masters Premium	120,362	130,036	8.0%
Body Motions	52,071	66,287	27.3%
Body Masters Express	22,530	21,099	(6.4%)
Body Experts	654	20,955	3106.1%
Total	**195,618**	**238,377**	**21.9%**
As a % of revenue			**ppt**
Body Masters Premium	61.5%	54.6%	(7.1)
Body Motions	26.6%	27.8%	1.2
Body Masters Express	11.5%	8.9%	(2.7)
Body Experts	0.3%	8.8%	8.5

Source: The Group's management accounts for the period ended 30 September 2023G and 2024G.

Body Masters Premium Clubs

Revenue from Body Masters Premium club memberships increased by 8.0%, from SAR 120.4m in the nine-month period ended 30 September 2023G to SAR 130.0m in the nine-month period ended 30 September 2024G. This growth was primarily driven by the opening of a new club during FY24G, specifically the Al-Musayyaf Men's Club (Body Masters Premium) in Riyadh. Additionally, higher revenue from newly opened clubs, following the completion of their initial launch phase, contributed to this increase, particularly from Premium Al-Fayha, which opened in September 2023G.

Body Motions Clubs

Revenue from Body Motions club memberships grew by 27.3%, from SAR 52.1m in the nine-month period ended 30 September 2023G to SAR 66.3m in the nine-month period ended 30 September 2024G. This increase was driven by the opening of new clubs, including Al-Faisaliah in Jeddah (September 2023G) and Al-Basateen in Jeddah (January 2024G).

Body Masters Express Clubs

Revenue from Body Masters Express club memberships declined by 6.4%, from SAR 22.5m in the nine-month period ended 30 September 2023G to SAR 21.1m in the nine-month period ended 30 September 2024G. This decrease was mainly due to the closure of one club (Al-Mansouriyah) at the end of 2023G, as well as lower demand for Body Masters Express clubs.

Body Experts

Revenue from Body Experts services surged by 3,106.1%, from SAR 654k in the nine-month period ended 30 September 2023G to SAR 21.0m in the nine-month period ended 30 September 2024G. This significant increase was driven by the major contract signed with the Royal Commission for AlUla, under which the Group was responsible for building, operating, and supplying a comprehensive fitness center in the region, including equipment, trainers, and staff.

6.3.1.3 Revenues by Geographical Location

Table 6.36: Revenues by Region for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G Reviewed	Nine-Month Period Ended 30 September 2024G Reviewed	Var. Q3'23G-Q4'24G
Central Region	124,411	160,742	29.2%
Western Region	26,460	28,188	6.5%
Eastern Region	26,485	27,290	3.0%
Other Regions	18,262	22,157	21.3%
	195,618	**238,377**	**21.9%**
As % of revenue			
Central Region	63.6%	67.4%	3.8
Western Region	13.5%	11.8%	(1.7)
Eastern Region	13.5%	11.4%	(2.1)
Other Regions	9.3%	9.3%	0.0

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2023G and 2024G.

Central Region

The Central Region, primarily encompassing Riyadh and its surrounding cities, recorded a 29.2% increase in revenue, rising from SAR 124.4m in the nine-month period ended 30 September 2023G to SAR 160.7m in the nine-month period ended 30 September 2024G. This growth was driven by the opening of new clubs in Riyadh during the period.

Western Region

Revenue from the Western Region increased by 6.5%, from SAR 26.5m in the nine-month period ended 30 September 2023G to SAR 28.2m in the nine-month period ended 30 September 2024G. This increase was primarily due to the opening of a new Body Motions club in Jeddah in January 2024G.

Eastern Region

Revenue from the Eastern Region grew by 3.0%, from SAR 26.5m in the nine-month period ended 30 September 2023G to SAR 27.3m in the nine-month period ended 30 September 2024G. This growth was driven by an acceleration in revenue and membership growth from recently opened clubs.

Other Regions

Revenue from Other Regions, including the Northern and Southern regions, increased by 21.3%, from SAR 18.3m in the nine-month period ended 30 September 2023G to SAR 22.2m in the nine-month period ended 30 September 2024G. This growth was primarily driven by a rising number of members in newly opened clubs, particularly Body Motions clubs in these regions.

6.3.1.4 Cost of Revenue

Table 6.37: Cost of Revenue for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
Salaries, wages and other benefits	73,050	79,004	8.2%
Depreciation of property, plant, and equipment	27,223	28,746	5.6%
Depreciation of right-of-use assets	16,808	18,120	7.8%
Electricity and water	10,800	13,588	25.8%
Maintenance, supplies and hygiene	8,248	9,591	16.3%
Cost of selling sports equipment	645	12,081	1773.0%
Fuels and oils	1,515	2,641	74.3%
Rent expenses	2,476	2,584	4.4%
Government fees and subscriptions	1,379	1,381	0.1%
Phone and mail	864	889	2.9%
Amortization of intangible assets	82	90	9.3%
Others	2,848	3,242	13.8%
Total	**145,939**	**171,957**	**17.8%**

Source: The Group's management accounts for the period ended 30 September 2023G and 2024G.

Salaries, Wages, and Other Benefits

Salaries, wages, and related expenses increased by 8.2%, from SAR 73.1m in the nine-month period ended 30 September 2023G to SAR 79.0m in the nine-month period ended 30 September 2024G. This increase was primarily due to an expansion in the workforce, with the number of employees rising from 1,097 in the nine-month period ended 30 September 2023G to 1,131 in the nine-month period ended 30 September 2024G, following the Group's club expansion initiatives.

Depreciation of Property, Plant, and Equipment

Depreciation of property, plant, and equipment increased by 5.6%, from SAR 27.2m in the nine-month period ended 30 September 2023G to SAR 28.7m in the nine-month period ended 30 September 2024G. The increase was primarily due to new club openings at the end of 2023G and during the nine-month period ended 30 September 2024G, leading to a higher carrying value of buildings and equipment and related depreciation costs.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets increased by 7.8%, from SAR 16.8m in the nine-month period ended 30 September 2023G to SAR 18.1m in the nine-month period ended 30 September 2024G. This increase was primarily driven by higher lease expenses, following the addition of newly leased land for club development.

Electricity and Water

Electricity and water expenses increased by 25.8%, from SAR 10.8m in the nine-month period ended 30 September 2023G to SAR 13.6m in the nine-month period ended 30 September 2024G. This increase was due to higher utility bills resulting from the expansion of operational club spaces.

Maintenance, Supplies and Hygiene

Maintenance, supplies, and cleaning costs increased by 16.3%, from SAR 8.2m in the nine-month period ended 30 September 2023G to SAR 9.6m in the nine-month period ended 30 September 2024G. This increase was driven by higher spending on maintenance contracts and supplier costs, in line with a larger number of active clubs and members.

Rent Expenses

Rent expenses increased by 4.4%, from SAR 2.5m in the nine-month period ended 30 September 2023G to SAR 2.6m in the nine-month period ended 30 September 2024G, due to minor adjustments in existing short-term lease agreements.

Fuel and Oil

Fuel and oil expenses surged by 74.3%, from SAR 1.5m in the nine-month period ended 30 September 2023G to SAR 2.6m in the nine-month period ended 30 September 2024G. This increase was due to higher fuel consumption following club expansions, as well as a general rise in fuel prices.

Government Fees and Subscriptions

Government fees and subscriptions remained relatively stable at SAR 1.4m in both the nine-month periods ended 30 September 2023G and 30 September 2024G.

Cost of Sports Equipment Sales

The cost of sports equipment sales increased significantly by 1,773.0%, from SAR 645k in the nine-month period ended 30 September 2023G to SAR 12.1m in the nine-month period ended 30 September 2024G. This increase was directly linked to higher sports equipment sales, following the Group's contract with the Royal Commission for AlUla to build, equip, and operate fitness centers, including the procurement of gym equipment and staffing of trainers.

Phone and Mail

Telephone and postal expenses increased by 2.9%, from SAR 864k in the nine-month period ended 30 September 2023G to SAR 889k in the nine-month period ended 30 September 2024G.

Amortization of Intangible Assets

Amortization of intangible assets increased by 9.3%, from SAR 82k in the nine-month period ended 30 September 2023G to SAR 90k in the nine-month period ended 30 September 2024G, following the implementation of the Group's new Enterprise Resource Planning (ERP) system.

Other

Other expenses increased by 13.8%, from SAR 2.8m in the nine-month period ended 30 September 2023G to SAR 3.2m in the nine-month period ended 30 September 2024G, reflecting additional general expenses incurred by the Group's management.

6.3.1.5 Marketing Expenses

Table 6.38: Marketing Expenses for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
Advertising	5,789	3,974	(31.4%)
Salaries, wages and other benefits	1,421	1,573	10.7%
Depreciation of property, plant, and equipment	71	90	27.3%
Amortization of intangible assets	4	6	56.0%
Other	70	240	241.4%
Total	**7,355**	**5,883**	**(20.0%)**
As a % of revenue			**ppt.**
Advertising	3.0%	1.7%	(1.3)
Others	0.8%	0.8%	0.0
Total	**3.8%**	**2.5%**	**(1.3)**

Source: The Group's management accounts for the period ended 30 September 2023G and 2024G.

Advertising

Advertising and promotion expenses declined by 31.4%, from SAR 5.8m in the nine-month period ended 30 September 2023G to SAR 4.0m in the nine-month period ended 30 September 2024G. This decrease was primarily due to a higher volume of supplier-supported promotional campaigns, which led to lower direct advertising costs incurred by the Group.

Salaries, Wages, and Other Benefits

Salaries, wages, and related expenses increased by 10.7%, from SAR 1.4m in the nine-month period ended 30 September 2023G to SAR 1.6m in the nine-month period ended 30 September 2024G. This increase was driven by higher base salaries and commissions granted to the marketing and sales teams.

Depreciation of Property, Plant, and Equipment

Depreciation of property, plant, and equipment increased by 27.3%, from SAR 71k in the nine-month period ended 30 September 2023G to SAR 90k in the nine-month period ended 30 September 2024G. This was primarily due to additional equipment purchases allocated for marketing and promotional activities related to newly launched clubs.

Amortization of Intangible Assets

Amortization of intangible assets increased by 56.0%, from SAR 4k in the nine-month period ended 30 September 2023G to SAR 6k in the nine-month period ended 30 September 2024G.

Other

Other expenses surged by 241.4%, from SAR 70k in the nine-month period ended 30 September 2023G to SAR 240k in the nine-month period ended 30 September 2024G. This increase was primarily due to higher miscellaneous marketing-related costs incurred by the Group's marketing team.

6.3.1.6 General and Administrative Expenses

Table 6.39: General and Administrative Expenses for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
Salaries, wages and other benefits	8,576	11,333	32.2%
Depreciation of property, plant, and equipment	856	1,073	25.3%
Maintenance and cleaning	340	533	56.8%
Amortization of intangible assets	25	438	1637.8%
Phone and mail	189	184	(2.6%)
Other	706	1,328	88.0%
Total	**10,693**	**14,890**	**39.3%**
As a % of revenue			**ppt.**
Salaries, wages and other benefits	4.4%	4.8%	0.4
Depreciation of PPE	0.4%	0.5%	0.0
Others	0.6%	1.0%	0.4
Total	**5.5%**	**6.2%**	**0.8**

Source: The Group's management accounts for the period ended 30 September 2023G and 2024G.

Salaries, Wages, and Other Benefits

Salaries, wages, and related expenses increased by 32.2%, from SAR 8.6m in the nine-month period ended 30 September 2023G to SAR 11.3m in the nine-month period ended 30 September 2024G. This increase was primarily driven by an increase in headcount by 18 employees, as well as higher bonuses for senior management, allowances for committee and board members, and annual salary adjustments for employees.

Depreciation of Property, Plant, and Equipment

Depreciation of property, plant, and equipment increased by 25.3%, from SAR 856k in the nine-month period ended 30 September 2023G to SAR 1.1m in the nine-month period ended 30 September 2024G. This increase was mainly due to additional equipment and assets allocated to the headquarters, following an expansion in employee capacity.

Maintenance and Cleaning

Maintenance and cleaning costs increased by 56.8%, from SAR 340k in the nine-month period ended 30 September 2023G to SAR 533k in the nine-month period ended 30 September 2024G. This increase was driven by an expansion in office spaces and related facilities.

Phone and Mail

Telephone and postal expenses remained relatively stable, averaging SAR 187k in both the nine-month periods ended 30 September 2023G and 30 September 2024G.

Amortization of Intangible Assets

Amortization of intangible assets surged by 163.8%, from SAR 25k in the nine-month period ended 30 September 2023G to SAR 438k in the nine-month period ended 30 September 2024G. This increase was due to new software acquisitions, related to the implementation of the Group's new Enterprise Resource Planning (ERP) system.

Other

Other expenses increased by 88.0%, from SAR 706k in the nine-month period ended 30 September 2023G to SAR 1.3m in the nine-month period ended 30 September 2024G. This increase was primarily driven by higher insurance and facility costs for administrative offices and staff.

6.3.1.7 Finance Cost

Table 6.40: Finance Cost for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
Interests of lease commitments	12,691	13,180	3.9%
Long-term loan costs	3,962	4,974	25.5%
Bank fees and commissions	3,474	4,811	38.5%
Total	**20,127**	**22,964**	**14.1%**
As a % of revenue			**ppt.**
Interests of lease commitments	6.5%	5.5%	(1.0)
Long-term loan costs	2.0%	2.1%	0.1
Bank fees and commissions	1.8%	2.0%	0.2

Source: The Group's management accounts for the period ended 30 September 2023G and 2024G.

Interests of Lease Commitments

Interest expenses on lease liabilities increased from SAR 12.7m in the nine-month period ended 30 September 2023G to SAR 13.2m in the nine-month period ended 30 September 2024G. This increase was primarily due to new lease additions during the period, which expanded the Group's leased asset portfolio.

Long-Term Loan Costs

Interest expenses on long-term loans increased by 25.5%, from SAR 4.0m in the nine-month period ended 30 September 2023G to SAR 5.0m in the nine-month period ended 30 September 2024G. This increase was driven by additional financing obtained during the period to fund new projects and club expansions.

Bank Fees and Commissions

Bank fees and commissions rose by 38.5%, from SAR 3.5m in the nine-month period ended 30 September 2023G to SAR 4.8m in the nine-month period ended 30 September 2024G. This increase was primarily due to higher transaction volumes related to the growing adoption of the "Buy Now, Pay Later" model, facilitated through Tamara and Tabby, which led to higher commission expenses.

6.3.1.8 Other Income (Expenses), Net

Table 6.41: Other Income (Expenses), Net for the Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
Rent income	2,987	3,155	5.6%
Discounts on rent expenses	1,034	215	(79.3%)
Gain on disposal of fixed assets	140	120	(14.6%)
Total	**4,161**	**3,489**	**(16.2%)**

SAR in 000s	Nine-Month Period Ended 30 September 2023G MA	Nine-Month Period Ended 30 September 2024G MA	Var. Q3'23G-Q4'24G
As a % of revenue			**ppt.**
Rent income	1.5%	1.3%	(0.2)
Discounts on rent expenses	0.5%	0.1%	(0.4)
Gain on disposal of fixed assets	0.1%	0.1%	(0.0)
Total	2.1%	1.5%	(0.7)

Source: The Group's management accounts for the period ended 30 September 2023G and 2024G.

Rent Income

Rent income increased by 5.6%, from SAR 3.0m in the nine-month period ended 30 September 2023G to SAR 3.2m in the nine-month period ended 30 September 2024G. This growth was primarily driven by an expansion in available rental spaces, following the Group's expansion of club facilities and the increase in leasable areas.

Rent Expense Discounts

Rent expense discounts declined by 79.3%, from SAR 1.0m in the nine-month period ended 30 September 2023G to SAR 215k in the nine-month period ended 30 September 2024G. This decrease was primarily due to a reduction in landlord-granted rent concessions.

Gain on Disposal of Fixed Assets

Profit from the sale of assets and equipment declined by 14.6%, from SAR 140k in the nine-month period ended 30 September 2023G to SAR 120k in the nine-month period ended 30 September 2024G. This decrease was mainly due to a lower volume of asset sales during the period.

6.3.2 Consolidated Statement of Financial Position

Table 6.42: Consolidated Statement of Financial Position as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Assets		
Non-current assets		
Property, plant and equipment	408,074	445,904
Right-of-use assets	309,181	318,957
Investment property	-	-
Intangible assets	5,341	5,383
Total non-current assets	**722,595**	**770,244**
Current Assets		
Inventory	8,209	11,198
Trade receivables	4,408	26,206
Advance payments and other receivables	13,239	23,342
Cash and cash equivalents	8,641	13,102
Total current assets	**34,497**	**73,849**
Total assets	**757,093**	**844,093**
Equity and Liabilities		
Equity		
Share capital	104,000	104,000
Statutory reserve	15,905	-
Share issuance reserve	-	(430)
Retained earnings	23,506	52,798
Total Equity	**143,410**	**156,368**

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Liabilities		
Non-Current liabilities		
Lease liabilities non-current portion	333,420	341,458
Long term loans non-current portion	60,677	87,137
Employees' benefits	21,826	26,142
Contracts liability non-current portion	700	1,389
Total non-current liabilities	**416,624**	**456,126**
Current liabilities		
Lease liability current portion	36,029	39,758
Long term loans current portion	41,949	59,503
Account payables	29,118	11,224
Accrued expenses and other payables	13,531	26,098
Zakat provision	803	609
Contracts liability current portion	75,628	94,407
Total current liabilities	**197,059**	**231,599**
Total liabilities	**613,682**	**687,725**
Total equity and liabilities	**757,093**	**844,093**
KPIs		
DPO	30	32
DIO	13	15
RoA	3.3%	3.7%
RoE	17.5%	20.1%

Source: The Group's reviewed condensed consolidated financial statements and management accounts for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Assets

Non-Current Assets

Non-current assets increased from SAR 722.6m as of 31 December 2023G to SAR 770.2m as of 30 September 2024G. This growth was primarily driven by additions to club buildings amounting to SAR 12.2m, reflecting the expansion in the number of clubs, particularly in the women's and premium categories. Additionally, capital work in progress increased by SAR 25.3m, supporting the Group's ongoing club development projects.

Current Assets

Current assets increased from SAR 34.5m as of 31 December 2023G to SAR 73.8m as of 30 September 2024G. This increase was primarily driven by a SAR 21.8m rise in trade receivables, mainly due to outstanding balances from the Royal Commission for AlUla.

Equity

As of 30 September 2024G, equity primarily consisted of retained earnings amounting to SAR 52.8m, share capital of SAR 104.0m, and share premium reserve of SAR 430k.

Equity increased from SAR 143.4m as of 31 December 2023G to SAR 156.4m as of 30 September 2024G, mainly due to a SAR 29.3m increase in retained earnings.

Liabilities

Non-Current Liabilities

Non-current liabilities amounted to SAR 456.1m as of 30 September 2024G, primarily comprising non-current lease liabilities of SAR 341.5m, non-current long-term loans of SAR 87.1m, and employees' defined benefit obligations of SAR 26.1m.

Non-current liabilities increased from SAR 416.6m as of 31 December 2023G to SAR 456.1m as of 30 September 2024G, primarily due to a SAR 26.5m increase in non-current long-term loans, following new financing obtained by the Group during the period.

Current Liabilities

Current liabilities amounted to SAR 231.6m as of 30 September 2024G, primarily consisting of current contract liabilities of SAR 94.4m, current long-term loan obligations of SAR 59.5m, and current lease liabilities of SAR 39.8m.

Current liabilities increased from SAR 197.1m as of 31 December 2023G to SAR 231.6m as of 30 September 2024G, mainly due to an SAR 18.8m increase in current contract liabilities, which was partially offset by a SAR 17.9m decrease in trade payables, reflecting settlements made during the year.

6.3.2.1 Non-Current Assets

Table 6.43: Non-Current Assets as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Property, plant and equipment	408,074	445,904
Right-of-use assets	309,181	318,957
Investment property	-	-
Intangible assets	5,341	5,383
Total	**722,595**	**770,244**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

6.3.2.2 Property, Plant and Equipment

Table 6.44: Net Book Value as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Buildings on leased ands	225,935	224,527
Machinery and equipment	53,995	58,109
Lands	38,528	38,528
Furniture and fixtures	21,773	22,067
Improvements on leased building	18,849	16,676
Buildings	8,975	21,216
Electrical hardware	4,945	4,953
Vehicles	2,536	1,977
Capital work in progress	32,539	57,851
Total	**408,074**	**445,904**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Lands

The Group owns land properties that accommodate four clubs: Al-Rawdah, Al-Nahda, Al-Khaleej, and Al-Malaz. The value of land remained stable at SAR 38.5m as of 31 December 2023G and 30 September 2024G, primarily consisting of land plots where the Group's clubs are constructed. The Group had initially entered into a 15-year lease agreement with the General Organization for Social Insurance (GOSI) for one of the plots, but purchased the land after three years in 2023G.

Buildings

Buildings, which primarily consist of facilities located on Group-owned land in Al-Khaleej, Al-Nahda, Al-Malaz, and Al-Rawdah, increased in value from SAR 9.0m as of 31 December 2023G to SAR 21.2m as of 30 September 2024G. This increase was driven by SAR 14.9m in transfers from buildings on leased land.

Buildings on Leased Lands

The net book value of buildings on leased land decreased from SAR 225.9m as of 31 December 2023G to SAR 224.5m as of 30 September 2024G, primarily due to depreciation expenses of SAR 16.2m recorded during the period, which was partially offset by additions of SAR 27.9m. The additions were related to the opening of two new clubs: Al-Basateen (January 2024G) and Al-Musayyaf (September 2024G).

Improvements on Leased Building

The net book value of leasehold improvements decreased from SAR 18.8m as of 31 December 2023G to SAR 16.7m as of 30 September 2024G, mainly due to depreciation expenses of SAR 2.2m recorded during the period.

Machinery and Equipment

The net book value of machinery and equipment increased from SAR 54.0m as of 31 December 2023G to SAR 58.1m as of 30 September 2024G. This increase was primarily driven by additions of SAR 11.0m, related to sports equipment for newly opened clubs, which was partially offset by depreciation expenses of SAR 6.4m recorded during the period.

Furniture and Fixtures

The net book value of furniture and fixtures increased from SAR 21.8m as of 31 December 2023G to SAR 22.1m as of 30 September 2024G. This was due to additions of SAR 3.0m during the period, primarily for club renovations and new facility setups, which was partially offset by depreciation expenses of SAR 2.7m.

Electrical Hardware

The net book value of electrical equipment and software increased from SAR 4.9m as of 31 December 2023G to SAR 5.0m as of 30 September 2024G. This increase was mainly due to additions of SAR 934k, primarily for IT infrastructure upgrades, which was partially offset by depreciation expenses of SAR 923k recorded during the period.

Vehicles

The net book value of vehicles and transportation assets decreased from SAR 2.5m as of 31 December 2023G to SAR 2.0m as of 30 September 2024G. This was primarily due to depreciation expenses of SAR 669k, which was partially offset by additions of SAR 142k during the period.

Capital Work-in-Progress

The net book value of capital work-in-progress increased from SAR 32.5m as of 31 December 2023G to SAR 57.9m as of 30 September 2024G. This increase was primarily due to ongoing construction and development projects, with key additions including (i) Al-Areedh branch (SAR 18.4m), (ii) Al-Musayyaf branch (SAR 10.8m), and (iii) Uhud branch (SAR 6.7m), in addition to other club developments currently under construction.

6.3.2.3 Right-of-Use Assets

Table 6.45: RoU as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Cost:		
Balance on January 1	313,430	399,169
Additions during the year	94,527	63,181
Remeasurement of lease liability	(8,789)	(33,847)
Balance at the end of the year	**399,169**	**428,503**
Accumulated depreciation:		
Balance on January 1	(67,389)	(89,988)
Depreciation during year	(21,884)	(18,120)
Capitalized depreciation on projects in progress	(716)	(1,438)
Balance at the end of the year	**(89,988)**	**(109,545)**
Net book value	**309,181**	**318,957**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Right-of-use assets relate to long-term lease agreements, recognized in accordance with IFRS 16, covering land and club facilities used in the Group's operations. The net book value of right-of-use assets increased from SAR 309.2m as of 31 December 2023G to SAR 319.0m as of 30 September 2024G.

This increase was primarily driven by additions of SAR 63.2m during the period, reflecting new lease agreements for club expansions. This was partially offset by lease terminations amounting to SAR 33.8m and depreciation expenses of SAR 18.1m recorded during the period.

6.3.2.4 Intangible Assets

Table 6.46: Intangible Assets as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Programs	459	3,685
Goodwill	937	937
Projects under process	3,945	760
Total	**5,341**	**5,383**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Intangible assets as of 30 September 2024G consisted of (1) projects under development valued at SAR 760k, related to software and systems under implementation, (2) software valued at SAR 3.7m, and (3) goodwill valued at SAR 937k.

The net book value of intangible assets increased from SAR 5.3m as of 31 December 2023G to SAR 5.4m as of 30 September 2024G. This increase was primarily driven by additions of SAR 3.2m related to the new Enterprise Resource Planning (ERP) system, which was partially offset by asset disposals amounting to SAR 3.2m during the same period.

6.3.2.5 Current Assets

Table 6.47: Current Assets as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Inventory	8,209	11,198
Trade receivables	4,408	26,206
Advance payments and other receivables	13,239	23,342
Cash and cash equivalents	8,641	13,102
Total current assets	**34,497**	**73,849**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

6.3.2.6 Inventory

Table 6.48: Inventory as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G MA
Spare parts	2,628	3,632
Operating and maintenance materials	2,749	4,167
Traded goods	2,832	3,399
Total	**8,209**	**11,198**

Source: The Group's audited financial statements for the period ended 31 December 2023G and management accounts for the period ended 30 September 2024G.

Spare parts

Spare parts increased from SAR 2.6m as of 31 December 2023G to SAR 3.6m as of 30 September 2024G, in line with the growth in the volume and value of machinery and equipment.

Operating and maintenance materials

Operating and maintenance materials increased from SAR 2.7m as of 31 December 2023G to SAR 4.2m as of 30 September 2024G, primarily due to the opening of new clubs during the period, which required additional operational supplies.

Goods for sale

Goods for sale increased from SAR 2.8m as of 31 December 2023G to SAR 3.4m as of 30 September 2024G, mainly due to higher inventory levels for retail items available at newly opened clubs, as well as stock related to Body Experts' operations.

It is important to note that the Group does not track the aging of its inventory and, as a result, does not record provisions for slow-moving, damaged, or obsolete inventory.

6.3.2.7 Trade Receivables

Table 6.49: Trade Receivables as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Trade receivables	6,373	28,171
Less: allowance for ECL	(1,965)	(1,965)
Total	**4,408**	**26,206**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Total trade receivables amounted to SAR 26.2m as of 30 September 2024G, with a gross balance of SAR 28.2m and an expected credit loss provision of SAR 2.0m. The receivables primarily consist of corporate sales balances and amounts due from payment solution providers, such as Tamara and Tabby.

Trade receivables increased significantly from SAR 4.4m as of 31 December 2023G to SAR 26.2m as of 30 September 2024G, primarily due to a SAR 10.7m increase in the outstanding balance from the Royal Commission for AlUla (RCU). This increase was related to the new contract signed in January 2024G, under which the Group is responsible for building and operating sports clubs in AlUla.

Table 6.50: Aging of Trade Receivables as of 31 December 2023G and 30 September 2024G

SAR in 000s	Total	0 – 30 days	31 – 60 days	61 – 90 days	91 – 180 days	More than 360 days
30-Sep-24G	28,171	26,100	-	86	20	1,965
31-Dec-23G	6,373	4,364	23	21	-	1,965

Source: The Group's audited financial statements for the period ended 31 December 2023G and management accounts for the period ended 30 September 2024G.

6.3.2.8 Prepayments and Other Receivables

Table 6.51: Prepayments and Other Receivables as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Prepaid expenses	8,435	9,516
Letters of guarantee	111	5,589
Advance payments to suppliers	1,421	4,153
Employees' custodies	1,927	2,118
Due from RP (shareholders)	-	860
Insurance accruals	1,079	822
Accrued revenue	265	284
Total	**13,239**	**23,342**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Prepaid Expenses

Prepaid expenses increased from SAR 8.4m as of 31 December 2023G to SAR 9.5m as of 30 September 2024G, mainly due to additional payments made by the Group for residency and permit renewals during the period.

Insurance Accruals

Labor supply and rent building insurance decreased from SAR 1.1m as of 31 December 2023G to SAR 822k as of 30 September 2024G, primarily due to lower insurance costs for employees and building insurance reductions during the period.

Employees' Custodies

Advances to Employee increased from SAR 1.9m as of 31 December 2023G to SAR 2.1m as of 30 September 2024G, reflecting higher advances provided to employees and an increase in employee headcount during the period.

Advance Payments to Suppliers

Advance payments to suppliers increased from SAR 1.4m as of 31 December 2023G to SAR 4.2m as of 30 September 2024G, mainly due to payments made for new club developments, as well as prepayments to suppliers related to the Royal Commission for AlUla project.

Due from Related Parties (Shareholders)

Due from related parties (shareholders) stood at SAR 860k as of 30 September 2024G, related to capitalized IPO expenses. These costs are allocated based on the percentage of shares sold as part of the offering, determined by management's assessment.

Accrued Revenue

Accrued revenue increased slightly from SAR 265k as of 31 December 2023G to SAR 283k as of 30 September 2024G, mainly due to higher rental income from newly opened clubs during the period.

Letters of Guarantee

Letters of guarantee increased from SAR 111k as of 31 December 2023G to SAR 5.6m as of 30 September 2024G, primarily due to guarantees issued for the AlUla project, which was signed in January 2024G.

6.3.2.9 Cash and Cash Equivalents

Table 6.52: Cash and Cash Equivalents as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Cash at banks	8,278	12,517
Cash in hand	363	585
Total	**8,641**	**13,102**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Cash and cash equivalents amounted to SAR 13.1m as of 30 September 2024G, primarily consisting of bank current accounts totaling SAR 12.5m and cash on hand amounting to SAR 585k.

The balance increased from SAR 8.6m as of 31 December 2023G to SAR 13.1m as of 30 September 2024G, primarily driven by a SAR 4.2m increase in bank balances, reflecting higher cash inflows from operating activities during the period.

6.3.2.10 Non-Current Liabilities

Table 6.53: Non-Current Liabilities as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Lease liabilities non-current portion	333,420	341,458
Long term loans non-current portion	60,677	87,137
Employees' benefits	21,826	26,142
Contracts liability non-current portion	700	1,389
Total non-current liabilities	**416,624**	**456,126**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

6.3.2.11 Lease Liabilities

Table 6.54: Lease Liabilities as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Balance at the beginning of the year	301,259	369,450
Additions during the year	94,527	63,181
Remeasurement of lease liability	(10,797)	(35,900)
Financing costs	20,410	18,658
Paid during the year	(35,949)	(34,173)
Total lease labilities	369,450	381,216
Lease liability current portion	36,029	39,758
Lease liability non-current portion	333,420	341,458
Total	**369,450**	**381,216**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Lease liabilities represent the Group's obligations related to right-of-use assets, recognized in accordance with IFRS 16.

The balance increased from SAR 369.5m as of 31 December 2023G to SAR 381.2m as of 30 September 2024G. This increase was primarily driven by additions of SAR 63.2m during the period, reflecting new lease agreements, which was partially offset by lease terminations amounting to SAR 35.9m and lease payments of SAR 34.2m made during the period.

6.3.2.12 Long-Term Loans

Table 6.55: Long-Term Loans as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Balance at the beginning of the year	125,525	102,626
Received during the year	40,000	124,285
Paid during the year	(62,899)	(80,271)
Balance at the end of the year	102,626	146,639
Long term loans non-current portion	60,677	87,137
Long term loans current portion	41,949	59,503
Total	**102,626**	**146,639**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Long-term loans consist of borrowings obtained from, Riyad Bank, Alinma Bank, Social Development Bank and Saudi Awwal Bank (SAB).

Total loan balances increased from SAR 102.6m as of 31 December 2023G to SAR 146.6m as of 30 September 2024G, reflecting a net increase of SAR 44.0m. This was driven by new loans received during the period amounting to SAR 84.3m, primarily for club expansions, partially offset by loan repayments of SAR 18.4m during the same period.

1. **Riyad Bank** - The Group secured credit facilities from Riyad Bank, totaling SAR 19.1m as of 30 September 2024G. These loans are secured by the Group's guarantees, backed by commitments from Abdulqader Al-Muhaidib & Sons Company (12.75%), Diamond Opportunities Sports Company (74.5%), Maali Al-Khaleej Trading Company (12.75%) (one of the shareholders in Elaf Al-Khaleej Investment), in addition to three mortgaged land plots (Al-Nahda, Al-Rawdah, and Al-Khaleej). These facilities were obtained to finance club expansions and capital expenditures.
2. **Alinma Bank** - The Group obtained credit facilities from Alinma Bank, totaling SAR 109.3m as of 30 September 2024G. These loans are secured by individual and collective guarantees from the Group's shareholders, with commitments as follows Diamond Opportunities Sports Company (34.5%), Private Opportunities Investment Company (40%), Elaf Al-Khaleej Commercial Investment Company (25.5%). These facilities were obtained to finance club expansions and support working capital requirements.

3. **Social Development Bank** - The Group secured a loan of SAR 3.8m from the Social Development Bank to finance the purchase of equipment for five new locations.

   As of 30 September 2024G, SAR 5.0m had been utilized from the total available facility of SAR 10.0m. The loan is repayable twice a year, starting from the second year of the term, and is secured by personal guarantees from the Group's shareholders.

4. **Saudi Awwal Bank (SAB)** - The Group secured credit facilities from Saudi Awwal Bank (SAB), totaling SAR 14.5m as of 30 September 2024G, to finance expansions and new projects, particularly in AlUla.

It is important to note that the loan agreements contain specific covenants and financial requirements, including timely repayment of outstanding balances and maintaining certain financial ratios as stipulated in bank covenants. However, the Group has remained in compliance with all covenants and requirements.

6.3.2.13 Employees' Benefits

Table 6.56: Employees' Benefits Liabilities as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Balance at the beginning of the year	23,566	25,352
Current service cost and return cost	3,932	3,132
Interest cost	1,300	1,091
Paid benefits	(5,029)	(5,039)
Remeasurement of actuarial liabilities	1,583	4,219
Balance as of end of the year	25,352	28,756
Non-current portion*	21,826	26,142
Current portion *	3,526	2,614
Total	**25,352**	**28,756**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

* The balance of long-term employee benefits relates to defined benefit obligations for employees, while the balance of short-term employee benefits is recorded under accrued expenses and other current liabilities.

Employees' defined benefit obligations represent the estimated end-of-service benefits payable to employees upon termination, in accordance with local labor regulations and contractual agreements.

The balance increased from SAR 25.4m as of 31 December 2023G to SAR 28.8m as of 30 September 2024G, primarily due to management's estimated valuation of additions and payments during the nine-month period ended 30 September 2024G, as well as an increase in the number of employees.

6.3.2.14 Contract Liabilities

Table 6.57: Contract Liabilities as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Balance at the beginning of the year	69,354	76,329
Added during the year	247,374	230,636
Recognized during the year as subscription revenue	(237,874)	(187,058)
Recognized during the period/year as operating income and sales of sports equipment and projects of the Sports Solutions segment	-	(20,955)
Recognized during the period as other income	(2,525)	(3,155)
Balance at the end of the year	76,329	95,796
Contracts liability current portion	75,628	94,407
Contracts liability non - current portion	700	1,389
Total Balance at the end of the year	**76,329**	**95,796**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Contract liabilities represent deferred revenue from advance cash collections on membership sales. The Group increases this balance throughout the year by collecting upfront payments from subscribers, while revenue is recognized progressively over the subscription period in line with service fulfillment. The unearned portion of revenue remains recorded under contract liabilities at year-end, to be recognized in subsequent periods.

Contract liabilities increased from SAR 76.3m as of 31 December 2023G to SAR 95.8m as of 30 September 2024G. This growth was primarily driven by an increase in new membership subscriptions during the period, reflecting business expansion and the opening of new clubs.

Additionally, the increase was influenced by seasonal factors in the fitness industry. This surge aligns with the post-summer peak season, when membership demand rises significantly. Historically, demand for fitness club subscriptions declines during the summer months, as many individuals postpone joining until the end of the season or wait for promotional offers.

6.3.2.15 Current Liabilities

Table 6.58: Current Liabilities as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Lease liability current portion	36,029	39,758
Long term loans current portion	41,949	59,503
Account payables	29,118	11,224
Accrued expenses and other payables	13,531	26,098
Zakat provision	803	609
Contracts liability current portion	75,628	94,407
Total current liabilities	**197,059**	**231,599**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

6.3.2.16 Account Payables

Table 6.59: Account Payables as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G MA	30-Sep-24G MA
Trade payables – Services	8,565	6,030
Trade payables - Fixed assets	20,554	5,194
Total	**29,118**	**11,224**

Source: The Group's management accounts for the period ended 30 September 2024G and for the period ended 31 December 2023G.

Trade Payables – Services

Trade payables related to services decreased from SAR 8.6m as of 31 December 2023G to SAR 6.0m as of 30 September 2024G. This decline was primarily due to the settlement of outstanding balances with Al-Rajhi Takaful (SAR 2.7m), which covered medical insurance for the Group's employees, and Durrat Al-Fikr Advertising Agency (SAR 2.2m), which provided marketing and promotional services.

Trade Payables – Fixed Assets

Trade payables related to fixed assets decreased from SAR 20.5m as of 31 December 2023G to SAR 5.2m as of 30 September 2024G. This decline was mainly due to the settlement of outstanding balances of SAR 19.6m owed to the General Organization for Social Insurance (GOSI), representing the final payment for the acquisition of land for the Body Masters Premium and Body Motions clubs in Al-Malaz.

6.3.2.17 Accrued Expenses and Other Current Liabilities

Table 6.60: Accruals and Other Current Liabilities as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Employee accruals	10,855	9,505
Accrued expenses	1,672	9,851
Value-Added Tax (VAT) payable	899	6,742
Accrued rent	106	-
Total	**13,531**	**26,098**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Employee Accruals

Employee accruals primarily consist of accrued vacation balances of SAR 2.6m as of 30 September 2024G, accrued salaries of SAR 2.4m, accrued bonuses of SAR 3.2m, and accrued travel allowances of SAR 1.3m.

The total employee payables balance decreased from SAR 10.9m as of 31 December 2023G to SAR 9.5m as of 30 September 2024G, primarily due to a SAR 1.5m decrease in accrued bonuses, reflecting a reduction in bonus accruals during the period.

Accrued Expenses

Accrued expenses increased from SAR 1.7m as of 31 December 2023G to SAR 9.9m as of 30 September 2024G, mainly due to a SAR 1.7m increase in accrued marketing expenses, as well as outstanding balances related to suppliers involved in the AlUla project.

Value-Added Tax (VAT) Payable

VAT payables primarily represent tax obligations that the Group typically settles after the financial closing period. The balance increased from SAR 899k as of 31 December 2023G to SAR 6.7m as of 30 September 2024G, as the Group generally settles VAT balances during the fourth quarter of each year.

Accrued Rent

Accrued rent represents outstanding rental fees owed to landlords. The balance decreased from SAR 106k as of 31 December 2023G to zero as of 30 September 2024G, as all outstanding rent payments were fully settled during the nine-month period ended 30 September 2024G.

6.3.2.18 Zakat Provision

Table 6.61: Zakat Provision as of 31 December 2023G and 30 September 2024G

SAR in 000s	31-Dec-23G Audited	30-Sep-24G Reviewed
Balance at the beginning of the year	693	803
Paid during the year	(699)	(729)
Zakat charge for the year	808	535
Balance at the end of the year	**803**	**609**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

The zakat provision decreased from SAR 803k as of 31 December 2023G to SAR 609k as of 30 September 2024G, primarily due to higher zakat payments made during the period.

As of 31 December 2023G, the Group had submitted its zakat filings for all years up to the financial year ended 31 December 2022G and had received a final assessment from the Zakat, Tax, and Customs Authority (ZATCA) for all years up to 31 December 2018G.

6.3.2.19 Equity

Table 6.62: Equity as of 31 December 2023G and 30 September 2024G

SAR in 000s	Share Capital	Statutory Reserve	Share Issue Reserve	Retained Earnings	Total
Balance as of 31 December 2023G	104,000	15,905	-	23,506	143,410
Profit of the year	-	-	-	23,607	23,607
Other comprehensive income	-	-	-	(4,219)	(4,219)
Total comprehensive income of the year	**-**	**-**	**-**	**19,388**	**19,388**
Transferred to statutory reserve	-	(15,905)	-	15,905	-
Dividends paid	-	-	-	(6,000)	(6,000)
Share issue reserve	-	-	(430)	-	(430)
Balance as of 30 September 2024G	**104,000**	**-**	**(430)**	**52,798**	**156,368**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G and audited financial statements for the period ended 31 December 2023G.

Share Capital

As of 30 September 2024G, the Group's share capital amounted to SAR 104.0m, divided into 104 million shares, each with a nominal value of SAR 1 per share. As of 30 September 2024G, the shareholding structure was as follows: Private Opportunities Investment Company: 40%, Diamond Opportunities Sports Company: 34.5%, Elaf Al-Khaleej Commercial Investment Company: 8.2%, Other investors hold the remaining shares.

Statutory Reserve

The statutory reserve decreased from SAR 15.9m as of 31 December 2023G to zero as of 30 September 2024G, following regulatory changes that allow companies to withdraw the reserve and transfer it back to retained earnings.

Share Issue Reserve

The share issue reserve amounted to SAR 430k as of 30 September 2024G, representing a portion of the IPO-related expenses that were capitalized under equity, based on an internal assessment.

Retained Earnings

Retained earnings increased from SAR 23.5m as of 31 December 2023G to SAR 52.8m as of 30 September 2024G, primarily driven by profit growth during the year amounting to SAR 23.6m.

6.3.3 Consolidated Statement of Cash Flow

Table 6.63: Consolidated Statement of Cash Flow for the Nine-Month Periods Ended 30 September 2023G and 2024G

SAR in 000s	Nine-Month Period Ended 30 September 2023G Reviewed	Nine-Month Period Ended 30 September 2024G Reviewed
Cash flow from operating activities		
Profit before zakat	14,517	24,142
Adjustments:		
Depreciation of property plant and equipment and right of use assets	44,946	48,028
(Profits) / loss from disposal of property and equipment	(140)	(120)
Amortization of intangible	111	535
Provision for employees' benefits	2,354	4,223
Finance cost	14,518	22,964
Impact of re-statements	-	(2,053)
Discounts on rent expenses	(1,034)	(215)
Non-cash adjustments	**75,273**	**97,505**
Changes in working capital:		
Trade receivables	(7,249)	(21,799)
Inventory	(1,941)	(2,989)
Advance payments and other current assets	822	(10,533)
Account payables	1,342	(17,894)
Accrued expenses and other payables	1,114	13,480
Legal provision	(889)	-
Contracts liability, net	24,090	19,467
Zakat paid	(695)	(729)
Employees' benefits paid	(724)	(5,039)
Cash generated from operating activities	**91,142**	**71,470**
Cash flow from investing activities		
Purchase of property and equipment	(34,935)	(59,091)
Purchase of intangible assets	(1,679)	(577)
Proceeds from sale of property and equipment	80	690
Cash generated from investing activities	**(36,534)**	**(58,978)**
Cash flow from financing activities		
Payments of loans	(41,443)	(80,271)
Proceeds from loans	35,848	124,285
Payment of lease liability – net	(23,492)	(33,958)
Payment of finance costs	(3,534)	(12,086)
Dividends paid	(6,000)	(6,000)
Net cash (used in) financing activities	**(38,620)**	**(8,031)**
Net change in cash and cash equivalents	**15,988**	**4,461**
Cash and cash equivalents at the beginning of the year	**17,297**	**8,641**
Cash and cash equivalents at the end of the year	**33,285**	**13,102**

Source: The Group's reviewed condensed consolidated financial statements for the period ended 30 September 2024G.

Net Cash Generated from Operating Activities

Net cash flows from operating activities decreased from SAR 91.1m in the nine-month period ended 30 September 2023G to SAR 71.5m in the nine-month period ended 30 September 2024G. This decline was primarily driven by (1) a reduction in trade payables following the settlement of outstanding balances during the period, (2) an increase in trade receivables, particularly related to the AlUla contract, which remains outstanding, and (3) an increase in accrued expenses and other payables.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to SAR 36.5m in the nine-month period ended 30 September 2023G, increasing to SAR 59.0m in the nine-month period ended 30 September 2024G. This increase was mainly driven by higher cash outflows for additions to property, plant, and equipment during the period, amounting to SAR 24.2m.

Net Cash Used in Financing Activities

Net cash used in financing activities amounted to SAR 38.6m in the nine-month period ended 30 September 2023G, declining to SAR 8.0m in the nine-month period ended 30 September 2024G. This decline was primarily due to a SAR 88.4m increase in loan proceeds, reflecting new loan facilities obtained between the two periods. This was partially offset by a SAR 38.8m increase in loan repayments during the period.

6.4 Comparative Figures for 2021G and 2022G

The Group has made certain adjustments to the comparative financial information for the years ended 31 December 2022G and 31 December 2021G. As part of its normal course of business, the Group acquires land through lease agreements and constructs buildings on these leased properties for club operations.

Since adopting IFRS 16, the Group had been capitalizing the depreciation of right-of-use assets related to leased land into the cost of buildings during the construction period. This approach was previously aligned with generally accepted practices.

In November 2023G, the Saudi Organization for Chartered and Professional Accountants (SOCPA) issued a clarification regarding the capitalization of right-of-use asset depreciation related to leased land. The clarification was issued in response to an inquiry SOCPA received, which resulted in their guidance that depreciation related to right-of-use assets for land leased primarily for building construction should not be capitalized as part of the building cost.

According to SOCPA's clarification, depreciation on right-of-use assets related to land during the building's construction phase does not qualify as a directly attributable cost that is necessary to bring the building to the required site and condition for its intended use. This is because the land and the building are considered separate assets, and capitalizing the right-of-use asset depreciation of the leased land as part of the building cost does not represent the use of future economic benefits embedded in an asset to produce other assets.

However, SOCPA clarified that finance costs related to right-of-use assets for leased land intended for building construction can be capitalized during the necessary period of construction and asset preparation for its designated use.

As a result of this clarification, the Group applied SOCPA's guidance retrospectively and restated its prior financial statements, leading to a reduction in the cost of revenue for the affected years.

Table 6.64: Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2021G

SAR in 000s	2021G (Before Reclassification)	Adjustments/Reclassification	2021G (After Reclassification)
Revenues	204,358	-	204,358
Cost of revenues	(164,692)	3,150	(167,842)
Gross profit	39,667	(3,150)	36,517
Selling and marketing expenses	(5,164)	-	(5,164)
General and administrative expenses	(10,422)	-	(10,422)
Provision for expected credit losses	-	-	-

SAR in 000s	2021G (Before Reclassification)	Adjustments/Reclassification	2021G (After Reclassification)
Operating profit	**24,081**	**(3,150)**	**20,931**
Finance costs	(16,903)	-	(16,903)
Other revenues	4,391	-	4,391
Net profit for the year before zakat	**11,569**	**(3,150)**	**8,419**
Zakat	(453)	-	(453)
Net profit of the year	**11,116**	**(3,150)**	**7,966**
Other comprehensive income: Gains from remeasurement of EOSB	1,915	-	1,915
Total comprehensive income	**13,031**	**(3,150)**	**9,881**

Source: The Group's audited consolidated financial statements for the financial year ended 31 December 2023G.

Table 6.65: Consolidated Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2022G

SAR in 000s	2022G (Before Reclassification)	Adjustments/Reclassification	2022G (After Reclassification)
Revenues	268,043	-	268,043
Cost of revenues	(197,190)	1,579	(198,769)
Gross profit	70,853	(1,579)	69,274
Selling and marketing expenses	(9,183)	-	(9,183)
General and administrative expenses	(15,098)	-	(15,098)
Provision for expected credit losses	-	-	-
Operating profit	**46,571**	**(1,579)**	**44,992**
Finance costs	(25,113)	-	(25,113)
Other revenues	3,498	-	3,498
Net profit for the year before zakat	**24,956**	**(1,579)**	**23,378**
Zakat	(695)	-	(695)
Net profit of the year	**24,262**	**(1,579)**	**22,683**
Other comprehensive income: Gains from remeasurement of EOSB	794	-	794
Total comprehensive income	**25,056**	**(1,579)**	**23,477**

Source: The Group's audited consolidated financial statements for the financial year ended 31 December 2023G.

Table 6.66: Consolidated Statement of Financial Position as of 31 December 2021G

SAR in 000s	2021G (Before Reclassification)	Adjustments/Reclassification	2021G (After Reclassification)
Non-current assets			
Property and equipment	379,516	(6,988)	372,528
Right-of-use assets	255,559	-	255,559
Investment property	2,221	-	2,221
Intangible assets	3,763	-	3,763
Total non-current assets	**641,058**	**(6,988)**	**634,070**
Current assets			
Inventory	5,022	-	5,022
Trade receivables	321	-	321
Advance payments and other receivables	11,060	-	11,060
Cash & cash equivalents	16,512	-	16,512
Total current assets	**32,915**	**-**	**32,915**
Total assets	**673,973**	**(6,988)**	**666,985**
Equity			
Share capital			
Statutory reserve	104,000	-	104,000
Share issuance reserve	11,128	-	11,128
Retained earnings	289	(6,988)	(6,699)
Total Equity	**115,416**	**(6,988)**	**108,428**
Non-current liabilities		-	
Lease liabilities non-current portion	294,448	-	294,448
Long term loans non-current portion	109,010	-	109,010
Employees' benefits	17,726	-	17,726
Contracts liability non-current portion	5,046	-	5,046
Total non-current liabilities	**426,230**	**-**	**426,230**
Current liabilities		-	
Lease liability current portion	14,992	-	14,992
Long term loans current portion	37,280	-	37,280
Account payables	4,746	-	4,746
Accrued expenses and other payables	14,130	-	14,130
Zakat provision	533	-	533
Contracts liability current portion	60,645	-	60,645
Total current liabilities	**132,327**	**-**	**132,327**
Total liabilities	**558,557**	**-**	**558,557**
Total equity and liabilities	**673,973**	**(6,988)**	**666,985**

Source: The Group's audited consolidated financial statements for the financial year ended 31 December 2023G.

Table 6.67: Consolidated Statement of Financial Position as of 31 December 2022G

SAR in 000s	2021G (Before Reclassification)	Adjustments/Reclassification	2021G (After Reclassification)
Non-current assets			
Property and equipment	382,306	(8,567)	373,739
Right-of-use assets	246,041	-	246,041
Investment property	-	-	-
Intangible assets	3,446	-	3,446
Total non-current assets	**631,794**	**(8,567)**	**623,227**
Current assets			
Inventory	6,194	-	6,194
Trade receivables	3,815	-	3,815
Advance payments and other receivables	15,408	-	15,408
Cash & cash equivalents	17,297	-	17,297
Total current assets	**42,714**	**-**	**42,714**
Total assets	**674,508**	**(8,567)**	**665,941**
Equity			
Share capital			
Statutory reserve	104,000	-	104,000
Share issuance reserve	13,554	(158)	13,396
Retained earnings	16,919	(8,409)	8,510
Total Equity	**134,472**	**(8,567)**	**125,905**
Non-current liabilities		**-**	
Lease liabilities non-current portion	285,519	-	285,519
Long term loans non-current portion	81,358	-	81,358
Employees' benefits	17,511	-	17,511
Contracts liability non-current portion	1,430	-	1,430
Total non-current liabilities	**385,819**	**-**	**385,819**
Current liabilities		**-**	
Lease liability current portion	15,739	-	15,739
Long term loans current portion	44,168	-	44,168
Account payables	3,566	-	3,566
Accrued expenses and other payables	22,128	-	22,128
Zakat provision	693	-	693
Contracts liability current portion	67,924	-	67,924
Total current liabilities	**154,217**	**-**	**154,217**
Total liabilities	**540,036**	**-**	**540,036**
Total equity and liabilities	**674,508**	**(8,567)**	**665,941**

Source: The Group's audited consolidated financial statements for the financial year ended 31 December 2023G.

6.5 Capitalization of Equity and Debt

The selling shareholders owned 100% of the Group's shares before the offering. Upon completion of the initial public offering (IPO), they will retain 70% ownership of the Group's shares.

The following table presents the Group's capitalization, as reported in the audited consolidated financial statements for the years ended 31 December 2021G, 31 December 2022G, and 31 December 2023G, as well as the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G.

This information should be read in conjunction with the relevant financial statements, including the accompanying notes, as presented in Section 18 ("*Financial Statements and Auditor's Report*").

Table 6.68: Capitalization of Equity and Debt

SAR in 000s	As of 31-Dec-21G Audited	As of 31-Dec-22G Audited	As of 31-Dec-23G Audited	As of 30-Sep-24G Reviewed
Non-current lease liabilities	294,448	285,519	333,420	341,458
Current lease liabilities	14,992	15,739	36,029	39,758
Total equity	**108,428**	**125,905**	**143,410**	**156,368**
Capital	104,000	104,000	104,000	104,000
Statutory reserve	11,128	13,396	15,905	-
Retained earnings	(6,699)	8,510	23,506	52,368

Source: The Group's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G and the reviewed condensed consolidated financial statements for the period ended 30 September 2024G

The Board of Directors confirms the following:

a. The Group and its subsidiary do not have any debt instruments as of the date of this Prospectus.

b. None of the Group's shares or the shares of its subsidiary are subject to any option rights.

c. The Group's cash balance and cash flows are sufficient to meet its expected working capital and capital expenditure requirements for at least 12 months following the date of this Prospectus, if there are no material adverse changes in the business of the Group and its subsidiary.

7. Dividend Distribution Policy

Pursuant to Article 107 of the Companies Law, all rights and obligations attached to the Shares are equally established for each Shareholder, including in particular the right to receive a portion of the dividends to be distributed. The distribution of any dividends will be recommended by the Board before approval thereof 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, inter alia, the Company's historic and anticipated earnings and cash flows, financing and capital requirements, market and general economic conditions and Zakat position, among other legal and regulatory considerations. The distribution of dividends are subject to the restrictions stipulated in the financing agreements entered into with financing entities (for further information, please refer to Section 11.7 (*Financing and Credit Facility Agreements*)). Dividend distributions are also subject to the restrictions outlined in the Bylaws. Dividends shall be distributed in Saudi Riyals.

The distribution of dividends are governed by the provisions of the Company's Bylaws. Article 41 of the Company's Bylaws stipulates the following:

a. When determining the portion of the Shares in the net profits, the Ordinary General Assembly may decide to form reserves to the extent that serves the interest of the Company or ensures the distribution of fixed dividends as much as possible to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to achieve social purposes for the Company's employees.

b. The General Assembly shall determine the percentage of net profits to be distributed to Shareholders after the deduction of reserves, if any.

c. The Board of Directors may declare and distribute interim dividends to Shareholders, subject to the relevant laws and regulations.

The following sets out a summary of the dividends declared and distributed by the Company for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G:

Table 7.1: Dividends Declared and Distributed for the Financial Years Ended 31 December 2021G, 2022G and 2023G and the Nine-Month Period Ended 30 September 2024G

SAR	31 December 2021G	31 December 2022G(1)	31 December 2023G(2)	30 September 2024G(3)
Dividends declared during the period	-	6,000,000	6,000,000	6,000,000
Dividends distributed during the period	-	6,000,000	6,000,000	6,000,000
Total comprehensive income for the year	**9,881,441**	**23,477,288**	**23,505,036**	**19,387,648**
Dividends declared as a percentage of total comprehensive income for the year	0%	25.6%	25.5%	30.9%

Source: The Company.

(1) On 18/02/1444H (corresponding to 14/09/2022G), the Partners approved the distribution of these dividends from the retained earnings balance as of 31/08/2022G.

(2) The General Assembly approved the distribution of dividends for the financial year ended 31 December 2022G at its meeting held on 04/08/1444H (corresponding to 26/02/2023G).

(3) The General Assembly approved the distribution of dividends for the financial year ended 31 December 2023G at its meeting held on 18/02/1446H (corresponding to 22/08/2024G).

Holders of Offer Shares are not entitled to any dividend distributions declared prior to the date of this Prospectus. The first entitlement of the Offer Shares to dividends declared by the Company shall be from the date of this Prospectus and for subsequent financial years.

8. Use of Offering Proceeds

The total proceeds of the Offering are estimated at SAR 257,400,000, of which approximately SAR 25,000,000 will be used to settle all expenses related to the Offering, including the fees of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisor, Financial Due Diligence Advisor, Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner, and Underwriter, Receiving Agents and the Market Consultant, as well as marketing, printing, distribution and regulatory fees and other expenses related to the Offering.

8.1 Use of the Net Offering Proceeds

The Net Offering Proceeds, which are estimated at approximately SAR 232,400,000, will be distributed as follows: (1) SAR 161,975,758 shall be distributed to the Selling Shareholders on a pro-rata basis according to their respective ownership percentages of the Sale Shares; and (2) SAR 70,424,242 will be distributed to the Company. The Company intends to use its share of the Net Offering Proceeds to finance the following activities:

- Establishing and equipping new fitness clubs.
- Purchasing high-efficiency fitness equipment.
- Developing certain existing fitness clubs.
- Repayment of outstanding debt.

The following table summarizes the expected use of the Company's share of the Net Offering Proceeds:

Table 8.1: Expected Use of the Company's Share of the Net Offering Proceeds

Item	Expected Use of the Company's Share of the Net Offering Proceeds (%)(1)(2)	Expected Timeframe for Use of Offering Proceeds	Summary Timeline for Use of the Net Offering Proceeds
Establishing and equipping new fitness clubs	60%	12-18 months	Q3 2025G – Q4 2026G
Purchasing high-efficiency fitness equipment	20%	12-18 months	Q3 2025G – Q4 2026G
Developing certain existing fitness clubs	16%	6-12 months	Q3 2025G – Q3 2026G
Repayment of outstanding debt	4%	3-6 months	Q3 2025G – Q4 2025G

Source: The Company.

(1) For further information regarding potential changes to the expected use of the Company's share of the Net Offering Proceeds mentioned above, please refer to "*Timeline for the Expected Use of the Net Offering Proceeds and Possible Changes Thereto*" Section of this Prospectus.

(2) If there is a surplus in the Net Offering Proceeds, the Company will use the surplus to accelerate the launch of new projects and expand its network of fitness clubs. If there is a shortfall in the Net Offering Proceeds, the Company intends to use the Company's financial resources and loans to cover the shortfall.

8.1.1 Establishing and Equipping New Fitness Clubs

The Company's growth strategy is dependent on several pillars, including sustained achievement of desired growth, expansion within the Kingdom and abroad and broadening its customer base. To achieve its growth strategy, the Company aims to establish and equip new fitness clubs under the Body Masters and Body Motions brands. Majority of the Company's share of the Net Offering Proceeds shall be allocated towards this objective, given the substantial costs associated with construction, interior fit-out, procurement of strategic locations, and the ongoing operational expenses of the new fitness clubs, all of which are necessary for the provision of comprehensive fitness services.

Table 8.2: Timeline for Future Projects

Project	Estimated Cost of the Project to be Financed by the Offering (SAR)	Percentage of the Offering Proceeds Allocated to Specific Project Costs(1)	Expected Time for the Commencement of Spending on Projects from the Offering Proceeds(2)	Expected Time for Project Completion
Body Masters, Obhor, Jeddah	8,450,909	20%	Q3 2025G	Q4 2025G
Body Motions, Obhor, Jeddah	7,183,273	17%	Q3 2025G	Q4 2025G
Body Masters, Buraidah	10,141,091	24%	Q3 2025G	Q1 2026G
Body Motions, Buraidah	7,605,818	18%	Q3 2025G	Q1 2026G
Body Masters, Al Manar, Riyadh	8,873,455	21%	Q3 2025G	Q4 2025G

Source: The Company.

(1) The above table sets out the specific projects that the Offering Proceeds will be used to complete. The Company has several projects for its expansion plans. For further details regarding the new fitness clubs to be opened, please refer to Section 4.13.1 (*Opening New Fitness Clubs*).

(2) The Company will commence work on these projects during Q2 of 2025G and the Company's resources and loans allocated for expansion will be used.

8.1.2 Purchasing High-efficiency Fitness Equipment

The Company seeks to procure high-efficiency fitness equipment from both domestic and international suppliers to outfit the fitness clubs it intends to establish, thereby fulfilling its corporate objectives and strategic goals. The Company intends to equip its clubs with the latest technology and fitness equipment to ensure the best possible customer experience. Accordingly, the Company will collaborate with the best domestic and international suppliers to ensure the quality and efficiency of such equipment. Given the high costs associated with such equipment, the Company plans to allocate a significant portion of its share of the Net Offering Proceeds towards the purchase of such equipment for its fitness clubs.

8.1.3 Developing Certain Existing Fitness Clubs

The achievement of the Company's objectives and strategic goals will not preclude the ongoing development of existing fitness clubs through the modernization and renovation of establishments and facilities to enhance service quality and meet the growing needs of customers. The development process will include the renovation of infrastructure and improvements to the interior design of clubs in order to provide a comfortable and modern environment for customers, which in turn will benefit the Company due to the positive impact of such improvements on membership growth and member retention.

8.1.4 Repayment of Outstanding Debt

A portion of the Company's share of the Offering Proceeds will be used to repay outstanding debts. For further details on the Company's outstanding debts, financing agreements, and credit facilities, please refer to Section 11.7 (*Financing and Credit Facility Agreements*).

8.2 Timeline for the Expected Use of the Net Offering Proceeds and Possible Changes Thereto

The Company intends to employ and use its entire share of the Net Offering Proceeds for the purpose of covering some or all of the above uses within 18 months of the date of this Prospectus. The plans for the expected use of the Company's share of the Net Offering Proceeds reflect the Company's business plan and market conditions as of the date of this Prospectus. Accordingly, the expected use of the Company's share of the Net Offering Proceeds is subject to change according to any economic, social or political developments, in addition to any potential changes in the Company's business plan. Any deviation from the proposed use will require the prior approval of the Shareholders in a General Assembly meeting.

9. Expert Statements

All of the Advisors and the Auditor, whose names are listed on pages (vii) and (viii), have given and, as of the date of this Prospectus, have not withdrawn their written consent to the publication of the names, addresses, logos, statements and reports attributed to each of them in this Prospectus, and do not, themselves, their employees forming part of the engagement team serving the Company, or any of their relatives have any shareholding or interest of any kind in the Company or its Subsidiary as of the date of this Prospectus which would impair their independence.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10. Declarations

The Directors declare that:

a. neither they, nor any of the Senior Executives or the Board Secretary have been declared bankrupt at any time or been subject to bankruptcy proceedings;

b. none of the companies in which any of the Directors, Senior Executives or the Board Secretary was employed in a managerial or supervisory capacity has been declared bankrupt or insolvent during the previous five years;

c. the Company undertakes to submit the latest interim financial statements to the CMA, to be included in the preliminary Prospectus prior to the commencement of the Offering of the Company's shares or within the final Prospectus prior to the listing of the Company's shares (as applicable), in accordance with the periods stipulated in Article 66 of the Rules on the Offer of Securities and Continuing Obligations (Disclosure of Financial Information), and in accordance with the related continuing obligations of listed companies;

d. except as disclosed in Section 5.9 (*Conflicts of Interest*), neither the Directors, nor do any of Senior Executives, Board Secretary or their relatives or affiliates have any interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company and the Subsidiary as of the date of this Prospectus;

e. except as disclosed in Section 5.3 (*Board of Directors*) and Section 5.9 (*Conflicts of Interest*), neither the Directors nor any of Senior Executives, Board Secretary or their relatives have any shareholding or interest of any kind in the Company or its Subsidiary, nor do they have any interest in any debt instruments of the Company or the Subsidiary, and the Company and its Subsidiary are prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

f. no commissions, discounts, brokerage fees or other non-cash compensation have been granted by the Company or its Subsidiary within the three years immediately preceding the application for the registration and offering of securities subject to this Prospectus in connection with the issuance or sale of any securities;

g. there has been no interruption in the business of the Company or its Subsidiary that may significantly affect or has affected their financial position during the previous 12 months;

h. there is no intention to make any material changes to the nature of the Company's business or that of its Subsidiary;

i. the Directors and the CEO will refrain from voting on resolutions that relate to any transaction or contracts in which they have a direct or indirect interest;

j. there has been no material adverse change in the financial or trading position of the Company or its Subsidiary during the three financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G immediately preceding the date of filing the application for the registration and offering of securities that subject to this Prospectus, in addition to the period covered by the Auditor's report up to the date of approval of this Prospectus;

k. as of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the share capital of the Company;

l. the Company does not own any securities (contractual or otherwise) or any assets whose value is subject to fluctuation which would adversely and materially affect the assessment of its financial position;

m. except as disclosed in Section 2 (*Risk Factors*), 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 (directly or indirectly) have a material effect on its operations;

n. except as disclosed in Section 2 (*Risk Factors*), the Company is not aware of any seasonal factors or economic cycles related to its business that would affect its operations or financial position;

o. the statistical information used in Section 3 (*Market and Industry Information*) which has been obtained from third-party sources represents the latest information available from each respective source;

p. the information and data contained in this Prospectus that has been obtained from third parties, including information derived from the Market Study Report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is materially inaccurate;

q. except as disclosed in Section 2.1.39 (*Risks Related to Inadequate Insurance Coverage*), the Company's insurance policies provide sufficient insurance coverage for the Company to carry out its activities, and the Company renews its insurance policies regularly to ensure continued insurance coverage;

r. all contracts and agreements which the Company considers to be material or important or which may impact the decisions of Investors to invest in the Offer Shares have been disclosed in Section 11.6 (*Material Agreements*), and there are no other material agreements or contracts that have not been disclosed;

s. all terms and conditions that may affect the decisions of the Investors to invest in Offer Shares have been disclosed;

t. except as disclosed in Section 5.9 (*Conflicts of Interest*) there are no material contracts or transactions with Related Parties that have any material impact on the activities of the Company or its Subsidiary, and the Company has no intention to enter into any new agreements with Related Parties;

u. the expenses and costs related to the Offering will be apportioned to the Selling Shareholders and the Company on a pro rata basis according to the number of Offer Shares being sold by each of them, and such costs will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisor, Financial Due Diligence Advisor, Market Consultant, Receiving Agents and the Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriter, as well as marketing, printing and distribution costs and other expenses related to the Offering;

v. as of the date of this Prospectus, there is no dispute with or objection from ZATCA, and the Selling Shareholders, each according to their respective shareholding, shall bear any additional claims that may be filed by ZATCA against the Company or its Subsidiary for the preceding years until the date of listing, and the relevant undertakings of the Selling Shareholders have been obtained;

w. they have developed procedures, controls and systems that enable the Company to meet all the requirements of the relevant laws, regulations and directives, including the Companies Law, the Capital Market Law and its Implementing Regulations (together with the Rules on the Offer of Securities and Continuing Obligations) and the Listing Rules;

x. all of the Company's employees are under its sponsorship, except for those who engaged through the Ajeer program in accordance with the relevant directives and regulatory restrictions;

y. as of the date of this Prospectus, the Shareholders whose names appear in Section 4.4 (*Ownership Structure of the Company Pre- and Post-Offering*) are the legal and beneficial owners, whether directly or indirectly, of the Company's shares;

z. all increases in the share capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

aa. 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 the decisions of prospective investors to invest in the Offer Shares as of the date of this Prospectus;

ab. except as disclosed in Section 2.1.10 (*Risks Related to Obtaining and Renewing Licenses and Permits Required to Conduct Business*) and Section 11.5 (*Key Licenses, Approvals and Permits Obtained by the Company and its Subsidiary*), the Company has obtained all of the necessary licenses and permits to carry out its business activities;

ac. except as disclosed in Section 11.13 (*Litigation, Claims and Legal Proceedings*), the Company and its Subsidiary are not subject to any lawsuits, claims, legal procedures or investigative proceedings that may individually or collectively have a material effect on the business of the Company or its Subsidiary or their financial position;

ad. except as disclosed in Section 11.7 (*Financing and Credit Facility Agreements*), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding loans or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

ae. the Company, individually or together with its Subsidiary, has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

af. none of the shares of the Company or its Subsidiary are subject to any option rights;

ag. the financial information contained in this Prospectus, the audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G, along with the notes thereto, have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA;

ah. the financial information appearing in this Prospectus has been derived from the Company's audited financial statements without any material amendments thereto; the financial information presented in Section 6 (*Management's Discussion and Analysis of Financial Position and Results of Operations*) has been derived from the Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G and 2023G and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G without any material changes thereto; and the financial information is presented in a manner consistent with the annual audited financial statements of the Company;

ai. the Company is capable of preparing the required reports in a timely manner in accordance with the Implementing Regulations issued by the CMA;

aj. all necessary approvals have been obtained from the lenders to offer 30% of the Company's Shares for public subscription in order for the Company to be a public joint-stock company;

ak. all necessary approvals have been obtained for the Shares to be offered on the Exchange and for the Company to be a public joint-stock company;

al. except as disclosed in Section 11.7 (*Financing and Credit Facility Agreements*), there has been no breach of the contractual terms and conditions under the agreements with the providers of all loans, facilities and financing, and the Company is compliant with all such terms and conditions;

am. except as disclosed in Section 11.7 (*Financing and Credit Facility Agreements*), the Company is compliant with all the terms and conditions under the agreements with lenders granting all loans, facilities and financing;

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

ao. the Offering does not violate the relevant laws and regulations of the Kingdom;

ap. the Offering does not violate any of the contracts or agreements to which the Company is a party;

aq. all material legal information relating to the Company and its Subsidiary has been disclosed in this Prospectus;

ar. all material terms and conditions that could affect the decisions of Subscribers to the Company's Shares have been disclosed;

as. as of the date of this Prospectus, the Company does not have a policy on research and development and the Company does not produce any products;

at. the Directors of the Company and the Subsidiary are not to be subject to any legal proceedings or actions that may individually or collectively have a material effect on the business of the Company or its Subsidiary or their financial position;

au. except as disclosed in Section 11.7 (*Financing and Credit Facility Agreements*) and Section 11.9 (*Real Estate Owned by the Company*), there are no mortgages, rights or encumbrances on the Company's property as of the date of this Prospectus;

In addition to the above-mentioned declarations, the Directors further declare that:

a. this Prospectus contains all the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and there are no other facts that may affect the application for the registration and offering of securities which have not been included in this Prospectus;

b. the information and data contained in this Prospectus which has been obtained from third parties, including information obtained from the Market Study Report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is materially inaccurate;

c. they have submitted and will submit to the CMA all the documents required under Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations;

d. the Company has prepared its internal control policies based on sound principles whereby the Company has implemented a written policy regulating and resolving potential conflicts of interest issues, including misuse of the Company's assets and misfeasance resulting from transactions with Related Parties; the Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the CGRs; and the Directors review the Company's internal controls on an annual basis;

e. the Company's internal control, accounting and information technology systems are sufficient and adequate;

f. except as disclosed in Section 5.9 (*Conflicts of Interest*), there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;

g. none of the Directors engaged in any activities similar to or competitive with the activities of the Company or its Subsidiary, and the Directors undertake to fulfill this regulatory requirement in the future as per Article 27 of the Companies Law and Chapter 6 of Part 3 of the CGRs;

h. a Director may not have a direct or indirect interest in the transactions and contracts entered into by the Company unless otherwise approved by the General Assembly or the Board if so authorized by the General Assembly, in accordance with the applicable laws and regulations;

i. the Directors shall notify the Board of any direct or indirect interest they have in the transactions and contracts entered into by the Company, and such notification will be recorded in the minutes of the Board meeting;

j. all transactions with Related Parties shall be entered into on an arm's-length basis and all business and contracts with Related Parties shall be subject to a vote at Board meetings and, if required by the Companies Law, the General Assembly of the Company. Furthermore, Directors may not vote on any resolution related to transactions or contracts with the Company in which they have a direct or indirect interest, whether at the level of 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 CGRs;

k. neither the Directors nor the CEO have the right to vote on resolutions relating to their fees and remuneration;

l. neither the Directors nor the CEO are permitted to vote on any contract or proposal in which they have an interest; and

m. neither the Directors nor any Senior Executive may obtain a loan from the Company or the Subsidiary, and the Company may not guarantee any loan entered into by a Director.

The Directors undertake to:

a. record all Board resolutions by means of written meeting minutes, which shall be signed by the Directors;

b. disclose the details of any Related Party transactions in accordance with the Companies Law and the CGRs;

c. comply with the provisions of Articles 27, 71 and 72 of the Companies Law and Chapter 6 of Part 3 of the CGRs; and

d. amend the Company's Bylaws at the first Extraordinary General Assembly meeting after listing, in accordance with the CGRs issued by the CMA and other applicable laws and regulations.

11. Legal Information

11.1 Legal Declarations

The Directors declare the following:

1. the issuance is in compliance with all applicable laws and regulations in the Kingdom;
2. the issuance does not violate any of the contracts or agreements to which the Issuer is a party;
3. all material legal information relating to the Issuer has been disclosed in this Prospectus;
4. except as disclosed in Section 11.13 (*Litigation, Claims and Legal Proceedings*), the Company and its Subsidiary are not to be subject to any legal proceedings or actions that may individually or collectively have a material effect on the business of the Company or its Subsidiary or their financial position;
5. the Directors of the Company are not subject to any lawsuits or legal proceedings that may individually or collectively have a material effect on the business of the Company or its Subsidiary or their financial position; and
6. the Directors and the Executive Management members have not collectively or individually engaged in any activity similar to or competitive with that of the Company.

11.2 The Company

Sport Clubs Company is a Saudi closed joint-stock company converted pursuant to Ministerial Resolution No. 1260, dated 02/03/1444H (corresponding to 28/09/2022G), and registered under Commercial Registration No. 1010167892, dated 26/04/1422H (corresponding to 17/07/2001G), issued in Riyadh in the Kingdom of Saudi Arabia. The Company's headquarters and registered office are located on Imam Saud bin Faisal Road, Al Sahafah District, P.O. Box 79, Riyadh 13321, Kingdom of Saudi Arabia. As of the date of this Prospectus, the Company's share capital is SAR 104,000,000, divided into 104,000,000 ordinary shares with a fully paid nominal value of one Saudi Riyal (SAR 1) per share. Following the Offering, the Company's share capital will be SAR 114,400,000, divided into 114,400,000 ordinary shares with a nominal value of one Saudi Riyal (SAR 1) per share. According to its Commercial Register, the main activities of the Company include:

- Buying, selling and division of land and real estate and off-plan sales activities.
- Managing and leasing owned or leased residential properties.
- Managing and leasing owned or leased non-residential properties.
- Managing and leasing self-storage warehouses.
- General construction of non-residential buildings (such as schools, hospitals, hotels, etc.).
- Renovating residential and non-residential buildings.
- Constructing public sports facilities, including stadiums.
- Finishing buildings.
- Constructing swimming pools.
- Sports academies.
- Swimming classes.
- Martial arts classes.
- Yoga classes.
- Rental of office furniture, storage cabinets and lounge chairs.
- Building maintenance activities.
- Management of operation and maintenance for buildings and related facilities.
- Fitness clubs.
- Men's gyms and fitness centers.

- Women’s gyms and fitness centers.
- Recreation centers.
- Organizing entertainment events.
- Operating entertainment event facilities.
- Operating storage facilities for all types of goods except food.
- General warehousing for a variety of goods.
- Repair of bicycles.
- Repair of sports devices.
- Provision of linen, worker uniforms, and other related items provided by laundromats.
- Women’s salons.
- Men’s salons.
- Relaxation and wellness centers.
- Foot and ankle care centers.
- Occupational therapy centers.
- Physiotherapy centers.
- Wholesale and retail sale of new vehicles (including ambulances, minibuses and four-wheel drive vehicles).
- Wholesale and retail sale of used vehicles (including ambulances, minibuses, and four-wheel drive vehicles).
- Food and beverage sales agencies.
- Textile and apparel sales agencies.
- Sale of fixed and movable assets.
- Wholesale of sportswear.
- Wholesale of sports shoes.
- Wholesale of medical devices, equipment and supplies.
- Wholesale of laboratory and diagnostic medical devices.
- Wholesale of bicycles and spare parts and accessories thereof.
- Wholesale of sporting goods and equipment.
- Wholesale of automated products (automation robots).
- Retail sales of sports and hunting equipment, bicycles, etc.
- Retail sale of sportswear.
- Retail sales through self-service vending machines, including coffee, juice and other vending machines.

11.3 Shareholding Structure

The following table sets out the Company's shareholding structure pre- and post-Offering:

Table 11.1: Ownership Structure of the Company Pre-and Post-Offering

	Shareholder	Pre-Offering			Post-Offering		
		No. of Shares	Shareholding (%)(1)	Total Nominal Value (SAR)	No. of Shares	Shareholding (%)(1)	Total Nominal Value (SAR)
1	Special Opportunities Investment Company	41,600,000	40.0000%	41,600,000	32,032,000	28.0000%	32,032,000
2	Diamond Opportunities Sports Company	35,879,000	34.4990%	35,879,000	27,626,830	24.1493%	27,626,830
3	Elaf AlKhaleej Commercial Investment Company	5,691,018	5.4721%	5,691,018	4,382,084	3.8305%	4,382,084
4	Abdulkadir Al Muhaidib & Sons Company	4,742,510	4.5601%	4,742,510	3,651,733	3.1921%	3,651,733
5	Al Fozan Holding Co.	4,742,510	4.5601%	4,742,510	3,651,733(2)	3.1921%	3,651,733
6	Ammar Abdulwahed Faleh Al-Khudairy	4,425,764	4.2555%	4,425,764	3,407,838	2.9789%	3,407,838
7	Omran Muhammad Abdulrahman Al-Omran	1,822,526	1.7524%	1,822,526	1,403,345(2)	1.2267%	1,403,345
8	Prince Sultan Mohammed Saud Al Kabeer Al Saud	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
9	Abdullatif Alissa Group Holding Co.	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
10	Abdulaziz Alsaghyir Commercial Investment Co.	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
11	Abdullah Saad Abdulrahman Al-Rashid	1,215,017	1.1683%	1,215,017	935,563(2)	0.8178%	935,563
12	Fahad Abdullah Abdullatif Almubarak	235,604	0.2265%	235,604	181,415(2)	0.1586%	181,415
13	Silver Opportunities Investment Company	1,000	0.0010%	1,000	770	0.0007%	770
14	Public(3)	-	-	-	34,320,000	30.00%	34,320,000
Total		**104,000,000**	**100%**	**104,000,000**	**114,400,000**	**100%**	**114,400,000**

Source: The Company.

(3) The ownership percentages have been rounded.

(4) These shares are considered public shares under the CMA regulations.

(5) The "public" row reflects the number and percentage of shares to be offered to the public under the Offering, namely 34,320,000 shares, representing 30% of the Company's share capital. This does not include the shares which will be owned by certain Current Shareholders after the Offering who meet the definition of "public" under the CMA regulations. These shareholders include Al Fozan Holding Co., Omran Muhammad Abdulrahman Al-Omran, Prince Sultan Mohammed Saud Al Kabeer Al Saud, Abdullatif Alissa Group Holding Co., Abdulaziz Alsaghyir Commercial Investment Co., Abdullah Saad Abdulrahman Al-Rashid and Fahad Abdullah Abdullatif Almubarak. Thus, the total number of shares owned by the public after the Offering will be 41,966,980 shares, representing 36.6842% of the Company's share capital.

11.4 Subsidiaries and Branches

11.4.1 Subsidiaries

As of the date of this Prospectus, the Company has one Subsidiary. The following table sets out the details of the Subsidiary:

Table 11.2: Details of the Company's Subsidiary

#	Name of Subsidiary	Country of Incorporation	Commercial Registration No.	Date of Registration in the Commercial Register	Legal Form	Share Capital (SAR)	Ownership Percentage of the Company
1	Third Sports Amaken Company.	Kingdom of Saudi Arabia	1010334139	10/05/1433H (corresponding to 02/04/2012G)	Limited liability company	100,000	100%

Source: The Company.

11.4.2 Company Branches

As of the date of this Prospectus, the Company has 12 branches through which it carries out its various activities within the Kingdom. The following table sets out the details of the Company's branches:

Table 11.3: Details of Company Branches

No.	Commercial Registration No.	Date of Registration	Expiration Date	Location	Branch Activity as per Commercial Register
1	2050069185	15/03/1431H (corresponding to 01/03/2010G)	14/03/1447H (corresponding to 06/09/2025G)	Dammam	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
2	1131028467	27/03/1430H (corresponding to 24/03/2009G)	18/09/1447H (corresponding to 07/03/2026G)	Buraidah	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
3	4650209419	02/08/1440H (corresponding to 07/04/2019G)	24/08/1447H (corresponding to 12/02/2026G)	Medina	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
4	4030295107	05/09/1438H (corresponding to 31/05/2017G)	26/09/1447H (corresponding to 15/03/2026G)	Jeddah	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
5	1010460120	09/01/1440H (corresponding to 19/09/2018G)	09/01/1447H (corresponding to 04/07/2025G)	Riyadh	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – General warehousing for a variety of goods. – Fitness clubs.
6	2250064353	18/03/1437H (corresponding to 29/12/2015G)	18/03/1447H (corresponding to 10/09/2025G)	Al-Ahsa	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
7	3550122370	04/06/1439H (corresponding to 20/02/2018G)	14/06/1447H (corresponding to 05/12/2025G)	Tabuk	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.

No.	Commercial Registration No.	Date of Registration	Expiration Date	Location	Branch Activity as per Commercial Register
8	3350147174	18/05/1441H (corresponding to 13/01/2020G)	29/05/1447H (corresponding to 20/11/2025G)	Hail	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
9	2511108063	04/06/1439H (corresponding to 20/02/2018G)	14/06/1447H (corresponding to 07/12/2025G)	Hafar Al-Batin	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
10	5855346579	21/05/1441H (corresponding to 16/01/2020G)	02/06/1447H (corresponding to 23/11/2025G)	Khamis Mushait	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.
11	4031235157	18/05/1441H (corresponding to 13/01/2020G)	29/05/1447H (corresponding to 16/11/2025G)	Mecca	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores.
12	5950032854	15/03/1438H (corresponding to 14/12/2016G)	15/03/1447H (corresponding to 07/09/2025G)	Najran	– Men's gyms and fitness centers. – Women's gyms and fitness centers. – Retail sales of sports and hunting equipment, bicycles, etc. – Retail sale of boats, bicycles, etc. – Retail sale of games and toys in specialized stores. – Retail sales through self-service vending machines, including coffee, juice and other vending machines.

Source: The Company.

11.5 Key Licenses, Approvals and Permits Obtained by the Company and its Subsidiary

The following sets out a summary of the key licenses, approvals and permits obtained by the Company and its Subsidiary, as well as a description of suspended or expired licenses and permits:

Table 11.4: Key Regulatory Licenses, Approvals and Permits Obtained by the Company and its Subsidiary

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Company				
Riyadh Chamber of Commerce and Industry	Chamber of Commerce Registration Certificate	112575	26/04/1422H (corresponding to 17/07/2001G)	25/04/1447H (corresponding to 17/10/2025G)
Ministry of Human Resources and Social Development	Saudization Certificate	15206670-944735	06/07/1446H (corresponding to 06/01/2025G)	11/02/1447H (corresponding to 05/08/2025G)
Ministry of Human Resources and Social Development	Wage Protection Commitment Certificate	14849120-168227	09/11/1446H (corresponding to 07/05/2025G)	11/12/1446H (corresponding to 07/06/2025G)
ZATCA	VAT Registration Certificate	3000490644	21/12/1441H (corresponding to 11/08/2020G)	N/A
ZATCA	Tax Return Certificate	1116301499	08/11/1446H (corresponding to 06/05/2025G)	13/11/1447H (corresponding to 30/04/2026G)
Saudi Post “SPL”	National Address	1065362463	20/11/1446H (corresponding to 06/05/2025G)	25/04/1447H (corresponding to 17/10/2025G)
GOSI	Certificate of Settlement of Social Insurance Liabilities	95652853	09/11/1446H (corresponding to 07/05/2025G)	09/12/1446H (corresponding to 05/06/2025G)
GOSI	Certificate of Settlement of Social Insurance Liabilities (for the Company’s branch under Commercial Registration No. 2250064353)	95652863	09/12/1446H (corresponding to 05/06/2025G)	09/12/1446H (corresponding to 05/06/2025G)
Subsidiary				
Riyadh Chamber of Commerce and Industry	Chamber of Commerce Registration Certificate	276061	11/05/1433H (corresponding to 03/04/2012G)	10/05/1449H (corresponding to 10/10/2027G)
Ministry of Human Resources and Social Development	Saudization Certificate	803526-19841018	20/11/1446H (corresponding to 18/05/2025G)	22/02/1447H (corresponding to 16/08/2025G)
Ministry of Human Resources and Social Development	Wage Protection Commitment Certificate	85006762-585066	09/11/1446H (corresponding to 07/05/2025G)	11/12/1446H (corresponding to 07/06/2025G)
ZATCA	VAT Registration Certificate	3012020893	21/12/1441H (corresponding to 11/08/2020G)	N/A
ZATCA	Tax Return Certificate	1026247661	30/10/1446H (corresponding to 28/04/2025G)	13/11/1447H (corresponding to 30/04/2026G)
Saudi Post “SPL”	National Address	1058145287	18/05/1446H (corresponding to 20/11/2024G)	21/11/1446H (corresponding to 19/05/2025G)
GOSI	Certificate of Settlement of Social Insurance Liabilities	95654889	09/11/1446H (corresponding to 07/05/2025G)	09/12/1446H (corresponding to 05/06/2025G)

Table 11.5: Key Operating Licenses, Approvals and Permits Obtained by the Company and its Subsidiary

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Headquarters - Riyadh – Al Sahafah				
General Directorate of Civil Defense	Civil Defense License	45-000924683-3	01/09/1445H (corresponding to 11/03/2024G)	01/09/1446H (corresponding to 01/03/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	43099705367	18/10/1443H (corresponding to 17/05/2022G)	18/10/1446H (corresponding to 16/04/2025G)
Body Masters - Khamis Mushait - Al Dhurfah				
General Directorate of Civil Defense	Civil Defense License	46-000601573-4	09/08/1446H (corresponding to 08/02/2025G)	09/08/1451H (corresponding to 15/12/2029G)
Ministry of Sports	Fitness Center and Gym License	02872	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	3909155277	11/03/1434H (corresponding to 23/01/2013G)	11/03/1447H (corresponding to 03/09/2025G)
Body Masters - Najran - Al Athaybah				
General Directorate of Civil Defense	Civil Defense License	46-001355208-2	01/11/1446H (corresponding to 29/04/2025G)	01/04/1447H (corresponding to 23/09/2025G)
Ministry of Sports	Fitness Center and Gym License	04829	16/08/1446H (corresponding to 15/02/2025G)	27/08/1447H (corresponding to 15/02/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	39042312	01/04/1439H (corresponding to 19/12/2017G)	01/04/1447H (corresponding to 23/09/2025G)
Body Masters - Riyadh - Ishbiliya				
General Directorate of Civil Defense	Civil Defense License	45-000909666-3	01/02/1446H (corresponding to 05/08/2024G)	01/02/1451H (corresponding to 13/06/2029G)
Ministry of Sports	Fitness Center and Gym License	05067	23/09/1446H (corresponding to 23/03/2025G)	04/10/1447H (corresponding to 23/03/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40092182546	12/05/1438H (corresponding to 09/02/2017G)	12/05/1447H (corresponding to 03/11/2025G)
Body Masters - Riyadh - Al-Izdihar				
General Directorate of Civil Defense	Civil Defense License	45-001531598-1	04/01/1446H (corresponding to 10/07/2024G)	04/01/1451H (corresponding to 17/05/2029G)
Ministry of Sports	Fitness Center and Gym License	03082	10/09/1446H (corresponding to 10/03/2025G)	21/09/1447H (corresponding to 10/03/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40031753782	14/08/1426H (corresponding to 18/09/2005G)	14/08/1447H (corresponding to 02/02/2026G)
Body Masters - Riyadh - Al Badi'ah				
General Directorate of Civil Defense	Civil Defense License	46-001533667-1	28/03/1446H (corresponding to 01/10/2024G)	28/03/1447H (corresponding to 20/09/2025G)
Ministry of Sports	Fitness Center and Gym License	03380	26/11/1445H (corresponding to 03/06/2024G)	07/12/1446H (corresponding to 03/06/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40092177276	16/02/1428H (corresponding to 06/03/2007G)	16/02/1448H (corresponding to 30/07/2026G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Body Masters - Riyadh - Al-Mathar North (Al Takhassusi)				
General Directorate of Civil Defense	Civil Defense License	46-001825240-1	07/11/1446H (corresponding to 05/05/2025G)	01/06/1447H (corresponding to 22/11/2025G)
Ministry of Sports	Fitness Center and Gym License	01340	30/07/1446H (corresponding to 30/01/2025G)	11/08/1447H (corresponding to 30/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	41062966554	01/06/1441H (corresponding to 26/01/2020G)	01/06/1447H (corresponding to 22/11/2025G)
Body Masters - Riyadh – Al Aaridh				
General Directorate of Civil Defense	Civil Defense License	46-001763666-1	30/10/1446H (corresponding to 28/04/2025G)	29/10/1447H (corresponding to 27/04/2026G)
Ministry of Sports	Fitness Center and Gym License	12095	15/05/1446H (corresponding to 17/11/2024G)	26/05/1447H (corresponding to 17/11/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	460718153236	01/11/1446H (corresponding to 29/04/2025G)	01/11/1447H (corresponding to 18/04/2026G)
Body Masters - Al Kharj - Al Muntazah				
General Directorate of Civil Defense	Civil Defense License	46-000113009-6	17/05/1446H (corresponding to 19/11/2024G)	17/05/1451H (corresponding to 26/09/2029G)
Ministry of Sports	Fitness Center and Gym License	03497	05/12/1445H (corresponding to 11/06/2024G)	15/12/1446H (corresponding to 11/06/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40092181763	21/04/1435H (corresponding to 21/02/2014G)	21/04/1447H (corresponding to 13/10/2025G)
Body Masters - Riyadh - Al Khaleej				
General Directorate of Civil Defense	Civil Defense License	45-0009555024-2	17/03/1446H (corresponding to 20/09/2024G)	22/01/1447H (corresponding to 17/07/2025G)
Ministry of Sports	Fitness Center and Gym License	02863	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40092178926	22/01/1435H (corresponding to 25/11/2013G)	22/01/1447H (corresponding to 17/07/2025G)
Body Masters - Riyadh - Al Rabwah				
General Directorate of Civil Defense	Civil Defense License	45-001545281-1	04/02/1446H (corresponding to 08/08/2024G)	04/02/1451H (corresponding to 16/06/2029G)
Ministry of Sports	Fitness Center and Gym License	03630	27/12/1445H (corresponding to 03/07/2024G)	08/01/1447H (corresponding to 03/07/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40092179631	13/06/1436H (corresponding to 02/04/2015G)	23/06/1447H (corresponding to 14/12/2025G)
Body Masters - Riyadh - Al Rawdah				
General Directorate of Civil Defense	Civil Defense License	000052492040-3	27/02/1441H (corresponding to 26/10/2019G)	27/02/1442H (corresponding to 14/10/2020G)
Ministry of Sports	Fitness Center and Gym License	04489	03/06/1446H (corresponding to 04/12/2024G)	13/08/1447H (corresponding to 04/12/2025G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	40092173711	22/04/1420H (corresponding to 04/08/1999G)	22/04/1447H (corresponding to 14/10/2025G)
Body Masters - Riyadh - Al Salam				
General Directorate of Civil Defense	Civil Defense License	45-001480659-1	03/12/1445H (corresponding to 09/06/2024G)	03/12/1446H (corresponding to 30/05/2025G)
Ministry of Sports	Fitness Center and Gym License	05084	24/09/1446H (corresponding to 24/03/2025G)	05/10/1447H (corresponding to 24/03/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40021746755	10/09/1421H (corresponding to 06/12/2000G)	10/09/1447H (corresponding to 27/02/2026G)
Body Masters - Riyadh - Al Suwaidi				
General Directorate of Civil Defense	Civil Defense License	45-001054870-2	02/01/1446H (corresponding to 08/07/2024G)	02/01/1451H (corresponding to 15/05/2029G)
Ministry of Sports	Fitness Center and Gym License	02857	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40021749905	30/03/1425H (corresponding to 19/05/2004G)	29/03/1447H (corresponding to 21/09/2025G)
Body Masters - Riyadh - Al Murooj				
General Directorate of Civil Defense	Civil Defense License	41-000081534-2	22/11/1441H (corresponding to 13/07/2020G)	22/11/1442H (corresponding to 02/07/2021G)
Ministry of Sports	Fitness Center and Gym License	02859	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40031753959	06/09/1426H (corresponding to 09/10/2005G)	06/09/1447H (corresponding to 23/02/2026G)
Body Masters - Al Muzahimiyah - Al Reef				
General Directorate of Civil Defense	Civil Defense License	45-000420709-5	23/11/1445H (corresponding to 31/05/2024G)	23/11/1446H (corresponding to 21/05/2025G)
Ministry of Sports	Fitness Center and Gym License	01230	02/09/1446H (corresponding to 02/03/2025G)	13/09/1447H (corresponding to 02/03/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	41042631437	19/04/1441H (corresponding to 16/12/2019G)	19/04/1447H (corresponding to 11/10/2025G)
Body Masters - Riyadh - Al Zahraa (Al Malaz)				
General Directorate of Civil Defense	Civil Defense License	45-000788539-3	03/04/1446H (corresponding to 06/10/2024G)	03/04/1451H (corresponding to 13/08/2027G)
Ministry of Sports	Fitness Center and Gym License	04045	11/03/1446H (corresponding to 14/09/2024G)	22/03/1447H (corresponding to 14/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	43026112296	25/03/1443H (corresponding to 31/10/2021G)	25/03/1447H (corresponding to 17/09/2025G)
Body Masters - Riyadh - Al Fayha				
General Directorate of Civil Defense	Civil Defense License	45-001519879-1	17/01/1446H (corresponding to 23/01/2024G)	17/01/1451H (corresponding to 30/05/2029G)
Ministry of Sports	Fitness Center and Gym License	08265	19/01/1446H (corresponding to 25/07/2024G)	30/01/1447H (corresponding to 25/07/2025G)

Issuing Authority	Type of License/Approval/Permit	No. of License/Approval/Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	450112886720	12/02/1445H (corresponding to 28/08/2023G)	12/02/1447H (corresponding to 06/08/2025G)
Body Masters - Riyadh - Al Nahdah				
General Directorate of Civil Defense	Civil Defense License	45-001473878-1	09/01/1446H (corresponding to 15/07/2024G)	09/01/1447H (corresponding to 04/07/2025G)
Ministry of Sports	Fitness Center and Gym License	03025	23/08/1446H (corresponding to 22/02/2025G)	05/09/1447H (corresponding to 22/02/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40031754582	25/12/1426H (corresponding to 25/01/2006G)	25/12/1446H (corresponding to 21/06/2025G)
Body Masters - Riyadh - Al Wadi				
General Directorate of Civil Defense	Civil Defense License	45-000315742-5	29/05/1445H (corresponding to 13/12/2023G)	29/05/1446H (corresponding to 01/12/2024G)
Ministry of Sports	Fitness Center and Gym License	03375	26/11/1445H (corresponding to 03/06/2024G)	07/12/1446H (corresponding to 03/06/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40092177236	28/03/1428H (corresponding to 16/04/2007G)	28/03/1447H (corresponding to 20/09/2025G)
Body Masters - Riyadh - Al Shifa				
General Directorate of Civil Defense	Civil Defense License	46-000999185-3	24/05/1446H (corresponding to 26/11/2024G)	24/05/1451H (corresponding to 03/10/2029G)
Ministry of Sports	Fitness Center and Gym License	02868	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40092178931	01/02/1435H (corresponding to 04/12/2013G)	01/02/1447H (corresponding to 26/07/2025G)
Body Masters - Riyadh - Shubra				
General Directorate of Civil Defense	Civil Defense License	45-001444747-1	28/12/1445H (corresponding to 28/07/2024G)	27/10/1447H (corresponding to 15/04/2026G)
Ministry of Sports	Fitness Center and Gym License	03623	25/12/1445H (corresponding to 01/07/2024G)	06/01/1447H (corresponding to 01/07/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40092178872	27/10/1434H (corresponding to 03/09/2013G)	27/10/1447H (corresponding to 15/04/2026G)
Body Masters - Riyadh - Al Sahafah				
General Directorate of Civil Defense	Civil Defense License	46-000924683-4	02/09/1445H (corresponding to 02/03/2025G)	02/09/1447H (corresponding to 19/02/2026G)
Ministry of Sports	Fitness Center and Gym License	05023	11/09/1446H (corresponding to 11/03/2025G)	22/09/1447H (corresponding to 11/03/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	43099705367	18/10/1443H (corresponding to 19/05/2022G)	18/10/1447H (corresponding to 06/04/2026G)
Body Masters - Riyadh - Al Masiaf				
General Directorate of Civil Defense	Civil Defense License	46-001564110-1	01/02/1446H (corresponding to 05/08/2024G)	01/02/1447H (corresponding to 26/07/2025G)
Ministry of Sports	Fitness Center and Gym License	10972	04/01/1446H (corresponding to 10/07/2024G)	15/01/1447H (corresponding to 10/07/2025G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	460116191695	02/02/1446H (corresponding to 06/08/2024G)	02/02/1447H (corresponding to 27/07/2025G)
Body Masters - Dammam - Al Athir				
General Directorate of Civil Defense	Civil Defense License	46-000268352-6	22/08/1446H (corresponding to 28/02/2025G)	22/08/1451H (corresponding to 28/12/2029G)
Ministry of Sports	Fitness Center and Gym License	03525	09/12/1445H (corresponding to 15/06/2024G)	19/12/1446H (corresponding to 15/06/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40112500241	24/05/1437H (corresponding to 04/03/2016G)	24/05/1447H (corresponding to 15/11/2025G)
Body Masters - Dammam - Al Firdaws (Al Jamiyin)				
General Directorate of Civil Defense	Civil Defense License	46-000129214-7	13/07/1446H (corresponding to 13/01/2025G)	13/07/1451H (corresponding to 20/11/2029G)
Ministry of Sports	Fitness Center and Gym License	02856	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	3909115187	29/06/1438H (corresponding to 28/03/2017G)	18/08/1447H (corresponding to 06/02/2026G)
Body Masters - Al Ahsa - Sulaymaniyah North				
General Directorate of Civil Defense	Civil Defense License	45-001495709-1	28/12/1445H (corresponding to 04/07/2024G)	28/12/1446H (corresponding to 24/06/2025G)
Ministry of Sports	Fitness Center and Gym License	03979	05/03/1446H (corresponding to 08/09/2024G)	16/03/1447H (corresponding to 08/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	3909458526	10/02/1439H (corresponding to 30/10/2017G)	10/02/1447H (corresponding to 04/08/2025G)
Body Masters - Al Ahsa - Mahasin First				
General Directorate of Civil Defense	Civil Defense License	45-001495684-1	23/01/1446H (corresponding to 29/07/2024G)	23/01/1447H (corresponding to 18/07/2025G)
Ministry of Sports	Fitness Center and Gym License	00859	14/05/1446H (corresponding to 16/11/2024G)	24/05/1447H (corresponding to 15/11/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	3909466998	04/02/1437H (corresponding to 16/11/2015G)	04/02/1447H (corresponding to 29/07/2025G)
Body Masters - Khobar - Al Aqrabiyah				
General Directorate of Civil Defense	Civil Defense License	46-001602007-1	21/03/1446H (corresponding to 24/09/2024G)	21/03/1451H (corresponding to 02/08/2029G)
Ministry of Sports	Fitness Center and Gym License	04302	30/04/1446H (corresponding to 02/11/2024G)	11/05/1447H (corresponding to 02/11/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	39065919	03/06/1439H (corresponding to 19/02/2018G)	03/06/1447H (corresponding to 24/11/2025G)
Body Masters - Tabuk - Durrat Tabuk				
General Directorate of Civil Defense	Civil Defense License	46-000576371-5	24/07/1446H (corresponding to 24/01/2025G)	24/07/1451H (corresponding to 30/11/2029G)
Ministry of Sports	Fitness Center and Gym License	02392	03/05/1446H (corresponding to 05/11/2024G)	14/05/1447H (corresponding to 05/11/2025G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	42034094203	12/03/1442H (corresponding to 29/10/2020G)	12/03/1447H (corresponding to 04/09/2025G)
Body Masters - Hail - Al Buhayrah				
General Directorate of Civil Defense	Civil Defense License	45-001510773-1	09/01/1446H (corresponding to 15/07/2024G)	09/01/1451H (corresponding to 22/05/2029G)
Ministry of Sports	Fitness Center and Gym License	03255	11/10/1446H (corresponding to 09/04/2025G)	21/10/1447H (corresponding to 09/04/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40011643571	27/06/1437H (corresponding to 05/04/2016G)	27/06/1447H (corresponding to 28/12/2025G)
Body Masters - Hafar Al-Batin - Al Muhammadiyah				
General Directorate of Civil Defense	Civil Defense License	45-001501717-1	09/03/1446H (corresponding to 12/09/2024G)	09/03/1451H (corresponding to 21/07/2029G)
Ministry of Sports	Fitness Center and Gym License	04876	23/08/1446H (corresponding to 22/02/2025G)	05/09/1447H (corresponding to 22/02/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40011570907	28/06/1438H (corresponding to 27/03/2017G)	27/06/1447H (corresponding to 18/12/2025G)
Body Masters - Medina - Shuran				
General Directorate of Civil Defense	Civil Defense License	46-001775212-1	05/08/1446H (corresponding to 04/02/2025G)	05/08/1451H (corresponding to 11/12/2029G)
Ministry of Sports	Fitness Center and Gym License	03353	18/11/1445H (corresponding to 26/05/2024G)	28/11/1446H (corresponding to 26/05/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40062057365	18/07/1439H (corresponding to 04/04/2018G)	17/07/1447H (corresponding to 06/01/2026G)
Body Masters - Medina - Taibah				
General Directorate of Civil Defense	Civil Defense License	46-001448420-2	07/11/1446H (corresponding to 05/05/2025G)	29/03/1447H (corresponding to 21/09/2025G)
Ministry of Sports	Fitness Center and Gym License	04420	16/05/1445H (corresponding to 30/11/2023G)	09/06/1447H (corresponding to 30/11/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	40021711787	30/03/1439H (corresponding to 18/12/2017G)	29/03/1447H (corresponding to 21/09/2025G)
Body Masters - Jeddah - North Obhor				
General Directorate of Civil Defense	Civil Defense License	45-001433096-1	01/02/1446H (corresponding to 05/08/2024G)	01/02/1447H (corresponding to 26/07/2025G)
Ministry of Sports	Fitness Center and Gym License	03752	04/02/1446H (corresponding to 08/08/2024G)	14/02/1447H (corresponding to 08/08/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	39111340340	12/11/1439H (corresponding to 25/07/2018G)	11/11/1447H (corresponding to 28/04/2025G)
Body Masters - Jeddah - Al Falah (Al Hamadaniyyah)				
General Directorate of Civil Defense	Civil Defense License	45-001448856-1	24/01/1446H (corresponding to 30/07/2024G)	24/01/1447H (corresponding to 19/07/2025G)
Ministry of Sports	Fitness Center and Gym License	02870	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	39111448588	15/11/1438H (corresponding to 07/08/2017G)	14/11/1446H (corresponding to 12/05/2025G)
Body Masters - Jeddah - Al Rawdah				
General Directorate of Civil Defense	Civil Defense License	46-001819068-1	19/06/1446H (corresponding to 20/12/2024G)	23/08/1447H (corresponding to 11/02/2026G)
Ministry of Sports	Fitness Center and Gym License	04300	30/04/1446H (corresponding to 02/11/2024G)	11/05/1447H (corresponding to 02/11/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	39111284194	24/08/1439H (corresponding to 10/05/2018G)	23/08/1447H (corresponding to 11/02/2026G)
Body Masters - Mecca - Batha Quraish				
General Directorate of Civil Defense	Civil Defense License	46-001328348-2	10/09/1446H (corresponding to 10/03/2025G)	03/03/1447H (corresponding to 26/08/2025G)
Ministry of Sports	Fitness Center and Gym License	02675	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	40031814413	03/03/1440H (corresponding to 11/11/2018G)	03/03/1447H (corresponding to 26/08/2025G)
Body Masters - Ar-Rass - Western District				
General Directorate of Civil Defense	Civil Defense License	45-001528180-1	28/03/1446H (corresponding to 01/10/2024G)	28/03/1447H (corresponding to 20/09/2025G)
Ministry of Sports	Fitness Center and Gym License	03757	04/02/1446H (corresponding to 08/08/2024G)	14/02/1447H (corresponding to 08/08/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	3909335888	18/07/1432H (corresponding to 20/06/2011G)	29/04/1447H (corresponding to 21/10/2025G)
Body Masters - Buraidah - Al Rayyan				
General Directorate of Civil Defense	Civil Defense License	46-000308020-6	11/09/1446H (corresponding to 11/03/2025G)	11/09/1447H (corresponding to 28/02/2026G)
Ministry of Sports	Fitness Center and Gym License	02869	29/07/1446H (corresponding to 29/01/2025G)	10/08/1447H (corresponding to 29/01/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	390989794	02/07/1439H (corresponding to 19/03/2018G)	02/07/1447H (corresponding to 22/12/2025G)
Body Masters - Unaizah - Al Qadisiyah (Al Ashrafiyah)				
General Directorate of Civil Defense	Civil Defense License	46-000785459-4	14/05/1446H (corresponding to 16/11/2024G)	14/05/1451H (corresponding to 23/09/2029G)
Ministry of Sports	Fitness Center and Gym License	04012	06/03/1446H (corresponding to 09/09/2024G)	17/03/1447H (corresponding to 09/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	43016093708	16/02/1443H (corresponding to 23/09/2021G)	16/02/1447H (corresponding to 10/08/2025G)
Body Motions - Riyadh - Dhahrat Al Badi'ah				
General Directorate of Civil Defense	Civil Defense License	45-001501941	03/01/1446H (corresponding to 09/07/2024G)	03/01/1451H (corresponding to 16/05/2029G)
Ministry of Sports	Fitness Center and Gym License	01370	07/08/1446H (corresponding to 06/02/2025G)	18/08/1447H (corresponding to 06/02/2026G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	41073463598	08/06/1441H (corresponding to 02/02/2020G)	08/06/1447H (corresponding to 29/11/2025G)
Body Motions - Riyadh - Al Shifa				
General Directorate of Civil Defense	Civil Defense License	46-001649875-1	23/07/1446H (corresponding to 23/01/2025G)	23/07/1451H (corresponding to 30/11/2029G)
Ministry of Sports	Fitness Center and Gym License	02125	14/03/1446H (corresponding to 17/09/2024G)	25/03/1447H (corresponding to 17/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	42023876970	29/04/1442H (corresponding to 14/12/2020G)	29/04/1447H (corresponding to 09/03/2026G)
Body Motions - Riyadh - Al Sahafah				
General Directorate of Civil Defense	Civil Defense License	46-000924682-4	02/09/1446H (corresponding to 02/03/2025G)	02/09/1447H (corresponding to 19/02/2026G)
Ministry of Sports	Fitness Center and Gym License	05021	11/09/1446H (corresponding to 11/03/2025G)	22/09/1447H (corresponding to 11/03/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	43099706016	16/10/1443H (corresponding to 17/05/2022G)	16/10/1447H (corresponding to 04/04/2026G)
Body Motions - Riyadh - Al Uraija Al Gharbiyah				
General Directorate of Civil Defense	Civil Defense License	46-001533667-1	28/03/1446H (corresponding to 01/10/2024G)	28/03/1447H (corresponding to 20/09/2025G)
Ministry of Sports	Fitness Center and Gym License	01880	11/01/1446H (corresponding to 17/07/2024G)	22/01/1447H (corresponding to 16/07/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	41073442272	11/11/1441H (corresponding to 02/07/2020G)	11/11/1447H (corresponding to 28/04/2026G)
Body Motions - Riyadh - Al Fayha				
General Directorate of Civil Defense	Civil Defense License	46-000637069-5	23/08/1446H (corresponding to 22/02/2025G)	23/08/1451H (corresponding to 29/12/2029G)
Ministry of Sports	Fitness Center and Gym License	02382	02/05/1446H (corresponding to 04/11/2024G)	13/05/1447H (corresponding to 04/11/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	42044260757	26/07/1442H (corresponding to 10/03/2021G)	26/07/1447H (corresponding to 15/01/2026G)
Body Motions - Riyadh - Al Zahraa (Al Malaz)				
General Directorate of Civil Defense	Civil Defense License	46-000788540-4	13/05/1446H (corresponding to 15/11/2024G)	13/05/1451H (corresponding to 22/09/2029G)
Ministry of Sports	Fitness Center and Gym License	04038	11/03/1446H (corresponding to 14/09/2024G)	22/03/1447H (corresponding to 14/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	43026200590	25/03/1443H (corresponding to 31/10/2021G)	25/03/1447H (corresponding to 17/09/2025G)
Body Motions - Riyadh - Al Aaridh				
General Directorate of Civil Defense	Civil Defense License	46-00185464-1	02/11/1446H (corresponding to 30/04/2025G)	02/11/1447H (corresponding to 19/04/2026G)
Ministry of Sports	Fitness Center and Gym License	12096	15/05/1446H (corresponding to 17/11/2024G)	26/05/1447H (corresponding to 17/11/2025G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	460618140542	03/11/1446H (corresponding to 01/05/2025G)	03/11/1447H (corresponding to 20/04/2026G)
Body Motions - Dammam - Al Jalawiyah				
General Directorate of Civil Defense	Civil Defense License	45-000579735-5	06/02/1446H (corresponding to 10/08/2024G)	06/02/1451H (corresponding to 18/06/2029G)
Ministry of Sports	Fitness Center and Gym License	02075	02/03/1446H (corresponding to 05/09/2024G)	13/03/1447H (corresponding to 05/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	41113605134	13/01/1442H (corresponding to 01/09/2020G)	13/01/1447H (corresponding to 08/07/2025G)
Body Motions - Dammam - Al Faisaliah				
General Directorate of Civil Defense	Civil Defense License	46-001650023-1	14/04/1446H (corresponding to 17/10/2024G)	14/04/1451H (corresponding to 25/08/2029G)
Ministry of Sports	Fitness Center and Gym License	01646	29/09/1445H (corresponding to 08/04/2024G)	10/10/1446H (corresponding to 08/04/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	41063367549	01/07/1441H (corresponding to 25/02/2020G)	01/07/1447H (corresponding to 21/12/2025G)
Body Motions - Al-Ahsa - Mahasin First				
General Directorate of Civil Defense	Civil Defense License	46-000612804-5	17/06/1446H (corresponding to 18/12/2024G)	17/06/1451H (corresponding to 25/10/2029G)
Ministry of Sports	Fitness Center and Gym License	02277	11/04/1446H (corresponding to 14/10/2024G)	21/04/1447H (corresponding to 13/10/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	42013810641	12/03/1442H (corresponding to 29/10/2020G)	12/03/1447H (corresponding to 04/09/2025G)
Body Motions - Tabuk - Murooj Al Amir				
General Directorate of Civil Defense	Civil Defense License	46-001538435-1	21/03/1446H (corresponding to 24/09/2024G)	21/03/1451H (corresponding to 02/08/2029G)
Ministry of Sports	Fitness Center and Gym License	03529	10/12/1445H (corresponding to 16/06/2024G)	20/12/1446H (corresponding to 16/06/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	22341438	01/06/1438H (corresponding to 28/02/2017G)	12/06/1447H (corresponding to 03/12/2025G)
Body Motions - Jeddah - Al Basateen				
General Directorate of Civil Defense	Civil Defense License	45-001338123-1	29/06/1445H (corresponding to 11/01/2024G)	29/06/1447H (corresponding to 20/12/2025G)
Ministry of Sports	Fitness Center and Gym License	09587	05/06/1446H (corresponding to 26/12/2024G)	06/07/1447H (corresponding to 26/12/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	450513918174	29/06/1445H (corresponding to 13/12/2023G)	29/06/1447H (corresponding to 20/12/2025G)
Body Motions - Jeddah - Al Faisaliah				
General Directorate of Civil Defense	Civil Defense License	45-001236968-2	18/03/1446H (corresponding to 21/09/2024G)	18/03/1451H (corresponding to 30/07/2029G)
Ministry of Sports	Fitness Center and Gym License	06667	04/06/1446H (corresponding to 05/12/2024G)	14/06/1447H (corresponding to 05/12/2025G)

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Ministry of Municipalities and Housing	Commercial Activity License	440511037857	17/03/1445H (corresponding to 02/10/2023G)	17/03/1447H (corresponding to 09/09/2025G)
Body Motions - Jeddah - Al Naeem				
General Directorate of Civil Defense	Civil Defense License	46-000745612-4	20/07/1446H (corresponding to 20/01/2025G)	20/07/1451H (corresponding to 26/11/2029G)
Ministry of Sports	Fitness Center and Gym License	03332	25/10/1446H (corresponding to 23/04/2025G)	06/11/1447H (corresponding to 23/04/2026G)
Ministry of Municipalities and Housing	Commercial Activity License	42105607110	28/01/1443H (corresponding to 05/09/2024G)	28/01/1447H (corresponding to 23/07/2025G)
Body Motions - Buraidah - Al Rabwah				
General Directorate of Civil Defense	Civil Defense License	46-000740952-4	09/04/1446H (corresponding to 12/10/2024G)	09/04/1451H (corresponding to 20/08/2029G)
Ministry of Sports	Fitness Center and Gym License	03533	10/12/1445H (corresponding to 16/06/2024G)	20/12/1446H (corresponding to 16/06/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	42085430363	12/11/1442H (corresponding to 22/06/2021G)	12/11/1446H (corresponding to 10/05/2025G)
Body Motions - Unaizah - Al Qadisiyah (Al Ashrafiyah)				
General Directorate of Civil Defense	Civil Defense License	46-000785455-4	14/05/1446H (corresponding to 16/11/2024G)	14/05/1451H (corresponding to 23/09/2029G)
Ministry of Sports	Fitness Center and Gym License	04011	06/03/1446H (corresponding to 09/09/2024G)	17/03/1447H (corresponding to 09/09/2025G)
Ministry of Municipalities and Housing	Commercial Activity License	43016093942	16/02/1443H (corresponding to 23/09/2021G)	16/02/1447H (corresponding to 10/08/2025G)
Body Experts - Riyadh - Al Murooj				
General Directorate of Civil Defense	Civil Defense License	43-000806925-1	07/05/1443H (corresponding to 11/12/2021G)	07/05/1444H (corresponding to 01/12/2022G)
Ministry of Municipalities and Housing	Commercial Activity License	43037861707	10/05/1443H (corresponding to 14/12/2021G)	10/05/1446H (corresponding to 12/11/2024G)
Warehouse 1 - Riyadh - Taibah				
General Directorate of Civil Defense	Civil Defense License	45-001055564-2	26/11/1445H (corresponding to 03/06/2024G)	26/11/1450H (corresponding to 10/04/2029G)
Ministry of Municipalities and Housing	Commercial Activity License	42055093516	25/07/1442H (corresponding to 09/03/2021G)	25/07/1447H (corresponding to 14/01/2026G)
Warehouse 2 - Riyadh - Taibah				
General Directorate of Civil Defense	Civil Defense License	45-00463906-1	13/11/1445H (corresponding to 21/05/2024G)	13/11/1450H (corresponding to 28/03/2029G)
Ministry of Municipalities and Housing	Commercial Activity License	42055093516	25/07/1442H (corresponding to 09/03/2021G)	25/07/1447H (corresponding to 14/01/2026G)

The Company is in the process of renewing twelve operating licenses which have expired, including six safety licenses issued by the General Directorate of Civil Defense, one license from the Ministry of Sports and five commercial activity licenses from the Ministry of Municipalities and Housing (for further details regarding the risks related to the issuance and renewal of licenses, please refer to Section 2.1.10 (*Risks Related to Obtaining and Renewing Licenses and Permits Required to Conduct Business*)).

Table 11.6: Building Permits Obtained by the Company

Issuing Authority	Type of License/Approval/ Permit	No. of License/Approval/ Permit	Date of Issuance	Expiration Date
Riyadh - Al Aaridh				
Ministry of Municipalities and Housing	Building Permit	665	14/01/1445H (corresponding to 01/08/2023G)	14/01/1448H (corresponding to 29/06/2026G)
Dammam - Uhud				
Ministry of Municipalities and Housing	Building Permit	450413715483	09/05/1445H (corresponding to 23/11/2023G)	09/05/1448H (corresponding to 20/10/2026G)
Dammam – Al Nada				
Ministry of Municipalities and Housing	Building Permit	460818828834	08/10/1446H (corresponding to 06/04/2025G)	08/10/1449H (corresponding to 04/03/2028G)
Al Ula				
RCU(1)	Building Permit	N/A	–	–
Jeddah				
Ministry of Municipalities and Housing	Building Permit	460216655888	04/09/1446H (corresponding to 04/03/2025G)	04/09/1449H (corresponding to 28/01/2028G)
Buraidah				
Ministry of Municipalities and Housing	Building Permit	461019321971	24/10/1446H (corresponding to 22/04/2025G)	24/10/1449H (corresponding to 20/03/2028G)

(1) In accordance with the Royal Commission for AlUla Statute issued on 29/01/1442H (corresponding to 17/09/2020G), the building permit for this club was issued by Royal Commission for AlUla instead of the Ministry of Municipalities and Housing.

11.6 Material Agreements

The Company is a party to a number of material agreements and contracts with multiple parties. This section sets out a summary of the existing agreements and contracts that the Company's Board of Directors considers to be material or significant in relation to the Company's business or may affect the decisions of investors to subscribe for the Offer Shares. The summaries of the agreements and contracts referred to below do not include all their terms and conditions and cannot be considered as substitutes for the terms and conditions of such agreements and contracts. However, they include the terms that may be material or significant in relation to the Company's business and continuity or which may affect the decision of investors to subscribe for the Offer Shares.

11.6.1 Material Agreements between the Company and Fitness Equipment Suppliers

11.6.1.1 Supply and Installation Agreement with Delta Marketing Company (DMC)

The Company has entered into a framework agreement with DMC, under which DMC supplies and installs fitness equipment and machines for Body Masters and Body Motions clubs based on purchase orders issued by the Company as needed. The agreement is valid for one year, commencing 12/07/1445H (corresponding to 24/01/2024G), and is automatically renewable unless either party notifies the other of its desire not to renew. The agreement specifies the general provisions with respect to the pricing, installation and delivery of fitness equipment and machines, in addition to the relevant warranties for the equipment supplied (which range from two to ten years depending on the type of equipment and machines). The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

Purchase orders issued under the above-mentioned agreement usually include a list of the fitness equipment and machines to be purchased, their quantities, prices, delivery locations and dates and payment method, as well as the relevant warranty provisions.

11.6.1.2 Supply and Installation Agreement with Al Hayat Investments Co.

The Company has entered into a framework agreement with Al Hayat Investments Co., under which Al Hayat Investments Co. supplies Precor fitness equipment and machines for use in the Company's fitness clubs and/or sale thereof to third parties based on purchase orders issued by the Company as needed. The agreement is valid for one year, commencing 19/06/1445H (corresponding to 01/01/2024G), and is automatically renewable unless either party notifies the other of its desire not to renew 30 days before the expiry of the agreement. The agreement specifies the general provisions with respect to the pricing, installation and delivery of fitness equipment and machines, in addition to the relevant warranty provisions for the equipment and machines supplied (which range from three to ten years depending on the type of equipment and machines). The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

Purchase orders issued under the above-mentioned agreement usually include a list of the fitness equipment and machines to be purchased, their quantities, prices, delivery locations and dates, as well as delivery costs.

11.6.1.3 Supply and Installation Agreement with FreeMotion Fitness

The Company entered into a framework agreement with FreeMotion Fitness, under which FreeMotion supplies fitness equipment and machines for use in the Company's fitness clubs based on purchase orders issued by the Company as needed. The agreement is effective from 03/10/1446H (corresponding to 01/04/2025G) until 11/07/1447H (corresponding to 31/12/2025G). The agreement specifies the general provisions with respect to the pricing, delivery of fitness equipment and machines, in addition to the relevant warranty provisions for the equipment and machines supplied. The agreement does not impose any restrictions on disclosure thereof to third parties or changes in the Company's ownership or control. The agreement shall be governed by and construed in accordance with the applicable laws in the State of Utah, USA. Any dispute arising therefrom shall be subject to the jurisdiction of Utah's competent courts.

11.6.2 Material Agreements between the Company and Key Service Providers

11.6.2.1 Agreement between the Company and Les Mills

The Company entered into a licensing agreement with Les Mills on 19/06/1442H (corresponding to 01/02/2021G), under which the Company is granted the right to use the virtual training programs developed by Les Mills in exchange for a monthly fee paid by the Company for each gym offering the virtual training programs. These virtual training programs are provided to members of Body Motions clubs. The agreement also includes terms related to the use of Les Mills' virtual training programs and Les Mills' ownership of the intellectual property rights to the virtual training programs. The agreement is valid for one year, commencing 19/06/1442H (corresponding to 01/02/2021G), and is subject to automatic renewal. The agreement includes restrictions on the disclosure thereof to third parties. However, it does not include restrictions on changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in England and Wales. Any dispute arising therefrom shall be referred to the competent courts of the Dubai International Financial Centre.

11.6.2.2 Agreement between the Company and Tabby

The Company entered into a service agreement with Tabby on 08/06/1445H (corresponding to 21/12/2023G), under which Tabby allows the Company to benefit from its post-payment services in return for specific fees for each transaction made through Tabby's post-payment services. This agreement is valid for one year commencing on the date of conclusion thereof, and is subject to automatic renewal for a similar period. The agreement includes restrictions on the disclosure thereof to third parties. However, it does not include restrictions on changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.2.3 Agreement between the Company and Tamara

The Company entered into a service agreement with Tamara on 10/05/1443H (corresponding to 14/12/2021G), which was amended on 15/05/1444H (corresponding to 09/12/2022G) and 01/06/1445H (corresponding to 14/12/2023G), under which Tamara allows the Company to benefit from its post-payment services in return for specific fees for each transaction made through Tamara's post-payment services. This agreement is valid for one year commencing on the date of conclusion thereof, and is subject to automatic renewal for a similar period. The agreement includes restrictions on the disclosure thereof to third parties. However, it does not include restrictions on changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.3 Labor and Personnel Services Agreements

11.6.3.1 Labor Services Agreement between the Company and Maharah

The Company concluded a labor services agreement with Maharah on 08/10/1442H (corresponding to 20/05/2021G), under which Maharah provides workers to the Company in return for monthly fees of SAR 4,200 per worker. In addition to the monthly fees, the Company shall provide accommodation and transportation for each worker. The agreement is valid for one year, commencing on the date of conclusion thereof, and is automatically renewable. The agreement includes restrictions on the disclosure thereof to third parties. However, it does not include restrictions on changes in ownership or control in the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

As of 30 September 2024G, there are 54 workers provided by Maharah to the Company under the above-mentioned agreement.

11.6.3.2 Agreement between the Company and Honest Company for Operation and Maintenance

The Company entered into a labor services agreement with Honest Company for Operation and Maintenance on 09/07/1443H (corresponding to 10/02/2022G), under which Honest Company for Operation and Maintenance provides workers to the Company in exchange for monthly fees ranging from SAR 3,700 to SAR 3,900 per worker (depending on nationality). In addition to the monthly fees, the Company shall provide accommodation and transportation for each worker. The agreement is valid for one year, commencing on the date of conclusion thereof, and is automatically renewable. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

As of 30 September 2024G, there is one worker provided by Honest Company for Operation and Maintenance to the Company under the above-mentioned agreement.

11.6.3.3 Agreement between the Company and Riyadet Altamayuz Ltd Co.

The Company entered into a labor services agreement with Riyadet Altamayuz Ltd Co. on 17/05/1445H (corresponding to 01/12/2023G), under which Riyadet Altamayuz Ltd Co. provides workers to the Company in exchange for monthly fees ranging between SAR 3,400 and SAR 4,100 per worker. The Company shall provide accommodation and transportation for each worker. The agreement is valid for a period of 24 months, commencing on the date of conclusion thereof, and is automatically renewable. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

As of 30 September 2024G, there are 48 workers provided by Riyadet Altamayuz Ltd Co. to the Company under the above-mentioned agreement.

11.6.4 Client Agreements

11.6.4.1 Terms and Conditions Governing the Company's Relationship with Body Masters and Body Motions Customers

Individuals wishing to subscribe to Body Masters and Body Motions memberships must agree to the Company's terms and conditions, which include general terms and conditions relating to membership, renewals, suspension, termination, payment terms and use of fitness club facilities, among other provisions.

11.6.4.2 Material Agreements between the Company and Body Experts Clients

A. Agreements Related to AlUla Club

The Company entered into a development and operation agreement with Royal Commission for AlUla in connection with the establishment and fit-out of AlUla Fitness Club. The Company subcontracted some of its obligations arising under the AlUla Agreement by entering into an agreement with Cubs North Contracting Co. to carry out the relevant construction works. The following is a general description of each of the aforementioned agreements:

- **Summary of Key Terms of the AlUla Agreement**

  The Company entered into the AlUla Agreement with the Royal Commission for AlUla on 06/07/1445H (corresponding to 18/01/2024G), pursuant to which the Company shall establish a fitness club in AlUla (the "AlUla Fitness Club"), including the associated engineering, design, development and fit-out works, in exchange for an amount of SAR 55,430,000 (subject to amendment by mutual agreement between the parties), to be paid in installments. Pursuant to the AlUla Agreement, the Company will also operate and maintain the aforementioned club in exchange for annual fees of SAR 27,600,000. The Royal Commission for AlUla will retain 10% of each payment related to the construction works, which will be paid to the Company upon completion of the construction works. The Royal Commission for AlUla will also retain 5% of the operation and maintenance fees, to be paid on an annual basis and with the approval of the Royal Commission for AlUla. The Company has also provided the Royal Commission for AlUla with a performance bond for all of the Company's obligations under the AlUla Agreement, which is an irrevocable and unconditional bank guarantee issued by a Saudi bank. The performance bond shall remain in effect for a period of one month following either: (a) the lapse of 12 months from the date of completion of the construction works; or (b) termination of the AlUla Agreement. In addition, the Company shall maintain insurance policies to cover its liabilities arising from this agreement. The Company is also entitled to subcontract the implementation of the entire construction works, subject to the approval of the Royal Commission for AlUla. However, the Company shall remain responsible for all works assigned to the subcontractor. The AlUla Agreement shall be effective from 06/07/1445H (corresponding to 18/01/2024G). The Company's obligations related to operation and maintenance shall continue for a period of ten years commencing from the completion of the construction works of AlUla Fitness Club. The AlUla Agreement also includes restrictions on the disclosure thereof to third parties and restrictions on changes in control of the Company, except for changes in control resulting from the trading of the Company's securities if it is listed on a recognized international stock exchange. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

- **Summary of the Cubs North Contracting Co. Agreement related to AlUla**

  The Company entered into a subcontract agreement with Cubs North Contracting Co. on 25/04/1446H (corresponding to 28/10/2024G), under which Cubs North Contracting Co. shall perform finishing works for AlUla Fitness Club in accordance with the designs, specifications and terms stipulated in the agreement in exchange for a total amount of SAR 4,252,895 (exclusive of VAT). The agreement includes penalties and late fees of up to 10% of the total agreement amount. The agreement shall remain valid for a period of 150 days commencing on the date of receipt of the down payment. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

B. KAFD Fitness Club Agreement

The Company entered into an agreement with KAFD Company on 19/01/1445H (corresponding to 06/08/2023G), under which the Company shall equip the fitness club at the King Abdullah Financial District Company headquarters (the "KAFD Fitness Club"), including the associated finishing, supply and installation of fitness equipment. Pursuant to the agreement, the Company shall also operate and maintain the KAFD Fitness Club in exchange for a total amount of SAR 4,054,904 (exclusive of VAT). The Company shall maintain insurance policies to cover its liabilities arising under this agreement. The agreement shall be effective from 19/01/1445H (corresponding to 06/08/2023G) and shall remain valid for a period of four years from the date of completion of the finishing works and supply and installation of the equipment. The agreement includes restrictions on the disclosure thereof to third parties. However, it does not include restrictions on changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to arbitration in accordance with the rules of the Saudi Center for Commercial Arbitration.

C. Agreement with a Government Entity for the Operation of a Fitness Club

The Company entered into a service agreement with a Government entity on 05/12/1442H (corresponding to 15/07/2021G), under which the Company shall operate the fitness club of the Government entity located in the King Abdullah Financial District in exchange for a total amount of SAR 2,071,036 (inclusive of VAT). The Company is required to provide a final guarantee in accordance with the Government Tenders and Procurement Law amounting to SAR 103,522, which shall remain valid for the term of the agreement. In addition, the Company has provided general guarantees with respect to the services provided under the agreement. The agreement shall be effective from 05/12/1442H (corresponding to 15/07/2021G) and shall remain valid for a period of four years. The agreement is not automatically renewable. The agreement includes restrictions on the disclosure thereof to third parties. However, it does not include restrictions on changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.5 Material Agreements for the Construction and Fit-Out Works of the Company's New Fitness Clubs

As of the date of this Prospectus, the Company has entered into an agreement with Oros Contracting Company for the purpose of constructing a Body Masters and Body Motions Club in the Obhor District of Jeddah, an agreement with Fnon Myar Contracting Company for the purpose of constructing a Body Masters and Body Motions Club in Buraidah, an agreement with Sahara Al-Binaa General Contracting Company for the purpose of constructing a Body Motions Club in the Al Nada District of Dammam. The Company also holds active agreements with Fnon Myar Contracting Company and Shad Company for the construction, furnishing, and finishing works of the Body Masters Club located in the Al-Arid District of Riyadh and the Body Masters Club located in the Uhud District of Dammam, respectively. The following is an overview of the relevant ongoing agreements.

11.6.5.1 Construction Agreement for the Body Masters and Body Motions Clubs Located in the Obhor District of Jeddah

The Company entered into an agreement with Oros Contracting Company on 12/05/1446H (corresponding to 14/11/2024G), pursuant to which Oros Contracting Company shall carry out the construction works for the Body Masters and Body Motions Club in the Obhor District of Jeddah, in accordance with the designs, specifications, and provisions stipulated in the agreement, for a total sum of SAR 8,766,050 (exclusive of VAT). The agreement includes penalties and late fees of up to 10% of the total agreement amount. The agreement is valid for 120 days from the date of receipt of the down payment. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.5.2 Construction Agreement for the Body Masters and Body Motions Club Located in Buraidah

The Company entered into an agreement with Fnon Myar Contracting Company on 26/07/1446H (corresponding to 26/01/2025G), pursuant to which Fnon Myar Contracting Company shall carry out the construction works for the Body Masters and Body Motions Club in Buraidah, in accordance with the designs, specifications, and provisions stipulated in the agreement, for a total sum of SAR 11,862,900 (exclusive of VAT). The agreement includes penalties and late fees of up to 10% of the total agreement amount. The agreement is valid for 210 days from the date of receipt of the down payment. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.5.3 Construction Agreement for the Body Motions Club Located in the Al Nada District in Dammam

The Company entered into an agreement with Sahara Al-Binaa General Contracting Company on 18/10/1446H (corresponding to 16/04/2025G), pursuant to which Sahara Al-Binaa General Contracting Company shall carry out the construction works for the Body Motions Club in the Al Nada District in Dammam, in accordance with the designs, specifications, and provisions stipulated in the agreement, for a total sum of SAR 4,463,435 (exclusive of VAT). The agreement includes penalties and late fees of up to 10% of the total agreement amount. The agreement is valid for 135 days from the date of receipt of the down payment. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.5.4 Finishing Agreement for the Body Masters Club Located in Uhud District in Dammam

The Company entered into an agreement with United Shad on 14/03/1446H (corresponding to 17/09/2024G), pursuant to which United Shad shall carry out the finishing works for the new Body Masters Club in Uhud district in Dammam in accordance with the designs, specifications, and provisions stipulated in the agreement, for a total sum of SAR 5,099,920 (exclusive of VAT). The agreement includes penalties and late fees of up to 10% of the total agreement amount. The agreement is valid for 120 days from the date of receipt of the down payment. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.5.5 Finishing Agreement for the Body Masters Club located in Al Aaridh District in Riyadh

The Company entered into an agreement with Fnon Myar Contracting Company on 15/01/1446H (corresponding to 21/07/2024G), under which Fnon Myar Contracting Company shall carry out the finishing works for the new Body Masters club in Al Aaridh district in Riyadh, in accordance with the designs, specifications and provisions stipulated in the agreement, in exchange for a total amount of SAR 8,265,483 (exclusive of VAT). The agreement includes penalties and late fees of up to 10% of the total agreement amount. The agreement is valid for a period of 200 days from the date of receipt of the advance payment. The agreement does not include restrictions on the disclosure thereof to third parties or changes in ownership or control of the Company. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

11.6.6 Transactions with Related Parties and Transactions in which a Director has an Interest

As of the date of this Prospectus, the Company does not have any transactions or agreements with Related Parties. The following section provides a summary of an existing agreement in which a Director has an interest and which is not considered a Related Party transaction:

11.6.6.1 Framework Agreement with Aldrees Petroleum and Transport Services Company

The Company entered into a framework agreement with Aldrees Petroleum and Transport Services Company ("Aldrees") on 22/10/1445H (corresponding to 01/05/2024G) to determine the obligations of both parties with respect to the Company's subscription with Aldrees to fuel the Company's vehicles in exchange for the prices approved by the Ministry of Energy. The total value of the Company's transactions with Aldrees amounted to SAR 402,351, SAR 307,323, SAR 435,678 and SAR 370,000 for the financial years ended 31 December 2021G, 2022G and 2023G and the nine-month period ended 30 September 2024G, respectively. The agreement is valid for one year, commencing 22/10/1445H (corresponding to 01/05/2024G), and is automatically renewable unless either party notifies the other before the expiry of the agreement of its desire not to renew. The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent courts in the Kingdom.

Since Abdul-Elah Saad Mohammed Al-Drees is a Director in the Company, as well as the CEO and a director of Aldrees, the agreement and the existing transactions between the two parties are considered transactions in which one of the Directors has an indirect interest in accordance with Article 66 of the Implementing Regulations of the Companies Law. Accordingly, the agreement and the relevant transactions were approved by the Board of Directors on 05/11/1445H (corresponding to 13/05/2024G) and the General Assembly on 07/11/1445H (corresponding to 15/05/2024G). Furthermore, Abdul-Elah Saad Mohammed Al-Drees abstained from voting on the Board of Directors' resolutions in this regard.

11.7 Financing and Credit Facility Agreements

As of the date of this Prospectus, the Company has four existing financing agreements and credit facilities. The total facilities granted to the Company under these agreements amounted to SAR 261,986,372 and the total amounts utilized amounted to SAR 211,530,793. This section includes a summary of these agreements:

11.7.1 Financing Agreement with the Social Development Bank

The Company entered into a financing agreement with the Social Development Bank on 06/05/1442H (corresponding to 21/12/2020G), under which the Social Development Bank provides the Company with long-term financing totaling SAR 10,000,000. The following is a summary of the key terms of the agreement:

Table 11.7: Terms of the Financing Agreement with the Social Development Bank, dated 06/05/1442H (corresponding to 21/12/2020G)

Item	Description	
Total Facilities	SAR 10,000,000.	
Amount Utilized from the Agreement	SAR 10,000,000 as of 30 September 2024G.	
Facility Expiration Date	The term of the financing is five years from the date of receipt of the first payment.	
Facilities	Maximum Limit	SAR 10,000,000, available for drawdown in one or two installments during an availability period not exceeding 90 days.
	Purpose	Purchase of equipment for five new sites.
	Repayment	Every two years, commencing from the second year of the term.
	Profit Margin	N/A.
	Fees/Fines	SAR 2,000,000 (comprising financing application assessment fees of SAR 400,000 and service fees of SAR 1,600,000).
Guarantees	– A promissory note of SAR 10,000,000 issued by the Company in favor of the Social Development Bank. – A corporate payment and performance bond for the Company's obligations related to the financing, issued by Diamond Opportunities Sports Company, a Shareholder in the Company. – A corporate payment and performance bond for the Company's obligations related to the financing, issued by Special Opportunities Investment Company, a Shareholder in the Company. – A corporate payment and performance bond for the Company's obligations related to the financing, issued by Middle East Financial Investment Company, a Shareholder in the Company.	
Key Terms	– The Social Development Bank has the right to amend or terminate the financing in the event of a dispute between the Shareholders or the cessation of the operations of the Company, any of its Subsidiaries or its Group. – The financing was provided in accordance with the provisions of the Social Development Bank Law (issued by Royal Decree No. M/34, dated 01/06/1427H, as amended by Council of Ministers' Resolution No. 182, dated 01/03/1441H) and its Implementing Regulations. Such provisions shall apply to the financing. – The Company shall provide any additional retained collateral requested by the Social Development Bank, particularly promissory notes. – The Company, its Subsidiaries and its Group may not amend any of their constitutional documents without the prior approval of the Social Development Bank. – If the Company wishes to draw down the financing amount in two installments, it shall submit all invoices as a prerequisite in order to withdraw the second installment. – The Social Development Bank shall be the Company's preferred creditor under the financing agreement. – The financing shall automatically terminate if the prerequisite conditions are not met within six months. – The Social Development Bank has the right to freeze the Company's assets and enforce orders against them in the event of a delay or default in payment for a period exceeding the grace period granted under the agreement. – The Social Development Bank has the right to conduct eight field visits. – The Company may not conclude settlements with its creditors or initiate insolvency or bankruptcy proceedings without the prior approval of the Social Development Bank. – The Company may not participate in any merger without the prior approval of the Social Development Bank.	

Item	Description
Termination and Accelerated Payment	The Social Development Bank may accelerate the repayment of financing amounts and consider all amounts payable immediately at its absolute discretion and/or upon the occurrence of certain events of default, including: – The Company's breach of any of its obligations, including delays or defaults in payment. – Failure to implement or operate the financed project or utilize the financing for purposes other than those agreed upon. – Sale, transfer or assignment of the project or part thereof to a third party without obtaining prior written approval from the Social Development Bank. – Objection to the acceptance or fulfillment of obligations arising from any commercial instrument (such as promissory notes). – Invalidity or unenforceability of the provisions of retained collateral or guarantees provided in relation to the financing agreement. – Proof of any misrepresentation or deception by the Company.
Applicable Law and Jurisdiction	The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent judicial authorities in the Kingdom.

In correspondence dated 13/03/2024G, the Company requested the approval of the Social Development Bank for (1) the initial public offering of the Company's Shares and the listing thereof on the Exchange, as well as the change in the Company's legal form, and ownership structure and a waiver of any restrictions related thereto; and (2) cancellation of the guarantees provided by Diamond Opportunities Sports Company, Special Opportunities Investment Company and Middle East Financial Investment Company upon listing of the Company's Shares. The Company obtained a letter of non-objection from the Social Development Bank on 17/07/2024G for the initial public offering of the Company's Shares and the listing thereof on the Exchange. However, the Social Development Bank did not approve the cancellation of the guarantees related to the financing agreement (for further details regarding the risks related to the guarantees provided by certain Shareholders, please refer to Section 2.1.29 (*Risks Related to Financing*) of this Prospectus).

11.7.2 Credit Facility Agreement with Alinma Bank

The Company entered into a credit facility agreement with Alinma Bank on 16/08/1446H (corresponding to 15/02/2025G), under which Alinma Bank shall provide the Company with multipurpose credit facilities in several tranches, for a total amount of SAR 174,988,372, until 06/09/1449H (corresponding to 28/02/2028G). The following is a summary of the key terms of the agreement:

Table 11.8: Terms of the Credit Facility Agreement with Alinma Bank, dated 16/08/1446H (corresponding to 15/02/2025G)

Item	Description	
Total Facilities	SAR 174,988,372	
Amount Utilized from the Agreement	SAR 129,988,372as of the date of this Prospectus.	
Facility Expiration Date	The agreement shall remain effective until 06/09/1449H (corresponding to 28/01/2028G).	
Facilities	**Tranche 1**	
	Maximum Limit	Non-revolving financing of SAR 1,022,980.
	Purpose	Financing 50% of approved supplier invoices or 50% of approved claims related to the establishment of fitness centers in several regions across the Kingdom.
	Repayment	Quarterly repayments over five years.
	Profit Margin	Cost of cash on hand + 4% per annum.
	Tranche 2	
	Maximum Limit	Non-revolving financing of SAR 7,266,747
	Purpose	Financing 65% of approved invoices related to the establishment of fitness centers.
	Repayment	Quarterly repayments over five years.
	Profit Margin	3-month SIBOR + 3% per annum.
	Tranche 3	
	Maximum Limit	Non-revolving financing of SAR 9,124,907
	Purpose	Financing of 65% of approved invoices for the establishment of fitness centers.

Item	Description	
	Repayment	Quarterly repayments over five years.
	Profit Margin	12-month SIBOR + 3% per annum.
	Tranche 4	
	Maximum Limit	Non-revolving financing of SAR 16,573,738
	Purpose	Financing of 70% of approved invoices or approved contract invoices for the establishment of fitness centers.
	Repayment	Quarterly repayments over four years.
	Profit Margin	3-month SIBOR + 2.75% per annum.
	Tranche 5	
	Maximum Limit	Revolving financing of SAR 30,000,000.
	Purpose	Financing working capital and operations.
	Repayment	At the end of the term for the three-month tranche.
	Profit Margin	3-month SIBOR + 1.75% per annum.
	Tranche 6	
	Maximum Limit	Non-revolving financing of SAR 30,000,000.
	Purpose	Financing of 70% of approved invoices for the establishment of three new branches.
	Repayment	Quarterly repayments over five years.
	Profit Margin	3-month SIBOR + 1.75% per annum.
	Tranche 7	
	Maximum Limit	Non-revolving financing of SAR 16,000,000.
	Purpose	Financing 60% of the purchase of the real estate of Al Malaz branch in Al Zahraa district in Riyadh.
	Repayment	Quarterly repayments over five years.
	Profit Margin	3-month SIBOR + 1.75% per annum.
	Tranche 8	
	Maximum Limit	Non-revolving financing of SAR 65,000,000, available for 12 months.
	Purpose	Financing of 70% of approved invoices for the establishment of seven new branches.
	Repayment	Quarterly repayments over five years.
	Profit Margin	6-month SIBOR + 1.75% per annum.
Guarantees	– A promissory note of SAR 174,988,372, issued by the Company on 16/08/1446H (corresponding to 15/02/2025G). – A promissory note of SAR 17,498,838, issued by the Company on 16/08/1446H (corresponding to 15/02/2025G). – Real estate mortgage on a property bearing title deed No. 718507000568, for an amount of SAR 16,000,000. – A payment and performance bond for the Company's obligations related to the facilities, issued by Special Opportunities Investment Company, a Shareholder in the Company, in the amount of SAR 69,995,348, covering 40% of the total facilities. – A payment and performance bond for the Company's obligations related to the facilities, issued by Elaf Al-Khaleej Commercial Investment Company, a Shareholder in the Company, in the amount of SAR 14,349,047, covering 8.2% of the total facilities. – A payment and performance bond for the Company's obligations related to the facilities, issued by Diamond Opportunities Company, a Shareholder in the Company, in the amount of SAR 60,196,000, covering 34.4% of the total facilities. – A payment and performance bond for the Company's obligations related to the facilities, issued by Silver Opportunities Investment Company, a Shareholder in the Company, in the amount of SAR 0.17, representing approximately 0.00000009615% of the total facilities. – A payment and performance bond for the Company's obligations related to the facilities, issued by Middle East Financial Investment Company, an indirect Shareholder in the Company, in the amount of SAR 130,241,279, covering 74.5% of the total facilities – Alinma Bank has the right to request additional guarantees in certain circumstances specified in the agreement.	

Item	Description
Key Terms	– The Company shall notify Alinma Bank in the event of a change in its legal form or ownership structure. – The Company shall provide Alinma Bank with any financial information requested from time to time regarding its financial position. – The Company undertakes to use the financing amount exclusively for the purposes specified in the agreement. – The Company undertakes not to assign, transfer, sell or create rights or liens on any of the Company's movable and immovable assets. – The Company undertakes not to enter into any commitment that affects or limits its ability to fulfill its obligations. – The Company's leverage ratio shall not exceed 1:3, its EBITDA shall not exceed 3.0x, and the total value of its net tangible equity shall not fall below SAR 100,000,000. – The Company undertakes to enter into and maintain a payroll service agreement with Alinma Bank, to be processed through Alinma Bank for the duration of the facility. – The Company undertakes to sign an agreement to install a POS system from Alinma Bank at its new branches.
Termination and Accelerated Payment	– Alinma Bank may accelerate the payment of the remaining balances and deduct any amounts from the Company's accounts with it if the Company fails to pay the amounts on their due dates. – Alinma Bank may enforce against any retained collateral granted under the agreement in the event of any default, including: – The Company's failure to provide additional retained collateral upon Alinma Bank's request in order to cover any increase in the outstanding balances in excess of the then-guaranteed amount. – If any violation is committed by the Company under the agreement. – The Company's failure to provide additional guarantees upon Alinma Bank's request. – If any statements provided by the Company under the agreement before or after signature thereof regarding material information are proven to be incorrect or misleading. – If the Company is subject to liquidation/insolvency proceedings or any related procedures. – If the legal form of the Company or its Executive Management is changed without the prior approval of Alinma Bank. – Confiscation or seizure of the Company's assets or restriction of its ability to dispose thereof. – If the Company is prevented from undertaking its business or cancellation of its commercial registration or license. – The filing of any lawsuit or claim against the Company before a court or enforcement body or the Company's conclusion of a settlement with any of its creditors.
Applicable Law and Jurisdiction	The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent judicial authorities in the Kingdom.

In correspondence dated 12/03/2025G, the Company requested the approval of Alinma Bank for (1) the initial public offering of the Company's Shares and the listing thereof on the Exchange, the change in the Company's legal form and ownership structure and a waiver of any restrictions related thereto; and (2) cancellation of the guarantees provided by Special Opportunities Investment Company, Elaf Al-Khaleej Commercial Investment Company, Middle East Financial Investment Company and Diamond Opportunities Sports Company upon listing of the Company's Shares. The Company obtained Alinma Bank's approval on 15/04/2025G for the initial public offering of the Company's Shares and the listing thereof on the Exchange, as well as the change in the Company's legal form and ownership structure. However, Alinma Bank did not approve the cancellation of the guarantees related to the credit facility agreement (for further details regarding the risks related to the guarantees provided by certain Shareholders, please refer to Section 2.1.29 (*Risks Related to Financing*) of this Prospectus).

11.7.3 Credit Facility Agreement with Riyad Bank

The Company entered into a credit facility agreement with Riyad Bank on 08/12/1444H (corresponding to 26/03/2023G), under which Riyad Bank provides the Company with multipurpose credit lines in several tranches, for a total amount of SAR 56,998,000, until 26/03/2028G. The following is a summary of the key terms of the agreement:

Table 11.9: Terms of the Credit Facility Agreement with Riyad Bank, dated 08/12/1444H (corresponding to 26/03/2023G)

Item	Description	
Total Facilities	SAR 56,998,000.	
Amount Utilized from the Agreement	SAR 56,998,000 as of 30 September 2024G.	
Facility Expiration Date	The agreement shall remain effective until 30/10/1449H (corresponding to 26/03/2028G).	
Facilities	**Tranche 1**	
	Maximum Limit	Tawarruq financing of SAR 25,877,000.
	Purpose	Financing of approved invoices for leases, claims for payment of contractor fees and supplier invoices under the supervision of the Bank.
	Repayment	Quarterly repayments following the one-year grace period for the remaining period of the five-year tranche.
	Fees	– Islamic financing agency fees ranging between 0.02% and 0.05%. – Annual credit assessment fee of 1% of the financing value + VAT.
	Profit Margin	(Islamic) financing value + 3%.
	Tranche 2	
	Maximum Limit	Tawarruq financing of SAR 29,046,000, with a minimum of SAR 2,000,000 per drawdown.
	Purpose	Financing of approved contractor fees and approved supplier invoices.
	Repayment	Quarterly repayments following the one-year grace period for the remaining period of the five-year tranche.
	Fees	– Islamic financing agency fees ranging between 0.02% and 0.05%. – Annual credit assessment fee of 1% of the financing value + VAT.
	Profit Margin	SIBOR + 3.5%.
	Tranche 3	
	Maximum Limit	Long-term loan of SAR 2,075,000, with a minimum of SAR 2,000 per drawdown.
	Purpose	Financing the expansion of eight new branches in exchange for claims for full payment of approved fees of contractors.
	Repayment	Quarterly repayments after the grace period of one year from the first drawdown, inclusive of all subsequent drawdowns; i.e., quarterly repayments during the remaining term of the five-year period.
	Profit Margin	– SIBOR + 4.5%.
Guarantees	– A promissory note of SAR 76,000,000, issued by the Company in favor of Riyad Bank. – Real estate mortgage on a property bearing title deed No. 914006005790, for an amount of SAR 21,271,811. – Real estate mortgage on a property bearing title deed No. 814006005053, for an amount of SAR 43,099,749. – Real estate mortgage on a property bearing title deed No. 314006005791, for an amount of SAR 18,028,440. – A joint payment and performance bond for the Company's obligations related to the facilities in the amount of SAR 56,998,000 issued by: (1) Abdulkadir Al Muhaidib & Sons Company, a Shareholder in the Company, covering 12.75% of the total facility liabilities; (2) Diamond Opportunities Sports Company, a Shareholder in the Company, covering 74.5% of the total facility liabilities; and (3) Maali Al Khaleej Trading Company, an indirect Shareholder in the Company, covering 12.75% of the total facility liabilities.	

Item	Description
Key Terms	– Riyadh Bank has the right to set off against all the Company's accounts and assets under its custody and control, and its accounts are considered retained collateral for the granted facilities. – Riyad Bank has the right to freeze and enforce against any of the Company's assets in the event the Company delays or defaults in payment. – The Company shall insure all assets granted as collateral under the financing facility agreement and shall assign its rights thereunder to Riyad Bank. – The Company may not change its legal form, ownership structure or Management the prior approval of Riyad Bank. – The Company undertakes not to enter into any commitments that affect or limit its ability to fulfill its obligations.
Termination and Accelerated Payment	– Riyad Bank may enforce any retained collateral granted under the agreement and may also terminate the agreement in the event of any default, including: – If the Company or any of its Subsidiaries or sister companies breaches its obligations towards Riyad Bank under this agreement or otherwise. – If the Company or any of its Subsidiaries or sister companies breaches its obligations towards third parties. – Changes in the legal form, ownership structure or Management of the Company or any of its Subsidiaries, sister companies or guarantors. – If the Company delays in payment as a result of ceasing to undertake its principal activities or part thereof. – If the Company or any of the guarantors is subject to liquidation or insolvency proceedings or any related procedures. – The issuance of a judgment by a competent authority against any of the guarantors or the Company's Subsidiaries or sister companies that affects the obligations arising from the agreement.
Applicable Law and Jurisdiction	– With respect to Tranche 3: The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent judicial authorities in the Kingdom. – With respect to Tranches 1 and 2: The agreement shall be governed by the applicable laws in the Kingdom and construed in accordance with the ICC Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce. Any dispute arising therefrom shall be referred to the competent judicial authorities in the Kingdom.

In correspondence dated 12/05/2024G, the Company requested the approval of Riyad Bank for (1) the initial public offering of the Company's Shares and the listing thereof on the Exchange, the change in the Company's legal form and ownership structure and the waiver of any restrictions related thereto; and (2) cancellation of the guarantees provided by Abdulkadir Al Muhaidib & Sons Company, Diamond Opportunities Sports Company and Maali Al Khaleej Trading Company upon listing of the Company's Shares. The Company obtained Riyad Bank's approval on 07/07/2024G for the initial public offering of the Company's Shares and the listing thereof on the Exchange, as well as the change in the Company's legal form and ownership structure. However, Riyad Bank did not approve the cancellation the guarantees related to the credit facility agreement (for further details regarding the risks related to the guarantees provided by certain Shareholders, please refer to Section 2.1.29 (*Risks Related to Financing*) of this Prospectus).

11.7.4 Credit Facility Agreement with Saudi Awwal Bank

The Company entered into a credit facility agreement with Saudi Awwal Bank on 26/06/1445H (corresponding to 08/01/2024G), under which Saudi Awwal Bank provides the Company with single-purpose credit facilities totaling SAR 20,000,000. The following is a summary of the key terms of the agreement:

Table 11.10: Terms of the Credit Facility Agreement with Saudi Awwal Bank, dated 26/06/1445H (corresponding to 08/01/2024G)

<table>
<tr><th>Item</th><th colspan="2">Description</th></tr>
<tr><td>Total Facilities</td><td colspan="2">SAR 20,000,000.</td></tr>
<tr><td>Amount Utilized from the Agreement</td><td colspan="2">SAR 14,544,421 as of 30 September 2024G.</td></tr>
<tr><td>Facility Expiration Date</td><td colspan="2">Seven years from the date of drawdown.</td></tr>
<tr><td rowspan="5">Facilities</td><td>Maximum Limit</td><td>Non-revolving financing of SAR 20,000,000</td></tr>
<tr><td>Purpose</td><td>Establishment of two new branches with financing of a maximum amount of 70% of supplier/contractor invoices.</td></tr>
<tr><td>Repayment</td><td>Quarterly repayments following the two-year grace period, for the remaining period of the seven-year facilities.</td></tr>
<tr><td>Profit Margin</td><td>– Administrative fees of SAR 50,000.
– Default fees of 4% per annum plus interest rate in the event the Company defaults on payment.
Other fees and tariffs are imposed in accordance with the rates approved by the Bank.</td></tr>
<tr><td>Fees/Fines</td><td>Three-month SIBOR + 1.5% per annum.</td></tr>
<tr><td>Guarantees</td><td colspan="2">– A promissory note in the amount of SAR 20,000,000, issued by the Company in favor of Saudi Awwal Bank.
– A corporate bond for the Company's obligations related to the facilities, issued by Middle East Financial Investment Company, an indirect Shareholder in the Company, in the amount of SAR 14,900,000.
– A corporate bond for the Company's obligations related to the facilities, issued by Maali Al Khaleej Trading Company, an indirect Shareholder in the Company, in the amount of SAR 2,550,000.
– A corporate bond for the Company's obligations related to the facilities, issued by Abdulkadir Al Muhaidib & Sons Company, a Shareholder in the Company, in the amount of SAR 2,550,000.</td></tr>
<tr><td>Key Terms</td><td colspan="2">– Saudi Awwal Bank shall have the right of first refusal to insure the Company's property or finance the insurance thereof.
– The Company shall notify Saudi Awwal Bank through an official notice prior to making any changes in its ownership structure.
– The Company's adjusted external debt ratio shall not fall below 1:2 (excluding long-term leases).
– The Company's debt service coverage ratio (DSCR) shall not fall below 1.2 for the installments drawn down in the same year during the term of the facilities.
– The Company's debt to net tangible assets ratio shall not exceed 1:2 for each relevant period.
– The Company shall deposit no less than 14% of its annual sales in its bank account with Saudi Awwal Bank.
– The Company shall utilize the financing facilities for the authorized purposes.
– The Company shall install Saudi Awwal Bank's POS system in all its new branches.
– The Company shall cover any amounts in excess of the estimated costs using its own resources.
– The Company shall insure the goods related to any letter of credit it issues with the assistance of an insurance company and under insurance policy terms acceptable to Saudi Awwal Bank and shall make Saudi Awwal Bank the first and only beneficiary under the insurance policy.
– The Company undertakes that it shall not: (1) create or allow the continuation of any mortgage on its assets; (2) sell, lease, transfer, or otherwise dispose of its assets; (3) grant any credit outside its ordinary course of its business; or (4) incur any indebtedness (other than as permitted).
– Saudi Awwal Bank may, after notifying the Company, accelerate the repayment of the outstanding balance or part thereof, request the Company to deposit any due amounts, cancel any undrawn portion of the financing facility, reduce the amount of the facilities or cancel the facilities.</td></tr>
</table>

Item	Description
Termination and Accelerated Payment	Saudi Awwal Bank may enforce against any retained collateral granted under the agreement and may also terminate the agreement in the event of any default, including: – Changes in the control or ownership of the Company without the prior written approval of Saudi Awwal Bank. – The Company's failure to pay amounts due and payable under the facility agreement. – The Company's breach of any of its obligations towards Saudi Awwal Bank under the agreement. – Breach by the Company or any of its Subsidiaries of any of its debt obligations towards third parties resulting in the knock-on effect of its default on its other debts at a rate exceeding the maximum limit of 1% of the Company's net assets. – Issuance of a mortgage or execution order against the assets of the Company or any of its Subsidiaries. – Initiation of insolvency or bankruptcy proceedings, rescheduling procedures or negotiations against the Company or any of its Subsidiaries. – The occurrence of an event or series of events that Saudi Awwal Bank, in its reasonable assessment, believes will have a material adverse effect on the Company's business.
Applicable Law and Jurisdiction	The agreement shall be governed by and construed in accordance with the applicable laws in the Kingdom. Any dispute arising therefrom shall be referred to the competent judicial authorities in the Kingdom.

In correspondence dated 13/03/2024G, the Company requested the approval of Saudi Awwal Bank for (1) the initial public offering of the Company's Shares and the listing thereof on the Exchange, the change in the Company's legal form and ownership structure and the waiver of any restrictions related thereto; and (2) cancellation of the guarantees provided by Abdulkadir Al Muhaidib & Sons Company, Middle East Financial Investment Company and Maali Al Khaleej Trading Company upon listing of the Company's Shares. The Company obtained the approval of Saudi Awwal Bank on 08/07/2024G for the initial public offering of the Company's Shares and the listing thereof on the Exchange, as well as its waiver of any restrictions imposed under the relevant credit facility agreements on changes in the legal form or ownership structure of the Company in addition to any other restrictions in relation to the initial public offering of the Company's Shares. However, Saudi Awwal Bank did not approve the cancellation of the guarantees related to the credit facility agreement (for further details regarding the risks related to the guarantees provided by certain Shareholders, please refer to Section 2.1.29 (*Risks Related to Financing*) of this Prospectus).

11.8 Insurance Policies

The Company and its Subsidiary maintain insurance policies covering various potential risks. The following table sets out the key details of the insurance policies held by the Company and its Subsidiary:

Table 11.11: Details of Insurance Policies

Type of Coverage	Insurer	Policy No.	Insurance Premium (SAR)	Maximum Coverage Limit (SAR)	Coverage End Date
A.The Company					
Medical insurance	Gulf Insurance Group	4612/XN/1	263,331.6	1,000,000 per person	08/06/1447H (corresponding to 29/11/2025G)
Property all-risk insurance	Gulf Insurance Group	1/FA/31293/0	114,161.50	505,191,212.52	03/11/1447H (corresponding to 20/04/2026G)
Comprehensive general liability insurance	Gulf Insurance Group	1/PC/49/0/3	5,175	5,000,000 in aggregate per annum	03/11/1447H (corresponding to 20/04/2026G)
Pecuniary insurance	Gulf Insurance Group	1/ZM/30408/0/12	12,973.50	The estimated annual aggregate value of cash in transit is SAR 50,000,000. Coverage for locked safes varies based on the amount of cash stored at each location.	03/11/1447H (corresponding to 20/04/2026G)
Commercial auto insurance	Arabian Shield Cooperative Insurance Company	0000119/CMC/2025/1P/CRO	247,239.88	3,736,000	26/08/1447H (corresponding to 14/02/2026G)
Employee insurance	Gulf Insurance Group	1/WC/30549/0/0	6,900	3,750,000	26/01/1447H (corresponding to 21/07/2025G)
B.Subsidiary					
Medical insurance	Gulf Insurance Group	4613/XN/1	32,916.45	1,000,000 per person	08/06/1447H (corresponding to 29/11/2025G)

11.9 Real Estate Owned by the Company

The following table sets out the details of the real estate owned by the Company:

Table 11.12: Details of the Real Estate Owned by the Company

No.	Real Estate Owner	Title Deed No.	Date of Title Deed	Use and Location	Area (square meters)	Rights of Other Parties/ Disputes
1	The Company	718507000568	15/08/1445H (corresponding to 15/02/2024G)	Use: Construction and operation of a fitness club. Location: Plot No. 1/172 of Plan No. 315 in Al Zahraa district, Riyadh, Kingdom of Saudi Arabia.	5,000	The title deed is mortgaged in favor of Alinma Bank for an amount of SAR 16,000,000, as per the facility agreement concluded between the Company and Alinma Bank.
2	The Company	814006005053	22/03/1441H (corresponding to 19/11/2019G)	Use: Construction and operation of a fitness club. Location: Plot No. 2 of Plan No. 8 in Al Khaleej district, Riyadh, Kingdom of Saudi Arabia.	5,000	The title deed is mortgaged in favor of Riyad Bank for an amount of SAR 43,099,749, as per the facility agreement concluded between the Company and Riyad Bank.
3	The Company	314006005791	17/06/1441H (corresponding to 11/02/2020G)	Use: Construction and operation of a fitness club. Location: Plots No. 351, 452, 353 and 354 of Plan No. 1082 in Al Rawdah district, Riyadh, Kingdom of Saudi Arabia.	2,500	The title deed is mortgaged in favor of Riyad Bank for an amount of SAR 18,028,440, as per the facility agreement concluded between the Company and Riyad Bank.
4	The Company	914006005790	17/06/1441H (corresponding to 11/02/2020G)	Use: Construction and operation of a fitness club. Location: Plots No. 277, 278, 279 and 280 of Plan No. 1353 in Al-Nahdah district, Riyadh, Kingdom of Saudi Arabia.	3,600	The title deed is mortgaged in favor of Riyad Bank for an amount of SAR 21,271,811, as per the facility agreement concluded between the Company and Riyad Bank.

11.10 Lease Contracts

The Company has entered into 55 lease agreements with various lessors in the Kingdom, four of which have not been registered on the Ejar platform. The following table sets out details the real estate leased by the Company:

Table 11.13: Details of Lease Contracts

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
a.The Company					
Dr. Adel Al-Salim and Sons Investment Holding Company	a. Use: Warehouse. b. Location: Taibah district, Riyadh.	SAR 835,000	364 days, commencing on 25/12/1445H (corresponding to 01/07/2024G) and ending on 05/01/1447H (corresponding to 30/06/2025G), renewable by mutual agreement between the parties.	Nine units with a total area of 4,175 square meters.	Registered
Taya Real Estate Company	a. Use: Commercial premises (gym). b. Location: Al Masiaf district, Riyadh.	SAR 3,447,917	5,477 days, commencing on 29/04/1446H (corresponding to 01/11/2024G) and ending on 13/10/1461H (corresponding to 31/10/2039G), renewable by mutual agreement between the parties.	2,500 square meters.	Registered
Muhammad Ibrahim Muhammad Jibrin	a. Use: Commercial premises (gym). b. Location: Al Badi'ah district, Riyadh.	SAR 600,000	4,017 days, commencing on 03/08/1444H (corresponding to 23/02/2023G) and ending on 03/12/1455H (corresponding to 22/02/2034G), renewable by mutual agreement between the parties.	5,880 square meters.	Registered

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
Faisal Bandar Abdulaziz Al Saud	a. Use: Commercial premises (gym). b. Location: Al Badi'ah district, Riyadh.	SAR 400,000	4,017 days, commencing on 01/03/1444H (corresponding to 27/09/2022G) and ending on 02/07/1455H (corresponding to 26/09/2033G), renewable by mutual agreement between the parties.	2,000 square meters.	Registered
Al Wahda Real Estate Investment Company	a. Use: Commercial premises (gym). b. Location: King Fahd Road, Jeddah.	SAR 925,000	5,478 days, commencing on 16/02/1445H (corresponding to 01/09/2023G) and ending on 01/08/1460H (corresponding to 31/08/2038G), renewable by mutual agreement between the parties.	2,885 square meters.	Registered
Noura Abdullah Abdulrahman Al Rawaf	a. Use: Commercial premises (gym). b. Location: Al Rabwah district, Buraidah.	SAR 776,250	20 years, commencing on 19/01/1442H (corresponding to 13/02/2021G) and ending on 11/02/1463H (corresponding to 12/02/2041G), renewable by mutual agreement between the parties.	2,866 square meters.	Registered
Naba Al Ataa Investment Company	a. Use: Commercial premises (gym). b. Location: Al Rayyan district, Buraidah.	SAR 300,000	1,249 days, commencing on 01/09/1444H (corresponding to 23/03/2023G) and ending on 10/03/1448H (corresponding to 23/08/2026G), renewable by mutual agreement between the parties.	6,509 square meters.	Registered
Hamid Hussein Awad Al-Qahtani	a. Use: Commercial premises (gym). b. Location: King Fahd Bin Abdulaziz Road, Dammam.	SAR 1,100,000	7,304 days, commencing on 28/03/1446H (corresponding to 01/10/2024G) and ending on 08/11/1466H (corresponding to 30/09/2044G), renewable by mutual agreement between the parties.	3,600 square meters.	Registered
Fahd Ibrahim Mohammed Al-Humaidi	a. Use: Commercial premises (gym). b. Location: King Saud Road, Dammam.	SAR 528,000	2,556 days, commencing on 15/01/1445H (corresponding to 02/08/2023G) and ending on 01/04/1452H (corresponding to 01/08/2030G), renewable by mutual agreement between the parties.	3,600 square meters.	Registered
Abdullah Saad Abdullah Sulaiman	a. Use: Commercial premises (gym). b. Location: Prince Mutaib Road, Dammam.	SAR 900,000	2,479 days, commencing on 01/01/1445H (corresponding to 19/07/2023G) and ending on 29/12/1452H (corresponding to 02/05/2030G), renewable by mutual agreement between the parties.	2,581 square meters.	Registered
Abdullah Al-Othaim Markets Company	a. Use: Commercial premises (gym). b. Location: King Fahd Bin Abdulaziz Road, Dammam.	SAR 1,200,000	13 years, commencing on 02/12/1443H (corresponding to 01/07/2022G) and ending on 24/04/1457H (corresponding to 30/06/2035G).	2,620 square meters.	Registered
Al Khereiji Real Estate Company	a. Use: Commercial premises (gym). b. Location: King Khalid Road, Dammam.	SAR 1,040,000	3,651 days, commencing on 09/06/1446H (corresponding to 10/12/2024G) and ending on 28/09/1456H (corresponding to 09/12/2034G), renewable by mutual agreement between the parties.	2,070 square meters.	Registered
Abdullah Saleh Abdullah Al-Naeem	a. Use: Commercial premises (gym). b. Location: Mahasin First region, Al Ahsa.	SAR 500,000	5,478 days, commencing on 09/05/1443H (corresponding to 13/12/2021G) and ending on 24/10/1458H (corresponding to 12/12/2036G), renewable by mutual agreement between the parties.	10,205 square meters.	Registered

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
Saba Abdullah Salloum Bahbri	a. Use: Commercial premises (gym). b. Location: Al Izdihar district, Riyadh.	SAR 1,250,000	3,652 days, commencing on 01/01/1444H (corresponding to 30/07/2022G) and ending on 21/04/1454H (corresponding to 29/07/2032G), renewable by mutual agreement between the parties.	3,729 square meters.	Registered
Saeed Salem Saeed Al-Dosari	a. Use: Commercial premises (gym). b. Location: Al Fayha district, Riyadh.	SAR 595,000	6,574 days, commencing on 28/07/1443H (corresponding to 01/03/2022G) and ending on 16/02/1462H (corresponding to 29/02/2040G), renewable by mutual agreement between the parties.	3,742 square meters.	Registered
Sky Real Estate Company	a. Use: Commercial premises (gym). b. Location: Al Fayha district, Riyadh.	SAR 550,000	7,304 days, commencing on 02/11/1443H (corresponding to 01/06/2022G) and ending on 12/06/1464H (corresponding to 31/05/2042G), renewable by mutual agreement between the parties.	5,400 square meters.	Registered
Mayar Co. Ltd	a. Use: Commercial premises (gym). b. Location: King Saud Road, Hail.	SAR 694,200	2,190 days, commencing on 08/04/1446H (corresponding to 11/10/2024G) and ending on 12/06/1452H (corresponding to 10/10/2030G), renewable by mutual agreement between the parties.	2,101 square meters.	Registered
Asla Real Estate Company	a. Use: Commercial premises (gym). b. Location: King Abdulaziz Road, Hafar Al-Batin.	SAR 470,000	3,286 days, commencing on 08/06/1444H (corresponding to 01/01/2023G) and ending on 17/09/1453H (corresponding to 31/12/2031G), renewable by mutual agreement between the parties.	5,838 square meters.	Registered
Hifz Al Dirayah Real Estate Company	a. Use: Commercial premises (gym). b. Location: Ring Road, Al-Hofuf.	SAR 716,626	3,287 days, commencing on 09/08/1444H (corresponding to 01/03/2023G) and ending on 18/11/1453H (corresponding to 29/02/2032G), renewable by mutual agreement between the parties.	1,196 square meters.	Registered
Panda Retail Company	a. Use: Commercial premises (gym). b. Location: Al Sheikh Jaber Al Ahmad Al Sabah Road, Riyadh.	SAR 450,120	2,191 days, commencing on 12/05/1444H (corresponding to 06/12/2022G) and ending on 18/07/1450H (corresponding to 05/12/2028G), renewable by mutual agreement between the parties.	1,290 square meters.	Registered
Mohammed Ayed Awad Al-Maliki	a. Use: Commercial premises (gym). b. Location: Abi Al-Hassan Al-Hamazani Road, Jeddah.	SAR 1,200,000	7,304 days, commencing on 15/04/1444H (corresponding to 09/11/2022G) and ending on 25/11/1464H (corresponding to 08/11/2042G), renewable by mutual agreement between the parties.	3,951 square meters.	Registered
Maazayah Al Omran United Real Estate Development and Investment Establishment	a. Use: Commercial premises (gym). b. Location: Al Falah district, Jeddah.	SAR 773,306	2,458 days, commencing on 23/04/1446H (corresponding to 26/10/2024G) and ending on 30/03/1453H (corresponding to 20/07/2031G), renewable by mutual agreement between the parties.	1,800 square meters.	Registered
Hatem Abdul-Elah Saeed Abdoun	a. Use: Commercial premises (gym). b. Location: Amr ibn Mas'adah Road, Jeddah.	SAR 900,000	6,574 days, commencing on 03/12/1443H (corresponding to 02/07/2022G) and ending on 21/06/1453H (corresponding to 01/07/2040G), renewable by mutual agreement between the parties.	3,051 square meters.	Registered

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
Rakan Ibrahim Abdul-Rahman Al-Tassan	a. Use: Commercial premises (gym). b. Location: Saeed Bin Nafl Road, Jeddah.	SAR 2,713,953	8,035 days, commencing on 19/06/1445H (corresponding to 01/01/2024G) and ending on 22/02/1468H (corresponding to 31/12/2045G), renewable by mutual agreement between the parties.	9,185 square meters.	Registered
Nadd Arabia Marketing Co.	a. Use: Commercial premises (gym). b. Location: Ala El Din Al Hanafi Road, Jeddah.	SAR 850,440	2,921 days, commencing on 13/12/1444H (corresponding to 01/07/2023G) and ending on 10/03/1453H (corresponding to 30/06/2031G), renewable by mutual agreement between the parties.	1,323 square meters.	Registered
Samer Saeed Mahmoud Shaaban	a. Use: Commercial premises (gym). b. Location: Rawdat Al Khaleej district, Jeddah.	SAR 2,270,000	3,652 days, commencing on 21/05/1444H (corresponding to 15/12/2022G) and ending on 11/09/1454H (corresponding to 14/12/2032G), renewable by mutual agreement between the parties.	3,266 square meters.	Registered
Khalid Salem Al-Qadi	a. Use: Commercial premises (gym). b. Location: Abha Road, Khamis Mushait.	Lease amount for gyms: SAR 400,000 per annum for the initial 10 years, SAR 375,000 per annum for the following 5 years, and SAR 350,000 per annum for the final 5 years. Lease amount for parking lots: SAR 150,000 per year.	20 years, commencing on 01/06/1431H (corresponding to 15/05/2010G) and ending on 11/01/1452H (corresponding to 14/05/2030G), renewable by mutual agreement between the parties.	5,000 square meters for the gym. 2,740 square meters for parking lots.	Not registered
Awad Ali Al Qafleh	a. Use: Commercial premises (gym). b. Location: Khalid bin Al Waleed Street, Al Kharj.	SAR 250,000	20 years, commencing on 07/05/1432H (corresponding to 11/04/2011G) and ending on 18/12/1452H (corresponding to 10/04/2031G), renewable by mutual agreement between the parties.	6,500 square meters.	Not registered
Abdullah Mishari Abdulaziz Al-Mady	a. Use: Commercial premises (gym). b. Location: 19th St, Al Khobar.	SAR 1,250,000	3,287 days, commencing on 12/11/1444H (corresponding to 01/06/2023G) and ending on 22/02/1454H (corresponding to 31/05/2032G), renewable by mutual agreement between the parties.	3,676 square meters.	Registered
Nashi Nafaa Ayed Al-Sahli	a. Use: Commercial premises (gym). b. Location: Shuran district, Medina.	SAR 1,100,000	2,832 days, commencing on 25/10/1444H (corresponding to 15/05/2023G) and ending on 22/10/1452H (corresponding to 14/02/2031G), renewable by mutual agreement between the parties.	2,507 square meters.	Registered
Al Woroud Real Estate Investment	a. Use: Commercial premises (gym). b. Location: Al Salam Road, Medina.	SAR 1,300,471	5,478 days, commencing 12/02/1439H (corresponding to 01/11/2017G) and ending on 26/07/1454H (corresponding to 31/10/2032G), renewable by mutual agreement between the parties.	3,614 square meters.	Registered

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
Abdullah Saud Abdulaziz Al Rashoud	a. Use: Commercial premises (gym). b. Location: Thawban Al Nabawi Street, Mecca.	SAR 1,522,830	3,652 days, commencing 14/01/1445H (corresponding to 01/08/2023G) and ending on 04/05/1455H (corresponding to 31/07/2033G), renewable by mutual agreement between the parties.	2,207 square meters.	Registered
Hamoud Faleh Mashaan Al-Sahli	a. Use: Commercial premises (gym). b. Location: Al Hussein Bin Hasan Bin Ali Street, Riyadh.	SAR 4,000,000	7,304 days, commencing on 06/01/1447H (corresponding to 01/07/2025G) and ending on 15/08/1467H (corresponding to 30/06/2045G), renewable by mutual agreement between the parties.	9,967 square meters.	Registered
Haifa Abdulaziz Ibrahim Al Muammar	a. Use: Commercial premises (gym). b. Location: Al Murooj district, Riyadh.	SAR 1,050,000	364 days, commencing on 30/10/1446H (corresponding to 28/04/2025G) and ending on 10/11/1447H (corresponding to 27/04/2026G), renewable by mutual agreement between the parties.	3,325 square meters.	Registered
Solidere Saudi Arabia	a. Use: Commercial premises (gym). b. Location: Al Reef district, Al Muzahimiyah.	SAR 400,000	5,477 days, commencing on 04/02/1442H (corresponding to 21/09/2020G) and ending on 18/07/1457H (corresponding to 20/09/2035G), renewable by mutual agreement between the parties.	3,096 square meters.	Registered
Ali Saad Amer Al Salem	a. Use: Commercial premises (gym). b. Location: King Saud Road, Najran.	SAR 200,000 per annum for the initial year, and SAR 300,000 per annum for the final 5 years.	6 years, commencing on 28/03/1446H (corresponding to 01/10/2024G) and ending on 02/06/1452H (corresponding to 30/09/2030G), renewable by mutual agreement between the parties.	4,655 square meters.	Registered
Al Jood Real Estate	a. Use: Commercial premises (gym). b. Location: Prince Sultan bin Abdulaziz Road, Unaizah.	SAR 800,000	16 years, commencing on 19/06/1445H (corresponding to 01/01/2024G) and ending on 26/12/1462H (corresponding to 31/12/2040G), renewable by mutual agreement between the parties.	7,789 square meters.	Registered
Suleiman Abdulrahman Suleiman Al-Amir	a. Use: Commercial premises (gym). b. Location: Al Uraija district, Riyadh.	SAR 532,896	5,477 days, commencing on 25/12/1445H (corresponding to 01/07/2024G) and ending on 08/06/1461H (corresponding to 30/06/2039G), renewable by mutual agreement between the parties.	1,638 square meters.	Registered
Madaen Star Group	a. Use: Commercial premises (gym). b. Location: Umar Ibn Abdulaziz Branch Road, Riyadh.	SAR 1,134,870	1,417 days, commencing on 29/01/1446H (corresponding to 04/08/2024G) and ending on 28/01/1450H (corresponding to 21/06/2028G), renewable by mutual agreement between the parties.	1,900 square meters.	Registered
Muhammad Humaid Saleh Al-Humaid	a. Use: Commercial premises (gym). b. Location: Al Shinana, Ar-Rass	SAR 360,000	4,017 days commencing on 09/08/1444H (corresponding to 01/03/2023G) and ending on 09/12/1455H (corresponding to 28/02/2034G), renewable by mutual agreement between the parties.	5,000 square meters.	Registered

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
Awab Real Estate Development Company	a. Use: Commercial premises (gym). b. Location: King Abdulaziz Branch Road, Riyadh.	SAR 2,000,000	7,304 days, commencing on 03/10/1446H (corresponding to 01/04/2025G) and ending on 12/05/1467H (corresponding to 31/03/2045G), renewable by mutual agreement between the parties.	7,200 square meters.	Registered
Fahad Abdul-Mohsen Nasser Motawa	a. Use: Commercial premises (gym). b. Location: Al Sahafah district, Riyadh.	SAR 3,000,000	7,304 days, commencing on 20/02/1442H (corresponding to 07/10/2020G) and ending on 30/09/1462H (corresponding to 06/10/2040G), automatically renewable for a similar period.	11,289 square meters.	Registered
Abdullah Saad Al-Hosan	a. Use: Commercial premises (gym). b. Location: Al Salam district, Riyadh.	SAR 200,000	15 years, commencing on 02/09/1435H (corresponding to 29/06/2014G) and ending on 01/09/1450H (corresponding to 16/01/2029G), renewable by mutual agreement between the parties.	1,672 square meters.	Not registered
Ibrahim Muhammad Ali Al-Sayyar	a. Use: Commercial premises (gym). b. Location: Al Shifa district, Riyadh.	SAR 350,000	20 years, commencing on 22/02/1430H (corresponding to 17/02/2009G) and ending on 21/02/1450H (corresponding to 14/07/2028G), renewable by mutual agreement between the parties.	25,792 square meters.	Not registered
Fahad Abdullah Sultan Al Musabbihi	a. Use: Commercial premises (gym). b. Location: Al Suwaidi district, Riyadh.	SAR 300,000	1,460 days, commencing on 10/06/1443H (corresponding to 13/01/2022G) and ending on 23/07/1447H (corresponding to 12/01/2026G), renewable by mutual agreement between the parties.	1,350 square meters.	Registered
Ali Abdulrahman Al-Tamimi	a. Use: Commercial premises (gym). b. Location: Shubra district, Riyadh.	SAR 550,000	7 years, commencing on 22/09/1445H (corresponding to 01/04/2024G) and ending on 08/12/1452H (corresponding to 31/03/2031G), renewable by mutual agreement between the parties.	4,116 square meters.	Registered
Ghazi Al-Otaibi	a. Use: Commercial premises (gym). b. Location: Al Murooj district, Tabuk.	SAR 600,000	13 years, commencing on 01/07/1446H (corresponding to 01/01/2025G) and ending on 05/12/1460H (corresponding to 31/12/2038G), renewable by mutual agreement between the parties.	2,551 square meters.	Registered
Ali Mohammed Al-Gharid	a. Use: Commercial premises (gym). b. Location: Al Faisaliah district, Tabuk.	SAR 805,000 per annum for the initial 5 years, SAR 920,000 annually for the following 5 years, and SAR 1,035,000 annually for the final 5 years.	14 years, commencing on 19/08/1442H (corresponding to 01/04/2021G) and ending on 21/01/1457H (corresponding to 31/03/2035G), renewable by mutual agreement between the parties.	3,397 square meters.	Registered
Diplomat Rent A Car, a one-person company	a. Use: Operation of a fitness club. b. Location: Khurais Rd, Riyadh.	SAR 2,000,000	20 years, commencing on 10/05/1447H (corresponding to 01/11/2025G) and ending on 20/12/1467H (corresponding to 31/10/2045G), renewable by mutual agreement between the parties.	5,062 square meters.	Registered

Lessor	Use and Location	Annual Lease Amount (SAR)	Lease Term and Renewal Mechanism (if any)	Area (square meters)	Ejar Registration Status
Saleh Abdulaziz Abdullah Al-Muqbil	a. Use: Commercial premises (gym). b. Location: Al Takhassusi St., Riyadh.	SAR 1,457,677	5,477 days, commencing on 02/01/1442H (corresponding to 21/08/2020G) and ending on 16/06/1457H (corresponding to 20/08/2035G), renewable by mutual agreement between the parties.	3,243 square meters.	Registered
Al Jawhara bint Saad bin Abdullah bin Abdulaziz Al Saud	a. Use: Commercial premises (gym). b. Location: Al Wadi district, Riyadh.	SAR 585,714	2,556 days, commencing on 10/11/1444H (corresponding to 30/05/2023G) and ending on 27/01/1452H (corresponding to 29/05/2030G), renewable by mutual agreement between the parties.	1,100 square meters.	Registered
Fatima Abdul Mohsen Salem Al-Hajri	a. Use: Commercial premises (gym). b. Location: Al Nada District, Dammam.	SAR 1,650,000	7,304 days, commencing on 21/05/1448H (corresponding to 01/11/2026G) to 01/01/1469H (corresponding to 31/10/2046G), renewable by mutual agreement between the parties.	5,649 square meters.	Registered
Ahmed Mohammed Zaid Huwaishel	a. Use: Commercial premises (gym). b. Location: Taif, Kingdom of Saudi Arabia.	SAR 1,000,000	7,304 days, from 23/07/1448H (corresponding to 01/01/2027G) to 04/03/1469H (corresponding to 31/12/2046G), renewable by mutual agreement between the parties.	5,859 square meters.	Registered
Saleh Mohammed Saleh Al-Saylam Endowment (a family endowment fund)	c. Use: Commercial premises (gym). d. Location: Buraidah, Kingdom of Saudi Arabia.	SAR 1,000,000	8,034 days, from 24/11/1445H (corresponding to 01/06/2024G) to 04/03/1469H (corresponding to 31/12/2046G), renewable by mutual agreement between the parties.	8,001 square meters.	Registered
Hamad Abdulaziz Hamad Al-Khuraif	a. Use: Commercial premises (gym). b. Location: Al Yarmuk, Kingdom of Saudi Arabia.	SAR 2,225,000	7,304 days, from 24/08/1448H (corresponding to 01/02/2027G) to 05/04/1469H (corresponding to 31/01/2047G), renewable by mutual agreement between the parties.	7,619 square meters.	Registered

11.11 Trademarks and Property Rights

The following table sets out the key details of the trademarks registered by the Company.

Table 11.14: Details of Registered Trademarks

Owner	Category	Country of Registration	Protection Start Date	Protection Expiration Date	Registration No.	Logo
The Company	41	The Kingdom	21/05/1445H (corresponding to 05/12/2023G)	20/05/1455H (corresponding to 16/08/2033G)	1445020229	شـركـة الأنـديـة للرياضة SPORT CLUBS COMPANY
The Company	41	The Kingdom	01/12/1443H (corresponding to 30/06/2022G)	30/11/1453H (corresponding to 12/03/2032G)	1443038084	EXPRESS
The Company	41	The Kingdom	30/11/1443H (corresponding to 29/06/2022G)	29/11/1453H corresponding to (11/03/2032G)	1443038078	PREMIUM
The Company	28	The Kingdom	29/12/1442H (corresponding to 08/08/2021G)	28/12/1452H (corresponding to 30/04/2031G)	1442038995	BODY EXPERTS بودي إكسبيرتس
The Company	41	The Kingdom	01/01/1437H (corresponding to 14/10/2015G)	29/12/1446H (corresponding to 25/06/2025G)	1426026316	أبطال الجسم
The Company	41	The Kingdom	02/01/1431H (corresponding to 19/12/2009G)	01/01/1451H (corresponding to 14/05/2029G)	143100026	BODY MASTERS بودي ماسترز
The Company	41	The Kingdom	15/02/1440H (corresponding to 24/10/2018G)	14/02/1450H (corresponding to 07/07/2028G)	1440004340	BODY MOTIONS بودي موشنز
The Company	41	The Kingdom	15/02/1440H (corresponding to 24/10/2018G)	14/02/1450H (corresponding to 07/07/2028G)	1440004337	

11.12 Zakat and Tax Status of the Company

The Company is subject to the applicable Zakat and tax laws and regulations in the Kingdom, including the regulations issued by ZATCA. The Company and its Subsidiary have filed their Zakat and tax returns for all financial years since incorporation up to the financial year ended 31 December 2020G on a separate basis. Since 2021G, they have filed Zakat and tax returns on a consolidated basis. Accordingly, they have obtained Zakat certificates for all previous years up to the financial year ended 31 December 2024G, which are valid until 13/11/1447H (corresponding to 30/04/2026G). However, the Company has not obtained the final Zakat and tax assessments for the years from 2019G to 2023G, as all of its Zakat and tax returns for such years are still under review by ZATCA. As for the Subsidiary, it has not obtained Zakat assessments except for the financial years ended 31 December 2019G and 2020G.

11.13 Litigation, Claims and Legal Proceedings

Except for the lawsuits and claims mentioned in this section, the Directors confirm that, as of the date of this Prospectus, neither the Company nor its Subsidiary are a party to any pending, threatened or contemplated litigation, arbitration or administrative proceeding that could individually or collectively have a material adverse effect on its financial position or results of operations.

11.13.1 Lawsuits Filed by the Company

There are currently four lawsuits filed by the Company, the details of which are summarized in the table below:

Table 11.15: Summary of Lawsuits Filed by the Company

No.	Defendant	Summary of the Lawsuit	Status of the Lawsuit	Request of the Lawsuit
1.	Former employee	Lawsuit for embezzlement filed against a former employee of the Company who served as a sales representative.	Pending	The amount in dispute is SAR 1,965,172 The Company has formed a special provision for this lawsuit.
2.	Heirs of Zakia Muhammad Ali Badr	Upon the death of the lessor, a dispute arose between her heirs, which resulted in a ruling issued by the Enforcement Court to vacate the properties belonging to the deceased lessor, including the properties leased by the Company from the deceased lessor (the "Enforcement Court Ruling"). Subsequently, the Company filed this claim before the General Court to recover possession of the property leased by the Company in Al Murooj district, in addition to the cases listed below.	Pending	Recovery of possession of a property located in Al Murooj district.
3.	Heirs of Zakia Muhammad Ali Badr	Following the issuance of the Enforcement Court Ruling, the Company filed a claim to establish the validity of the lease agreement concluded for the leased property in Al Murooj district with Mohammed Abdulaziz Ibrahim Al Muammar, one of the heirs of the late lessor, before the General Court in Riyadh.	Pending	Request for confirmation of a lease agreement for a property located in Al Murooj District.
4.	Heirs of Abdulaziz Ibrahim Mohamed bin Muammar	Upon the death of the lessor, Abdulaziz bin Ibrahim bin Muammar, a dispute arose between his heirs, which led to the issuance of a ruling by the Enforcement Court to vacate the properties belonging to the deceased lessor. Accordingly, the Company vacated the property on which the fitness club is located in Ulaishah District. Subsequently, the Company filed an inspection claim to establish the validity of the lease agreement concluded between the Company and Al Aziza Real Estate Investment and Development Company regarding the property on which the fitness club is located in Ulaishah District.	Pending	Inspection for confirmation of the status of the lease agreement for a property located in Ulaishah District.

11.13.2 Lawsuits Filed Against the Company

There are currently two lawsuits filed against the Company, the details of which are provided in the table below:

No.	Plaintiff	Summary of the Lawsuit	Status of the Lawsuit	Request of the Lawsuit
1.	Mashael Abdulaziz bin Ibrahim bin Muammar	Plaintiff filed a lawsuit regarding the property leased by the Company, located in Ulaishah district, Riyadh, requesting an assessment of the fair rental value of the leased land for the period from 13/05/1417H until the date of vacating the property, and verification and documentation of the property's current condition through an on-site inspection.	Pending	Verification and documentation of the property's current condition through an on-site inspection.
2.	A member of the Club located in the Al Salam District	The plaintiff filed a lawsuit seeking compensation for the unused portion of their membership, alleging that the Company breached the membership agreement by unilaterally altering the entry procedure to require fingerprint authentication. The plaintiff objected to this new requirement, refused to comply, and subsequently demanded compensation for the remaining duration of the membership.	Pending	SAR 1,999

11.14 Summary of the Company's Bylaws

Chapter One: Incorporation of the Company

Article 1: Incorporation

Pursuant to Royal Decree No. M/132, dated 01/12/1443H, its Implementing Regulations and these Bylaws, a Saudi joint-stock company is hereby established as follows:

Article 2: Name of the Company

Sport Clubs Company, a Saudi closed joint-stock company.

Article 3: Headquarters of the Company

The Company's head office shall be in Riyadh, and it may establish branches within or outside the Kingdom by a resolution of the Board of Directors.

Article 4: Objects of the Company

Table 11.16: The Company engages in and carries out the following objects:

Classification	Category
Construction	Construction of buildings.
Construction	Construction work related to other civil engineering projects.
Construction	Demolition.
Construction	Preparation of sites.
Construction	Building completion and finishing.
Construction	Other specialized construction activities.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Sale of motorized vehicles.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Sale, maintenance and repair of motorcycles and spare parts and accessories thereof.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Wholesale on a fee or contract basis.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Wholesale of textiles, apparel and footwear.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Wholesale of other household goods.

Classification	Category
Wholesale and retail trade and repair of motor vehicles and motorcycles	Wholesale of machinery and other equipment.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Other types of retail sales in non-specialized stores.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Retail sale of sports equipment in specialized stores.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Retail sale of apparel, footwear and leather goods in specialized stores.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Retail sale of pharmaceutical, medical, cosmetic and toiletry products in specialized stores.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Retail sale of other new goods in specialized stores.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Retail sale of textiles, apparel and footwear in kiosks and markets.
Wholesale and retail trade and repair of motor vehicles and motorcycles	Other types of retail outside of stores, kiosks and markets.
Transportation and warehousing	Warehousing.
Transportation and warehousing	Other transportation support activities.
Real estate activities	Real estate activities in owned or leased properties.
Real estate activities	Real estate activities on a fee or contract basis.
Administrative and support services	Lease of recreational and fitness equipment.
Administrative and support services	Lease of machinery, other equipment and real goods.
Administrative and support services	Private security activities.
Administrative and support services	Integrated utility support activities.
Administrative and support services	General cleaning of buildings.
Education	Education in the field of sports and recreation.
Human health and social work activities	Other human health activities.
Arts, entertainment and leisure	Creative, artistic and leisure activities.
Arts, entertainment and leisure	Fitness club activities.
Arts, entertainment and leisure	Other fitness activities.
Arts, entertainment and leisure	Theme and amusement park activities.
Arts, entertainment and leisure	Other amusement and recreational activities not classified elsewhere.
Other service activities	Repair of other personal and household goods.
Other service activities	Washing and dry cleaning of textiles and fur products.
Other service activities	Hairdressing and other types of cosmetics.
Other service activities	Other personal service activities not elsewhere classified.

The Company shall carry out its objects in accordance with applicable laws and regulations, after obtaining the necessary licenses from the competent authorities, if any.

Article 5: Term of the Company

The term of the Company is indefinite.

Article 6: Participation and Ownership in Companies

The Company may establish companies independently within the Kingdom of Saudi Arabia ("the Kingdom") or abroad, subject to the controls stipulated in the relevant laws. Furthermore, the Company may also own stocks and shares of all classes in other existing companies or merge therewith. Moreover, the Company may participate with third parties in establishing companies, after meeting the requirements of the applicable laws and directives in this regard. The Company may also dispose of such stocks or shares, provided that this does not include brokerage.

Chapter Two: Share Capital and Shares

Article 7: Share Capital

The Company's issued share capital is set at one hundred and four million Saudi Riyals (SAR 104,000,000), divided into one hundred and four million (104,000,000) nominal shares with an equal value of one Saudi Riyal (SAR 1) per share, all of which are ordinary shares in exchange for cash contributions. The total paid-up cash amount of the issued share capital, amounting to SAR 104,000,000, has been deposited in a licensed bank.

Article 8: Subscription to Shares

The Shareholders have subscribed in full to the entire issued share capital, amounting to one hundred and four million Saudi Riyals (SAR 104,000,000), all of which is fully paid-up.

Article 9: Shareholder Register

The Company shall maintain a register containing the names, nationalities, details, addresses and occupations of the Shareholders, the number of shares held by each of them, the serial numbers of the shares and the amount paid thereof. The Company may outsource the preparation of this register, which must be kept within the Kingdom.

The Company shall provide the Commercial Register with the data of the register referred to in Paragraph (1) of this Article, along with any amendments thereto, within fifteen days of the Company's registration with the Commercial Register or from the date of the amendment, as the case may be.

Article 10: Trading of Shares

The Company's shares shall be traded by virtue of an entry made in the Shareholders register. Share transfers shall not be effective vis-à-vis the Company or third parties until the date of such registration.

Article 11: Sale of Unpaid Shares

1. Shareholders shall pay the outstanding value of the share price on the dates specified for the same. If a Shareholder fails to make payment by the due date, the Board of Directors may, after notifying the Shareholder through the Managing Director, registered mail or any other modern technological means, sell such shares at a public auction or on the Exchange, as the case may be.
2. The Company shall collect the due amounts from the proceeds and return the balance to the Shareholder. If the proceeds fail to cover such amounts, the Company may recover the balance from all of the Shareholder's funds.
3. The rights attached to the unpaid shares shall be suspended until they are sold or the due amount thereof is paid in accordance with Paragraph (1) of this article. Such rights include the right to a portion of the net profits that are to be distributed and the right to attend General Assemblies and vote on resolutions thereof. However, defaulting Shareholders may, up until the date set for sale of the shares, pay the outstanding dues in addition to any expenses incurred by the Company in this regard. In such case, the relevant Shareholders shall be entitled to request their portion of the dividends to be distributed.
4. The Company shall cancel the certificates of the sold shares in accordance with the provisions of this article and issue a new share certificate for such shares bearing the same numbers as the canceled shares. A notation shall be made in the Shareholder register indicating the sale of such shares and the relevant details of the new owner.

Article 12: Reduction of Share Capital

1. The Extraordinary General Assembly may resolve to reduce the Company's share capital if it is in excess of the Company's needs or if the Company suffers losses. In the latter case only, the share capital may be reduced below the limit stipulated in Article 59 of the Companies Law. The reduction resolution shall be issued after a statement prepared by the Board of Directors is read at a General Assembly regarding the reasons for the reduction, the Company's obligations and the impact of the reduction on the fulfillment thereof. A report from the Company's auditor shall also be attached to such statement.

2. If the reduction in share capital is a result of being in excess of the Company's needs, the creditors shall be invited to express their objections, if any, to the reduction at least forty-five (45) days prior to the date specified for the Extraordinary General Assembly meeting on the reduction of share capital. The invitation shall be accompanied by a statement which sets out the amount of the share capital before and after the reduction, the date of the meeting and the effective date of the reduction. If any of the creditors objects to the reduction and submits documentation to the Company by the aforementioned deadline, the Company shall pay the relevant debt if it is due or provide the creditor with sufficient guarantee of payment thereof if such debt is due at a later date.
3. Shareholders holding shares of the same type and class shall be treated on an equal footing when reducing the share capital.

Article 13: Increase of Share Capital

1. The Extraordinary General Assembly may decide to increase the Company's issued or authorized share capital, if any, provided that the issued share capital has been paid in full. The share capital is not required to have been paid in full if the unpaid portion thereof is attributable to shares issued in consideration for the conversion of debt instruments or financing instruments into shares and the term prescribed for the conversion of such instruments has not yet expired.
2. The Extraordinary General Assembly may, in all cases, allocate the shares issued upon the increase of the share capital or part thereof to the Company's employees or its Subsidiaries or some or any of them. The Shareholders shall not be entitled to exercise their preemptive rights if the Company issues shares allocated for employees. In all cases, the nominal value of the shares resulting from the increase in share capital shall be equivalent to the nominal value of the original shares of the same type and class.
3. Shareholders owning shares at the time of the issuance of the Extraordinary General Assembly resolution approving the increase of the issued share capital or the Board resolution approving the increase thereof within the limits of the authorized share capital (if any) shall have preemptive rights in subscribing for new shares that are issued in exchange for cash contributions. Such Shareholders shall be notified, through registered mail sent to their addresses in the Shareholder register or through modern technological means, of their preemptive rights, the resolution to increase the share capital, the subscription terms and method, and the start and end date of the subscription, taking into account the type and class of shares owned thereby.
4. The Extraordinary General Assembly may suspend Shareholders' preemptive rights to subscribe for the share capital increase in consideration for cash shares or grant preemptive rights to non-Shareholders in cases it deems to be in the Company's interest.
5. Shareholders may sell or waive their preemptive rights in accordance with the controls set by the competent authority.
6. Without prejudice to the provisions of Paragraph (4) above, the new shares shall be distributed to the holders of preemptive rights who applied for subscription in proportion to their preemptive rights out of the total preemptive rights resulting from the increase in share capital, provided that the new shares distributed to such Shareholders does not exceed the number of new shares for which they applied. The balance of the new shares shall be allocated to preemptive rights holders who requested more than their respective shares in proportion to their preemptive rights out of the total preemptive rights resulting from the increase in share capital, provided that the new shares distributed to such Shareholders does not exceed the number of new shares for which they applied. The remaining shares shall be offered to third parties, unless the Extraordinary General Assembly decides otherwise.

Article 14: Preferred or Redeemable Shares

The Extraordinary General Assembly of the Company's Shareholders (hereinafter referred to as the "Extraordinary General Assembly"), in accordance with the criteria established by the competent authority, may issue preferred or redeemable shares, or may resolve to purchase or convert shares of one type or class to another. Preferred shares do not grant their holders the right to vote at General Assemblies of the Company's Shareholders, except as provided by the laws and regulations. Preferred shares shall entitle their holders to receive a higher percentage of the Company's net profits in comparison to holders of ordinary shares, after the setting aside of reserves, if any.

Article 15: Issuance of Shares

The Company's shares are nominal and may not be issued for less than their nominal value. However, they may be issued at a premium, in which case the difference in value shall be added as a separate item under the Shareholders' rights. Such premium shall not be distributed as profits to Shareholders. Shares are not divisible vis-à-vis the Company. If a share is jointly owned by several persons, they must nominate one of them to represent them in exercising the rights related to such share on their behalf. Furthermore, such persons shall be jointly responsible for the obligations arising from the ownership of the share. Shares may be split into shares of a lower nominal value or merged to represent shares of a higher nominal value, in accordance with the controls issued by the competent authorities.

Article 16: The Company's Purchase, Sale and Pledge of its Shares

1. The Company may purchase its ordinary, preferred or redeemable shares or sell, pledge or mortgage such shares in accordance with the applicable laws and regulations.
2. The Company may purchase its shares for the purpose of allocating them as treasury shares, in accordance with the applicable laws and regulations.
3. The Company may adopt and use treasury shares in an employee share scheme for the benefit of the Company's employees or its Subsidiaries whether such treasury shares were acquired through the Company's repurchase of its shares or through share issuances in accordance with Article 15 of these Bylaws, subject to the applicable laws and regulations.
4. Preferred shares shall be canceled upon the Company's purchase thereof, and the Company must undertake the requisite legal steps to reduce its share capital accordingly.

Article 17: Debt Instruments and Sukuk

The Company may issue debt instruments or Sukuk that are of equal value, tradable and indivisible, in accordance with the provisions of the Companies Law. The Company may (by way of a resolution of the Board of Directors) issue tradable debt instruments of any type, such as bonds or Sukuk, in Saudi Riyals or in any other currency, whether inside or outside the Kingdom, at such times, in such amounts and on such terms as the Board of Directors may determine. The Board shall have the power to take all necessary actions for their issuance in accordance with the Capital Market Law and other applicable laws and regulations. Furthermore, the Company may issue debt instruments or financing instruments convertible into shares, pursuant to a resolution issued by the Extraordinary General Assembly specifying the maximum number of shares that may be issued in exchange for such instruments or Sukuk, whether issued simultaneously or through a series of issuances or under one or more programs for the issuance of debt or financing instruments. The Company's Board of Directors, without needing to obtain a new approval from the Extraordinary General Assembly, may issue new shares in exchange for such instruments or Sukuk whose holders request their conversion, immediately after the end of the conversion request period specified for the holders of those instruments or Sukuk. The Company's Board of Directors shall follow the necessary procedures to amend the Company's Bylaws with respect to the number of issued shares and the share capital. The Board of Directors must register the completion of the procedures for each share capital increase with the Commercial Register.

Chapter Three: Board of Directors

Article 18: Management of the Company

a. The management of the Company shall be entrusted to a Board of Directors composed of six (6) members elected by the Ordinary General Assembly of Shareholders for a term not exceeding four (4) years.
b. The modus operandi of the Board of Directors is as follows:
   - The location of Board meetings shall be determined by the Board itself, which may hold such meetings using modern technological means.
   - The quorum for Board meetings shall be the presence of 67% of the Directors.
   - Resolutions require the approval of 51% of the Directors.
   - Directors may delegate a proxy to represent them at meetings.

Article 19: Expiration or Termination of Board Membership

The General Assembly may, upon a recommendation from the Board, terminate the membership of any Director who is absent from three consecutive meetings or five separate meetings of the Board during their membership term without a legitimate excuse acceptable to the Board.

Article 20: Expiration of the Board's Term, Resignation of Directors and Board Vacancies:

1. Prior to the expiration of its term, the Board must call for the Ordinary General Assembly to convene for the election of a new board for a new term. If it is not possible for an election to be held, and the current Board's term has expired, the Directors shall continue to perform their duties until a new board is elected, provided that the interim period of the outgoing directors does not exceed the period specified in the Implementing Regulation of the Companies Law.
2. If the Chairman and the Directors resign, they must call for the Ordinary General Assembly to convene for the election of a new board. The resignation shall not take effect until the new board is elected, and the interim period of the resigning board shall not exceed the period specified in the Implementing Regulation of the Companies Law.
3. A Director may resign from the Board by providing written notice to the Chairman. If the Chairman resigns, the notice shall be addressed to the remaining Directors and the Board Secretary. In both cases, the resignation shall take effect from the date specified in the notice.
4. If the position of a Director becomes vacant due to death or resignation and this does not impede the Board's ability to meet due to insufficient quorum, the Board may temporarily appoint a qualified individual to fill the vacant position. The Commercial Register and the CMA must be notified of such appointment within fifteen (15) days thereof. Such appointment shall be presented to the Ordinary General Assembly at its first meeting, and the temporarily appointed Director shall serve for the remainder of the term of their predecessor.
5. If the Board cannot convene due to insufficient quorum as specified in the Companies Law or these Bylaws, the remaining Directors shall convene an Ordinary General Assembly within sixty (60) days to elect the necessary number of Directors.

Article 21: Powers of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the Company in order to achieve its objectives. To this end:

1. Directors, jointly or severally, may represent the Company in its dealings with third parties. In this regard, they have the power to, inter alia, represent the Company and sign on its behalf in dealings with third parties, Government, public and private entities, notaries public, dispute resolution committees of all kinds, civil courts, police stations, chambers of commerce and industry, private entities, companies, institutions of all kinds, individuals, companies, and all Government and private financing funds, institutions, banks and financial institutions, both Saudi and non-Saudi.
2. Directors, jointly or severally, shall have the authority to sign all types of contracts, documents and instruments, including, but not limited to, articles of association of companies in which the Company holds shares, along with all amendment resolutions and amendments thereto and supplements thereof; signing agreements, contracts, and participation in tenders, as well as loan agreements, guarantees, pledges, mortgages, lease agreements, purchase and sale and transfer of property agreements (including real estate, land and shares); in addition to all other contracts and agreements. The Directors also have the power to receive and pay amounts; open bank accounts within and outside the Kingdom; open and settle letters of credit; withdraw and deposit from the Company's accounts with banks within and outside the Kingdom; issue all types of bank guarantees; and sign all papers, documents, checks, and all banking transactions. Directors, jointly or severally, shall have the authority to enter into commitments, loans, or financial facilities of any duration.
3. The Board of Directors shall have the authority to establish and form Board committees and prepare and approve all matters related to corporate governance, as well as internal manuals and policies related to the Company's operations and development, including, but not limited to, the Company's internal financial, administrative and technical regulations, in addition to employee regulations, except for committees, policies and regulations that require the approval of the General Assembly.

4. The Board of Directors shall have the authority to establish subsidiaries, participate in other companies in accordance with the Company's best interests, determine their share capital, approve the sale of shares and stocks therein, and amend their articles of association.
5. The Board of Directors shall have the authority to hire and terminate employees; determine their remuneration; apply for and obtain visas, residency permits and work permits; recruit employees; transfer their services; and issue financial and administrative regulations, as well as all regulations necessary for the Company's operations. The Board of Directors shall have the authority to engage such Saudi and non-Saudi advisors and experts as they deem necessary and to determine their remuneration and financial entitlements.
6. The Board of Directors shall have the authority to settle, waive, contract, commit, undertake and act on behalf of the Company. They shall also have the right to litigate on behalf of the Company, collect its debts, and accept settlements and arbitration, subject to the provisions of the applicable laws.
7. The Board of Directors shall have the authority to issue powers of attorney and delegate some or all of these powers by means of a power of attorney or any other written authorization to another person or persons. They shall also have the authority to delegate to the Company's Management the power to sign on behalf of the Company within the limits set by the Board.
8. The Board of Directors shall have the authority to release the debtors of the Company from their obligations in accordance with the best interests of the Company and in compliance with the applicable accounting standards for debt write-off.
9. The Board of Directors shall obtain the approval of the General Assembly for the sale of Company assets, in cases where the value of such assets exceeds 50% of the value of its total assets, whether the sale is made through one or more transactions. In such case, the transaction which leads to the sale of more than 50% of the value of assets shall require the General Assembly's approval. The said percentage shall be calculated from the date of conclusion of the first transaction within the previous twelve (12) months.
10. The Board of Directors may delegate one or more of its members or of third parties to undertake a specific action(s) that fall(s) under its competence.

Article 22: Remuneration of Directors

1. The remuneration of Directors shall consist of a percentage of the net profits, in-kind benefits, attendance fees, a fixed amount, or as determined by the General Assembly.
2. The report of the Board of Directors to the annual General Assembly shall include a comprehensive statement of all remuneration, attendance fees, expense allowances, and other benefits received or entitled to be received by each Director during the financial year. Furthermore, such report shall include a statement of all amounts received by the Directors in their capacity as employees or executives, or in consideration for any technical, administrative or consulting work performed. Additionally, the report shall include a statement of the number of Board meetings held and the number of meetings attended by each Director.

Article 23: Powers of the Chairman, Vice-Chairman, Managing Director and Secretary

1. The Board of Directors shall appoint a Chairman and a Vice Chairman from among its members. The Board of Directors shall appoint a Secretary from among its members or third parties.
2. The Chairman shall convene and preside over meetings of the Board; represent the Company in its relationship with third parties and before all Government entities, companies, individuals, courts of all levels and classes, notaries public, the Board of Grievances, offices for the resolution of disputes pertaining to commercial papers, arbitration tribunals, and chambers of commerce and industry of all types and classes. To this end, the Chairman shall have the authority to plead and defend on behalf of the Company; submit evidence and documents; conclude settlements, waivers, and releases; deny, discharge and acknowledge; request an oath to be taken within the limits of the resolutions issued by the Board; receive judgments; appeal and enforce judgments. Additionally, the Chairman shall follow up with the MoC and the Ministry of Investment; apply for, make additions to and deletions from, request copies in lieu of lost, amend, write off and cancel commercial registers and licenses. The Chairman shall have the authority to sign the articles of association of companies established by the Company, whether or not established solely thereby, including increases in the share capital of such companies, as well as to sign other contracts, instruments, and title deed transfers before notaries public and public and private authorities. Furthermore, the Chairman shall have the authority to sign contracts, loan agreements and other financial agreements, mortgages, and leases as determined by the Board of Directors. Moreover, the Chairman shall have the authority to delegate or authorize third parties, pursuant to a written resolution,

to perform a certain act(s) that fall under their powers. In the absence of the Chairman, the Vice-Chairman shall assume the duties of the Chairman.

3. The Board of Directors shall appoint the Company's CEO who shall be responsible for managing, operating and overseeing the Company's day-to-day affairs in accordance with the directives and decisions of the Board of Directors. The CEO shall have such powers and authorities as may be determined by the Board of Directors.
4. The Board of Directors shall appoint a Secretary selected from among its members or from others.
5. The Chairman of the Board may, by way of a written resolution, delegate some of their powers to other Directors or third parties to carry out specific tasks or duties. In the event of the Chairman's absence, the Vice-Chairman shall act in their place, provided that the Board of Directors has appointed a Vice-Chairman.

Article 24: Deliberations of the Board

1. The deliberations and resolutions of the Board of Directors shall be recorded in minutes prepared by the Secretary and signed by the Chairman of the meeting, the attending Directors, and the Secretary.
2. Such minutes shall be recorded in a dedicated register signed by the Chairman and the Secretary.
3. Modern technological means may be used to sign and record deliberations, resolutions and minutes.

Article 25: Board Meetings

1. The Board of Directors shall convene at least four times a year at the invitation of the Chairman. The Chairman shall call for a Board meeting whenever any Director so requests in writing to discuss one or more matters.
2. The Board of Directors shall determine the location for holding its meetings and may hold its meetings using modern technological means.

Article 26: Quorum for Board Meetings and Board Resolutions

1. Meetings of the Board of Directors shall not be valid unless attended by at least four Directors in person. A Director may be represented by another Director at Board meetings, subject to the following conditions: (a) a Director may not represent more than one Director in attending the same meeting; (b) the delegation shall be confirmed in writing and shall be for a specific meeting; and (c) a Director acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.
2. Resolutions of the Board shall be adopted by a majority of the votes of the Directors present in person or by proxy. In the event of a tie vote, the Chairman of the meeting shall have the casting vote.
3. The Board of Directors may issue resolutions on urgent matters by circulation to all Directors, unless a Director submits a written request for a Board meeting to deliberate such matters. Resolutions shall be passed by the majority vote of the Directors. Such resolutions shall be presented to the Board of Directors at the following Board meeting to be recorded in the minutes of such meeting.
4. Board resolutions shall take effect from the date of their issuance, unless otherwise stipulated for entry into effect at another time or upon the fulfillment of certain conditions.

Chapter Four: Shareholder Assemblies

Article 27: Call for Assemblies

1. General and Special Assemblies of Shareholders shall convene at the invitation of the Board of Directors. The Board of Directors shall call for the Ordinary General Assembly to convene within thirty days from the date of the request of the Auditor or one or more Shareholders representing at least ten percent of the Company's shares with voting rights. The Auditor may call for the Ordinary General Assembly to convene if the Board does not send the invitation within thirty days from the date of Auditor's request.
2. The request referred to in Paragraph (1) of this article shall specify the matters on which the Shareholders are required to vote.
3. The invitation to convene the Assembly shall be sent at least twenty-one days prior to the date specified therefor, in accordance with the provisions of the law, subject to the following:

a. Shareholders shall be notified by registered mail sent to their addresses recorded in the Shareholder register, or by announcement of the invitation through modern technological means; and

b. a copy of the invitation and meeting agenda shall be sent to the Commercial Register, and if the Company is listed on the Exchange at the time the invitation is announced, a copy shall also be sent to the CMA.

4. The invitation for the Assembly shall include the following as a minimum:

   a. a statement specifying the persons entitled to attend the Assembly meeting and their right to appoint a proxy other than a Director, as well as a statement specifying the rights of Shareholders to discuss the items on the meeting agenda, ask questions and exercise their voting rights;

   b. the location, date and time of the meeting;

   c. the type of Assembly, whether general or special; and

   d. the meeting agenda, including the items on which Shareholders are required to vote.

Article 28: Quorum of Ordinary General Assembly Meetings

1. Ordinary General Assembly meetings shall not be valid unless attended by Shareholders representing at least a quarter of the Company's voting shares.
2. If such quorum is not met in accordance with Paragraph (1) of this article, an invitation shall be sent for a second meeting to be held under the same conditions stipulated in Article 91 of the Companies Law within thirty days of the date specified for the initial meeting. However, a second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to the first meeting refers to the possibility of a second meeting being held. In all cases, the second meeting shall be deemed valid irrespective of the number of the voting shares represented therein.

Article 29: Extraordinary General Assembly Meetings

1. Extraordinary General Assembly meetings shall not be valid unless attended by Shareholders representing at least half of the Company's voting shares.
2. If such quorum is not met in accordance with Paragraph (1) of this article, an invitation shall be sent for a second meeting to be held under the same conditions stipulated in Article 91 of the Companies Law. However, a second meeting may be held one hour after the end of the period specified for the first meeting, provided that the invitation to the first meeting refers to the possibility of a second meeting being held. In all cases, the second meeting shall be deemed valid if attended by Shareholders representing at least one quarter of the voting shares.
3. If the necessary quorum for the second meeting is not met, an invitation shall be sent for a third meeting to be held under the same conditions stipulated in Article 91 of the Companies Law. The third meeting shall be deemed valid irrespective of the number of voting shares represented therein.

Article 30: Voting in Assemblies

Cumulative voting shall be used to elect the members of the Board of Directors. Directors may not vote on Assembly resolutions that relate to business and contracts in which they have a direct or indirect interest or that involve a conflict of interest.

Article 31: Assembly Resolutions

1. Resolutions of the Ordinary General Assembly shall be passed by the majority vote of the voting rights represented in the meeting.
2. Resolutions of the Extraordinary General Assembly shall be passed by the vote of two-thirds of the voting rights represented in the meeting. Resolutions relating to the increase or reduction of share capital, extension of the Company's term, dissolution of the Company before the expiry of the period specified in its Bylaws, merger of the Company with another company, or division of the Company into two or more companies shall be deemed valid only if passed by the vote of three-quarters of the voting rights represented in the meeting.

Article 32: Deliberations at Assemblies

Shareholders may discuss the items included on the agenda of the General Assembly and direct questions thereon to the Directors and the Auditor. The Board of Directors or the Auditor shall answer the questions of Shareholders to the extent that does not jeopardize the Company's interests. If a Shareholder is not satisfied with the response to their question, they may request the General Assembly to decide thereon and its decision shall be final.

Article 33: Preparation of Assembly Meeting Minutes

Minutes shall be maintained for Assembly meetings which shall indicate the number of Shareholders in attendance, whether in person or by proxy; the number of shares held by each attendee, whether in person or by proxy; the number of votes designated thereto; the resolutions adopted; the number of consenting and dissenting votes; and a summary of the deliberations that took place at the meeting. Minutes shall be recorded on a regular basis after every meeting in a dedicated register signed by the Assembly Chairman, Secretary and the vote collectors.

Article 34: Attendance of Assemblies

1. Shareholder General Assembly meetings shall be chaired by the Chairman, the Vice-Chairman in the Chairman's absence, or any Director designated by the Board of Directors in the absence of both the Chairman and Vice-Chairman. If none of the above is possible, the Shareholders shall vote to designate a Director or any other person to chair the General Assembly meeting.
2. Each Shareholder shall have the right to attend General Assembly meetings, and they may appoint another person who is not a member of the Board of Directors to attend the General Assembly meeting on their behalf.
3. General Assembly meetings may be held and Shareholders may participate in deliberations and vote on resolutions by means of modern technology.

Chapter Five: Auditor

Article 35: Appointment of the Auditor

(1) The Company shall have one or more auditors from among those licensed to practice in the Kingdom. The annual appointment, fees and term of the Auditor shall be determined by the Ordinary General Assembly. The Ordinary General Assembly may replace the Auditor at any time, without prejudice to the Auditor's right to compensation if the replacement occurs at an inappropriate time or for an unjustified reason. (2) The Auditor may be dismissed by a resolution of the General Assembly, and the Chairman shall notify the competent authority of the decision to remove the Auditor and the reasons therefor within five (5) days from the date of such resolution. (3) The Auditor may resign pursuant to a written notice submitted to the Company. Their assignment shall terminate from the date of submission of the resignation notice or at a later date as specified therein, without prejudice to the Company's right to compensation for any damage incurred thereby, if justified. The resigning Auditor shall, upon submission of the notice, provide the Company and the competent authority with the reasons for their resignation. The Board of Directors shall call the General Assembly to convene in order to review said reasons and to appoint another auditor and determine their fees, term and the scope of their work.

Article 36: Powers of the Auditor

The Auditor may, at any time, access the Company's files, accounting records, and other supporting documents, and they may request any information and clarifications they deem necessary to verify the Company's assets and liabilities as well as any other matters falling within their scope of work. The Board of Directors shall enable the Auditor to carry out their duties. If the Auditor encounters any difficulty in carrying out their duties, they shall submit a report to this effect to the Board of Directors. If the Board of Directors fails to facilitate the Auditor's work, the Auditor shall submit a request thereto to call for a meeting of the General Assembly in order to review the matter. If the Board of Directors fails to call for the said meeting within thirty days from the date of the Auditor's request, the Auditor may call for such a meeting.

Chapter Six: Company Finances and Dividend Distributions

Article 37:

The Company's financial year shall be twelve (12) calendar months commencing on the 1st of January and ending on the 31st of December.

An independent budget shall be prepared for the transition period resulting from the adjustment of the financial year.

Article 38: Financial Documents

1. The Board of Directors shall, at the end of the Company's financial year, prepare the Company's financial statements as well as a report on its activities and financial position for the ending financial year. Said report shall include a proposal on the manner of dividend distributions. The Board shall make such documents available to the Auditor, if any, at least forty-five days prior to the date set for the annual Ordinary General Assembly meeting.
2. The documents referred to in Paragraph (1) of this Article shall be signed by the Chairman of the Company's Board of Directors and its CEO and CFO, if any. Copies of such documents shall be maintained at the Company's headquarters and made available to Shareholders.
3. The Chairman shall provide the Shareholders with the Company's financial statements and the Board of Directors' report after signature of the same, as well as the Auditor's report, if any, unless they are published using modern technological means, at least twenty-one days prior to the date set for the annual Ordinary General Assembly meeting. The Chairman shall also deposit such documents in accordance with the relevant Implementing Regulation of the Companies Law.

Article 39: Entitlement to Dividends

1. Shareholders shall be entitled to their share of dividends pursuant to a resolution issued by the General Assembly. The resolution shall specify the eligibility and distribution dates. Shareholders registered in the Shareholder register by the end of the eligibility date shall be entitled to receive dividends. The Board of Directors must implement the resolution of the General Assembly with respect to the distribution of dividends to Shareholders.

Article 40: Company Losses

If the Company's losses amount to half (1/2) of the issued share capital, the Board of Directors shall, within 60 days from the date of its knowledge thereof, announce the losses and its recommendations relating thereto, and shall, within 180 days from said date, call for an Extraordinary General Assembly meeting to consider the continuation of the Company by taking measures necessary to remedy such losses or decide on the dissolution of the Company.

Article 41: Distribution of Dividends

1. When determining the portion of the Shares in the net profits, the Ordinary General Assembly may decide to form reserves to the extent that serves the interest of the Company or ensures the distribution of fixed dividends - as much as possible - to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to achieve social purposes for the Company's employees.
2. The General Assembly shall determine the percentage of net profits to be distributed to Shareholders after the deduction of reserves, if any.
3. The Board of Directors may declare and distribute interim dividends to Shareholders, subject to the relevant laws and regulations.

Article 42: Distribution of Dividends for Preferred Shares

If the Company decides to issue preferred shares and the right to obtain a fixed percentage of the Company's annual profits on a yearly basis or a higher percentage in the net profits than holders of ordinary shares, and the Company generates sufficient annual profits to meet the prescribed percentage and has not distributed such percentage to the holders of preferred or redeemable shares for three consecutive years, the Special Assembly of holders of such preferred or redeemable shares, held in accordance with the provisions of Article 89 of the Companies Law, may decide to attend the meetings of the Company's General Assembly and participate in voting, provided that each preferred share shall grant one vote, until the Company is able to distribute the dividends allocated to the holders of such shares for previous years.

Chapter Seven: Termination and Liquidation of the Company

Article 43: Termination of the Company

The Company shall be terminated for any of the reasons stipulated in Article 243 of the Companies Law. Upon termination, the Company shall enter into liquidation in accordance with the provisions Chapter 12 of the Companies Law. If the Company is terminated and its assets are not sufficient to pay its debts, or if it is distressed under the Bankruptcy Law, it shall petition the competent judicial authority to initiate any liquidation procedures under the Bankruptcy Law.

Article 44: Liability Action:

1. The Company may file a liability claim against the Directors due to violations of the provisions of the Companies Law or these Bylaws, or due to faults, negligence or failure to perform their work resulting in damages to the Company. The General Assembly shall decide to file this claim and appoint someone to represent the Company in following up on the same. If the Company is in liquidation, the liquidator shall file such claim. In the event that any liquidation procedures are initiated against the Company in accordance with the Bankruptcy Law, such claim shall be filed by its legal representative.
2. One or more Shareholders who represent five percent (5%) of the Company's share capital may file a liability action for the Company if the Company does not file such action, taking into account that the main objective of the filing thereof shall be to achieve the interests of the Company and that the claim is based on a sound basis, the plaintiff is in good faith, and the plaintiff is a Shareholder in the Company at the time the action is filed.
3. To file the action referred to in Paragraph (2), the Company's Board of Directors shall be informed of the intention to file such action at least fourteen (14) days prior the date of the filing thereof.
4. A Shareholder may file a liability action against the Directors if they have committed a fault that has caused personal damage to such Shareholder.

Chapter Eight: Concluding Provisions

Article 45: Concluding Provisions

1. The Company shall be subject to the laws in force in the Kingdom of Saudi Arabia.
2. Any text in these Bylaws that contravenes the provisions of the Companies Law shall not be valid and the provisions contained in the Companies Law shall be applied thereto. Absence of a specific provision in these Bylaws shall be subject to the provisions of the Companies Law and its Implementing Regulation.
3. The founders confirm the accuracy of the information and provisions contained in these Bylaws and their compliance with the Companies Law issued by Royal Decree M/132, dated 01/12/1443H, its Implementing Regulations, and all requirements and directives issued by the MoC in accordance with the law. Furthermore, the founders accept responsibility for all legal and financial consequences that may arise therefrom. Furthermore, the founders acknowledge the Ministry's right to enforce legal action in the event of any violation or discrepancy in the provisions of the Bylaws.

Article 46: Publication

1. These Bylaws shall be deposited and published in accordance with the Companies Law and its Implementing Regulations.

11.15 Description of Shareholder Rights

11.15.1 Voting Rights

Each Shareholder shall have one vote for every share represented by them in the General Assemblies. Cumulative voting shall be used in electing the Board of Directors. Voting rights attached to shares may not be used more than once. Preferred shares do not grant the right to vote in General Assemblies of the Company's Shareholders, except as specified in the laws and regulations.

11.15.2 Entitlement to Dividends

Shareholders shall be entitled to their share of dividends pursuant to a resolution issued by the General Assembly. The resolution shall specify the eligibility and distribution dates. Shareholders registered in the Shareholder register by the end of the eligibility date shall be entitled to receive dividends. The Board of Directors must implement the resolution of the General Assembly with respect to the distribution of dividends to Shareholders. If the Company decides to issue preferred shares and the right to obtain a fixed percentage of the Company's annual profits on a yearly basis or a higher percentage in the net profits than holders of ordinary shares, and the Company generates sufficient annual profits to meet the prescribed percentage and has not distributed such percentage to the holders of preferred or redeemable shares for three consecutive years, the Special Assembly of holders of such preferred or redeemable shares, held in accordance with the provisions of Article 89 of the Companies Law, may decide to attend the meetings of the Company's General Assembly and participate in the voting, provided that each preferred share shall grant one vote, until the Company is able to distribute the dividends allocated to the holders of such shares for previous years.

11.15.3 Redemption or Repurchase Rights

The Company may purchase its ordinary, preferred or redeemable shares and sell, pledge and mortgage such shares in accordance with the applicable laws and regulations. The Company may purchase its shares for the purpose of allocating them as treasury shares, in accordance with the applicable laws and regulations. The Company may adopt and use treasury shares in an employee share scheme for the benefit of the Company's employees or its Subsidiaries, whether such treasury shares were acquired through the Company's repurchase of its shares or through share issuances in accordance with the Company's Bylaws, subject to applicable laws and regulations. Preferred shares shall be canceled upon the Company's purchase thereof, and the Company must undertake the requisite legal steps to reduce its share capital accordingly.

11.15.4 Rights to Asset Surplus upon Liquidation or Dissolution

Pursuant to Article 255 of the Companies Law, the liquidation surplus shall be distributed among Shareholders after repayment of indebtedness in proportion to their shares in the capital, unless the Company's Bylaws stipulate otherwise.

11.15.5 Amendment of the Rights of Shareholders

Shareholders' rights related to obtaining a portion of the dividends to be distributed, obtaining a share in the Company's asset surplus upon liquidation, attending General Assemblies, participating in their deliberations and voting on their decisions, disposing of shares as per the provisions of the Companies Law, requesting access to the Company's books and documents, monitoring the work of the Company's Board of Directors, filing liability action against Directors and challenging the validity of the General Assembly decisions (as per the conditions and restrictions contained in the Companies Law and the Company's Bylaws) are wholly derived from the Companies Law and cannot be amended.

The Company's Bylaws may only be amended by a resolution of the Extraordinary General Assembly. Resolutions of an Extraordinary General Assembly meeting shall be passed by the vote of two-thirds (2/3) of the shares represented in the meeting. Resolutions relating to the increase or reduction of share capital, extension of the Company's term, dissolution of the Company before the expiry of the period specified in its Bylaws, merger of the Company with another company, or division of the Company into two or more companies shall be deemed valid only if passed by the vote of three-quarters (3/4) of the shares represented in the meeting.

12. Underwriting

The Underwriter (Saudi Fransi Capital), the Company and the Selling Shareholders have entered into an Underwriting Agreement (the "Underwriting Agreement"), under which the Underwriter has undertaken to fully underwrite the Offering of 34,320,000 ordinary shares, subject to the terms and conditions contained in the Underwriting Agreement. The name and address of the Underwriter are set out below:

12.1 Underwriter

BSF Capital
King Fahd Road 8092
P.O. Box 23454
Riyadh 3735 – 12313
Kingdom of Saudi Arabia
Tel: +966 (11) 282 6666
Fax: +966 (11) 282 6823
Website: www.bsfcapital.sa
Email: SCC.IPO@BSFCapital.sa

The following are the key provisions of the Underwriting Agreement:

12.2 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement:

a. The Company and the Selling Shareholders undertake to the Underwriter that, on the first business day following the allocation of the Offer Shares after the end of the Offering Period, they shall:

   1. issue, sell and allocate the Offer Shares to Individual Investors or Participating Entities whose subscription applications have been accepted as per the final allocation, as applicable; and
   2. issue, sell and allocate the Offer Shares that were not purchased by Individual Investors or Participating Entities to the Underwriter, as applicable.

b. The Underwriter undertakes to the Company and the Selling Shareholders that, on the allocation date, it shall purchase any Offer Shares that have not been subscribed for by Individual Investors or Participating Entities, in accordance with the following:

Table 12.1: Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
BSF Capital	34,320,000 ordinary shares	100%

Source: The Company.

The Company and the Selling Shareholders undertake to abide by all provisions of the Underwriting Agreement.

12.3 Underwriting Costs

The Company and the Selling Shareholders shall pay to the Underwriter an underwriting fee based on the total value of the Offering. In addition, the Company and the Selling Shareholders have agreed to pay the expenses and costs related to the Offering.

13. Expenses

The expenses and costs related to the Offering are estimated at approximately SAR 25,000,000, including the fees of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, Legal Advisor, Financial Due Diligence Advisor, Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriter, Receiving Agents and the Market Consultant, in addition to marketing, printing, distribution and other expenses related to the Offering, as well as regulatory fees. All Offering Expenses will be deducted from the total Offering Proceeds and apportioned between the Company and the Selling Shareholders on a pro rata basis based on the number of Offer Shares sold by the Selling Shareholders or issued by the Company for the purpose of increasing the share capital.

14. Post-Listing Undertakings

After listing, the Company undertakes to:

a. Fill out Form 8 (related to compliance with the CGRs) and provide the relevant justifications if it fails to meet any of the requirements set out in the CGRs.

b. Notify the CMA of the date of the first post-listing General Assembly meeting, so that a representative thereof may attend.

c. Submit all business and contracts in which any Director has a direct or indirect interest to the General Assembly for approval (in accordance with the Companies Law and the CGRs), provided that the interested Director refrains from participating in voting on resolutions issued in this regard by the Board of Directors and General Assembly (for further information regarding the transactions of the Company in which the Directors have an interest, please refer to Section 5.9 (*Conflicts of Interest*)).

d. Disclose material developments related to the Company and the projects mentioned in Section 4.13 (*Future Plans and Initiatives*).

e. Comply with the provisions of the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules and the CGRs immediately upon listing.

f. Call for a General Assembly meeting to update the Company's Bylaws immediately upon listing.

Accordingly, upon admission to listing, the Directors undertake to:

a. Record all resolutions and deliberations in the form of written meeting minutes signed by the meeting Chairman, the attending Directors and the Secretary.

b. Disclose the details of any Related Party transactions in accordance with the Companies Law and the CGRs.

c. Notify the Board of their direct or indirect personal interests in the business and contracts concluded for the benefit of the Company and record such notification in the minutes of the Board meeting.

15. Waivers

The Company has not applied to the CMA for any waivers of any regulatory requirements.


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16. Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offering of the Offer Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations, and an application to the Exchange for the listing of the Shares in accordance with the Listing Rules.

All Subscribers must read the subscription terms and conditions carefully before completing the Subscription Application Form or Bid Form. Signing the Subscription Application Form or Bid Form and submitting it to the Bookrunner or any of the Receiving Agents is deemed as acceptance and approval of the subscription terms and conditions.

16.1 Subscription for the Offer Shares

The public Offering consists of 34,320,000 ordinary shares, which consist of: (1) the sale of 23,920,000 existing ordinary shares; and (2) the issuance of 10,400,000 new ordinary shares, at an Offer Price of SAR 7.5 per share, inclusive of a fully paid nominal value of one Saudi Riyal (SAR 1) per share. The Sale Shares represent 20.91% and the New Shares will represent 9.09% of the Company's share capital upon completion of the Offering, amounting to a total of 30% of the Company's share capital after the issuance of the New Shares and the Company's capital increase, with a total value of SAR 257,400,000. The CMA has the right to suspend the Offering if, at any time after its approval of this Prospectus and before admission to listing of the Shares on the Exchange, a material adverse change occurs in relation to the Company's operations.

The Offering is restricted to two tranches of investors as follows:

Tranche A: Participating Parties

This tranche comprises the parties that are entitled to participate in the book-building process in accordance with the Book Building Instructions. The number of Offer Shares that will be provisionally allocated to the Participating Entities is 34,320,000 Offer Shares, representing 100% of the total number of Offer Shares. Final allocation shall be made after the end of the subscription period for Individual Investors. If there is sufficient demand from Individual Investors, the Financial Advisor, in coordination with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Entities to a minimum of 27,456,000 Offer Shares, representing 80% of the total number of Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Entities using the discretionary allocation mechanism. Accordingly, certain Participating Entities may not be allocated any Offer Shares. Provisionally, and in the event there is sufficient demand from public funds, 10,296,000 ordinary shares will be allocated to the public funds category, representing 30% of the total number of Offer Shares. If there is sufficient demand from Individual Investors for the Offer Shares, the Financial Advisor shall have the right to reduce the number of shares allocated to public funds to a minimum of 8,236,800 ordinary shares, representing 24% of the total number of Offer Shares after completion of the subscription process for Individual Investors.

Tranche B: Individual Investors

This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a non-Saudi husband, who may subscribe in her name or in the names of her minor children, provided that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case who have an investment account and an active portfolio with a Receiving Agent and are entitled to open an investment account with a Capital Market Institution. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be deemed void, and only the first subscription will be considered. A maximum of 6,864,000 Offer Shares will be allocated to Individual Investors, representing 20% of the Offer Shares. In the event that Individual Investors do not subscribe for all of the Offer Shares allocated thereto, the Financial Advisor, in coordination with the Company, may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares to which they subscribed.

16.2 Book Building and Subscription by Participating Entities

a. The price range shall be determined during the Book Building Process and shall be made available to all Participating Parties by the Financial Advisor, in coordination with the Company and the Selling Shareholders. The number and percentage of Offer Shares to be allocated to Participating Entities shall be determined by the Financial Advisor, in coordination with the Company, using the discretionary allocation mechanism.

b. Participating Entities must submit applications to participate in the book-building process by filling out Bid Forms. Participating Entities may amend or cancel their bids at any time during the book-building period, provided that such change is made by submitting an amended or appended Bid Form (where applicable) before determination of the Offer Price prior to the commencement of the Offering Period. The number of Offer Shares to be subscribed for by each of the Participating Entities must not be less than 100,000 Offer Shares and not more than 5,719,999 Offer Shares. In relation to public funds only, the number of Offer Shares subscribed for must not exceed the maximum limit for each participating public fund, as determined in accordance with the Book-Building Instructions, The Bookrunner shall notify the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated thereto using the discretionary allocation mechanism. Accordingly, certain Participating Entities may not be allocated any Offer Shares. Subscriptions by Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, in accordance with the subscription terms and conditions detailed in the Subscription Application Forms.

c. All Participating Entities must submit accurate and allocable applications. Participating Entities must not submit false or exaggerated subscription applications with the aim of obtaining a larger allocation. Furthermore, Participating Entities must have the ability to cover the application in cash or by making the necessary arrangements to cover the value of the application from the submission of the Bid Form until the final allocation.

d. After completion of the book-building process for Participating Entities, the Financial Advisor shall announce the percentage of coverage by Participating Entities.

e. The Financial Advisor and the Company shall have the authority 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 is consistent with the tick size applied by the Exchange.

16.3 Subscription by Individual Investors

Each Individual Subscriber must subscribe for a minimum of ten Offer Shares and a maximum of 250,000 Offer Shares. Subscription Application Forms may not be amended or withdrawn once they have been submitted.

Individual Investors wishing to subscribe for the Offer Shares must submit subscription applications electronically via the Receiving Agents' websites and electronic platforms that offer such service to Subscribers, or through any other means provided by the Receiving Agents, through which Individual Investors will be able to subscribe for the Company's shares during the Offering Period, provided that:

a. the Individual Subscriber has an investment account and an active portfolio at a Receiving Agent that offers such services;

b. there have been no changes in the personal information of the Individual Subscriber since they last participated in a recent IPO; and

c. Individual Investors who are not Saudi or GCC nationals must have an active stock portfolio with the Receiving Agent through which they intend to subscribe.

A signed Subscription Application Form constitutes a binding agreement between the Selling Shareholders, the Company and the relevant Individual Subscriber submitting such application to the Receiving Agents.

Individual Investors may obtain a copy of this Prospectus from the websites of Company (www.sportclubs.com.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.bsfcapital.sa):

Receiving Agents	
BSF Capital 8092 King Fahd Road P.O. Box 23454 Riyadh 12313-3735 Kingdom of Saudi Arabia Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.bsfcapital.sa Email: IPO_BSFC@BSFCapital.sa	BSF Capital
Al Rajhi Capital Head Office, King Fahd Road, Al Murooj District P.O. Box 5561, Riyadh 12263 Kingdom of Saudi Arabia Tel: +966 (11) 920005856 Fax: +966 (11) 4600625 Website: www.alrajhi-capital.com Email: InvestmentBankingTeam@alrajhi-capital.com	الراجحي المالية alrajhi capital
Albilad Investment Company King Fahd Road, Al Olaya, Riyadh P.O. Box 3701 Riyadh 12313 Kingdom of Saudi Arabia Tel: +966 (11) 920003636 Fax: +966 (11) 2906299 Website: www.albilad-capital.com Email: investmentbanking@albilad-capital.com	البلاد المالية Albilad Capital
Riyad Capital Unit No. 69, 2414 - Al Shohda District P.O. Box 13241, Riyadh 7279 Kingdom of Saudi Arabia Tel: +966 (11) 4865649 Fax: +966 (11) 4865908 Website: www.riyadcapital.com Email: ask@riyadcapital.com	الرياض المالية Riyad Capital
SNB Capital Building No. 7347, King Saud Street, Al Murabba District P.O. Box 2575 Riyadh 12624 Kingdom of Saudi Arabia Tel: +966 (11) 920000232 Fax: +966 (11) 4060052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com.sa	SNB كابيتال
ANB Capital ANB Capital Building, King Faisal Street P.O. Box 220009 Riyadh 11311 Kingdom of Saudi Arabia Tel: +966 (11) 4062500 Fax: +966 (11) 4062548 Website: www.anbcapital.com.sa Email: investment.banking@anbcapital.com.sa	anb capital

Receiving Agents
Derayah Financial 3rd Floor, Prestige Center, Al Takhassusi Street, Riyadh Kingdom of Saudi Arabia Tel: +966 (11) 2998000 Fax: +966 (11) 498 Website: www.derayah.com Email: support@derayah.com
SAB Invest Al Olaya Main Road P.O. Box 1467 Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (11) 8001242442 Fax: +966 (11) 2169102 Website: www.sabinvest.com Email: customercare@sabinvest.com
Alinma Investment Company Al Anoud Tower 2, King Fahd Road P.O. Box 55560 Riyadh, 11544 Kingdom of Saudi Arabia Tel: +966 (11) 2185999 Fax: +966 (11) 2185970 Website: www.alinmainvestment.com Email: info@alinmainvest.com
Alistithmar for Financial Securities and Brokerage Company King Fahd Road, Riyadh P.O. Box 6888 Riyadh 11452 Kingdom of Saudi Arabia Tel: +966 (11) 2547666 Fax: +966 (11) 4896253 Website: www.icap.com.sa Email: WebEcare@icap.com.sa
Yaqeen Capital Al Worood District, Al Olaya Street, Riyadh P.O. Box 884 Riyadh 11421 Kingdom of Saudi Arabia Tel: +966 (11) 8004298888 Fax: +966 (11) 2054827 Website: www.yaqeen.sa Email: addingvalue@yaqeen.sa
Aljazira Capital King Fahd Branch Road, Al Rahmaniyah P.O. Box 20438 Riyadh, 11455 Kingdom of Saudi Arabia Tel: +966 (11) 2256000 Fax: +966 (11) 2256182 Website: www.aljaziracapital.com.sa Email: contactus@aljaziracapital.com.sa

Receiving Agents
Alkhabeer Capital Madinah Road, Jeddah P.O. Box 128289 Jeddah 21362 Kingdom of Saudi Arabia Tel: +966 (11) 6129345 Fax: +966 (11) 6856663 Website: www.alkhabeer.com Email: info@alkhabeer.com
Sahm Capital Financial Company King Abdullah Financial District, Tower 305 Riyadh 13519 Kingdom of Saudi Arabia Tel: +966 (11) 4145260 Website: www.sahmcapital.com Email: info@sahmcapital.com
GIB Capital Low Rise Buildings, Building No. B1 Granada Business and Residential Park Eastern Ring Road P.O. Box 89589, Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 8001240121 Website: www.gibcapital.com Email: customercare@gibcapital.com
Musharaka Capital Prince Turkey Street, Alkurnaish, Al Khobar 34413, Kingdom of Saudi Arabia, Tel: +966 92000 6811 Fax: +966 13 881 8412 Website: www.musharaka.sa Email: receiving-entity@musharaka.sa
EFG Hermes KSA Third Floor, Northern Tower, Sky Towers, King Fahd Road, Al Olaya, Riyadh P.O. Box 300189, Riyadh 11372 Kingdom of Saudi Arabia Tel: +966 11 2938048 Fax: +966 11 2938032 Website: www.efghermesksa.com Email: ksareipo@efg-hermes.com
Awaed Alosool Capital AlUrubah Road 2163, AlMathar Ash Shamali 12334, Home Offices, Riyadh, Saudi Arabia Tel: 8001111870 Website: www.awaed.capital Email: ipo_awaed@awaed.co

The Receiving Agents will commence receiving Subscription Applications Forms via the Receiving Agents' websites and electronic platforms from Tuesday 13/01/1447H (corresponding to 08/07/2025G) a period of one day. In the event that the information provided in the Subscription Application Form is incomplete or incorrect, or if it is not stamped by the Receiving Agent, the Subscription Application Form shall be deemed void, and the Individual Subscriber may not claim any compensation for any damage as a result of such cancellation.

Individual Investors wishing to subscribe for the Offer Shares must submit subscription applications electronically via the Receiving Agents' websites and electronic platforms that offer such service to Subscribers, or through any other means provided by the Receiving Agents, through which Individual Investors will be able to subscribe for the Company's shares during the Offering Period. Each Individual Subscriber is required to specify the number of shares they wish to subscribe for, and the total subscription amount shall be the number of Offer Shares subscribed for multiplied by the Offer Price of SAR 7.5 per share.

Subscriptions by Individual Investors for less than ten (10) shares or fractional shares shall not be accepted. Increments are to be made in multiples of this figure. The maximum number of Offer Shares that can be subscribed for by Individual Investors is 250,000 Offer Shares.

Subscribers must fulfil and complete all subscription requirements detailed in this Prospectus and agree to all relevant terms and conditions. The Company and the Lead Manager shall reserve the right to reject any subscription application, in whole or in part, in the event of non-compliance with any of the subscription terms and conditions or failure to follow the necessary instructions. No amendments may be made to the Subscription Application Form, nor may it be withdrawn upon submission thereof, except with the approval of the Lead Manager. A completed Subscription Application Form constitutes a legally binding agreement between the Company and the relevant Subscriber.

16.4 Allocation of Offer Shares and Refund of Excess Subscription Monies

The Lead Manager will open and manage an escrow account for the purpose of depositing and holding the subscription amounts received from the Participating Parties and the Receiving Agents (on behalf of Individual Investors). Each of the Receiving Agents shall deposit the amounts collected from Subscribers into the aforementioned escrow account.

The Lead Manager or the Receiving Agents (as applicable) shall notify the Subscribers of the final number of shares allocated to each of them, along with the amounts to be refunded. Excess subscription monies (if any) will be refunded to Subscribers in full, without any commissions or deductions, and will be deposited into the Subscribers accounts specified in the Subscription Application Forms. The final allocation will be announced no later than Thursday 15/01/1447H (corresponding to 10/07/2025G) and excess subscription monies will be refunded no later than Sunday 18/01/1447H (corresponding to 13/07/2025G) (for further information, please refer to the "*Key Dates and Subscription Procedures*" section on page (xviii) and Section 16 (*Subscription Terms and Conditions*)). Individual Investors should contact the Lead Manager or the branch of the Receiving Agents where they submitted their Subscription Application Form (as applicable) for further information.

16.4.1 Allocation of Offer Shares to Participating Entities

The number of Offer Shares that will be provisionally allocated to the Participating Entities is 34,320,000 ordinary shares, representing 100% of the total number of Offer Shares. Final allocation shall be made after the end of the subscription period for Individual Investors. If there is sufficient demand from Individual Investors for the Offer Shares, the Financial Advisor, in coordination with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of 27,456,000 ordinary shares, representing 80% of the total number of Offer Shares. The Financial Advisor, in coordination with the Company, shall determine the number and percentage of Offer Shares to be allocated to Participating Entities using the discretionary allocation mechanism. Accordingly, certain Participating Entities may not be allocated any Offer Shares. Provisionally, and in the event there is sufficient demand from public funds, 10,296,000 ordinary shares will be allocated to the public funds category, representing 30% of the total number of Offer Shares. If there is sufficient demand from Individual Investors for the Offer Shares, the Financial Advisor shall have the right to reduce the number of shares allocated to public funds to a minimum of 8,236,800 ordinary shares, representing 24% of the total number of Offer Shares after completion of the subscription process for Individual Investors.

16.4.2 Allocation of Offer Shares to Individual Investors

A maximum of 6,864,000 Offer Shares, representing 20% of the total Offer Shares, will be allocated to Individual Investors. Each Individual Subscriber who subscribes for the Offer Shares must submit apply for a minimum of ten Offer Shares and a maximum of 250,000 Offer Shares. The minimum number of shares that can be allocated is ten ordinary shares per Individual Subscriber. The balance of Offer Shares, if any, will be allocated pro-rata based on the number of Offer Shares applied for by each Individual Subscriber out of the total number of Offer Shares requested for subscription. If the number of Individual Investors exceeds 686,400, the Company shall not guarantee the minimum allocation of ten shares per Individual Subscriber. In such case, the allocation will be made as deemed appropriate by the Financial Advisor, in coordination with the Company.

16.5 Circumstances Where Trading and Listing may be Suspended or Canceled

16.5.1 Suspension or Cancellation of Trading and Listing

a. The CMA may suspend trading of listed securities or cancel their listing at any time it deems fit, in any of the following cases:

1. The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
2. If the Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its Implementing Regulations, or the Listing Rules.
3. If the issuer fails to pay any amounts due to the CMA or the Exchange, or any fines due to the CMA on time.
4. If the CMA deems that the Issuer, its business, the level of its operations or its assets are no longer suitable to warrant the continued listing of its securities on the Exchange.
5. When a reverse takeover announcement does not include sufficient information regarding the proposed transaction. If the Issuer provides sufficient information regarding the target entity and the CMA is convinced, after the announcement of the Issuer, that sufficient information will be available to the public on the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.
6. When information about a proposed reverse takeover is leaked, and the Issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly.
7. When an application initiating the financial reorganization of the Issuer is registered with the court under the Bankruptcy Law if its accumulated losses amount to 50% or more of its share capital.
8. When an application initiating a liquidation procedure or administrative liquidation procedure of the Issuer is registered with the court under the Bankruptcy Law.
9. Upon the issuance of a final court judgment terminating a financial reorganization proceeding and initiating a liquidation procedure or administrative liquidation procedure of the Issuer in accordance with the Bankruptcy Law.
10. When a final court judgment is issued initiating a liquidation procedures or administrative liquidation procedure of the Issuer under the Bankruptcy Law.

b. Lifting of the trading suspension imposed pursuant to Paragraph (a) above shall be subject to the following considerations:

1. Adequate addressal by the Issuer of the circumstances that led to the suspension and the lack of the need to continue the suspension in order to protect investors.
2. The lifting of suspension being unlikely to affect the normal activity of the Exchange.
3. The Issuer's compliance with any other conditions that the CMA may require.
4. Upon the issuance of a final court judgment initiating the financial reorganization of the Issuer under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority, in the event the suspension was enforced in accordance with Sub-paragraph (a)(7) above.
5. Upon the issuance of a final court judgment refusing to initiate a liquidation proceeding or administrative liquidation proceeding under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority, if the suspension was enforced in accordance with Sub-paragraph (a) (8) above.

c. The Exchange shall suspend trading of the Issuer's securities in any of the following cases:

1. When the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the relevant implementing regulations.
2. When the Auditor's report on the Company's financial statements contains an adverse opinion or a disclaimer of opinion.
3. If the liquidity requirements specified in Part 2 of the Listing Rules are not met within the time limit set by the Exchange for the Issuer to rectify its position, unless the CMA agrees otherwise.
4. When a resolution is issued by the Company's Extraordinary General Assembly to reduce its share capital, for the two trading days following the issuance of the resolution.

d. The Exchange shall lift the suspension referred to in Sub-paragraphs (c)(1) and (2) above after the lapse of one trading session following the end of the suspension circumstances. In the event that over-the-counter trading of the Issuer's Shares is permitted, the Exchange shall lift the suspension within a period not exceeding five trading sessions after the end of the suspension circumstances.

e. The Exchange may at any time propose to the CMA to suspend the trading of any listed security or cancel the listing thereof where, in its opinion, any of the circumstances mentioned in Paragraph (a) above is likely to occur.

f. An issuer whose securities are subject to a trading suspension shall continue to abide by the Capital Market Law, its Implementing Regulations, and the Listing Rules.

g. In the event that the suspension of listing of the Issuer's securities continues for a period of six months with no appropriate measures taken by the Issuer to correct such suspension, the CMA may cancel the listing of the Issuer's securities.

h. Upon the Issuer's completion of a reverse takeover, the Issuer's shares shall be de-listed. If the Issuer wishes to re-list its shares, it must submit a new application for the listing of its shares in accordance with the Listing Rules and fulfill the relevant requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

i. The above paragraphs shall not prejudice the suspension of trading or cancellation of listing resulting from the Company's losses pursuant to the relevant Implementing Regulations of the CML and the Listing Rules.

16.5.2 Voluntary Cancellation of Listing

a. An issuer whose securities have been listed on the Exchange may not cancel such listing without obtaining the prior approval of the CMA. In order to obtain the CMA's approval, the Issuer must submit a cancellation request to the CMA, along with a simultaneous notice to the Exchange of the same. The request shall include the following information:

    1. specific reasons for the cancellation request;
    2. a copy of the disclosure referred to in Paragraph (d) below;
    3. a copy of the relevant documents and a copy of each related communication sent to the Shareholders, if the listing cancellation is the result of an acquisition or any other corporate action taken by the Issuer;
    4. the names and contact details of the Financial Advisor and Legal Advisor appointed pursuant to the Rules on the Offer of Securities and Continuing Obligations.

b. The CMA may, at its discretion, accept or reject the cancellation request.

c. The Issuer must obtain the approval of the Extraordinary General Assembly for cancellation of the listing after obtaining the approval of the CMA.

d. When the listing is canceled at the Issuer's request, the Company must disclose the same to the public as soon as possible. The disclosure must include, as a minimum, the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent of its impact on the Issuer's activities.

16.5.3 Temporary Suspension of Trading

a. An issuer may request that the Exchange temporarily suspend trading of its securities when an event occurs during trading hours that which requires immediate disclosure under the Capital Market Law, its Implementing Regulations, or the Listing Rules, where the Issuer cannot maintain the confidentiality of such information until the end of the trading period. The Exchange shall suspend trading of the securities of such issuer immediately upon receipt of the request.

b. 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 expected period, the nature of the event resulting in the suspension and the extent of its impact on the Issuer's activities.

c. 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 deems likely to interrupt the activity of the Exchange or jeopardize the protection of investors. An issuer whose securities are subject to a temporary trading suspension must continue to abide by the Capital Market Law, its Implementing Regulations, and the Listing Rules.

d. The Exchange may propose that the CMA exercise its authority in accordance with Paragraph (c) above if it finds that there is information or circumstances that may affect the activities of the Issuer and that are likely to affect the activity of the Exchange or the protection of investors.

e. The temporary trading suspension shall be lifted following the lapse of the period specified in the disclosure referred to in Paragraph (b) above, unless the CMA or the Exchange decide otherwise.

f. In the event that the suspension of listing continues for a period of six months with no appropriate measures taken by the Issuer to correct such suspension, the CMA may cancel the listing of the Issuer's securities.

16.5.4 Relisting of Securities

If an issuer wishes for its securities to be relisted, it must submit a new application in accordance with the procedures set forth in the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

16.6 Resolutions and Approvals for the Offering

The resolutions and approvals pursuant to which the Offer Shares will be offered are as follows:

a. The resolution of the Company's Board of Directors recommending the increase in share capital and the Offering of the shares for public subscription, dated 22/01/1446H (corresponding to 28/07/2024G).

b. The General Assembly resolution approving the Offering and the increase of the Company's share capital, dated 18/02/1446H (corresponding to 22/08/2024G).

c. The CMA's approval of the Offering of the Offer Shares for public subscription, dated 20/09/1446H (corresponding to 20/03/2025G).

d. The conditional approval issued by the Exchange (Tadawul) to list the Shares, dated 17/09/1446H (corresponding to 17/03/2025G).

16.7 Lock-up Period

Special Opportunities Investment Company and Diamond Opportunities Sports Company, in their capacity as the Substantial Shareholders after the Offering, are prohibited from disposing of their shares for a period of six months from the commencement of trading of the Company's Shares on the Exchange. The Substantial Shareholders may dispose of their shares after the end of the Lock-up Period without the prior approval of the CMA. Furthermore, the Company is prohibited from issuing shares of the same class for a period of six months from the commencement of trading of the Shares on the Exchange.

16.8 Subscription Declarations and Undertakings

By completing and submitting the Subscription Application Form, each Subscriber:

a. agrees to subscribe for the number of shares mentioned in the Subscription Application Form submitted thereby;

b. declares that they have read and carefully reviewed this Prospectus and understood all of its contents;

c. accepts the Company's Bylaws, all instructions and provisions related to the Offering, and the terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

d. declares that neither they nor any of their family members included in the Subscription Application Form have previously submitted an application to subscribe for the Company's Shares and that the Company has the right to reject any or all duplicate applications;

e. accepts the number of the Offer Shares allocated thereto (up to a maximum of the amount for which they subscribed) in accordance with the Subscription Application Form;

f. undertakes not to cancel or amend the Subscription Application Form after submission thereof to the Receiving Agent or the Bookrunner, as applicable; and

g. maintains their right to make recourse to and claim damages from the Company for any direct harm resulting from any material misrepresentation or the omission of material information from this Prospectus that would have affected the Subscriber's decision had it been included in the Prospectus.

For further information regarding the allocation process, please refer to Section 16.4 (*Allocation of Offer Shares and Refund of Excess Subscription Monies*).

16.9 Share Register and Trading Arrangements

The Securities Depository Center Company (Edaa) maintains a Shareholder register that includes the names, nationalities, residential addresses and occupations of the Shareholders, the shares held thereby and the amounts paid of such shares.

16.10 Saudi Stock Exchange (Tadawul)

In 1990G, full electronic trading of shares was introduced in the Kingdom. The Tadawul system was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs via the Tadawul system through a fully integrated mechanism that covers the entire trading process, from the execution of the transaction through settlement thereof. Trading takes place each business day in one period between 10:00 a.m. and 3:00 p.m. from Sunday through Thursday of each week, during which orders are executed. Outside these times, orders may be entered, modified, and canceled from 9:30 a.m. to 10:00 a.m. Trading times may change during the holy month of Ramadan as announced by Tadawul. Transactions take place through an automated order matching process. Each valid order is accepted and determined according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a specific price), provided that if several orders are generated at the same price, they are executed according to the time of the entry. The Tadawul system distributes a comprehensive range of information through various channels, most notably the Tadawul website and Tadawul Information Link, which provides real-time trading data to information providers such as Reuters. Transactions are settled based on a T+2 basis, i.e., transfer of share ownership takes place two working days after the execution of the transaction.

Listed companies are obliged to disclose all material resolutions and information to investors through Tadawul. Tadawul is responsible for monitoring the Exchange in its capacity as the operator of the mechanism through which the Exchange functions, in order to ensure fair trading and an orderly market.

16.11 Securities Depository Center (Edaa)

The Securities Depository Center Company (Edaa) was established in 2016G pursuant to the former Companies Law issued by Royal Decree No. M/3, dated 28/01/1437H, as a closed joint-stock company wholly owned by the Saudi Stock Exchange (Tadawul), with a share capital of SAR 400,000,000 divided into 40,000,000 shares with a nominal value of ten Saudi Riyals (SAR 10) per share, based on the CMA Board's approval of the request of the Board of the Saudi Stock Exchange (Tadawul) to convert the Securities Depository Center into a joint-stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30, dated 02/06/1424H.

The activities of the Securities Depository Center include depositing, transferring, settling, clearing and registering ownership of securities, as well as registering any ownership restrictions on deposited securities. The Securities Depository Center also deposits and manages the registers of securities issuers and organizes general assemblies of issuers, including remote voting services for assemblies. Furthermore, the Securities Depositary Center submits reports, notices and information, in addition to providing any other services related to its activities that it deems should be provided in accordance with the Capital Market Law and its Implementing Regulations.

16.12 Trading of the Company's Shares

It is expected that trading of the Company's Shares will commence after the final allocation of the Offer Shares and the announcement of the commencement date of trading of the Company's Shares by the Exchange. Saudi Arabian natural persons, residents of the Kingdom who hold a legal residence permit, citizens of GCC states, and Saudi and GCC companies, banks, and investment funds will be allowed to trade in the Shares after they are listed on the Exchange. Qualified Foreign Investors, Foreign Strategic Investors and foreign persons who are clients of a Capital Market Institution licensed by the CMA to engage in management activities will be permitted to trade in the Company's Shares, subject to the Rules for Foreign Investment in Securities. Foreign Investors who are non-Saudi nationals not resident in the Kingdom and non-Saudi institutions registered outside the Kingdom may invest indirectly in order to obtain the economic benefits of the Shares by entering into swap agreements with persons licensed by the CMA, as well as by purchasing and trading in shares listed on the Exchange on behalf of non-GCC Foreign Investors. Under the swap agreements, the authorized persons are the legal owners of such shares.

The Offer Shares may only be traded after the allocation of the Shares to Subscribers' accounts in Tadawul is approved, the Company is registered, and its Shares are listed on the Exchange. Pre-trading in the Company's shares is strictly prohibited. Subscribers entering into any pre-trading activities shall be acting at their own risk. Neither the Company nor the Shareholders will bear any legal responsibility in this regard.

16.13 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants 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. The Subscription Application Form and any rights, interests or obligations arising therefrom may not be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions and clauses, as well as any receipt of the Subscription Application Forms or the contracts resulting therefrom, shall be governed by the laws of the Kingdom and shall be construed and enforced accordingly.

This Prospectus was issued in Arabic and English. Only the Arabic version is approved by the CMA. In the event of any discrepancy between the Arabic and English texts, the Arabic text shall prevail.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person outside the Kingdom, other than to GCC nationals, Qualified Foreign Investors, Foreign Strategic Investors and other Foreign Investors through the conclusion of swap agreements, provided that the laws and directives regulating the same are observed. This Offering does not constitute an invitation to sell or a solicitation of an offer to purchase shares in any jurisdiction in which the Offering is unlawful or not permitted. Recipients of this Prospectus must review all legal restrictions related to the subscription and sale of Offer Shares and ensure compliance therewith.

Pursuant 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 the publication of this Prospectus and before the end of the Offering, the Company becomes aware that: (a) there has been a significant change in any material information contained in this Prospectus; or (b) additional significant additional issues have arisen 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 included in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks and uncertainties, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Accordingly, prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on such forward-looking statements.

17. Documents Available for Inspection

The following documents will be available for inspection at the Company's headquarters on Imam Saud bin Faisal Road, Al Sahafah District, P.O. Box 79, Riyadh 13321, Kingdom of Saudi Arabia, between 10:00 a.m. and 4:00 p.m. from Wednesday 08/12/1446H (corresponding to 04/06/2025G) until Tuesday 13/01/1447H (corresponding to 08/07/2025G) for a period of at least 20 days prior to the end of the Offering Period:

- a copy of the announcement of the CMA's approval of the Offering;
- a copy of Tadawul's approval of the Offering;
- the approval of the Company's General Assembly for the share capital increase and the Offering, dated 18/02/1446H (corresponding to 22/08/2024G);
- the Company's Board of Directors' resolution recommending the share capital increase and the Offering of the Shares for public subscription, dated 22/01/1446H (corresponding to 28/07/2024G);
- the Company's Bylaws and amendments thereto;
- the Articles of Association of the Company and its Subsidiary, along with the amendments thereto;
- the commercial registration certificates of the Company and its Subsidiary issued by the Ministry of Commerce;
- the Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G, 2023G and 2024G and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G;
- the Market Study Report prepared by the Market Consultant;
- a document outlining the mechanism used to determine the price range employed in the book-building process, or a valuation report;
- all reports, letters and other documents, estimates of value and statements prepared by any expert and any part thereof included or referred to within this Prospectus;
- the agreement disclosed in Section 5.9 (*Conflicts of Interest*);
- Investors presentation document contains forward-looking statements relating to the Company's anticipated future financial performance;
- letters of consent from:

    a. the Financial Advisor, Lead Manager, Bookrunner and Underwriter (BSF Capital) for the inclusion of its name, logo and statements in this Prospectus;

    b. the Auditor, (Dr. Mohamed Al-Amri & Co. Chartered Accountants), for the inclusion of its name, logo, statements and audit reports on the Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G, 2023G and 2024G and the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G in this Prospectus;

    c. the Financial Due Diligence Advisor (PricewaterhouseCoopers Public Accountants), for the inclusion of its name, logo, and statements in this Prospectus;

    d. the Market Consultant (Portas Consulting MEA) for the inclusion of its name, logo and statements in this Prospectus;

    e. the Legal Advisor (Kirkland & Ellis International LLP) for the inclusion of its name, logo and statements in this Prospectus; and

    f. the Legal Advisor to the Financial Advisor, Lead Manager, Bookrunner and Underwriter (Zeyad Sameer Khoshaim Company (Professional Limited Liability Company)) for the inclusion of its name, logo and statements in this Prospectus.

18. Financial Statements and Auditor's Report

This section contains the Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 2022G, 2023G and 2024G, the reviewed consolidated financial statements for the nine-month period ended 30 September 2024G, and the reviewed consolidated financial statements for the three-month period ended 31 March 2025G, along with the accompanying notes thereto, which were prepared by the Auditor in accordance with the IFRS and other standards endorsed by SOCPA.

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTHS PERIOD

ENDED 31 MARCH 2025G AND

INDEPENDENT AUDITOR'S REVIEW REPORT

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Sport Clubs Company
"A Saudi Joint Stock Company"
Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Sport Clubs Company** (the "Company") and its subsidiary (Together referred to as "the Group"), as of 31 March 2025, the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three-months period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - ("IAS 34") "*Interim Financial Reporting*" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects , in accordance with IAS (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia

For Dr. Mohamed Al-Amri & Co.

Gihad Mohamed Al-Amri
Certified Public Accountant
License Number (362)

Riyadh on: 28 May 2025 (G)
Corresponding to: 1 Dhu al-Hijjah 1446 (H)

Jeddah: P.O. Box 784 Jeddah 21421 Dammam: P.O. Box 2590 Dammam 31461
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SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025G (UNAUDITED)
(In Saudi Riyals ⃁)

	Note	31 March 2025G (Unaudited)	31 December 2024G (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	(4)	**473,203,222**	465,149,962
Right of use assets	(5.1)	**272,448,691**	252,668,719
Intangible assets		**5,692,411**	5,385,723
TOTAL NON-CURRENT ASSETS		**751,344,324**	723,204,404
CURRENT ASSETS			
Inventory		**10,617,638**	9,927,245
Trade receivables	(6)	**22,732,900**	28,769,607
Prepayments and other receivables	(7)	**29,787,392**	31,478,944
Cash and cash equivalents		**3,548,881**	5,026,406
TOTAL CURRENT ASSETS		**66,686,811**	75,202,202
TOTAL ASSETS		**818,031,135**	798,406,606
EQUITY AND LIABILITIES			
EQUITY			
Share capital	(8)	**104,000,000**	104,000,000
Share issuance reserve	(20)	**(1,158,790)**	(1,026,540)
Retained earnings		**68,255,783**	65,835,410
TOTAL EQUITY		**171,096,993**	168,808,870
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	(5.2)	**297,503,326**	279,672,885
Non-current portion of long-term loans	(9)	**94,188,585**	84,031,227
Employees' benefits	(10)	**25,440,970**	24,676,110
Non-current portion of contract liabilities	(11)	**1,414,721**	731,953
TOTAL NON-CURRENT LIABILITIES		**418,547,602**	389,112,175
CURRENT LIABILITIES			
Current portion of lease liabilities	(5.2)	**42,241,772**	42,249,645
Current portion of long-term loans	(9)	**70,138,897**	58,942,123
Trade payables		**17,694,067**	26,096,223
Accrued expenses and other payables	(12)	**19,227,754**	18,532,482
Provision for Zakat	(13)	**1,122,652**	1,008,151
Current portion of contract liabilities	(11)	**77,961,398**	93,656,937
TOTAL CURRENT LIABILITIES		**228,386,540**	240,485,561
TOTAL LIABILITIES		**646,934,142**	629,597,736
TOTAL EQUITY AND LIABILITIES		**818,031,135**	798,406,606

The accompanying notes from (1) to (22) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2025G (UNAUDITED)
(In Saudi Riyals ⃁)

	Note	For the three-months period ended 31 March	
		2025G (Unaudited)	2024G (Unaudited)
Revenue	(14)	**82,439,685**	69,634,210
Costs of revenue		**(65,228,607)**	(52,278,914)
GROSS PROFIT		**17,211,078**	17,355,296
Listing and Initial Public Offering Expenses	(20)	**(140,000)**	-
Selling and marketing expenses		**(2,461,803)**	(2,643,104)
General and administrative expenses		**(4,446,317)**	(4,820,492)
OPERATING PROFIT		**10,162,958**	9,891,700
Other income , net		**889,533**	692,843
Finance costs		**(7,532,179)**	(6,476,134)
PROFIT FOR THE PERIOD BEFORE ZAKAT		**3,520,312**	4,108,409
Zakat expense	(13)	**(114,501)**	(107,151)
PROFIT FOR THE PERIOD		**3,405,811**	4,001,258
OTHER COMPREHENSIVE INCOME:			
Items that will not be subsequently reclassified to profit or loss:			
Loss on remeasurement of employees' defined benefit liabilities	(10)	**(985,438)**	(789,747)
Other comprehensive income for the period		**(985,438)**	(789,747)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,420,373**	3,211,511
BASIC AND DILUTED EARNINGS PER SHARE (⃁)	(19)	**0.033**	0.038

The accompanying notes from (1) to (22) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2025G (UNAUDITED)
(In Saudi Riyals ⃁)

	Share Capital	Statutory reserve	Share issuance reserve	Retained earnings	Total equity
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2025G					
Balance as at 1 January 2025G (Audited)	**104,000,000**	**-**	**(1,026,540)**	**65,835,410**	**168,808,870**
Profit for the period	**-**	**-**	**-**	**3,405,811**	**3,405,811**
Other comprehensive loss items for the period	**-**	**-**	**-**	**(985,438)**	**(985,438)**
Total comprehensive income for the period	**-**	**-**		**2,420,373**	**2,420,373**
Share issuance reserve (Note 20)	**-**	**-**	**(132,250)**	**-**	**(132,250)**
Balance as at 31 March 2025G (Unaudited)	**104,000,000**	**-**	**(1,158,790)**	**68,255,783**	**171,096,993**
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2024G					
Balance as at 1 January 2024G (Audited)	104,000,000	15,904,683	-	23,505,781	143,410,464
Profit for the period	-	-	-	4,001,258	4,001,258
Other comprehensive loss for the period	-	-	-	(789,747)	(789,747)
Total comprehensive income for the period	-	-	-	3,211,511	3,211,511
Balance as at 31 March 2024G (Unaudited)	104,000,000	15,904,683	-	26,717,292	146,621,975

The accompanying notes from (1) to (22) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2025G (UNAUDITED)
(In Saudi Riyals ⃁)

	Note	For the three-months period ended 31 March	
		2025G (Unaudited)	2024G (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before Zakat		**3,520,312**	4,108,409
Adjustments:			
Depreciation of property, plant, and equipment, and amortization of right-of-use assets	(4, 5.1)	**17,701,544**	16,557,493
Gain on disposal of property, plant, and equipment		**(112,788)**	(7,168)
Amortization of intangible assets		**210,250**	95,141
Provision for employee benefits	(10)	**1,353,000**	1,382,000
Finance costs		**7,532,179**	6,476,134
Termination of leases contracts during the period		**-**	(229,121)
Reduction in rent expense		**(449,450)**	(9,882)
		29,755,047	28,373,006
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Trade receivables		**6,036,707**	(3,416,756)
Inventories		**(690,393)**	(584,775)
Advance payments and other current assets		**1,691,552**	(5,209,428)
Trade payables		**(8,402,156)**	(20,877,260)
Accrued expenses and other payables		**745,882**	(37,140)
Contract liabilities, net		**(15,012,771)**	(254,873)
Employee defined benefit liabilities paid	(10)	**(1,756,438)**	(1,470,747)
Net cash generated from (used in) operating activities		**12,367,430**	(3,477,973)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to purchase property, plant, and equipment	(4)	**(17,810,577)**	(17,857,618)
Payment to purchase intangible assets		**(516,938)**	(197,571)
Proceeds from sale of property, plant, and equipment		**249,731**	180,322
Net cash used in investing activities		**(18,077,784)**	(17,874,867)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans	(9)	**(28,645,868)**	(19,377,928)
Proceeds from loans	(9)	**50,000,000**	47,615,509
Payments of lease liabilities, net	(5.2)	**(13,464,827)**	(10,272,897)
Payment of finance costs		**(3,656,476)**	(2,886,864)
Net cash generated from financing activities		**4,232,829**	15,077,820
Net change in cash and cash equivalents during the period		**(1,477,525)**	(6,275,020)
Cash and cash equivalents at the beginning of the period		**5,026,406**	8,641,035
Cash and cash equivalents at the end of the period		**3,548,881**	2,366,015
Non-cash transactions from investing activities			
Capitalized during the year of finance costs on lease liabilities		**(852,702)**	(2,092,096)
Capitalized during the year of finance costs on loans		**(842,198)**	(610,043)
Additions of right-of-use assets	(5.1)	**(27,823,788)**	(41,878,806)
Loss on remeasurement of defined benefit obligations for employees	(10)	**(985,438)**	(789,747)
Share issuance reserve	(20)	**(132,250)**	-

The accompanying notes from (1) to (22) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

(In Saudi Riyals ⃁)

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sport Clubs Company was established as a limited liability company in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, operating under Commercial Registration No. 1010167892 dated 26 Rabi-Al-Thani 1422 H (corresponding to 18 July 2001G) in Riyadh.

The principle activities of the Group are wholesale and retail trade in sports equipment, tools, and clothing, purchase of lands for the construction of buildings and investing in them by sale or lease for the benefit of the Group, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

On 1 Rabi' Al-Awwal 1444 H, corresponding to (26 September 2022G), the shareholders unanimously agreed to convert the legal status of the Company from a limited liability company to a Saudi closed joint stock company while retaining the number, name and date of the commercial registration of the Company and its branches. On 2 Rabi' Al-Awwal 1444 G corresponding to (27 September 2022G), the legal procedures to amend the Company's Articles of Association have been completed.

The head office of the Group is as follows:

P.O. Box 270079 - Riyadh 11352 - Kingdom of Saudi Arabia

The following are the details of the Subsidiary included in these consolidated financial statements:

Name of Subsidiary	Commercial Registration	Country of Incorporation	Direct ownership percentage as at		Activity
			31 March 2025G	31 December 2024G	
Third Amaken Sports Company	1010334139	Kingdom of Saudi Arabia	**100%**	100%	Building cleaning and maintenance

The Group also exercises its activities through branches of sports clubs that operate under the following commercial registrations for regions or for each individually as follows:

N	City / Region	Commercial Registration Number	Commercial Registration Date
1	Riyadh	1010167892	26/4/1422
2	Al-Qassim	1131028467	27/3/1430
3	Dammam	2050069185	15/3/1431
4	Khamis Mushait	5855346579	26/4/1422
5	Hail	3350147174	18/5/1441
6	Al Ahsa	2250064353	18/3/1437
7	Jeddah	4030295107	4/9/1438
8	Najran	5950032854	15/3/1438
9	Hafar Al Batin	2511108063	4/6/1439
10	Tabuk	3550122370	4/6/1439
11	Al Badi'ah " females"	1010460120	1/9/1440
12	Madinah	4650209419	2/8/1440
13	Makkah	4031235157	18/5/1441

The Group's financial year starts from 1 January and ends on 31 December of each Gregorian calendar year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed consolidated financial statements do not contain all the information and disclosures required to prepare a complete set of annual consolidated financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2024G.

In addition, the results of the interim period ended 31 March 2025G may not be a fair indication of the results that can be expected for the fiscal year ended 31 December 2025G.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2024G.

The significant accounting assumptions, estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2024G.

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, except for employee benefit liabilities which are measured at present value for future liabilities using the projected credit unit method.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals ("SAR"), which is also the functional and presentation currency of the Group.

2.4 Basis of consolidation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company has:

- Power over the investee;
- Rights to variable returns from its involvement with the investee;
- The ability to use its influence over the investee to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; and
- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation of the interim condensed consolidated financial statements (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

A change in the subsidiary's ownership interest, without loss of control, is recorded in the interim condensed consolidated statement of changes in equity.

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

If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.

All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Amaken Sports Company, which is hereinafter referred to with the Company as the Group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The interim condensed consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, Third Amaken Sports Company. The Company owns 100% (2024G: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 New standards, amendments to standards, and interpretations

A number of new standards and amendments to standards have been issued that are effective as at 1 January 2025G, which are set out in the Group's annual consolidated financial statements, but they do not have a material impact on the Group's interim condensed consolidated financial statements as at 31 March 2025G. The Group was not required to change its accounting policies or make retrospective adjustments as a result of the application of these amended standards.

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2025G (UNAUDITED)
(In Saudi Riyals ⃁)

4. PROPERTY, PLANT AND EQUIPMENT

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Cost		
As at the beginning of the period / year	**735,957,916**	679,221,430
Additions during the period / year	**19,505,477**	99,720,328
Disposals during the period / year	**(1,091,793)**	(42,983,842)
As at the end of the period / year	**754,371,600**	735,957,916
Accumulated depreciation		
As at the beginning of the period / year	**(270,807,954)**	(271,147,910)
Depreciation charged during the period / year	**(11,315,274)**	(40,419,697)
Disposals during the period / year	**954,850**	40,759,653
As at the end of the period / year	**(281,168,378)**	(270,807,954)
Net book value	**473,203,222**	465,149,962

Lands are mortgaged to banks as security for the loans obtained by the Company. The balances of these lands, as at 31 March 2025G, amount to SAR 38,527,800 (31 December 2024G: SAR 38,527,800).

5. LEASES

5.1 Right of use assets

The Group leases sports clubs on lease contracts ranging from five to twenty years, with an option to renew the leases after that date.

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Cost		
As at the beginning of the period / year	**367,358,465**	399,168,623
Additions during the period / year	**27,823,788**	2,036,848
Termination of leases during the period / year	**-**	(33,847,006)
Modification of leases during the period / year	**(1,657,546)**	-
As at the end of the period / year	**393,524,707**	367,358,465
Accumulated depreciation		
As at the beginning of the period / year	**(114,689,746)**	(89,987,827)
Depreciation during the period / year	**(6,386,270)**	(23,609,347)
Capitalized depreciation on projects in progress during the period / year	**-**	(1,092,572)
As at the end of the period / year	**(121,076,016)**	(114,689,746)
Net book value	**272,448,691**	252,668,719

Right-of-use depreciation expenses are charged in full to cost of revenue.

(In Saudi Riyals ⃁)

5. LEASES (CONTINUED)

5.2 Lease liabilities

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
As at the beginning of the period / year	**321,922,530**	369,449,916
Additions during the period / year	**27,823,788**	2,036,848
Termination of leases during the period / year	**-**	(36,490,544)
Modification of leases during the period / year	**(1,657,546)**	-
Finance costs during the period / year	**5,570,603**	22,274,606
Payment during the period / year	**(13,914,277)**	(35,348,296)
As at the end of the period / year	**339,745,098**	321,922,530

Lease liabilities are presented in the statement of financial position as follows:

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Lease liabilities - current portion	**42,241,772**	42,249,645
Lease liabilities - non-current portion	**297,503,326**	279,672,885
Total lease liabilities	**339,745,098**	321,922,530

6. TRADE RECEIVABLES

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Trade receivables	**24,698,072**	30,734,779
Less: Expected credit loss	**(1,965,172)**	(1,965,172)
	22,732,900	28,769,607

The following is an analysis of the aging of trade receivables and credit risks:

	Total	Less than 30 days	31 – 90 days	91 – 180 days	181 – 270 days	271 – 365 days	More than 365 days
31 March 2025G	**24,698,072**	**14,233,408**	**8,499,492**	**-**	**-**	**-**	**1,965,172**
31 December 2024G	30,734,779	28,464,616	279,994	24,997	-	-	1,965,172

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7. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Prepaid expenses	**16,654,120**	19,386,954
Letters of guarantee	**5,067,941**	5,443,191
Due from related parties (shareholders) (note 17)	**2,367,333**	2,053,079
Advances to suppliers	**2,308,462**	1,456,215
Staff advance	**1,971,568**	1,865,537
Accrued revenue	**591,473**	451,473
Refundable deposits	**826,495**	822,495
	29,787,392	31,478,944

8. SHARE CAPITAL

The Company's capital as of 31 March 2025G amounted to 104 million Saudi Riyals, divided into 104 million shares of equal value, each share valued at 1 Saudi riyal, distributed among shareholders as follows:

	31 March 2025G (Unaudited)			31 December 2024G (Audited)			Total share capital	
	No. of shares	Value per share	Shareholding %	No. of shares	Value per share	Shareholding %	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Private Opportunities Investment Company	**41,600,000**	**1**	**40%**	**41,600,000**	1	40%	**41,600,000**	41,600,000
Diamond Opportunities Sports Company	**35,879,000**	**1**	**34.50%**	**35,879,000**	1	34.499%	**35,879,000**	35,879,000
Elaf Gulf Commercial Investment Company	**5,691,018**	**1**	**5.47%**	**8,527,030**	1	8.199%	**5,691,018**	8,527,030
Other Shareholders	**6,919,198**	**1**	**6.65%**	**5,189,630**	1	4.989%	**6,919,198**	5,189,630
Abdul Qader Al-Muhaidib & Sons Company	**4,742,510**	**1**	**4.56%**	**4,742,510**	1	4.56%	**4,742,510**	4,742,510
Al-Fawzan Holding Company	**4,742,510**	**1**	**4.56%**	**4,742,510**	1	4.56%	**4,742,510**	4,742,510
Ammar Abdul Wahid Faleh Al-Khudairi	**4,425,764**	**1**	**4.26%**	**3,319,320**	1	3.192%	**4,425,764**	3,319,320
	104,000,000	**1**	**%100**	**104,000,000**	1	%100	**104,000,000**	104,000,000

The ownership of these shares has been recorded in the shareholders register prepared in accordance with the Company's Bylaw and the Saudi Arabian Regulations for Companies.

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9. LONG-TERM LOANS

On 26 March 2023G (corresponding to 04 Ramadan 1444) , the Group signed a renewal of a credit facilities contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at variable rates, at a value of SAR 57 million. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as at 31 March 2025G amounted to SAR 11,967,375 (31 December 2024G: SAR 15,541,147).

The aforementioned loan is secured against a mortgage on lands (note 4), with shareholders also providing a guarantee by pledging their share of ownership in the Group. The following details pertain to the mortgage on the titles of the mortgaged land (note 4):

Date	Title deed number
22-3-1441	814006005053
17-6-1441	314006005791
17-6-1441	914006005790

On 15 February 2025G (corresponding to 16 Shaban 1446), the Group signed a credit facility contract with another local bank to obtain facilities in the amount of SAR 175 million. Commission is charged on these facilities at variable rates. The loan balance at 31 March 2025G amounted to SAR 128,614,277 million (31 December 2024G: SAR 103,686,370).

The loan is secured against a land mortgage (note 4), with shareholders providing a guarantee by pledging their share of ownership in the Group. The following are the details of the mortgaged land title deed (note 4):

Date	Title deed number
5-8-1445	718507000568

As at 21 December 2020G (corresponding to 06 Jamada Al-Awwal 1442), the Group signed a credit facility contract with a government bank to obtain facilities in the amount of SAR 10 million, for an annual administrative service fee of SAR 400,000. These loans are repaid in semi-annual installments for a period of five years from the date of receipt of the first instalment with a grace period of one year. The loan balance as at 31 March 2025G amounted to SAR 3,750,000 (31 December 2024G: SAR 3,750,000). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

On 8 January 2024G (corresponding to 26 Jumada al-Akhirah 1445), the Group signed a credit facilities contract with another local bank to obtain facilities in the amount of SAR 20 million. These loans are to be repaid in quarterly installments for a period of seven years starting from the date of the first withdrawal of each installment, with a grace period of two years. The loan balance as at 31 March 2025G amounted to SAR 19,995,830 (31 December 2024G: SAR 19,995,830). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

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9. LONG-TERM LOANS (CONTINUED)

The movement in loans is as follows:

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
As at the beginning of period / year	**142,973,350**	102,625,982
Loans obtained during the period / year	**50,000,000**	149,736,016
Payments made during the period / year	**(28,645,868)**	(109,388,648)
As at the end of the period / year	**164,327,482**	142,973,350

Loans are presented in the statement of financial position as follows:

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Current portion	**70,138,897**	58,942,123
Non-current portion	**94,188,585**	84,031,227
	164,327,482	142,973,350

10. EMPLOYEES' BENEFITS

Employees' defined benefit liabilities include end-of-service benefits and leave allowance. The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and the Social Insurance Law enforced in the Kingdom of Saudi Arabia. Movement in employees' defined benefit liabilities is as follows:

Movement in employee benefits:

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
As at the beginning of the period / year	**27,183,000**	25,352,000
Current service cost	**966,000**	2,792,000
Interest cost	**387,000**	1,135,000
Benefits paid	**(1,756,438)**	(7,740,795)
Remeasurement of defined benefit obligations	**985,438**	5,644,795
As at the end of the period / year	**27,765,000**	27,183,000

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

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Long term benefits	**25,440,970**	24,676,110
Short term benefits (note 12)	**2,324,030**	2,506,890
	27,765,000	27,183,000

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11. CONTRACT LIABILITIES

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
As at the beginning of the period / year	**94,388,890**	76,328,694
Additions during the period / year	**67,159,581**	306,421,909
Recognized during the period / year as subscription revenue (note 14)	**(64,927,289)**	(260,071,893)
Recognized during the period / year as revenue from Operation and sale of sports equipment and projects related to the sports solutions sector (note 14)	**(16,917,768)**	(26,930,888)
Recognized during the period / year as other income	**(327,295)**	(1,358,932)
As at the end of the period / year	**79,376,119**	94,388,890

Contract liabilities are presented in the statement of financial position as follows:

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Current portion of contracts liabilities	**77,961,398**	93,656,937
Non - current portion of contracts liabilities	**1,414,721**	731,953
As at the end of the period / year	**79,376,119**	94,388,890

12. ACCRUED EXPENSES AND OTHER PAYABLES

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Employee's accruals (*)	**10,391,675**	12,387,389
Accrued expenses	**7,383,246**	4,829,105
Value added tax	**1,452,833**	1,315,988
	19,227,754	18,532,482

* The above balance of employee accruals includes a balance of employees accrued leaves with the amount of SAR 2,324,030 as at 31 March 2025G (31 December 2024G: SAR 2,506,890). A policy was developed to carry over the balances of these leaves, and this policy was approved during the year ended 31 December 2023G. Accordingly, the leave allowance has been calculated by a qualified actuary using the projected credit unit method and using the same assumptions used to provide employee end-of-service benefits (note 10).

13. ZAKAT

The following is a summary of the movement in Zakat

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
As at the beginning of the period / year	**1,008,151**	802,549
Payment made during the period / year	-	(728,530)
Provided during the period / year	**114,501**	934,132
As at the end of the period / year	**1,122,652**	1,008,151

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14. REVENUE

Revenue from the operation classified as below:

	For the three-months period ended 31 March	
	2025G (Unaudited)	2024G (Unaudited)
Sport clubs subscriptions	**60,543,318**	59,240,166
Health Club Services subscriptions	**4,383,971**	9,120,484
Operational sales, sales of sports equipment and projects related to the sports solutions segment	**17,512,396**	1,273,560
	82,439,685	69,634,210

15. FINANCIAL ASSETS AND LIABILITIES

15.1 Financial assets:

	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Financial assets at amortized cost		
Trade receivables	**22,732,900**	28,769,607
Cash and cash equivalents	**3,548,881**	5,026,406
Financial assets at amortized cost	**26,281,781**	33,796,013

15.2 Financial liabilities

	31 March 2025G (Unreviewed)	31 December 2024G (Audited)
Financial liabilities at amortized cost		
Loans	**164,327,482**	142,973,350
Lease liabilities	**339,745,098**	321,922,530
Trade payables	**17,694,067**	26,096,223
Financial liabilities at amortized cost	**521,766,647**	490,992,103
Non-current portion of financial liabilities	**391,691,911**	363,704,112
Current portion of financial liabilities	**130,074,736**	127,287,991
Total financial liabilities	**521,766,647**	490,992,103

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

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2025G, the Group has capital commitments amounting to SAR 11,728,086 (31 December 2024G: SAR 23,144,496) for contracts for the establishment of new sports clubs included in capital work in progress.

17. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties generally consist of payments on behalf of shareholders to cover expenses related to the initial public offering and key management benefits. These transactions were carried out in accordance with the terms specified in the agreements concluded with the related parties and approved by the management. The following is a statement of the balances and transactions with related parties:

(In Saudi Riyals ⃁)

17. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

17.1 Due from related parties:

Related Party Name	Nature of transaction	For the three-months period ended 31 March		Balances as at	
		2025G	2024G	31 March 2025G	31 December 2024G
Shareholders (note 7)	IPO expense paid on behalf of company (note 20)	**314,254**	-	**2,367,333**	2,053,079

17.2 Key management benefits:

	31 March 2025G (Unaudited)	31 March 2024G (Unaudited)
Salaries and other short-term benefits	**2,311,546**	2,313,563
Long-term benefits	**135,712**	168,896
	2,447,258	2,482,459

18. SEGMENT INFORMATION

18.1 Geographical segments

For management purposes, the Group consists of business units based on geographical distribution, and it has five operating segments about which it reports as follows:

- Central Region
- Eastern Region
- Northern Region
- Southern Region
- Western Region

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

For the three-months period ended 31 March 2025G (unaudited):

	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	**56,376,304**	**7,907,959**	**5,108,360**	**2,253,979**	**10,793,083**	**82,439,685**
Cost of revenue	**(41,330,860)**	**(8,131,460)**	**(3,702,937)**	**(2,201,258)**	**(9,862,092)**	**(65,228,607)**
Gross profit	**15,045,444**	**(223,501)**	**1,405,423**	**52,721**	**930,991**	**17,211,078**

For the three-months period ended 31 March 2024G (unaudited):

	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	44,931,734	8,824,606	4,325,435	2,487,909	9,064,526	69,634,210
Cost of revenue	(32,207,288)	(8,027,328)	(2,972,840)	(1,530,701)	(7,540,757)	(52,278,914)
Gross profit	12,724,446	797,278	1,352,595	957,208	1,523,769	17,355,296

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18. SEGMENT INFORMATION (CONTINUED)

18.2 Market segments

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

For the three-months period ended 31 March (Unaudited):

	Men's fitness centers		Women's fitness centers		Sports solutions		Total	
	2025G	2024G	2025G	2024G	2025G	2024G	2025G	2024G
Revenue	**46,082,993**	47,278,726	**19,438,924**	20,812,028	**16,917,768**	1,543,456	**82,439,685**	69,634,210
Cost of revenue	**(38,243,897)**	(35,576,225)	**(16,726,240)**	(15,878,985)	**(10,258,470)**	(823,704)	**(65,228,607)**	(52,278,914)
Gross profit	**7,839,096**	11,702,501	**2,712,684**	4,933,043	**6,659,298**	719,752	**17,211,078**	17,355,296

19. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to the Group's ordinary shareholders by the number of ordinary shares outstanding during the year.

	For the three-months period ended 31 March (Unaudited)	
	2025G	2024G
Profit for the period	**3,405,811**	4,001,258
Number of shares		
Number of shares issued (note 8)	**104,000,000**	104,000,000
Basic and diluted earnings per share (⃁)*	**0.033**	0.038

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

20. LISTING AND INITIAL PUBLIC OFFERING EXPENSES

The General Assembly of Shareholders, in its meeting held on August 22, 2024G, approved the offering of 30% of the Group's shares in an Initial Public Offering (IPO). Of this, 20% of the existing shares will be sold by current shareholder on a pro-rata basis according to their ownership ratios, in addition to the issuance of 10% of new shares at a nominal value of one Saudi Riyal per share, fully paid. This will result in an increase in the Group's share capital by 10 million Saudi Riyals, bringing it to 114 million Saudi Riyals instead of 104 million Saudi Riyals. This will be carried out through the submission of a registration and offering request to the Saudi Capital Market Authority, as well as a request for listing on the Saudi Stock Exchange (Tadawul). The Board of Directors have been authorized to take all necessary legal actions to complete the application.

The Group has contracted legal and financial advisors to conduct studies and prepare the necessary requirements for the registration and offering process. Under the Assembly's decision, shareholders agreed to bear these expenses. Since the start of the registration and offering process till the three-months period ended 31 March 2025G, the Group has paid an cumulative amount of SAR 6.5 million (31 December 2024G: SAR 5.9 million) related to this process.

The costs have been classified and treated according to the nature of the transaction to which each of these costs is related, according to a clarification from the Saudi Organization for Chartered and Professional Accountants (SOCPA) on how to account for the costs of listing in the capital market when the listing with a sale of part of the founders' share to the public on 23 March 2023G.

These costs were classified into;

- Costs related to selling and initial public offering, and were borne by the existing shareholders outside the company's accounts.
- Costs related to the listing process, which were charged to the consolidated statement of profit or loss and other comprehensive income.
- Costs related to the listing transaction that are difficult to attribute directly to both the sale process and the listing process have been allocated using the guidance of paragraph 38 of International Accounting Standard No. 32 "Financial Instruments: Presentations" between the company and the old shareholders pro-rata to the basis of the number of shares sold to the shares held, and the Group's share was charged to the consolidated statement of profit or loss and other comprehensive income.

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20. LISTING AND INITIAL PUBLIC OFFERING EXPENSES (CONTINUED)

	Basis of allocation	Amounts recognized	
		31 March 2025G (Unaudited)	31 December 2024G (Audited)
Allocated to the existing shareholders (related party account)	20%	**2,367,333**	2,053,079
Allocated to the new shares (equity)	10%	**1,158,790**	1,026,540
Allocated to listing the existing shareholders (expenses in the consolidated statement of profit or loss and other comprehensive income)	70%	**2,991,617**	2,851,617
	100%	**6,517,740**	5,931,236

The financial impact of the amounts borne by the old shareholders for the listing and initial public offering costs has been charged to equity in accordance with the requirements of IAS 32.

Impact on consolidated financial statements is as follows:

	Amount recognized	
	31 March 2025G (Unaudited)	31 December 2024G (Audited)
Receivable from related parties (Note 7)	**2,367,333**	2,053,079
Share issuance reserve	**1,158,790**	1,026,540
Initial Public Offering cost (expenses in the consolidated statement of profit or loss and other comprehensive income)*	**2,991,617**	2,851,617
	6,517,740	5,931,236

21. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events after the three-months period ended 31 March 2025G, that would have a material impact on the Group’s interim condensed consolidated statement of financial position or its results of operations.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the three-months period ended 31 March 2025G were approved by the Board of Directors on 28 May 2025G (Corresponding to : 1 Dhu al-Hijjah 1446H).

SPORT CLUBS COMPANY

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024G

AND INDEPENDENT AUDITOR'S REPORT

الدكتور محمد العمري وشركاه
BDO Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Sport Clubs Company
(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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Independent Auditor's Report on the Audit of the Consolidated Financial Statements of Sport Clubs Company (Saudi Joint Stock Company) for the year ended 31 December 2024 (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

For Dr. Mohamed Al-Amri & Co.

Gihad Mohamed Al-Amri
Certified Public Accountant
License Number 362

Riyadh on: 27 Ramadan 1446 (H)
Corresponding to: 27 March 2025 (G)

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024G
(Saudi Riyals)

	Note	2024G	2023G
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	(6)	**465,149,962**	408,073,520
Right of use assets	(7.1)	**252,668,719**	309,180,796
Intangible assets	(8)	**5,385,723**	5,341,104
TOTAL NON-CURRENT ASSETS		**723,204,404**	722,595,420
CURRENT ASSETS			
Inventory	(9)	**9,927,245**	8,209,467
Trade receivables	(10)	**28,769,607**	4,407,617
Prepayments and other receivables	(11)	**31,478,944**	13,239,299
Cash and cash equivalents	(12)	**5,026,406**	8,641,035
TOTAL CURRENT ASSETS		**75,202,202**	34,497,418
TOTAL ASSETS		**798,406,606**	757,092,838
EQUITY AND LIABILITIES			
EQUITY			
Share capital	(13)	**104,000,000**	104,000,000
Statutory reserve	(33)	**-**	15,904,683
Share issuance reserve	(35)	**(1,026,540)**	-
Retained earnings		**65,835,410**	23,505,781
TOTAL EQUITY		**168,808,870**	143,410,464
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities - non-current portion	(7.2)	**279,672,885**	333,420,462
Long term loans - non-current portion	(14)	**84,031,227**	60,677,133
Employees' benefits	(15)	**24,676,110**	21,825,791
Contracts liabilities - non-current portion	(16)	**731,953**	700,324
TOTAL NON-CURRENT LIABILITIES		**389,112,175**	416,623,710
CURRENT LIABILITIES			
Lease liabilities - current portion	(7.2)	**42,249,645**	36,029,454
Long term loans - current portion	(14)	**58,942,123**	41,948,849
Trade payables		**26,096,223**	29,118,347
Accrued expenses and other payables	(17)	**18,532,482**	13,531,095
Provision for Zakat	(18)	**1,008,151**	802,549
Contracts liabilities - current portion	(16)	**93,656,937**	75,628,370
TOTAL CURRENT LIABILITIES		**240,485,561**	197,058,664
TOTAL LIABILITIES		**629,597,736**	613,682,374
TOTAL EQUITY AND LIABILITIES		**798,406,606**	757,092,838

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

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024G
(Saudi Riyals)

	Note	2024G	2023G
Revenue	(19)	**327,425,956**	270,620,715
Cost of revenue	(20)	**(228,880,727)**	(198,235,704)
GROSS PROFIT		**98,545,229**	72,385,011
Marketing expenses	(21)	**(8,119,254)**	(7,797,602)
General and administrative expenses	(22)	**(21,209,709)**	(14,540,824)
OPERATING PROFIT		**69,216,266**	50,046,585
Listing and Initial Public Offering Expenses	(35)	**(2,851,615)**	-
Other income / (expenses) – net	(23)	**4,086,603**	2,832,523
Finance costs	(24)	**(31,447,381)**	(26,982,462)
PROFIT BEFORE ZAKAT FOR THE YEAR		**39,003,873**	25,896,646
Zakat expense	(18)	**(934,132)**	(808,231)
PROFIT FOR THE YEAR		**38,069,741**	25,088,415
OTHER COMPREHENSIVE INCOME:			
Items that will not be subsequently reclassified to profit or loss:			
Re-measurement of provision for end of service benefits		**(5,644,795)**	(1,583,379)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(5,644,795)**	(1,583,379)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,424,946**	23,505,036
BASIC AND DILUTED EARNINGS PER SHARE (SR)	(34)	**0.37**	0.24

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

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024G
(Saudi Riyals)

		Share capital	Statutory reserve	Share issuance reserve	Retained earnings	Total
For the year ended 31 December 2024G						
Balances at 1 January 2024G		104,000,000	15,904,683	-	23,505,781	143,410,464
Profit for the year		-	-	-	38,069,741	38,069,741
Other comprehensive income for the year		-	-	-	(5,644,795)	(5,644,795)
Total comprehensive income for the year		-	-	-	32,424,946	32,424,946
Dividends paid	32	-	-	-	(6,000,000)	(6,000,000)
Share issuance reserve		-	-	(1,026,540)	-	(1,026,540)
Transferred from statutory reserve to retained earnings	33	-	(15,904,683)	-	15,904,683	-
Balance as at 31 December 2024G		104,000,000	-	(1,026,540)	65,835,410	168,808,870
For the year ended 31 December 2023G						
Balance as at 1 January 2023G		104,000,000	13,395,841	-	8,509,587	125,905,428
Profit for the year		-	-	-	25,088,415	25,088,415
Other comprehensive income for the year		-	-	-	(1,583,379)	(1,583,379)
Total comprehensive income for the year		-	-	-	23,505,036	23,505,036
Dividends paid	32				(6,000,000)	(6,000,000)
Transferred to statutory reserve from retained earnings		-	2,508,842	-	(2,508,842)	-
Balance as at 31 December 2023G		104,000,000	15,904,683	-	23,505,781	143,410,464

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

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024G
(Saudi Riyals)

	Note	2024G	2023G
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before zakat for the year		**39,003,873**	25,896,646
Adjustments for:			
Depreciation of property plant and equipment and right of use assets	6,7	**64,029,044**	59,150,212
(Profits) / loss from disposal of property and equipment	23	**(18,044)**	(282,739)
Amortization of intangible	8	**755,023**	146,997
Provision for slow-moving and obsolete inventory	9	**521,060**	-
Provision for employees' benefits	15	**3,927,000**	5,232,000
Finance cost	24	**31,447,381**	26,982,462
Termination of lease contracts during the period		**(2,643,538)**	(2,008,616)
Discounts on rent expenses	23	**(600,699)**	(1,231,981)
		136,421,100	113,884,981
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Inventory		**(2,238,838)**	(2,015,643)
Trade receivables		**(24,361,990)**	(592,135)
Prepayments and other receivables		**(19,347,168)**	2,168,385
Contracts liabilities – net		**18,060,196**	6,974,250
Trade payables		**(3,022,124)**	25,552,814
Accrued expenses and other payables		**6,020,706**	(6,067,653)
Zakat paid	18	**(728,530)**	(698,817)
Employees' benefits paid	15	**(7,740,795)**	(5,029,494)
Net cash generated from operating activities		**103,143,540**	134,176,688
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(91,437,505)**	(66,040,164)
Purchase of intangible assets – net		**(799,642)**	(2,042,030)
Proceeds from sale of property and equipment		**2,242,233**	777,473
Net cash used in investing activities		**(89,994,914)**	(67,304,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans	14	**(109,388,648)**	(62,899,336)
Proceeds from loans	14	**149,736,016**	40,000,000
Payment of lease liability – net	7	**(34,747,597)**	(34,716,942)
Payment of finance costs		**(16,363,026)**	(11,911,967)
Dividends paid	32	**(6,000,000)**	(6,000,000)
Net cash used in financing activities		**(16,763,255)**	(75,528,245)
Net change in cash and cash equivalents		**(3,614,629)**	(8,656,278)
Cash and cash equivalents at the beginning of the year	12	**8,641,035**	17,297,313
Cash and cash equivalents at the end of the year	12	**5,026,406**	8,641,035
Non cash transactions			
Interest on lease liabilities capitalized during the year	24	**(4,081,536)**	(3,818,134)
Finance cost capitalized during the year	24	**(3,108,715)**	(1,521,589)
Depreciation of right-of-use assets capitalized during the year	7	**(1,092,572)**	(715,755)
Additions to right-of-use assets	7	**(2,036,848)**	(94,527,403)
Share issuance reserve	35	**(1,026,540)**	-
Transfer (from)/to statutory reserve (to)/from retained earnings	33	**(15,904,683)**	2,508,842

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

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024G
(All amounts are presented in Saudi Riyals unless otherwise stated)

1. INCORPORATION AND PRINCIPLE ACTIVITIES

Sports Clubs Company was established as a limited liability company in accordance with the Companies Law in the Kingdom of Saudi Arabia, and operates under Commercial Registration No. 1010167892 dated on 26 Rabi-Al-Thani 1422H (18 July 2001 G) in Riyadh.

The principle activities of the company are the wholesale and retail trade in sports equipment, tools and clothing, the purchase of lands for the construction of buildings on them and their investment by sale or rent for the benefit of the company, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

In the partners' meeting held on Rabi' Al-Awwal 1, 1444 H, corresponding to (September 26, 2022G), the partners unanimously agreed to convert the legal entity of the company from a limited liability company to a closed Saudi joint stock company while retaining the number, name and date of the commercial registration of the company and its branches, and on 2 Rabi' Al-Awwal 1444H corresponding to (27 September 2022G), The statutory procedures to amend the company's articles of incorporation and articles of association have been completed.

The head office of the group is located at the following address:

P.O Box 270079-Riyadh 11352 - Kingdom of Saudi Arabia

The following are the details of the subsidiary included in these consolidated financial statements:

Name of Subsidiary	Commercial Registration	Country of Incorporation	Direct ownership percentage as at		Activity
			30 December 2024G	2023G	
Third Amaken Sports Company	1010334139	Kingdom of Saudi Arabia	100%	100%	Building cleaning and maintenance

The Group also exercises its activities through branches of sports clubs that operate under the following commercial registrations for regions or for each individually as follows:

Serial Number	City / Region	Commercial Registration Number	Commercial Registration Date
1	Riyadh	1010167892	26/4/1422
2	Al-Qassim	1131028467	27/3/1430
3	Dammam	2050069185	15/3/1431
4	Khamis Mushait	5855346579	26/4/1422
5	Hail	3350147174	18/5/1441
6	Al Ahsa	2250064353	18/3/1437
7	Jeddah	4030295107	4/9/1438
8	Najran	5950032854	15/3/1438
9	Hafar Al Batin	2511108063	4/6/1439
10	Tabuk	3550122370	4/6/1439
11	Al Badi'ah " females"	1010460120	1/9/1440
12	Madinah	4650209419	2/8/1440
13	Makkah	4031235157	18/5/1441

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements include the financial statements of the Company and its subsidiary (together referred to as the "Group").

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and professional Accountants ("SOCPA") (here and after referred to as "IFRSs").

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the consolidated financial statements.

2.2 Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for employees' end of service benefits and vacation allowances which are measured using the projected unit credit method and lease liabilities which are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the group's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of the company and its subsidiaries as at the reporting date. Control is achieved when the company:

- Power over the investee.
- Exposure to risks and have the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Rights arising from other contractual arrangements; and
- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.
- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.
- A change in the subsidiary's ownership interest, without loss of control, is recorded in the consolidated statement of changes in equity.
- Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is distributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment held is carried at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.
- All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Sports Amaken Company, which is referred to later with the company as the group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, the Third Sports Places Company. The company owns 100% (2022G: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3.2 Property, plant and equipment

Property, plant and equipment, excluding land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment losses, if any.

Historical cost includes expenditures directly attributable to the acquisition of an asset, and subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, and only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and method of depreciation are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

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

Assets	Years
Buildings, Buildings on leased land	30 (or the lease period, whichever is less, for buildings over rented lands))

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets	Years
Improvements to rented buildings	The rental period or the estimated useful life, whichever is shorter
Machines and equipment	7-10
Furniture	10
Electrical hardware and software	6.66
Vehicles	5

Land and capital work in progress are not depreciated.

Stored materials and spare parts with a useful life more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on disposal of an item of property, plant and equipment, which is determined as the difference between the net sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

Capital work in progress

Capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress begins when the assets are ready for their intended use, at that time they will be transferred to property, equipment or investment property. Finance costs incurred on borrowings to finance the construction of a qualifying asset are capitalized over the time period required to complete and prepare the asset for its intended use.

3.3 Lease contracts

The Group assesses whether a contract is a lease, or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the lessee is, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight line basis over the lease term unless there is another systematic basis for the time plan in which the economic benefits from the leased asset are exhausted.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses an incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including fixed payments), less any lease incentives.
- Variable lease payments that are dependent on an index or a price, initially measured using the index or price at the commencement date,
- The amount expected to be paid by the lessee under residual value guarantees,
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- Payment of fines for terminating the lease, if the lease reflects the exercise of the option to terminate the lease.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group re-measures the lease liability (and adjusts against the related right-of-use assets) if:

- The terms of the lease have changed or there has been a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments have changed due to changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate (unless the lease payments change due to a change in the prevailing interest rate). In this case, a modified discount rate is used.
- The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is amortized over the lease term and the specified useful life, whichever is shorter. If the lease transfers ownership of an identified asset or the cost of the right to use the asset, it reflects that the Group expects to exercise the purchase option, the related right to use asset is amortized over the asset's useful life. Depreciation begins on the start date of the lease.

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies International Accounting Standard No. (36) "Impairment of Assets" to determine whether there has been any impairment in the value of right-of-use assets.

3.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis based on the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, and any changes in estimates are accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or at the reporting date when there is an indication of impairment, either individually or at the cash-generating unit level. The calendar of indefinite lives is reviewed annually to determine whether indefinite lives are still possible. If not, the useful life is changed from indefinite to finite on a prospective basis.

The Group applies the following useful years of amortization to its intangible assets:

Computer Software 5 Years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and consistent bases of distribution can be determined, the common assets are also allocated to cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of distribution can be determined. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment by comparing the unit's carrying value, including goodwill, with the unit's recoverable amount. Intangible assets with an indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, and whenever there is an indication that the asset is impaired.

The recoverable amount is the asset's fair value less cost to sell or value in use, whichever is higher. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized directly in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to its revalued recoverable amount, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) had no impairment loss been calculated for it in previous years. The reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized in prior periods for goodwill is not reversed in a subsequent period.

3.6 Inventory

Inventory is stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price less all estimated costs of completion and any further costs involved in making the sale. The cost of raw materials and spare parts is determined on a weighted average basis. Spare parts are items that may result in fixed capital expenditures but are not discernible. They are stated at cost and determined on a weighted average basis.

3.7 Trade receivables

Accounts receivable are recorded at the original invoice amount less impairment losses at an amount equal to the estimated lifetime credit loss. When the receivable is uncollectible, it is written off against the impairment loss. Any subsequent recoveries of amounts previously written off against "impairment losses on trade receivables" are credited to profit or loss.

3.8 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks which are all available for use by the Group unless otherwise stated, and whose maturities are three months or less, and which are subject to an insignificant risk of change in value.

3.9 Statutory reserve

In accordance with the Company's bylaw before the amendment, the company was required to transfer 10% of its net profit to the statutory reserve until it reached 30% of the paid-up capital. However, following amendments to the Companies Law in the Kingdom of Saudi Arabia, there is no longer an obligation to maintain the statutory reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employees benefits

Defined employee benefit obligations

Employees' benefits are calculated using the expected unit credit method, with actuarial valuations performed at the end of each reporting period. . Remeasurement recognized in other comprehensive income is recognized immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligation, which result from changes and reductions, are recognized directly in profit or loss as service costs from prior periods. Interest is calculated by using the discount rate at the beginning of the period on defined employee benefit obligations. Defined benefit costs are categorized as follows:

- Service cost (including current service costs and past service costs, plus gains and losses from cutbacks and adjustments);
- Cost of interest; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the related items.

Short-term employee benefits

The obligation is recognized for benefits related to wages, salaries, annual leave, travel tickets and sick leaves and is expected to be settled in full during the twelve-month period following the end of the period in which the service is provided. The obligation is recorded at the undiscounted amount of benefits expected to be paid in exchange for those services.

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When provisions are deducted, the increase in the provision due to the passage of time is recognized as a finance cost.

3.12 Zakat

The group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, and the entitlement to zakat is recognized and charged to the consolidated statement of profit or loss and other comprehensive income. Additional zakat liabilities, if any, relating to assessments on prior years are calculated by the Authority for Zakat, Tax and Customs in the year in which the final assessments are issued.

3.13 Financial instruments

The Group recognizes financial assets or financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Financial assets

Initial recognition

Financial assets are classified, on initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing it.

For a financial asset to be classified and measured at amortized cost or FVOCI, that asset must generate cash flows that are "payments from the asset and proceeds only" on the original amount receivable. This evaluation is referred to as the (Payments from Principal and Returns Only) test (SPPI) and is performed at the financial instrument level. Financial assets with cash flows that are not 'Payments from Principal and Returns Only' are classified as FVTPL, regardless of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, from the sale of financial assets, or from both. Financial assets classified and measured at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model whose objective is to collect contractual cash flows and sell.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

a. Debt instruments at amortized cost.

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

b. Equity instruments at fair value through other comprehensive income with no possibility of rolling back to profit or loss.

Gains and losses on valuation of these financial assets are not recycled to profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to receive is established, except when the group benefits from these returns as a recovery of part of the cost of the financial asset, in which case, these revenues are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment testing.

c. Equity instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated profit or loss.

Decline in the value of financial assets

The Group applies the simplified approach in calculating impairment. Expected credit losses on financial assets are estimated using the Group's historical credit loss experience, adjusted for general economic conditions and an assessment of both the current trend as well as expectations of conditions at the reporting date, including the time value of money where it is. That is appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Decline in the value of financial assets (continued)

The expected credit loss measurement is an indication of the probability of default, or a given loss (meaning the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data that is modified by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the consolidated statement of profit or loss and other comprehensive income, and provisions for losses measured at amortized cost are deducted from the total carrying amount of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group will continue to recognize its retained interest in the assets and liabilities associated with the financial asset for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group has no financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Bank loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. These interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the repayment period is at a constant rate on the liability balance recognized in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, canceled or expire.

3.14 Revenue recognition

The Group recognizes revenue from contracts using a five-steps method as mentioned in IFRS 15:

- Step 1: Determine the contract(s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.
- Step 2: Determine the performance obligations in the contract. A performance obligation is an undertaking under the contract with the customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition (continued)

Step 4: Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that have more than one performance obligation, the Group will allocate a transaction price to each performance obligation in the amount to which the Group expects to be entitled in exchange for meeting each performance obligation.

Step 5: Recognize revenue when the entity fulfills the performance obligation.

The Group satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:

A. The performance of the group does not create an asset with an alternative use of the group, and the group has an enforceable right to payment for performance completed to date.

B. Group performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.

C. The customer simultaneously receives and consumes the benefits provided by the entity's performance once the Group has performed.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the Group fulfills the performance obligation by providing the promised services, this creates a contract-based asset in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that revenue and costs, where applicable, can be measured reliably.

Subscription and membership revenue

Subscription and membership fees are recognized as revenue on a regular basis over the subscription period. Revenue fees received in advance are initially recognized as contract obligations and amortized over the subscription period.

Personal training revenue

Personal training fees are recognized as revenue when the related services are provided and performance obligations are fulfilled. Fees received in advance are initially recognized as contract obligations and are subsequently recognized when personal training sessions are conducted or the training period ends, whichever comes first.

3.15 Cost of revenues

The cost of sales includes all direct costs of the activity, including direct labor, direct materials, and expenses related to the activity.

3.16 Expenses

Marketing expenses principally consist of costs incurred in the distribution and sale of the Group's services. All other expenses are classified as general and administrative expenses.

SPORT CLUBS COMPANY
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.17 Finance cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that are assets that require a significant period of time to be ready for their expected use or sale are added to the cost of those assets until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific loans until they are spent on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

1.18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the group, and they are recorded in the financial statements in the period that is approved by the shareholders of the group.

Dividends are recorded in the period that is approved by the Partners.

1.19 Earnings per share

The group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

a. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the International Accounting Standards Board ("IASB") that are effective in future accounting periods that the Company has decided not to adopt early.

IFRS	Summary	Effective date
IAS 21	Amendment – Lack of Exchangeability	1 January 2025G
IFRS 9 and IFRS 7	Amendments regarding the classification and measurement of financial instruments	1 January 2026G
Annual Improvements to IFRS Accounting Standards	Amendments/Annual improvements in IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7	1 January 2026G
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027G
IFRS 19	Disclosures – Subsidiaries without Public Accountability	1 January 2027G

4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

b. New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year but they have no impact on these financial statements.

IFRS	Summary	Effective date
IFRS 16	Amendment – Lease Liability in a Sale and Leaseback	1 January 2024G
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024G
IAS 1	Amendment – Non-current Liabilities with Covenants	1 January 2024G
IAS 7 and IFRS 7	Amendment – Supplier Finance Arrangements	1 January 2024G

5. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to use judgments, estimates and assumptions that may affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on current information and events available to management, final actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of the revision of accounting estimates is reflected in the review period and the future periods affected.

The following is information about significant areas of estimation, uncertainties and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

5.1 Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are estimated according to the new information available to the Group's management. The management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after considering the expected use of the assets and physical damage to these assets. The management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

5.2 Determining the lease term with extension and termination options - Group as lessee

The Group determines the lease term as non-cancellable for any periods covered by an option to extend the contract if the Group is reasonably certain that it will be able to exercise that option, or for any periods covered by an option to terminate the contract if the Group is reasonably certain that it will not be able to exercise it. Option. The Group exercises judgment in assessing the reasonableness of ensuring that the option to extend or terminate the contract is exercised. For this purpose, the Group considers all relevant factors that constitute an economic incentive to exercise the option to extend or terminate. After the commencement date of the lease, the Group reassesses the term of the lease if there is a significant event or change in circumstances within its control that affects the Group's ability to exercise or not to exercise the option to renew or terminate the lease.

5. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

5.3 Estimate the additional borrowing rate

The group cannot easily determine the interest rate implicit in the lease contracts, and therefore it uses the incremental borrowing rate to measure the lease commitments, the incremental borrowing rate represents the interest rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, Over a similar period and with a similar guarantee, the incremental borrowing rate therefore reflects what the group has to pay, which requires an estimate when observable rates are not available (such as for subsidiaries that do not conduct financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease, The group estimates the incremental borrowing rate using observable inputs (e.g. market commission rates) when available, and is required to make some judgment of the entity (e.g. independent credit assessment).

5.4 Intangible assets

Management reviews the period and method of amortization of tangible assets with a finite useful life at least at the end of each financial year. If the expected useful lives of the assets are different from the previous estimates, the group changes the amortization period accordingly. If there is a change in the expected pattern of consumption of future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

5.5 Impairment of non-financial assets

Impairment occurs when the amount of an asset or cash-generating unit exceeds its recoverable amount as fair value less costs of disposal or its value in use - whichever is higher. The fair value minus costs of disposal is based on available data from binding arm's length sales of similar assets or observable market prices minus incremental costs of disposal of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that could enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash inflows and the growth rate used for the purposes of extrapolating the future.

5.6 Measuring the fair value of financial instruments

If the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. Inputs to these models are obtained from observable markets when possible, but where this is not feasible, a degree of judgment must be used to determine fair values. Judgments include considerations for inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the disclosed fair value of financial instruments.

5.7 Employees' benefits

The cost of employee defined benefit obligations and other post-employment benefits is determined based on a measurement at the present value of future obligations using the expected unit addition method. The actuarial valuation involves making several assumptions which may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, and mortality rates. Due to the complex and long-term nature of the valuation and underlying assumptions, the defined benefit obligation is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

5. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

5.7 Employees' benefits (continued)

The discount rate is the most variable indicator. In determining the appropriate discount rate, management takes into account the commission rates on corporate bonds registered in currencies consistent with the currencies in which the defined post-employment benefits obligations for employees are recorded, and they are estimated when needed with the rate of return in line with the expected duration of the defined benefits commitment. The quality of the relevant bonds is also reviewed. Those bonds that have high credit spreads are excluded from the bond analysis on which the discount rate was determined, as they do not represent high quality bonds.

The mortality rate is determined based on publicly available mortality tables in the respective countries. These mortality tables are subject to change only from time to time according to demographic changes. Future salary increases are determined based on expected future inflation rates for the respective countries and future salary increases.

5.8 Going concern

The Group's management has made an assessment of the Group's ability to continue its business according to the principle of continuity, and the Group is convinced that it has the resources to continue its business in the foreseeable future, and the Group's management does not have any fundamental doubts that may affect the Group's ability to continue its business. Therefore, these financial statements have been prepared according to the going concern principle.

(All amounts are presented in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

For the year ending on 31 December 2024G	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hardware	Vehicles	Capital work in progress	Total
Cost:										
Balance as at 01 January 2024G	38,527,800	17,811,134	384,773,905	51,702,009	99,744,092	38,513,814	10,374,650	5,235,090	32,538,936	679,221,430
Additions during the year	-	-	-	-	27,583,725	4,367,690	2,379,361	220,061	65,169,491	99,720,328
Transferred from capital work-in-progress	-	-	30,379,606	5,751,159	-	242,092	-	-	(36,372,857)	-
Transferred from leased buildings	-	14,875,826	(14,875,826)	-	-	-	-	-	-	-
Disposals	-	-	(12,740,191)	(17,778,812)	(10,431,245)	(1,290,740)	(646,854)	(96,000)	-	(42,983,842)
Balance as at 31 December 2024G	38,527,800	32,686,960	387,537,494	39,674,356	116,896,572	41,832,856	12,107,157	5,359,151	61,335,570	735,957,916
Accumulated depreciation:										
Balance as at 01 January 2024G	-	(8,836,071)	(158,839,343)	(32,853,192)	(45,749,566)	(16,741,266)	(5,429,499)	(2,698,973)	-	(271,147,910)
Depreciation charged during the year	-	(1,134,980)	(21,831,504)	(3,005,001)	(8,741,364)	(3,582,249)	(1,238,178)	(886,421)	-	(40,419,697)
Transferred from leased buildings	-	(1,784,671)	1,784,671	-	-	-	-	-	-	-
Disposals	-	-	12,740,187	17,778,802	8,263,916	1,276,321	636,427	64,000	-	40,759,653
Balance as at 31 December 2024G	-	(11,755,722)	(166,145,989)	(18,079,391)	(46,227,014)	(19,047,194)	(6,031,250)	(3,521,394)	-	(270,807,954)
Net book value:										
Balance as at 31 December 2024G	38,527,800	20,931,238	221,391,505	21,594,965	70,669,558	22,785,662	6,075,907	1,837,757	61,335,570	465,149,962
Balance as at 31 December 2023G	38,527,800	8,975,063	225,934,561	18,848,816	53,994,529	21,772,548	4,945,151	2,536,117	32,538,934	408,073,520

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 4,240,617 as on December 31, 2024G (December 31, 2023G: SAR 5,612,543).
- All lands are mortgaged to local banks as security for the loan obtained by the group as shown in Note No. (14).
- During the year ended December 31, 2024G, the Group capitalized a borrowing cost related to qualifying assets of SAR 7,190,251 using a capitalization rate ranging from 7.22 to 9.10% per annum (December 31, 2023G: SAR 5,339,723 using a capitalization rate ranging from 7.22% to 8.59% annually) (Note 24).
- The capital work in progress as of December 31, 2024G mainly represents the costs incurred in establishing new branches that are still under construction.

(All amounts are presented in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ending on 31 December 2023G	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work in progress	Total
Cost:										
Balance as at 01 January 2023G	17,027,800	17,811,134	372,571,725	54,783,185	96,909,855	34,362,526	9,307,958	4,227,834	20,659,535	627,661,552
Additions during the year	21,500,000	-	-	-	6,571,600	4,326,560	1,152,920	1,228,056	37,316,506	72,095,642
Transferred from capital work-in-progress	-	-	20,257,912	4,871,686	-	307,507	-	-	(25,437,105)	-
Disposals	-	-	(8,055,732)	(7,952,862)	(3,737,363)	(482,779)	(86,228)	(220,800)	-	(20,535,764)
Balance as at 31 December 2023G	38,527,800	17,811,134	384,773,905	51,702,009	99,744,092	38,513,814	10,374,650	5,235,090	32,538,936	679,221,430
Accumulated depreciation:										
Balance as at 01 January 2023G	-	(8,218,567)	(145,792,180)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(253,922,243)
Charges for the year	-	(617,504)	(21,102,894)	(2,400,723)	(7,970,568)	(3,214,507)	(1,117,569)	(842,938)	-	(37,266,703)
Disposals	-	-	8,055,731	7,932,576	3,418,844	383,442	75,990	174,453	-	20,041,036
Balance as at 31 December 2023G	-	(8,836,071)	(158,839,343)	(32,853,192)	(45,749,566)	(16,741,266)	(5,429,499)	(2,698,973)	-	(271,147,910)
Net book value										
Balance as at 31 December 2023G	38,527,800	8,975,063	225,934,562	18,848,817	53,994,526	21,772,548	4,945,151	2,536,117	32,538,936	408,073,520
Balance as at 31 December 2022G	17,027,800	9,592,567	226,779,545	16,398,140	55,712,013	20,452,325	4,920,038	2,197,346	20,659,535	373,739,309

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 5,612,543 as on December 31, 2023G (December 31, 2022G: SAR 7,040,538).
- Lands amounting to SAR 17,027,800 are mortgaged to Riyad Bank as security for the loan obtained by the group as shown in Note No. (14).
- During the year ended December 31, 2023G, the Group capitalized a borrowing cost related to qualifying assets of SAR 5,339,723 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2022G: SAR 4,062,561 using a capitalization rate ranging from 3.6% to 8.6% per annum) (Note 24).
- The capital work in progress as of December 31, 2023G is mainly represented by the costs incurred in establishing new branches that are still under construction

(All amounts are presented in Saudi Riyals unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge was distributed over the year as follows:

	2024G	2023G
Cost of revenue (note 20)	**38,830,475**	35,871,430
General and administrative expenses (note 22)	**1,438,826**	1,300,926
Marketing expenses (note 21)	**150,396**	94,347
	40,419,697	37,266,703

7. LEASE CONRACTS

7.1 Right of use assets

The Group leases sports clubs on lease contracts ranging from five to twenty years, with an option to renew the lease contract after that date (Note 3.3).

	2024G	2023G
Cost		
Balance as at 01 January	**399,168,623**	313,430,026
Additions during the year	**2,036,848**	94,527,403
Termination of leases during the year	**(33,847,006)**	(8,788,806)
Balance as at 31 December	**367,358,465**	399,168,623
Accumulated depreciation:		
Balance as at 01 January	**(89,987,827)**	(67,388,563)
Depreciation charged during year	**(23,609,347)**	(21,883,509)
Depreciation capitalized during the year	**(1,092,572)**	(715,755)
Balance as at 31 December	**(114,689,746)**	(89,987,827)
Net book value	**252,668,719**	309,180,796

The depreciation charge:

Lease depreciation expenses are charged in full to cost of revenue (note 20).

7.2 Lease labilities

	2024G	2023G
Balance as at 01 January	**369,449,916**	301,258,640
Additions during the year	**2,036,848**	94,527,403
Remeasurement of lease liability	**(36,490,544)**	(10,797,422)
Financing costs	**22,274,606**	20,410,218
Paid during the year	**(35,348,296)**	(35,948,923)
Balance as at 31 December	**321,922,530**	369,449,916

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

	2024G	2023G
Lease liability current portion	**42,249,645**	36,029,454
Lease liability non-current portion	**279,672,885**	333,420,462
	321,922,530	369,449,916

(All amounts are presented in Saudi Riyals unless otherwise stated)

7. LEASE CONTRACTS (CONTINUED)

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

	2024G	2023G
Depreciation expense of right-of-use assets	**23,609,347**	21,883,509
Interests of lease liability	**22,274,606**	20,410,218
Rental expenses for short-term contracts (Note 20)	**3,511,601**	3,203,642
	49,395,554	45,497,369

8. INTANGIBLE ASSETS

Intangible assets include the value of goodwill resulting from the acquisition of a business (martial arts business) during 2017, in addition to automated programs and systems to serve the business. The movement in intangible assets was as follows:

	Programs	Projects under implementation (A)	Goodwill (B)	Total
Cost:				
Balance as at 01 January 2023G	1,194,083	2,134,213	937,460	4,265,756
Additions during the year	231,531	1,810,499	-	2,042,030
Disposals	(15,000)	-	-	(15,000)
Balance as at 31 December 2023G	1,410,614	3,944,712	937,460	6,292,786
Additions during the year	**105,366**	**772,962**	**-**	**878,328**
Transferred from project under construction	**3,656,086**	**(3,656,086)**	**-**	**-**
Disposals	**(534,042)**	**-**	**-**	**(534,042)**
Balance as at 31 December 2024G	**4,638,024**	**1,061,588**	**937,460**	**6,637,072**
Accumulated depreciation:				
Balance as at 01 January 2023G	819,679	-	-	819,679
Charges for the year	146,997	-	-	146,997
Disposals	(14,994)	-	-	(14,994)
Balance as at 31 December 2023G	951,682	-	-	951,682
Charges for the year	755,023	-	-	755,023
Disposals	**(455,356)**	**-**	**-**	**(455,356)**
Balance as at 31 December 2024G	**1,251,349**	**-**	**-**	**1,251,349**
Net book value				
Balance as at 31 December 2024G	**3,386,675**	**1,061,588**	**937,460**	**5,385,723**
Balance as at 31 December 2023G	**458,932**	**3,944,712**	**937,460**	**5,341,104**

A. Projects under implementation represent programs and automated systems under development to serve the capital work in progress.

B. Goodwill:

As a result of the Group's acquisition of the martial arts project shares during 2017, this is in addition to automated programs and systems to serve the activity.

(All amounts are presented in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

Impairment of goodwill

The Group's management has appointed an external expert to perform the annual impairment test for goodwill on December 31, 2024G and the recoverable amount was determined based on the value in use calculation. The use of this method requires estimating the future cash flows and determining the discount rate in order to calculate the present value of the cash flows over a period of time. As at December 31, 2024G, the Group determined the recoverable amount based on the discounted future cash flows, and the recoverable amount was greater than the carrying amount of the cash-generating unit.

The recoverable amount of the value in use calculation has been determined based on cash flow projections from officially approved budgets covering a period of five years to December 31, 2029G. Other major assumptions are as follows:

	2024G	2023G
Discount Rate	**13.73%**	14%
Growth Rate (*)	**2%**	2%

* Growth rate assumptions apply only to the period beyond the period of the financial statements with value in use calculated based on extrapolating budgeted cash flows for the fifth year.

Operating margins were based on past experiences and future expectations in light of expected economic and market conditions. The discount rates are based on the Group's beta adjusted to reflect management's assessment of the specific risks specific to the cash-generating unit. Growth rates after the first five years are based on economic data related to the respective region.

9. INVENTORY

	2024G	2023G
Spare parts	**3,670,746**	2,628,227
Operating and maintenance materials	**3,469,943**	2,748,867
Traded goods	**3,307,616**	2,832,373
	10,448,305	8,209,467
Less: Provision for slow-moving and obsolete inventory	**(521,060)**	-
	9,927,245	8,209,467

Below is the movement of the provision for slow-moving and obsolete inventory for the year ended:

	2024G	2023G
Balance as at 01 January	**-**	-
Charged to the year (Note 19)	**521,060**	-
Balance as at 31 December	**521,060**	-

(All amounts are presented in Saudi Riyals unless otherwise stated)

10. TRADE RECEIVABLE

	2024G	2023G
Trade Receivable	**30,734,779**	6,372,789
Less: Expected credit loss	**(1,965,172)**	(1,965,172)
	28,769,607	4,407,617

The following is an analysis of the aging of trade receivables and credit risks:

	Total	Less than 30 days	31 - 90 days	91 – 180 days	181 – 270 days	271 – 365 days	More than 365 days
2024G	30,734,779	28,464,616	279,994	24,997	-	-	1,965,172
2023G	6,372,789	-	4,407,617	-	-	-	1,965,172

The major balance within the total trade receivables includes 24.7 million as an outstanding amount due from a government entity.

11. ADVANCE PAYMENTS AND OTHER RECEIVABLES

	2024G	2023G
Prepaid expenses	**19,386,954**	8,434,732
Letters of guarantee	**5,443,191**	111,330
Related parties (note 29)	**2,053,079**	-
Staff advance	**1,865,537**	1,927,369
Advance to suppliers	**1,456,215**	1,421,246
Labor supply and rent building insurance	**822,495**	1,079,260
Accrued revenue	**451,473**	265,362
	31,478,944	13,239,299
Less: Expected credit loss	-	-
	31,478,944	13,239,299
Expected credit loss movement		
Balance at the beginning of the year	-	1,350,000
Charged to profit or less	-	(1,350,000)
Balance at the end of the year	-	-

12. CASH AND CASH EQUIVALENTS

	2024G	2023G
Banks - Current accounts	**4,940,868**	8,278,070
Cash on hand	**85,538**	362,965
	5,026,406	8,641,035

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13. SHARE CAPITAL

The Company's capital as of 31 December 2024G amounted to 104 million Saudi riyals, divided into 104 million shares of equal value, each share valued at 1 Saudi riyal, distributed among shareholders as follows:

	2024G			2023G			Total share capital	
	No. of shares	Value per share	Shareholding %	No. of shares	Value per share	Shareholding %	2024G	2023G
Private Opportunities Investment Company	**41,600,000**	**1**	**40%**	4,160,000	10	40%	**41,600,000**	41,600,000
Diamond Opportunities Sports Company	**35,879,000**	**1**	**34.499%**	3,587,900	10	34.499%	**35,879,000**	35,879,000
Elaf Gulf Commercial Investment Company	**8,527,030**	**1**	**8.199%**	2,652,000	10	25.50%	**8,527,030**	26,520,000
Silver Opportunities Investment Company	**1,000**	**1**	**0.001%**	100	10	0.001%	**1,000**	1,000
Abdul Qader Al-Muhaidib & Sons Company	**4,742,510**	**1**	**4.56%**	-	-	-	**4,742,510**	-
Al-Fawzan Holding Company	**4,742,510**	**1**	**4.56%**	-	-	-	**4,742,510**	-
Ammar Abdul Wahid Faleh Al-Khudairi	**3,319,320**	**1**	**3.192%**	-	-	-	**3,319,320**	-
Other Shareholders	**5,188,630**	**1**	**4.989%**	-	-	-	**5,188,630**	-
	104,000,000	**1**	**100%**	10,400,000	10	100%	**104,000,000**	104,000,000

The ownership of these shares has been recorded in the shareholders register prepared in accordance with the Company's Bylaw and the Saudi Arabian Regulations for Companies.

On 22 August 2024G, the Extraordinary General Assembly approved the splitting of the Company's shares by amending the nominal value of the share from ten (10) Saudi riyals to one Saudi riyal, and amending the Company's Articles of Association to reflect the amendment to the nominal value of the Company's shares.

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14. LONG TERM LOANS

On 26 March 2023G (corresponding to 04 Ramadan 1444) , the Group signed a renewal of a credit facilities contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at variable rates, at a value of SAR 57 million. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as at 31 December 2024G amounted to SAR 15,541,147 (31 December 2023G: SAR 30,657,298).

The aforementioned loan is secured against a mortgage of lands (note 6), in addition to the partners guaranteeing the loan through their share of the group's ownership. The following is the data of the mortgages of the mortgaged lands sukuk (note 6):

Date	Deed Number
22-3-1441 H	814006005053
17-6-1441 H	314006005791
17-6-1441 H	914006005790

On 6 February 2024G (corresponding to 25 Rajab 1445), the Group signed a credit facility contract with another local bank to obtain facilities in the amount of SAR 122.7 million. Commission is charged on these facilities at variable rates. The loan balance at 31 December 2024G amounted to SAR 103,686,370 million (31 December 2023G: SAR 65,499,846).

The loan is secured against a land mortgage (note 6), with shareholders providing a guarantee by pledging their share of ownership in the Group. The following are the details of the mortgaged land title deed (note 6):

Date	Deed Number
5-8-1445	718507000568

As at 21 December 2020G (corresponding to 06 Jamada al-Awwal 1442), the Group signed a credit facility contract with a government bank to obtain facilities in the amount of SAR 10 million, for an annual administrative service fee of SAR 400,000. These loans are repaid in semi-annual installments for a period of five years from the date of receipt of the first instalment with a grace period of one year. The loan balance as at 31 December 2024G amounted to SAR 3,750,000 (31 December 2023G: SAR 6,250,000). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

On 8 January 2024G (corresponding to 26 Jumada al-Akhirah 1445), the Group signed a credit facilities contract with another local bank to obtain facilities in the amount of SAR 20 million. These loans are to be repaid in quarterly installments for a period of seven years starting from the date of the first withdrawal of each installment, with a grace period of two years. The loan balance as at 31 December 2024G amounted to SAR 19,995,830 (31 December 2023G: SAR Nil). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

The following is a statement of the movement of loans:

	2024G	2023G
Balance as at 01 January	**102,625,982**	125,525,318
Received during the year	**149,736,016**	40,000,000
Paid during the year	**(109,388,648)**	(62,899,336)
Balance as at 31 December	**142,973,350**	102,625,982

A. The total loan amounts were presented according to the agreed upon maturity dates of the repayment installments, after they were classified into current and non-current liabilities, minus the deferred financing costs, as follows:

	2024G	2023G
Long term loans – non – current portion	**84,031,227**	60,677,133
Long term loans – current portion	**58,942,123**	41,948,849
Total	**142,973,350**	102,625,982

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14. LONG TERM LOANS (CONTINUED)

B. The table below shows the maturity dates of the loans referred to in accordance with the maturity dates referred to in the loan contracts:

	2024G	2023G
Less than one year	**58,942,123**	41,948,849
Between 1-2 years	**29,310,813**	44,045,725
Between 2- 5 years	**54,720,414**	16,631,408
	142,973,350	102,625,982

15. EMPLOYEES' BENEFITS

The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and the social insurance systems enforced in the Kingdom of Saudi Arabia.

Movement of employees' defined benefits obligation:

	2024G	2023G
Balance as at 01 January	**25,352,000**	23,566,115
Current service cost and return cost	**2,792,000**	3,932,000
Interest cost	**1,135,000**	1,300,000
Benefits paid	**(7,740,795)**	(5,029,494)
Remeasurement of actuarial liabilities	**5,644,795**	1,583,379
Balance as at 31 December	**27,183,000**	25,352,000

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

	2024G	2023G
Long term benefits	**24,676,110**	21,825,791
Short term benefits (note 17)	**2,506,890**	3,526,209
Balance as at 31 December	**27,183,000**	25,352,000

Main actuarial assumptions:

The important actuarial assumptions used in calculating the defined benefit obligation are as follows:

	2024G	2023G
Financial assumptions		
Discount rate	**5.7%**	5.20%
Salary increase rate	**0.75%**	0.75%

Sensitivity analysis:

The results are affected by the assumptions used, especially the discount rate assumption and the salary increase rate due to the short duration of the program liabilities. The table below shows the change in the defined benefit obligation based on the increase or decrease in the value of the underlying assumptions as follows:

	2024G		2023G	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	**25,737,000**	**28,818,000**	23,936,000	26,959,000
Salary increase rate	**28,887,000**	**25,656,000**	27,019,000	23,864,000

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16. CONTRACTS LABILITIES

	2024G	2023G
Balance as at 01 January	**76,328,694**	69,354,444
Additions during the year	**306,421,909**	249,139,296
Recognized during the year as subscription revenue (note 19)	**(260,071,893)**	(237,086,631)
Recognized during the year as revenue from Operation and sale of sports equipment and projects related to the sports solutions sector (note 19)	**(26,930,888)**	(2,752,630)
Recognized during the year as other income	**(1,358,932)**	(2,325,785)
Balance as at 31 December	**94,388,890**	76,328,694

Contract liabilities are presented in the statement of financial position as follows:

	2024G	2023G
Contracts liabilities – current portion	**93,656,937**	75,628,370
Contracts liabilities – non – current portion	**731,953**	700,324
Balance at the end of the year	**94,388,890**	76,328,694

17. ACCRUED EXPENSES AND OTHER PAYABLES

	2024G	2023G
Employees accruals (*)	**12,387,389**	10,854,754
Accrued expenses	**4,829,105**	1,671,931
Value added tax	**1,315,988**	898,686
Accrued rentals	**-**	105,724
	18,532,482	13,531,095

* The above balance of employee accruals includes a balance of employees accrued leaves with the amount of SAR 2,506,890 as at 31 December 2024G (31 December 2023G: SAR 3,526,209). A policy was developed to carry over the balances of these leaves, and this policy was approved during the year ended 31 December 2023G. Accordingly, the leave allowance has been calculated by a qualified actuary using the projected credit unit method and using the same assumptions used to provide employee end-of-service benefits (note 15).

18. ZAKAT

a. Zakat and Tax position:

Zakat:

- The Group received the last final assessment for the years from 2016G to 2018G, amounting to 84,017 Saudi Riyals, on 03/14/2022G, and accordingly, the full zakat differences due were paid. The main reason for the zakat differences in the above years is in the compensation and incentives expense item because there is no work regulation approved by the Ministry of Labor for the company, and accordingly the company prepared a work regulation and approved it from the Ministry of Labor.
- Regarding the years from 2019G to 2023G, the Group submitted its zakat declarations, paid the amounts due, and obtained a zakat certificate for those years, and the examination has not been conducted by the Authority for any of the mentioned years to date.
- Value Added Tax (VAT):
- The Group has not been inspected by the Zakat, Tax & Customs Authority to date.
- The Group regularly submits value added tax returns on time.

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18. ZAKAT (CONTINUED)

Withholding Tax:

- The Group has not been inspected by the Zakat, Tax & Customs Authority to date.
- The Group regularly submits value added tax returns on time.

b. The significant components of the zakat base for the fiscal year ending on December 31 are as follows:

Adjusted net income	2024G	2023G
Profit for the year before zakat	**38,656,223**	25,896,646
Added: Non-deductible costs	**-**	3,244,564
Adjusted Profit (A)	**38,656,223**	29,141,210
Additions		
Equity	**169,817,021**	167,665,068
Labilities	**553,387,383**	561,005,342
	723,204,404	728,670,410
Net property, plant and equipment, right-of-use assets, intangible assets, investment properties, projects under construction, and spare parts inventory	**(723,204,404)**	(722,595,420)
Zakat base (B)	**-**	6,074,990
Zakat provision: (a) or (b), whichever is greater x 2.5%	**1,008,151**	802,549

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

	2024G	2023G
Balance as at 01 January	**802,549**	693,135
Zakat paid during the year	**(728,530)**	(698,817)
Zakat charged for the year	**934,132**	808,231
Balance as at 31 December	**1,008,151**	802,549

19. REVENUE

Revenue from the operation classified as below:

19-1 Revenue classification by product/service type	2024G	2023G
Sports club subscriptions	**260,071,893**	237,086,631
Health club services	**40,423,175**	30,781,454
Operational sales, sales of sports equipment and projects related to the sports solutions segment	**26,930,888**	2,752,630
	327,425,956	270,620,715

19-2 Revenue classification based on the timing of revenue recognition	2024G	2023G
Over time	**326,615,956**	268,655,634
At a point in time	**810,000**	1,965,081
	327,425,956	270,620,715

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20. COST OF REVENUE

	2024G	2023G
Salaries, wages and other benefits	**102,899,773**	98,876,705
Depreciation of property, plant and equipment (note 6)	**38,830,475**	35,871,430
Depreciation of right-of-use assets (note 7)	**23,609,347**	21,883,509
Electricity and water	**19,244,469**	15,772,987
The cost of selling sports equipment	**15,915,857**	1,715,730
Maintenance, supplies and hygiene	**13,314,849**	11,772,580
Rent expenses	**3,511,601**	3,203,642
Fuels and oils	**3,524,648**	2,146,580
Government fees and subscriptions	**1,835,012**	1,879,854
Phone and mail	**1,207,553**	1,151,581
Provision for slow-moving and obsolete inventory	**521,060**	-
Amortization of intangible assets (note 8)	**119,404**	111,008
Other	**4,346,679**	3,850,098
	228,880,727	198,235,704

21. MARKETING EXPENSES

	2024G	2023G
Advertising	**4,978,608**	5,639,126
Salaries, wages and other benefits	**2,645,510**	1,963,059
Depreciation of property, plant and equipment (note 6)	**150,396**	94,347
Amortization of intangible assets (note 8)	**7,206**	5,840
Other	**337,534**	95,230
	8,119,254	7,797,602

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2024G	2023G
Salaries, wages and other benefits	**16,187,355**	11,387,086
Depreciation of property, plant and equipment (note 6)	**1,438,826**	1,300,926
Maintenance and cleaning	**668,276**	535,226
Phone and mail	**238,037**	237,971
Amortization of intangible assets (note 8)	**628,413**	30,149
Other	**2,048,802**	1,049,466
	21,209,709	14,540,824

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23. OTHER INCOME, NET

Other income consists of the following:

	2024G	2023G
Lease adjustments	**2,108,929**	1,742,185
Rent income	**1,358,931**	2,325,785
Discounts on rent expenses	**600,699**	1,231,981
Profit from disposal of assets	**18,044**	282,739
Penalties and compensations arising from lease agreements	**-**	(2,750,167)
	4,086,603	2,832,523

24. FINANCE COSTS

	2024G	2023G
Interests on lease contracts (note 7)	**22,274,606**	20,410,218
Interest on long term loans	**9,932,728**	6,879,989
Bank charges	**6,430,298**	5,031,978
Interest on lease contracts capitalized during the year	**(4,081,536)**	(3,818,134)
Interest on long term loans capitalized during the year	**(3,108,715)**	(1,521,589)
Charged to the statement of profit or loss	**31,447,381**	26,982,462

25. CONTINGENT LIABILITIES

As on December 31, 2024G, the group has capital commitments amounting to 23,144,496 Saudi riyals (31 December 2023G: 1,521,123 Saudi riyals) for contracts for the establishment of new sports clubs included in the capital work in progress.

26. FAIR VALUE

Fair value is the amount 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 assumption that the transaction to sell the asset or transfer the liability will occur in one of the following cases:

- In the main market for the asset or liability, or
- In the most favorable market for the assets or liabilities in the absence of the main market.

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

The fair value of an asset or a liability is measured using the assumptions that dealers would use to price the asset or liability, on the assumption that the dealers seek the best economic interest.

A fair value measurement 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 Group uses valuation methods that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

Level 1: Quoted market prices (without adjustment) in active markets for similar assets and liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.

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26. FAIR VALUE (CONTINUED)

Level 3: Valuation techniques that use the minimum inputs needed to measure fair value (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, using the Level 1 and Level 2 indicators, the Group determines whether a transfer has occurred between levels in the hierarchy by re-assessing classification (based on the lowest level input that is significant to the fair value measurement). Generally, at the end date of each reporting period.

For the purpose of fair value disclosures, the Group 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 described above.

The financial instruments are classified as follows:

26.1 Financial Assets

	2024G	2023G
Financial assets at amortized cost:		
Trade receivables	**28,769,607**	4,407,617
Cash and cash equivalents	**5,026,406**	8,641,035
Total financial assets at amortized cost	**33,796,013**	13,048,652

26.2 Financial Liabilities

	2024G	2023G
Financial liabilities at amortized cost:		
Long term loans	**142,973,350**	102,625,982
Lease Liabilities	**321,922,530**	369,449,916
Accounts payable	**26,096,223**	29,118,347
Total financial liabilities at amortized cost	**490,992,103**	501,194,245
Non – current portion of financial liabilities	**363,704,112**	394,097,595
Current portion of financial liabilities	**127,287,991**	107,096,650
Total financial liabilities	**490,992,103**	501,194,245

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

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks through its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign exchange risk
- Interest rate risk
- Capital Management Risk

Risk management is carried out by senior management in accordance with policies approved by the Board of Directors. Senior management identifies and assesses financial risks, when appropriate, in close cooperation with the Group's operating units.

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 CREDIT RISK

Credit risk is the risk that the Group will incur a financial loss in the event that a customer or counterparty fails to meet its contractual obligations, and arises primarily from the Group's dues from customers. The fair value of the financial assets represents the maximum exposure to credit risk.

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

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before introducing the Group's standard payment terms and conditions. The group's review includes external ratings, if available, and in some cases, bank references.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables (note 10).

	2024G	2023G
Cash in the bank	**4,940,868**	8,278,070
Trade Receivables	**28,769,607**	4,407,617
	33,710,475	12,685,687

27.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by paying cash or through other financial assets. The Group's approach is to manage liquidity risk by ensuring, as far as possible, that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and abnormal conditions, without incurring unacceptable losses or being exposed to risks to the group's reputation.

The following is an analysis of the undiscounted contractual maturities of the Group's financial liabilities:

As at 31 December 2024G	Less than a year	From 1 to 5 years	More than 5 years	Total contractual flows	Book Value
Loans	**66,470,404**	**84,979,978**	**6,543,892**	**157,994,274**	**142,973,350**
Lease Liabilities	**42,249,645**	**172,217,531**	**281,930,515**	**496,397,691**	**321,922,530**
Accounts payable	**26,096,223**	**-**	**-**	**26,096,223**	**26,096,223**
Accrued expenses and other payables	**18,532,482**	**-**	**-**	**18,532,482**	**18,532,482**
Total	**153,348,754**	**257,197,509**	**288,474,407**	**699,020,670**	**509,524,585**
As at 31 December 2023G					
Loans	52,669,930	62,331,488	-	115,001,418	102,625,982
Lease Liabilities	36,029,454	179,216,066	393,790,262	609,035,782	369,449,916
Accounts payable	29,118,347	-	-	29,118,347	29,118,347
Accrued expenses and other payables	13,531,095	-	-	13,531,095	13,531,095
Total	131,348,826	241,547,554	393,790,262	766,686,642	514,725,340

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3 MARKET RISK

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates, interest rates and equity prices on the Group's revenue or the value of its financial instruments. Market risk management aims to manage and control risk exposures within acceptable limits while achieving optimum return.

Market risk consists of three types of risk: currency risk, interest rate risk and other price risk.

FORIEGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates in the normal course of business as the Group's significant transactions during the period are stated in Saudi Riyals and US Dollars. Since the Saudi riyal exchange rate is pegged to the US dollar, there are no significant risks associated with transactions and balances listed in US dollars.

INTEREST RATE RISK

Interest rate risk is the fluctuation in the fair value of future cash flows of financial instruments due to changes in market interest rates.

The Group's interest rate risk arises from its long term borrowings. The approved floating rate loans expose the Group to cash flow interest rate risk.

	Increase / decrease in basis points related to currency rates	Impact on profit for the year
31 December 2024G	**100+**	**1,429,734**
	100-	**(1,429,734)**
31 December 2023G	100+	1,026,260
	100-	(1,026,260)

CAPITAL MANAGEMENT RISK

The primary objective of the company's capital management is to ensure that it maintains strong capital ratios, support its business and maximize shareholder value.

The company manages its capital structure and makes adjustments to it in light of changes in business conditions. There have been no changes in the company's objectives, policies and procedures during the period ending on December 31, 2024G and the year ending on December 31, 2023G. The capital includes capital and retained earnings measured at SAR 169,395,352 as on December 31, 2024G (December 31, 2023G SAR 143,410,464).

The Group's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business. The Group monitors its capital base using a ratio of net debt to equity. Net debt is calculated as borrowings less cash and cash equivalents.

The following is the net debt to equity ratio of the Group at the end of the year:

	2024G	2023G
Loans	**142,973,350**	102,625,982
Subtract: Cash in hand	**(5,026,406)**	(8,641,035)
	137,946,944	93,984,947
Total equity	**168,808,870**	143,410,464
Net debt to equity ratio	**82%**	66%

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28. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties generally consist of payments on behalf of the Group to cover certain operating expenses and consulting and management services. These transactions were carried out in accordance with the terms specified in the agreements concluded with the related parties and approved by the management. The following is a statement of the balances and transactions with related parties:

28.1 Due from related parties:

Related party name	Nature of transaction	For the year ended 31 December		Balances as at 31 December	
		2024G	2023G	2024G	2023G
Shareholders (Note 11)	IPO expense paid on behalf of company (Note 35)	**2,053,079**	-	**2,053,079**	-

28.2 Key management benefits:

	2024G	2023G
Salary & other short term benefits	**9,254,253**	8,577,255
Long term benefits (ESOB)	**675,582**	639,991
	9,929,835	9,217,246

SEGMENT REPORTING

29. GEOGRAPHICAL SEGMENTS

For management purposes, the company consists of business units based on geographical distribution, and it has five operating segments on which reports are submitted as follows:

- Central Region
- Eastern Province
- The northern area
- Southern area
- Western Region

(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

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

For the year ending 31 December 2024G:

	Head Office	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenues	-	220,807,019	37,649,594	20,148,403	10,367,345	38,453,595	327,425,956
Cost of revenue	-	(147,836,081)	(32,305,594)	(11,855,470)	(8,171,098)	(28,712,484)	(228,880,727)
Gross profit	-	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	98,545,229
Marketing expenses	(8,119,254)	-	-	-	-	-	(8,119,254)
General and administrative expenses	(21,209,709)	-	-	-	-	-	(21,209,709)
Operating profit	(29,328,963)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	69,216,266
Initial public offering (IPO) expenses	(2,851,615)	-	-	-	-	-	(2,851,615)
Other income – net	4,086,603	-	-	-	-	-	4,086,603
Finance cost	(31,447,381)	-	-	-	-	-	(31,447,381)
Profit before zakat	(59,541,356)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	39,003,873
Zakat	(934,132)	-	-	-	-	-	(934,132)
Profit after tax	(60,475,488)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	38,069,741
Other comprehensive loss for the year:							
Re-measurement loss on employees defined benefits obligation	(5,644,795)	-	-	-	-	-	(5,644,795)
Total comprehensive income for the year	(66,120,283)	72,970,938	5,344,000	8,292,933	2,196,247	9,741,111	32,424,946

SPORT CLUBS COMPANY
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29. SEGMENT REPORTING (CONTINUED)

For the year ending 31 December 2023G:

	Head Office	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenues	-	172,785,816	35,871,279	15,634,487	9,772,461	36,556,672	270,620,715
Cost of revenue	-	(115,647,279)	(32,488,951)	(11,656,652)	(7,621,172)	(30,821,650)	(198,235,704)
Gross profit	-	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	72,385,011
Marketing expenses	(7,797,602)	-	-	-	-	-	(7,797,602)
General and administrative expenses	(14,540,824)	-	-	-	-	-	(14,540,824)
Operating profit	(22,338,426)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	50,046,585
Other income – net	2,832,523	-	-	-	-	-	2,832,523
Finance cost	(26,982,462)	-	-	-	-	-	(26,982,462)
Profit before zakat	(46,488,365)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,896,646
Zakat	(808,231)	-	-	-	-	-	(808,231)
Profit after tax	(47,296,596)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,088,415
Other comprehensive loss for the year							
Re-measurement loss on employees defined benefits obligation	(1,583,379)	-	-	-	-	-	(1,583,379)
Total comprehensive income for the year	(48,879,975)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	23,505,036

(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

a. MARKET SEGMENTS

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

	Head Office		Men's fitness centers		Women's fitness centers		Sport solutions		Total	
	2024G	2023G	2024G	2023G	2024G	2023G	2024G	2023G	2024G	2023G
Revenues	**-**	-	**207,028,633**	196,075,175	**93,569,405**	71,792,911	**26,827,918**	2,752,629	**327,425,956**	270,620,715
Cost of Revenues	**-**	-	**(146,061,185)**	(139,707,999)	**(66,695,369)**	(57,374,883)	**(16,124,173)**	(1,152,822)	**(228,880,727)**	(198,235,704)
Gross profit / (loss)	**-**	-	**60,967,448**	56,367,176	**26,874,036**	14,418,028	**10,703,745**	1,599,807	**98,545,229**	72,385,011
Marketing expenses	**(8,119,254)**	(7,797,602)	**-**	-	**-**	-	**-**	-	**(8,119,254)**	(7,797,602)
General and administrative expenses	**(21,209,709)**	(14,540,824)	**-**	-	**-**	-	**-**	-	**(21,209,709)**	(14,540,824)
Operating Profit	**(29,328,963)**	(22,338,426)	**60,967,448**	56,367,176	**26,874,036**	14,418,028	**10,703,745**	1,599,807	**69,216,266**	50,046,585
Initial public offering (IPO) costs	**(2,851,615)**	-	**-**	-	**-**	-	**-**	-	**(2,851,615)**	-
Other income – net	**4,086,603**	2,832,523	**-**	-	**-**	-	**-**	-	**4,086,603**	2,832,523
Finance costs	**(31,447,381)**	(26,982,462)	**-**	-	**-**	-	**-**	-	**(31,447,381)**	(26,982,462)
Profit before Zakat	**(59,541,356)**	(46,488,365)	**60,967,448**	56,367,176	**26,874,036**	14,418,028	**10,703,745**	1,599,807	**39,003,873**	25,896,646
Zakat expenses	**(934,132)**	(808,231)	**-**	-	**-**	-	**-**	-	**(934,132)**	(808,231)
Profit for the year	**(60,475,488)**	(47,296,596)	**60,967,448**	56,367,176	**26,874,036**	14,418,028	**10,703,745**	1,599,807	**38,069,741**	25,088,415
Other comprehensive loss for the year										
Re-measurement loss on employees' benefit obligation	**(5,644,795)**	(1,583,379)	**-**	-	**-**	-	**-**	-	**(5,644,795)**	(1,583,379)
Total comprehensive income for the year	**(66,120,283)**	(48,879,975)	**60,967,448**	56,367,176	**26,874,036**	14,418,028	**10,703,745**	1,599,807	**32,424,946**	23,505,036

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29. SEGMENT REPORTING (CONTINUED)

b. STATEMENT OF FINANCIAL POSITION

	Head Office		Men's fitness centers		Women's fitness centers		Sport solutions		Total	
	2024G	2023G	2024G	2023G	2024G	2023G	2024G	2023G	2024G	2023G
Property, plant & equipment	**14,094,362**	16,346,775	**293,040,598**	250,425,185	**157,876,193**	141,301,560	**138,809**	-	**465,149,962**	408,073,520
Right of use assets	**-**	-	**161,473,655**	242,077,006	**91,195,064**	67,103,790	**-**	-	**252,668,719**	309,180,796
Other non – current assets	**5,385,723**	5,341,104	**-**	-	**-**	-	**-**	-	**5,385,723**	5,341,104
Current assets	**75,202,202**	34,497,418	**-**	-	**-**	-	**-**	-	**75,202,202**	34,497,418
Total assets	**94,682,287**	56,185,297	**454,514,253**	492,502,191	**249,071,257**	208,405,350	**138,809**	-	**798,406,606**	757,092,838
Non – current liabilities	**389,112,175**	416,623,710	**-**	-	**-**	-	**-**	-	**389,112,175**	416,623,710
Current liabilities	**240,485,561**	197,058,664	**-**	-	**-**	-	**-**	-	**240,485,561**	197,058,664
Total liabilities	**629,597,736**	613,682,374	**-**	-	**-**	-	**-**	-	**629,597,736**	613,682,374

30. SEASONALITY OF THE COMPANY'S BUSINESS

In general, there is an improvement in the company's business during the fourth quarter of the year better than other periods of the year due to many factors, including the favorable weather conditions and the company's offers with discounts that attract customers on the Saudi National Day (i.e. September 23). It is recorded in the fourth quarter of the year, enhances the company's revenue and profitability and improves the company's financial performance during the fourth quarter of the year.

31. DIVIDENDS

On 22August 2024G, the Extraordinary General Assembly approved the distribution of cash dividends to shareholders in the total amount of SAR 6 million, at a rate of SAR 0.577 per share.

On 26 February 2023G, based on the recommendation of the Board of Directors, the Extraordinary General Assembly approved the distribution of cash dividends to shareholders in a total amount of SAR 6 million, at SAR 0.577 per share.

32. STATUTORY RESERVE

Under the previous Company's bylaw, the Company was obligated to transfer 10% of net income to the statutory reserve until it reached 30% of the share capital. According to the amendments made to the Companies Law in the Kingdom of Saudi Arabia, there is no longer an obligation to maintain the statutory reserve. Accordingly, the shareholders decided at the Extraordinary General Assembly held on 22 August 2024G, to amend the Company's Company bylaw. According to the decision, the statutory reserve amounting to SAR 15,904,683 was transferred to retained earnings. Under the amended Articles of Association, the General Assembly of Shareholders has the right, when determining the share of profits, to decide to form new reserves to the extent that serves the interest of the Company or ensures the distribution of fixed profits to shareholders as much as possible.

33. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing income for the year attributable to the group's ordinary shareholders by the number of ordinary shares outstanding during the year.

	2024G	2023G
Income for the year	**38,069,741**	25,088,415
No. of shares		
Weighted average number of shares (Note 13)	**104,000,000**	104,000,000
Basic and diluted earnings per share (Saudi Riyals)*	**0.37**	0.24

On 22 August 2024G, the Extraordinary General Assembly approved the splitting of the Company's shares by amending the nominal value of the share from ten (10) Saudi riyals to one Saudi riyal, and accordingly the weighted average number of shares was adjusted retrospectively to reflect the effect on the profit of ordinary shares after the splitting.

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

34. LISTING AND INITIAL PUBLIC OFFERING EXPENSES

The General Assembly of Shareholders, in its meeting held on August 22, 2024G, approved the offering of 30% of the Group's shares in an Initial Public Offering (IPO). Of this, 20% of the existing shares will be sold by current shareholders on a pro-rata basis according to their ownership ratios, in addition to the issuance of 10% of new shares at a nominal value of one Saudi Riyal per share, fully paid. This will result in an increase in the Group's share capital by 10 million Saudi Riyals, bringing it to 114 million Saudi Riyals instead of 104 million Saudi Riyals. This will be carried out through the submission of a registration and offering request to the Saudi Capital Market Authority, as well as a request for listing on the Saudi Stock Exchange (Tadawul). The Board of Directors have been authorized to take all necessary legal actions to complete the application.

The Group has contracted legal and financial advisors to conduct studies and prepare the necessary requirements for the registration and offering process. Under the Assembly's decision, shareholders agreed to bear these expenses. During the current period ending on December 31, 2024G, the company paid an amount of 5.9 million Saudi Riyals related to this process.

The costs have been classified and treated according to the nature of the transaction to which each of these costs is related, according to a clarification from the Accounting Standards Board on how to account for the costs of listing in the capital market when the listing with a sale of part of the founders' share to the public on 23 March 2023G.

These costs were classified into;

- Costs related to selling and initial public offering, and were borne by the existing shareholders outside the company's accounts.
- Costs related to the listing process, which were charged to the consolidated statement of profit or loss and other comprehensive income.
- Costs related to the listing transaction that are difficult to attribute directly to both the sale process and the listing process have been allocated using the guidance of paragraph 38 of International Accounting Standard No. 32 "Financial Instruments: Presentations" between the company and the old shareholders pro-rata to the basis of the number of shares sold to the shares held, and the Group's share was charged to the consolidated statement of profit or loss and other comprehensive income

	Basis of allocation	Amounts recognized
Allocated to the existing shareholders (related party account)	20%	2,053,079
Allocated to the new shares (equity)	10%	1,026,540
Allocated to listing the existing shareholders (expenses in the consolidated statement of profit or loss and other comprehensive income)	70%	2,851,617
	100%	5,931,236

The financial impact of the amounts borne by the old shareholders for the listing and initial public offering costs has been charged to equity in accordance with the requirements of IAS 32.

Impact on consolidated financial statements is as follows:

Item	Amounts recognized
Receivable from related parties (Note 28)	2,053,079
Share issuance reserve	1,026,540
Initial Public Offering cost (expenses in the consolidated statement of profit or loss and other comprehensive income)	2,851,617
	5,931,236

35. SUBSEQUENT EVENTS

Subsequent to the financial year ended December 31, 2024G, the Capital Market Authority announced the issuance of the Board's decision approving Sport Clubs Company's request to register its shares and offer 34.32 million shares for public subscription on the main market (TASI). The shares to be offered represent 30% of the company's total 114.4 million shares. The prospectus will be published sufficiently in advance of the subscription start date. The Authority noted that its approval is valid for six months from the Board's decision date and will be canceled if the offering and listing of the company's shares are not completed within this period.

In management's opinion, there are no other significant subsequent events after December 31, 2024G, that could have a material impact on the group's consolidated financial statements or its results of operations.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The group's consolidated financial statements for the year ended 31 December 2024G were approved by the Board of Directors on 27 Ramadan 1446H (Corresponding to 27 March 2025G).

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2024G AND INDEPENDENT AUDITOR'S REVIEW REPORT

Head office: Moon Tower - 8 Floor
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Sport Clubs Company
"A Saudi Joint Stock Company"
Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sport Clubs Company (the "Company") and its Subsidiary (Together referred to as "the Group"), as of 30 September 2024, and the interim condensed consolidated statement of profit or loss and other comprehensive income for the three month and nine month periods then ended, the interim condensed consolidated statements of changes in equity and cash flows for the nine month then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements *"Review of Interim Financial Information Performed by the Independent Auditor*",2410 that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists ,of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects , in accordance with IAS (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

10 December 2024 (G)
9 Jumada Al-Akhir 1446 (H)

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024G (UNAUDITED)
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 September 2024G (Unaudited)	31 December 2023G (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	(4)	**445,904,058**	408,073,520
Right of use assets	(5.1)	**318,957,345**	309,180,796
Intangible assets		**5,382,656**	5,341,104
TOTAL NON-CURRENT ASSETS		**770,244,059**	722,595,420
CURRENT ASSETS			
Inventories		**11,198,222**	8,209,467
Trade receivables	(6)	**26,206,261**	4,407,617
Prepayments and other receivables	(7)	**23,342,481**	13,239,299
Cash and cash equivalents		**13,101,753**	8,641,035
TOTAL CURRENT ASSETS		**73,848,717**	34,497,418
TOTAL ASSETS		**844,092,776**	757,092,838
EQUITY AND LIABILITIES			
EQUITY			
Share capital	(8)	**104,000,000**	104,000,000
Statutory reserve	(20)	**-**	15,904,683
Share issuance reserve		**(430,094)**	-
Retained earnings		**52,798,112**	23,505,781
TOTAL EQUITY		**156,368,018**	143,410,464
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities - non-current portion	(5.2)	**341,458,471**	333,420,462
Long term loans - non-current portion	(9)	**87,136,637**	60,677,133
Employee benefits	(10)	**26,141,664**	21,825,791
Non - current portion of contracts liabilities	(11)	**1,388,977**	700,324
TOTAL NON-CURRENT LIABILITIES		**456,125,749**	416,623,710
CURRENT LIABILITIES			
Lease liabilities - current portion	(5.2)	**39,757,767**	36,029,454
Long term loans - current portion	(9)	**59,502,763**	41,948,849
Trade payables		**11,224,394**	29,118,347
Accrued expenses and other payables	(12)	**26,098,406**	13,531,095
Provision for Zakat	(13)	**608,697**	802,549
Current portion of contracts liabilities	(11)	**94,406,982**	75,628,370
TOTAL CURRENT LIABILITIES		**231,599,009**	197,058,664
TOTAL LIABILITIES		**687,724,758**	613,682,374
TOTAL EQUITY AND LIABILITIES		**844,092,776**	757,092,838

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2024G (UNAUDITED)

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three month period ended 30 September		For the nine month period ended 30 September	
		2024G (Unaudited)	2023G (Unaudited) (Restated)	2024G (Unaudited)	2023G (Unaudited) (Restated)
Revenue	(14)	**97,874,213**	74,087,945	**238,376,943**	195,617,569
Costs of revenue		**(66,339,042)**	(49,051,369)	**(171,957,059)**	(145,938,996)
GROSS PROFIT		**31,535,171**	25,036,576	**66,419,884**	49,678,573
Marketing expenses		**(1,946,138)**	(3,869,144)	**(5,882,615)**	(7,354,951)
General and administrative expenses		**(5,084,088)**	(4,033,147)	**(14,889,923)**	(10,692,726)
Provisions formed		**-**	-	**-**	(1,147,500)
OPERATING PROFIT		**24,504,945**	17,134,285	**45,647,346**	30,483,396
Initial public offer expenses		**-**	-	**(2,030,660)**	-
Other income / (expenses), net		**625,932**	2,835,325	**3,488,943**	4,161,349
Finance costs		**(8,599,766)**	(7,261,692)	**(22,964,113)**	(20,127,354)
PROFIT FOR THE PERIOD BEFORE ZAKAT		**16,531,111**	12,707,918	**24,141,516**	14,517,391
Zakat expense	(13)	**(266,499)**	(202,352)	**(534,678)**	(424,989)
PROFIT FOR THE PERIOD		**16,264,612**	12,505,566	**23,606,838**	14,092,402
OTHER COMPREHENSIVE INCOME:					
Items that will not be subsequently reclassified to profit or loss:					
Re-measurement of provision for end of service benefits	(10)	**(468,370)**	93,775	**(4,219,190)**	76,381
Other comprehensive income for the period		**(468,370)**	93,775	**(4,219,190)**	76,381
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**15,796,242**	12,599,341	**19,387,648**	14,168,783
BASIC AND DILUTED EARNINGS PER SHARE (SR)	(21)	**0.16**	0.12	**0.23**	0.14

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2024G (UNAUDITED)
(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Share issuance reserve	Retained earnings	Total equity
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2024G					
Balance as at 1 January 2024G (Audited)	**104,000,000**	**15,904,683**	**-**	**23,505,781**	**143,410,464**
Profit for the period	**-**	**-**	**-**	**23,606,838**	**23,606,838**
Other comprehensive income items for the period	**-**	**-**	**-**	**(4,219,190)**	**(4,219,190)**
Total comprehensive income for the period	**-**	**-**	**-**	**19,387,648**	**19,387,648**
Dividends paid (note 19)	**-**	**-**	**-**	**(6,000,000)**	**(6,000,000)**
Share issuance reserve			**(430,094)**	**-**	**(430,094)**
Transferred from statutory reserve to retained earnings(note 20)	**-**	**(15,904,683)**	**-**	**15,904,683**	**-**
Balance as at 30 September 2024G (Unaudited)	**104,000,000**	**-**	**(430,094)**	**52,798,112**	**156,368,018**
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023G					
Balance as at 1 January 2023G As previously issued (Audited)	104,000,000	13,553,709	-	16,918,681	134,472,390
Adjustments (note 22)	-	(157,868)	-	(8,409,094)	(8,566,962)
Balance as at 1 January 2023G - (Restated) (Audited)	104,000,000	13,395,841		8,509,587	125,905,428
Profit for the period (Restated)	-	-	-	14,092,402	14,092,402
Other comprehensive income items for the period	-	-	-	76,381	76,381
Total comprehensive income for the period	-	-		14,168,783	14,168,783
Dividends paid	-	-	-	(6,000,000)	(6,000,000)
Balance as at 30 September 2023G (Restated) (Unaudited)	104,000,000	13,395,841	-	16,678,370	134,074,211

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY

(A CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2024G (UNAUDITED)

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the nine month period ended 30 September	
		2024G (Unaudited)	2023G (Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before Zakat		**24,141,516**	14,517,391
Adjustments:			
Depreciation of property, plant, and equipment, and amortization of right-of-use assets	(4,5.1)	**48,027,811**	44,946,189
Loss on disposal of property, plant, and equipment and intangible assets		**(119,770)**	(140,250)
Amortization of intangible assets		**535,299**	110,895
Provision for employee benefits	(10)	**4,223,000**	2,354,157
Finance costs		**22,964,113**	14,518,252
Termination of leases contracts during the period		**(2,052,721)**	-
Reduction in rent expense		**(214,507)**	(1,033,971)
		97,504,741	75,272,663
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Trade receivables		**(21,798,644)**	(7,249,181)
Inventories		**(2,988,755)**	(1,941,173)
Prepayments and other receivables		**(10,533,276)**	822,109
Trade payables		**(17,893,953)**	1,342,389
Accrued expenses and other payables		**13,479,500**	1,113,609
Provision against legal cases		**-**	(889,200)
Contract liabilities, net		**19,467,265**	24,090,138
End of service benefits and leaves paid	(10)	**(5,038,506)**	(724,497)
Zakat paid		**(728,530)**	(694,731)
Net cash generated from operating activities		**71,469,842**	91,142,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment to purchase property, plant, and equipment	(4,5.1)	**(59,091,005)**	(34,934,772)
Payment to purchase intangible assets		**(576,851)**	(1,679,424)
Proceeds from sale of property, plant, and equipment		**689,725**	80,119
Net cash used in investing activities		**(58,978,131)**	(36,534,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loans	(9)	**(80,271,188)**	(41,443,235)
Proceeds from loans	(9)	**124,284,606**	35,848,437
Payments of lease liabilities, net	(5,2)	**(33,958,341)**	(23,491,641)
Payment of finance costs		**(12,086,070)**	(3,533,852)
Dividends paid	(19)	**(6,000,000)**	(6,000,000)
Net cash used in financing activities		**(8,030,993)**	(38,620,291)
Net change in cash and cash equivalents during the period		**4,460,718**	15,987,758
Cash and cash equivalents at the beginning of the period		**8,641,035**	17,297,313
Cash and cash equivalents at the end of the period		**13,101,753**	33,285,071
Non-cash transactions from investing activities			
Capitalized during the year of finance costs on lease liabilities		**(5,477,883)**	(1,157,943)
Capitalized during the year of finance costs on loans		**(2,301,751)**	(956,094)
Additions of right-of-use assets	**(5,1)**	**(63,181,220)**	34,156,641
Depreciation on right-of-use buildings capitalized on capital work in progress	**(5,1)**	**(1,437,524)**	(738,770)
Share issuance reserve		**(430,094)**	-
Re-measurement (loss) of employee's defined benefit liabilities	**(10)**	**(4,219,190)**	76,381
Transferred from statutory reserve to retained earnings	**(20)**	**(15,904,683)**	-

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2024G (UNAUDITED)
(All amounts are in Saudi Riyals unless otherwise stated)

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sport Clubs Company was established as a limited liability company in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, operating under Commercial Registration No. 1010167892 dated 26 Rabi-Al-Thani 1422 H (corresponding to 18 July 2001 G) in Riyadh.

The principle activities of the Group are wholesale and retail trade in sports equipment, tools, and clothing, purchase of lands for the construction of buildings and investing in them by sale or lease for the benefit of the Group, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

On 1 Rabi' Al-Awwal 1444 H, corresponding to (26 September 2022G), the shareholders unanimously agreed to convert the legal status of the Company from a limited liability company to a Saudi closed joint stock company while retaining the number, name and date of the commercial registration of the Company and its branches. On 2 Rabi' Al-Awwal 1444 G corresponding to (27 September 2022G), the legal procedures to amend the Company's Articles of Association have been completed.

The head office of the Group is as follows:

P.O. Box 270079 - Riyadh 11352 - Kingdom of Saudi Arabia

The following are the details of the Subsidiary included in these consolidated financial statements:

Name of Subsidiary	Commercial Registration	Country of Incorporation	Direct ownership percentage as at		Activity
			30 September 2024G	31 December 2023G	
Third Amaken Sports Company	1010334139	Kingdom of Saudi Arabia	**100%**	100%	Building cleaning and maintenance

The Group also exercises its activities through branches of sports clubs that operate under the following commercial registrations for regions or for each individually as follows:

N	City / Region	Commercial Registration Number	Commercial Registration Date
1	Riyadh	1010167892	26/4/1422
2	Al-Qassim	1131028467	27/3/1430
3	Dammam	2050069185	15/3/1431
4	Khamis Mushait	5855346579	26/4/1422
5	Hail	3350147174	18/5/1441
6	Al Ahsa	2250064353	18/3/1437
7	Jeddah	4030295107	4/9/1438
8	Najran	5950032854	15/3/1438
9	Hafar Al Batin	2511108063	4/6/1439
10	Tabuk	3550122370	4/6/1439
11	Al Badi'ah " females"	1010460120	1/9/1440
12	Madinah	4650209419	2/8/1440
13	Makkah	4031235157	18/5/1441

The Group's financial year starts from 1 January and ends on 31 December of each Gregorian calendar year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The interim condensed consolidated financial statements do not contain all the information and disclosures required to prepare a complete set of annual consolidated financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023G.

In addition, the results of the interim period ended 30 September 2024G may not be a fair indication of the results that can be expected for the fiscal year ended 31 December 2024G.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2023G.

The significant accounting assumptions, estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2023G.

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, except for employee benefit liabilities which are measured at present value for future liabilities using the projected credit unit method.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals ("SAR"), which is also the functional and presentation currency of the Group.

2.4 Basis of consolidation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements include the financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company has:

- Power over the investee;
- Rights to variable returns from its involvement with the investee;
- The ability to use its influence over the investee to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; and
- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of consolidation of the interim condensed consolidated financial statements

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

A change in the subsidiary's ownership interest, without loss of control, is recorded in the interim condensed consolidated statement of changes in equity.

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

If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.

All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Amaken Sports Company, which is hereinafter referred to with the Company as the Group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The interim condensed consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, Third Amaken Sports Company. The Company owns 100% (2023G: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 New standards, amendments to standards, and interpretations

A number of new standards and amendments to standards have been issued that are effective as at 1 January 2024G, which are set out in the Group's annual consolidated financial statements, but they do not have a material impact on the Group's interim condensed consolidated financial statements as at 30 September 2024G. The Group was not required to change its accounting policies or make retrospective adjustments as a result of the application of these amended standards.

(All amounts are in Saudi Riyals unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Cost		
As at the beginning of the period / year as previously issued	**679,221,430**	636,564,145
Adjustments (note 22)	**-**	(8,902,593)
As at the beginning of the period / year - restated	**679,221,430**	627,661,552
Additions during the period / year	**68,308,163**	72,095,642
Disposals during the period / year	**(20,249,552)**	(20,535,764)
As at the end of the period / year	**727,280,041**	679,221,430
Accumulated depreciation		
As at the beginning of the period / year as previously issued	**(271,147,910)**	(254,257,876)
Adjustments (note 22)	**-**	335,633
As at the beginning of the period / year - restated	**(271,147,910)**	(253,922,243)
Depreciation charged during the period/year	**(29,907,670)**	(37,266,703)
Disposals during the period / year	**19,679,597**	20,041,036
As at the end of the period / year	**(281,375,983)**	(271,147,910)
Net book value	**445,904,058**	408,073,520

Lands are mortgaged to banks as security for the loans obtained by the Company. The balances of these lands, as at 30 September 2024G, amount to SAR 38,527,800 (31 December 2023G: SAR 17,027,800).

5. LEASES

5.1 Right of use assets

The Group leases sports clubs on lease contracts ranging from five to twenty years, with an option to renew the leases after that date.

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Cost		
As at the beginning of the period / year	**399,168,623**	313,430,026
Additions during the period / year	**63,181,220**	94,527,403
Termination of leases during the period / year	**(33,847,006)**	(8,788,806)
As at the end of the period / year	**428,502,837**	399,168,623
Accumulated depreciation		
As at the beginning of the period / year	**(89,987,827)**	(67,388,563)
Depreciation during the period / year	**(18,120,141)**	(21,883,509)
Capitalized depreciation on projects in progress	**(1,437,524)**	(715,755)
As at the end of the period / year	**(109,545,492)**	(89,987,827)
Net book value	**318,957,345**	309,180,796

Cost of deprecation: Lease depreciation expenses are charged in full to cost of revenue.

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(All amounts are in Saudi Riyals unless otherwise stated)

5. LEASES (CONTINUED)

5.2 Lease liabilities

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
As at the beginning of the period / year	**369,449,916**	301,258,640
Additions during the period / year	**63,181,220**	94,527,403
Termination of leases during the period / year	**(35,899,727)**	(10,797,422)
Finance costs	**18,657,677**	20,410,218
Payment during the period / year	**(34,172,848)**	(35,948,923)
Balance as at the end of the period / year	**381,216,238**	369,449,916

Lease liabilities are presented in the statement of financial position as follows:

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Lease liabilities - current portion	**39,757,767**	36,029,454
Lease liabilities - non-current portion	**341,458,471**	333,420,462
Total lease liabilities	**381,216,238**	369,449,916

6. TRADE RECEIVABLES

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Trade receivables	**28,171,433**	6,372,789
Less: Expected credit losses	**(1,965,172)**	(1,965,172)
	26,206,261	4,407,617

The ageing analysis of trade receivables and credit risks is as follows:

	Total	0 – 30 days	31 – 60 days	61 – 90 days	91 – 180 days	Over 180 days
30 September 2024G	**28,171,433**	**26,100,250**	**-**	**86,229**	**19,782**	**1,965,172**
31 December 2023G	6,372,789	4,363,884	22,589	21,144	-	1,965,172

(All amounts are in Saudi Riyals unless otherwise stated)

7. PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Prepaid expenses	**9,515,913**	**8,434,732**
Letters of guarantee	**5,589,079**	111,330
Advances to suppliers	**4,153,438**	1,421,246
Due from related parties (shareholders) – (Note 17)	**860,188**	-
Staff advance	**2,117,659**	1,927,369
Labor supply and rent building insurance	**822,495**	1,079,260
Accrued revenue	**283,709**	265,362
	23,342,481	13,239,299
Expected credit losses	**-**	-
	23,342,481	13,239,299
Movement in expected credit losses	**-**	
Balance at the beginning of period / year	**-**	1,350,000
Used during the period / year	**-**	(1,350,000)
Balance as at the end of the period / year	**-**	-

SPORT CLUBS COMPANY
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(All amounts are in Saudi Riyals unless otherwise stated)

8. SHARE CAPITAL

The Company's capital as of 30 September 2024G amounted to 104 million Saudi riyals, divided into 104 million shares of equal value, each share valued at 1 Saudi riyal, distributed among shareholders as follows:

	30 September 2024G (Unaudited)			31 December 2023G (Audited)			Total share capital	
	No. of shares	Value per share	Shareholding %	No. of shares	Value per share	Shareholding %	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Private Opportunities Investment Company	**41,600,000**	**1**	**40%**	4,160,000	10	40.0000%	**41,600,000**	41,600,000
Diamond Opportunities Sports Company	**35,879,000**	**1**	**34.499%**	3,587,900	10	34.4990%	**35,879,000**	35,879,000
Elaf Gulf Commercial Investment Company	**8,527,030**	**1**	**8.199%**	2,652,000	10	25.5000%	**8,527,030**	26,520,000
Silver Opportunities Investment Company	**1,000**	**1**	**0.001%**	100	10	0.001%	**1,000**	1,000
Abdul Qader Al-Muhaidib & Sons Company	**4,742,510**	**1**	**4.56%**	-		-	**4,742,510**	-
Al-Fawzan Holding Company	**4,742,510**	**1**	**4.56%**	-		-	**4,742,510**	-
Ammar Abdul Wahid Faleh Al-Khudairi	**3,319,320**	**1**	**3.192%**	-		-	**3,319,320**	-
Other Shareholders	**5,188,630**	**1**	**4.989%**	-		-	**5,188,630**	-
	104,000,000	**1**	**%100**	**10,400,000**	10	**100%**	**104,000,000**	104,000,000

The ownership of these shares has been recorded in the shareholders register prepared in accordance with the Company's Bylaw and the Saudi Arabian Regulations for Companies.

On 22 August 2024G, the Extraordinary General Assembly approved the splitting of the Company's shares by amending the nominal value of the share from ten (10) Saudi riyals to one Saudi riyal, and amending the Company's Articles of Association to reflect the amendment to the nominal value of the Company's shares.

(All amounts are in Saudi Riyals unless otherwise stated)

9. LONG-TERM LOANS

On 26 March 2023G (corresponding to 04 Ramadan 1444) , the Group signed a renewal of a credit facilities contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at variable rates, at a value of SAR 57 million. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as at 30 September 2024G amounted to SAR 19,062,841 (31 December 2023G: SAR 30,657,298).

The aforementioned loan is secured against a mortgage on lands (note 4), with shareholders also providing a guarantee by pledging their share of ownership in the Group. The following details pertain to the mortgage on the titles of the mortgaged land (note 4):

Date	Title deed number
22-3-1441	814006005053
17-6-1441	314006005791
17-6-1441	914006005790

On 6 February 2024G (corresponding to 25 Rajab 1445), the Group signed a credit facility contract with another local bank to obtain facilities in the amount of SAR 122.7 million. Commission is charged on these facilities at variable rates. The loan balance at 30 September 2024G amounted to SAR 109,282,137 million (31 December 2023G: SAR 65,499,846).

The loan is secured against a land mortgage (note 4), with shareholders providing a guarantee by pledging their share of ownership in the Group. The following are the details of the mortgaged land title deed (note 4):

Date	Title deed number
5-8-1445	718507000568

As at 21 December 2020G (corresponding to 06 Jamada al-Awwal 1442), the Group signed a credit facility contract with a government bank to obtain facilities in the amount of SAR 10 million, for an annual administrative service fee of SAR 400,000. These loans are repaid in semi-annual installments for a period of five years from the date of receipt of the first instalment with a grace period of one year. The loan balance as at 30 September 2024G amounted to SAR 3,750,000 (31 December 2023G: SAR 6,250,000). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

On 8 January 2024G (corresponding to 26 Jumada al-Akhirah 1445), the Group signed a credit facilities contract with another local bank to obtain facilities in the amount of SAR 20 million. These loans are to be repaid in quarterly installments for a period of seven years starting from the date of the first withdrawal of each installment, with a grace period of two years. The loan balance as at 30 September 2024G amounted to SAR 14,544,421 (31 December 2023G: SAR Nil). These facilities are guaranteed by a promissory note and an individual and collective guarantee from the shareholders, each in proportion to his shareholding.

SPORT CLUBS COMPANY
(A CLOSED JOINT STOCK COMPANY)
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(All amounts are in Saudi Riyals unless otherwise stated)

9. LONG-TERM LOANS (CONTINUED)

The movement in loans is as follows:

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Balance at the beginning of period / year	**102,625,982**	125,525,318
Financing amount received during the period / year	**124,284,606**	40,000,000
Payment during the period / year	**(80,271,188)**	(62,899,336)
Balance as at the end of the period / year	**146,639,400**	102,625,982

Loans are presented in the statement of financial position as follows:

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Current portion	**59,502,763**	41,948,849
Non-current portion	**87,136,637**	60,677,133
	146,639,400	102,625,982

10. EMPLOYEES' BENEFITS

Employees' defined benefit liabilities include end-of-service benefits and leave allowance. The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and the Social Insurance Law enforced in the Kingdom of Saudi Arabia. Movement in employees' defined benefit liabilities is as follows:

Movement in employee benefits:

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
As at the beginning of the period / year	**25,352,000**	23,566,115
Current service cost	**3,132,000**	3,932,000
Interest cost	**1,091,000**	1,300,000
Benefits paid	**(5,038,506)**	(5,029,494)
Remeasurement of actuarial liabilities	**4,219,190**	1,583,379
As at the end of the period / year	**28,755,684**	25,352,000

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

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Long term benefits	**26,141,664**	21,825,791
Short term benefits (note 12)	**2,614,020**	3,526,209
	28,755,684	25,352,000

(All amounts are in Saudi Riyals unless otherwise stated)

11. CONTRACT LIABILITIES

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
As at the beginning of the period / year	**76,328,694**	69,354,444
Additions during the period / year	**230,635,512**	247,373,837
Recognized during the period / year as subscription revenue (note 14)	**(187,058,464)**	(237,874,180)
Recognized during the period / year as revenue from Operation and sale of sports equipment and projects related to the sports solutions sector (note 14)	**(20,955,118)**	-
Recognized during the period / year as other income	**(3,154,665)**	(2,525,407)
Balance as at the end of the period / year	**95,795,959**	76,328,694

Contract liabilities are presented in the statement of financial position as follows:

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Current portion of contracts liabilities	**94,406,982**	75,628,370
Non - current portion of contracts liabilities	**1,388,977**	700,324
Balance as at the end of the period / year	**95,795,959**	76,328,694

12. ACCRUED EXPENSES AND OTHER PAYABLES

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Employee's accruals (*)	**9,505,182**	10,854,754
Accrued expenses	**9,851,182**	1,671,931
Value added tax	**6,742,042**	898,686
Accrued rentals	**-**	105,724
	26,098,406	13,531,095

* The above balance of employee accruals includes a balance of employees accrued leaves with the amount of SAR 2,614,020 as at 30 September 2024G (31 December 2023G: SAR 3,526,209). A policy was developed to carry over the balances of these leaves, and this policy was approved during the year ended 31 December 2023G. Accordingly, the leave allowance has been calculated by a qualified actuary using the projected credit unit method and using the same assumptions used to provide employee end-of-service benefits (note 10).

13. ZAKAT

The following is a summary of the movement in Zakat

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
As at the beginning of the period / year	**802,549**	693,135
Payment made during the period / year	**(728,530)**	(698,817)
Provided during the period / year	**534,678**	808,231
As at the end of the period / year	**608,697**	802,549

(All amounts are in Saudi Riyals unless otherwise stated)

14. REVENUE

Activity revenue comprise of the following:

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2024G	2023G	2024G	2023G
Sport clubs subscriptions	**71,092,884**	63,928,210	**187,058,464**	171,104,312
Health Club Services	**12,324,805**	9,743,837	**30,363,361**	23,859,655
Operational sales, sales of sports equipment and projects related to the sports solutions segment	**14,456,524**	415,898	**20,955,118**	653,602
	97,874,213	74,087,945	**238,376,943**	195,617,569

15. FINANCIAL ASSETS AND LIABILITIES

15.1 Financial assets:

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Financial assets at amortized cost		
Trade receivables	**26,206,261**	4,407,617
Cash and cash equivalents	**13,101,753**	8,641,035
Financial assets at amortized cost	**39,308,014**	13,048,652

15.2 Financial liabilities

	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Financial liabilities at amortized cost		
Loans	**146,639,400**	102,625,982
Lease liabilities	**381,216,238**	369,449,916
Trade payables	**11,224,394**	29,118,347
Financial liabilities at amortized cost	**539,080,032**	501,194,245
Non-current portion of financial liabilities	**428,595,108**	394,097,595
Current portion of financial liabilities	**110,484,924**	107,096,650
Total financial liabilities	**539,080,032**	501,194,245

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

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2024G, the Group has capital commitments amounting to SAR 23,254,470 (31 December 2023G: SAR 1,521,123) for contracts for the establishment of new sports clubs included in capital work in progress.

(All amounts are in Saudi Riyals unless otherwise stated)

17. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties generally consist of payments on behalf of the Group to cover certain operating expenses and consulting and management services. These transactions were carried out in accordance with the terms specified in the agreements concluded with the related parties and approved by the management. The following is a statement of the balances and transactions with related parties:

17-A Due from related parties

Related Party Name	Nature of Transaction	For the Period Ended 30 September		Balances as of	
		2024G (Unaudited)	2023G (Unaudited)	30 September 2024G (Unaudited)	31 December 2023G (Audited)
Shareholders (Note 7)	IPO expenses paid on behalf	**860,188**	-	**860,188**	-

17-B Key management benefits

	30 September 2024G (Unaudited)	30 September 2023G (Unaudited)
Salaries and other short-term benefits	**4,953,774**	5,252,888
Long-term benefits	**504,050**	269,222
	5,457,824	5,522,110

18. SEGMENT INFORMATION

18.1 Geographical segments

For management purposes, the Group consists of business units based on geographical distribution, and it has five operating segments about which it reports as follows:

- Central Region
- Eastern Region
- Northern Region
- Southern Region
- Western Region

The following tables present information on revenue and profit for the geographical segments at the end of the three-month period:

For the nine month period ended 30 September 2024G (unaudited):

	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	**160,741,625**	**27,290,116**	**14,566,841**	**7,590,466**	**28,187,895**	**238,376,943**
Cost of revenue	**(111,477,236)**	**(24,042,895)**	**(8,835,057)**	**(6,146,768)**	**(21,455,103)**	**(171,957,059)**
Gross profit	**49,264,389**	**3,247,221**	**5,731,784**	**1,443,698**	**6,732,792**	**66,419,883**

For the nine month period ended 30 September 2023G (unaudited) (restated):

	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	124,411,252	26,484,619	11,304,871	6,957,232	26,459,595	195,617,569
Cost of revenue	(85,586,446)	(23,895,910)	(8,526,672)	(5,495,943)	(22,434,026)	(145,938,996)
Gross profit	38,824,806	2,588,709	2,778,199	1,461,289	4,025,569	49,678,573

(All amounts are in Saudi Riyals unless otherwise stated)

18. SEGMENT INFORMATION (CONTINUED)

18.2 Market segments

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

For the nine month period ended 30 September (unaudited) (restated):

	Men's fitness centers		Women's fitness centers		Sports solutions		Total	Total
	2024G	2023G	2024G	2023G	2024G	2023G	2024G	2023G
Revenue	**151,134,506**	142,892,522	**66,287,319**	52,071,445	**20,955,118**	653,602	**238,376,943**	195,617,569
Cost of revenue	**(109,735,275)**	(102,943,073)	**(49,915,696)**	(42,861,476)	**(12,306,088)**	(134,447)	**(171,957,059)**	(145,938,996)
Gross profit	**41,399,231**	39,949,449	**16,371,623**	9,209,969	**8,649,030**	519,155	**66,419,884**	49,678,573

19. DIVIDENDS

On 22 August 2024G, the Extraordinary General Assembly approved the distribution of cash dividends to shareholders in the total amount of SAR 6 million, at a rate of SAR 0.577 per share.

On 26 February 2023G, based on the recommendation of the Board of Directors, the Extraordinary General Assembly approved the distribution of cash dividends to shareholders in a total amount of SAR 6 million, at SAR 0.577 per share.

20. STATUTORY RESERVE

Under the previous Company's bylaw, the Company was obligated to transfer 10% of net income to the statutory reserve until it reached 30% of the share capital. According to the amendments made to the Companies Law in the Kingdom of Saudi Arabia, there is no longer an obligation to maintain the statutory reserve. Accordingly, the shareholders decided at the Extraordinary General Assembly held on 22 August 2024G, to amend the Company's Company bylaw. According to the decision, the statutory reserve amounting to SAR 15,904,683 was transferred to retained earnings. Under the amended Articles of Association, the General Assembly of Shareholders has the right, when determining the share of profits, to decide to form new reserves to the extent that serves the interest of the Company or ensures the distribution of fixed profits to shareholders as much as possible.

21. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to the Group's ordinary shareholders by the number of ordinary shares outstanding during the year.

	For the three month period ended 30 September (Unaudited)		For the nine month period ended 30 September (Unaudited)	
	2024G	2023G (restated)	2024G	2023G (restated)
Profit for the period	**16,264,612**	12,505,566	**23,606,838**	14,092,402
Number of shares				
Number of shares issued (note 8)	**104,000,000**	104,000,000	**104,000,000**	104,000,000
Basic and diluted earnings per share (Saudi Riyals)*	**0.16**	0.12	**0.23**	0.14

On 22 August 2024G, the Extraordinary General Assembly approved the splitting of the Company's shares by amending the nominal value of the share from ten (10) Saudi riyals to one Saudi riyal, and accordingly the weighted average number of shares was adjusted retrospectively to reflect the effect on the profit of ordinary shares after the splitting.

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

22. ADJUSTMENTS TO COMPARATIVE FIGURES

As disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2023G, the Group made some adjustments to the comparative information for the nine-month period ended 30 September 2023G. the Group shall, in its ordinary course of business, acquire land under leases and construct buildings thereon for the operation of clubs. Since the adoption of IFRS 16, the Group has capitalized the depreciation of land-related right-of-use assets to the cost of buildings during the construction period. This treatment was consistent with generally accepted practices. In November 2023G, Saudi Organization for Chartered and Professional Accountants ("SOCPA") published an interpretation related to the capitalization of the depreciation of the right of use assets, in relation to the leased land, to the cost of construction during the construction period. SOCPA explained that depreciation related to right-of-use assets for lands that were leased primarily for the purpose of construction of buildings, shouldn't be capitalized on the related buildings as the amount of depreciation of the right-of-use assets during the construction period of the building is not one of the costs that can be directly attributable to bringing the building to the location and condition necessary for it to operate in the manner intended by management. Considering that the land and the building are considered two separate assets, therefore, capitalizing the depreciation of the right-of-use asset of the land within the cost of the building that is constructed on it cannot be considered a use of the future economic benefits inherent in one asset in the production of other assets.

On the other hand, SOCPA clarified that what can be capitalized is the financing costs associated with the right of use assets of lands that were leased mainly for the purpose of constructing buildings during the time period required for the construction of the building and the completion and preparation of the asset for its intended use. As a result, the Group applied the interpretations of SOCPA retrospectively by restating previous years. Consequently, the cost of revenue during those years was increased. Based on the apparent clarification, the Group has accounted for the impact of this clarification.

(All amounts are in Saudi Riyals unless otherwise stated)

22. ADJUSTMENTS TO COMPARATIVE FIGURES (CONTINUED)

In these consolidated financial statements, in accordance with IAS (8) Accounting Policies, Changes in Accounting Estimates and Errors, the impact of the above adjustment on each item of the affected interim condensed consolidated financial statements for prior periods is reflected in the following table:

Interim condensed consolidated statement of profit or loss and other comprehensive income	As previously reported	Re-stated	Re-stated as at 30 September 2023G
For the nine month period ended 30 September 2023G			
Cost of revenue	(144,929,322)	(1,009,674)	(145,938,996)

23. SUBSEQUENT EVENTS

In the opinion of management, there are no significant subsequent events after the period ended September 30, 2024G that could have a material impact on the Group's condensed consolidated interim statement of financial position or its results of operations.

24. COMPARATIVE FIGURES

Certain comparative numbers have been reclassified to be consistent with the current presentation of the interim condensed consolidated financial statements.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of the Group for the period ended 30 September 2024G were approved by the Board of Directors on 14 September 2024G (11 Rabi' al-Awwal 1446).

SPORT CLUBS COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023G

AND INDEPENDENT AUDITOR’S REPORT

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Sport Clubs Company
(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with IFRS Accounting Standards that are endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Bylaws, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Group or to cease operations, or has no realistic alternative but not to do so.

Those Charged with Governance, in particular the Board of directors, are responsible for overseeing the Group's financial reporting process.

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Independent Auditor's Report On The Audit Of The Consolidated Financial Statements Of Sport Clubs Company (A Saudi Closed Joint Stock Company) **And Its Subsidiary As At 31 December 2023 (continued)**

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

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

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

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

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

For Dr. Mohamed Al-Amri & Co.

د. محمد العمري وشركاه - محاسبون قانونيون
س.ت: ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

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

Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023G
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	31 December 2023G	31 December 2022G (Restated)	31 December 2021G (Restated)
Assets				
Non-current assets				
Property, plant and equipment	(5)	**408,073,520**	373,739,309	372,527,676
Right of use assets	(6.1)	**309,180,796**	246,041,463	255,559,009
Real estate investments		**-**	-	2,220,706
Intangible assets	(7)	**5,341,104**	3,446,077	3,762,526
Total non-current assets		**722,595,420**	623,226,849	634,069,917
Current assets				
Inventory	(8)	**8,209,467**	6,193,824	5,022,048
Trade receivables	(9)	**4,407,617**	3,815,482	320,908
Advance payments and other receivables	(10)	**13,239,299**	15,407,684	11,060,219
Cash and cash equivalents	(11)	**8,641,035**	17,297,313	16,511,632
Total current assets		**34,497,418**	42,714,303	32,914,807
Total assets		**757,092,838**	665,941,152	666,984,724
Equity and liabilities				
Equity				
Share capital	(12)	**104,000,000**	104,000,000	104,000,000
Statutory reserve		**15,904,683**	13,395,841	11,127,558
Retained earnings		**23,505,781**	8,509,587	(6,699,418)
Total equity		**143,410,464**	125,905,428	108,428,140
Liabilities				
Non-current liabilities				
Lease liability non-current portion	(6.2)	**333,420,462**	285,519,448	294,447,973
Long term loans non-current portion	(13)	**60,677,133**	81,357,788	109,009,911
Employees' benefits	(14)	**21,825,791**	17,511,000	17,726,000
Contracts liability non-current portion	(15)	**700,324**	1,430,292	5,045,930
Total non-current liabilities		**416,623,710**	385,818,528	426,229,814
Current liabilities				
Lease liability current portion	(6.2)	**36,029,454**	15,739,192	14,992,291
Long term loans current portion	(13)	**41,948,849**	44,167,530	37,280,346
Account payables		**29,118,347**	3,565,533	4,746,105
Accrued expenses and other payables	(16)	**13,531,095**	22,127,654	14,130,219
Zakat provision	(17)	**802,549**	693,135	532,814
Contracts liability current portion	(15)	**75,628,370**	67,924,152	60,644,995
Total current liabilities		**197,058,664**	154,217,196	132,326,770
Total liabilities		**613,682,374**	540,035,724	558,556,584
Total equity and liabilities		**757,092,838**	665,941,152	666,984,724

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

Finance Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023G
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	31 December 2023G	31 December 2022G (Restated)	31 December 2021G (Restated)
Revenue	(18)	**270,620,715**	268,043,244	204,358,263
Cost of revenue	(19)	**(198,235,704)**	(198,769,179)	(167,841,507)
Gross profit		**72,385,011**	69,274,065	36,516,756
Marketing expenses	(20)	**(7,797,602)**	(9,183,179)	(5,163,601)
General and administrative expenses	(21)	**(14,540,824)**	(15,098,455)	(10,422,149)
Operating profit		**50,046,585**	44,992,431	20,931,006
Other income – net	(22)	**2,832,523**	3,498,354	4,391,297
Finance costs	(23)	**(26,982,462)**	(25,113,228)	(16,903,497)
Profit before zakat		**25,896,646**	23,377,557	8,418,806
Zakat expenses	(17)	**(808,231)**	(694,731)	(452,500)
Profit for the year		**25,088,415**	22,682,826	7,966,306
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Re-measurement (loss) / gain of employees' benefits		**(1,583,379)**	794,462	1,915,135
Other comprehensive income for the year		**(1,583,379)**	794,462	1,915,135
Total comprehensive income for the year		**23,505,036**	23,477,288	9,881,441
Basic and diluted earnings per share (SR)	(32)	**2.41**	2.18	0.77

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

Financial Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023G
(All amounts are in Saudi Riyals unless otherwise stated)

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

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

Financial Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

Sport Clubs Company
(Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023G
(All amounts are in Saudi Riyals unless otherwise stated)

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

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

Financial Director	Chief Executive Officer	Chairman of the board
Abdullah Altahan	Wael El Merhabi	Ammar Al Khudairy

Sport Clubs Company
(Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(All amounts are presented in Saudi Riyals unless otherwise stated)

1. ORGANISATION AND ACTIVITIES

Sports Clubs Company was established as a limited liability company in accordance with the Companies Law in the Kingdom of Saudi Arabia, and operates under Commercial Registration No. 1010167892 dated on 26 Rabi-Al-Thani 1422 H (18 July 2001 G) in Riyadh city.

The main activities of the company are the wholesale and retail trade in sports equipment, tools and clothing, the purchase of lands for the construction of buildings on them and their investment by sale or rent for the benefit of the company, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

In the partners' meeting held on Rabi' Al-Awwal 1, 1444 H, corresponding to (September 26, 2022G), the partners unanimously agreed to convert the legal entity of the company from a limited liability company to a closed Saudi joint stock company while retaining the number, name and date of the commercial registration of the company and its branches, and on 2 Rabi' Al-Awwal 1444 H corresponding to (27 September 2022G), The statutory procedures to amend the company's articles of incorporation and articles of association have been completed.

The head office of the group is located at the following address:

P.O Box 270079 - Riyadh 11352, Kingdom of Saudi Arabia.

The following are the subsidiary company details, included in these consolidated financial statements:

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

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements include the financial statements of the Company and its subsidiary (together referred to as the "Group").

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and professional Accountants ("SOCPA") (here and after referred to as "IFRSs").

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the consolidated financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the group's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of the company and its subsidiaries as at the reporting date. Control is achieved when the company:

- Power over the investee.
- Exposure to risks and have the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.
- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.
- A change in the subsidiary's ownership interest, without loss of control, is recorded in the consolidated statement of changes in equity.
- Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is distributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment held is carried at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.
- All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Sports Amaken Company, which is referred to later with the company as the group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, the Third Sports Places Company. The company owns 100% (2022G: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3.2 Property, plant and equipment

Property, plant and equipment, excluding land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment losses, if any.

Historical cost includes expenditures directly attributable to the acquisition of an asset, and subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, and only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and method of depreciation are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assets	Years
Buildings	30 (or the lease period, whichever is less, for buildings over rented lands))
Buildings on leased land	The rental period or the estimated useful life, whichever is shorter
Improvements to rented buildings	The rental period or the estimated useful life, whichever is shorter
Machines and equipment	7-10
Furniture	10
Electrical hardware and software	6.66
Vehicles	5

Land and capital work in progress are not depreciated.

Stored materials and spare parts with a useful life more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on disposal of an item of property, plant and equipment, which is determined as the difference between the net sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

Capital work in progress

Capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress begins when the assets are ready for their intended use, at that time they will be transferred to property, equipment or investment property. Finance costs incurred on borrowings to finance the construction of a qualifying asset are capitalized over the time period required to complete and prepare the asset for its intended use.

3.3 Lease contracts

The Group assesses whether a contract is a lease, or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the lessee is, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight line basis over the lease term unless there is another systematic basis for the time plan in which the economic benefits from the leased asset are exhausted.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses an incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including fixed payments), less any lease incentives.
- Variable lease payments that are dependent on an index or a price, initially measured using the index or price at the commencement date,
- The amount expected to be paid by the lessee under residual value guarantees,
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- Payment of fines for terminating the lease, if the lease reflects the exercise of the option to terminate the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Group re-measures the lease liability (and adjusts against the related right-of-use assets) if:

- The terms of the lease have changed or there has been a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments have changed due to changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate (unless the lease payments change due to a change in the prevailing interest rate). In this case, a modified discount rate is used.
- The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is amortized over the lease term and the specified useful life, whichever is shorter. If the lease transfers ownership of an identified asset or the cost of the right to use the asset, it reflects that the Group expects to exercise the purchase option, the related right to use asset is amortized over the asset's useful life. Depreciation begins on the start date of the lease.

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies International Accounting Standard No. (36) "Impairment of Assets" to determine whether there has been any impairment in the value of right-of-use assets.

3.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis based on the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, and any changes in estimates are accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or at the reporting date when there is an indication of impairment, either individually or at the cash-generating unit level. The calendar of indefinite lives is reviewed annually to determine whether indefinite lives are still possible. If not, the useful life is changed from indefinite to finite on a prospective basis.

The Group applies the following useful years of amortization to its intangible assets:

Computer Software 5 Years

3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and consistent bases of distribution can be determined, the common assets are also allocated to cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of distribution can be determined. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment by comparing the unit's carrying value, including goodwill, with the unit's recoverable amount. Intangible assets with an indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, and whenever there is an indication that the asset is impaired.

The recoverable amount is the asset's fair value less cost to sell or value in use, whichever is higher. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized directly in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to its revalued recoverable amount, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) had no impairment loss been calculated for it in previous years. The reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized in prior periods for goodwill is not reversed in a subsequent period.

3.6 Inventory

Inventory is stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price less all estimated costs of completion and any further costs involved in making the sale. The cost of raw materials and spare parts is determined on a weighted average basis. Spare parts are items that may result in fixed capital expenditures but are not discernible. They are stated at cost and determined on a weighted average basis.

3.7 Trade receivables

Accounts receivable are recorded at the original invoice amount less impairment losses at an amount equal to the estimated lifetime credit loss. When the receivable is uncollectible, it is written off against the impairment loss. Any subsequent recoveries of amounts previously written off against "impairment losses on trade receivables" are credited to profit or loss.

3.8 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks which are all available for use by the Group unless otherwise stated, and whose maturities are three months or less, and which are subject to an insignificant risk of change in value.

3.9 Statutory reserve

In accordance with the Group's Articles of Association and Companies Regulations, the Group must transfer 10% of the annual net profit to the statutory reserve until it becomes 30% of the capital.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employees benefits

Defined employee benefit obligations

Employees' benefits are calculated using the expected unit credit method, with actuarial valuations performed at the end of each reporting period. . Remeasurement recognized in other comprehensive income is recognized immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligation, which result from changes and reductions, are recognized directly in profit or loss as service costs from prior periods. Interest is calculated by using the discount rate at the beginning of the period on defined employee benefit obligations. Defined benefit costs are categorized as follows:

- Service cost (including current service costs and past service costs, plus gains and losses from cutbacks and adjustments);
- Cost of interest; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the related items.

Short-term employee benefits

The obligation is recognized for benefits related to wages, salaries, annual leave, travel tickets and sick leaves and is expected to be settled in full during the twelve-month period following the end of the period in which the service is provided. The obligation is recorded at the undiscounted amount of benefits expected to be paid in exchange for those services.

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When provisions are deducted, the increase in the provision due to the passage of time is recognized as a finance cost.

3.12 Zakat

The group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, and the entitlement to zakat is recognized and charged to the consolidated statement of profit or loss and other comprehensive income. Additional zakat liabilities, if any, relating to assessments on prior years are calculated by the Authority for Zakat, Tax and Customs in the year in which the final assessments are issued.

3.13 Financial instruments

The Group recognizes financial assets or financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

Initial recognition

Financial assets are classified, on initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing it.

For a financial asset to be classified and measured at amortized cost or FVOCI, that asset must generate cash flows that are "payments from the asset and proceeds only" on the original amount receivable. This evaluation is referred to as the (Payments from Principal and Returns Only) test (SPPI) and is performed at the financial instrument level. Financial assets with cash flows that are not 'Payments from Principal and Returns Only' are classified as FVTPL, regardless of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, from the sale of financial assets, or from both. Financial assets classified and measured at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model whose objective is to collect contractual cash flows and sell.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

A) Debt instruments at amortized cost.

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

B) Equity instruments at fair value through other comprehensive income with no possibility of rolling back to profit or loss.

Gains and losses on valuation of these financial assets are not recycled to profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to receive is established, except when the group benefits from these returns as a recovery of part of the cost of the financial asset, in which case, these revenues are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment testing.

C) Equity instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated profit or loss.

Decline in the value of financial assets

The Group applies the simplified approach in calculating impairment. Expected credit losses on financial assets are estimated using the Group's historical credit loss experience, adjusted for general economic conditions and an assessment of both the current trend as well as expectations of conditions at the reporting date, including the time value of money where it is. That is appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The expected credit loss measurement is an indication of the probability of default, or a given loss (meaning the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data that is modified by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the consolidated statement of profit or loss and other comprehensive income, and provisions for losses measured at amortized cost are deducted from the total carrying amount of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group will continue to recognize its retained interest in the assets and liabilities associated with the financial asset for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group has no financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Bank loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. These interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the repayment period is at a constant rate on the liability balance recognized in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, canceled or expire.

3.14 Revenue recognition

The Group recognizes revenue from contracts using a five-steps method as mentioned in IFRS 15:

Step 1: Determine the contract(s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.

Step 2: Determine the performance obligations in the contract. A performance obligation is an undertaking under the contract with the customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that have more than one performance obligation, the Group will allocate a transaction price to each performance obligation in the amount to which the Group expects to be entitled in exchange for meeting each performance obligation.

Step 5: Recognize revenue when the entity fulfills the performance obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:

A. The performance of the group does not create an asset with an alternative use of the group, and the group has an enforceable right to payment for performance completed to date.
B. Group performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.
C. The customer simultaneously receives and consumes the benefits provided by the entity's performance once the Group has performed.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the Group fulfills the performance obligation by providing the promised services, this creates a contract-based asset in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that revenue and costs, where applicable, can be measured reliably.

Subscription and membership revenue

Subscription and membership fees are recognized as revenue on a regular basis over the subscription period. Revenue fees received in advance are initially recognized as contract obligations and amortized over the subscription period.

Personal training revenue

Personal training fees are recognized as revenue when the related services are provided and performance obligations are fulfilled. Fees received in advance are initially recognized as contract obligations and are subsequently recognized when personal training sessions are conducted or the training period ends, whichever comes first.

3.15 Cost of revenues

The cost of sales includes all direct costs of the activity, including direct labor, direct materials, and expenses related to the activity.

3.16 Expenses

Marketing expenses principally consist of costs incurred in the distribution and sale of the Group's services. All other expenses are classified as general and administrative expenses.

3.17 Finance cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that are assets that require a significant period of time to be ready for their expected use or sale are added to the cost of those assets until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific loans until they are spent on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(All amounts are presented in Saudi Riyals unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the group, and they are recorded in the financial statements in the period that is approved by the shareholders of the group.

Dividends are recorded in the period that is approved by the Partners.

3.19 Earnings per share

The group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

3.20 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows:

a. New standards, interpretations and amendments not yet effective

IFRS	Summary	Effective date
IFRS 16	Amendment – Lease Liability in a Sale and Leaseback	1 January 2024G
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024G
IAS 1	Amendment – Non-current Liabilities with Covenants	1 January 2024G
IAS 7 & IFRS 7	Amendment – Supplier Finance Arrangements	1 January 2024G
IAS 21	Amendment – Lack of Exchangeability	1 January 2025G

b. New standards, interpretations and amendments effective in the current year

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023G, but they had no material impact on these financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021G, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes

In May 2021G, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021G, the Organization for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022G, the OECD released detailed technical guidance on Pillar Two of the rules. Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023G.

The amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The amendment also provide for additional disclosure requirement with respect to an entity's exposure to Pillar Two income taxes.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to use judgments, estimates and assumptions that may affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on current information and events available to management, final actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of the revision of accounting estimates is reflected in the review period and the future periods affected.

The following is information about significant areas of estimation, uncertainties and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

4.1 Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are estimated according to the new information available to the Group's management. The management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after considering the expected use of the assets and physical damage to these assets. The management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

4.2 Determining the lease term with extension and termination options - Group as lessee

The Group determines the lease term as non-cancellable for any periods covered by an option to extend the contract if the Group is reasonably certain that it will be able to exercise that option, or for any periods covered by an option to terminate the contract if the Group is reasonably certain that it will not be able to exercise it.

4. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

The Group exercises judgment in assessing the reasonableness of ensuring that the option to extend or terminate the contract is exercised. For this purpose, the Group considers all relevant factors that constitute an economic incentive to exercise the option to extend or terminate. After the commencement date of the lease, the Group reassesses the term of the lease if there is a significant event or change in circumstances within its control that affects the Group's ability to exercise or not to exercise the option to renew or terminate the lease.

4.3 Estimate the additional borrowing rate

The group cannot easily determine the interest rate implicit in the lease contracts, and therefore it uses the incremental borrowing rate to measure the lease commitments, the incremental borrowing rate represents the interest rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, Over a similar period and with a similar guarantee, the incremental borrowing rate therefore reflects what the group has to pay, which requires an estimate when observable rates are not available (such as for subsidiaries that do not conduct financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease, The group estimates the incremental borrowing rate using observable inputs (e.g. market commission rates) when available, and is required to make some judgment of the entity (e.g. independent credit assessment).

4.4 Intangible assets

Management reviews the period and method of amortization of tangible assets with a finite useful life at least at the end of each financial year. If the expected useful lives of the assets are different from the previous estimates, the group changes the amortization period accordingly. If there is a change in the expected pattern of consumption of future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

4.5 Impairment of non-financial assets

Impairment occurs when the amount of an asset or cash-generating unit exceeds its recoverable amount as fair value less costs of disposal or its value in use - whichever is higher. The fair value minus costs of disposal is based on available data from binding arm's length sales of similar assets or observable market prices minus incremental costs of disposal of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that could enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash inflows and the growth rate used for the purposes of extrapolating the future.

4.6 Measuring the fair value of financial instruments

If the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. Inputs to these models are obtained from observable markets when possible, but where this is not feasible, a degree of judgment must be used to determine fair values. Judgments include considerations for inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the disclosed fair value of financial instruments.

4.7 Employees' benefits

The cost of employee defined benefit obligations and other post-employment benefits is determined based on a measurement at the present value of future obligations using the expected unit addition method. The actuarial valuation involves making several assumptions which may differ from actual developments in the future.

4. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

These assumptions include determining the discount rate, future salary increases, and mortality rates. Due to the complex and long-term nature of the valuation and underlying assumptions, the defined benefit obligation is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is the most variable indicator. In determining the appropriate discount rate, management takes into account the commission rates on corporate bonds registered in currencies consistent with the currencies in which the defined post-employment benefits obligations for employees are recorded, and they are estimated when needed with the rate of return in line with the expected duration of the defined benefits commitment. The quality of the relevant bonds is also reviewed. Those bonds that have high credit spreads are excluded from the bond analysis on which the discount rate was determined, as they do not represent high quality bonds.

The mortality rate is determined based on publicly available mortality tables in the respective countries. These mortality tables are subject to change only from

Time to time according to demographic changes. Future salary increases are determined based on expected future inflation rates for the respective countries and future salary increases.

4.8 The principle of continuity

The Group's management has made an assessment of the Group's ability to continue its business according to the principle of continuity, and the Group is convinced that it has the resources to continue its business in the foreseeable future, and the Group's management does not have any fundamental doubts that may affect the Group's ability to continue its business. Therefore, these financial statements have been prepared according to the going concern principle.

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5. PROPERTY, PLANT AND EQUIPMENT

For the year ending on 31 December 2023G	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hard-ware	Vehicles	Capital work in progress	Total
Cost:										
As at 1 January 2023G	17,027,800	17,811,134	380,137,014	54,783,185	96,909,855	34,362,526	9,307,958	4,227,834	21,996,839	636,564,1455
Impact of restatement (Note 33)	-	-	(7,565,289)	-	-	-	-	-	(1,337,304)	(8,902,593)
As at 01 January 2023G as restated	17,027,800	17,811,134	372,571,725	54,783,185	96,909,855	34,362,526	9,307,958	4,227,834	20,659,535	627,661,552
Additions during the year	21,500,000	-	-	-	6,571,600	4,326,560	1,152,920	1,228,056	37,316,506	72,095,642
Transferred from PUC	-	-	20,257,912	4,871,686	-	307,507	-	-	(25,437,105) (25,437,105)	-
Disposals	-	-	(8,055,732)	(7,952,862)	(3,737,363)	(482,779)	(86,228)	(220,800)	-	(20,535,764)
As at 31 December 2023G	38,527,800	17,811,134	384,773,905	51,702,009	99,744,092	38,513,814	10,374,650	5,235,090	32,538,936	679,221,430
Accumulated depreciation:										
As at 1 January 2023G	-	(8,218,567)	(146,127,813)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(254,257,876)
Impact of restatement (Note 33)	-	-	335,633	-	-	-	-	-	-	335,633
As at 01 January 2023G as restated	-	(8,218,567)	(145,792,180)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(253,922,243)
Charges for the year	-	(617,504)	(21,102,894)	(2,400,723)	(7,970,568)	(3,214,507)	(1,117,569)	(842,938)	-	(37,266,703)
Disposals	-	-	8,055,731	7,932,576	3,418,844	383,442	75,990	174,453	-	20,041,036
As at 31 December 2023G	-	(8,836,071) (8,836,071)	(158,839,343)	(32,853,192)	(45,749,566) (45,749,566)	(16,741,266)	(5,429,499) (5,429,499)	(2,698,973) (2,698,973)	-	(271,147,910 (271,147,910)
Net book value:										
As at 31 December 2023G	38,527,800	8,975,063	225,934,562	18,848,817	53,994,526	21,772,548	4,945,151	2,536,117	32,538,936	408,073,520
As at 31 December 2022G	17,027,800	9,592,567	226,779,545	16,398,140	55,712,013	20,452,325	4,920,038	2,197,346	20,659,535	373,739,309

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 5,612,543 as on December 31, 2023G (December 31, 2022G: SAR 7,040,538).
- Lands amounting to SAR 17,027,800 are mortgaged to Riyad Bank as security for the loan obtained by the group as shown in Note No. (13).
- During the year ended December 31, 2023G, the Group capitalized a borrowing cost related to qualifying assets of SAR 5,339,723 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2022G: SAR 4,062,561 using a capitalization rate ranging from 3.6% to 8.6% per annum) (Note 23).
- The capital work in progress as of December 31, 2023G mainly represents the costs incurred in establishing new branches that are still under construction.

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ending on 31 December 2022G	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work in progress	Total
Cost:										
As at 1 January 2022G	15,211,756	17,001,534	348,998,793	55,389,989	92,019,456	33,968,062	8,333,562	3,567,834	47,026,896	621,517,882
Impact of restatement (Note 33)	-	-	(6,722,986)	-	-	-	-	-	(319,133)	(7,042,119)
As at 01 January 2022G as restated	15,211,756	17,001,534	342,275,807	55,389,989	92,019,456	33,968,062	8,333,562	3,567,834	46,707,763	614,475,763
Additions during the year	-	-	-	-	8,215,204	2,937,257	1,552,873	1,196,700	22,799,587	36,701,621
Transferred from PUC	-	-	47,470,439	-	1,377,376	-	-	-	(48,847,815)	-
Transferred from investment property	1,816,044	809,600	-	-	-	-	-	-	-	2,625,644
Disposals	-	-	(17,174,521)	(606,804)	(4,702,181)	(2,542,793)	(578,477)	(536,700)	-	(26,141,476)
As at 31 December 2022G	17,027,800	17,811,134	372,571,725	54,783,185	96,909,855	34,362,526	9,307,958	4,227,834	20,659,535	627,661,552
Accumulated depreciation:										
As at 1 January 2022G	-	(7,162,806)	(142,411,349)	(36,103,110)	(37,721,832)	(12,872,771)	(3,886,611)	(1,843,445)	-	(242,001,924)
Impact of restatement (Note 33)	-	-	53,837	-	-	-	-	-	-	53,837
As at 01 January 2022G as restated	-	(7,162,806)	(142,357,512)	(36,103,110)	(37,721,832)	(12,872,771)	(3,886,611)	(1,843,445)	-	(241,948,087)
Charges for the year	-	(602,727)	(20,609,189)	(2,888,739)	(7,461,300)	(3,163,584)	(1,020,799)	(715,910)	-	(36,462,248)
Transferred from investment property	-	(453,034)	-	-	-	-	-	-	-	(453,034)
Disposals	-	-	17,174,521	606,804	3,985,290	2,126,154	519,490	528,867	-	24,941,126
As at 31 December 2022G	-	(8,218,567)	(145,792,180)	(38,385,045)	(41,197,842)	(13,910,201)	(4,387,920)	(2,030,488)	-	(253,922,243)
Net book value										
As at 31 December 2022G	17,027,800	9,592,567	226,779,545	16,398,140	55,712,013	20,452,325	4,920,038	2,197,346	20,659,535	373,739,309
As at 31 December 2021G	15,211,756	9,838,728	199,918,295	19,286,879	54,297,624	21,095,291	4,446,951	1,724,389	46,707,763	372,527,676

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

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge was distributed over the year as follows:

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

6. LEASE CONRACTS

6.1 Right of use assets

The Group leases sports clubs on lease contracts ranging from five to twenty years, with an option to renew the lease contract after that date (Note 3.2).

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

The depreciation charge:

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

6.2 Lease labilities

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

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

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

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6. LEASE CONRACTS (CONTINUED)

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

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

7. INTANGIBLE ASSETS

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

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

a. The movement of programs during the year is as follows:

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

b. Goodwill

As a result of the group's acquisition of the martial arts project shares during 2017, This is in addition to automated programs and systems to serve the activity.

Impairment of goodwill

The Group's management performed the annual impairment test for goodwill on December 31, 2023G and the recoverable amount was determined based on the value in use calculation. The use of this method requires estimating the future cash flows and determining the discount rate in order to calculate the present value of the cash flows over a period of time. As at December 31, 2023G, the Group determined the recoverable amount based on the discounted future cash flows, and the recoverable amount was greater than the carrying amount of the cash-generating unit.

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7. INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the value in use calculation has been determined based on cash flow projections from officially approved budgets covering a period of five years to December 31, 2028G. Other major assumptions are as follows:

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

*Growth rate assumptions apply only to the period beyond the period of the financial statements with value in use calculated based on extrapolating budgeted cash flows for the fifth year.

Operating margins were based on past experiences and future expectations in light of expected economic and market conditions. The discount rates are based on the group's beta adjusted to reflect management's assessment of the specific risks specific to the cash-generating unit. Growth rates after the first five years are based on economic data related to the respective region.

c. Projects under process

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

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

8. INVENTORY

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

9. TRADE RECEIVABLE

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

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

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

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10. ADVANCE PAYMENTS AND OTHER RECEIVABLES

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

11. CASH AND CASH EQUIVALENTS

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

12. SHARE CAPITAL

For the year ended 31 December 2023G:

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

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

12. SHARE CAPITAL (CONTINUED)

Pursuant to a share transfer agreement dated Safar 19, 1444 AH, corresponding to September 15, 2022G, Diamond Opportunities Sports Company (a closed single-person joint-stock company) transferred 100 shares, thus decreasing its ownership percentage in Sports Clubs Company to 34.49999% instead of 34.5%, representing 3,587,999 shares at a value of 10 Saudi Riyals per share, to Silver Opportunities Investment Company (a single-person company), thus increasing its ownership percentage in Sports Clubs Company to 0.00000009615%).

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

13. LONG TERM LOANS

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

The aforementioned loan is secured against a mortgage of lands (note 5), in addition to the partners guaranteeing the loan through their share of the group's ownership. The following is the data of the mortgages of the mortgaged lands sukuk (note 5):

Date	Deed Number
22-3-1441 H	814006005053
17-6-1441 H	314006005791
17-6-1441 H	914006005790

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

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

The following is a statement of the movement of loans:

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

13. LONG TERM LOANS (CONTINUED)

a. The total loan amounts were presented according to the agreed upon maturity dates of the repayment installments, after they were classified into current and non-current liabilities, minus the deferred financing costs, as follows:

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

b. The table below shows the maturity dates of the loans referred to in accordance with the maturity dates referred to in the loan contracts:

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

14. EMPLOYEES' BENEFITS

The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and the social insurance systems enforced in the Kingdom of Saudi Arabia.

Movement of employees' benefits:

	2023G	2022G	2021G
As at the beginning of the year	**23,566,115**	21,701,892	21,962,413
Current service cost and return cost	**3,932,000**	7,834,746	4,639,534
Interest cost	**1,300,000**	603,000	593,000
Paid benefits	**(5,029,494)**	(5,779,061)	(3,577,920)
Remeasurement of actuarial liabilities	**1,583,379**	(794,462)	(1,915,135)
As at the end of the year	**25,352,000**	23,566,115	21,701,892

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

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

Main actuarial assumptions:

The important actuarial assumptions used in calculating the defined benefit obligation are as follows:

	2023G	2022G	2021G
Financial assumptions			
Discount rate	**5.20%**	5.20%	3.20%
Salary increase rate	**0.75%**	0.75%	0.75%

(All amounts are presented in Saudi Riyals unless otherwise stated)

14. EMPLOYEES' BENEFITS (CONTINUED)

Sensitivity analysis

The results are affected by the assumptions used, especially the discount rate assumption and the salary increase rate due to the short duration of the program liabilities. The table below shows the change in the defined benefit obligation based on the increase or decrease in the value of the underlying assumptions as follows:

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

15. CONTRACTS LABILITIES

	2023G	2022G	2021G
As at the beginning of the year	**69,354,444**	65,690,925	61,736,574
Additions during the year	**247,373,837**	238,617,889	190,192,319
Recognized during the year as subscription revenue (note 18)	**(237,874,180)**	(233,636,567)	(184,396,266)
Recognized during the period as other income	**(2,525,407)**	(1,317,803)	(1,841,702)
Balance at the end of the year	**76,328,694**	69,354,444	65,690,925
	2023G	**2022G**	**2021G**
Contracts liability current portion	**75,628,370**	67,924,152	60,644,995
Contracts liability non - current portion	**700,324**	1,430,292	5,045,930
Balance at the end of the year	**76,328,694**	69,354,444	65,690,925

16. ACCRUED EXPENSES AND OTHER PAYABLES

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

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

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17. ZAKAT

a. Zakat and Tax position:

Zakat:

- The Group received the last final assessment for the years from 2016G to 2018G, amounting to 84,017 Saudi Riyals, on 03/14/2022G, and accordingly, the full zakat differences due were paid. The main reason for the zakat differences in the above years is in the compensation and incentives expense item because there is no work regulation approved by the Ministry of Labor for the company, and accordingly the company prepared a work regulation and approved it from the Ministry of Labor.
- Regarding the years from 2019G to 2022G, the Group submitted its zakat declarations, paid the amounts due, and obtained a zakat certificate for those years, and the examination has not been conducted by the Authority for any of the mentioned years to date.

Value Added Tax (VAT):

- The Group has not been inspected by the Zakat, Tax and Customs Authority to date.
- The Group regularly submits value added tax returns on time.

Withholding Tax:

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

b. The significant components of the zakat base for the fiscal year ending on December 31 are as follows:

1. Adjusted net income

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

2. Equity

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

17. ZAKAT (CONTINUED)

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

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

18. REVENUE

Revenue from the operation classified as below:

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

19. COST OF REVENUE

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

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20. MARKETING EXPENSES

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

21. GENERAL AND ADMINISTRATIVE EXPENSES

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

22. OTHER INCOME, NET

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

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

23. FINANCE COSTS

	2023G	2022G	2021G
Interests of lease commitments	**20,410,218**	18,240,667	20,397,049
Long-term loan costs	**6,879,989**	7,931,854	3,637,063
Bank fees and commissions	**5,031,978**	3,003,268	335,985
Capitalized during the period from the interest of lease obligations	**(3,818,134)**	(2,148,195)	(5,931,170)
Capitalized during the period of financing costs on loans	**(1,521,589)**	(1,914,366)	(1,535,420)
Charged to statement of profit or loss	**26,982,462**	25,113,228	16,903,497

(All amounts are presented in Saudi Riyals unless otherwise stated)

24. FINANCIAL ASSETS AND LIABILITIES

24.1 Financial assets

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

24.2 Financial Liabilities

	2023G	2022G	2021G
Financial liabilities at amortized cost:			
Long term loans	**102,625,982**	125,525,318	146,290,257
Lease Liabilities	**369,449,916**	301,258,640	309,440,264
Accounts payable	**29,118,347**	3,565,533	4,746,105
Total financial liabilities at amortized cost	**501,194,245**	430,349,491	460,476,626
Non-current portion of financial liabilities	**394,097,595**	366,877,236	403,457,884
Current portion of financial liabilities	**107,096,650**	63,472,255	57,018,742
Total financial liabilities	**501,194,245**	430,349,491	460,476,626

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

25. CONTINGENT LIABILITIES

As on December 31, 2023G, the group has capital commitments amounting to 1,521,123 Saudi riyals (31 December 2022G : 5,884,187 Saudi riyals) for contracts for the establishment of new sports clubs included in the capital work in progress.

26. FAIR VALUE

Fair value is the amount 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 assumption that the transaction to sell the asset or transfer the liability will occur in one of the following cases:

- In the main market for the asset or liability, or
- In the most favorable market for the assets or liabilities in the absence of the main market.

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

The fair value of an asset or a liability is measured using the assumptions that dealers would use to price the asset or liability, on the assumption that the dealers seek the best economic interest.

A fair value measurement 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 Group uses valuation methods that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

26. FAIR VALUE (CONTINUED)

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

Level 1: Quoted market prices (without adjustment) in active markets for similar assets and liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3: Valuation techniques that use the minimum inputs needed to measure fair value (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, using the Level 1 and Level 2 indicators, the Group determines whether a transfer has occurred between levels in the hierarchy by re-assessing classification (based on the lowest level input that is significant to the fair value measurement). Generally, at the end date of each reporting period.

For the purpose of fair value disclosures, the Group 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 described above.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks through its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign exchange risk
- Interest rate risk
- Capital Management Risk

Risk management is carried out by senior management in accordance with policies approved by the Board of Directors. Senior management identifies and assesses financial risks, when appropriate, in close cooperation with the Group's operating units.

a. CREDIT RISK

Credit risk is the risk that the Group will incur a financial loss in the event that a customer or counterparty fails to meet its contractual obligations, and arises primarily from the Group's dues from customers. The fair value of the financial assets represents the maximum exposure to credit risk.

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

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before introducing the Group's standard payment terms and conditions. The group's review includes external ratings, if available, and in some cases, bank references.

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

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

b. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by paying cash or through other financial assets. The Group's approach is to

manage liquidity risk by ensuring, as far as possible, that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and abnormal conditions, without incurring unacceptable losses or being exposed to risks to the group's reputation.

The following is an analysis of the undiscounted contractual maturities of the Group's financial liabilities:

As at 31 December 2023G	Less than a year	From 1 to 5 years	More than 5 years	Total contractual flows	Book value
Loans	**41,948,849**	**60,677,133**	**-**	**102,625,982**	**102,625,982**
Lease liability	**36,029,454**	**179,216,066**	**393,790,262**	**609,035,782**	**369,449,916**
Accounts payable	**29,118,347**	**-**	**-**	**29,118,347**	**29,118,347**
Accrued expenses and other payable	**13,531,095**	**-**	**-**	**13,531,095**	**13,531,095**
	120,627,745	**239,893,199**	**393,790,262**	**754,311,206**	**514,725,340**

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

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

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

c. MARKET RISK

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates, interest rates and equity prices on the Group's revenue or the value of its financial instruments. Market risk management aims to manage and control risk exposures within acceptable limits while achieving optimum return.

Market risk consists of three types of risk: currency risk, interest rate risk and other price risk.

d. FORIEGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates in the normal course of business as the Group's significant transactions during the period are stated in Saudi Riyals and US Dollars. Since the Saudi riyal exchange rate is pegged to the US dollar, there are no significant risks associated with transactions and balances listed in US dollars.

e. INTEREST RATE RISK

Interest rate risk is the fluctuation in the fair value of future cash flows of financial instruments due to changes in market interest rates.

The Group's interest rate risk arises from its long term borrowings. The approved floating rate loans expose the Group to cash flow interest rate risk.

	Increase / decrease in basis points related to currency rates	Impact on profit for the period
31 December 2023G	**100+**	**1,026,260**
	100-	**(1,026,260)**
31 December 2022G	100+	1,255,253
	100-	(1,255,253)

f. CAPITAL MANAGEMENT RISK

The primary objective of the company's capital management is to ensure that it maintains strong capital ratios, support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. There have been no changes in the company's objectives, policies and procedures during the period ending on December 31, 2023G and the year ending on December 31, 2022G. The capital includes capital and statutory reserve and retained earnings measured at SAR 143,410,464 as on December 31, 2023G (December 31, 2022G SAR 125,905,428).

The Group's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business. The Group monitors its capital base using a ratio of net debt to equity. Net debt is calculated as borrowings less cash and cash equivalents.

(All amounts are presented in Saudi Riyals unless otherwise stated)

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

The following is the net debt to equity ratio of the Group at the end of the year:

	31 December 2023G	31 December 2022G	31 December 2021G
Loans	**102,625,982**	125,525,318	146,290,257
Subtract: Cash in hand	**(8,641,035)**	(17,297,313)	(16,511,632)
	93,984,947	108,228,005	129,778,625
Total Equity	**143,410,464**	125,905,428	108,428,140
Net debt to equity ratio	**66%**	86%	120%

28. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	2023G	2022G	2021G
Gulf Money Company	-	-	74,613
	-	-	74,613

Senior management compensation

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

29. SEGMENT REPORTING

a. GEOGRAPHICAL SEGMENTS

For management purposes, the company consists of business units based on geographical distribution, and it has five operating segments on which reports are submitted as follows:

- Central Region
- Eastern Province
- The Northern Area
- Southern Area
- Western Region

(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

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

For the year ending December 31, 2023G:

	Headquarter	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenue	-	172,785,816	35,871,279	15,634,487	9,772,461	36,556,672	270,620,715
Cost of revenue	-	(115,647,279)	(32,488,951)	(11,656,652)	(7,621,172)	(30,821,650)	(198,235,704)
Gross profit	-	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	72,385,011
Marketing expenses	(7,797,602)	-	-	-	-	-	(7,797,602)
General and administrative expenses	(14,540,824)	-	-	-	-	-	(14,540,824)
Operating profit	(22,338,426)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	50,046,585
Other income – net	2,832,523	-	-	-	-	-	2,832,523
Finance cost	(26,982,462)	-	-	-	-	-	(26,982,462)
Profit before zakat	(46,488,365)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,896,646
Zakat	(808,231)	-	-	-	-	-	(808,231)
Profit after zakat	(47,296,596)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	25,088,415
Re-measurement loss of employees' benefits	(1,583,379)	-	-	-	-	-	(1,583,379)
Total comprehensive income for the year	(48,879,975)	57,138,537	3,382,328	3,977,835	2,151,289	5,735,022	23,505,036

(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

For the year ending December 31, 2022G:

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

For the year ending December 31, 2021G:

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

(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

b. MARKET SEGMENTS

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

	Headquarters			Men's Fitness Centers			Women's Fitness Centers			Total		
	2023G	2022G	2021G	2023G	2022G	2021G	2023G	2022G	2021G	2023G	2022G	2021G
Revenue	-	-	-	**198,827,804**	198,427,372	173,008,241	**71,792,911**	69,615,872	31,350,022	**270,620,715**	268,043,244	204,358,263
Cost of revenue	-	-	-	**(140,753,281)**	(144,016,987)	(138,025,351)	**(57,482,423)**	(54,752,192)	(29,816,156)	**(198,235,704)**	(198,769,179)	(167,841,507)
Gross profit / (loss)	-	-	-	**58,074,523**	54,410,385	34,982,890	**14,310,488**	14,863,680	1,533,866	**72,385,011**	69,274,065	36,516,756
Marketing expenses	**(7,797,602)**	(9,183,179)	(5,163,601)	-	-	-	-	-	-	**(7,797,602)**	(9,183,179)	(5,163,601)
General and administrative expenses	**(14,540,824)**	(15,098,455)	(10,422,149)	-	-	-	-	-	-	**(14,540,824)**	(15,098,455)	(10,422,149)
Operating profit	**(22,338,426)**	(24,281,634)	(15,585,750)	**58,074,523**	54,410,385	34,982,890	**14,310,488**	14,863,680	1,533,866	**50,046,585**	44,992,431	20,931,006
Other income – net	**2,832,523**	3,498,354	4,391,297	-	-	-	-	-	-	**2,832,523**	3,498,354	4,391,297
Finance cost	**(26,982,462)**	(25,113,228)	(16,903,497)	-	-	-	-	-	-	**(26,982,462)**	(25,113,228)	(16,903,497)
Profit before zakat	**(46,488,365)**	(45,896,508)	(28,097,950)	**58,074,523**	54,410,385	34,982,890	**14,310,488**	14,863,680	1,533,866	**25,896,646**	23,377,557	8,418,806
Zakat	**(808,231)**	(694,731)	(452,500)	-	-	-	-	-	-	**(808,231)**	(694,731)	(452,500)
Profit after zakat	**(47,296,596)**	(46,591,239)	(28,550,450)	**58,074,523**	54,410,385	34,982,890	**14,310,488**	14,863,680	1,533,866	**25,088,415**	22,682,826	7,966,306
Re-measurement loss of employees' benefits	**(1,583,379)**	794,462	1,915,135	-	-	-	-	-	-	**(1,583,379)**	794,462	1,915,135
Total comprehensive income for the year	**(48,879,975)**	(45,796,777)	(26,635,315)	**58,074,523**	54,410,385	34,982,890	**14,310,488**	14,863,680	1,533,866	**23,505,036**	23,477,288	9,881,441

Sport Clubs Company
(Closed Joint Stock Company)
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FOR THE YEAR ENDED 31 DECEMBER 2023G
(All amounts are presented in Saudi Riyals unless otherwise stated)

29. SEGMENT REPORTING (CONTINUED)

c. STATEMENT OF FINANCIAL POSITION

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

30. SEASONALITY OF THE COMPANY'S BUSINESS

In general, there is an improvement in the company's business during the fourth quarter of the year better than other periods of the year due to many factors, including the favorable weather conditions and the company's offers with discounts that attract customers on the Saudi National Day (i.e. September 23). It is recorded in the fourth quarter of the year, enhances the company's revenue and profitability and improves the company's financial performance during the fourth quarter of the year.

31. DIVIDENDS

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

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

32. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing income for the year attributable to the group's ordinary shareholders by the number of ordinary shares outstanding during the year.

	31 December 2023G	31 December 2022G	31 December 2021G
Income for the year	**25,088,415**	22,682,826	7,966,306
No. of shares			
Weighted average number of shares (Note 12)	**10,400,000**	10,400,000	10,400,000
Basic and diluted earnings per share (Saudi Riyals)*	**2.41**	2.18	0.77

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

33. RESTATEMENT

The Group has made some adjustments to the comparative information for the year ended December 31, 2022G and the year ended December 31, 2021G. The Group, in the ordinary course of its business, acquires land under lease contracts and constructs buildings on it to operate clubs. Since the adoption of IFRS 16, the Group has capitalized the depreciation of right-of-use assets relating to land and buildings during the construction period. This treatment was consistent with generally accepted practices. In November 2023G, the Saudi Organization for Chartered and Professional Accountants (SOCPA) published a clarification regarding the capitalization of depreciation on right-of-use assets, in relation to leased land, to the cost of construction during the construction period as a result of the inquiry it received. SOCPA's response was that depreciation related to right-of-use assets is not capitalized on lands that were leased primarily for the purpose of establishing a building on it, as the amount of depreciation of the right-of-use assets during the construction phase of the building is not one of the costs that can be directly attributed to bringing the building to the necessary location and condition necessary for it to be operable in the manner as intended by the management, considering that the land and the building are considered two separate assets.

Therefore, the capitalization of the depreciation of the right-of-use asset pertaining to land included in the cost of the building constructed on it, cannot be considered a use of "future economic benefits" inherent in one asset in the production of other assets.

Sport Clubs Company
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33. RESTATEMENT (CONTINUTED)

On the other hand, the Authority clarified that, what can be capitalized are the financing costs associated with the assets of the right to use lands that were leased primarily for the purpose of erecting buildings on them during the time period necessary to erect the building and complete and prepare the asset for its specified use. As a result, the Group applied the clarifications of the SOCPA retrospectively by restating previous years. Hence, the cost of revenue was underestimated during those years. Based on the apparent clarification, the group has accounted for the impact of this clarification in these consolidated financial statements in accordance with International Accounting Standard (8) Accounting Policies, Changes in Accounting Estimates and Errors.

The impact resulting from the above-mentioned amendment on each item of the affected consolidated financial statements for previous periods is reflected in the table below:

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

34. SUBSEQUENT EVENTS

During the subsequent period, the Company's management evaluated the effects of the new company law issued by Royal Decree No. M/132 on 12/1/1443 H (corresponding to 30 June 2022G) to update the Company's bylaws, if necessary, to harmonize it with the Companies Law after completing the necessary procedures to present it to the General Assembly. For shareholders' approval, a vote was taken to amend the provisions of the Company's bylaws in accordance with the extraordinary general assembly meeting held on 11/7/1445 AH (May 15, 2024G).

In the opinion of management, there are no other significant subsequent events after the year ending December 31, 2023G that could have a material impact on the group's consolidated financial position or the results of its operations other than what was disclosed.

35. COMPARATIVE FIGURES

Certain comparative numbers have been reclassified to conform with the current presentation of the consolidated financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

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

SPORT CLUBS COMPANY

(CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022G

AND INDEPENDENT AUDITOR'S REPORT

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Sport Clubs Company
(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Sport Clubs Company** A Saudi Closed Joint Stock Company **(the "Company")** and its subsidiary (together **"the Group"**), which comprise the consolidated financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended. and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated Financial Statements" section of our report. We are independent of the Group in accordance with professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our 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 Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Bylaws, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Group or to cease operations, or has no realistic alternative but not to do so.

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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Independent Auditors' Report for the audit of Sport Clubs Company's consolidated financial statements for the year ended 31 December 2022 (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the company's consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the facilities or commercial activities within the group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and carrying out the group audit process. We remain solely responsible for the audit opinion.

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, 3 Dhul Qa'adah 1444 (H)
Corresponding to: 23 May 2023 (G)

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022G
(SAUDI RIYALS)

	Notes	31 December 2022G	31 December 2021G
Assets			
Non-current assets			
Property, Plant and Equipment	(5)	**382,306,270**	379,515,958
Right of use Assets	(6-1)	**246,041,463**	255,559,009
Investment Property	(7)	**-**	2,220,706
Intangible assets	(8)	**3,446,077**	3,762,526
Total non-current assets		**631,793,810**	641,058,199
Current assets			
Inventory	(9)	**6,193,824**	5,022,048
Trade Receivables	(10)	**3,815,482**	320,908
Advance payments and other Receivables	(11)	**15,407,684**	11,060,219
Cash and cash equivalents	(12)	**17,297,313**	16,511,632
Total current assets		**42,714,303**	32,914,807
Total assets		**674,508,113**	673,973,006
Equity and liabilities			
Equity			
Share capital	(13)	**104,000,000**	104,000,000
Statutory reserve		**13,553,709**	11,127,558
Retained earnings		**16,918,681**	288,864
Total equity		**134,472,390**	115,416,422
Liabilities			
Non-current liabilities			
Lease liability non-current portion	(6-2)	**285,519,448**	294,447,973
Long term loans non-current portion	(14)	**81,357,788**	109,009,911
Employees' benefits	(15)	**17,511,000**	17,726,000
Contracts liability non-current portion	(16)	**1,430,292**	5,045,930
Total non-current liabilities		**385,818,528**	426,229,814
Current liabilities			
Lease liability current Portion	(6-2)	**15,739,192**	14,992,291
Long term loans current portion	(14)	**44,167,530**	37,280,346
Account Payables		**3,565,532**	4,746,105
Accrued expenses and other Payables	(17)	**22,127,654**	14,130,219
Zakat provision	(18)	**693,135**	532,814
Contracts liability current portion	(16)	**67,924,152**	60,644,995
Total current liabilities		**154,217,195**	132,326,770
Total liabilities		**540,035,723**	558,556,584
Total equity and liabilities		**674,508,113**	673,973,006

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

Chairman	Chief Executive Officer	Finance Director
Ammar Al khudairy	Wael El Merhabi	Abdullah Altahan

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022G
(SAUDI RIYALS)

	Notes	2022G	2021G
Revenue	(19)	268,043,244	204,358,263
Cost of revenue	(20)	**(197,190,499)**	**(164,691,656)**
Gross profit		70,852,745	39,666,607
Marketing expenses	(21)	(9,183,179)	(5,163,601)
General and administrative expenses	(22)	(15,098,455)	(10,422,149)
Operating Profit		**46,571,111**	**24,080,857**
Other income – net	(23)	3,498,354	4,391,297
Finance costs	(24)	(25,113,228)	(16,903,497)
Profit before Zakat		**24,956,237**	**11,568,657**
Zakat expenses	(18)	(694,731)	(452,500)
Profit for the year		**24,261,506**	**11,116,157**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement loss of employees' benefits		794,462	1,915,135
Other comprehensive income for the year		**794,462**	**1,915,135**
Total comprehensive income for the year		**25,055,968**	**13,031,292**
Basic and diluted earnings per share (SR)	**33**	**2.33**	**1.07**

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

Chairman	Chief Executive Officer	Finance Director
Ammar Al khudairy	Wael El Merhabi	Abdullah Altahan

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022G
(SAUDI RIYALS)

	Share capital	Statutory reserve	Retained earnings	Total
For the year ended 31 December 2022G				
Balance s at 1 January 2022G	**104,000,000**	**11,127,558**	**288,864**	**115,416,422**
Profit for the year	**-**	**-**	**24,261,506**	**24,261,506**
Other comprehensive income	**-**	**-**	**794,462**	**794,462**
Total comprehensive income for the year	**-**	**-**	**25,055,968**	**25,055,968**
Transferred to statutory reserve	**-**	**2,426,151**	**(2,426,151)**	**-**
Dividends paid	**-**	**-**	**(6,000,000)**	**(6,000,000)**
Balance as at 31 December 2022G	**104,000,000**	**13,553,709**	**16,918,681**	**134,472,390**
For the year ended 31 December 2021G				
Balance as at 1 January 2021G	104,000,000	11,127,558	(12,742,428)	102,385,130
Profit for the year	-	-	11,116,157	11,116,157
Other comprehensive income	-	-	1,915,135	1,915,135
Total comprehensive income for the year	-	-	13,031,292	13,031,292
Balance as at 31 December 2021G	104,000,000	11,127,558	288,864	115,416,422

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

Chairman	Chief Executive Officer	Finance Director
Ammar Al khudairy	Wael El Merhabi	Abdullah Altahan

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022G
(SAUDI RIYALS)

	2022G	2021G
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before zakat	24,956,237	11,568,657
Adjustments:		
Depreciation of Property Plant and Equipment and Right of use assets	57,145,876	50,378,227
Profits from disposal of property and equipment	2,859	(281,589)
Amortization of intangible	189,896	341,877
Provision for employees' benefits	2,975,604	2,862,000
Finance costs	25,113,228	16,903,497
Discounts on rent expenses	(995,922)	(2,324,524)
	109,387,778	**79,448,145**
Changes in working capital:		
Trade Receivables	(3,494,574)	(178,923)
Inventory	(1,171,776)	1,004,947
Advance payments and other current assets	(4,347,465)	381,874
Account Payables	(1,180,573)	(12,103,920)
Accrued expenses and other Payables	7,997,435	1,123,995
Contracts liability, net	3,663,519	3,954,352
Zakat paid	(534,410)	(108,533)
Employees' benefits paid	(2,253,538)	(1,433,865)
Cash generated from operating activities	**108,066,396**	**72,088,072**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(37,723,893)	(69,862,075)
Purchase of intangible assets	(353,358)	(913,121)
Proceeds from sale of property and equipment	1,225,471	442,374
Net cash used in investing activities	**(36,851,780)**	**(70,332,822)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans	(32,327,733)	(7,462,540)
Proceeds from loans	11,562,794	48,437,825
Payment of lease liability – Net	(35,732,142)	(32,076,615)
Payment of Finance costs	(7,931,854)	(3,637,063)
Dividends paid	(6,000,000)	-
Net cash (used in) / generated from financing activities	**(70,428,935)**	**5,261,607**
Net change in cash and cash equivalents	785,681	7,016,857
Cash and cash equivalents at the beginning of the year	16,511,632	9,494,775
Cash and cash equivalents at the end of the year	**17,297,313**	**16,511,632**
Non Cash Transactions		
Purchase of property, plant & equipment	**838,203**	**11,725,228**

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

Chairman	Chief Executive Officer	Finance Director
Ammar Al khudairy	Wael El Merhabi	Abdullah Altahan

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022G
(All amounts are presented in Saudi riyals unless otherwise stated)

1. ORGANISATION AND ACTIVITIES

Sports Clubs Company was established as a limited liability company in accordance with the Companies Law in the Kingdom of Saudi Arabia, and operates under Commercial Registration No. 1010167892 dated on 26 Rabi-Al-Thani 1422 H (18 July 2001 G) in Riyadh city.

The main activities of the company are the wholesale and retail trade in sports equipment, tools and clothing, the purchase of lands for the construction of buildings on them and their investment by sale or rent for the benefit of the company, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

In the partners' meeting held on Rabi' Al-Awwal 1, 1444 H, corresponding to (September 26, 2022G), the partners unanimously agreed to convert the legal entity of the company from a limited liability company to a closed Saudi joint stock company while retaining the number, name and date of the commercial registration of the company and its branches, and on 2 Rabi' Al-Awwal 1444 G corresponding to (27 September 2022G), The statutory procedures to amend the company's articles of incorporation and articles of association have been completed.

The head office of the group is located at the following address:

P.O Box 270079-Riyadh 11352

Kingdom of Saudi Arabia

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

	City / Region	Commercial Registration No	Date of the commercial register
1	**Riyadh**	1010167892	26/4/1422 H
2	**Al-Qassim**	1131028467	27/3/1430 H
3	**Dammam**	2050069185	15/3/1431 H
4	**Khamis Mushait**	5855346579	26/4/1422 H
5	**Hail**	3350147174	18/5/1441 H
6	**Al-Ihsa**	2250064353	18/3/1437 H
7	**Jeddah**	7003774358	5/9/1438 H
8	**Najran**	5950032854	15/3/1438 H
9	**Hafar Al-Batin**	2511108063	4/6/1439 H
10	**Tabuk**	3550122370	4/6/1439 H
11	**Al Badi'ah " females"**	1010460120	1/9/1440 H
12	**Madinah**	4650209419	2/8/1440 H
13	**Mecca**	4031235157	18/5/1441 H

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements include the financial statements of the Company and its subsidiary (together referred to as the "Group").

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and professional Accountants ("SOCPA") (here and after referred to as "IFRSs").

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the consolidated financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the group's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of the company and its subsidiaries as at the reporting date. Control is achieved when the company:

- Power over the investee.
- Exposure to risks and have the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; And
- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.
- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.
- A change in the subsidiary's ownership interest, without loss of control, is recorded in the consolidated statement of changes in equity.
- Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is distributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment held is carried at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.
- All assets, liabilities, equity, revenues, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Sports Amaken Company, which is referred to later with the company as the group, has been consolidated from the date of the parent company's control of the subsidiary and until such control ceases. The consolidated financial statements were prepared on the basis of the financial statements of the parent company and its subsidiary, the Third Sports Places Company. The company owns 100% (2021G: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3.2 Property, Plant and equipment

Property, plant and equipment, excluding land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment losses, if any.

Historical cost includes expenditures directly attributable to the acquisition of an asset, and subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, and only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and method of depreciation are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assets	Years
buildings	30 (or the lease period, whichever is less, for buildings over rented lands))
Buildings on leased land	The rental period or the estimated useful life, whichever is shorter
Improvements to rented buildings	The rental period or the estimated useful life, whichever is shorter
Machines and equipment	7-10
Furniture	10
Electrical hardware and software	6.66
Vehicles	5

Land and capital work in progress are not depreciated.

Stored materials and spare parts with a useful life more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on disposal of an item of property, plant and equipment, which is determined as the difference between the net sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

Capital work in progress

Capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress begins when the assets are ready for their intended use, at that time they will be transferred to property, equipment or investment property. Finance costs incurred on borrowings to finance the construction of a qualifying asset are capitalized over the time period required to complete and prepare the asset for its intended use.

3.3 Lease Contracts

The Group assesses whether a contract is a lease, or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which the lessee is, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight line basis over the lease term unless there is another systematic basis for the time plan in which the economic benefits from the leased asset are exhausted.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses an incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including fixed payments), less any lease incentives.
- Variable lease payments that are dependent on an index or a price, initially measured using the index or price at the commencement date,
- The amount expected to be paid by the lessee under residual value guarantees,
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- Payment of fines for terminating the lease, if the lease reflects the exercise of the option to terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Group re-measures the lease liability (and adjusts against the related right-of-use assets) if:

- The terms of the lease have changed or there has been a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments have changed due to changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate (unless the lease payments change due to a change in the prevailing interest rate In this case, a modified discount rate is used.
- The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is amortized over the lease term and the specified useful life, whichever is shorter. If the lease transfers ownership of an identified asset or the cost of the right to use the asset, it reflects that the Group expects to exercise the purchase option, the related right to use asset is amortized over the asset's useful life. Depreciation begins on the start date of the lease.

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies International Accounting Standard No. (36) "Impairment of Assets" to determine whether there has been any impairment in the value of right-of-use assets.

3.4 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis based on the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, and any changes in estimates are accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or at the reporting date when there is an indication of impairment, either individually or at the cash-generating unit level. The calendar of indefinite lives is reviewed annually to determine whether indefinite lives are still possible. If not, the useful life is changed from indefinite to finite on a prospective basis.

The Group applies the following useful years of amortization to its intangible assets:

Computer Software 5Years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and consistent bases of distribution can be determined, the common assets are also allocated to cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of distribution can be determined. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment by comparing the unit's carrying value, including goodwill, with the unit's recoverable amount. Intangible assets with an indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, and whenever there is an indication that the asset is impaired.

The recoverable amount is the asset's fair value less cost to sell or value in use, whichever is higher. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized directly in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to its revalued recoverable amount, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) had no impairment loss been calculated for it in previous years. The reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss recognized in prior periods for goodwill is not reversed in a subsequent period.

3.6 Investment Property

Investment property is property held to obtain rentals and/or capital appreciation.

Investment properties are initially recognized at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and subsequently incurred to add, replace, or service a property. If a replacement part is recognized in the carrying amount of the investment property, the carrying amount of the replaced part is derecognized. Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the book value of the investment property) is recognized in profit or loss as other income or other expense.

cost model:

After initial recognition, investment properties are accounted for using the "cost model" in accordance with International Accounting Standard No. (40) and are stated at cost less accumulated depreciation and impairment losses, if any.

The cost less the estimated residual value is depreciated on a straight line basis over the estimated useful lives of the assets or the lease term if the investment is on leasehold land - whichever is less.

Rental income and operating expenses from investment properties are recorded under "Other income (expenses)".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventory

Inventory is stated at cost or net realizable value, whichever is lower. Net realizable value is the estimated selling price less all estimated costs of completion and any further costs involved in making the sale. The cost of raw materials and spare parts is determined on a weighted average basis. Spare parts are items that may result in fixed capital expenditures but are not discernible. They are stated at cost and determined on a weighted average basis.

3.8 Trade Receivables

Accounts receivable are recorded at the original invoice amount less impairment losses at an amount equal to the estimated lifetime credit loss. When the receivable is uncollectible, it is written off against the impairment loss. Any subsequent recoveries of amounts previously written off against "impairment losses on trade receivables" are credited to profit or loss.

3.9 Cash and Cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks which are all available for use by the Group unless otherwise stated, and whose maturities are three months or less, and which are subject to an insignificant risk of change in value.

3.10 Statutory Reserve

In accordance with the Group's Articles of Association and Companies Regulations, the Group must transfer 10% of the annual net profit to the statutory reserve until it becomes 30% of the capital.

3.11 Employees benefits

Defined employee benefit obligations

Employees' benefits are calculated using the expected unit credit method, with actuarial valuations performed at the end of each reporting period. . Remeasurement recognized in other comprehensive income is recognized immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligation, which result from changes and reductions, are recognized directly in profit or loss as service costs from prior periods. Interest is calculated by using the discount rate at the beginning of the period on defined employee benefit obligations. Defined benefit costs are categorized as follows:

- service cost (including current service costs and past service costs, plus gains and losses from cutbacks and adjustments);
- cost of interest; And
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the related items.

Short-term employee benefits

The obligation is recognized for benefits related to wages, salaries, annual leave, travel tickets and sick leaves and is expected to be settled in full during the twelve-month period following the end of the period in which the service is provided. The obligation is recorded at the undiscounted amount of benefits expected to be paid in exchange for those services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When provisions are deducted, the increase in the provision due to the passage of time is recognized as a finance cost.

3.13 Zakat

The group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, and the entitlement to zakat is recognized and charged to the consolidated statement of profit or loss and other comprehensive income. Additional zakat liabilities, if any, relating to assessments on prior years are calculated by the Authority for Zakat, Tax and Customs in the year in which the final assessments are issued.

3.14 Financial Instruments

The Group recognizes financial assets or financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

Financial Assets

Initial recognition

Financial assets are classified, on initial recognition, and subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing it.

For a financial asset to be classified and measured at amortized cost or FVOCI, that asset must generate cash flows that are "payments from the asset and proceeds only" on the original amount receivable. This evaluation is referred to as the (Payments from Principal and Returns Only) test (SPPI) and is performed at the financial instrument level. Financial assets with cash flows that are not 'Payments from Principal and Returns Only' are classified as FVTPL, regardless of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, from the sale of financial assets, or from both. Financial assets classified and measured at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model whose objective is to collect contractual cash flows and sell.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

A) Debt instruments at amortized cost.

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

B) Equity instruments at fair value through other comprehensive income with no possibility of rolling back to profit or loss.

Gains and losses on valuation of these financial assets are not recycled to profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to receive is established, except when the group benefits from these returns as a recovery of part of the cost of the financial asset, in which case, these revenues are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment testing.

C) equity instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated profit or loss.

Decline in the value of financial assets

The Group applies the simplified approach in calculating impairment. Expected credit losses on financial assets are estimated using the Group's historical credit loss experience, adjusted for general economic conditions and an assessment of both the current trend as well as expectations of conditions at the reporting date, including the time value of money where it is. That is appropriate.

The expected credit loss measurement is an indication of the probability of default, or a given loss (meaning the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical data that is modified by information that predicts the future as described above.

The Group recognizes impairment gains or losses separately in the consolidated statement of profit or loss and other comprehensive income, and provisions for losses measured at amortized cost are deducted from the total carrying amount of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group will continue to recognize its retained interest in the assets and liabilities associated with the financial asset for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or at fair value through profit or loss.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective yield method. The Group has no financial liabilities at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at amortized cost

Bank loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. These interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the repayment period is at a constant rate on the liability balance recognized in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, canceled or expire.

3.15 Revenue recognition

The Group recognizes revenue from contracts using a five-steps method as mentioned in IFRS 15:

Step 1: Determine the contract(s) with the customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and clarifies the foundations and criteria that must be fulfilled for each contract.

Step 2: Determine the performance obligations in the contract. A performance obligation is an undertaking under the contract with the customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations stipulated in the contract. For contracts that have more than one performance obligation, the Group will allocate a transaction price to each performance obligation in the amount to which the Group expects to be entitled in exchange for meeting each performance obligation.

Step 5: Recognize revenue when the entity fulfills the performance obligation.

The Group satisfies the performance obligation and recognizes revenue over time, if one of the following criteria is met:

D. The performance of the group does not create an asset with an alternative use of the group, and the group has an enforceable right to payment for performance completed to date.

E. Group performance creates or improves a customer-controlled asset at the same time as the asset is being constructed or improved.

F. The customer simultaneously receives and consumes the benefits provided by the entity’s performance once the Group has performed.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the Group fulfills the performance obligation by providing the promised services, this creates a contract-based asset in exchange for consideration gained from performance. In the event that the consideration received by the customer exceeds the amount of revenue that has been recognized, a contract obligation may arise.

Revenue is measured at the fair value of the consideration received or receivable, after taking into account the contractual terms of payment, and after excluding taxes and fees.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and that revenue and costs, where applicable, can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription and membership revenue

Subscription and membership fees are recognized as revenue on a regular basis over the subscription period. Revenue fees received in advance are initially recognized as contract obligations and amortized over the subscription period.

Personal training revenue

Personal training fees are recognized as revenue when the related services are provided and performance obligations are fulfilled. Fees received in advance are initially recognized as contract obligations and are subsequently recognized when personal training sessions are conducted or the training period ends, whichever comes first.

3.16 Cost of Revenues

The cost of sales includes all direct costs of the activity, including direct labor, direct materials, and expenses related to the activity.

3.17 Expenses

Marketing expenses principally consist of costs incurred in the distribution and sale of the Group's services. All other expenses are classified as general and administrative expenses.

3.18 Finance Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that are assets that require a significant period of time to be ready for their expected use or sale are added to the cost of those assets until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific loans until they are spent on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.19 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the group, and they are recorded in the financial statements in the period that is approved by the shareholders of the group.

Dividends are recorded in the period that is approved by the Partners.

3.20 Earnings per share

The group presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.21.1 Standards issued but not yet effective:

The group has applied the following new standards and amendments for the first time, for their annual reporting period commencing 1 January 2022G:

Amendments to IAS 16, IAS37:

- IAS 16 "Property, plant and equipment" prohibit a group from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the group prepares an asset for its intended use. Instead, the group will recognize these sales proceeds and related costs in the profit statement or loss.
- IAS 37 "Provisions, Liabilities and Contingent Assets" specifies which costs a group includes when assessing whether a contract will be loss-making.

The company evaluated the impact of applying the above criteria and concluded that there is no impact.

3.21.2 Standards issued but not yet effective:

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023G and earlier application is permitted, however the group has not early adopted them in preparing these financial statements.

- Amendments to IAS 1 "Presentation of Financial Statements", on the classification of liabilities.

  These amendments to IAS 1 "Presentation of Financial Statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period, classification is unaffected by the entity's expectations or events after the reporting date.

- Amendments to IAS 1, Practice Statement 2 and IAS 8.

  The amendments aim to improve accounting policy disclosures and help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendments to IAS 12 "Deferred Tax" related to assets and liabilities arising from a single transaction

  These amendments require companies to record deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to use judgments, estimates and assumptions that may affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on current information and events available to management, final actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of the revision of accounting estimates is reflected in the review period and the future periods affected.

The following is information about significant areas of estimation, uncertainties and critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements:

4.1 Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are estimated according to the new information available to the Group's management. The management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after considering the expected use of the assets and physical damage to these assets. The management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

4.2 Determining the lease term with extension and termination options - Group as lessee

The Group determines the lease term as non-cancellable for any periods covered by an option to extend the contract if the Group is reasonably certain that it will be able to exercise that option, or for any periods covered by an option to terminate the contract if the Group is reasonably certain that it will not be able to exercise it. Option. The Group exercises judgment in assessing the reasonableness of ensuring that the option to extend or terminate the contract is exercised. For this purpose, the Group considers all relevant factors that constitute an economic incentive to exercise the option to extend or terminate. After the commencement date of the lease, the Group reassesses the term of the lease if there is a significant event or change in circumstances within its control that affects the Group's ability to exercise or not to exercise the option to renew or terminate the lease.

4.3 Estimate the additional borrowing rate

The group cannot easily determine the interest rate implicit in the lease contracts, and therefore it uses the incremental borrowing rate to measure the lease commitments, the incremental borrowing rate represents the interest rate that the group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, Over a similar period and with a similar guarantee, the incremental borrowing rate therefore reflects what the group has to pay, which requires an estimate when observable rates are not available (such as for subsidiaries that do not conduct financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease, The group estimates the incremental borrowing rate using observable inputs (e.g. market commission rates) when available, and is required to make some judgment of the entity (e.g. independent credit assessment).

4. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

4.4 intangible assets

Management reviews the period and method of amortization of tangible assets with a finite useful life at least at the end of each financial year. If the expected useful lives of the assets are different from the previous estimates, the group changes the amortization period accordingly. If there is a change in the expected pattern of consumption of future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

4.5 Impairment of non-financial assets

Impairment occurs when the amount of an asset or cash-generating unit exceeds its recoverable amount as fair value less costs of disposal or its value in use - whichever is higher. The fair value minus costs of disposal is based on available data from binding arm's length sales of similar assets or observable market prices minus incremental costs of disposal of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that could enhance the asset performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash inflows and the growth rate used for the purposes of extrapolating the future.

4.6 Measuring the fair value of financial instruments

If the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. Inputs to these models are obtained from observable markets when possible, but where this is not feasible, a degree of judgment must be used to determine fair values. Judgments include considerations for inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the disclosed fair value of financial instruments.

4. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

4.7 Employees' benefits

The cost of employee defined benefit obligations and other post-employment benefits is determined based on a measurement at the present value of future obligations using the expected unit addition method. The actuarial valuation involves making several assumptions which may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, and mortality rates. Due to the complex and long-term nature of the valuation and underlying assumptions, the defined benefit obligation is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is the most variable indicator. In determining the appropriate discount rate, management takes into account the commission rates on corporate bonds registered in currencies consistent with the currencies in which the defined post-employment benefits obligations for employees are recorded, and they are estimated when needed with the rate of return in line with the expected duration of the defined benefits commitment. The quality of the relevant bonds is also reviewed. Those bonds that have high credit spreads are excluded from the bond analysis on which the discount rate was determined, as they do not represent high quality bonds.

The mortality rate is determined based on publicly available mortality tables in the respective countries. These mortality tables are subject to change only from

Time to time according to demographic changes. Future salary increases are determined based on expected future inflation rates for the respective countries and future salary increases.

4.8 The principle of continuity

The group's management has made an assessment of the group's ability to continue its business according to the principle of continuity, and the group is convinced that it has the resources to continue its business in the foreseeable future, and the group's management does not have any fundamental doubts that may affect the group's ability to continue its business. Therefore, these financial statements have been prepared according to the going concern principle.

(All amounts are presented in Saudi riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

For the year ending on 31 December 2022G	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hardware	Vehicles	Capital work in progress	Total
Cost:										
Balance At 31 December 2021G	15,211,756	17,001,534	348,998,793	55,389,989	92,019,456	33,968,060	8,333,562	3,567,834	47,730,783	**622,221,767**
Transferred to Inventory	-	-	-	-	-	-	-	-	(703,887)	**(703,887)**
Balance At 1 January 2022G	**15,211,756**	**17,001,534**	**348,998,793**	**55,389,989**	**92,019,456**	**33,968,060**	**8,333,562**	**3,567,834**	**47,026,896**	**621,517,880**
Additions during the year	-	-	-	-	8,215,204	2,937,258	1,552,873	1,196,700	24,660,061	**38,562,096**
Transferred from PUC	-	-	48,312,742	-	1,377,376	-	-	-	(49,690,118)	**-**
Transferred from Investment property	1,816,044	809,600	-	-	-	-	-	-	-	**2,625,644**
Disposals	-	-	(17,174,521)	(606,804)	(4,702,181)	(2,524,793)	(578,477)	(536,700)	-	**(26,141,476)**
Balance At 31 December 2022G	**17,027,800**	**17,811,134**	**380,137,014**	**54,783,185**	**96,909,855**	**34,362,525**	**9,307,958**	**4,227,834**	**21,996,839**	**636,564,144**
Accumulated depreciation:										
Balance as at 31 December 2021G	-	(7,162,806)	(142,411,349)	(36,103,110)	(37,721,832)	(12,872,769)	(3,886,611)	(1,843,445)	-	**(242,001,922)**
Charges for the year	-	(602,727)	(20,890,985)	(2,888,739)	(7,461,300)	(3,163,584)	(1,020,799)	(715,910)	-	**(36,744,044)**
Transferred from Investment property	-	(453,034)	-	-	-	-	-	-	-	**(453,034)**
Disposals	-	-	17,174,521	606,804	3,985,290	2,126,154	519,490	528,867	-	**29,941,126**
Balance at 31 December 2022G	**-**	**(8,218,567)**	**(146,127,813)**	**(38,385,045)**	**(41,197,842)**	**(13,910,199)**	**(4,387,920)**	**(2,030,488)**	**-**	**(254,257,874)**
Net book value:										
At 31 December 2022G	**17,027,800**	**9,592,567**	**234,009,201**	**16,398,140**	**55,712,013**	**20,452,326**	**4,920,038**	**2,197,346**	**21,996,839**	**382,306,270**
At 31 December 2021G	15,211,756	9,838,728	206,587,444	19,286,879	54,297,624	21,095,291	4,446,951	1,724,389	47,026,896	**379,515,958**

The machinery and equipment includes a fully depreciated assets with a book value of SAR 7,553,179 as on December 31, 2022G (December 31, 2021G: SAR 7,545,612). All lands are mortgaged to Riyad Bank as security for the loan obtained by the group as shown in Note No. (14).

During the year ended December 31, 2022G, the Group capitalized a borrowing cost related to qualifying assets of SAR 4,062,561 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2021G: SAR 7,466,590) using a capitalization rate ranging from 3% to 4.5% annually (note 24).

The capital work in progress as of December 31, 2022G mainly represents the costs incurred in establishing new branches that are still under construction.

(All amounts are presented in Saudi riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ending on 31 December 2021G	Lands	Buildings	Buildings on Leased Lands	Improvements on Leased Building	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work in progress	Total
Cost:										
As at 31 Dec 2020G	15,211,756	17,001,534	279,647,764	49,337,908	81,757,142	29,754,357	5,935,212	2,880,726	60,328,572	**541,854,971**
Additions during the year	-	-	-	-	4,268,293	3,461,969	2,428,630	1,040,608	70,387,803	**81,587,303**
Transferred from projects in progress	-	-	69,351,029	6,052,081	6,807,759	774,723	-	-	(82,985,592)	**-**
Disposals	-	-	-	-	(813,738)	(22,989)	(30,280)	(353,500)	-	**(1,220,507)**
On December 31, 2021G	**15,211,756**	**17,001,534**	**348,998,793**	**55,389,989**	**92,019,456**	**33,968,060**	**8,333,562**	**3,567,834**	**47,730,783**	**622,221,767**
Accumulated depreciation:										
On December 31, 2020G	-	(6,561,607)	(124,106,150)	(33,421,590)	(32,069,932)	(10,124,919)	(3,242,224)	(1,641,293)	-	**(211,167,715)**
Charges for the year	-	(601,199)	(18,305,199)	(2,681,520)	(6,373,468)	(2,767,942)	(654,567)	(511,344)	-	**(31,895,239)**
Disposals	-	-	-	-	721,568	20,09(	10,180	309,192	-	**1,061,032**
On December 31, 2021G	**15,211,756**	**(7,162,806)**	**(142,411,349)**	**(36,103,110)**	**(37,721,832)**	**(12,872,769)**	**(3,886,611)**	**(1,843,445)**	**-**	**(242,001,922)**
Net book value										
On December 31, 2021G	15,211,756	**9,838,728**	206,587,444	**19,286,879**	**54,297,624**	**21,095,291**	**4,446,951**	**1,724,389**	**47,730,783**	**380,219,845**
On December 31, 2020G	15,211,756	10,439,927	155,541,614	15,916,318	49,687,210	19,629,438	2,692,988	1,239,433	60,328,572	**330,687,256**

- The machinery and equipment includes a fully depreciated assets with a book value of SAR 7,545,612 as on December 31, 2021G (2020G: SAR 7,415,370). All lands are mortgaged to Riyad Bank as security for the loan obtained by the group as shown in Note No. (14).
- During the year ended December 31, 2021G, the Group capitalized a borrowing cost related to qualifying assets of SAR 7,466,590 using a capitalization rate ranging from 3% to 4.5% per annum (December 31, 2020G: SAR 11,173,679) using a capitalization rate ranging from 3% to 4.5% per annum (Note 24).
- The capital work in progress as of December 31, 2021G is mainly represented by the costs incurred in establishing new branches that are still under construction

(All amounts are presented in Saudi riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge was distributed over the year as follows:

	31 December 2022G	31 December 2021G
Cost of revenue (note 20)	**35,705,056**	31,421,873
General and administrative expenses (note 22)	**949,431**	452,100
Marketing expenses (note 21)	**89,557**	21,266
	36,744,044	31,895,239

6. LEASE CONRACTS

6.1 Right of Use Assets

The Group leases sports clubs on lease contracts ranging from five to twenty years, with an option to renew the lease contract after that date (Note 3-2).

	31 December 2022G	31 December 2021G
Cost		
Balance on January 1	300,705,380	300,705,380
Additions during the year	8,043,813	-
Remeasurement of lease liability	4,680,833	-
Balance at the end of the year	313,430,026	300,705,380
Accumulated Depreciation:		
Balance on January 1	(45,146,371)	(22,486,917)
Depreciation during year	(20,381,716)	(18,426,471)
Capitalized depreciation on projects in progress	(1,860,476)	(4,232,983)
Balance at the end of the year	(67,388,563)	(45,146,371)
Net book value	246,041,463	255,559,009

The depreciation charge:

Lease depreciation expenses are charged in full to Cost of Revenue (Note 20)

6.2 Lease Labilities

	31 December 2022G	31 December 2021G
Balance at the beginning of the year	309,440,264	323,081,414
Additions during the year	8,043,813	-
Remeasurement of lease liability	2,261,960	-
Financing costs	18,240,667	20,397,039
Paid during the year	(36,728,064)	(34,038,189)
Total lease labilities	301,258,640	309,440,264

(All amounts are presented in Saudi riyals unless otherwise stated)

6. LEASE CONRACTS (CONTINUED)

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

	31 December 2022G	31 December 2021G
Lease liability current Portion	**15,739,192**	14,992,291
Lease liability non-current portion	**285,519,448**	294,447,973
	301,258,640	309,440,264

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

	31 December 2022G	31 December 2021G
Depreciation expense of right-of-use assets	**20,381,716**	18,426,471
Interests of lease liability	**16,092,472**	14,465,869
Rental expenses for short-term contracts	**2,378,266**	5,338,081
	38,852,454	38,230,421

7. INVESTMENT Property

Year ended 31 December 2022G	Lands	Buildings	Total
Cost			
Balance on 31 December 2021G	**1,816,044**	**11,461,015**	**13,277,059**
Disposals	**-**	**(10,651,415)**	**(10,651,415)**
Transferred to PPE	**(1,816,044)**	**(809,600)**	**(2,625,644)**
Balance on 31 December 2022G	**-**	**-**	**-**
Accumulated Depreciation:			
Balance on 31 December 2021G	**-**	**11,056,353**	**11,056,353**
Depreciation of the year	**-**	**20,116**	**20,116**
Disposals	**-**	**(10,623,435)**	**(10,623,435)**
Transferred to PPE	**-**	**(453,034)**	**(453,034)**
Net book value on 31 December 2022G	**-**	**-**	**-**
Net book value on 31 December 2021G	**1,816,044**	**404,662**	**2,220,706**

The group completely disposed SAHAFA branch, the main Headquarter of the group, including investment properties, and transferred the remaining part, "lands and assets that were in buildings" to the item of property, Plant, and equipment.

(All amounts are presented in Saudi riyals unless otherwise stated)

8. INTANGIBLE ASSETS

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

	31 December 2022G	31 December 2021G
Programs (A)	**374,404**	943,369
Goodwill (b)	**937,460**	937,460
Projects under process	**2,134,213**	1,881,697
	3,446,077	3,762,526

a. The movement of programs during the year is as follows:

	31 December 2022G	31 December 2021G
Cost		
Balance on January 1	**2,114,278**	3,164,423
Additions during the year	**100,842**	266,099
Disposals during the year	**(1,021,037)**	(1,316,244)
Balance at the end of the year	**1,194,083**	2,114,278
Accumulated Depreciation:		
Balance on January 1	**1,170,909**	2,145,276
Depreciation of the year	**189,896**	341,877
Disposals of the year	**(541,126)**	(1,316,244)
Balance at the end of the year	**819,679**	1,170,909
Net book value	**374,404**	943,369

b. Goodwill

As a result of the group's acquisition of the martial arts project shares during 2017, This is in addition to automated programs and systems to serve the activity.

Impairment of Goodwill

The Group's management performed the annual impairment test for goodwill on December 31, 2022G and the recoverable amount was determined based on the value in use calculation. The use of this method requires estimating the future cash flows and determining the discount rate in order to calculate the present value of the cash flows over a period of time. As at December 31, 2022G, the Group determined the recoverable amount based on the discounted future cash flows, and the recoverable amount was greater than the carrying amount of the cash-generating unit.

The recoverable amount of the value in use calculation has been determined based on cash flow projections from officially approved budgets covering a period of five years to December 31, 2027G. Other major assumptions are as follows:

(All amounts are presented in Saudi riyals unless otherwise stated)

8. INTANGIBLE ASSETS (CONTINUED)

	31 December 2022G	31 December 2021G
Discount Rate	**13%**	13%
Growth Rate*	**3%**	3%

*Growth rate assumptions apply only to the period beyond the period of the financial statements with value in use calculated based on extrapolating budgeted cash flows for the fifth year.

Operating margins were based on past experiences and future expectations in light of expected economic and market conditions. The discount rates are based on the group's beta adjusted to reflect management's assessment of the specific risks specific to the cash-generating unit. Growth rates after the first five years are based on economic data related to the respective region.

9. INVENTORY

	31 December 2022G	31 December 2021G
Spare parts	2,519,047	2,408,828
Operating and maintenance materials	1,917,092	1,909,333
Traded goods	1,757,685	703,887
	6,193,824	5,022,048

10. TRADE RECEIVABLE

	31 December 2022G	31 December 2021G
Trade Receivable	5,780,654	2,286,080
Less: Expected Credit Loss of trade receivables	(1,965,172)	(1,965,172)
	3,815,482	320,908

11. ADVANCE PAYMENTS AND OTHER RECEIVABLES

	31 December 2022G	31 December 2021G
Prepaid Expenses	8,294,250	7,389,376
Advance payments to suppliers	1,818,336	679,253
Employees' custodies	1,761,616	1,336,371
IPO Costs	1,433,857	-
Insurance of rented buildings	1,399,500	1,690,000
Labor supply insurance	996,100	506,300
Rent debtors	426,188	320,014
Accrued revenue	404,167	310,740
Letters of guarantee	223,670	103,552
Related parties (note 30)	-	74,613
	16,757,784	12,410,219
Less: Provision for advances payments and other receivables	(1,350,000)	(1,350,000)
	15,407,684	11,060,219
Provision movement		
Balance at the beginning of the period/ year	1,350,000	1,350,000
Formed during the year	-	-
Reversed during the year	-	-
	1,350,000	1,350,000

(All amounts are presented in Saudi riyals unless otherwise stated)

12. CASH AND CASH EQUIVALENTS

	31 December 2022G	31 December 2021G
Banks - Current accounts	16,896,424	15,857,813
Cash on hand	400,889	653,819
	17,297,313	16,511,632

13. SHARE CAPITAL

For the year ended 31 December 2022G:

In accordance with a share assignment agreement dated Safar 19, 1444 AH corresponding to (September 15, 2022G), Diamond opportunity Sports Company "One Person Closed Joint Stock Company" has transferred 100 shares which makes its ownership percentage in Sport Clubs Company 34.4999% instead of 34.5% at 3,587,999 shares at a value of 10 Saudi riyals per share to Silver Opportunities Investment Company "a one-person company" which makes its ownership in Sport Clubs Company 0.00000009615%.

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

	Number of shares	Value per share	Total Value	Ownership percentage
Private Opportunities Investment Company	41,600,000	10	41,600,000	40%
Diamond opportunity Sports Company	35,879,999	10	35,879,990	%34.49999
Elaf Gulf Commercial Investment Company	26,520,000	10	26,520,000	25.50%
Silver Opportunities Investment Company	100	10	10,000	%0.00000009615
	104,000,000		**104,000,000**	**100%**

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

For the year ended December 31, 2021G:

The capital of the group is 104 million Saudi riyals, divided into 104,000 shares of equal value, the value of each share being 1,000 Saudi riyals.

The following is the distribution of the capital among the partners, and their ownership percentages in the capital as on September 30, 2022G and December 31, 2021G:

	Number of quotes	Value per quote	Total Value	Ownership percentage
Private Opportunities Investment Company	41,600	1,000	41,600,000	40%
Diamond opportunity Sports Company	35,880	1,000	35,880,000	34.5%
Elaf Gulf Commercial Investment Company	26,520	1,000	26,520,000	25.5%
	104,000		104,000,000	**100%**

(All amounts are presented in Saudi riyals unless otherwise stated)

14. LONG TERM LOANS

On January 19, 2021G (corresponding to 06 Jumada al-Akhirah 1442 AH), the Group signed a credit facilities renewal contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at different rates, in addition to SIBOR at a value of 88.7 million Saudi riyals. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as of December 31, 2022G amounted to 64,118,055 Saudi riyals (December 31, 2021G: 82,985,972 Saudi riyals).

The aforementioned loan is secured against a mortgage of lands (note 5), in addition to the partners guaranteeing the loan through their share of the group's ownership. The following is the data of the mortgages of the mortgaged lands sukuk (note 5):

Date	Deed Number
22-3-1441 H	814006005053
17-6-1441 H	314006005791
17-6-1441 H	914006005790

As on October 28, 2020G (corresponding to Rabi' al-Awwal 11, 1442 AH), the Group signed a credit facility renewal contract with another local bank to obtain additional facilities in the amount of 50 million Saudi riyals, bringing the total facilities from this local bank to 66.6 million Saudi riyals. The facility is at the Saudi Interbank Offered Rate (SIBOR) plus 3%. And 4% of the loan balance as on December 31, 2022G, the loan balance amounted to 52,657,261 Saudi riyals (December 31, 2021G: 53,304,283 Saudi riyals), These facilities are secured by a payment paper and an individual and collective guarantee from the partners, each in proportion to his participation.

As on December 21, 2020G (corresponding to Jumada Al-Ula 06 1442 AH), the group signed a credit facility renewal contract with another local bank to obtain additional facilities in the amount of 10 million Saudi riyals, in return for annual administrative services amounting to 400,000 Saudi riyals. These loans are repaid in semi-annual installments for a period of five years with a grace period of one year. The loan balance as of December 31, 2022G amounted to 8,750,000 Saudi riyals (December 31, 2021G: 10,000,000 Saudi riyals) . These facilities are secured by a payment paper and an individual and collective guarantee from the partners, each in proportion to his participation.

The following is a statement of the movement of loans:

	31 December 2022G	31 December 2021G
Balance at the beginning of the year	146,290,257	105,314,972
Received during the year	11,562,794	48,437,825
Paid during the year	(32,327,733)	(7,462,540)
Balance at the end of the year	125,525,318	146,290,257

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14. LONG TERM LOANS (CONTINUED)

a. The total loan amounts were presented according to the agreed upon maturity dates of the repayment installments, after they were classified into current and non-current liabilities, minus the deferred financing costs, as follows:

31 December 2022G	Long term loans non-current portion	Long term loans current portion	Total
Total Loans	**81,357,788**	**44,167,530**	**125,525,318**
	81,357,788	**44,167,530**	**125,525,318**

31 December 2021G	Long term loans non-current portion	Long term loans current portion	Total
Total Loans	109,009,911	37,280,346	146,290,257
	109,009,911	37,280,346	146,290,257

b. The table below shows the maturity dates of the loans referred to in accordance with the maturity dates referred to in the loan contracts:

	31 December 2022G	31 December 2021G
less than one year	**44,167,530**	37,280,346
Between 1-2 years	**67,614,364**	78,211,396
Between 2- 5 years	**13,743,424**	30,798,515
	125,525,318	146,290,257

15. EMPLOYEES' BENEFITS

The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and the social insurance systems enforced in the Kingdom of Saudi Arabia.

Movement of employees' benefits:

	31 December 2022G	31 December 2021G
Balance at the beginning of the year	17,726,000	18,213,000
Current service cost and return cost	2,230,000	2,269,000
interest cost	603,000	593,000
Paid benefits	(2,253,538)	(1,433,865)
Remeasurement of actuarial liabilities	(794,462)	(1,915,135)
Balance at the end of the year	17,511,000	17,726,000

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15. EMPLOYEES' BENEFITS (CONTINUED)

Main actuarial assumptions	31 December 2022G	31 December 2021G
Financial Assumptions		
Discount rate	**5.20%**	3.20%
Salary increase rate	**0.75%**	0.75%

Sensitivity Analysis	31 December 2022G		31 December 2021G	
	1 % Increase	1% Decrease	1 % Increase	1% Decrease
Discount rate	**14,291,000**	**16,244,000**	14,495,000	16,731,000
Salary increase rate	**16,281,000**	**14,244,000**	16,749,000	14,461,000

16. CONTRACTS LABILITIES

	31 December 2022G	31 December 2021G
Balance at the beginning of the year	65,690,925	61,736,574
Added during the year	238,730,593	190,192,319
Recognized during the year as subscription revenue (note 19)	(233,636,567)	(184,396,266)
Recognized during the period as other income	(1,430,507)	(1,841,702)
Balance at the end of the year	69,354,444	65,690,925

	31 December 2022G	31 December 2021G
Contracts liability current portion	67,924,152	60,644,995
Contracts liability non - current portion	1,430,292	5,045,930
Balance at the end of the year	69,354,444	65,690,925

17. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2022G	31 December 2021G
Employees accruals	11,742,381	8,373,263
Accrued Expenses	10,385,273	5,756,956
	22,127,654	14,130,219

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18. ZAKAT

a. Zakat position:

The group submitted its zakat returns for all years up to the year ending on December 31, 2021G and obtained a final assessment from the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia (the Authority) for all years up to the fiscal year ending on December 31, 2018.

b. The significant components of the zakat base for the fiscal year ending on December 31 are as follows:

Adjusted net income	31 December 2022G	31 December 2021G
Profit for the year before zakat	24,956,237	11,568,657
Added: Non-deductible costs	2,833,000	2,862,000
Adjusted Profit (A)	**27,789,237**	**14,430,657**
Equity		
Share capital at beginning of the year	104,000,000	104,000,000
Provisions	18,787,634	6,082,193
Statutory reserve	11,127,558	11,127,558
Deferred subscription revenue	65,690,925	61,736,574
Loans & other sources of financing	426,783,956	435,561,096
Net adjusted profit	27,789,237	14,430,657
	654,179,310	632,938,078
Net property, projects in progress & spare parts inventory	(631,793,810)	)642,581,424(
Zakat base (B)	22,385,500	(9,643,346)
Zakat expense (a) or (b) whichever is greater 2.5%	**694,731**	**354,135**

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

	31 December 2022G	31 December 2021G
Balance at the beginning of the year	532,814	188,847
Paid during the year	(534,410)	(108,533)
Zakat charge for the year	694,731	354,135
Zakat for the prior years	-	98,365
Balance at the end of the year	**693,135**	**532,814**

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19. REVENUE

Revenue from the operation classified as below:

	For the year Ended 31 December	
	2022G	2021G
Sports club subscriptions (note 16)	233,636,567	184,396,266
Health club services	31,996,038	19,812,479
Sports Equipment Sales	2,410,639	149,518
	268,043,244	204,358,263

20. COST OF REVENUE

	For the year ended 31 December	
	2022G	2021G
Salaries, wages and other benefits	99,629,076	79,928,254
Depreciation of property, plant and equipment (note 5)	35,705,056	31,421,873
Depreciation of right-of-use assets (note 6)	20,381,716	18,426,471
Electricity and water	16,200,811	14,361,124
Maintenance, supplies and hygiene	11,942,155	8,508,693
Rent expenses	3,645,922	6,172,528
Government fees and subscriptions	2,045,371	1,225,237
Fuels and oils	1,693,869	1,282,676
Phone and mail	1,183,036	1,089,285
The cost of selling sports equipment	1,979,544	248,598
Amortization of intangible assets (note 8)	126,727	220,243
Other	2,657,216	1,806,674
	197,190,499	164,691,656

21. MARKETING EXPENSES

	For the year ended 31 December	
	2022G	2021G
Advertising	6,950,766	3,539,934
Salaries, wages and other benefits	2,055,090	1,514,373
Depreciation of property, plant and equipment (note 5)	89,557	21,266
Amortization of intangible assets (note 8)	2,912	6,247
Other	84,854	81,781
	9,183,179	5,163,601

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22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2022G	2021G
Salaries, wages and other benefits	9,847,714	8,208,629
Provisions formed	1,794,613	-
Depreciation of property, plant and equipment (note 5)	949,431	452,100
Maintenance and cleaning	469,883	275,876
Phone and mail	178,656	240,133
Amortization of intangible assets (note 8)	60,257	115,387
Other	1,797,901	1,130,024
	15,098,455	10,422,149

23. OTHER INCOME, NET

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

	For the year ended 31 December	
	2022G	2021G
Rent income	2,525,407	1,841,702
Discounts on rent expenses	995,922	2,324,524
Depreciation expense for investment properties (note 7)	(20,116)	(56,518)
(Losses) / profit from disposal of assets	(2,859)	281,589
	3,498,354	4,391,297

24. FINANCE COSTS

	For the year ended 31 December	
	2022G	2021G
Interests of lease commitments	18,240,667	20,397,049
Long-term loan costs	7,931,854	3,637,063
Bank fees and commissions	3,003,268	335,975
Capitalized during the period from the interest of lease obligations	(2,148,195)	(5,931,170)
Capitalized during the period of financing costs on loans	(1,914,366)	(1,535,420)
charged to the statement of profit or loss	25,113,228	16,903,497

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25. FINANCIAL ASSETS AND LIABILITIES

25.1 Financial Assets

	For the year ended 31 December	
	2022G	2021G
Financial assets at amortized cost:		
Trade Receivables	**3,815,482**	320,908
Cash and cash equivalents	**17,297,313**	16,511,632
Total financial assets at amortized cost	**21,112,795**	16,832,540

25.2 Financial Liabilities

	31 December 2022G	31 December 2021G
Financial liabilities at amortized cost:		
long term loans	**125,525,318**	146,290,257
Lease Liabilities	**301,258,640**	309,440,264
Accounts Payable	**3,565,532**	4,746,105
Total financial liabilities at amortized cost	**430,349,490**	460,476,626
Non-current portion of financial liabilities	**366,877,236**	403,457,884
Current portion of financial liabilities	**63,472,254**	57,018,742
Total Financial Liabilities	**430,349,490**	460,476,626

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

26. CONTINGENT LIABILITIES

As on December 31, 2022G, the group has capital commitments amounting to 5,884,187 Saudi riyals (31 December 2021G : 5,941,850 Saudi riyals) for contracts for the establishment of new sports clubs included in the capital work in progress.

Contingent liabilities are disclosed when there is an obligation that will be confirmed only by future events or when the obligations cannot be reliably measured. The contingent liabilities related to the loans signed on December 28, 2022G amounted to SAR 36,562,794 as of December 31, 2022G.

27. FAIR VALUE

Fair value is the amount 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 assumption that the transaction to sell the asset or transfer the liability will occur in one of the following cases:

- In the main market for the asset or liability, or
- In the most favorable market for the assets or liabilities in the absence of the main market.

27. FAIR VALUE (CONTINUED)

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

The fair value of an asset or a liability is measured using the assumptions that dealers would use to price the asset or liability, on the assumption that the dealers seek the best economic interest.

A fair value measurement 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 Group uses valuation methods that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

Level 1: Quoted market prices (without adjustment) in active markets for similar assets and liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3: Valuation techniques that use the minimum inputs needed to measure fair value (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, using the Level 1 and Level 2 indicators, the Group determines whether a transfer has occurred between levels in the hierarchy by re-assessing classification (based on the lowest level input that is significant to the fair value measurement). Generally) at the end date of each reporting period.

For the purpose of fair value disclosures, the Group 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 described above.

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks through its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Foreign exchange risk
- Interest rate risk
- Capital Management Risk

Risk management is carried out by senior management in accordance with policies approved by the Board of Directors. Senior management identifies and assesses financial risks, when appropriate, in close cooperation with the Group's operating units.

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28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

28.1 CREDIT RISK

Credit risk is the risk that the Group will incur a financial loss in the event that a customer or counterparty fails to meet its contractual obligations, and arises primarily from the Group's dues from customers. The fair value of the financial assets represents the maximum exposure to credit risk.

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

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before introducing the Group's standard payment terms and conditions. The group's review includes external ratings, if available, and in some cases, bank references.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables (note 10).

	31 December 2022G	31 December 2021G
Cash and cash equivalents	**16,896,424**	15,857,813
Trade Receivables	**3,815,482**	320,908
	20,711,906	16,178,721

28.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by paying cash or through other financial assets. The Group's approach is to manage liquidity risk by ensuring, as far as possible, that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and abnormal conditions, without incurring unacceptable losses or being exposed to risks to the group's reputation.

The following is an analysis of the undiscounted contractual maturities of the Group's financial liabilities:

	Less than a Year	From 1 to 5 Years	More than 5 Years	Total Contracual Flows	Book Value
As on December 31, 2022G					
Loans	44,167,530	81,357,788	-	-	125,525,318
Accounts Payable	3,565,532	-	-	3,565,532	3,565,532
Accrued expenses and other payable	22,087,786	-	-	22,087,786	22,087,786
Lease liability	15,739,192	102,283,580	183,235,868	301,258,640	301,258,640
	85,560,040	**183,641,368**	**183,235,868**	**326,911,958**	**452,437,276**
As on December 31, 2021G					
Loans	37,280,346	109,009,911	-	-	146,290,257
Accounts Payable	4,746,105	-	-	4,746,105	4,746,105
Accrued expenses and other payable	14,130,219	-	-	14,130,219	14,130,219
Lease liability	14,992,291	94,835,701	199,612,272	306,440,264	309,440,264
	71,148,961	**203,845,612**	**199,612,272**	**328,316,588**	**474,606,845**

28.3 MARKET RISK

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates, interest rates and equity prices on the Group's revenue or the value of its financial instruments. Market risk management aims to manage and control risk exposures within acceptable limits while achieving optimum return.

Market risk consists of three types of risk: currency risk, interest rate risk and other price risk.

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

28.4 FORIEGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates in the normal course of business as the Group's significant transactions during the period are stated in Saudi Riyals and US Dollars. Since the Saudi riyal exchange rate is pegged to the US dollar, there are no significant risks associated with transactions and balances listed in US dollars.

28.5 INTEREST RATE RISK

Interest rate risk is the fluctuation in the fair value of future cash flows of financial instruments due to changes in market interest rates.

The Group's interest rate risk arises from its long term borrowings. The approved floating rate loans expose the Group to cash flow interest rate risk.

	Increase/decrease in basis points related to currency rates	Impact on profit for the period
December 31, 2022G	100 +	1,255,253
	100 -	(1,255,253)
December 31, 2021G	100 +	1,462,903
	100 -	(1,462,903)

28.6 CAPITAL MANAGEMENT RISK

The primary objective of the company's capital management is to ensure that it maintains strong capital ratios, support its business and maximize shareholder value.

The company manages its capital structure and makes adjustments to it in light of changes in business conditions. There have been no changes in the company's objectives, policies and procedures during the period ending on December 31, 2022G and the year ending on December 31, 2021G. The capital includes capital and statutory reserve And retained earnings measured at SAR 134,472,390 as on December 31, 2022G (December 31, 2021G SAR 115,416,422).

The Group's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain future development of the business. The Group monitors its capital base using a ratio of net debt to equity. Net debt is calculated as borrowings less cash and cash equivalents.

The following is the net debt to equity ratio of the Group at the end of the year:

	31 December 2022G	31 December 2021G
Loans	**125,525,318**	146,290,257
Subtract: Cash in hand	**(17,297,313)**	(16,511,632)
	108,228,005	129,778,625
Total Equity	**134,472,390**	115,416,422
net debt to equity ratio	**80%**	112%

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29. TRANSACTIONS WITH RELATED PARTIES

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

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

Under advance payments and other receivable assets (Note 11):

	31 December 2022G	31 December 2021G
Gulf Money Company	-	74,613
	-	74,613

Senior management compensation

	For the year ended December	
	2022G	2021G
Salary & other short term benefits	**1,577,370**	1,383,711
	1,577,370	1,383,711

30. SEGMENT REPORTING

30.1 GEOGRAPHICAL SEGMENTS

For management purposes, the company consists of business units based on geographical distribution, and it has five operating segments on which reports are submitted as follows:

- Central Region
- Eastern Province
- The northern area
- Southern area
- Western Region

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30. SEGMENT REPORTING (CONTINUED)

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

As at and for the year ending December 31, 2022G:

	Headquarter	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenues	-	168,774,281	39,523,842	14,846,392	9,243,928	35,654,801	**268,043,244**
Cost of Revenues	-	(116,054,456)	(32,094,580)	(11,240,515)	(7,184,866)	(30,616,082)	**(197,190,499)**
Gross profit	**-**	**52,719,825**	**7,429,262**	**3,605,877**	**2,059,062**	**5,038,719**	**70,852,745**
Marketing expenses	(9,183,179)	-	-	-	-	-	**(9,183,179)**
General and administrative expenses	(15,098,455)	-	-	-	-	-	**(15,098,455)**
Operating Profit / (Loss)	**(24,281,634)**	**52,719,825**	**7,429,262**	**3,605,877**	**2,059,062**	**5,038,719**	**46,571,111**
Other income – net	3,498,354	-	-	-	-	-	**3,498,354**
Finance costs	(25,113,228)	-	-	-	-	-	**(25,113,228)**
Profit / (Loss) before Zakat	**(45,896,508)**	**52,719,825**	**7,429,262**	**3,605,877**	**2,059,062**	**5,038,719**	**24,956,237**
Zakat expenses	(694,731)	-	-	-	-	-	**(694,731)**
Profit / (Loss) for the year	**(46,591,239)**	**52,719,825**	**7,429,262**	**3,605,877**	**2,059,062**	**5,038,719**	**24,261,506**
Other comprehensive income:							
Re-measurement loss of employees' benefits	794,462	-	-	-	-	-	**794,462**
Total comprehensive income / (Loss) for the year	**(45,796,777)**	**52,719,825**	**7,429,262**	**3,605,877**	**2,059,062**	**5,038,719**	**25,055,968**

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30. SEGMENT REPORTING (CONTINUED)

As at and for the year ending December 31, 2021G:

	Headquarter	Central Region	Eastern Region	Northern Region	Southern Region	Western Region	Total
Revenues	-	121,561,852	35,013,373	11,968,642	8,491,312	27,323,084	**204,358,263**
Cost of Revenues	-	(100,485,685)	(28,792,983)	(7,387,575)	(6,656,261)	(21,309,420)	**(164,631,924)**
Gross profit	**-**	**21,076,167**	**6,220,390**	**4,581,067**	**1,835,051**	**6,013,664**	**39,726,339**
Marketing expenses	(5,163,601)	-	-	-	-	-	**(5,163,601)**
General and administrative expenses	(10,422,149)	-	-	-	-	-	**(10,422,149)**
Operating Profit / (Loss)	**(15,585,750)**	**21,016,435**	**6,220,390**	**4,581,067**	**1,835,051**	**6,013,664**	**24,080,857**
Other income – net	4,391,297	-	-	-	-	-	**4,391,297**
Finance costs	(16,903,497)	-	-	-	-	-	**(16,903,497)**
Profit / (Loss) before Zakat	**(28,097,950)**	**21,016,435**	**6,220,390**	**4,581,067**	**1,835,051**	**6,013,664**	**11,568,657**
Zakat expenses	(452,500)	-	-	-	-	-	**(452,500)**
Profit / (Loss) for the year	**(28,550,450)**	**21,016,435**	**6,220,390**	**4,581,067**	**1,835,051**	**6,013,664**	**11,116,157**
Other comprehensive income:							
Re-measurement loss of employees' benefits	1,915,135	-	-	-	-	-	**1,915,135**
Total comprehensive income / (Loss) for the year	**(26,635,315)**	**21,016,435**	**6,220,390**	**4,581,067**	**1,835,051**	**6,013,664**	**13,031,292**

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30. SEGMENT REPORTING (CONTINUED)

30.2 MARKET SEGMENTS

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

	Headquarters		Men's fitness centers		Women's fitness centers		Total	
	2022G	2021G	2022G	2021G	2022G	2021G	2022G	2021G
Revenues	-	-	198,427,372	173,008,241	69,615,872	31,350,022	268,043,244	204,358,263
Cost of Revenues	-	-	(142,438,307)	(134,448,873)	(54,752,192)	(30,183,051)	(197,190,499)	(164,631,924)
Gross profit / (loss)	-	-	55,989,065	38,559,368	14,863,680	1,166,971	70,852,745	39,726,339
Marketing expenses	(9,183,179)	(5,163,601)	-	-	-	-	(9,183,179)	(5,163,601)
General and administrative expenses	(15,098,455)	(10,422,149)	-	-	-	-	(15,098,455)	(10,422,149)
Operating Profit / (Loss)	(24,281,634)	(15,585,750)	55,989,065	38,499,636	14,863,680	1,166,971	46,571,111	24,080,857
Other income – net	3,498,354	4,391,297	-	-	-	-	3,498,354	4,391,297
Finance costs	(25,113,228)	(16,903,497)	-	-	-	-	(25,113,228)	(16,903,497)
Profit / (Loss) before Zakat	(45,896,508)	(28,097,950)	55,989,065	38,499,636	14,863,680	1,166,971	24,956,237	11,568,657
Zakat expenses	(694,731)	(452,500)	-	-	-	-	(694,731)	(452,500)
Profit / (Loss) for the year	(46,591,239)	(28,550,450)	55,989,065	38,499,636	14,863,680	1,166,971	24,261,506	11,116,157
Other comprehensive income:								
Re-measurement loss of employees' benefits	794,462	1,915,135	-	-	-	-	794,462	1,915,135
Total comprehensive income / (Loss) for the year	(45,796,777)	(26,635,315)	55,989,065	38,499,636	14,863,680	1,166,971	25,055,968	13,031,292

SPORT CLUBS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022G
(All amounts are presented in Saudi riyals unless otherwise stated)

30. SEGMENT REPORTING (CONTINUED)

30.3 STATEMENT OF FINANCIAL POSITION

	Headquarters		Men's fitness centers		Women's fitness centers		Total	
	2022G	2021G	2022G	2021G	2022G	2021G	2022G	2021G
Property, Plant and Equipment	2,429,661	1,795,406	252,018,262	263,315,978	127,858,347	114,404,574	**382,306,270**	**379,515,958**
Right of use Assets	-	-	179,907,381	185,475,693	66,134,082	70,083,316	**246,041,463**	**255,559,009**
Other Non-Current Assets	3,446,077	5,983,232	-	-	-	-	**3,446,077**	**5,983,232**
Current Assets	42,714,303	32,914,807	-	-	-	-	**42,714,303**	**32,914,807**
Total Assets	**48,590,041**	**40,693,445**	**431,925,643**	**448,791,671**	**193,992,429**	**184,487,890**	**674,508,113**	**673,973,006**
Non-Current Liabilities	385,818,528	426,229,814	-	-	-	-	**385,818,528**	**426,229,814**
Current Liabilities	154,217,195	132,326,770	-	-	-	-	**154,217,195**	**132,326,770**
Total Liabilities	**540,035,723**	**558,556,584**	**-**	**-**	**-**	**-**	**540,035,723**	**558,556,584**

31. SEASONALITY OF THE COMPANY'S BUSINESS

In general, there is an improvement in the company's business during the fourth quarter of the year better than other periods of the year due to many factors, including the favorable weather conditions and the company's offers with discounts that attract customers on the Saudi National Day (i.e. September 23). It is recorded in the fourth quarter of the year, enhances the company's revenue and profitability and improves the company's financial performance during the fourth quarter of the year.

32. DIVIDENDS

On September 14, 2022G, the partners unanimously approved the recommendation of the Board of management, held on September 8, 2022G, to distribute profits to the partners in a total amount of 6 million Saudi riyals, at 57.7 Saudi riyals per quota.

33. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing income for the year attributable to the group's ordinary shareholders by the number of ordinary shares outstanding during the year.

	31 December 2022G	31 December 2021G
Income for the year	**24,261,506**	11,116,157
No. of shares		
Weighted average number of shares (Note 15)	**10,400,000**	10,400,000
Basic and diluted earnings per share (Saudi Riyals)	**2.33**	1.07

- The number of shares as of December 31, 2022G was 10,400,000 shares. The number of shares was applied to the comparison periods retrospectively for the purposes of calculating earnings per share.
- The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

34. SUBSEQUENT EVENTS

On March 28, 2023G, the request to list Sports Clubs Company in the parallel market was conditionally approved, provided that the approval is conditional on the issuer obtaining the Capital Market Authority's approval of the registration application and the relevant offering in accordance with the relevant regulations and rules and fulfilling the liquidity conditions.

35. Comparative Figures

Certain comparative numbers have been reclassified to conform with the current presentation of the consolidated financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The group's consolidated financial statements for the period ending on March 31, 2022G were approved by the Board of Directors

SPORT CLUBS COMPANY

(A LIMITED LIABILITY COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021G

AND INDEPENDENT AUDITOR'S REPORT

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Sport Clubs Company
(A Limited Liability Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Sport Clubs Company** (the "Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International financial reporting standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Professional Code of Conduct and Ethics that are, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our 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 Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with International financial reporting standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Dr. Mohammed Al-Amri & Co. Chartered Accountants, a professional closed joint stock company registered in the Kingdom of Saudi Arabia under CR no. 1010433982, with paid-up capital of SAR (1,000,000) is a member of BDO International Limited, a UK Company Limited by guarantee, and forms part of the international BDO network of independent member firms.
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Independent Auditor's Report to the Partners of Sport Clubs Company (A Limited Liability Company) On the Audit of the Consolidated Financial Statements for the Year ended 31 December 2021 (Continued)

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

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

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

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

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

For Dr. Mohamed Al-Amri & Co.,

Ahmed Al-Jumah
Certified Public Accountant
License No. 621

د. محمد العمري وشركاه - محاسبون قانونيون
س.ت : ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh - Kingdom of Saudi Arabia
Dated: 3 Dhu al-Qa'dah 1443 H
Corresponding to: 2 June 2022

SPORT CLUBS COMPANY
(A LIMITED LIABILITY COMPANY)SPORT CLUBS COMPANY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In Saudi Riyals)

	Note	As at 31 December	
		2021G	2020G
ASSETS			
Non-current assets			
Property, plant, and equipment	(5)	380,219,845	330,687,256
Right of use assets	(6)	255,559,009	278,218,463
Investment properties	(7)	2,220,706	2,277,223
Intangible assets	(8)	3,762,526	3,191,282
TOTAL NON-CURRENT ASSETS		**641,762,086**	614,374,224
Current assets			
Inventories	(9)	4,318,161	5,323,108
Trade receivables	(10)	320,908	141,985
Prepayments and other receivable assets	(11)	11,060,219	11,442,093
Cash and cash equivalents	(12)	16,511,632	9,494,775
TOTAL CURRENT ASSETS		**32,210,920**	26,401,961
TOTAL ASSETS		**673,973,006**	640,776,185
EQUITY AND LIABILITIES			
EQUITY			
Share capital	(13)	104,000,000	104,000,000
Statutory reserve		11,127,558	11,127,558
Retained earnings/ accumulated (losses)		288,864	(12,742,428)
TOTAL EQUITY		**115,416,422**	102,385,130
Non-current liabilities			
Non-current portion of lease liabilities	(6)	294,447,973	310,603,361
Non-current portion of long-term loans	(14)	109,009,911	72,352,361
Employee benefits	(15)	17,726,000	18,213,000
Non-current portion of contact liabilities	(16)	5,045,930	2,822,223
TOTAL NON-CURRENT LIABILITIES		**426,229,814**	403,990,945
Current liabilities			
Current portion of long-term loans	(41)	37,280,346	32,962,611
Current portion of lease liabilities	(6)	14,992,291	12,478,053
Accounts payable		4,746,105	16,850,025
Accrued expenses and other payables	(17)	14,130,219	13,006,224
Provision for Zakat	(18)	532,814	188,847
Current portion of contract liabilities	(16)	60,644,995	58,914,350
TOTAL CURRENT LIABILITIES		**132,326,770**	134,400,110
TOTAL LIABILITIES		**558,556,584**	538,391,055
TOTAL EQUITY AND LIABILITIES		**673,973,006**	640,776,185

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy
Finance Director	Chief Executive Officer	Chairman

SPORT CLUBS COMPANY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021G
(In Saudi Riyals)

	Note	For the year ended 31 December	
		2021G	2020G
Revenue	(19)	204,358,263	115,108,418
Cost of revenue	(20)	(164,691,656)	(126,031,306)
Gross profit / (loss)		**39,666,607**	(10,922,888)
Marketing expenses	(21)	(5,163,601)	(6,631,008)
General and administrative expenses	(22)	(10,422,149)	(9,306,800)
Other income, net	(23)	4,391,297	5,702,567
Operating profit / (loss)		**28,472,154**	(21,158,129)
Finance costs	(24)	(16,903,497)	(14,817,783)
Profit / (loss) for the year before Zakat		**11,568,657**	(35,975,912)
Zakat	(18)	(452,500)	(377,500)
Profit / (loss) for the year		**11,116,157**	(36,353,412)
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
Re-measurement of provision for end of service benefits		1,915,135	(2,260,166)
Other comprehensive income for the year		**1,915,135**	(2,260,166)
Total comprehensive income for the year		**13,031,292**	(38,613,578)

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy
Finance Director	Chief Executive Officer	Chairman

SPORT CLUBS COMPANY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings / (Accumulated losses)	Total equity
For the year ended 31 December 2021G				
Balance as at 1 January 2021G	104,000,000	11,127,558	(12,742,428)	**102,385,130**
Profit for the year	-	-	11,116,157	**11,116,157**
Other comprehensive income	-	-	1,915,135	**1,915,135**
Total comprehensive income for the year	-	-	13,031,292	**13,031,292**
Balance as at 31 December 2021G	**104,000,000**	**11,127,558**	**288,864**	**115,416,422**
For the year ended 31 December 2020G				
Balance as at 1 January 2020G	104,000,000	11,127,558	25,871,150	**140,998,708**
Loss for the year	-	-	(36,353,412)	**(36,353,412)**
Other comprehensive income	-	-	(2,260,166)	**(2,260,166)**
Total other comprehensive income for the year	-	-	(38,613,578)	**(38,613,578)**
Balance as at 31 December 2020G	104,000,000	11,127,558	(12,742,428)	**102,385,130**

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy
Finance Director	Chief Executive Officer	Chairman

SPORT CLUBS COMPANY
(A LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Saudi Riyals)

	For the year ended 31 December	
	2021G	2020G
CASH FLOW FROMS OPERATING ACTIVITIES		
Profit / (loss) for the year before Zakat	11,568,657	(35,975,912)
Adjustments:		
Depreciation of property, plant, and equipment and investment properties, and amortization of leased assets	50,378,227	53,009,403
Losses / (gains) on disposal of property and equipment	(281,589)	1,521,061
Amortization of intangible assets	341,877	321,074
Imapairment in prepayments and other receivable assets	-	1,179,827
Provision for employee benefits	2,862,000	2,407,000
Finance interests	16,903,497	14,817,783
Rent expense reductions	(2,324,524)	(5,416,108)
	79,448,145	31,864,128
Changes in operating assets and liabilities		
Account receivables	(178,923)	118,823
Inventories	1,004,947	(1,301,541)
Prepayments and other current assets	381,874	(4,488,781)
Accounts payable	(12,103,920)	7,903,790
Accrued expenses and other current balances	1,123,995	2,747,060
Contract liabilities, net	3,954,352	8,666,666
Zakat paid	(108,533)	(386,345)
End of service benefits paid	(1,433,865)	(709,166)
Net cash generated from operating activities	**72,088,072**	44,414,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(69,862,075)	(76,860,842)
Purchase of intangible assets	(913,121)	(441,433)
Proceeds from sale of property, plant, and equipment	442,374	1,757,686
Net cash used in investing activities	(70,332,822)	(75,544,589)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans	**(7,462,540)**	(2,400,000)
Proceeds from loans	48,437,825	54,140,398
Payments of lease liabilities, net	(32,076,615)	(16,142,278)
Payments of finance interests	(3,637,063)	(2,869,263)
Net cash generated from financing activities	**5,261,607**	32,728,857
Net changes in cash and cash equivalent during the year	**7,016,857**	1,598,902
Cash and cash equivalents at the beginning of the year	**9,494,775**	7,895,873
Cash and cash equivalents at the end of the year	**16,511,632**	9,494,775

The accompanying notes from (1) to (31) form an integral part of these consolidated financial statements.

Abdullah Altahan	Wael El Merhabi	Ammar Al khudairy
Finance Director	Chief Executive Officer	Chairman

(All amounts are in Saudi Riyals, unless otherwise stated)

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sport Clubs Company (the "Company") was established as a limited liability company in accordance with Regulations for Companies in the Kingdom of Saudi Arabia, operating under Commercial Registration No. 1010167892 dated 26 Rabi-Al-Thani 1422 H (18 July 2001 G) in Riyadh. The principle activities of the Company are wholesale and retail trade in sports equipment, tools, and clothing, purchase of lands for the construction of buildings and investing in them by sale or lease for the benefit of the Company, the establishment, management and maintenance of gymnasiums, general contracting for buildings, and electrical, mechanical and electronic works.

The head office of the Group is as follows:

P.O. Box 270079 - Riyadh 11352

Kingdom of Saudi Arabia

The Group also exercises its activities through branches of sports clubs that operate under the following commercial registrations for regions or for each individually as follows:

N	City / Region	CR Number	CR Date
1	Riyadh	1010167892	26/4/1422 H
2	Al-Qassim	1131028467	27/3/1430 H
3	Dammam	2050069185	15/3/1431 H
4	Khamis Mushait	5855346579	26/4/1422 H
5	Hail	3350147174	18/5/1441 H
6	Al Ahsa	2250064353	18/3/1437 H
7	Jeddah	7003774358	5/9/1438 H
8	Najran	5950032854	15/3/1438 H
9	Hafar Al Batin	2511108063	4/6/1439 H
10	Tabuk	3550122370	4/6/1439 H
11	Al Badi'ah " females"	1010460120	1/9/1440 H
12	Madinah	4650209419	2/8/1440 H
13	Makkah	4031235157	18/5/1441 H

The Group's financial year starts from 1 January and ends on 31 December of each Gregorian calendar year.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

These consolidated financial statements include the financial statements of the Company and its subsidiary (together referred to as the "Group").

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and professional Accountants ("SOCPA") (hereinafter referred to as "IFRS that are endorsed in the Kingdom of Saudi Arabia").

The preparation of these consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the consolidated financial statements.

2. BASIS OF ACCOUNTING (CONTINUED)

2.2 Basis of preparation

These consolidated financial statements have been prepared on going concern basis under the historical cost convention, except for the employee end of service benefit obligations, which are measured using the projected unit credit method.

2.3 Presentation and functional currency

These consolidated financial statements are presented in Saudi Riyals, which is also the Group's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation of financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiary as at the reporting date. Control is achieved when the Company has:

- power over the investee;
- rights to variable returns from its involvement with the investee; and
- the ability to use its influence over the investee to affect its returns.

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

When the company has less than a majority of the voting rights of the investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee. The Company considers all relevant facts and circumstances when assessing whether the voting rights it has in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of the voting rights of other owners;
- Potential voting rights held by the Company, other voting rights holders or third parties;
- Rights arising from other contractual arrangements; and
- Any other facts and circumstances indicating that the Company has or does not have the current ability to direct the relevant activities at the time the decisions are made, including voting patterns at previous shareholder meetings.
- Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.
- A change in the subsidiary's ownership interest, without loss of control, is recorded in the consolidated statement of changes in equity.
- Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is distributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation of financial statements

- If the Company loses control of its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the accounting policies of the Group.
- All assets, liabilities, equity, income, expenses and cash flows relating to operations between members of the Group are eliminated in their entirety on consolidation.

The subsidiary company, Third Amaken Sports Company, which is hereinafter referred to with the Company as the Group, has been consolidated from the date of the Parent Company's control of the subsidiary and until such control ceases. The consolidated financial statements were prepared on the basis of the financial statements of the Parent Company and its subsidiary, Third Amaken Sports Company. The Company owns 100% (2020G: 100%) of the company's shares. The subsidiary's activity is in the cleaning and maintenance of buildings.

3.2 Property, plant, and equipment

Property, plant and equipment, excluding land and capital work-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land and capital work-in-progress are stated at cost less impairment losses, if any.

Historical cost includes expenditures directly attributable to the acquisition of an asset, and subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, and only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Depreciation is recognized to write off the cost of assets after deducting their residual value over their useful lives using the straight-line method. The estimated useful lives, residual values and method of depreciation are reviewed at the end of each reporting period, and any changes are accounted for on a prospective basis.

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

Asset	Years
Buildings	30 (or the lease period, whichever is less, for buildings constructed on leased lands)
Leasehold improvements	Shorter of the lease period or the estimated useful life
Machinery and equipment	7 -10
Furniture and fixtures	10
Electrical hardware and software	6.66
Vehicles	5

Land and capital work in progress are not depreciated.

Stored materials and spare parts with a useful life of more than one year are depreciated over their estimated useful lives.

An item of property, plant and equipment is derecognized when it is sold or when no future economic benefits are expected from its continued use or sale. Any gain or loss arising on disposal of an item of property, plant and equipment, which is determined as the difference between the net sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant, and equipment (continued)

Capital work in progress

Capital work-in-progress is stated at cost and is not depreciated. Depreciation of capital work-in-progress begins when the assets are ready for their intended use, at that time they will be transferred to property and equipment or investment property. Finance costs incurred on loans in order to finance the construction of qualifying assets are capitalized during the time period required to complete and prepare the asset for its intended use.

3.3 Leases

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability in respect of all lease agreements in which it is the lessee, except for short-term leases (defined as leases of 12 months or less) and leases of low-value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight line basis over the lease term unless there is another systematic basis for the time plan in which the economic benefits of the leased asset are exhausted.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses its incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

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

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

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

The Group re-measures the lease liability (and adjusts the corresponding right-of-use assets) if:

- The terms of the lease have changed or there has been a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.
- The lease payments have changed due to changes in an index or rate or a change in the expected payment according to the guaranteed residual value, in which case the lease liability is remeasured by discounting the adjusted lease payments using the initial discount rate (unless the lease payments change due to a change in the prevailing interest rate, in this case, a modified discount rate is used).
- The lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the modified lease payments using a modified discount rate.

The Group has not made any such adjustments during the periods presented.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

The right-of-use asset includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use asset is depreciated over the lease term and the specified useful life, whichever is shorter. If the lease transfers ownership of an identified asset or the cost of the right to use the asset, it reflects that the Group expects to exercise the purchase option, the related right to use asset is depreciated over the asset's useful life. Depreciation begins on the lease commencement date.

Right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies International Accounting Standard No. (36) "Impairment of Assets" to determine whether there has been any impairment in the of right-of-use assets.

3.4 Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis based on the estimated useful lives. The estimated useful life and the amortization method are reviewed at the end of each reporting period, and any changes in estimates are accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or at the reporting date when there is an indication of impairment, either individually or at the cash-generating unit level. The assessment of indefinite lives is reviewed annually to determine whether indefinite lives continue to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group applies the following useful life years for the amortization of its intangible assets:

Computer software 5 years

3.5 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss (if any).If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and consistent basis of allocation can be determined, the joint assets are also allocated to cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of allocation can be determined. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication of impairment by comparing the unit's carrying value, including goodwill, with the unit's recoverable amount. Intangible assets with an indefinite useful life are not amortized. Instead, the asset is tested for impairment annually, and whenever there is an indication that the asset is impaired.

The recoverable amount is the higher of the asset's fair value less cost to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the assessment of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized directly in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of tangible and intangible assets (continued)

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to its revalued recoverable amount, so that the revised carrying amount does not exceed the value of the asset (or cash-generating unit) had no impairment loss been recognized for it in prior years. The reversal of an impairment loss is recorded immediately in profit or loss. An impairment loss recognized in prior periods for goodwill is not reversed in the subsequent period.

3.6 Investment properties

Investment property is property held to earn rentals and/or capital appreciation.

Investment properties are initially recognized at cost. Transaction costs are included in the initial measurement. Costs include initial and subsequent costs incurred to add to, replace part of, or service the property. If a replacement part is recognized in the carrying amount of the investment property, the carrying amount of the replaced part is derecognized. Any gain or loss arising on the disposal of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the property) is recognized in profit or loss as other income or other expenses.

Cost model:

After initial recognition, investment properties are accounted for using the “cost model” in accordance with IAS (40) and are stated at cost less accumulated depreciation and impairment losses, if any.

The cost less estimated residual value is depreciated on a straight-line basis over the estimated useful lives of the assets or the lease term if the investment is on leased land - whichever is less.

Rental income and operating expenses from investment properties are recorded in “Other income (expenses)”.

3.7 Inventories

Inventory is stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price less all estimated costs of completion and any further costs involved in completing the sale. The cost of raw materials and spare parts is determined on a weighted average basis. Spare parts are items that may result in fixed capital expenditures but are indistinguishable . They are stated at cost and determined on a weighted average basis.

3.8 Trade Receivables

Accounts receivable are recorded at the original invoice amount less impairment losses at an amount equal to the estimated lifetime credit loss. When the receivables are uncollectible, they are written off against the impairment loss. Any subsequent recoveries of amounts previously written off against “impairment losses on trade receivables” are recognized in profit or loss.

3.9 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank deposits, which are all available for use by the Group unless otherwise stated. These have maturities of three months or less, and which are subject to an insignificant risk of changes in value.

3.10 Statutory reserve

In accordance with the Group’s Articles of Association and Regulations of Companies, the Group must transfer 10% of the annual net profit to the statutory reserve until such reserve equals 30% of its share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits

Employee defined benefit obligations

End of service benefits are calculated using the expected unit credit method at the end of each financial year, with actuarial valuations performed at the end of each reporting period. The revaluation of defined benefit obligations consisting of actuarial gains and losses is recognized directly in other comprehensive income in the periods in which the revaluation has been made. Remeasurement recognized in other comprehensive income is recognized immediately in retained earnings and is not recognized in profit or loss in subsequent periods. Changes in the present value of the benefit obligations, which result from changes and reductions, are recognized directly in profit or loss as service costs from prior periods. Interest is calculated by using the discount rate at the beginning of the period on employee defined benefit obligations. Defined benefit costs are categorized as follows:

- Service cost (including current service costs and past service costs, plus gains and losses from curtailments and settlements);
- Interest cost; and
- Re-measurements.

The group presents the first two components of defined benefit costs in profit or loss in the related items.

Short-term employee benefits

The obligation is recognized for benefits related to wages and salaries, annual leave, travel tickets and sick leaves and is expected to be settled in full during the twelve-month period following the end of the period in which the service is provided. The obligation is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

3.12 Provisions

Provisions are recognized when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When provisions are discounted, the increase in the provision due to the passage of time is recognized as a finance cost.

3.13 Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The Zakat liability is recognized and charged to the consolidated statement of profit or loss and other comprehensive income. Additional Zakat liabilities, if any, relating to prior years' assessments are calculated by ZATCA in the year in which the final assessments are issued.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments

The Group recognizes financial assets or financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

Financial assets

Initial recognition

Financial assets are classified at initial recognition and subsequently measured at amortized cost, fair value through the consolidated other comprehensive income, and fair value through the consolidated profit or loss.

The classification of financial assets on initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI , that asset needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This evaluation is referred to as the (solely payments of principal and interest) (SPPI) test and is performed at the financial instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows , from the sale of financial assets, or from both. Financial assets classified and measured at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model whose objective is to collect contractual cash flows and sell.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into four categories:

a. Debt instruments at amortized cost.

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

b. Equity instruments at FVOCI with no recycling to profit or loss.

Gains and losses on valuation of these financial assets are not recycled to profit or loss. Dividends are recognized as income in the statement of profit or loss when the right to receive is established, except when the group benefits from these returns as a recovery of part of the cost of the financial asset, in which case, income is recognized in other comprehensive income. Equity instruments at FVOCI are not subject to impairment assessment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (continued)

c. Equity instruments at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

Impairment of financial assets

The Group applies the simplified approach in calculating impairment. Expected credit losses on financial assets are estimated using the Group's historical credit loss experience, adjusted for general economic conditions and an assessment of both the current trend as well as expectations of conditions at the reporting date, including the time value of money where it is appropriate.

The expected credit loss measurement is an indication of the probability of default, or a given loss (meaning the magnitude of the loss if there is a default).The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

The Group recognizes impairment gains or losses separately in the consolidated statement of profit or loss and other comprehensive income. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the risks and rewards of ownership to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group will continue to recognize its retained interest in the assets and liabilities associated with the financial asset for amounts it may have to pay.

Financial liabilities

Financial liabilities are classified either at amortized cost or FVTPL.

All financial liabilities of the Group have been classified and measured at amortized cost using the effective interest method. The Group has no financial liabilities as at fair value through profit or loss.

Financial liabilities at amortized cost

Bank loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the repayment period is at a fixed rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged, cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Revenue recognition

Revenue from contracts with customers

The Group recognizes revenue from contracts with customers using a five-steps method as mentioned in IFRS (15):

Step (1): Identify the contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the principles and standards that must be met for each contract.

Step (2): Identify the performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer.

Step (3): Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step (4): Allocate the transaction price to the performance obligations in the contract. For contracts that have more than one performance obligation, the Group will allocate the transaction price to each performance obligation at the amount to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step (5): Recognize revenue when the entity satisfies the performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

A. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.
B. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
C. The customer receives and consumes the benefits provided by the entity's performance as the Group performs.

For performance obligations, if any of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

If the Group fulfills the performance obligation by providing the promised services, this creates a contract-based asset in exchange for consideration gained from performance. If the consideration received by the customer exceeds the amount of revenue recognized, a contract liability may arise.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and after excluding taxes and fees.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and costs, if applicable, can be measured reliably.

Subscription and membership revenue

Subscription and membership fees are recognized as revenue on a regular basis over the subscription period. Revenue fees received in advance are initially recognized as contract liabilities and amortized over the subscription period.

Personal training revenue

Personal training fees are recognized as revenue when the related services are provided and performance obligations are fulfilled. Fees received in advance are initially recognized as contract liabilities and are subsequently recognized when personal training sessions are conducted or the training period ends, whichever comes first.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Cost of sales

Cost of sales includes all direct costs of the activity, including direct labor, direct materials, and expenses related to the activity.

3.17 Expenses

Marketing expenses mainly consist of costs incurred in the distribution and sale of the Group's services. All other expenses are classified as general and administrative expenses.

3.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that require a substantial period of time to be ready for their expected use or sale, are added to the cost of those assets, until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific borrowings until expended on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.19 Foreign currency translation

The Group presents the consolidated financial statements in Saudi Riyals (SAR), which is the functional currency. Items included in the financial statements of each entity are measured using the functional currency of that entity.

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 reporting date are translated into Saudi Riyals at the rates prevailing at that date. Gains and losses arising from settlement and translation of foreign currency transactions are included in profit or loss.

3.20 New standards issued

3.20.1 Standards issued and effective

The following standards and amendments are effective for annual periods beginning on or after 1 January 2021G, and do not have any material impact on the financial statements:

Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4, and IFRS 16

The amendments provide a number of reliefs which address the financial reporting implications when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

A. A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a movement of the market interest rate.

B. Permit changes required by IBOR reform to hedge allocations and document the hedge without discontinuing the hedging relationship.

C. Providing temporary relief to entities from having to meet separately identifiable requirements when a risk-free interest rate instrument is designated as a hedge of a risk component.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 New standards issued (continued)

3.20.2 Standards issued and effective (continued)

Amendments to IFRS 16 - COVID-19 Related Rent Concessions after 30 June 2021G

On 28 May 2020G, the IASB issued amendments to Covid-19-Related Rent Concessions - amendment to IFRS 16 "Leases". The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising directly from the Covid-19 pandemic. As a practical expedient, a lessee may not elect to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession in the same way as it would account for change under IFRS 16, if the change were not a lease modification.

During the year ended 31 December 2021G, the Group obtained additional rent concessions that meet the conditions for the application of the practical expedient extension. The company has applied the practical expedient to these rent concessions. The impact of applying the practical expedient was disclosed in Note (21) to the financial statements. These amendments had no impact on the Group's financial statements.

3.20.3 Standard issued but not yet effective

The Company has not applied the following new and revised standards that have been issued but are not yet effective:

The following amendments are effective for the period beginning 1 January 2022G:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Property and equipment: Proceeds before intended use (Amendments to IAS 16).
- Annual Improvements to IFRS 2018-2020G (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023G:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Group assessed the impact of applying the above standards and concluded that there is no impact.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to use judgments, estimates and assumptions that may affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. Although these estimates are based on current information and events available to management, final actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of the revision of accounting estimates is reflected in the review period and the future periods affected.

The following is information on key areas of estimates, uncertainties, and significant judgments in applying accounting policies that have a material impact on the amounts reported in the consolidated financial statements:

4.1 Impairment of non-financial assets

The Group assesses at each date of preparation whether there is any indication that the asset has been impaired. If any indication exists, the Group assesses the recoverable amount of the asset. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss and other comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss and other comprehensive income.

4.2 Provision for slow moving inventories

Management establishes a provision for obsolete and slow-moving inventory. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are used. These estimates take into account fluctuations in prices or costs that are directly related to events occurring after the date of the consolidated statement of financial position to the extent that the conditions for these events exist as at the end of the year.

4.3 Useful lives of property, plant, and equipment

Useful lives of property, plant, and equipment are estimated according to new information available to the Group's management. Management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined after taking into account the expected use of assets or physical wear and tear. Management reviews the residual value and useful lives annually and changes in depreciation expenses (if any) are adjusted in the current and future periods.

4.4 Intangible assets

Management determines the estimated useful lives of intangible assets for the purpose of calculating amortization. This estimate is determined after taking into account the expected use of the intangible assets. Management reviews the residual value and useful lives annually and changes in amortization expenses (if any) are adjusted in the current and future periods.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.5 Employee end of service benefits

The cost of defined benefit obligations for employees and other post-employment benefits is determined based on a measurement of the present value of future obligations using the projected unit credit method. The actuarial valuations involve making many assumptions which may differ from actual developments in the future. These assumptions include the determination of the discount rate, future salary increases, and mortality rates. Due to the complex nature of the valuation and underlying assumptions and their long-term nature, the defined benefit obligation is significantly affected by changes in these assumptions. All assumptions are reviewed at each reporting date.

4.6 Going concern

The Group's management has conducted an assessment of the Group's ability to continue as a going concern, and the Group is satisfied that it has sufficient resources to continue its operations in the foreseeable future. Furthermore, the Group's management has no significant doubts that may affect the Group's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

(All amounts are in Saudi Riyals, unless otherwise stated)

5. PROPERTY, PLANT, AND EQUIPMENT

For the fiscal year ended 31 December 2021G	Lands	Buildings	Buildings constructed on leased lands	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work-in-progress	Total
Cost										
At 31 December 2020G	15,211,756	17,001,534	279,647,764	49,337,908	81,757,142	29,754,357	5,935,212	2,880,726	60,328,572	**541,854,971**
Additions	-	-	-	-	4,268,293	3,461,969	2,428,630	1,040,608	70,387,803	**81,587,303**
Transferred from projects in-progress	-	-	69,351,029	6,052,081	6,807,759	774,723	-	-	(82,985,592)	**-**
Disposals	-	-	-	-	(813,738)	(22,989)	(30,280)	(353,500)	-	**(1,220,507)**
At 31 December 2021G	**15,211,756**	**17,001,534**	**348,998,793**	**55,389,989**	**92,019,456**	**33,968,060**	**8,333,562**	**3,567,834**	**47,730,783**	**622,221,767**
Accumulated Depreciation										
At 31 December 2020G	-	(6,561,607)	(124,106,150)	(33,421,590)	(32,069,932)	(10,124,919)	(3,242,224)	(1,641,293)	-	**(211,167,715)**
Depreciation for the year	-	(601,199)	(18,305,199)	(2,681,520)	(6,373,468)	(2,767,942)	(654,567)	(511,344)	-	**(31,895,239)**
Disposals	-	-	-	-	721,568	20,092	10,180	309,192		**1,061,032**
At 31 December 2021G	**-**	**(7,162,806)**	**(142,411,349)**	**(36,103,110)**	**(37,721,832)**	**(12,872,769)**	**(3,886,611)**	**(1,843,445)**	**-**	**(242,001,922)**
Net book value										
At 31 December 2021G	**15,211,756**	**9,838,728**	**206,587,444**	**19,286,879**	**54,297,624**	**21,095,291**	**4,446,951**	**1,724,389**	**47,730,783**	**380,219,845**
At 31 December 2020G	15,211,756	10,439,927	155,541,614	15,916,318	49,687,210	19,629,438	2,692,988	1,239,433	60,328,572	**330,687,256**

The machinery and equipment item includes a fully depreciated assets with a book value of SAR 7,545,612 as at 31 December 2021G (2020G: SAR 7,415,370). All lands are mortgaged to Riyadh Bank as collateral for the loan obtained by the Group, as shown in Note (14).

During the year ended 31 December 2021G, the Group capitalized a borrowing cost related to qualifying assets of SAR 7,111,770 using a capitalization rate ranging from 3% to 4.5% per annum (31 December 2020G: SAR 11,173,679) using a capitalization rate ranging from 3% to 4.5% per annum (Note 14).

As at 31 December 2021G, the capital work in progress is mainly represented by the costs incurred in establishing new branches that are still under construction.

SPORT CLUBS COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021G
(All amounts are in Saudi Riyals, unless otherwise stated)

5. PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

For the fiscal year ended 31 December 2020G	Lands	Buildings	Buildings constructed on leased lands	Leasehold improvements	Machinery and equipment	Furniture and fixtures	Electrical hardware and software	Vehicles	Capital work-in-progress	Total
Cost										
At 31 December 2019G	15,211,756	17,001,534	241,387,625	48,369,517	74,064,463	22,311,644	5,119,396	2,625,121	44,786,422	**470,877,478**
Additions	-	-	-	-	3,573,969	8,109,783	954,788	605,400	72,791,096	**86,035,036**
Transferred from projects in-progress	-	-	38,260,139	1,664,119	15,363,474	417,728	-	-	(55,705,460)	-
Disposals	-	-	-	(695,728)	(11,244,764)	(1,084,798)	(138,972)	(349,795)	(1,543,486)	**(15,057,543)**
At 31 December 2020G	**15,211,756**	**17,001,534**	**279,647,764**	**49,337,908**	**81,757,142**	**29,754,357**	**5,935,212**	**2,880,726**	**60,328,572**	**541,854,971**
Accumulated Depreciation										
At 31 December 2019G	-	(5,968,977)	(107,284,340)	(30,063,957)	(36,226,155)	(8,628,863)	(2,824,705)	(1,512,335)	-	**(192,509,332)**
Depreciation for the year	-	(592,630)	(16,821,810)	(4,053,361)	(5,705,553)	(2,254,883)	(544,522)	(464,420)	-	**(30,437,179)**
Disposals	-	-	-	695,728	9,861,776	758,827	127,003	335,462	-	**11,778,796**
At 31 December 2020G	**-**	**(6,561,607)**	**(124,106,150)**	**(33,421,590)**	**(32,069,932)**	**(10,124,919)**	**(3,242,224)**	**(1,641,293)**	**-**	**(211,167,715)**
Net book value										
At 31 December 2020G	**15,211,756**	**10,439,927**	**155,541,614**	**15,916,318**	**49,687,210**	**19,629,438**	**2,692,988**	**1,239,433**	**60,328,572**	**330,687,256**
At 31 December 2019G	15,211,756	11,032,557	134,103,285	18,305,560	37,838,308	13,682,781	2,294,691	1,112,786	44,786,422	**278,368,146**

The machinery and equipment item includes fully depreciated assets with a book value of SAR 7,415,370 as at 31 December 2020G (2019G: SAR 14,222,094). All lands are mortgaged to Riyadh Bank as collateral for the loan obtained by the Group, as shown in Note (15).

During the year ended 31 December 2020G, the Group capitalized a borrowing cost related to qualifying assets amounting to SAR 11,173,679 using a capitalization rate ranging from 3% to 4.5% per annum (31 December 2019G: SAR 6,417,849) using a capitalization rate ranging from 3% to 4.5% per annum (Note 15).

As at 31 December 2020G, the capital work in progress is mainly represented by the costs incurred in new branches that are still under construction.

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5. PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Depreciation charge for the year has been allocated as follows:

	For the year ended 31 December	
	2021G	2020G
Cost of revenue (note 20)	31,421,873	29,777,928
General and administrative expenses (note 22)	452,100	641,705
Marketing expenses (note 21)	21,266	17,546
	31,895,239	30,437,179

6. LEASES

6.1 Right of use assets

The Group leases sports clubs on leases ranging from five to twenty years, with an option to renew the lease after that date (Note 3-2).

	As at 31 December	
	2021G	2020G
Cost		
Balance at 1 January	300,705,380	287,319,527
Additions during the year	-	30,040,947
Disposals during the year	-	(16,655,094)
Balance at 31 December	**300,705,380**	**300,705,380**
Accumulated depreciation		
Balance at 1 January	(22,486,917)	-
Depreciation for the year	(18,426,471)	(16,620,001)
Depreciation capitalized on capital work-in-progress	(4,232,983)	(5,866,916)
Balance at 31 December	**(45,146,371)**	(22,486,917)
Net book value	**255,559,009**	278,218,463

Allocation of depreciation:

Lease depreciation expenses are fully charged to Cost of revenue (note 20)

6.2 Lease liabilities

	As at 31 December	
	2021G	2020G
Balance at the beginning of the year	323,081,414	311,404,274
Additions during the year	-	30,040,947
Disposals during the year	-	(16,730,918)
Finance costs	20,397,039	19,849,716
Payment made during the year	(34,038,189)	(21,482,605)
Total lease liabilities	**309,440,264**	323,081,414

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6. LEASES (CONTINUED)

Lease liabilities are presented in the statement of financial position as follows:

	As at 31 December	
	2021G	2020G
Current portion	14,992,291	12,478,053
Non-current portion	294,447,973	310,603,361
Total lease liabilities	**309,440,264**	323,081,414

6.3 Amounts recognized in the statement of profit or loss and other comprehensive income relating to leases:

	For the year ended 31 December	
	2021G	2020G
Depreciation expenses of right-of-use assets	18,426,471	16,620,001
Interest on lease liabilities	14,465,869	12,428,658
Short-term lease expenses	5,338,081	2,310,476
	38,230,421	31,359,135

7. INVESTMENT PROPERTIES

	As at 31 December	
	2021G	2020G
Cost		
As at 1 January	**13,277,059**	13,277,059
As at 31 December	**13,277,059**	13,277,059
Accumulated Depreciation		
As at 1 January	**10,999,836**	10,914,488
Depreciation for the year	**56,517**	85,348
As at 31 December	**11,056,353**	10,999,836
Net book value	**2,220,706**	2,277,223

The fair value of the investment property as at the date of the consolidated financial statements was determined based on an evaluation conducted by the independent valuer mentioned below, who is not affiliated with the Group. Investment property is recognized at cost less accumulated depreciation and impairment losses, if any.

Independent valuer	City	Valuer qualifications	Fair value (SAR)
Almwatheqon for real estate valuation	Riyadh	Certified valuers by the Saudi Authority for Accredited Valuers and the Ministry of Investment.	5,599,000

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8. INTANGIBLE ASSETS

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

	As at 31 December	
	2021G	2020G
Software (A)	943,369	1,019,147
Goodwill (B)	937,460	937,460
Projects in-progress	1,881,697	1,234,675
	3,762,526	3,191,282

d. The movement in software during the year is as follows:

	As at 31 December	
	2021G	2020G
Cost:		
Balance at the beginning of the year	3,164,423	2,722,990
Additions during the year	266,099	441,433
Disposals during the year	1,316,244	-
Balance at 31 December	**2,114,278**	3,164,423
Accumulated amortization:		
Balance at the beginning of the year	2,145,276	1,824,202
Amortization during the year	341,877	321,074
Disposals during the year	1,316,244	-
Balance at 31 December	**1,170,909**	2,145,276
Net book value	**943,369**	1,019,147

e. Goodwill:

As a result of the Group’s acquisition of shares in the martial arts project on 1 July 2011, goodwill amounting to SAR 937,460 was generated from the acquisition.

Impairment testing for goodwill:

The Group’s management performed the annual impairment testing for goodwill on 31 December 2021G and the recoverable amount was determined based on the value in use calculation. The use of this method requires estimating the future cash flows and determining the discount rate in order to calculate the present value of the cash flows over time. As at 31 December 2021G, the Group determined the recoverable amount based on the discounted future cash flows, and the recoverable amount was greater than the carrying amount of the cash-generating unit.

The recoverable amount of the value in use calculation has been determined based on cash flow projections from officially approved budgets covering a period of five years to 31 December 2025G. Other principal assumptions are as follows:

	As at 31 December	
	2021G	2020G
Discount rate	13.3%	13%
Growth rate*	3%	3%

*Growth rate assumptions apply only to the period beyond the period of the financial statements with value in use calculated based on extrapolating budgeted cash flows for the fifth year.

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8. INTANGIBLE ASSETS (CONTINUED)

Operating margins were based on past experiences and future expectations in light of expected economic and market conditions. The discount rates are based on the group's beta adjusted to reflect management's assessment of the specific risks related to the cash-generating unit. Growth rates after the first five years are based on economic data related to the respective region.

The recoverable amount of the cash-generating units that hold the full goodwill balance of the Group amounted to SAR 4,047,577, which exceeds the carrying amount of the cash-generating unit, which is SAR 937,460.

9. INVENTORIES

	As at 31 December	
	2021G	2020G
Operating and maintenance materials	1,909,333	3,020,571
Spare parts	2,408,828	2,302,537
	4,318,161	5,323,108

10. TRADE RECEIVABLES

	As at 31 December	
	2021G	2020G
Trade receivables	2,286,080	2,107,157
Impairment in trade receivables	(1,965,172)	(1,965,172)
	320,908	141,985

11. PREPAYMENTS AND OTHER RECEIVABLE ASSETS

	As at 31 December	
	2021G	2020G
Prepaid expenses	7,389,376	7,467,818
Insurance for leased buildings	1,690,000	662,053
Staff advances and deposits	1,336,371	1,009,614
Advances to suppliers	679,253	313,372
Labor supply insurance	506,300	-
Lease receivables	320,014	1,900,000
Accrued revenue	310,740	-
Letters of guarantee	103,552	-
Related parties (note 30)	74,613	74,613
Sale of property receivables	-	1,364,623
	12,410,219	12,792,093
Impairment in prepayments and other receivable assets	(1,350,000)	(1,350,000)
	11,060,219	11,442,093
Movement in provision		
Balance at the beginning of the year	1,350,000	170,173
Provision during the year	-	1,350,000
Written off during the year	-	(170,173)
	1,350,000	1,350,000

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12. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021G	2020G
Banks - current accounts	15,857,813	8,701,964
Cash in hand	653,819	792,811
	16,511,632	9,494,775

13. SHARE CAPITAL

The Group's capital was determined at SAR 104 million, divided into 104,000 shares of equal value, the value of each share is SAR 1,000.

The distribution of share capital among shareholders, and their ownership percentages in the capital are as follows:

Shareholder	No. of shares	% of ownership	Total Value of Shares
Private Opportunities Investment Company	41,600	40%	41,600,000
Diamond opportunity Sports Company	35,880	34.5%	35,880,000
Elaf Gulf Commercial Investment Company	26,520	25.5%	26,520,000
	104,000	**100%**	**104,000,000**

14. LONG-TERM LOANS

On 19 January 2021G (corresponding to 6 Jumada' II,1442 AH), the Group signed a credit facilities renewal contract with a local bank to update the data of the facilities previously withdrawn by the Group over the past years at varying percentages, with an additional SIBOR of SAR 88.7 million. These loans are repaid in quarterly installments for a period of five years with a grace period of one year. The loan balance as at 31 December 2021G amounted to SAR 82,985,972 (31 December 2020G: SAR 74,578,370).

The aforementioned loan is secured against a mortgage on lands (note 5), with shareholders also providing a guarantee by pledging their share of ownership in the Group. The following details pertain to the mortgage on the titles of the mortgaged land (Note 5):

Deed Number	Date
814006005053	22-3-1441 H
314006005791	17-6-1441 H
914006005790	17-6-1441 H

On 28 October 2020G (corresponding to 11 Rabi' al-Awwal 1442H), the Group signed a credit facility renewal contract with another local bank to obtain additional facilities of SAR 50 million, bringing the total facilities from this local bank to SAR 66.6 million. A commission is charged on these facilities at the Saudi interbank lending rate (SIBOR) plus 3% and 4%. As at 31 December 2021G, the loan balance amounted to SAR 53,304,283 (31 December 2020G:SAR 16,596,205). These facilities are secured by a promissory note and individual and joint guarantees from the shareholders, each in proportion to his share.

As at 21 December 2020G (corresponding to 6 Jumada I 1442H), the Group signed a credit facility renewal agreement with another local bank to obtain additional facilities of SAR 10 million in exchange for annual administrative services of SAR 400,000. These loans are repaid in semi-annual installments for a period of five years, with a one-year grace period. As at 31December 2021G, the loan balance amounted to SAR 10,000,000. These facilities are secured by a promissory note and individual and joint guarantees from the shareholders, each in proportion to his share.

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14. LONG-TERM LOANS (CONTINUED)

The following is the movement of loans:

	For the year ended 31 December	
	2021G	2020G
Balance at the beginning of the year	105,314,972	53,574,574
Finance amount received during the year	48,437,825	54,140,398
Payment made during the year	(7,462,540)	(2,400,000)
Balance at the end of the year	**146,290,257**	105,314,972

The total loan amounts were presented according to the agreed upon maturity dates of the repayment installments, after they were classified into current and non-current liabilities, minus the deferred finance costs, as follows

As at 31 December 2021G	Non-current portion	Current portion	Total
Total loans	**109,009,911**	**37,280,346**	**146,290,257**
	109,009,911	**37,280,346**	**146,290,257**

As at 31 December 2020G	Non-current portion	Current portion	Total
Total loans	73,149,602	36,215,007	109,364,609
Less: Deferred finance costs	(797,241)	(3,252,396)	(4,049,637)
	72,352,361	32,962,611	105,314,972

The table below shows the maturity dates of the loans mentioned, in accordance with the maturity dates specified in the loan contracts:

	As at 31 December	
	2021G	2020G
Less than one year	**37,280,346**	25,235,636
Between one and two years	**78,211,396**	56,972,978
Between two to five years	**30,798,515**	23,106,358
	146,290,257	105,314,972

15. EMPLOYEE BENEFITS

The Group grants end-of-service benefits to employees in accordance with the Saudi Labor Law and applicable Social Insurance regulations in Saudi Arabia.

Movement of employee end of service obligation is as follows:

	For the year ended 31 December	
	2021G	2020G
Balance at the beginning of the year	18,213,000	14,255,000
Current service cost and return cost	2,269,000	1,765,000
Interest cost	593,000	642,000
Benefits paid	(1,433,865)	(709,166)
Remeasurement of actuarial liabilities	(1,915,135)	2,260,166
Balance at the end of the year	**17,726,000**	18,213,000

Principal actuarial assumptions	2021G	2020G
Financial assumptions		
Discount rate	**3.20%**	3%
Salary increase rate	**0.75%**	1.75%

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15. EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis	31 December 2021G		31 December 2020G	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	**14,495,000**	**16,731,000**	14,868,000	17,402,000
Salary increase rate	**16,749,000**	**14,461,000**	17,406,000	14,844,000

16. CONTRACT LIABILITIES

	For the year ended 31 December	
	2021G	2020G
Balance at the beginning of the year	**61,736,574**	53,069,908
Received during the year	**190,192,319**	115,108,417
Recognized during the year as revenue from subscriptions (note 19)	**(184,396,266)**	(105,118,143)
Recognized during the year as other income (note 23)	**(1,841,702)**	(1,323,609)
Balance at the end of the year	**65,690,925**	61,736,573
Current	**60,644,995**	58,914,350
Non-current	**5,045,930**	2,822,223
Balance at the end of the year	**65,690,925**	61,736,573

17. ACCRUED EXPENSES AND OTHER PAYABLES

	For the year ended 31 December	
	2021G	2020G
Employees' accruals	**8,373,263**	6,971,470
Accrued expenses	**5,756,956**	4,761,754
Accrued finance costs	**-**	1,273,000
	14,130,219	13,006,224

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18. ZAKAT

A. Zakat assessment status:

The Group has submitted its Zakat returns for all years up to the year ended 31 December 2021G, and has received a final assessment from the Zakat, Tax, and Customs Authority of the Kingdom of Saudi Arabia ("ZATCA") for all years up to the financial year ended 31 December 2018.

B. The significant components of the Zakat base for the fiscal year ended 31 December, are as follows:

	For the year ended 31 December	
	2021G	**2020G**
1-Adjusted net income		
Profit / (loss) for the year before Zakat	**11,568,657**	(35,975,912)
Add:		
Non-deductible costs	**2,862,000**	4,540,182
Adjusted profit / (loss) (A)	**14,430,657**	(31,435,730)
2- Equity		
Share capital at the beginning of the year	**104,000,000**	104,000,000
Provisions	**2,045,486**	1,965,172
Retained earnings	**(12,742,428)**	25,871,150
Statutory reserve	**11,127,558**	11,127,558
Provision for employee end of service benefits	**16,779,135**	13,545,834
Revenue of deferred subscriptions	**61,736,574**	53,069,907
Loans and other sources of financing	**435,561,096**	105,314,973
Adjusted net profit / (loss)	**14,430,657**	(31,435,730)
	636,810,935	283,458,864
Net property, projects in progress & spare parts inventory	**(642,581,424)**	(296,615,920)
Zakat Base (B)	**(9,643,346)**	(13,157,056)
Zakat expense (A) or (B), whichever is greater × 2.5%	**354,135**	-

C. The movement in the due Zakat provision is as follows:

	For the year ended 31 December	
	2021G	**2020G**
Balance at beginning of the year	188,847	197,692
Payments made during the year	(108,533)	(386,345)
Zakat payable for the year	354,135	2,500
Zakat for prior years	98,365	375,000
Balance at the end of the year	532,814	188,847

19. REVENUE

Revenue comprise of the following:

	For the year ended 31 December	
	2021G	**2020G**
Sport clubs subscriptions (note 16)	184,396,266	105,118,143
Health club services	19,812,479	9,917,335
Sports equipment sales	149,518	72,940
	204,358,263	115,108,418

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20. COST OF REVENUE

	For the year ended 31 December	
	2021G	2020G
Direct wages, salaries, and others	**79,928,254**	55,870,267
Depreciation of property, plant, and equipment (note 5)	**31,421,873**	29,777,928
Depreciation of right-of-use assets (note 6)	**18,426,471**	16,600,657
Electricity and water	**14,361,124**	8,801,831
Maintenance, supplies, and cleaning	**8,508,693**	7,459,638
Rentals	**6,172,528**	2,329,820
Government fees and contributions	**1,225,237**	1,425,329
Fuels and oils	**1,282,676**	1,007,023
Telephone and mail	**1,089,285**	811,372
Cost of sale of sport equipment	**248,598**	119,514
Amortization of intangibles assets (note 8)	**220,243**	161,761
Others	**1,806,674**	1,666,166
	164,691,656	126,031,306

21. MARKETING EXPENSES

	For the year ended 31 December	
	2021G	2020G
Advertising and marketing	**3,539,934**	5,097,638
Salaries, wages, and other benefits	**1,514,373**	1,462,427
Depreciation of property, plant, and equipment (Note 5)	**21,266**	17,546
Amortization of intangibles assets (note 8)	**6,247**	10,947
Others	**81,781**	42,450
	5,163,601	6,631,008

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2021G	2020G
Salaries, wages, and other benefits	**8,208,629**	7,082,875
Others	**1,130,024**	859,995
Depreciation of property, plant, and equipment (Note 5)	**452,100**	641,705
Maintenance and cleaning	**275,876**	325,701
Telephone and mail	**240,133**	248,158
Amortization of intangibles assets (note 8)	**115,387**	148,366
	10,422,149	9,306,800

23. OTHER INCOME, NET

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

	For the year ended 31 December	
	2021G	2020G
Discounts on rent expense	**2,324,524**	5,416,738
Rental revenue	**1,841,701**	1,323,610
Provision for impairment of receivables (note 11)	**-**	(1,350,000)
Gains / (loss) on disposal of property, plant and equipment	**281,589**	(276,689)
Investment property depreciation expense (note 7)	**(56,517)**	(85,348)
Depreciation of right-of-use assets	**-**	(19,344)
Miscellaneous income	**-**	693.600
	4,391,297	5,702,567

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24. FINANCE COSTS AND BANK EXPENSES

	As at 31 December	
	2021G	2020G
Interest on lease liabilities	20,397,049	19,849,714
Costs on long-term loans	3,637,063	3,381,761
Bank expenses and commissions	335,975	760,502
Capitalized interests on lease liabilities during the year	(5,931,170)	(7,421,056)
Capitalized finance costs on loans during the year	(1,535,420)	(1,753,138)
Bank and finance expenditures charged to the statement of profit and loss	16,903,497	14,817,783

25. FINANCIAL ASSETS AND LIABILITIES

25.1 Financial assets

	For the year ended 31 December	
	2021G	2020G
Financial assets at amortized cost:		
Account receivables	320,908	141,985
Cash and cash equivalents	15,857,813	8,701,964
Total financial assets at amortized cost	16,178,721	8,843,949

25.2 Financial liabilities

	For the year ended 31 December	
	2021G	2020G
Financial liabilities at amortized cost:		
Long-term loans	146,290,257	105,314,972
Lease liabilities	309,440,264	323,081,414
Accounts payable	4,746,105	16,850,025
Total financial liabilities at amortized cost	460,476,626	445,246,411
Non-current portion of financial liabilities	403,457,884	382,955,722
Current portion of financial liabilities	57,018,742	62,290,689
Total financial liabilities	460,476,626	445,246,411

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

26. CAPITAL COMMITMENTS

As at 31 December 2021G, the Group has capital commitments of SAR 5,941,850 (2020G: SAR 10,933,084) for contracts related to the construction of new sports clubs, listed under capital projects in progress.

27. FAIR VALUE

Fair value is the amount 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 assumption that the transaction to sell the asset or transfer the liability will occur in one of the following cases:

- In the principal market for the assets or liabilities, or
- In the most advantageous market for the assets or liabilities in the absence of a principal market.

27. FAIR VALUE (CONTINUED)

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

The fair value of an asset or a liability is measured using the assumptions that participants would use to price the asset or liability, on the assumption that the participants seek the best economic interest.

A fair value measurement 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 Group uses valuation methods that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

Level 1: Quoted market prices (without adjustment) in active markets for similar assets and liabilities.

Level 2: Fair value measurement using inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3: Valuation techniques that use the minimum inputs needed to measure fair value (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, using the Level 1 and Level 2 indicators, the Group determines whether a transfer has occurred between levels in the hierarchy by re-assessing classification (based on the lowest level input that is significant to the fair value measurement, generally) at the end date of each reporting period.

For the purpose of fair value disclosures, the Group 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 described above.

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities that are not measured at fair value if the carrying amount is reasonable approximation of fair value.

The fair value of short-term financial assets and liabilities approximates their carrying amount, due to their short maturities.

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group is exposed to the following risks through its use of financial instruments:

- Credit Risk
- Liquidity risk
- Market risk

Risk management is carried out by senior management in accordance with policies approved by the Board of Directors. Senior management identifies and evaluates financial risks, when appropriate, in close cooperation with the Group's operating units.

28.1 CREDIT RISK

Credit risk is the risk that the Group will incur a financial loss in the event that a customer or counter-party fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers. The fair value of the financial assets represents the maximum exposure to credit risk.

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

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

28.1 CREDIT RISK (CONTINUED)

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before introducing the Group's standard payment terms and conditions. The Group's review includes external ratings where available and, in some cases, bank references.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables (note 10).

	For the year ended 31 December	
	2021G	2020G
Cash and cash equivalents	**15,857,813**	8,701,964
Trade receivables	**320,908**	141,985
	16,178,721	8,843,949

28.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or through other financial assets. The Group's approach is to manage liquidity risk by ensuring, as far as possible, that it has sufficient liquidity to meet its obligations as they fall due, under both normal and exceptional conditions, without incurring undue losses or exposing the Group to risks that could harm its reputation.

The following is an analysis of the undiscounted contractual maturities of the Group's financial liabilities:

	Less than 1 year	1 to 5 years	Total contractual cash flows	Carrying amount
As at 31 December 2021G				
Loans	37,280,346	109,009,911	-	**146,290,257**
Accounts payable	4,746,105	-	4,746,105	**4,746,105**
Accrued expenses and other payables	14,130,219	-	14,130,219	**14,130,219**
	56,156,670	**109,009,911**	**18,876,324**	**165,166,581**
As at 31 December 2020G				
Loans	36,215,007	73,149,602	109,364,609	105,314,972
Accounts payable	16,850,025	-	16,850,025	16,850,025
Accrued expenses and other payables	13,006,224	-	13,006,224	13,006,224
	66,071,256	73,149,602	139,220,858	135,171,221

28.3 Market Risk

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates, interest rates and equity prices on the Group's revenue or the value of its financial instruments. Market risk management aims to manage and control risk exposures within acceptable limits while achieving optimum return.

Market risk consists of three types of risk: currency risk, interest rate risk and other price risk.

28.3.1 Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates in the normal course of business as the Group's significant transactions during the period are stated in Saudi Riyals and US Dollars. Since the Saudi Riyal exchange rate is pegged to the US dollar, there are no significant risks associated with transactions and balances listed in US dollars.

(All amounts are in Saudi Riyals, unless otherwise stated)

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

29.3 Market Risk (continued)

28.3.2 Interest Rate Risk

Interest rate risk is the fluctuation in the fair value of future cash flows of financial instruments due to changes in market interest rates.

The Group's interest rate risk arises from its long term loans. Variable-rate loans expose the Group to interest rate risks on cash flows.

	Increase/decrease in basis points related to commission rates	Impact on profit for the year
31 December 2021G	+100	**1,462,903**
	-100	**(1,462,903)**
31 December 2020G	+100	1,053,150
	-100	(1,053,150)

The Group's policy is to maintain a strong capital base to maintain investors, creditors, and market confidence and to sustain future development of the business. The Group monitors its capital base using the net debt to equity ratio. Net debt is calculated as loans minus cash and cash equivalents.

The Group's net debt to equity ratio at the end of the year is as follows:

	As at 31 December	
	2021G	2020G
Loans	**146,290,257**	105,314,972
Less: Cash and cash equivalents	**(16,511,632)**	(9,494,775)
Net debt	**129,778,625**	95,820,197
Total equity	**115,416,422**	102,385,130
Net debt to equity ratio	**%112**	94%

29. TRANSACTIONS WITH RELATED PARTIES

The transactions with related parties involve the Group's shareholders making payments on behalf of the Group to settle certain operational expenses, employee contributions for related parties of the Group's clubs, and consulting and management services. These transactions were carried out in accordance with the conditions specified in the agreements concluded with related parties and approved by management. A summary of significant transactions with related parties and the resulting balances is as follows:

Related party	Nature of relationship	Nature of transaction	Amount of transaction	
			2021G	2020G
Gulf Money Company	Former shareholder	Expenses paid on behalf of the Company	-	162,262

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

Within prepayments and other receivable assets (note 11):

	For the year ended 31 December	
	2021G	2020G
Gulf Money Company	74,613	74,613

Senior management compensations	For the year ended 31 December	
	2021G	2020G
Salaries and other short-term benefits	1,383,711	1,261,411

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 December 2021G were approved by the Board of Directors on 29 Shawwal 1443H (corresponding to 30 May 2022G).

BODY MASTERS
بودي ماسترز

BODY MOTIONS
بودي موشنز

BODY EXPERTS
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