





A Saudi closed joint stock company incorporated under Ministerial Resolution No. 1292 dated 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G), registered under Commercial Registration No. 1010559940 issued in Riyadh, Kingdom of Saudi Arabia, dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G).

An offering of four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) ordinary shares representing 15.0 per cent. of Armah Sports Company's share capital after the Offering (which represents 17.14 per cent. of the Company's capital before the capital increase), on the Parallel Market to Qualified Investors at a price of twenty eight Saudi Arabian Riyals (28) per share.

Financial Advisor, Lead Manager, and Bookrunner



Armah Sports Company (the "Company" or the "Issuer") is a Saudi closed joint stock company incorporated under Ministerial Resolution No. 1292 dated 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G) and registered under Commercial Registration No. 1010559940 dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G) issued in Riyadh, Kingdom of Saudi Arabia (the "Kingdom"). The Company's headquarters are located in Al-Nakheel District, Takhassusi Street, P.O. Box 3894 Riyadh 12382, Kingdom of Saudi Arabia. The share capital of the Company is two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000), divided into twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "Shares").

The Company was established as a limited liability company according to the articles of association dated 12 Jumada al-Akhirah 1440H (corresponding to 17 February 2019G) under the name Armah Sports Company and Commercial Registration No. 1010559940 dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G) with a capital of seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) divided into seventy-eight thousand five hundred and forty (78,540) cash shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share. The number of Shareholders upon incorporation was twelve (12) Shareholders. On 14 Jumada al-Ula 1441H (corresponding to 9 January 2020G), the Shareholders decided to reduce the Company's capital due to it being more than the needed capital, from seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) to fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) divided into fifty-two thousand six hundred and twenty-five (52,625) cash shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, and new Shareholders joined to increase their number up to fourteen (14) Shareholders. The Shareholders decided to use an amount of the capital reduction value which amounted to eighteen million and seven hundred and ninety five thousand Saudi Arabian Riyals (SAR 18,795,000) out of a total of twenty five million and nine hundred and fifteen thousand Saudi Arabian Riyals (SAR 25,915,000), in increasing the capital of Jiad United for Real Estate Development Company (which is a Related Party), for the purpose of purchasing a plot of land, and the remaining value amounting to seven million and one hundred and twenty thousand Saudi Arabian Riyals (SAR 7,120,000) was distributed to certain Shareholders as a partial redemption on their Shares in the Company. On 12 Muharram 1444H (corresponding to 10 August 2022G), the Shareholders decided to increase the Company's capital from fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) to seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) divided into seven million, one hundred and fifty-four thousand (7,154,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share by issuing one million eight hundred and ninety-one thousand five hundred (1,891,500) new shares to the new Shareholder Jiad United for Real Estate Development Company, for an in-kind contribution represented in the transfer of ownership of ten properties, from Jiad United for Real Estate Development Company to the Company (the Company previously leased these properties from Jiad United for Real Estate Development Company for the purpose of building its fitness clubs). As these properties have been evaluated by both Al Taweeel Real Estate evaluation office, whose evaluation amounted to two hundred and thirty-seven million two hundred and thirty-four thousand Saudi Arabian Riyals (SAR 237,234,000), and Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation, whose evaluation amounted to two hundred and thirty-five million three hundred and fifty-five thousand and one hundred and fifty-two Saudi Arabian Riyals (SAR 235,355,152), a lower value than the lowest evaluation by the evaluators was set at two hundred and thirty-four million and nine hundred thousand Saudi Arabian Riyals (SAR 234,900,000), the remaining amount of the property value amounted to two hundred and fifteen million and nine hundred eighty five thousand Saudi Arabian Riyals (SAR 215,985,000) and was allocated as additional capital for the Company. In addition, new Shareholders joined the Company to bring the total number of Shareholders to eighteen (18) Shareholders. Pursuant to the partners' resolution dated 1 Rabi' al-Awwal 1444H (corresponding to 27 September 2022G), the Company was converted from a limited liability company to a closed joint stock company, and the capital of the Company was increased from seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) to two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capital increase of an amount of two hundred and fifteen million nine hundred and eighty-five thousand Saudi Arabian Riyals (SAR 215,985,000) from the Company's additional capital. The issued Ministerial Resolution No. 1292 dated 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G) approved the transformation of the Company from a limited liability company to a closed joint stock company. Pursuant to the Company's Extraordinary General Assembly resolution dated 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G), the capital of the Company was increased from two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) to three hundred and twenty-eight million five hundred and ninety-one thousand six hundred and sixty Saudi Arabian Riyals (SAR 328,591,660) divided into thirty-two million eight hundred and fifty-nine thousand one hundred and sixty-six (32,859,166) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, and it was agreed that four million one hundred and six thousand six hundred and sixty-six (4,106,666) new Shares would be offered and issued (which represented 12.5 per cent. of the Company's capital after the increase) to Qualified Investors in the Parallel Market. For more details on capital development, please see Section 4.2 (Corporate History and Evolution of Capital).

As of the date of this Prospectus, the Company's share capital amounts to two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000), divided into twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The Company's capital after the Offering will amount to three hundred and twenty-eight million five hundred and ninety-one thousand six hundred and sixty Saudi Arabian Riyals (SAR 328,591,660) divided into thirty-two million eight hundred and fifty-nine thousand one hundred and sixty-six (32,859,166) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share as a result of the Company's capital increase through the Offering of four million one hundred and six thousand six hundred and sixty-six (4,106,666) newly issued shares (which will represent 12.5 per cent. of the Company's capital after the increase) to Qualified Investors. The Company has one class of ordinary Shares. Each of its Shareholders has the right to one vote, and each Shareholder of the Company (hereinafter referred to as the "Shareholder") is entitled to attend and vote at the meetings of the General Assembly of Shareholders (hereinafter referred to as the "General Assembly"). Each Shareholder has the right to delegate another person to act on his behalf in attending the meetings of the General Assembly and vote on decisions. No Shareholder shall have any preferential voting rights. The Offer Shares will be entitled to receive dividends declared by the Company as of the date of this prospectus (this "Prospectus") and in the subsequent financial years. For further details about the dividend distribution policy, see Section 7 (Dividend Distribution Policy) of this Prospectus.

The initial public offering (hereinafter referred to as the "Offering") consists of four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) ordinary Shares from (i) the sale of eight hundred and twenty-one thousand two hundred and ninety-two (821,292) existing shares ("Sale Shares"); and (ii) the issuance of four million one hundred and six thousand six hundred and sixty-six (4,106,666) new ordinary Shares ("New Shares") (hereinafter collectively referred to as the "Offer Shares" and individually as an "Offer Share") at an Offer price of twenty eight Saudi Arabian Riyals (SAR 28) per Offer Share and with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share (hereinafter referred to as the "Offer Price"). The Offering Shares shall include a nominal value of ten (10) Saudi Arabian Riyals per Share paid for in full. The Sale Shares and the New Shares will represent 2.50 per cent. and 12.50 per cent. of the Company's capital at the completion

of the Offering, respectively, which in total will equal 15.0 per cent. of the Company's issued capital. The subscription to the Offer Shares is restricted to Qualified Investors (the "Qualified Investors") namely:

1. Capital Market Institutions acting on their own behalf;
2. clients of a Capital Market Institution authorized to perform management activities, provided that the Capital Market Institution has been appointed under terms that enable it to make decisions to accept participation in the Offering and to invest in the Parallel Market on the client's behalf without the need for his/her prior approval;
3. the Kingdom's Government, any governmental entity, or any international body recognized by the Capital Market Authority in the Kingdom (the "CMA"), the Saudi Exchange (the "Exchange"), or any other stock exchange recognized by the CMA, or the Securities Depository Center Company (Edaa) in the Kingdom (the "Depository Center");
4. Government-owned companies, whether investing directly or through a portfolio managed by a Capital Market Institution authorized to perform management activities;
5. companies and funds established in GCC countries;
6. investment funds;
7. any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center;
8. natural persons who may open an investment account in the Kingdom and an account with the Depository Center and who:
 - (a) have made transactions in the securities market with a total value of not less than forty million Saudi Arabian Riyals (SAR 40,000,000) and not less than ten (10) transactions per quarter during the past 12 months;
 - (b) have assets whose net value is not less than five million Saudi Arabian Riyals (SAR 5,000,000);
 - (c) are working or have worked in the financial sector for at least three (3) years;
 - (d) have a CME-I approved by the CMA; or
 - (e) hold a professional certificate that is related to dealing with securities and accredited by an internationally recognized entity; or
9. any other persons defined by the CMA.

The Company's current Shareholders (collectively, the "Current Shareholders") named in Table 1 (Current Shareholders) own all of the shares of the Company prior to the Offering. Upon the completion of the Offering, the Current Shareholders will own 85.0 per cent. of the Company's Shares and will therefore retain a controlling stake in the Company. The proceeds of the Offering (the "Proceeds") will be distributed – after deducting the Offering Expenses – (the "Net Proceeds") as follows: (i) an amount of twenty million seven hundred ninety-six thousand two hundred sixty-eight Saudi Arabian Riyals (SAR 20,796,268) will be distributed to the selling shareholders (i.e., all Current Shareholders of the Company except Jiad United for Real Estate Development Company) (the "Selling Shareholders") on a pro rata basis based on the percentage of their respective ownership in the Sale Shares sold during the offering process; and (ii) an amount of one hundred three million nine hundred eighty-six thousand five hundred fifty-five (SAR 103,986,556) will be distributed to the Company to be used to achieve its overall objectives within a period of twenty-four (24) to thirty-six (36) months. For further details, see Section 8 (Use of Proceeds).

The Company's Substantial Shareholders, who directly own 5.0 per cent. or more of its Shares, are Jiad United for Real Estate Development Company (directly owns 25.81 per cent. of the Company's Shares), Abdulmohsen Ali Mohammed Alhagbani (directly owns 15.71 per cent. of the Company's Shares and indirectly owns 5.46 per cent.), Nahla Ali Mohammed Alhagbani (directly owns 10.25 per cent. of the Company's Shares and indirectly owns 3.56 per cent.), Latifa Mohammed Saleh Alhagbani (directly owns 8.42 per cent. of the Company's Shares and indirectly owns 2.93 per cent.), Khalid Ali Mohammed Alhagbani (directly owns 6.34 per cent. of the Company's Shares and indirectly owns 2.21 per cent.), and Fahad Ali Mohammed Alhagbani (directly owns 5.20 per cent. of the Company's Shares and indirectly owns 1.81 per cent.), where they collectively own a percentage of 71.73 per cent. directly, and 15.97 per cent. indirectly. For more information about the Substantial Shareholders, see Table 2 (Direct Substantial Shareholders, Number of Shares and Shareholding Before and After the Offering) of this Prospectus. After the completion of the Offering, the Substantial Shareholders will own 61.22 per cent. of the Company's Shares. Accordingly, they will retain a controlling interest and be subject to a Lock-up Period of twelve (12) months as of the date the Company's Shares are listed on the Parallel Market during which they may not dispose of their Shares (the "Lock-up Period"). The Substantial Shareholders also undertake to commit to an additional Lock-up Period of twelve (12) months commencing from the date of the expiry of the statutory Lock-up Period, they may dispose of their Shares after the end of this period without obtaining the prior approval of the Capital Market Authority (the "CMA").

The Offering Period for Qualified Investors will begin on Thursday on 25/04/1445H (corresponding to 09/11/2023G) and will remain open for a period of Eight (8) days up to and including the subscription closing date at the end of Thursday on 02/05/1445H (corresponding to 16/11/2023G) (the "Offering Period"). Subscription to the Offer Shares can be made through the electronic subscription system of the Lead Manager during the Offering Period. For further details, see Section 13 (Details on Shares and Subscription Terms and Conditions) of this Prospectus. The Offering to Qualified Investors will be during the Offering Period, and each of them will be allowed to study the opportunity and be informed of any additional information available in the Company's headquarters, where all the documents referred to will be displayed, see Section 17 (Documents Available for Inspection). Each Qualified Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of One million six hundred and forty-two thousand nine hundred and fifty-seven (1,642,957) Offer Shares. Subscription to the Offer Shares will be made by completing the Subscription Application Form and transferring the funds directly to the subscription account related to the Offering, as specified in the Subscription Application Form, and the allocation of Offer Shares will be determined at the discretion of the Financial Advisor and the Company. Announcement of the final allotment will be announced no later than Tuesday 07/05/1445H (corresponding to 21/11/2023G) and excess subscription amounts will be refunded no later than Thursday, 09/05/1445H (corresponding to 23/11/2023G). Excess subscription amounts, if any, will be refunded to Qualified Investors without any charge or commission being withheld by the Financial Advisor on the Net Offering Proceeds or by the Lead Manager or the Company (see "Key Dates and Subscription Procedures" on page (x) of this Prospectus and Section 13 (Details on Shares and Subscription Terms and Conditions) of this Prospectus).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of shares in accordance with the OSCO Rules. The Company has also submitted an application to the Exchange for admission to listing on the Parallel Market in accordance with the Listing Rules. This Prospectus has been approved, all supporting documents required by the CMA have been submitted and all relevant approvals pertaining to the Offering have been granted. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares, the refund of excess subscription amounts and the satisfaction of all relevant regulatory requirements (see "Key Dates and Subscription Procedures" on page (x) of this Prospectus). After the Shares are registered on the Parallel Market, Qualified Investors, whether inside or outside the Kingdom, who meet the conditions will be allowed to trade in the Company's Shares.

Those who wish to subscribe for the Offer Shares must read and consider the "Important Notice" page (i) and Section 2 (Risk Factors) of this Prospectus prior to making a decision to invest in the Offer Shares.

This Prospectus includes information provided in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "CMA"). The Directors of the Company, whose names appear on page (ii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts whose omission would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus or make any representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Investors who wish to purchase the Offer Shares under this Prospectus must verify the validity of the information related to the Offer Shares. If the contents of this Prospectus cannot be understood, a licensed financial advisor should be consulted.

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

This Prospectus is dated 02/12/1444H (corresponding to 20/06/2023G).



Important Notice

This Prospectus contains complete detailed information about Armah Sports Company as well as the Offer Shares. Investors who apply to subscribe for the Offer Shares will be treated on the understanding that their applications are based solely on the information contained in this Prospectus, copies of which can be obtained through the website of the Company (www.armahsports.com), or the website of the Financial Advisor Saudi Fransi Capital, (www.sfc.sa) or the website of the CMA (www.cma.org.sa), or the Exchange (www.saudiexchange.sa). The publication of the Prospectus will be announced by the Financial Advisor on the Exchange's website and made available to Qualified Investors within a period of no less than 14 days prior to the start of the Offering, in accordance with the OSCO Rules issued by the CMA.

With respect to the Offer Shares described in this Prospectus, Saudi Fransi Capital has been appointed by the Company as the Financial Advisor for the Offering (the “**Financial Advisor**”), Lead Manager (the “**Lead Manager**”), and Bookrunner (the “**Bookrunner**”).

This Prospectus includes information provided in accordance with the OSCO Rules issued by the CMA. The Directors, whose names appear on page (iii), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts whose omission would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the content of this Prospectus, do not make any representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

The information contained herein is believed to be accurate as of the date hereof but is subject to change. In particular, the financial position of the Company and the value of the Shares may be negatively affected by future developments related to inflation, interest rates, taxation, or other economic, political and other factors over which the Company has no control. For further details, see Section 2 (*Risk Factors*) of this Prospectus. Neither the preparation of this Prospectus nor any verbal, written or printed communication in relation to the Offer Shares is intended to be or should be construed as or relied on in any way as a promise or representation as to future earnings, results or events.

This Prospectus may not be regarded as a recommendation on the part of the Company, the Directors or the Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives or the financial situation or particular investment needs of persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining professional advice from a CMA-licensed financial advisor in relation to the Offering and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

Prospective investors should not rely on another party's decision whether to invest or such party's circumstances as a basis for their own examination of the investment opportunity.

Market and Industry Data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Company's estimates, using underlying data from independent third parties. Statistics, data and other information related to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets in this Prospectus are based on published and publicly available data obtained from multiple independent third-party sources.

In particular, unless otherwise specifically stated, the information in Section 3 (*Market and Industry Information*) is derived from the market study report prepared by Portas Consulting MEA (the “Market Consultant”) exclusively for the Company from the date 26 July until 26 August 2022G. The Market Consultant is an independent third-party provider of strategic consulting services related to strategic market research, its main headquarter is located in Dubai, United Arab Emirates. For further details about the Market Consultant, visit its website (www.portasconsulting.com).

The Market Consultant has prepared this study in an independent and objective manner, and has taken adequate care to ensure its accuracy and completeness. Research was conducted with an overall industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

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

The information provided in Section 3 (*Market and Industry Information*) by the Market Consultant is based on primary and secondary information available internally or in the public domain and should be read in conjunction with the same. Quantitative market information was sourced from interviews by way of primary research, and therefore, the information is subject to change due to possible changes in the business and industry climate. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses, and actual results and future events could differ materially from such estimates, predictions and statements.

In its role as market consultant, the Market Consultant is only providing market research, and the information provided by it from public data sources is not to be construed as investment, legal or any other type of advice about the Company.

Whilst the Directors believe that the information and data from third-party sources contained in this Prospectus, including those derived from public sources or provided by the Market Consultant, are reliable, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Substantial Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

Financial Information

The Company's audited financial statements and their accompanying notes for the financial year ended 31 December 2022G (which include the Company's financial information compared with the year ended 31 December 2021G) have been prepared in accordance with the International Accounting Standards (IAS) endorsed in the Kingdom and other standards and pronouncements issued by SOCPA in the Kingdom. The financial statements for the financial year ended 31 December 2022G (which include the Company's financial information compared with the year ended 31 December 2021G) have been audited by Baker Tilly MKM & Co. The Company publishes its financial statements in Saudi Arabian Riyals.

Some financial and statistical information contained in this Prospectus has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the tables are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

Forecasts and Forward-Looking Statements

The forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. The Company's future conditions may differ from the assumptions used and, consequently, no affirmation or guarantee is made with respect to the accuracy or completeness of any of these forecasts.

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

In accordance with Article 97 of the OSCO Rules, the Company will submit a supplementary prospectus to the CMA if, at any time after this Prospectus has been published and before the Offering is completed, the Company becomes aware of: (a) a significant change in material matters contained in this Prospectus, or (b) additional significant matters that should have been included in this Prospectus. Except for these two cases, the Company does not intend to update or revise any information regarding the industry and market information included in the Prospectus, whether as a result of new information, future events or otherwise. Based on the foregoing risks, assumptions and other uncertainties, the forward-looking events and conditions described in this Prospectus may not occur as expected by the Company or at all. Consequently, prospective investors should review all forward-looking statements based on these explanations and should not rely solely on them.

Corporate Directory

Board of Directors

Table 1: Company's Board of Directors

No.	Name	Position	Nationality	Age	Status ⁽¹⁾	Direct Ownership				Indirect Ownership				Date of Appointment ⁽³⁾
						Pre-Offering		Post-Offering		Pre-Offering		Post-Offering		
						Number of Shares	Ownership (%) ⁽²⁾	Number of Shares	Ownership (%) ⁽²⁾	Number of Shares	Ownership (%) ⁽²⁾	Number of Shares	Ownership (%) ⁽²⁾	
1.	Abdulmohsen Ali Mohammed Alhagbani ⁽⁴⁾	Chairman	Saudi	54	Non-Independent/ Non-Executive	4,517,787	15.71%	4,343,852	13.22%	1,570,855	5.46%	1,570,855	4.78%	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
2.	Fahad Ali Mohammed Alhagbani ⁽⁵⁾	Vice Chairman	Saudi	43	Non-Independent/ Executive	1,495,288	5.20%	1,437,719	4.38%	520,156	1.81%	520,156	1.58%	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
3.	Sulaiman Khaled Sulaiman Alkadi ⁽⁶⁾	Director	Saudi	38	Non-Independent/ Executive	822,383	2.86%	790,721	2.41%	286,420	1.00%	286,420	0.87%	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
4.	Abdulmalik Abdullah Mohammed Alhagbani ⁽⁷⁾	Director	Saudi	34	Non-Independent/ Executive	499,612	1.74%	480,377	1.46%	173,633	0.60%	173,633	0.53%	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
5.	Dr. Asma Khaled Sulaiman Alkadi	Director	Saudi	41	Non-Independent/ Non-Executive	-	-	-	-	-	-	-	-	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
6.	Dag Lee	Director	Norwegian	59	Independent/ Non-Executive	-	-	-	-	-	-	-	-	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
7.	Amit Kapur	Director	Canadian	47	Independent/ Non-Executive	-	-	-	-	-	-	-	-	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)
8.	Saad Mohammed Abdulaziz Alghereri	Director	Saudi	40	Independent/ Non-Executive	-	-	-	-	-	-	-	-	16 Rabi' al -Awwal 1444H (corresponding to 12 October 2022G)

Source: The Company.

⁽¹⁾ The standard adopted in assessing independence is that an independent director is a non-executive member of the Board of Directors who enjoys complete independence in his/her position and decisions, and none of the following issues affecting independence apply to him/her: (i) if he/she holds five per cent. or more of the Shares of the Company or any other company within its group or is a relative of who owns such percentage; (ii) if he/she is a representative of a legal person that holds five per cent. or more of the Shares of the Company or any company within its group; (iii) if he/she is a relative of any member of the Board of the Company, or any other company within the Company's group; (iv) if he/she is a relative of any senior executive of the Company, or any other company within the Company's group; (v) if he/she is a board member of any company within the group of the Company for which he/she is nominated to be a Board member; (vi) if he/she is an employee or used to be an employee, during the preceding two years, of the Company, of any party dealing with the Company or any company within its group, such as external auditors or main suppliers; or if he/she, during the preceding two years, held a controlling interest in any such parties; (vii) if he/she has a direct or indirect interest in the businesses and contracts executed for the Company's account; (viii) if the member of the Board receives financial consideration from the Company in addition to the remuneration for his/her membership of the board or any of its committees exceeding an amount of (SAR 200,000) or 50 per cent. of his/her remuneration of the last year for the membership of the board or any of its committees, whichever is less; (ix) if he/she engages in a business where he competes with the Company, or conducting businesses in any of the company's activities; (x) if he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.

⁽²⁾ Shareholding percentages are rounded.

⁽³⁾ The dates mentioned in this table are the dates of appointment of the members of the Board of Directors for the current session of the Board of Directors. The biographies of the members of the Board of Directors indicate the date of their respective appointments to the Board and to any other position. For more information, see Section 5.3.3 (*Biographies of the Directors and the Secretary*).

⁽⁴⁾ As of the date of this Prospectus, Abdulmohsen Ali Mohammed Alhagbani owns 3,343,500 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulmohsen Ali Mohammed Alhagbani indirectly owns approximately 1,570,855 Shares in the Company.

⁽⁵⁾ As of the date of this Prospectus, Fahad Ali Mohammed Alhagbani owns 1,106,625 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Fahad Ali Mohammed Alhagbani indirectly owns approximately 520,156 Shares in the Company.

⁽⁶⁾ As of the date of this Prospectus, Sulaiman Khaled Sulaiman Alkadi owns 608,625 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Sulaiman Khaled Sulaiman Alkadi indirectly owns approximately 286,420 Shares in the Company.

⁽⁷⁾ As of the date of this Prospectus, Abdulmalik Abdullah Mohammed Alhagbani owns 369,750 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulmalik Abdullah Mohammed Alhagbani indirectly owns approximately 173,633 Shares in the Company.

The Secretary of the Board of Directors is Ibrahim Akram Ibrahim Gharbieh. For a summary of his biography, see Section 5.3.3.9 (*Ibrahim Akram Ibrahim Gharbieh, Board Secretary*).

Company Address

Armah Sports Company

Takhassusi Street – Al-Nakheel District
P.O. Box 3894 Riyadh 12382
Kingdom of Saudi Arabia
Tel: +966 (11) 838600
Website: www.armahsports.com
Email: info@armahsports.com



Company Representatives

Fahad Ali Mohammed Alhagbani

Vice Chairman of the Board of Directors and Chief Executive Officer
Takhassusi Street – Al-Nakheel District
P.O. Box 3894 Riyadh 12382
Kingdom of Saudi Arabia
Tel: +966 (11) 838600 Extension number: 111
Website: www.armahsports.com
Email: fahad@armahsports.com

Sulaiman Khaled Sulaiman Alkadi

Member of the Board of Directors and Chief Operating Officer
Takhassusi Street – Al-Nakheel District
P.O. Box 3894 Riyadh 12382
Kingdom of Saudi Arabia
Tel: +966 (11) 838600 Extension number: 110
Website: www.armahsports.com
Email: suliman@armahsports.com

Secretary of the Board of Directors

Ibrahim Akram Ibrahim Gharbieh

Secretary of the Board of Directors and Chief Financial Officer
Takhassusi Street – Al-Nakheel District
P.O. Box 3894 Riyadh 12382
Kingdom of Saudi Arabia
Tel: +966 (11) 838600 Extension number: 101
Fax: +966 (11) 838600
Website: www.armahsports.com
Email: igharbieh@armahsports.com

Capital Market

The Saudi Exchange

King Fahad Road – Al Olaya 6897
Unit No.: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 (11) 92000 1919
Fax: +966 (11) 218 9133
Website: www.saudiexchange.sa
E-mail: csc@saudiexchange.sa



Advisors

Financial Advisor, Lead Manager and Bookrunner

Saudi Fransi Capital

King Fahad Road 8092
P.O. BOX 23454, Riyadh 12313-3735
Kingdom of Saudi Arabia
Tel: +966 11 2826666
Fax: +966 11 2826823
Website: www.sfc.sa
Email: Armah.IPO@fransicapital.com.sa

السعودي الفرنسي كابيتال
Saudi Fransi Capital



Legal Advisor

Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation

Sky Towers, North Tower, 2nd Floor
8899, King Fahd Road, Al Olaya
P.O. Box 230020, Riyadh 11321
Kingdom of Saudi Arabia
Tel: +966 (11) 272 0003
Fax: +966 (11) 237 0005
Website: www.statlawksa.com
E-mail: capitalmarkets@statlawksa.com



Financial Due Diligence Advisor

PricewaterhouseCoopers – Public Accountants (PwC)

Kingdom Tower, 21st Floor, Al Olaya
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia
Tel: +966 11 2110400
Fax: +966 11 2110401
Website: www.pwc.com/middle-east
Email: info@sa.pwc.com



Auditor for the Financial Year Ended 31 December 2022G

Baker Tilly MKM & Co

12476-Othman Bin Affan Road 4260-Al Taawun District
P.O. Box 300467, Riyadh 11372
Kingdom of Saudi Arabia
Tel: +966 (11) 835 1600
Fax: +966 (11) 835 1600
Website: www.bakertillyjfc.com
E-mail: mmansour@bakertillyjfc.com



Market Consultant

Portas Consulting MEA

Dubai Media City
Second Tower, Fourth Floor
P.O. Box 502157
United Arab Emirates
Tel: +971 45755918
Website: www.portasconsulting.com
Email: enquiries@portasconsulting.com



Note: Each of the Advisors has given and, as of the date of this Prospectus, not withdrawn its written consent to the publication of its name, logo and the statements attributed to it in the context in which they appear in this Prospectus and neither they nor do their employees (from the engagement team serving the Company) nor any of their relatives have any shareholding or interest of any kind in the Company 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 on the Offering contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors in making a decision to invest in the Offer Shares. Accordingly, prospective investors should read this entire Prospectus in full, and any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the “**Important Notice**” on page (i) and Section 2 (*Risk Factors*) prior to making an investment decision with respect to the Offer Shares. Subscribers should not rely solely on this Summary.

<p>Company Name, Description and Incorporation</p>	<p>Armah Sports Company is a Saudi closed joint stock company incorporated under Ministerial Resolution No. 1292 dated 17 Rabi’ al-Awwal 1444H (corresponding to 13 October 2022G), registered under Commercial Registration No. 1010559940 issued in Riyadh, Kingdom of Saudi Arabia, dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G), the Company’s headquarters are located in Al-Nakheel District, Takhassusi Street, P.O. Box 3894 Riyadh 12382, Kingdom of Saudi Arabia. The share capital of the Company is two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000), divided into twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.</p> <p>The Company was established as a limited liability company according to the articles of association dated 12 Jumada al-Akhirah 1440H (corresponding to 17 February 2019G) under the name Armah Sports Company and Commercial Registration No. 1010559940 dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G) with a capital of seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) divided into seventy-eight thousand five hundred and forty (78,540) cash Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share. The number of Shareholders upon incorporation was twelve (12) Shareholders. On 14 Jumada al-Ula 1441H (corresponding to 9 January 2020G), the Shareholders decided to reduce the Company’s capital due to it being more than the needed capital, from seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) to fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) divided into fifty-two thousand six hundred and twenty-five (52,625) cash Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, and new Shareholders joined to increase their number up to fourteen (14) Shareholders. The Shareholders decided to use an amount of the capital reduction value which amounted to eighteen million and seven hundred and ninety five thousand Saudi Arabian Riyals (SAR 18,795,000) out of a total of twenty five million and nine hundred and fifteen thousand Saudi Arabian Riyals (SAR 25,915,000), in increasing the capital of Jiad United for Real Estate Development Company (which is a Related Party), for the purpose of purchasing a plot of land, and the remaining value amounting to seven million and one hundred and twenty thousand Saudi Arabian Riyals (SAR 7,120,000) was distributed to certain Shareholders as a partial redemption on their Shares in the Company. On 12 Muharram 1444H (corresponding to 10 August 2022G), the Shareholders decided to increase the Company’s capital from fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) to seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) divided into seven million, one hundred and fifty-four thousand (7,154,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share by issuing one million eight hundred and ninety-one thousand five hundred (1,891,500) new Shares to the new shareholder Jiad United for Real Estate Development Company, for an in-kind contribution represented in the transfer of ownership of ten properties, from Jiad United for Real Estate Development Company to the Company (the Company previously leased these properties from Jiad United for Real Estate Development Company for the purpose of building its fitness clubs). As these properties have been evaluated by both Al Taweeel Real Estate evaluation office, whose evaluation amounted to two hundred and thirty-seven million two hundred and thirty-four thousand Saudi Arabian Riyals (SAR 237,234,000), and Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation, whose evaluation amounted to two hundred and thirty-five million three hundred and fifty-five thousand and one hundred and fifty-two Saudi Arabian Riyals (SAR 235,355,152), a lower value than the lowest evaluation by the evaluators was set at two hundred and thirty four million and nine hundred thousand Saudi Arabian Riyals (SAR 234,900,000), the remaining amount of the property value amounted to two hundred and fifteen million and nine hundred eighty five thousand Saudi Arabian Riyals (SAR 215,985,000) and was allocated as additional capital for the Company. In addition, new Shareholders joined the Company to bring the total number of Shareholders to eighteen (18) Shareholders. Pursuant to the partners’ resolution dated 1 Rabi’ al-Awwal 1444H (corresponding to 27 September 2022G), the Company was converted from a limited liability company to a closed joint stock company, and the capital of the Company was increased from seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) to two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capitalization of an amount of two hundred and fifteen million nine hundred and eighty-five thousand Saudi Arabian Riyals (SAR 215,985,000), from the Company’s additional capital. The issued Ministerial Resolution No. 1292 dated 17 Rabi’ al-Awwal 1444H (corresponding to 13 October 2022G) approved the transformation of the Company from a limited liability company to a closed joint stock company. Pursuant to the Company’s Extraordinary General Assembly resolution dated 29 Rabi’ al-Awwal 1444H (corresponding to 25 October 2022G), the capital of the Company was increased from two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) to three hundred and twenty-eight million five hundred and ninety-one thousand six hundred and sixty Saudi Arabian Riyals (SAR 328,591,660) divided into thirty-two million eight hundred and fifty-nine thousand one hundred and sixty-six (32,859,166) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, and it was agreed to offer and issue four million one hundred and six thousand six hundred and sixty-six (4,106,666) new Shares would be offered and issued (which represented 12.5 per cent. of the Company’s capital after the increase) to Qualified Investors in the Parallel Market. For more details on capital development, see Section 4.2 (<i>Corporate History and Evolution of Capital</i>).</p>
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Company Activities	In accordance with the Company's Bylaws, the Company's activities consist of the following:						
	<ul style="list-style-type: none">– operation of sports facilities;– activities of sports clubs;– consultancy activities in the management field;– provision of human resources on a long-term or generally permanent basis;– activities of integrated administrative services for offices;– hairdressing and other types of cosmetology;– other personal service activities not classified elsewhere;– other catering activities; and– wholesale and retail trade and repair of motor vehicles and motorcycles - and other types of retail sale in non-specialized stores - retail sale of carpets, rugs, floor cladding and walls in specialized stores - retail sale of household electrical appliances, furniture, lighting equipment and other household items in specialized stores - retail sale of sports equipment in specialized stores - sale of pharmaceutical, medical and cosmetic products - decorative items retail in specialized stores - retail sale of audio and visual equipment in specialized stores - other types of retail outside stores, stalls and markets).						
	According to its Commercial Registration, the Company's activities are represented in men's gyms and sports centres, and women's gyms and sports centres.						
	The Company's core activities consist of the construction, operation, management, and maintenance of fitness clubs. For further details, see Section 4.6 (<i>Overview of the Company's Business</i>). As of 31 December 2022G, the Company operates six fitness clubs. For further details, see Section 4.6.6 (<i>Geographic Locations and Operations</i>).						
Substantial Shareholders (owning 5% or more of the Company's Shares)	The Substantial Shareholders of the Company, each of whom directly owns 5.0 per cent. or more of the Company's Shares, are Jiad United for Real Estate Development Company, Abdulmohsen Ali Mohammed Alhagbani, Nahla Ali Mohammed Alhagbani, Latifa Mohammed Saleh Alhagbani, Khalid Ali Mohammed Alhagbani, Fahad Ali Mohammed Alhagbani. The following table shows the Company Shares of the direct Substantial Shareholders and their ownership percentages in the Company before and after the Offering:						
	Table 2: Direct Substantial Shareholders, Number of Shares and Shareholding Before and After the Offering						
	Shareholder	Pre-Offering			Post-Offering ⁽¹⁾		
		No. of Shares	Nominal Value (SAR)	Ownership (%) ⁽¹⁾	No. of Shares	Nominal Value (SAR)	Ownership (%) ⁽¹⁾
	Jiad United for Real Estate Development Company	7,420,196	74,201,960	25.81%	7,420,196	74,201,960	22.58%
	Abdulmohsen Ali Mohammed Alhagbani	4,517,787	45,177,870	15.71%	4,343,852	43,438,520	13.22%
	Nahla Ali Mohammed Alhagbani	2,945,986	29,459,860	10.25%	2,832,566	28,325,660	8.62%
	Latifa Mohammed Saleh Alhagbani	2,420,026	24,200,260	8.42%	2,326,855	23,268,550	7.08%
	Khalid Ali Mohammed Alhagbani	1,824,140	18,241,400	6.34%	1,753,911	17,539,110	5.34%
	Fahad Ali Mohammed Alhagbani	1,495,288	14,952,880	5.20%	1,437,719	14,377,190	4.38%
Total	20,623,423	206,234,230	71.73%	20,115,099	201,150,990	61.22%	
Source: The Company.							
⁽¹⁾ The shareholding percentages are rounded. For further details, on ownership percentages of Substantial Shareholders in the Company, see Table 4 (Shareholding Structure Pre-Offering and Post-Offering).							
The Company's Capital (as of the date of this Prospectus)	Two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) paid in full before the Offering.						
The Company's Capital (after the increase)	Three hundred and twenty-eight million five hundred and ninety-one thousand six hundred and sixty Saudi Arabian Riyals (SAR 328,591,660).						
Total Number of the Company's Shares (as of the date of this Prospectus)	Twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500).						
Total Number of the Company's Shares (after the increase)	Thirty-two million eight hundred and fifty-nine thousand one hundred and sixty-six (32,859,166) ordinary Shares.						
Nominal Value per Share	Ten Saudi Arabian Riyals (SAR 10) per share.						

Offering (as of the date of this Prospectus)	The initial public offering consists of four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) ordinary Shares from the: (i) the sale of eight hundred and twenty-one thousand two hundred and ninety-two (821,292) existing ("Sale Shares"); and (ii) the issuance of four million one hundred and six thousand six hundred and sixty-six (4,106,666) new ordinary shares ("New Shares" hereinafter collectively referred to as the "Offer Shares" and individually as an "Offer Share") at an offer price of twenty eight Saudi Arabian Riyals (SAR 28) per Offer Share and with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share (hereinafter referred to as the "Offer Price"). The Offering Shares shall have a nominal value of ten (10) Saudi Arabian Riyals per share paid for in full. The Sale Shares and the New Shares will represent 2.50 per cent. and 12.50 per cent. of the Company's capital at the completion of the Offering, respectively, which is equal in total to 15.0 per cent. of the Company's issued capital, and all of the Offer Shares will be allocated to Qualified Investors in the Parallel Market.
Total Number of Offer Shares	Four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) ordinary Shares.
Percentage of Offer Shares to the Company's Capital	The Offer Shares will represent fifteen per cent. (15.0 per cent.) of the Company's Shares after the capital increase (which represents seventeen and four tenths per cent. (17.14 per cent.) of the Company's capital before the capital increase).
Offer Price	Twenty eight Saudi Arabian Riyals (SAR 28).
Total Offering Amount	One hundred thirty-seven million nine hundred eighty-two thousand eight hundred twenty-four Saudi Arabian Riyals (SAR 137,982,824).
Use of Offering Proceeds	The Net Offering Proceeds amounting to approximately SAR 124,782,824 (after deducting the Offering expenses estimated at thirteen million and two hundred thousand Saudi Arabian Riyals (SAR 13,200,000)). The proceeds of the Offering (the "Proceeds") will be distributed as follows: (i) the amount of (SAR 20,796,268) will be distributed to the Selling Shareholders (the "Selling Shareholders") on a pro rata basis based on the percentage of their respective ownership in the Sale Shares sold during the offering process; and (ii) the amount of (SAR 103,986,556) will be distributed to the Company to be used to achieve its overall objectives. For more details, see Section 8 (<i>Use of Proceeds</i>).
Categories of Targeted Investors	<p>The Offering is limited to Qualified Investors, namely:</p> <ol style="list-style-type: none"> 1. Capital Market Institutions acting on their own behalf; 2. clients of a Capital Market Institution authorized to perform management activities, provided that the Capital Market Institution has been appointed under terms that enable it to make decisions to accept participation in the Offering and to invest in the Parallel Market on the client's behalf without the need for his prior approval; 3. the Kingdom's Government, any Government agency, or any international body recognized by the CMA, the Exchange or any other stock exchange recognized by the CMA or the Depository Center; 4. Government-owned companies, whether investing directly or through a portfolio managed by a Capital Market Institution authorized to perform management activities; 5. companies and funds established in GCC countries; 6. investment funds; 7. any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center; 8. Natural persons who may open an investment account in the Kingdom and an account with the Depository Center who meet any of the following criteria: <ol style="list-style-type: none"> (a) have made transactions in the securities market with a total value of not less than forty million Saudi Arabian Riyals (SAR 40,000,000) and not less than ten (10) transactions per quarter during the past 12 months; (b) have net assets whose total value is not less than five million Saudi Arabian Riyals (SAR 5,000,000); (c) are working or have worked in the financial sector for at least three (3) years; (d) have a CME-1 approved by the CMA; or (e) hold a professional certificate that is related to dealing with securities and accredited by an internationally recognized entity collectively. 9. any other persons defined by the CMA.
Subscription Method to the Offer Shares	Subscription to the Offer Shares can be made through the electronic subscription system of the Lead Manger during which the Qualified Investors will be able to subscribe to the Offer Shares during the Offering Period. For more information, see Section 13 (<i>Details on Shares and Subscription Terms and Conditions</i>) of this Prospectus.
Minimum Number of Offer Shares to be Applied for	Ten (10) Offer Shares.
Minimum Subscription Amount	Two hundred eighty Saudi Arabian Riyals (SAR 280).
Maximum Number of Offer Shares to be Applied for	One million six hundred and forty-two thousand nine hundred and fifty-seven (1,642,957) Offer Shares.
Maximum Subscription Amount	Forty-six million two thousand eight hundred four Saudi Arabian Riyals (SAR 46,002,804).
Allocation and Refund of Excess Subscription Amounts	The Lead Manager will open a trust account (Initial Public Offering of Armah Sports Company) to receive and collect the subscription amounts. Each of the Subscribers shall deposit the subscription amounts into the trust account, the details of such account shall be specified in the Subscription Application Forms. Following the end of the Offering Period, announcement of the final allotment will be made by notification to the investors, no later than Tuesday 07/05/1445H (corresponding to 21/11/2023G). The allocation of Offer Shares will be determined at the discretion of the Financial Advisor in consultation with the Company. Refund of excess subscription amounts, if any, will be made no later than Tuesday, 30/04/1445H (corresponding to 14/11/2023G). Excess subscription amounts, if any, will be refunded to Qualified Investors without any charge or commission being withheld by the Financial Advisor on the Net Offering Proceeds or by the Lead Manager or the Company. For more information, see Section 13 (<i>Details on Shares and Subscription Terms and Conditions</i>) of this Prospectus.

Offering Expenses	The Offering expenses represent all expenses and costs pertaining to the Offering, which are estimated at about thirteen million and two hundred thousand Saudi Arabian Riyals (SAR 13,200,000). These expenses include the fees of the Financial Advisor, Lead Manager, Bookrunner, Legal Advisor, Legal Advisor to the Financial Advisor, Financial Due Diligence Advisor, Market Consultant and Auditor, as well as marketing, printing and other expenses related to the Offering. All of these expenses will be deducted from the total Offering Proceeds, and all such expenses will be divided among the Company and the Selling Shareholders on a pro rata basis according to the number of Offer Shares sold by each of them.
Offering Period	The Offering Period will begin on Thursday on 25/04/1445H (corresponding to 09/11/2023G) and will end on Thursday on 02/05/1445H (corresponding to 16/11/2023G).
Entitlement to Dividends	The Offer Shares will be entitled to their portion of any dividends declared and paid by the Company as of the date of this Prospectus and for the subsequent financial years. For further information, see Section 7 (<i>Dividend Distribution Policy</i>) of this Prospectus.
Voting Rights	The Company has one class of ordinary Shares only. None of the Shares carry 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 the General Assembly and each Shareholder has the right to delegate any other Shareholder, who is not a Director or employee of the Company, to appear on his/her behalf at the Company's General Assembly and to vote on resolutions passed therein.
Restrictions on Shares (Lock-up Period)	The current Substantial Shareholders, who own 5.0 per cent. or more of the Company's Shares (whose names appear on page (vii) of this Prospectus), must not dispose of their Shares for a period of twelve (12) months from the date trading of the Company's Shares commences on the Parallel Market (the "Lock-up Period"). The Substantial Shareholders also undertake to commit to an additional Lock-up Period of twelve (12) months commencing from the date of the expiry of the statutory Lock-up Period, the Depository Center shall immediately lift the restrictions on these Shares after the additional Lock-up Period ends. They may dispose of their Shares after the end of this period without obtaining the prior approval of the CMA.
Shares Previously Listed by the Company	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of the Shares in accordance with the OSCO Rules. The Company also submitted an application to the Exchange for admission to listing on the Parallel Market in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been granted, and all supporting documents required by the CMA have been obtained.

Key Dates and Subscription Procedures

Key Dates

Table 3: Expected Offering Timetable

Event	Date
Offering Period	A period of Eight (8) days starting from Thursday on 25/04/1445H (corresponding to 09/11/2023G), until the end of Thursday on 02/05/1445H (corresponding to 16/11/2023G).
Deadline for submission of Subscription Application Forms	Thursday on 02/05/1445H (corresponding to 16/11/2023G)
Deadline for payment of subscription amounts	Thursday 02/05/1445H (corresponding to 16/11/2023G)
Announcement of final allotment of Offer Shares and notifying Investors	Tuesday 07/05/1445H (corresponding to 21/11/2023G)
Refund of excess subscription amounts (if any)	Thursday 09/05/1445H (corresponding to 23/11/2023G)
Expected date of commencement of trading in the Exchange	Trading of the Company's Shares on the Exchange is expected to commence after the fulfilment of all relevant statutory requirements. Trading will be announced on the Saudi Exchange's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are approximate. The actual dates will be communicated through announcements appearing on the Saudi Exchange's website (www.saudiexchange.sa), the Financial Advisor's website (www.sfc.sa) and the Company's website (www.armahsports.com).

Subscription Method

Subscription to the Offer Shares in the Offering is restricted to Qualified Investors, namely:

- Capital Market Institutions acting on their own behalf;
- clients of a Capital Market Institution authorized to perform management activities, provided that the Capital Market Institution has been appointed under terms that enable it to make decisions to accept participation in the Offering and to invest in the Parallel Market on the client's behalf without the need for his prior approval;
- the Kingdom's Government, any Government agency, or any international body recognized by the CMA, the Exchange or any other stock exchange recognized by the CMA or the Depository Center;
- Government-owned companies, whether investing directly or through a portfolio managed by a Capital Market Institution authorized to perform management activities;
- companies and funds established in GCC countries;
- investment funds;
- any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center;
- Natural persons who may open an investment account in the Kingdom and an account with the Depository Center and meet any of the following criteria:
 - have made transactions in the securities market with a total value of not less than forty million Saudi Arabian Riyals (SAR 40,000,000) and not less than ten (10) transactions per quarter during the past 12 months;
 - the value of their net assets is not less than five million Saudi Arabian Riyals (SAR 5,000,000);
 - is working or has worked in the financial sector for at least three (3) years;
 - have a CME-1 approved by the CMA; or
 - hold a professional certificate that is related to dealing with securities and accredited by an internationally recognized entity collectively.
- any other persons defined by the CMA.

Qualified Investors must submit the Subscription Applications to the Lead Manager through the electronic subscription system of the Lead Manager during which the Qualified Investors will be able to subscribe to the Offer Shares during the Offering Period, and no later than 03:00 [pm] of the Closing Date. The Subscription Applications to the Offer Shares must be accompanied by all the supporting documents required as per the relevant instructions. Each investor, by completing the Subscription Application, acknowledges that he has received and read this Prospectus, and accordingly wishes to subscribe to the Offer Shares as specified in the Subscription Application Form.

Subscription to the Offer Shares can be made through the electronic subscription system of the Lead Manager during which the Qualified Investors will be able to subscribe to the Offer Shares during the Offering Period.

Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 13 (*Details on Shares and Subscription Terms and Conditions*) of this Prospectus. Applicants must complete all relevant items of the Subscription Form. The Company

reserves the right to decline any Subscription Application, in part or in whole, in the event that any of the subscription terms and conditions are not met. Amendments to and withdrawal of the Subscription Application shall not be permitted once the Subscription Application is submitted. The submission of the Subscription Application Form is considered a binding agreement between the relevant subscriber and the Selling Shareholders. For further information, see Section 13 (*Details on Shares and Subscription Terms and Conditions*) of this Prospectus.

Summary of Key Information

This Summary of Key Information is intended to provide a brief overview of the information detailed in this Prospectus; however, it does not include all information that is important to prospective investors and that must be taken into consideration before making a decision to invest in the Offer Shares. Therefore, investors who wish to subscribe to the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on the consideration of this Prospectus as a whole. In particular, it is important to carefully consider the “**Important Notice**” on page (i) and Section 2 (*Risk Factors*) prior to making an investment decision with respect to the Offer Shares. Subscribers should not rely solely on this summary.

Overview of the Company

History of the Company

The Company was established as a limited liability company according to the articles of association dated 12 Jumada al-Akhirah 1440H (corresponding to 17 February 2019G) under the name Armah Sports Company and Commercial Registration No. 1010559940 dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G) and with a capital of seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) divided into seventy-eight thousand five hundred and forty (78,540) cash Shares with a nominal value of one thousand Saudi Arabian Riyals (1,000) per share. The number of Shareholders upon incorporation was twelve (12) Shareholders. On 14 Jumada al-Ula 1441H (corresponding to 9 January 2020G), the Shareholders decided to reduce the Company’s capital due to it being more than the needed capital, from seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) to fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) divided into fifty-two thousand six hundred and twenty-five (52,625) cash Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, and new Shareholders joined to increase their number up to fourteen (14) Shareholders. The Shareholders decided to use an amount of the capital reduction value which amounted to eighteen million and seven hundred and ninety five thousand Saudi Arabian Riyals (SAR 18,795,000) out of a total of twenty five million and nine hundred and fifteen thousand Saudi Arabian Riyals (SAR 25,915,000), in increasing the capital of Jiad United for Real Estate Development Company (which is a Related Party), for the purpose of purchasing a plot of land, and the remaining value amounting to seven million and one hundred and twenty thousand Saudi Arabian Riyals (SAR 7,120,000) was distributed to certain Shareholders as a partial redemption on their Shares in the Company. On 12 Muharram 1444H (corresponding to 10 August 2022G), the partners decided to increase the Company’s capital from fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) to seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) divided into seven million, one hundred and fifty-four thousand (7,154,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share by issuing one million eight hundred and ninety-one thousand five hundred (1,891,500) new Shares to the new shareholder Jiad United for Real Estate Development Company, for an in-kind contribution represented in the transfer of ownership of ten properties, from Jiad United for Real Estate Development Company to the Company (the Company previously leased these properties from Jiad United for Real Estate Development Company for the purpose of building its fitness clubs). As these properties have been evaluated by both Al Taweel Real Estate evaluation office, whose evaluation amounted to two hundred and thirty-seven million two hundred and thirty-four thousand Saudi Arabian Riyals (SAR 237,234,000), and Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation, whose evaluation amounted to two hundred and thirty-five million three hundred and fifty-five thousand and one hundred and fifty-two Saudi Arabian Riyals (SAR 235,355,152), a lower value than the lowest evaluation by the evaluators was set at two hundred and thirty four million and nine hundred thousand Saudi Arabian Riyals (SAR 234,900,000), the remaining amount of the property value amounted to two hundred and fifteen million and nine hundred eighty five thousand Saudi Arabian Riyals (215,985,000), and was allocated as additional capital for the Company. In addition, new Shareholders joined the Company to bring the total number of Shareholders to eighteen (18) Shareholders. Pursuant to the partners’ resolution dated 1 Rabi’ al-Awwal 1444H (corresponding to 27 September 2022G), the Company was converted from a limited liability company to a closed joint stock company, and the capital of the Company was increased from seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) to two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million, seven hundred and fifty-two thousand five hundred (28,752,500) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capitalization of an amount of two hundred and fifteen million nine hundred and eighty-five thousand Saudi Arabian Riyals (SAR 215,985,000), from the Company’s additional capital. The issued Ministerial Resolution No. 1292 dated 17 Rabi’ al-Awwal 1444H (corresponding to 13 October 2022G) approved the transformation of the Company from a limited liability company to a closed joint stock company. Pursuant to the Company’s Extraordinary General Assembly resolution dated 29 Rabi’ al-Awwal 1444H (corresponding to 25 October 2022G), the capital of the Company was increased from two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) to three hundred and twenty-eight million five hundred and ninety-one thousand six hundred and sixty Saudi Arabian Riyals (SAR 328,591,660) divided into thirty-two million eight hundred and fifty-nine thousand one hundred and sixty-six (32,859,166) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, and it was agreed to offer and issue four million one hundred and six thousand six hundred and sixty-six (4,106,666) newly issued Shares (which will represent 12.5 per cent. of the Company’s capital after the increase) to Qualified Investors in the Parallel Market. For more details on capital development, see Section 4.2 (*Corporate History and Evolution of Capital*).

The following table shows the Company's Shareholding structure pre and post Offering:

Table 4: Shareholding Structure Pre-Offering and Post-Offering

Shareholder	Shareholding (Pre-Offering)						Shareholding (Post-Offering)					
	Direct Ownership			Indirect Ownership			Direct Ownership			Indirect Ownership		
	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value
Jiad United for Real Estate Development Company	7,420,196	25.81%	74,201,960	-	-	-	7,420,196	22.58%	74,201,960	-	-	-
Abdulmohsen Ali Mohammed Alhagbani	4,517,787	15.71%	45,177,870	1,570,855	5.46%	15,708,550	4,343,852	13.22%	43,438,520	1,570,855	4.78%	15,708,550
Nahla Ali Mohammed Alhagbani	2,945,986	10.25%	29,459,860	1,024,729	3.56%	10,247,290	2,832,566	8.62%	28,325,660	1,024,729	3.12%	10,247,290
Latifa Mohammed Saleh Alhagbani	2,420,026	8.42%	24,200,260	841,450	2.93%	8,414,500	2,326,855	7.08%	23,268,550	841,450	2.56%	8,414,500
Khalid Ali Mohammed Alhagbani	1,824,140	6.34%	18,241,400	634,427	2.21%	6,344,270	1,753,911	5.34%	17,539,110	634,427	1.93%	6,344,270
Fahad Ali Mohammed Alhagbani	1,495,288	5.20%	14,952,880	520,156	1.81%	5,201,560	1,437,719	4.38%	14,377,190	520,156	1.58%	5,201,560
Waleed Ali Mohammed Alhagbani	1,325,542	4.61%	13,255,420	460,794	1.60%	4,607,940	1,274,509	3.88%	12,745,090	460,794	1.40%	4,607,940
Nada Ali Mohammed Alhagbani	1,003,277	3.49%	10,032,770	348,749	1.21%	3,487,490	964,651	2.94%	9,646,510	348,749	1.06%	3,487,490
Ali Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	332,425	1.16%	3,324,250	917,880	2.79%	9,178,800	332,425	1.01%	3,324,250
Deem Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	332,425	1.16%	3,324,250	917,880	2.79%	9,178,800	332,425	1.01%	3,324,250
Reem Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	332,425	1.16%	3,324,250	917,880	2.79%	9,178,800	332,425	1.01%	3,324,250
Sulaiman Khaled Sulaiman Alkadi	822,383	2.86%	8,223,830	286,420	1.00%	2,864,200	790,721	2.41%	7,907,210	286,420	0.87%	2,864,200
Huda Ali Mohammed Alhagbani	711,415	2.47%	7,114,150	247,092	0.86%	2,470,920	684,026	2.08%	6,840,260	247,092	0.75%	2,470,920
Abdullah Mohammed Ibrahim Alhagbani	565,483	1.97%	5,654,830	196,635	0.68%	1,966,350	543,712	1.65%	5,437,120	196,635	0.60%	1,966,350
Abdulmalik Abdullah Mohammed Alhagbani	499,612	1.74%	4,996,120	173,633	0.60%	1,736,330	480,377	1.46%	4,803,770	173,633	0.53%	1,736,330
Najla Ali Mohammed Alhagbani	182,414	0.63%	1,824,140	63,814	0.22%	638,140	175,391	0.53%	1,753,910	63,814	0.19%	638,140
Abdulrahman Mohammed Ibrahim Alhagbani	118,569	0.41%	1,185,690	41,553	0.14%	415,530	114,004	0.35%	1,140,040	41,553	0.13%	415,530
Mohammed Ali Mohammed Alhagbani	36,483	0.13%	364,830	12,614	0.04%	126,140	35,078	0.11%	350,780	12,614	0.04%	126,140
Public	-	-	-	-	-	-	4,927,958	15%	49,279,580	-	-	-
Total	28,752,500	100%	287,525,000	7,420,196	25.77%	74,201,960	32,859,166	100%	328,591,660	7,420,196	22.58%	74,201,960

Source: The Company.

⁽¹⁾ The ownership percentages are rounded.

Overview of the Company's Business

In accordance with the Company's Bylaws, the Company's activities consist of the following:

- operation of sports facilities;
- activities of sports clubs;
- consultancy activities in the management field;
- provision of human resources on a long-term or generally permanent basis;
- activities of integrated administrative services for offices;
- hairdressing and other types of cosmetology;
- other personal service activities not classified elsewhere;
- other catering activities; and
- wholesale and retail trade and repair of motor vehicles and motorcycles - and other types of retail sale in non-specialized stores - retail sale of carpets, rugs, floor cladding and walls in specialized stores - retail sale of household electrical appliances, furniture, lighting equipment and other household items in specialized stores - retail sale of sports equipment in specialized stores - sale of pharmaceutical, medical and cosmetic products - decorative items retail in specialized stores - retail sale of audio and visual equipment in specialized stores - other types of retail outside stores, stalls and markets).

According to its Commercial Registration, the Company's activities are represented in men's gyms and fitness clubs, and women's gyms and fitness clubs.

The Company's core activities consist of the construction, operation, management, and maintenance of fitness clubs. For further details, see Section 4.6 (*Overview of the Company's Business*). As of 31 December 2022G, the Company operates six fitness clubs. For further details, see Section 4.6.6 (*Geographic Locations and Operations*).

The Company's product and service offering within at Optimo (a high-end smart fitness club concept that is specifically designed for people seeking privacy, outstanding service and a luxurious atmosphere, targeting a slightly more business-oriented demographic) and B_FIT (a full-service smart fitness club featuring a wide range of innovative tech-enabled solutions which integrate with a premium fitness club offering, catering primarily to the Gen Z and millennial audience and offering premium full-service facilities designed for customers who are interested in a broad range of facilities and fitness options). These brands are unique in the market. They are the first fitness club chain in the Kingdom to offer integrated co-working spaces, with many features within the overall club environment more akin to a hotel than a fitness centre. The fitness clubs are designed to be welcoming spaces for members who may choose to visit for co-working or other features and not a workout.

The Company's strategy is to develop and operate one of the smartest fitness clubs in the world, places where digital and human systems come together. As smart clubs, the facilities offer technology-enhanced environments, including advanced building management solutions (BMS), electric vehicle charging points, facial recognition access control, e-readers instead of magazines, virtual trainers (in addition to personal trainers), Amazon Alexa, smart lockers, automated class check-in and a host of other technology-enabled services. When building the Company, its founders focused first on building the technological infrastructure before the physical infrastructure. The technology infrastructure enables the Company to deliver an enhanced customer experience, to develop a deep understanding of member behaviour, to have strong operational controls and to make informed business decisions. The infrastructure established from day one also enables the Company to integrate additional systems and solutions in the future, as technology and customer requirements evolve.

The Company's fitness clubs also include one of the broadest range of fitness facilities available in the Kingdom, for both men and women, bodybuilding and cardio gyms, combined with custom workout studios for indoor cycling, boxing, Pilates, yoga, functional training, high intensity interval training, group exercise, and workout experiences using augmented reality. The Optimo and B_FIT brands offer 25 meters swimming pools, approximately, aqua group training, hot and cold Jacuzzis, sauna and steam rooms, and luxurious changing room facilities.

The Company was founded by pioneers of the fitness centre business in the Kingdom who continue to leverage their decades of experience in the national, regional and global fitness industry. Moreover, members of the management team have been recruited from other regional and global fitness centre chains, bringing an inherent understanding of the competitive landscape, global best practice expertise gleaned from past experience with global brands, and a level of insight that enables efficient and informed decisions across all aspects of the business.

The Company develops each of its facilities from the ground up, following a standard approach and design concept that is consistent with the brands and associated brand guidelines across all of the locations that it has developed (the interior design and branding of the Company's Optimo and B_FIT clubs was conducted in partnership with a globally recognized London-based agency known for working with many leading brands including Prada, Harrods, Level Shoe District and Lamborghini). As opposed to anyone else in the market, however, the Company has further elevated this strategy by acquiring prefabricated buildings with real estate developers, or undeveloped land upon which the fitness clubs are developed (with the plan to only lease some of the required land). This provides a unique level of resilience to fluctuating lease rates and mitigates the risk of fitness club closures due to non-renewals of land lease agreements, or other reasons. The Company has a focused network strategy, targeting major cities, and specific areas within those cities that are known to provide the greatest opportunity. With a focus on profitability and customer service, rather than network scale and unit growth, the Company can be very selective in choosing locations, and if preferred locations are not available, the Company would prefer to postpone or otherwise cancel investment in that location. As of 31 December 2022G, the Company has six fully operational fitness clubs and an additional six fitness clubs under development.

As of 31 December 2022G, the Company had a total of 95 employees across the Kingdom. For further details, see Section 5.9 (*Employees*).

The Company generated revenue of SAR 437.7 thousand and SAR 13.2million in the financial years ended 31 December and 2021G and 2022G, respectively. The net income was SAR (11.1) million and SAR (7.2) million in the financial years ended 31 December 2021G and 2022G, respectively. The total value of the Company's assets as of 31 December 2021G and 2022G was SAR 350.3 million and SAR 588.6 million, respectively. Total liabilities of the Company amounted to SAR 322.8 million and SAR 333.5 as of 31 December 2021G and 2022G, respectively. See Section 6 (*Management Discussion and Analysis of Financial Position and Operating Results*) for more detailed discussions regarding the financial performance of the Company.

Company's Vision, Mission and Strategy

Vision

To enable the human potential of Kingdom through fitness.

Mission

To establish Kingdom as a global leader in fitness – through innovations in customer experience, technology and quality of life.

Strategy

The Company's competitive five strategy pillars are listed below:

- The Company's Shareholders

Drive Shareholder Value

The Company aims to drive shareholder value throughout the near-, mid-, and long- term. It has invested, and it will continue to invest, in areas that provide a higher level of financial and operational transparency to its management, increasing its efficiency in making decisions with a clear understanding of the impact of its decisions on the Company's value and profitability.

Profitability is a core aspect of the Company's strategy and it has established this as a greater priority than the size and scale of its network. It focuses its fitness club investments on cities and districts that are known to deliver the greatest financial opportunity. And the Company has built the foundation of the business on technology, allowing it to react more quickly to evolving customer behaviours and demands.

Ensure Financial Continuity and Sustainability

The Company continues to evolve its past experience and fitness club development approach with the aim to create a business that is financially sustainable – less vulnerable to changes in market conditions and externalities (like COVID19, which had a significant impact on fitness club operators across the globe) and more capable of capturing value from improving macro-economic conditions.

Nine of its first ten clubs are developed (or will be developed) on company-owned land. This literally and figuratively provides the Company with a strong foundation for the future, while also providing an intrinsic asset base. Capital deployed today into real estate assets can be leveraged in different ways in the future to create sustainable shareholder value and a range of strategic options.

- The Company's Team

Build Organisational Efficiency

The Company's human resource strategy is to hire the best world-class talent from within Saudi Arabia, across the region, and across the globe. The Company is willing to pay competitive compensation packages for attracting the right talent that will enable the Company to do more with fewer people, and thus while its average compensation per person might be higher than the market rate, its total labour costs for the business will be competitive. The Company aims to trim regional average headcount by 20 to 30 per cent., both at back-office level and within our fitness club operations, when compared to industry peers.

Become a World-Class Company

The Company aims to be one of the most trusted and respected employers in the Kingdom, with an employee benefits scheme and work environment that rivals the best of its global peers. The Company's founders are committed to creating a healthy balance between the spirit and values of a true family business with the principles of empowerment and professional development taken from private enterprise. The recent COVID-19 pandemic has only accelerated the race for talent in the face of radical changes in employee expectations. Accordingly, the Company is more committed than ever to providing a positive, safe and fulfilling work environment for all of its staff, both Saudi nationals and expatriates.

• The Company's Customers

Deliver a Best-In-Class Customer Experience in Every Club

At the heart of its strategy lies the customer experience. The Company aims to deliver a best-in-class customer experience in every club for every member for every visit. This experience is measured and monitored across the entire customer journey, from their initial introduction to its brands through social media or web App to post-membership communications. It includes a diverse set of touch points, including technology, community, environment, cleanliness, breadth and availability of equipment, programming, staff, tone of voice, and more. In total, there are 12 defined components to its customer experience model, each of which is further dissected to ensure that all areas are appropriately covered and that training and performance metrics are aligned to support the customer experience.

Utilize Technology to Improve Customer Experience and/or Operator Efficiency

The Company is a technology-dependent business. But that does not mean that it invests in every technology available – there simply would never be enough capacity (financial or otherwise) to deliver successful outcomes, and many of the technologies available in the market do not actually have a clear value proposition. As a result, the Company has a clear strategy to only invest in technology that either: (i) improves the customer experience; and/or (ii) improves operator efficiency (and thus enables us to further improve the customer experience).

• The Company's Community

Be a Pioneer for Improving Quality of Life

The Company is committed to the Saudi Vision 2030 programme and the associated initiatives of the Quality of Life (QoL) Programme. The Company aims to provide value to the communities in which it operates by providing opportunities for increased participation and physical activity, while also having positive impacts on addressable lifestyle diseases, such as obesity and diabetes.

Be Committed to Environmental Sustainability

The Company is an environmentally conscious business with a defined environmental sustainability strategy. All of its clubs are designed to meet Leed® certifications (Leadership in Energy and Environmental Design, an ecology-oriented building certification programme run under the auspices of the U.S. Green Building Council) – the Company is the only fitness club operator in the GCC Region to achieve such a rating in August 2023G, and in fact it now operates the only Leed® certified fitness club in the GCC Region.

Partner with Industry Leaders

Across their internal and external network, the Company seeks to establish partnerships with industry leaders who can bring unique and/or proprietary offerings to the business, and with globally recognized training, development, and certification bodies that can help strengthen the Company's programming and fitness professionals. The Company has existing partnerships in areas including mental health (with Minderful, UK-based provider of mental health), education and certification (with the International Sports Sciences Association, ISSA), and programming (with SCW Fitness Education and their "Water in Motion" programme).

• Focus on Key Geographies

The Company has a very focused network strategy, focusing only on three major cities for now (Riyadh, Jeddah, and Dammam/Al-Khobar), and specific areas within those cities that are known to provide the greatest opportunity. There are several benefits of such a focused network strategy, in particular (i) the lack of profit dilution from non-profitable operations in smaller cities; and (ii) the ability to have a more focused operational management team – managing a network of clubs across major cities is much more efficient than across a wider range of cities, especially when it comes to issues such as spare parts management, preventative and corrective maintenance scheduling, staff training and development.

Competitive Strengths

There are several factors that provide the Company with a strong competitive advantage over its existing and potential future competitors. Which include:

• Experience of the Founders

The Company's founders are pioneers of the fitness clubs business in the Kingdom. They have gained significant experience through the establishment of over 160 fitness clubs in the Middle East over the past 25 years, and serving well over two million members during that time. They established the first fitness centre chain in the Kingdom in 1994G after the Chairman saw the need to help improve the health and well-being of the Saudi population. Later, in 2007G, they founded what is now the largest fitness club chain in the Middle East, growing it to a network of 150 clubs in just over ten years. The Company's founders continue to build on their decades of experience in the national, regional and global fitness industry.

• Highly Experienced and Skilled Management Team

The Company's management team has unparalleled expertise in the fitness industry and an inherent understanding of the local and regional market, including experience in the regulatory and operational requirements of the fitness industry, as regulation is a core element of fitness club operations in the region across the entire range of activities of a fitness club, from start-up, licensing, and initial opening, through staffing, training and operating. The Company is also familiar with the nuances of operating a fitness facility within the Kingdom. To complement the local and industry expertise of the founders, the Company has recruited a leadership team that brings global experience across industry and functional domains. Members of the management team have been recruited from other regional and global fitness centres chains, bringing an inherent understanding of the competitive landscape, global best practice expertise gleaned from past experience with global brands, and a level of insight that enables efficient and informed decisions across all aspects of the business. The senior leadership team has significant experience in the fitness industry.

• Land Ownership

The Company aims to acquire several plots of land in which some fitness clubs are developed, unlike all other companies in the market. This provides a unique level of flexibility to volatile leasing rates reducing the risk of closing some fitness clubs due to non-renewal of land lease agreements, or other reasons. It has also enhanced the Company's ability to develop its facilities from the ground up, following a standard approach and design concept that is consistent with the brands and associated brand guidelines across all locations. This enables the Company to: (i) maintain consistency in the customer experience across different fitness clubs; (ii) ensure that the design and layout are aligned to the brand proposition; and (iii) improve cost management through standardization of engineering design, construction, and material selection/fit-out.

• Agility

Being a young company with founders having decades of experience in the national, regional, and global fitness industry, the Company is able to react to evolving market conditions. In fact, this has been built into the organizational DNA from the beginning. The experiences of the founders from past businesses and the COVID-19 pandemic has accentuated the need for companies to be able to react quickly to unexpected changes in Government regulations, customer behaviour and a host of other factors. Although no company can ever be fully resilient to external market conditions, the Company believes that it is much more resilient than other competitors since it is a start-up backed by significant experience in the market in which it operates.

• Focus on Technology Infrastructure

When building the Company, its founders focused first on building the technological infrastructure before building the clubs. This decision was made based on their past experience and the general industry and societal developments over the past three to five years. The technology infrastructure enables the Company to deliver an enhanced customer experience, to develop a deep understanding of member behaviour, to have strong operational controls and to make informed business decisions. The infrastructure established from day one also enables the Company to integrate additional systems and solutions in the future, as technology and customer requirements evolve.

• Unique Services Offered

The Company's product and service offering at the Optimo and B_FIT brands is unique in the market. They are the first fitness club chain in the Kingdom to offer integrated co-working spaces, with many aspects within the overall club environment more akin to a hotel than a fitness club, while still offering the broadest range of fitness facilities available in the Kingdom, for both men and women, including bodybuilding and cardio gyms, combined with custom workout studios for boxing, Pilates, yoga, functional training, high intensity interval training and other concepts, some of which are the first of their kind in the Kingdom (such as the dedicated studio room for reactional training with Reaxing). See Section 4.6.1.3 (*Fitness Clubs Environment*) for a further description of the fitness club environment.

• Mental Health as a Core Proposition

Perhaps most unique about the Company's offering within their Optimo and B_FIT clubs is their inclusion of mental health programming. In partnership with Minderful, the Company offers a range of mental health options for members to explore and it hopes to elevate the awareness of mental health within the Kingdom and the links it has on overall health and wellness.

• Network of International Partners

The Company enjoys a strong network of international partners and suppliers backed by the experience of its founders. Coupled with these deep relationships is a detailed understanding of equipment and service price points and best practice supply terms. As a result, and despite being a new and relatively small business, the Company has been able to secure extremely favourable prices and terms on fitness equipment, building materials, and service supply agreements. The Company also benefits from its reputation of delivering on development promises, which makes suppliers more confident in long-term demand projections when entering into commercial negotiations.

• New Facilities and Equipment

The Company's network of Optimo and B_FIT clubs are among the newest groups of fitness clubs in the Kingdom, offering members brand-new, clean and optimised environments, together with competitive price points, a diverse set of offerings, and great customer service. It also has an extensive preventative maintenance program in place for all aspects of the fitness clubs to ensure the environment remains attractive and compelling to members over the coming years. This is coupled with an equipment refurbishment and replacement plan that will provide members with a consistent experience.

Market and Industry Summary

The Kingdom boasts the largest economy in the GCC Region, with a gross domestic product (GDP) of SAR 3.1 trillion as of 2021G, according to statistics from the Kingdom's General Authority for Statistics. This represents a 24.0 per cent. increase compared to 2017G. However, the economy is expected to grow at a compound annual growth rate of 3.0 per cent. between 2022G and 2027G. The Kingdom's GDP is projected to reach Saudi Riyals 3.9 trillion in 2027G, driven largely by rising oil prices, increased tax revenues, and ongoing Government efforts to develop the private sector. The real GDP fell by 4.1 per cent. in 2020G, affected by the repercussions of the COVID-19 pandemic across various sectors, such as retail, tourism and oil. However, the Kingdom's economy recovered from the pandemic in 2021G, with real GDP growing by 3.2 per cent., and is expected to grow by 7.6 per cent. in 2022G, driven by a significant rise in oil prices.

The GDP from oil (at constant prices) is expected to increase by 15.0 per cent. in 2022G, reaching its highest level in six years, SAR 1.2 trillion. The non-oil GDP recorded a growth of 5.0 per cent. in 2021G, in line with past efforts to reduce reliance on oil revenues, which are expected to increase by 3.0 per cent. in 2022G, reaching SAR 1.5 trillion. The contribution of oil to the total GDP decreased by 2.0 per cent. since 2017G, equating to 41.0 per cent. of GDP in 2021G, down from 43.3 per cent. in 2017G. Oil resources will account for an estimated 46.0 per cent. of GDP in 2022G due to increased oil revenues. However, its contribution to the GDP is expected to decrease by 2.0 per cent. of the compound annual growth rate between 2022G and 2027G, in line with historical data.

The Saudi Government has focused on reducing the economy's dependence on the oil and gas sector. This transition and growth are supported by various initiatives from the Vision 2030 Program and the thirteen Vision Realization Programs, particularly as sports and physical fitness play a major role, influencing the following three pillars: A Thriving Economy, A Vibrant Society, and An Ambitious Nation. The main economic goals the Government seeks to achieve within the "Thriving Economy" initiative revolve around reducing reliance on oil resources by developing non-oil revenues and increasing the private sector's contribution to the GDP. For example, the Government seeks to increase the sports sector's contribution from 0.075 per cent. of GDP in 2016G to 0.8 per cent. by 2030G, and to increase consumer spending on culture and entertainment. The Government also seeks to improve the quality of life in the Kingdom under the "Vibrant Society" initiative, by achieving a 40.0 per cent. participation rate in sports and physical activities by 2030G, in addition to activating approximately 5,000 sports, cultural, and entertainment centers. The Government has focused its efforts on enhancing its global presence, for example, by hosting major international events such as the Saudi Grand Prix to stimulate and boost foreign direct investment.

The Financial Sustainability Program in the Kingdom aims to reduce the Kingdom's reliance on oil resources, ensure financial sustainability, and diversify revenue sources. The program's work focused on establishing public policies to support the achievement of Vision 2030 by improving all Government decisions for balance of payments, economic growth, and creating job opportunities for citizens. The Kingdom has so far witnessed remarkable success and progress towards its goals.

Government revenues have risen by 9.0 per cent. between 2017G and 2021G, and they are expected to rise to SAR1.45 trillion in 2022G. This increase is largely due to the growth of oil revenues as a result of rising oil prices to around \$95.49 per barrel (as of 19 August 2022G, according to Brent Oil Company), a 34.0 per cent. increase from the previous year. Projections indicate that oil revenues will increase by 67.0 per cent. in 2022G to \$935 billion due to the global rise in oil prices. As a result, it is expected that oil revenues will constitute about 65.0 per cent. of the GDP in 2022G.

While the proportion of non-oil revenues from total Government revenues increased from 37.0 per cent. in 2017G to 42.0 per cent. in 2021G, driven by the Government's focus on increasing revenues from tax returns, which rose by 180.0 per cent. from SAR 110 billion in 2017G to SAR 309 billion in 2021G. The tax income mainly consists of tax revenues on goods and services, representing 78.0 per cent. of tax revenues in 2021G, an increase of 49.0 per cent. compared to 2017G, attributed to the increase in the value-added tax in 2020G from 5.0 per cent. to 15.0 per cent.

Furthermore, the revenues of the entertainment sector in the Kingdom increased due to significant Government investments in this sector. It is expected that the revenue of the entertainment sector will reach around SAR 1.2 billion in 2022G, which constitutes 0.2 per cent. of total non-oil revenues. Entertainment sector revenues are expected to grow at a compound annual growth rate of 10.1 per cent. between 2022G and 2027G, expected to reach SAR 1.8 billion in 2027G, equivalent to 0.3 per cent. of the expected non-oil revenues.

The sports clubs market in the Kingdom has grown at a compound annual growth rate of 13.9 per cent. from SAR 3.6 billion in 2017G to SAR 6.1 billion in 2021G, and it is expected to reach SAR 11.8 billion by 2027G. This rapid growth is attributed to several factors, most importantly major Government investments in developing sports infrastructure, events, and programs across the Kingdom, which contributed to raising awareness of the importance of a healthy lifestyle throughout the Kingdom, associated with the prevalence of lifestyle-related diseases such as diabetes, increased awareness of the link between health conditions and the effects of the Coronavirus pandemic. Saudis are expected to experience increasing levels of income with the increase in services and sports offers due to several global trends, contributing to the growth of the Saudi sports clubs market. The growth of the fitness sector in the Kingdom depends on ten key factors, which are:

- high demand for physical fitness;
- increased levels of physical activity in the Kingdom;
- increased popularity of sports clubs;
- focus on mental health and its connection with physical activity;
- rising rates of diabetes and obesity;
- young population;
- available income for spending;
- technology adoption;
- regulatory environment of the economy in the Kingdom; and
- Government investments in sports and physical activity.

The sports club market can be divided into primary sports clubs and subsidiary sports clubs. The category of traditional sports clubs falls under the classification of primary sports clubs, whereas subsidiary sports clubs are those that provide one of the free services included among other services, such as sports clubs in hotels, sports clubs for military sector members, sports halls at universities, as well as sports clubs in residential complexes. Primary sports clubs represent 71.0 per cent. of the total sports clubs in the Kingdom. Primary sports clubs can be divided into (i) independent sports clubs, and (ii) chains of sports clubs. Independent sports clubs are defined as relatively small sports clubs owned by individuals or characterized by very few branches, and make up 80.0 per cent. of the primary sports clubs market as of 2021G. Sports club chains are defined as sports clubs with multiple branches and franchises, typically owned by larger entities. The chain sports club category can be divided into five categories according to the announced monthly subscription fees (excluding discounts and promotions):

- high value, low-cost sports clubs with a monthly subscription of less than SAR 350;
- mid-range sports clubs with a monthly subscription ranging from SAR 350 to 615;
- premium mid-range sports clubs with a monthly subscription ranging from SAR 615 to 900;
- high-end sports clubs with a monthly subscription exceeding SAR 900; and
- specialized sports clubs that focus on group exercises and specialize in one or more fitness fields (like boxing clubs, yoga clubs, etc.).

The sports club market in the Kingdom has matured rapidly compared to the usual growth paths of other international sports club markets. The Saudi market has grown at a compounded annual growth rate of 9.2 per cent. between 2017G and 2022G, outpacing several other markets it was compared with. The compounded annual growth rate for the market in the United Kingdom reached up to 7.4 per cent. between 1998G and 2018G, 6.2 per cent. in the United States for the period between 1996G and 2018G, and 2.8 per cent. in Germany during the period between 2002G and 2018G. The sports club market in the Kingdom has reached a stage attractive to individuals, especially with the decrease in the market share of the mid-range sports clubs and its rise for high quality, low-cost sports clubs, premium mid-range, and high-end sports clubs. While the COVID-19 pandemic negatively impacted the market, the numbers and values of subscriptions in global sports clubs have returned to pre-pandemic levels in the first quarter of 2022G. It is expected that corporate memberships, significantly impacted by the pandemic, will reach pre-pandemic levels in 2022G, and will experience steady growth during the period from 2022G to 2027G.

Summary of Financial Information

The Company's financial information set forth below is based on the Company's reviewed financial statements for the financial year ended 31 December 2022G (which includes the comparative financial information for the financial year ended 31 December 2021G), which are included in Section 18 (*Financial Statements and Auditor Report*) of this Prospectus.

Table 5: Statement of Profit or Loss and other Comprehensive Income of the Company for the Financial Years Ended 31 December 2021G and 2022G

SAR'000	The Financial Year Ended 31 December	
	2021G (Restated) ⁽¹⁾	2022G (Audited)
Revenue	438	13,193
Cost of revenue	(2,077)	(15,117)
Gross Loss	(1,640)	(1,925)
General and administrative expenses	(8,602)	(16,283)
Marketing and Advertising expenses	(569)	(2,636)
Other income	124	3,943
Operating loss	(10,686)	(16,900)
Finance costs	(435)	(4,268)
Loss for the year before Zakat, net	(11,121)	(21,169)
Zakat	(33)	-
Loss for the year/period, net	(11,154)	(21,169)
Other Comprehensive Income	-	13,932
Total overall loss for the period	(11,154)	(7,237)

Source: The audited financial statements for the financial year ended 31 December 2022G.

⁽¹⁾ The Company restated the comparative financial information for the financial year ended 31 December 2021G, included in the Company's audited financial statements for the financial year ended 31 December 2022G. For further details see Section 6.8.4 (*The impact of the restatement of the financial statements for the financial year ended 31 December 2021G*) of this Prospectus.

Table 6: Summary of the Company's Financial Information as of 31 December 2021G and 2022G

SAR'000	As of 31 December	
	2021G (Restated) ⁽¹⁾	2022G (Audited)
Statement of Financial Position		
Total current assets	7,073	11,247
Total non-current assets	343,204	577,300
Total assets	350,277	588,547
Total current liabilities	33,359	71,814
Total non-current liabilities	289,483	261,635
Total liabilities	322,842	333,449
Total equity	27,435	255,098
Total equity and liabilities	350,277	588,547

Source: The audited financial statements for the financial year ended 31 December 2022G.

⁽¹⁾ The Company restated the comparative financial information for the financial year ended 31 December 2021G, included in the Company's audited financial statements for the financial year ended 31 December 2022G. For further details see Section 6.8.4 (*The impact of the restatement of the financial statements for the financial year ended 31 December 2021G*) of this Prospectus.

Table 7: Summary of the Company's Statement of Cash Flows for the Financial Years Ended 31 December 2021G and 2022G

SAR'000	The Financial Year Ended 31 December	
	2021G (Restated) ⁽¹⁾	2022G (Audited)
Statement of Cash Flows		
Net cash flows from operating activities	2,599	8,264
Net cash flows used in investing activities	(104,046)	(122,337)
Net cash flows from financing activities	95,431	116,354
Closing cash and cash equivalents	(6,016)	2,281
Cash and cash equivalents for end of period	865	3,146

Source: The audited financial statements for the financial year ended 31 December 2022G.

⁽¹⁾ The Company restated the comparative financial information for the financial year ended 31 December 2021G, included in the Company's audited financial statements for the financial year ended 31 December 2022G. For further details see Section 6.8.4 (*The impact of the restatement of the financial statements for the financial year ended 31 December 2021G*) of this Prospectus.

Table 8: Key Performance Indicators of the Company for the Financial Year Ended 31 December 2021G and 2022G

SAR'000	The Financial Year Ended 31 December	
	2021G (Restated) ⁽¹⁾	2022G (Audited)
Income statement metrics		
Townsquare Women's Club Revenue	405	7,186
Shubra Women's Club Revenue	N/A	5,223
Malqa Women's Club Revenue	N/A	533
Malqa Men's Club Revenue	N/A	123
Yasmine Men's Club Revenue	N/A	108
Rayan Men's Club Revenue (pre-sale)	N/A	4
Number of existing clubs	1	6
Number of active members at the end of the period	289	4,615
Revenue growth	(53.9%)	2,914%
Gross profit / (loss) margin	(374.6%)	(14.6%)
Net profit / (loss) margin	(2,548.3%)	(160.5%)
Total overall loss margin	(2,548.3%)	(54.9%)
Net income growth	12.7%	89.8%
Financial position statement metrics		
Return on assets (%)	(3.2%)	(1.2%)
Total assets / total liabilities	1.1	1.8
Current Ratio	0.2	0.2
Debt / equity	4.8	1.1
Return on Equity (%)	(40.7%)	(2.8%)

Source: The Company's information.

⁽¹⁾ The Company restated the comparative financial information for the financial year ended 31 December 2021G, included in the Company's audited financial statements for the financial year ended 31 December 2022G. For further details see Section 6.8.4 (*The impact of the restatement of the financial statements for the financial year ended 31 December 2021G*) of this Prospectus.

⁽²⁾ The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

Summary of Risk Factors

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (*Risk Factors*).

Risks Related to the Activities and Operations of the Company

- Risks Related to the Company's Short Operating History
- Risks Related to the Inability to Identify and Secure Suitable Sites for New Fitness Clubs
- Risks Related to Opening New Fitness Clubs in Close Proximity to Competing Fitness Clubs
- Risks Related to the Development of New Fitness Clubs
- Risks Related to Fitness Clubs Under Construction
- Risk Related to the Rising Costs of Maintaining Existing Fitness Clubs
- Risks Related to New Fitness Clubs Generating Operating Losses or Lower Margins
- Risks Related to the Inability to Attract or Retain Members
- Risks Related to the Health and Safety of the Fitness Club's Members
- Risks Related to Higher Membership Prices and the Sensitivity Thereof
- Risks Related to Concentration of Revenues
- Risk Related to Deferred Revenue
- Risks Related to Credit Card and Debit Card Payments
- Risks Related to Cash Collected at Fitness Clubs
- Risks Related to Fitness Clubs Reaching Capacity During Peak Hours
- Risks Related to the Failure to Execute the Targeted Business Plan and Growth Strategy
- Risks Related to Supplier Concentration
- Risks Related to Dependence on Suppliers of Sports Equipment and Consumables
- Related to Outsourcing Certain Aspects of the Supporting Business
- Risks Related to Financing
- Risks Related to Fixed Assets
- Risks Related to Real Estate Owned by the Company
- Risks Related to Adverse Changes in Exchange Rates
- Risks Related to the Company Being Exposed to a Range of Financial Risks, Including Interest Rate Risk
- Risks Related to the Inability to Adequately Maintain the Confidentiality and Integrity of Member and Employee Data
- Risks Related to the Impact of Cybersecurity Attacks on Security and the Reliability of Information Technology Systems
- Risks Related to Geographical Concentration
- Risks Related to Outbreaks of Infectious Diseases and Public Health Threats
- Risks Related to Natural Disasters
- Risks Related to the Failure to Secure Adequate Insurance Coverage
- Risks Related to Availability of Future Financing
- Risks Related to Capital Management and Liquidity
- Risks Related to Litigation
- Risks Related to the Protection of Intellectual Property Rights
- Risks Related to the Company's Marketing Activities
- Risks Related to Reliance on Executive Management and Key Personnel
- Risks Related to Employee Misconduct and Errors
- Risks Related to Employing and Sponsoring Non-Saudi Employees
- Risks Related to Related Party Transactions and Agreements
- Risks Related to the Engagement of Directors or Senior Executives in Businesses Competing with the Company's Business
- Risks Related to Potential Zakat Liability and Tax
- Risks Related the Use of Accounting Assumptions, Estimates and Judgments, and the Corresponding Errors

- Risks Related to Corporate Governance
- Risks Related to the Lack of Experience in Managing a Publicly Listed Joint Stock Company
- Risks Related to the Non-Registration of Lease Agreements on the Ejari Platform
- Risks Related to Leased Properties
- Risks Related to Licences and Approvals
- Risks Related to the Vacancy of the Director of Internal Audit and Compliance Position and the Human Resource Manager Position
- Risks Related to Real Estate Disposal Tax associated with Jiaad United for Real Estate Development Company
- Risks Related to the Sale of Memberships to Clients Through Post Paid Service Providers
- Risks Related to the Exit of Current Shareholders

Risks Related to the Market, Industry, and Regulatory Environment

- Risks Related to Consumer Spending
- Risks Related to Seasonal Factors
- Risks Related to Political Instability and Security Concerns in the Middle East Region
- Risks Related to the High Level of Competition in the Health and Fitness Industry
- Risks Related to Changes in the Regulatory Environment
- Risks Related to Changes in Energy Prices, Electricity, Water and Related Services
- Risks Related to Zakat and Income Tax Calculation Mechanism Changes
- Risks Related to Non-Compliance with Value Added Tax Regulations
- Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees
- Risks Related to Non-Compliance with Saudization Requirements
- Risks Related to Compliance with the New Companies Law and the Implementing Regulations
- Risks related to Unanticipated Costs Related to Compliance with Health and Safety and Environmental Laws and Regulations

Risks Related to Offer Shares

- Risks Related to Effective Control by the Current Shareholders After the Offering
- Risks Related to Forward-Looking Statements
- Risks Related to the Absence of a Prior Market for the Offer Shares
- Risks Related to Selling a Substantial Number of Shares on the Exchange
- Risks Related to the Issuance of New Shares
- Risks Related to Fluctuations in the Market Price of the Shares
- Risks Related to the Distribution of Dividends
- Risks Related to Liquidity and Fluctuations in Share Price
- Risks Related to the Company's Failure to Meet the Requirements for the Transition to the Main Market
- Risks Related to the Company's Desire to Remain in the Parallel Market
- Risks Related to Restricting Trading to Qualified Investors

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EXHIBITS

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1. Definitions and Abbreviations

Advisors or the Company's Advisors	The Company's advisors in relation to the Offering, whose names appear on page (v) of this Prospectus.
Audit Committee	The Audit Committee of the Company.
Auditor	Baker Tilly MKM & Co.
Board or Board of Directors	The Company's Board of Directors, which includes the members whose names appear on page (iii) of this Prospectus.
Business Day	Business days in the Kingdom (Sundays to Thursdays, excluding official holidays).
Bylaws	The Company's bylaws approved by the General Assembly.
Capital Market Authority or CMA	The Capital Market Authority of the Kingdom of Saudi Arabia.
Capital Market Institution	A Person authorised by the CMA to practice securities business.
CML	The Capital Market Law issued under Royal Decree No M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended.
Company or Issuer	Armah Sports Company.
Companies Law	The Companies Law issued under Royal Decree No. M/132 dated 1 Thul-Hijjah 1443H (corresponding to 30 June 2022G).
Control	The ability to influence the actions or decisions of another person, whether directly or indirectly, individually or with a relative or affiliate, through the following: <ol style="list-style-type: none"> holding 30.0 per cent. or more of the voting rights in a company, or having the right to appoint 30.0 per cent. or more of the administrative staff. The word "control" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA Board, pursuant to the Companies Law, by virtue of Resolution No. 8-16-2017 dated 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), as amended by CMA Board Resolution No. 8-5-2023 dated 25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G).
COVID-19	The novel coronavirus pandemic.
Depository Center or Edaa	The Securities Depository Center Company (Edaa) of Saudi Arabia.
Exchange or Tadawul	The Saudi Exchange or Tadawul.
Extraordinary General Assembly	An Extraordinary General Assembly of the Shareholders convened in accordance with the Bylaws.
Financial Advisor	Saudi Fransi Capital.
Financial Statements	The Company's audited financial statements for the financial year ended 31 December 2022G.
Financial Year	The financial year ended on 31 December of every calendar year.
G	The Gregorian calendar.
General Assembly	An Extraordinary General Assembly or Ordinary General Assembly. "General Assembly" shall mean any general assembly of the Company.
Government	The Government of the Kingdom.
H	The Hijri calendar.
IFRS	International Financial Reporting Standards issued by the IASB as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
Investor	Each person investing in the Offer Shares.
Kingdom	The Kingdom of Saudi Arabia.
Labor Law	Saudi Labor Law issued under Royal Decree No. M/51 dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), as amended.
Legal Advisor	Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation.
Listing	Listing of the Company's Shares in the list of companies which are listed on the Parallel Market and approval of their trading.

Listing Rules	The Listing Rules approved by CMA Board Resolution No. 3-123-2017, dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G), as amended by CMA Board Resolution No. 1-108-2022 dated 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G).
Lock-up Period	The period during which the Substantial Shareholders shall be subject to a lock-up period of twelve (12) months from the date on which trading of the Shares commences on the Parallel Market. The Substantial Shareholders also undertake to commit to an additional lock-up period of twelve (12) months commencing from the date of the expiry of the statutory Lock-up Period. During such period, the Substantial Shareholders may not dispose of any of their Shares.
Management or Senior Management	The management of Armah Sports Company.
Ministry of Commerce	The Ministry of Commerce of the Kingdom of Saudi Arabia.
Ministry of Sport	The Ministry of Sport of the Kingdom of Saudi Arabia.
Net Offering Proceeds	The net offering proceeds, after the deduction of the Offering expenses.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company.
Official Gazette	Um Al Qura, the Official Gazette of the Kingdom
Offer Price	Twenty eight Saudi Arabian Riyals (SAR 28).
Offer Shares	Four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) ordinary Shares of the Company's Shares, representing 15.0 per cent. of the Company's capital after the increase.
Offering	The initial public offering of four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) Shares from the: (i) the sale of eight hundred and twenty-one thousand two hundred and ninety-two (821,292) Sale Shares; and (ii) the issuance of four million one hundred and six thousand six hundred and sixty-six (4,106,666) New Shares with the Offer Price of twenty eight Saudi Arabian Riyals (SAR 28) per share.
Offering Period	The period which will commence on Thursday on 25/04/1445H (corresponding to 09/11/2023G) until Thursday on 02/05/1445H (corresponding to 16/11/2023G).
Offering Proceeds	The total value of the Shares subscribed for.
Ordinary General Assembly	An Ordinary General Assembly of the Shareholders convened in accordance with the Articles of Association.
OSCO Rules	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G) based on the Capital Market Law passed by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended by CMA Board Resolution No. 8-5-2023 dated 25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G).
Parallel Market	The market in which Shares that have been registered and admitted are traded in accordance with the OSCO Rules.
Prospectus	This Prospectus prepared by the Company in relation to the Offering.
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 Issuer's affiliates; (5) directors and senior executives of the Issuer's Substantial Shareholders; (6) any relatives of the persons referred to in paragraphs 1, 2, 3, 4, or 5 above; (7) any company controlled by any person referred to in paragraphs 1, 2, 3, 4, 5 or 6 above; or (8) Persons acting in concert, with a collective shareholding of five per cent. or more of the class of Shares to be listed.

Qualified Investors	<p>Qualified Investor means any of the following:</p> <ol style="list-style-type: none"> 1. Capital Market Institutions acting on their own behalf; 2. clients of a Capital Market Institution authorized to perform management activities, provided that the Capital Market Institution has been appointed under terms that enable it to make decisions to accept participation in the Offering and to invest in the Parallel Market on the client's behalf without the need for his prior approval; 3. the Kingdom's government, any Government agency, or any international body recognized by the CMA, the Exchange or any other stock exchange recognized by the CMA or the Depository Center; 4. Government-owned companies whether investing directly or through a portfolio managed by a Capital Market Institution authorized to perform management activities; 5. companies and funds established in GCC countries; 6. investment funds; 7. any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center, 8. Natural persons who may open an investment account in the Kingdom and an account with the Depository Center and meet any of the following criteria: <ol style="list-style-type: none"> (a) have made transactions in the securities market with a total value of not less than forty million Saudi Arabian Riyals (SAR 40,000,000) and not less than ten (10) transactions per quarter during the past 12 months; (b) have net assets whose total value is not less than five million Saudi Arabian Riyals (SAR 5,000,000); (c) are working or have worked in the financial sector for at least three (3) years; (d) have a CME-1 approved by the CMA; or (e) hold a professional certificate that is related to dealing with securities and accredited by an internationally recognized entity. 9. any other persons defined by the CMA.
Related Party	<p>In this Prospectus, in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Authority issued by the CMA Board under Resolution No. 4-11-2004 dated 20 Sha'ban 1425H (corresponding to 4 October 2004G), as amended by CMA Board Resolution No. 1-94-2022 dated 5 Ramadan 1444H (corresponding to 27 March 2023G), a "Related Party" or "Related Parties" includes any of the following:</p> <ol style="list-style-type: none"> 1. affiliates of 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 Issuer's Substantial Shareholders; 6. any relatives of persons described in (1), (2), (3) or (5) above; and any company controlled by any person described in paragraphs (1), (2), (3), (5) or (6).
Rules for Foreign Investment in Securities	The Rules for Foreign Investment in Securities passed under CMA Board Resolution No. 2-26-2023G dated 5 Ramadan 1444H (corresponding to 27 March 2023G).
Sale Shares	Eight hundred and twenty-one thousand two hundred and ninety-two (821,292) Shares of the existing shares in the Company to be sold by the Current Shareholders of the Company, with the exception of the shareholder Jiad United for Real Estate Development Company.
SAR or Saudi riyal	The Saudi Arabian Riyal, the official currency of the Kingdom.
Share	An ordinary Share in the Company's capital, with a nominal value of ten Saudi Arabian Riyals (SAR 10).
Shareholder or Shareholders	A Shareholder or Shareholders of the Company at any time.
SOCPA	The Saudi Organization for Certified Public Accountants.
Subscriber	Each Qualified Investor applying for subscription in accordance with the Subscription Terms and Conditions.
Subscription Application Form	The subscription application form that Qualified Investors must complete and submit to subscribe to the Offer Shares.
Substantial Shareholders	The Shareholders who own 5.0 per cent. or more of the Company's Shares, and whose names appear on page (vii) of this Prospectus.
Value Added Tax (VAT)	The Council of Ministers of the Kingdom resolved on 2 Jumada Al-Awwal 1438H (corresponding to 30 January 2017G) to approve the Unified GCC Value Added Tax Agreement, which came into effect on 1 January 2018G, as a new tax to be added to the system of taxes and other duties to be applied by specific sectors in the Kingdom and in the other GCC Countries. The amount of this tax was initially five per cent., and a number of products (such as basic food, and health care and education services) are exempted from such tax. As of 1 July 2020G, VAT was further increased to 15.0 per cent. by the Ministry of Finance of the Kingdom.
ZATCA	The Zakat, Tax and Customs Authority in the Kingdom.

2. Risk Factors

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

An investment in the Offer Shares under this Prospectus carries a high risk and may be appropriate only for those investors who are able to evaluate the risks of such investment and who have sufficient resources to bear any loss resulting from such investment.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus other than those mentioned in this section that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should assess the risks related to the Offer Shares and 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 evaluate 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 about which actions to take should refer to a financial adviser duly licenced by the CMA for advice about investing in the Offer Shares.

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

2.1 Risks Related to the Activities and Operations of the Company

2.1.1 Risks Related to the Company's Short Operating History

The Company does not have an operating history that potential investors can use to assess its performance and successes, since it was only established as a limited liability company on 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G), and since the previous results achieved by the Company are not necessarily indicative of its future performance. The Company's newness is one of the risks that are difficult to predict and which will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.2 Risks Related to the Inability to Identify and Secure Suitable Sites for New Fitness Clubs

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

2.1.3 Risks Related to Opening New Fitness Clubs in Close Proximity to Competing Fitness Clubs

The Company plans to open new fitness clubs, some of which will be in its existing locations in close proximity to fitness clubs already in operation by its competitors. Opening new fitness clubs in close proximity to existing fitness clubs may result in increased competition for members, including the Company's competitors lowering their membership fees to prevent their members from leaving for the Company's newly opened fitness clubs or to attract members from the Company's fitness clubs, which would lead to the inability of the Company to attract new members or to keep its existing ones. This would in turn diminish the Company's revenues and profitability of individual fitness clubs and it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to the Development of New Fitness Clubs

The Company's growth strategy relies in large part upon new fitness club development. The average cost of establishing one B_FIT fitness club is approximately SAR 31.5 million without calculating the cost of value added tax. The average cost of establishing one Optimo fitness club is approximately SAR 36.0 million, taking into account the size of the club, as the cost of one fitness club can reach approximately SAR 37.0 million, without calculating the cost of value-added tax. The Company faces many challenges in connection with such activities, including:

- accurately estimating market size and potential, and the intensity of competition;
- construction delays or cost overruns (including labour and materials) that may increase project costs;
- zoning and parking restrictions, the requirements for fitness buildings issued by the Ministry of Municipal and Rural Affairs and Housing stipulate that there should be six car parking spaces for every one hundred square meters of the fitness club, including one special needs parking space for every twenty-five parking spaces;
- availability and cost of financing (see Section 2.1.20 (*Risks Related to Financing*));
- selection and availability of suitable fitness club locations (see Section 2.1.2 (*Risks Related to the Inability to Identify and Secure Suitable Sites for New Fitness Clubs*));
- negotiation of acceptable purchasing, leasing and financing terms;
- securing required governmental and local authority permits and approvals;
- health and fitness trends in new geographic regions and acceptance of the Company's offered services;
- ability to open new fitness clubs during the Company's anticipated timeframes;
- recruiting, training and retaining qualified personnel;
- general economic and business conditions (see Section 2.2.1 (*Risks Related to Consumer Spending*));
- ability to successfully manage construction projects and/or plan projects; and
- ability to achieve the expected level of return on the invested capital in new fitness clubs.

The Company's failure to develop new fitness clubs as per its business plan would adversely affect the Company's ability to increase its revenues and operating income and would have a material adverse effect on its business, financial position, results of operations and prospects. See Section 4.8 (*Future Plans and Initiatives*) for further information regarding the opening of new fitness clubs.

2.1.5 Risks Related to Fitness Clubs Under Construction

As of 31 December 2022G, a total of six fitness clubs were under development. The Company classifies fitness clubs under construction as fitness clubs whose location is determined and where official lease contracts are signed, or plots acquired. All of these fitness clubs are located on Company-owned land, except for two fitness clubs currently under development on leased land in partnership with real estate developers within the same business complex. The Company may be forced to not complete or postpone the construction of these fitness clubs due to a change in its strategic guidelines related to the location of these fitness clubs or changes in market trends, the inability to obtain the necessary permits, licences, and approvals required from Government agencies, or the inability to manage construction projects or to successfully plan projects, or changes in the surrounding areas of these clubs, obstructing the access of members. Therefore, the Company may be forced to cancel lease contracts related to such locations for any of the reasons mentioned above, resulting in the Company incurring additional costs in the form of compensation for lease contract cancellation fees to be paid to the lessor. The Company might have to increase debts to finance fitness clubs under construction, which may lead to an increase in financing costs and non-compliance with the current financial covenant requirements. Any of the aforesaid factors, in turn, would adversely and materially affect the Company's business, its financial position, results of operations and prospects.

2.1.6 Risk Related to the Rising Costs of Maintaining Existing Fitness Clubs

The Company's fitness clubs require significant upfront and on-going investment, including periodic maintenance and equipment replacement, and the average cost of periodic maintenance for each fitness club is SAR 14,000 per month. The Company's depreciation policy for sports and other equipment (including electrical equipment) used in its fitness clubs, is based on their estimated useful life of approximately five to six years. If such costs are greater than expected, or if there is a need to replace equipment in the fitness clubs earlier than their estimated useful life pursuant to the depreciation policy, the Company may not be able to achieve its targeted returns. In addition, increased costs may result in lower operating income for the Company, which would have a material adverse effect on its business, financial position, results of operations and prospects.

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

2.1.7 Risks Related to New Fitness Clubs Generating Operating Losses or Lower Margins

As of 31 December 2022G, the Company has six operating fitness clubs, including five in Riyadh and one in Jeddah, in addition to six new fitness clubs under process, including four in Riyadh and two in Jeddah, which would typically be experiencing an initial period of operating losses or lower margins in their first 12 to 24 months of operation due to the time required for membership levels and subscription income to build up. If the proportion of new fitness clubs under development to the established fitness clubs were to change, it would negatively impact the Company's future results of operations due to the impact of operating losses typically incurred by new fitness clubs during the initial operating period. Furthermore, new fitness clubs may not be successful in achieving their targeted results, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.8 Risks Related to the Inability to Attract or Retain Members

Substantially, the Company's revenue is derived from membership fees, the growth rate of subscribers to B_FIT fitness clubs reached 1496.9 per cent. during the financial year ended 31 December 2022G. The Company can face a decline in membership levels due to several factors, including changes in discretionary spending trends and general economic conditions, market maturity or saturation, increased membership fees due to inflation, value added tax, direct and indirect competition in the health and fitness industry, and a general decline in the public's interest in health and fitness. The Company's inability to attract and retain members would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.9 Risks Related to the Health and Safety of the Fitness Club's Members

The use of services and facilities available in the Company's fitness clubs and incorrectly engaging in fitness related activities poses some potential health and safety risks to members and guests. Claims might be asserted against the Company for injuries suffered, in certain extreme cases, the death of members or guests while exercising and using the facilities at a fitness club. The Company may not be able to successfully defend such claims. In addition, negative commentary about the Company in connection with such incidents may be posted on social media platforms, including blogs, social media websites and other forms of internet based communication, at any time and may harm the Company's reputation or business. The harm may be immediate, leaving the Company without an opportunity for compensation or correction. In addition, social media platforms provide users with access to a broad audience and collective actions taken against the Company's fitness clubs, such as boycotts, can be organised easily. If such actions were organised, the Company could suffer reputational damage as well as physical damage to its fitness clubs.

Furthermore, the Company may not be able to maintain its general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against such potential claims. For further details, on risks associated with the availability and adequacy of the insurance coverage, see Section 2.1.29 (*Risks Related to Natural Disasters*). Depending on the outcome, these matters could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.10 Risks Related to Higher Membership Prices and the Sensitivity Thereof

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

2.1.11 Risk Related to Deferred Revenue

The Company's business involves selling memberships for its fitness clubs to generate subscription income, composed of an upfront one-time membership joining fee (accounting for 158.0 per cent. and 53.0 per cent. of the Company's revenue for the financial year ended 31 December 2021G, and 2022G, respectively) and monthly fees (accounting for 64.0 per cent. and 74.0 per cent. of the Company's revenue for the financial years ended 31 December 2021G and 2022G, respectively). Subscription periods range from one month to twelve months, depending on the category. For further details, see Section 4.6.2 (*Membership Model and Pricing*). As per the Company's accounting policies, revenues from the monthly membership fees during the year are recognized on an accrual basis using fixed instalments over the term of the membership period. Monthly membership fees received during the year but not earned are stated as deferred revenue under current liabilities on the balance sheet. The Company's deferred revenue balance amounted to SAR 0.7 million and SAR 7.0 million as of 31 December 2021G and 2022G, respectively. In the event that any of the Company's fitness clubs close down for any reason, the Company's members affiliated with such fitness club can ask for the balance of their membership fees they paid for the remaining membership period to be refunded to them which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects, in particular if compounded by the simultaneous closure of several fitness clubs.

In addition, the upfront one-time membership joining fee and the monthly fees accumulating as deferred revenue are used by the Company to finance its short term operational and working capital requirements (deferred revenue represented 0.2 per cent. of the Company's balance sheet and 0.2 per cent. of total liabilities as of 31 December 2021G, and represented 1.2 per cent. and 2.1 per cent. of the balance sheet and total liabilities, respectively as of 31 December 2022G). The upfront one-time membership joining fee and the monthly fees mechanism currently used or the periodicity of the monthly fees could change in the future due to competition or as a result of changes in industry trends. Such changes would result in a material reduction in the deferred revenue account and would negatively affect the working capital of the Company. Consequently, the Company would have to obtain additional financing from banks to finance its on-going business requirements, resulting in

higher financing costs and leverage. Any material adverse impact on the working capital of the Company and the inability of the Company to secure alternative funding sources, or its requirement to pay additional financing costs would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.12 Risks Related to Concentration of Revenues

The total revenues generated by the Company rely heavily on admin fees, as the admin fees paid in advance for the entire membership period accounted for 23.0 per cent. and 21.0 per cent. of the Company's total revenues for the financial years ended 31 December 2021G and 2022G, respectively. The monthly fees accounted for 64.0 per cent. and 74.0 per cent. of the Company's total revenues for the financial years ended 31 December 2021G and 2022G, respectively. In the case of failure of the Company to maintain the subscribing members or diversify in adding new services, the occurrence of any of these factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.13 Risks Related to Credit Card and Debit Card Payments

In the financial years ended 31 December 2021G and 2022G, respectively, 88.0 per cent. and 83.0 per cent., of the Company's revenue was generated from payments by credit card and debit card transactions, whether at its fitness clubs through point-of-sale processing systems or online. The Company pays certain fees to the relevant financial institutions for credit card and debit card payments, which may increase over time. If the Company encounters problems with its point-of-sale or online hardware and software or in its ability to process payments through major credit or debit card payment systems, this would significantly impair its ability to collect the upfront one-time membership joining fees or the monthly fees. The occurrence of any of the above factors could have an adverse and material effect on the Company's business, financial condition, results of operations and prospects.

2.1.14 Risks Related to Cash Collected at Fitness Clubs

In the financial years ended 31 December 2021G and 2022G, respectively, 12.0 per cent. and 7.0 per cent., of the Company's revenue was obtained through payments in cash collected at its fitness clubs (related to membership sales, retail item sales, personal training sales, and other miscellaneous transactions conducted in the club). The Company is subject to the risk of cash shortage due to theft (by or facilitated by employees) or errors, whether at the fitness clubs or during the transport to the bank. The Company has rules in place to limit exposure to such theft and error, but if these rules do not operate effectively or are structured ineffectively, it could have an adverse and material effect on the Company's business, financial condition, results of operations and prospects.

2.1.15 Risks Related to Fitness Clubs Reaching Capacity During Peak Hours

The Company's fitness clubs are designed from a capacity perspective to serve a certain number of members at any point during their operating hours. The capacity of one fitness club is approximately 200 - 300 members per hour depending on the type of fitness club. The Company usually expects to experience higher member traffic in its fitness clubs at certain times during the day. If fitness clubs reach maximum capacity, some members visiting such clubs during peak hours could find the fitness clubs to be overcrowded and could face longer waiting times to use different exercise equipment and other facilities, which can negatively impact the members experience in the Company's fitness club and their perception of the Company's fitness club's brands. Capacity constraints in the fitness clubs, particularly during peak hours, can negatively impact the Company's ability to attract and retain members, leading to diminished revenues and profitability, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.16 Risks Related to the Failure to Execute the Targeted Business Plan and Growth Strategy

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

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

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

2.1.17 Risks Related to Supplier Concentration

The Company's purchases from sports equipment and certain consumables used in the Company's fitness clubs, are sourced from third party suppliers. The largest five suppliers of the Company collectively provided 63.8 per cent. and 68.5 per cent., of the Company's total purchases, for the financial years ended 31 December 2021G and 2022G which amounted to around SAR 96.9 million and SAR 87.0 million. If the Company loses these suppliers or if the suppliers are unable to supply their products to the Company, the Company may not be able to find alternative suppliers or enter into contracts with them in a timely manner or on suitable terms and the Company's operations may be disrupted. For further details, about the suppliers, see Section 4.6.4 (*Suppliers*). As a result, the ability of the Company to operate its fitness clubs will be materially and adversely affected, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.18 Risks Related to Dependence on Suppliers of Sports Equipment and Consumables

Sports equipment and certain consumables used in the Company's fitness clubs, including the Company's exercise equipment, are sourced from third-party suppliers, the great majority of whom are foreign suppliers or from foreign manufacturers. In the financial years ended 31 December 2021G and 2022G, respectively, 1.4 per cent. and 1.2 per cent. of the Company's exercise equipment, 0.1 per cent. and 0.1 per cent. of its consumables, were supplied by its top five suppliers in terms of procurement value. If the Company loses such suppliers or its suppliers are unable to supply their products to the Company, it may be unable to identify or enter into agreements with alternative suppliers on a timely basis or on acceptable terms, and it may encounter disruptions in the fit-out and refurbishment of its fitness clubs or it may encounter disruptions in its operations. As a result, the Company's ability to serve its members and sustain and enhance its brand would be negatively impacted, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.19 Risks Related to Outsourcing Certain Aspects for Supporting Business

The Company outsources certain aspects of its non-core operations to third parties, including security and cleaning services and basic maintenance services of some sports equipment at its fitness clubs. Accordingly, the Company is subject to the risks associated with the ability of such third parties to provide such outsourced services to meet its needs. If the cost of such services is more than expected, or if any of the third parties is or becomes unable to handle the volume of activity or provide the quality of service that the Company expects, or if any of the third parties faces financial or other difficulties or breaches its contractual obligations, the operations of the Company's fitness clubs could be disrupted, 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 Financing

The Company entered into two financing agreements, one with Riyadh Bank on 1 Muharram 1445H (corresponding to 19 July 2023G) and the other with Bank AlJazira on 17 Thul-Qi'dah 1441H (corresponding to 8 July 2020G), as amended pursuant to the agreement concluded with Bank AlJazira dated 28 Rabi' al-Thani 1444H (corresponding to 22 November 2022G). The Company had a total indebtedness of SAR 131 million, representing 37.5 per cent. of its total assets as of 31 December 2021G, and a total indebtedness of SAR 258.7 million, representing 44.0 per cent. of its total assets as of 31 December 2022G. The terms of the existing financing facility limit the Company's ability to perform certain types of transactions; for example, the agreement with Bank AlJazira includes restrictions on the mortgaging any of the Company's assets without obtaining Bank AlJazira's consent. It should also be noted that the Company's obligations under the financing agreement with Bank AlJazira were guaranteed through joint personal guarantees amounting to SAR 274.0 million provided by some of the Company's direct Shareholders (including the Chairman of the Board of Directors), in addition to a promissory note provided by the Company covering SAR 301.4 million in favour of Bank AlJazira. Noting that pursuant to the letter dated 26 Muharram 1444H (corresponding to 24 August 2022G), Bank AlJazira consented to the Offering and the waiver of the personal guarantees once the CMA's approval is obtained.

Furthermore, the Company's obligations under the financing agreement with Riyadh Bank were guaranteed through joint personal guarantees amounting to SAR 45.0 million, provided by some of the Company's direct Shareholders (including the Chairman of the Board of Directors), in addition to a promissory note provided by the Company covering SAR 61.9 million in favour of Riyadh Bank. Pursuant to the letter dated 12 Rabi' al-Awwal 1445H (corresponding to 27 September 2023G), Riyadh Bank consented to the Offering and the waiver of the personal guarantees upon the completion of listing the Company's Shares in the Parallel Market.

A breach of any of such restrictive covenants could result in a default, which could trigger the acceleration of the Company's indebtedness and result in the acceleration of or default under any other debt that the Company may incur in the future to which the cross-acceleration or cross-default provision applies. In the event of a default under the Company's financing agreement, the relevant lender could elect to terminate borrowing commitments and declare due and payable all outstanding indebtedness, together with accrued and unpaid commissions and any fees and other obligations. In the event that, the relevant lenders accelerate the repayment of indebtedness due to it, the Company may not have sufficient assets to repay such indebtedness, which could force it into bankruptcy or liquidation. The agreement concluded with Bank AlJazira provides the lender with the right to terminate, modify or limit any of the facilities provided thereunder and obliges the Company to immediately pay the amounts due, including expenses and/or profit margin (at the lender's absolute discretion and in accordance with credit risks and market conditions) within one month of the delivery of a notice to the Company. In addition, the relevant lender may exercise its rights to execute the collateral provided in relation to the Company's financing facilities. The occurrence of any of the above events would have a material adverse effect on the Company's business, financial position, results of operations and prospects. The Company relies on several other factors for its business expansion, in particular, its ability to secure funding sources through internal and external cash resources for the purpose of establishing new fitness clubs or purchasing new equipment to expand its production capacity. In the event that, these loans are not available or continued or granted on the same terms by banks, or if the Company incurs a higher cost of financing or is unable to secure adequate alternative sources of financing in a timely manner and on favourable terms, the Company may not be able to expand its business. This would have a material adverse effect on the Company's future strategy, business, results of operations, financial position and prospects.

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

- allocating a substantial portion of the Company's cash flow from operations to payments on its indebtedness, thereby reducing funds available for working capital, capital expenditures, sales and marketing efforts and other purposes;
- increasing the Company's vulnerability to adverse economic and industry conditions which could place it at a competitive disadvantage compared to its competitors that have proportionately less indebtedness;
- limiting the Company's ability to plan for changes in its business and the health and fitness clubs sector; and
- limiting the Company's ability to sustain its operations or achieve its planned rate of growth, including limiting its ability to make investments in new fitness clubs to support the growth of its business.

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

2.1.21 Risks Related to Fixed Assets

A large part of the Company's assets consist of fixed assets. The book value of these assets can be reduced if the Company believes that those assets have been impaired. Fixed assets have specific productive timeframes and are depreciated over their productive timeframes on a fixed installments basis. The underlying assumptions regarding the estimated timeframes of these assets are analyzed at least on an annual basis and more often if an event or circumstance occurs that makes it probable that the carrying amount of these assets may not be recoverable. Such changes are adjusted through a fixed asset impairment test, if necessary. When events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, the Company tests fixed assets for impairment based on estimates of future cash flows. Factors that may be considered a change in circumstances that indicate the carrying value of the Company's fixed assets may not be recoverable, include slower growth rates in the Company's industry, the introduction of new technology or competing products that may sabotage future sales, or other material adverse events. Which have implications for the Company's business profitability. In testing for impairment fixed assets with finite timeframes that are held for use, the Company groups the assets at the lowest level for which its cash flows can be separately identifiable. If the fixed asset is considered to be impaired, the amount of impairment will be equal to the excess of the carrying amount over the fair value of the fixed asset. If actual results differ from the assumptions and estimates used in the fixed asset calculations, the Company may experience an impairment of the fixed assets in the future, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.22 Risks Related to Real Estate owned by the Company

The five largest lands owned by the Company are in Al Nada District, located in Riyadh with a total area of 5,329.81 sqm, and Al Rayyan District, located in Riyadh with a total area of 4,400 sqm, and Al Yasmeen District, located in Riyadh with a total area of 3,624 sqm, and Al Malqa District, located in Riyadh with a total area of 3,405 sqm, and Al Malqa District, located in Riyadh with a total area of 2,979 sqm. These five lands represent 31.0 per cent. of the Company's total assets, as of 31 December 2022G (where the land in Al Nada District represents 7.2 per cent., and Al Rayyan District represents 4.0 per cent., and Al Yasmeen District represents 5.1 per cent., and Al Malqa District represents 7.2 per cent., and Al Malqa District represents 7.1 per cent., of the Company's total assets, as of 31 December 2022G). Noting that the land in Al Nada District and Al Rayyan District are still under construction, therefore, there is no revenue resulting from these lands as of the date of this Prospectus, where the revenue generated from the other three lands (located in Al Malqa District, Al Malqa District, and Al Yasmeen District) represent 5.8 per cent. of the Company's total revenue, as of the financial year ended 31 December 2022G (where the revenue generated from the land in Al Yasmeen District represents 0.8 per cent., and the land in Al Malqa represents 4.0 per cent., and the land in Al Malqa represents 0.8 per cent. of the Company's total revenue in the same period). There is no guarantee that the Company will not lose these lands, either by expropriation for the benefit of the public, or other reasons such as litigation related to land ownership. 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 Adverse Changes in Exchange Rates

The Company's results of operations may be affected by volatility in currency exchange rates and its ability to effectively manage its currency risks. The table below shows the Company's purchases of equipment and materials in foreign currencies and its percentage of the Company's total purchases in the financial years ended 31 December 2021G and 2022G:

Table 2.1: Company's Purchases Equipment and Materials in Foreign Currencies and its percentage of the Company's Total Purchases in the Financial Years ended 31 December 2021G and 2022G

	Financial Year ended 31 December	
	2021G	2022G
Value of purchases of equipment and materials in foreign currencies (million SAR)	6.8	6.2
Percentage of purchases of equipment and materials in foreign currencies of the Company's total purchases	4.5%	4.9%

If the Kingdom's policy of pegging the Saudi Arabian Riyal to the USD were to change in the future, the Company may experience a significant increase in the SAR denominated costs of its operations. As the Company has not concluded any hedging agreements to reduce its currency risk exposure, changes in foreign exchange rates could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.24 Risks Related to the Company Being Exposed to a Range of Financial Risks, Including Interest Rate Risk

The Company's external financing arrangements are at variable rates of interest. Accordingly, unhedged increases in the reference interest rates underlying its current facilities would increase its finance charges and reduce its cash flows. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, international domestic economic and political conditions, and other factors beyond the Company's control. In response to the current inflationary environment, central banks in certain jurisdictions have increased interest rates and may continue to do so in the coming periods, further impacting the cost of financing. From time to time, the Company may elect to hedge interest rate exposure, but such hedging may be costly and may not fully insulate it against increases in interest rates. Therefore, an increase in interest rates and related financing costs may lead to reductions in the Company's profitability and cash flow, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.25 Risks Related to the Inability to Adequately Maintain the Confidentiality and Integrity of Member and Employee Data

In its ordinary course of business, the Company itself or other parties with which it does business, collects, transfers and handles information of fitness club members and employees. Such information includes data, ID cards numbers, birth dates and other private data of fitness club members and employees. Some of this data is private and may be a target of external parties, such as criminals, organised criminal companies, "cyber hackers" and current or former disgruntled employees, among others. The Company's inability to maintain the confidentiality and integrity of such data would lead to a change in the behaviour of existing or potential fitness club members in a manner that affects the Company's ability to retain its existing fitness club members and attract new ones, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Personal Data Protection Law was issued under Royal Decree No. M/19, dated 9 Safar 1443H (corresponding to 16 September 2021G), and was due to enter into force 180 days after the date of its publication in the Official Gazette (i.e., from 17 Safar 1443H (corresponding to 24 September 2021G). This Law applies to any personal data processing by any means in the Kingdom, whether it relates to the data of a citizen or resident and includes a number of requirements to protect the rights of personal data owners, which the Company must implement. On 19 Sha'ban 1443H (corresponding to 22 March 2022G), the Saudi Data and Artificial Intelligence Authority (SDAIA) announced that the competent authorities had decided to postpone the full enforcement of the Personal Data Protection Law until 25 Sha'ban 1444H (corresponding to 17 March 2023G). Subsequently, as per Royal Decree No. M/148, dated 5 Ramadan 1444H (corresponding to 27 March 2023G), the enforcement of the Personal Data Protection Law was further postponed until 29 Safar 1445H (corresponding to 14 September 2023G). As a result, the Company has not assessed the impact of the Personal Data Protection Law on its operations, or taken adequate steps to ensure compliance therewith. In the event that the impact of the Personal Data Protection Law and its implementing regulations is significant, if the Company is required to change its operations to comply with the requirements of the Personal Data Protection Law, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, it would adversely affect its business, financial position, results of operations and prospects.

The commitment to changing privacy and security laws may also lead to an increase in costs due to the necessary changes in the laws and the imposition of new restrictions or controls on the Company's business models and developing new administrative processes. These laws, conditions and regulations may impose further restrictions on the Company's collection of identity data in one or more of its databases and their disclosure and utilization. The failure to adhere to the privacy laws, the general requirements of the sector or any security breach that involves the theft, loss or disclosure of personal, sensitive or confidential data without permission may result in fines, penalties, and lawsuits against the Company, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.26 Risks Related to the Impact of Cybersecurity Attacks on the Security and Reliability of Information Technology Systems

The Company heavily depends on information technologies, systems and networks that are managed by the Company or third-party service and equipment vendors to conduct their business and operations. Cybersecurity risks and threats to such systems continue to grow in sophisticated ways and may be increasingly difficult to anticipate, detect, prevent or mitigate. If any of the security systems used by the Company for detecting and protecting against cybersecurity threats proves to be insufficient, the Company's business and financial systems could be compromised, confidential or proprietary information in the Company's possession could be altered, lost or stolen, or the Company's business operations or safety procedures could be disrupted, degraded or damaged. A cybersecurity breach or failure could also result in injury (financial, operational or otherwise) to people, loss of control of, or damage to, the Company assets, reputation, or breaches of laws or regulations, litigation and other legal liabilities. In addition, the Company may incur significant costs to prevent, respond to or mitigate cybersecurity risks or events and to defend against any investigations, litigation or other proceedings that may follow such events. Any failure or breach of the Company's systems could materially adversely impact the Company's reputation, business, financial position, results of operation and prospects, as well as the Company's ability to service its indebtedness.

2.1.27 Risks Related to Geographical Concentration

As of 31 December 2022G, the Company's revenues are generated from six of its fitness clubs, which five of them are located in Riyadh; as a result, the Company's fitness clubs are partially or totally exposed to any factors that may affect its operations, whether by the increase of competition with other companies engaged in the health and fitness industry or by the occurrence of unseen negative circumstances, this would lead to a decrease in the Company's revenues, which would have a material negative effect on the Company's business, financial condition, results of operations and prospects.

2.1.28 Risks Related to Outbreaks of Infectious Diseases or Public Health Threats

An outbreak of infectious diseases, public health threats or fear of such may have a material adverse effect on the Company's business. In December 2019G, a new strain of coronavirus (COVID-19) was discovered in Wuhan, Hubei Province, China. This disease spread to most of the countries worldwide, which led to several countries, including the Kingdom, taking multiple measures to curb the spread of the coronavirus. The COVID-19 pandemic has caused severe disruptions to supply chains, business continuity and workforce availability, as most countries worldwide have instituted, and may continue to institute, quarantine measures, lockdowns, travel restrictions and other measures aimed at limiting the spread of the pandemic. The COVID-19 pandemic has caused disruptions to businesses and economic activity globally, including disruptions to the health and fitness club industry. Furthermore, it is reasonably likely to continue to have a material adverse effect on the demand for the Company's services.

During this pandemic, many fitness club members moved from the traditional ways of working out due to the closure of fitness clubs. Instead, they began to work out at home, using a range of digital products to replicate the fitness club experience. If further outbreaks of COVID-19 or other diseases occur or increase, and restrictions which are to limit its spread continue, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.29 Risks Related to Natural Disasters

Any damage from natural disasters affecting the Company's fitness clubs, such as floods, fires, earthquakes or other natural disasters for which there is not adequate insurance coverage or commercially reasonable terms, may incur significant costs to the Company. In the event that the Company incurs costs due to the occurrence of natural disasters, this will severely affect the Company's ability to perform and practice its operations and comply with its contractual requirements, and thus negatively affect its operating results. Any of these factors will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.30 Risks Related to the Failure to Secure Adequate Insurance Coverage

The Company maintains insurance or otherwise insures against certain hazards, including hazards related to its assets and employees. However, no assurance can be given that any of the Company's existing insurance policies will be sufficient to cover losses arising from certain events or will be renewed on equivalent, commercially reasonable terms or at all. In addition, given the increasing volatility and complexity of the markets in which the Company operates, certain types of risks and losses are either uninsurable or uneconomical to insure, (among others, risks or losses related to war, terrorism, geopolitical climate, threats to cyber security, currency fluctuations, general economic crises and inadequate succession planning). Furthermore, it may be difficult to identify appropriate insurance solutions to cover these risks.

The occurrence of an uninsured or uninsurable loss could result in the loss of all or part of the invested capital or unrecoverable costs incurred to rectify the loss or pay compensation and anticipated future revenues related to any operation that is damaged or destroyed. The occurrence of any such event could have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further details on insurance policies, see Section 10.6 (*Insurance Policies*).

2.1.31 Risks Related to the Availability of Future Financing

The Company may need to obtain loans and bank facilities to finance future expansion plans, and obtaining financing depends on the Company's capital, financial position, cash flows, guarantees provided, and its credit record. The Company does not give any assurance or guarantee that it will obtain appropriate financing if the need arises. Therefore, the Company's inability to obtain the financing it needs from financing parties, or financing on acceptable preferential terms that are appropriate for the Company. The occurrence of any such event could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.32 Risks Related to Capital Management and Liquidity

The Company may be exposed to the risk of liquidity, which is represented by its inability to fulfil its obligations related to current financial liabilities when they become due. The Company's financial liabilities consist of loans and borrowings, and other account payables. The Company's liquidity ratio was 0.2, 0.2, as of 31 December 2021G and 2022G, respectively. The net capital was approximately SAR 13.8 million and SAR 29.8 million, as of 31 December 2021G and 2022G, respectively. Risks related to liquidity can also be represented by the Company's inability to sell current financial assets quickly at an amount close to their fair value. There is no guarantee that the Company will be able to meet its obligations on the due dates. The Company does not guarantee that no emergency or sudden events will occur that may require immediate liquidity, which would have an adverse effect on the Company's business and the results of operational and financial processes. The Company's failure to effectively manage its capital or make the necessary adjustments to it would have an adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.33 Risks Related to Litigation

The Company may be involved as claimant or defendant in lawsuits and regulatory proceedings related to its business operations with multiple parties, including suppliers, members, employees and regulatory authorities. Any unfavourable outcome in such lawsuits and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

In addition, regardless of their outcomes, any lawsuits or regulatory proceedings could result in substantial costs and may force the Company to allocate substantial resources to defend against these lawsuits and regulatory proceedings, which would have a material adverse effect on the Company's business, financial position, and results of operations and prospects.

As of the date of this Prospectus, no lawsuits have been filed by the Company or against it.

2.1.34 Risks Related to the Protection of Intellectual Property Rights

As of the date of this Prospectus, the “Armah”, “Optimo” and “B_FIT” trademarks have been registered. For further details, see Section 10.9.1 (*Trademarks*). However, it is difficult to control the unauthorised use and other violations of the Company’s intellectual property rights. If the Company fails to successfully protect its intellectual property rights for any reason, or if a third party misuses the Company’s intellectual property, the value of the Company’s trademark may be harmed. Any damage to the Company’s reputation could result in lower demand for its services, which would have an adverse effect on its business, results of operations, financial position and prospects.

It should be noted that Be Fit Woman’s fitness club in Jeddah is registered under a trade mark that includes the phrase “Be fit ladies”, which may constitute a violation of the Company’s trademark “B_FIT”. Accordingly, the Company filed a lawsuit with the Commercial Court against the Be Fit Woman’s fitness club (the defendant) and the Company claimed that the defendant’s trademark violates the Company’s trademark, and accordingly requested to strike off the defendant’s trademark. The competent court issued a preliminary judgement rejecting the Company’s claim due to the absence of an apparent, influential, confusing similarity between the two trademarks, and the judgement was upheld by the Court of Appeal.

Although, the logo differs in the trademarks of “Be fit Woman’s” fitness club and the Company’s trademark, in addition to the mismatch of the names included in the two trademarks completely, there is no guarantee that this will not cause confusion for some customers between the two trademarks.

In addition, the Company may from time to time be required to renew the registration of the trademarks, register new trademarks or initiate litigation to protect its rights to trademarks and other intellectual property. Third parties may also assert that the Company has infringed or otherwise violated their intellectual property rights, which could lead to litigation. Outcomes of litigation to confirm the Company’s rights with respect to its intellectual properties are uncertain and could result in substantial costs and the allocation of financial resources to cover the expenses of such litigation, which would negatively affect the Company’s income and profitability regardless of whether it is able to successfully enforce or defend its intellectual property rights. The occurrence of any of the above would have a material adverse effect on the Company’s business, financial position, results of operations and prospects.

2.1.35 Risks Related to the Company’s Marketing Activities

The Company has launched the “Optimo” and “B_FIT” brands and is actively promoting them with the expectation that they will become one of its most important assets, the value of which will depend on their recognition and perception by the Company’s members. The Company believes that the high awareness of the “Optimo” and “B_FIT” brands is key to developing its business and attracting and maintaining their fitness clubs members. The Company’s success is therefore heavily dependent upon its ability to establish and enhance the strength and value of its brands, which is in turn influenced by several factors, such as the range of services at its fitness clubs, brand perception, fitness club design, branding and marketing activities. The Company’s marketing initiatives are necessary to increase and spread awareness and use of its brands and the services. The Company may have to pay large amounts of money for marketing campaigns and recruit a highly qualified marketing team, which may lead to higher operating expenses. None of these campaigns and marketing activities may have the desired results or they may not be as successful as the marketing campaigns of the Company’s competitors. If the Company is not able to effectively market its fitness clubs at reasonable costs, this would have a material negative effect on the Company’s business, financial condition, results of operations and prospects.

2.1.36 Risks Related to the Reliance on Executive Management and Key Personnel

The Company relies on the efforts, diligence, skill, network of business contacts and close supervision of its Executive Management team and other key personnel, including fitness trainers, for the implementation of its strategy and its day-to-day operations. It is expected that the operating complexity of the Company’s business and the responsibility of its Executive Management will continue to increase in the future. Competition for appropriately qualified personnel with the relevant expertise in the Kingdom is high. If one or more members of the Company’s Executive Management team or key personnel were to resign, the loss of such personnel could result in, among other things, a disruption of organisational focus, poor execution of operations or the failure or delay in achieving some or all of its business strategies and may require the diversion of management resources. In addition, its future success as it expands its scope of operations will depend, in part, on its ability to attract, retain and motivate qualified personnel. The loss of services of an Executive Management member or key employee could prevent or delay the implementation and completion of its strategic objectives and divert the management’s attention to seek qualified replacements. This could adversely affect the Company’s ability to manage its business effectively. Moreover, any member of the Executive Management, as well as any of the key employees, may resign at any time. Losing the ability to hire and retain key executives and employees with high levels of skills in the relevant domains would have a material adverse effect on the Company’s business, financial position, results of operations and prospects.

The Company also relies on certain non-Saudi employees to provide management expertise. Any changes in local laws and regulations which adversely impact expatriates may cause a turnover for employees from the Kingdom or expatriate employees opting to work in other countries, enhancing the difficulty of the Company in retaining necessary non-Saudi employees and disrupting its operations. The Company also pays the costs for the required Government fees for non-Saudi employees for any work and residency permits required by that employee and, in some cases, their dependents. Should such fees be increased in the future, the Company may be forced to bear the increased costs to retain the required non-Saudi employees for their management expertise, resulting in an increase in the Company’s costs and expenses, adversely affecting its business, profits and results of operations.

There can be no assurance that all or any potential increases in employee costs as a result of labour shortage, wage inflation or increased Government fees would be passed on to the Company’s fitness clubs members. If such costs are not effectively passed on, the Company may be unable to retain adequate skilled personnel or it may experience increased costs, adversely affecting its business, financial position, results of operation and prospects.

2.1.37 Risks Related to Employee Misconduct and Errors

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

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

The Company may also face claims and litigation for the harm or other adverse effects caused by such errors (see Section 2.1.33 (*Risks Related to Litigation*)). If employees commit any such misconduct or errors, it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.38 Risks Related to Employing and Sponsoring Non-Saudi Employees

As per the applicable laws and regulations of the Kingdom, a non-Saudi employee may generally only work for their sponsor. As of the date of this Prospectus, all of the Company's employees are under its sponsorship. The presence of employees working for the Company who are not under its sponsorship would expose the Company to fines and penalties imposed by the competent authorities, including financial or administrative penalties, such as preventing the Company from recruiting non-Saudi employees or from renewing the residence permits of current employees. This may also lead to the Company losing many of its employees if the competent authorities decided to deport the violating employees, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

MHRSD has officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the kafala (sponsorship) system with an employment contract system between the employer and expatriate worker, effective as of 14 March 2021G. Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labour market and raise its attractiveness in line with international best practices, and activate contractual reference in the employment relationship between employers and employees based on a documented employment contract between them through the contract documentation programme. The job mobility service also allows the expatriate employees to switch to another job upon the expiry of their employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows expatriate employees to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables the expatriate employees to leave immediately upon the expiry of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the employee bears all of the consequences of the termination of the contract. All of these services are available through Absher and MHRSD's Qiwa platform. As a result, the Company may be adversely affected if a large number of employees decide to switch to other companies and the Company is unable to prevent them except to the extent permitted under their employment contracts. Hence, the Company may face difficulties in contracting with new employees to replace them. Should the Company lose a large number of its employees due to such employees switching to other companies and be unable to hire new employees to replace them, it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.39 Risks Related to Related Party Transactions and Agreements

Related Party transactions are reflected and recorded in the financial statements in accordance with IFRS and standards and pronouncements issued by SOCPA, as applicable (see Section 18 (*Financial Statements and Auditor Report*)). The total amount payable to Related Parties by the Company was SAR 6.3 million during the financial year ended 31 December 2021G, comprising 2.0 per cent. of the Company's total liabilities in the same period, there are no amounts payable to Related Parties by the Company in the financial year ended 31 December 2022G. Trade receivables from Related Parties by the Company amounted to SAR 1 million and SAR 0.2 during the financial years ended 31 December 2021G and 2022G, respectively, comprising 0.3 per cent. and 0.05, respectively, of the Company's total assets in the same periods. The total value of revenues from transactions with Related Parties amounted to SAR 32 thousand and SAR 17 thousand during the financial years ended 31 December 2021G and 2022G, respectively, comprising 7.0 per cent. and 0.1 per cent., of total revenues of the Company in the same periods.

It should be noted that the Company relied on some Related Party transactions during the initial operating stages, where Jiad United for Real Estate Development Company (which is a Related Party) and Pulse Fitness Company (which is a Related Party) provided consulting services pursuant to shared services agreements, noting that the contractual relationship between the parties had ended and there are no joint services provided by Jiad United for Real Estate Development Company or Pulse Fitness Company to the Company as of the date of this Prospectus. In addition, the Company had previously leased lands from Jiad United for Real Estate Development Company for the purpose of building fitness clubs, before the ownership of those lands was transferred to the Company in the financial year ended 31 December 2022G.

In its ordinary course of business, the Company enters into agreements and transactions with certain Related Parties. Although the Company does not have any agreements and transactions entered into with Related Parties as of the date of this Prospectus, there are a number of agreements concluded with other parties in which some members of the Board of Directors have an interest. All these transactions are carried

out under written agreements that govern the contractual relationship between the parties. All of the Company's transactions and agreements in which the members of the Board of Directors have an interest are concluded on purely commercial grounds. All of the Company's agreements and transactions in which some members of the Board of Directors have a direct or indirect interest were presented to the General Assembly on 10 Shawwal 1444H (corresponding to 30 April 2023G) and approved in accordance with Article 27 of the Companies Law.

The total payments related to agreements and transactions in which the members of the Board of Directors have an interest amounted to SAR 30.4 million and SAR 38.6 million for the financial years ended 31 December 2021G and 2022G, respectively, representing 6,937 per cent. and 293.0 per cent. of the Company's total revenues in the same period. For further details, see Section 10.8 (*Contracts and Transactions in which Directors have an Interest*).

In the event that the Company enters into agreements with Related Parties that are not executed in accordance with written agreements, not concluded on an arm's length basis or not approved by the General Assembly (to the extent that any Director has a direct or indirect interest), this would have an adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.40 Risks Related to the Engagement of Directors or Senior Executives in Businesses Competing with the Company's Business

As of the date of this Prospectus, Fahad Ali Mohammed Alhagbani, the Company's Vice Chairman and CEO, is the Chairman of the Board of Directors of Pulse Fitness Company, which carries out activities and business competing with the Company's business, and which constitutes a conflict of interest between the Company's business on one hand and the responsibilities of the Vice Chairman of the Board. The participation of Fahad Ali Mohammed Alhagbani in the competing activities, through his role as Chairman of the Board of Directors of Pulse Fitness Company, was approved by the General Assembly at its meeting held on 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G). None of the Company's Directors or Senior Executives are engaged in 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 or their ownership of businesses that fall within the scope of the Company's business, and such businesses are similar to, or directly or indirectly compete with it. The Directors and Senior Executives can access the internal information of the Company and may use that information for their own interests or in contradiction with the Company's interests and objectives. If the Directors and Senior Executives who have interests conflicting with the Company have a negative influence on the Company's decisions, or if they use the information available to them about the Company in a way that harms its interests, this would have a material adverse effect on the Company's business, results of operations, financial position 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 businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 27 of the Companies Law.

2.1.41 Risks Related to Potential Zakat Liability and Tax

The Company has submitted all of its Zakat returns, has settled Zakat charges payable, which amounted to SAR 72,520 and has obtained certificates from ZATCA for all of the years up to 31 December 2021G, and the latest certificate from ZATCA obtained for the financial year ended 31 December 2021G numbered 120214893, dated 5 Shawwal 1443H (corresponding to 6 May 2022G), with expiry date 21 Shawwal 1445H (corresponding to 30 April 2024G). The Company also received Zakat assessments for all of the years until 2021G and paid all Zakat liabilities up to that period. ZATCA has not submitted its final Zakat assessments or any additional requests or amendments regarding the assessment of Zakat liabilities of the Company for the financial years 2019G to 2021G. Accordingly, the final amount of potential Zakat liabilities of the Company for 1 January 2022G to 31 December 2022G remains uncertain. The total value of Zakat and tax allocations amounted to SAR zero and SAR zero, as of 31 December 2021G and 2022G, respectively. Where the final Zakat or tax outcome is different from the amounts that were initially recorded, such differences will impact the Zakat and tax provision in the year in which such determinations are recorded. These could negatively affect the Company's projected net income and retained earnings.

Should ZATCA issue Zakat assessments on the Company and require it to pay additional Zakat amounts for the years for which it did not receive a final assessment and should the Selling Shareholders default on their undertaking to pay such additional amounts, The selling Shareholders will bear any additional claims that may arise from the Zakat, Tax and Customs Authority for the previous years until the Company is listed in the Parallel Market (Nomu). It would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.42 Risks in Connection with the Use of Accounting Assumptions, Estimates and Judgments, and the Corresponding Errors

In connection with the preparation of its financial statements, the Company uses certain accounting assumptions, estimates and judgments related to complex accounting matters, varying interpretations of which could significantly affect the Company's financial results. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to, revenue recognition, fair value of investments, decline in the value of durable assets, leases and related economic transactions, intangibles, taxes, property and equipment and litigation, are highly complex and involve many subjective assumptions, estimates and judgments by the Company, which creates room for errors, noting that the Company has amended the compared financial information for the year ended 31 December 2021G included in the Company's audited financial statements for the financial year ended 31 December 2022G. For further information, see Section 6.8.4 (*The impact of the restatement of the financial statements for the financial year ended 31 December 2021G*). Changes in the underlying assumptions, estimates or judgments, as well as the corresponding errors, would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.43 Risks Related to Corporate Governance

Although the Corporate Governance Regulations issued by the CMA are indicative and not mandatory for companies listed on the Parallel Market (Nomu) as of the date of this Prospectus, the Company's Board approved its internal Corporate Governance manual on 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G), which includes some rules derived from the Corporate Governance Regulations. The Company's General Assembly also appointed the members of the Audit Committee on 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G). The Company's success in properly implementing the Corporate Governance rules and procedures will depend on the extent to which the Board, its Committees and Senior Management comprehend and understand these rules and properly execute such rules and procedures, especially with regard to rules related to conflicts of interest and disclosure requirements. If the Corporate Governance Regulations become applicable to the Company in the future, the Company will have to update its internal regulations. Otherwise, the Company may be subject to regulatory penalties which would have a material negative effect on the Company's business, financial condition, results of operations and prospects. The failure of members of the Board's Committees to perform their duties and adopt a work methodology that ensures the protection of the interests of the Company and its Shareholders may affect the Company's Corporate Governance Compliance, continuous disclosure requirements and the Board's ability to monitor the Company's business through these committees, which would have a material negative effect on the Company's business, financial condition, results of operations and prospects.

2.1.44 Risks Related to Lack of Experience in Managing a Publicly Listed Joint Stock Company

The Company operated as a limited liability company until 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G), and then as a closed joint stock company. Accordingly, the Senior Executives have limited or no experience in managing a publicly listed joint stock company and complying with the laws and regulations applicable to such companies. Once listed on the Exchange, the Company will have to issue its annual financial statements within a period of no more than three months from the end of each financial year and its semi-annual financial statements within 45 calendar days from the end of the relevant period, in compliance with the laws and regulations applicable to companies listed on the Exchange. The Company's financial statements for the financial year ended 31 December 2021G were issued more than 90 days after the end of the Company's financial year. Therefore, if the Company fails to issue its annual financial statements within 90 days from the end of its financial year, if it fails to disclose and include material financial information in its financial statements or if it fails to comply in a timely manner with any of the other laws, regulations and disclosure requirements applicable to listed companies, it will be subject to regulatory penalties and fines, leading to decreased investors' confidence, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.45 Risks Related to the Non-Registration of Lease Agreements on Ejar Platform

The Company has entered into a number of lease agreements in relation to its business as a lessee, including one contract that was not electronically executed on the Ejar platform - the lease agreement concluded with (Ahmed Abdullah Al Sama' Contracting Company) for the purpose of constructing and operating a fitness club facility, and the revenue generated from the fitness club facility built on the mentioned leased land represented 54.5 per cent. of the Company's total revenue in the financial year ended 31 December 2022G. Pursuant to the Council of Ministers Resolution No. 292 dated 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G) and the Ministry of Justice's circular, approving the requirement to register lease agreements on the Ejar platform which began to apply to all lease agreements concluded after 4 Jumada al-Ula 1440H (corresponding to 10 January 2019G), lease agreements that are not registered on Ejar platform will be considered null and void and will not have administrative and judicial effects, therefore, in the event of any dispute between the parties regarding this lease and their inability to register it on the Ejar platform, the dispute may not be considered by the Saudi courts, and therefore the company as a plaintiff may not be able to protect its rights in the event of a breach by the lessor of its contractual obligations. Noting that an electronic lease agreement is deemed as a promissory note and the parties can enforce it directly, even by force through the enforcement courts, without the need to file a lawsuit in the event that a party has breached its material obligations arising thereunder. Therefore, this poses a risk to the protection of the Company's rights in the event it does not register the lease agreement on the Ejar platform. Examples of such risks are withdrawal of the leased property, and the Company's inability to issue licenses to practice the activity without registering contracts on the Ejar platform, and thus the disruption of the Company's business in that branch, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.46 Risks Related to Leased Properties

The Company has entered into a lease agreement for the purpose of leasing a plot of land in Al Salama District located in Jeddah, with a total area of 7,010 sqm, for a term of twenty seven months, for the purpose of building and operating a fitness club. The Company's revenue generated from the leased land represents 54.5 per cent. of the Company's total revenue for the financial year ended 31 December 2022G. In the event that the Company is unable to comply with the terms of the agreement with the lessor or the lessor terminates the agreement for any reason, this will lead to the Company entering into legal disputes and withdrawing the leased property, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.47 Risks Related to Licenses and Approvals

To carry out and expand its business, the Company needs to maintain or obtain a variety of licences, certificates, permits and approvals from regulatory, legal, administrative, tax, Zakat and other authorities and agencies, in particular a building completion certificate, municipality license for the conduct of commercial activities and a civil defence license for each of its fitness clubs. The processes for obtaining these licences, certificates, permits and approvals are often lengthy and most of the licences, certificates, permits and approvals are subject to conditions under which the licences, certificates, permits and approvals can be suspended or terminated if the licensee fails to comply with certain requirements. As of 31 December 2022G, the Company has one expired license from the General Directorate of Civil Defence and is working on renewing it. For more information, on Government licences, certificates, permits and approvals, see Section 10.3 (*Government*

Consents, Licences and Certificates). Furthermore, when renewing or modifying the scope of a licence, certificate or permit, the relevant authority may not renew or modify the licence, certificate or permit and may impose conditions that will adversely affect the Company's performance, if it did renew or modify the licence, certificate or permit. If the Company is unable to maintain or obtain the relevant licenses, permits and approvals, its ability to achieve its strategic objectives would be impaired, it may be forced to close down the fitness clubs for which operating licenses are missing or pay financial penalties, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.48 Risks Related to the Vacancy of the Director of Internal Audit and Compliance Position and the Human Resource Manager Position

As of the date of this Prospectus, the Company has not appointed a Director for the Internal Audit and Compliance Department. Whose tasks and responsibilities are based on evaluating the effectiveness and adequacy of the main administrative controls for the Company's operations, evaluating the internal control environment, and the effectiveness and efficiency of the operations controls. The Corporate Governance Regulations are also a guiding regulation for the Parallel Market. However, the Company has taken into account attracting the necessary competence for the vacancy of this position, and according to the Company's management, it is expected that the Director of the Internal Audit and Compliance Department will be appointed during the third quarter of the year 2023G, furthermore, the position of the Human Resources Manager is still vacant and the Company is working on appointing a potential candidate.

The absence of someone who performs the tasks and responsibilities of internal audit and compliance and the absence of a Human Resources Manager may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.49 Risks Related to Real Estate Disposal Tax associated with Jiad United for Real Estate Development Company

On 12 Muharram 1444H (corresponding to 10 August 2022G), the Company's capital increased by issuing one million eight hundred and ninety-one thousand five hundred (1,891,500) new Shares to the new Shareholder Jiad United for Real Estate Development Company, for an in-kind contribution represented in the transfer of ownership of ten properties, from Jiad United for Real Estate Development Company to the Company, where these properties were evaluated by two evaluators, and a value less than the lowest of the two values was determined at a value of SAR 234,900,000, while the remaining amount of the land value amounting to SAR 215,985,000 was allocated as additional capital for the Company. Jiad United for Real Estate Development Company did not pay the value of the real estate disposal tax for the real estate provided as in-kind Shares, due to the application of the exception from the scope of application of the real estate disposal tax to the real estate provided as in-kind Shares to the Company, according to paragraph 11 of Article 3 of the executive Regulations of the Real Estate Disposal Tax. Noting that the aforementioned exception applies in the event that Jiad United for Real Estate Development Company does not dispose the Shares corresponding to the disposed properties for a period of five years from the date of registration of owning the Shares corresponding to the real estate. Although Jiad United for Real Estate Development Company will not sell any of its Shares through the Offering, there is no guarantee that Jiad United for Real Estate Development LLC will not sell any of its Shares in the future during the Lock-up Period stipulated in paragraph 11 of Article 3 of the executive Regulations of the Real Estate Disposal Tax. Although Jiad United for Real Estate Development Company is the owner of the original obligation to pay the real estate disposal tax in its capacity as the disposer of the real estate, the Zakat, Tax and Customs Authority has the right to refer to Jiad United for Real Estate Development Company (in its capacity as the disposer) and the Company (as the disposed to) jointly or individually for tax obligations due under the Articles of the executive Regulations of the real estate disposal tax. In the event that Jiad United for Real Estate Development Company sells any of its Shares during the ban period mentioned above, and will be obligated to bear the liabilities arising from the real estate disposal tax related to the mentioned properties. In the event that, Jiad United for Real Estate Development Company fails to pay the obligations arising from the real estate disposal tax, or if the Zakat, Tax and Customs Authority decides to refer directly to the Company to collect the obligations arising from the real estate disposal tax, this may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.50 Risks Related to the Sale of Memberships to Clients Through Post Paid Service Providers

In the third quarter of the financial year ended 31 December 2022G, the Company started selling memberships to B_FIT fitness club clients through two post paid service providers namely, Nakhleh Information Systems Technology Company (Tamara) and Tabby Saudi for Communication and IT (Tabby). The value of sales of B_FIT fitness club through post paid service providers amounted to SAR 1.9 million for the financial year ended 31 December 2022G, representing 12.4 per cent. of the total sales of B_FIT fitness clubs and 10.0 per cent. of the Company's total sales during the same period. In the event that the post paid service providers decide not to renew their contracts with the Company, or renew them on terms and conditions that are not suitable for the Company, or if the Company dispensed any of the mentioned post paid service providers for any reason and did not find a suitable alternative, this will result in a decrease in its sales, and this may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.51 Risks Related to the Exit of Current Shareholders

The sale of a large number of Shares in the market after the completion of the Offering process or the perception of such a sale will negatively affect the price of Shares in the market. It should be noted that some of the current Shareholders of the Company have already established two companies in the fitness clubs sector during the past 28 years (one of which was listed on the Saudi Stock Exchange), these Shareholders exited these companies completely within a time frame ranging from 12 to 13 years. If all or some of the Current Shareholders (especially the major Shareholders, members of the Board of Directors and Executive Management) exit the Company partially or fully after the Offering, this will adversely affect the Company's market Share price. In addition, the exit of Current Shareholders may result in the resignation of Shareholders from the Directors and executive management, which may lead to a change in the Company's organizational governance, the way operations are carried out, and some or all of its business strategies differing or delaying. In the event that the Company is unable to replace

these members with others with high levels of skills in the relevant fields, this may have a material adverse effect on the Company's business, financial position, results of operations and prospects.

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

2.2.1 Risks Related to Consumer Spending

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

2.2.2 Risks Related to Seasonal Factors

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

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

The Company's assets, operations, and customer base are situated in the Kingdom. The wider Middle East region is subject to several geopolitical and security risks that may impact the locations in which the Company operates. Moreover, as the political, economic and social environments in the Middle East region remain subject to continuing developments, investments in the Middle East region are characterised by a significant degree of uncertainty. Any unexpected changes in the political, social, economic or other conditions in the Middle East region may have a material adverse effect on the markets in which the Company operates, its ability to retain and attract members in such regions, and investments that the Company has made or may make in the future, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.4 Risks Related to the High Level of Competition in the Health and Fitness Industry

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

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

2.2.5 Risks Related to Changes in the Regulatory Environment

The Company and its operations are subject to a wide range of laws and regulations, including those related to labour (including Saudization), tax and Zakat, the Civil Defence and Municipality regulations and the Ministry of Sports' requirements applicable to its fitness clubs. The compliance costs associated with these laws and regulations are substantial, and possible future laws and regulations and changes to existing laws and regulations could result in additional compliance expenses, increased capital expenditures and restrictions on or suspensions of certain Company operations.

The lack of understanding new laws and regulations, by the Company or of existing laws and regulations or changes in their interpretation or application by the relevant authorities may materially affect the Company's business and operations or increase its administrative, legal and operational expenditures, forcing it to alter its commercial practices, legal organization and ownership structure or, more generally, reduce or limit its revenue in the future. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. The Company may be subject to fines, penalties or closure of its facilities, including its fitness clubs, if it does not comply with those laws and regulations or if it does not comply with the permitting, licensing or accreditation requirements, which may change from time to time. As a result, the Company may be unable to pursue activities, it may face increased costs or harm to its reputation, it could be delayed or prevented from meeting customers demand, operating fitness clubs, or implementing its growth plan, and more generally, it may lead to the Company losing its competitive position. Accordingly, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, legal requirements are frequently changed and may need to be interpreted. This may lead to the Company incurring significant expenditures, modifying its business practices to comply with existing or future laws and regulations, or restricting the Company's ability to conduct business. This 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 Energy Prices, Electricity, Water and Related Services

Pursuant to the Ministerial Resolution No. 95 dated 17 Rabi' al-Awwal 1437H (corresponding to 28 December 2015G), the prices of energy services, electricity consumption tariffs, and water and sanitation services increased for the residential, commercial and industrial sectors, as a contribution to the policies related to raising the efficiency of Government support in the Kingdom. The Ministry of Energy issued a statement, dated 24 Rabi' al-Awwal 1439H (corresponding to 12 December 2017G), on Fiscal Balance Programme Plan to reform prices of energy products. It resulted in an increase in prices of energy services, electricity and water as of 14 Rabi' al-Thani 1439H (corresponding to 1 January 2018G). The prices of energy products are adjusted monthly in accordance with the procedures for the governance of adjusting the prices of energy and water products. The Company's operational procedures relies on the availability of energy, electricity and water services, the total cost of energy services amounted to a percentage of 1.0 per cent. and 6.9 per cent. as of 31 December 2021G and 2022G, respectively. The procedures of governance to adjust the prices of energy and water products in the Kingdom, which in turn will increase the Company's operating costs. Noting that any further increases in energy prices will have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.2.7 Risks Related to Zakat and Income Tax Calculation Mechanism Change

The ZATCA issued Circular No. 6768/16/1438 on 5 Rabi' al-Awwal 1438H (corresponding to 5 December 2016G) requiring Saudi companies listed on the Exchange to calculate income and Zakat based on the nationality of Shareholders and actual ownership of Saudi and GCC citizens and other nationals as described in the "Tadawulat" at the end of the year. Prior to the issuance this Circular, companies listed on the Exchange were generally subject to Zakat or tax payments based on the ownership of their founders in accordance with their articles of association. The effect of listed Shares in determining the base of Zakat was not taken into account. This Circular was to be applied in the financial year ended 31 December 2016G and subsequent years. However, ZATCA issued its Letter No. 12097/16/1438H on 19 Rabi' al-Thani 1438H (corresponding to 17 January 2017G), postponing the application of the Circular for the financial year ended 31 December 2017G and the coming years. Until ZATCA issues guidelines regarding the mechanics and procedures for implementing the Circular, the implementation of such Circular, including the final requirements to be met, remains under consideration; in particular this relates to the rules subjecting all non-GCC residents who are Shareholders in Saudi listed companies to income tax and applying withholding tax to dividend distributions to non-resident Shareholders, regardless of their nationality. The Company has not assessed the financial impact of this Circular, nor did it take adequate steps to ensure compliance therewith. If the financial impact of this Circular, upon application, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, it will adversely affect its business, the results of operations, financial position and prospects.

2.2.8 Risks Related to Non-Compliance with Value Added Tax Regulations

The VAT Law, which came into force on 1 January 2018G, imposes a 5.0 per cent. VAT on a number of products and services. The Ministry of Finance increased the VAT to 15.0 per cent. as of 1 July 2020G. Given the relatively recent application of the VAT Law and the recent increase in the VAT rate, it is possible that violations or mistakes in its application could be made by the Executive Management or the Company's employees. This may increase the operating costs and expenses that borne by the Company, expose the Company to fines or penalties, or lead to damage to its reputation. Moreover, if the Company is unable to increase its prices to offset any future increase in the VAT, the Company's margins will be negatively affected. If the VAT increase is passed on to the Company's customers, the demand for its products may decline. The Company is also subject to VAT in other jurisdictions where it operates and where similar VAT-related risks exist. Any of the above risks would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

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

The Government has approved several resolutions intended to implement comprehensive reforms in the Saudi labour market, with additional fees being imposed on each non-Saudi employee working for Saudi entities and companies as of 1 January 2018G, and on the residence permit issuance and renewal fees of non-Saudi employee families, which came into force as of 1 July 2017G. Such fees have increased gradually from SAR 4,800 to up to SAR 9,600 annually for each employee during the year 2020G. As a result, the Government fees paid by the Company for its non-Saudi employees amounted to SAR 151 thousand and SAR 448 thousand, for the financial years ended 31 December 2021G and 2022G, respectively. As any further increase in residence permit issuance and renewal fees will increase the cost of living, non-Saudi employees may

seek employment opportunities in other countries with a lower cost of living. In such cases, it may be difficult for the Company to retain its non-Saudi employees and if it is unable to replace them by properly qualified Saudi employees, the Company may be forced to incur additional Government fees related to the issuance and renewal of residence permits for non-Saudi employees and their family members. This could have a material adverse effect on the Company's operations, financial position, results of operations and prospects. For further details, see Section 5.9 (*Employees*) for a discussion of the achieved Saudization by the Company.

2.2.10 Risks Related to Non-Compliance with the Saudization Requirements

Compliance with Saudization requirements is a Saudi regulatory requirement, under which all companies in the Kingdom, including the Company, are required to employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of each company's activities. Moreover, MHRSD approved a new amendment to the "Nitaqat" programme known as "Nitaqat Mawzon" (Balanced Nitaqat) in July 2016G to improve the market performance and development and to eliminate non-productive Saudization. While such amendment was to come into effect on 12 Rabi' alAwwal 1438H (corresponding to 11 December 2016G), MHRSD postponed the programme until further notice in response to private sector demands for additional time to achieve the Saudization rate. As of the date of this Prospectus, no new implementation date has been set. Under the "Nitaqat Mawzon" programme, points would be calculated based on five factors: (i) the Saudization rate; (ii) the average wage for Saudi workers; (iii) the percentage of female Saudization; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. As of now, the existing framework of the "Nitaqat" programme remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period. The Company has not taken any measures to improve its Saudization rating in anticipation of the formal implementation of the "Nitaqat Mawzon" programme. Therefore, it may be unable to promptly respond to a new implementation deadline upon the declaration of the "Nitaqat Mawzon" programme, which would negatively affect the Company's ability to comply with Saudization requirements. This would have an adverse effect on the Company's financial position, result of operations and prospects. The Company was compliant with the Saudization requirements in the "Nitaqat" programme as of 31 December 2022G and was ranked within the "medium green" category (with Saudization percentage of 45.3 per cent.).

In the event of the Company's non-compliance with the applicable Saudization requirements, it would be subject to penalties by Governmental entities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees, exclusion from Government loans and participation in Government tenders. As a result, the Company may not be able to continue to recruit or maintain the required percentage of non-Saudi employees. In addition, the Company may not be able to recruit the required number of Saudi nationals under favourable conditions. In particular, the Company relies on several qualified non-Saudi employees with relevant health and fitness clubs industry experience to run the operations of the Company. Any changes in local regulations which adversely impact expatriates may cause the departures of these expatriate employees from the Kingdom and result in the disruption in the Company's operations. Moreover, the Company is sensitive to the costs of total salaries and related benefits, which amounted to SAR 6.2 million and SAR 10.4 million for the financial years ended 31 December 2021G and 2022G, respectively, representing approximately 58.0 per cent. and 33.0 per cent., respectively, of operating costs for the same periods. There may be a significant increase in costs of salaries if the Company hires larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and prospects. For further details, see Section 5.9.2 (*Saudization*).

2.2.11 Risks Related to Compliance with the New Companies Law and the Implementing Regulations

In its management and operations, the Company is subject to the provisions of the Companies Law, a new version of which was introduced by the Government and which will come into force on 25 Jumada alAkhira 1444H (corresponding to 18 January 2023G). The new Companies Law contains new requirements include the obligation to formally register all corporations, including unincorporated joint ventures, the regulation and codification of share option arrangements, and the imposition of certain prerequisites for the distribution of dividends. The Company has not assessed the impact of the new Companies Law on its operations. If such impact is material or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will adversely affect its business, the results of operations, financial position and prospects.

2.2.12 Risks related to Unanticipated Costs Related to Compliance with Health and Safety and Environmental Laws and Regulations

The Company has adopted safety standards to comply with applicable laws and regulations in the Kingdom. The legal framework in the Kingdom for environmental protection and health and safety compliance is continuously changing and there can be no assurance that stricter regulations, restrictions or requirements will not be introduced in the future, the Company's compliance with such laws or regulations may necessitate further capital expenditure or subject it to other obligations or liabilities, which could have a material adverse effect on its business, results of operations and financial condition.

Any failure to comply with such increased obligations or responsibilities may result in reputational damage to the Company, administrative and civil penalties, criminal sanctions or suspension or termination of the Company's operations. Any such sanctions may also not be covered by any contractual indemnification or insurance and could have a material adverse effect on the Company's business, financial position, results of operation and prospects.

2.3 Risks Related to Offer Shares

2.3.1 Risks Related to Effective Control by the Current Shareholders After the Offering

Following the Offering, the Substantial Shareholders will hold 85.0 per cent. of the Shares. As a result, they will have the ability to significantly influence the Company's business through their ability to control decisions and actions that require Shareholders' approval, including, without limitation, the election of directors, significant corporate transactions, dividend distributions and capital adjustments. In cases where the interests of the Substantial Shareholders conflict with the interests of minority Shareholders (including the Subscribers), the minority Shareholders may be disadvantaged and the Substantial Shareholders may otherwise exercise their control over the Company in a manner that will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.3.2 Risks Related to Forward-Looking Statements

Some of the statements included in this Prospectus are forward-looking statements and include known and unknown risks and some uncertainties that affect the Company's results of operations. If any of the assumptions are incorrect or invalid, the actual results may differ materially from the results mentioned in this Prospectus, which may lead to investors losing their investments in the Shares.

2.3.3 Risks Related to the Absence of a Prior Market for the Offer Shares

There is currently no public market for the Shares, and there may not be an active and sustainable market for the Shares after the Offering. This market, if any, may not continue to exist. As of the date of this Prospectus, trading in the Parallel Market (Nomu) is subject to regulatory restrictions related to eligible categories for trading in the Shares listed thereon. If an active and liquid market is not developed or maintained, the price of the Shares may be negatively affected. The Offer Price has been determined based on several factors that have impacted and may in the future impact the Company and the value of the Shares. Various factors, including the Company's financial results and future business prospects, general conditions in the industry in which the Company operates and the markets in which it competes, economic factors, the regulatory environment and other factors that are beyond the Company's control, may lead to the market price of the Shares being significantly lower than the Offer price.

2.3.4 Risks Related to Selling a Substantial Number of Shares on the Exchange

Sales of a substantial number of the Shares on the Exchange following the completion of the Offering, or the perception that these sales will occur, could adversely affect their market price. Upon the successful completion of the Offering, the Substantial Shareholders will be subject to a Lock-up Period of twelve (12) months commencing from the date of listing the Company's Shares on the Parallel Market, the Substantial Shareholders also undertake to commit to an additional Lock-up Period of twelve (12) months commencing from the date of the expiry of the statutory Lock-up Period, during which each Substantial Shareholder may not dispose of any Shares. However, the sale of a substantial number of Shares by the Substantial Shareholders following the additional Lock-up Period, or the perception that such sales will occur, could have an adverse effect on the price of the Shares on the Exchange.

2.3.5 Risks Related to the Issuance of New Shares

If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market or dilute the current Shareholders' ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

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

The Offer Price has been determined based on several factors, including the past performance of the Company, the prospects for the Company's businesses, the sector in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Subscribers may not be able to sell their Shares after the Offering at the Offer Price or at a higher price. The Company's Share price may be highly volatile and may not be stable due to several factors, including the following:

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

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

From time-to-time, stock markets witness extreme price and volume fluctuations. Periodic and constant market fluctuations could result in the extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares and higher price volatility if the trading volume of the Shares is low, which would have an adverse effect on the Subscribers' investments in the Shares.

2.3.7 Risks Related to the Distribution of Dividends

The future distribution of dividends will depend on, inter alia, the future earnings, financial position, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to pay dividends and the Board of Directors may not recommend, and the Shareholders may not approve the payment of dividends. The Company may become subject to the terms of its future credit financing agreements further restricting dividend payments. It may also incur expenses or liabilities that would reduce or eliminate the cash available for dividend distribution. If the Company does not pay dividends on the Shares, the Shareholders may not receive any return on their investment, unless they sell the Shares at a price higher than the price at the time of purchase. For further details regarding the dividend policy of the Company, see Section 7 (*Dividend Distribution Policy*).

2.3.8 Risks Related to Liquidity and Fluctuations in Share Price

There is currently no public market for trading the Company's Shares, and there is no guarantee that an active and continuous market for trading the Company's shares after the Offering develops. If an active market for the Shares does not develop, it will significantly and adversely affect the liquidity and trading price of the Shares.

2.3.9 Risks Related to the Company's Failure to Meet the Requirements for the Transition to the Main Market

The requirements for offering and listing on the Parallel Market are more flexible. If, after the lapse of the statutory period under the Listing Rules, the Company desires to move to the Main Market, it must fulfil the relevant requirements. If the Company is unable to meet such requirements or any additional future regulatory requirements that the regulatory authorities may impose on the Company or the Exchange, it will not be able to move to the Main Market. As trading in the Parallel Market is restricted to qualified investors only, as of the date of this Prospectus, the daily trading volume and liquidity will be less than the Main Market, which would affect the market value and liquidity of the Shares.

2.3.10 Risks Related to the Company's Desire to Remain in the Parallel Market

After two years of listing the Shares on the Parallel Market under the Listing Rules, the Company may be compliant with the regulatory requirements for the transition to the Main Market. However, the Company may desire to continue as a listed company in the Parallel Market instead of moving to the Main Market. As trading in the Parallel Market is restricted to qualified investors only, as of the date of this Prospectus, the daily trading volume and liquidity will be less than the Main Market, which would affect the market value and liquidity of the Shares.

2.3.11 Risks Related to Restricting Trading to Qualified Investors

The Company's Shares will be listed in the Parallel Market, and since the Parallel Market until the date of this Prospectus, is a market where trading is restricted to Qualified Investors only, the daily trading volume and liquidity will be less than in the Main Market, which would affect the market value and liquidity of the Shares. That will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

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 25th July to 26th of August 2022G. 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 GCC with a GDP of SAR 3.1 trillion as of 2021G. This represents an increase of 24.0 per cent. from 2017G. The economy is projected to grow at a CAGR of 3.0 per cent. from 2022G to 2027G, with GDP forecast to reach SAR 3.9 trillion in 2027G. Rising oil prices, increasing tax revenues and Government efforts to grow the private sector are significant contributors to the Kingdom’s increasing GDP. Real GDP shrank by 4.1 per cent. in 2020G as the pandemic hit and sectors such as retail, tourism and oil were impacted. However, the economy has recovered, with Real GDP growing by 3.2 per cent. in 2021G, with growth of 7.6 per cent. forecast in 2022G due to significantly higher oil prices.

Table 3.2: Kingdom GDP at Constant Prices, Kingdom GDP Growth at Current Prices (2017G-2027G)

	2017G	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2017G-2021G)	CAGR (2022G-2027G)
GDP (SAR billion)	2500	3000	3000	2600	3100	3300	3400	3500	3600	3800	3900	6%	3%
Real GDP growth rate (%)	-0.7%	2.4%	0.3%	-4.1%	3.2%	7.6%	3.6%	2.7%	2.7%	2.7%	2.8%	-	-

Source: Market Consultant report, Statista, GASTAT

Oil GDP (in constant prices) is forecast to increase by 15.0 per cent. in 2022G, reaching a six-year high of 1.2 trillion. Non-oil GDP grew by 5.0 per cent. in 2021G, in line with the Government’s efforts to reduce reliance on oil revenues, and is forecast to grow by 3.0 per cent. in 2022G, reaching a high of SAR 1.5 trillion.

The contribution of oil to total GDP has decreased at a CAGR of 2.0 per cent. since 2017G, accounting for 41.0 per cent. of GDP in 2021G, down from 43.3 per cent. in 2017G. Oil will account for an estimated 46.0 per cent. of GDP in 2022G due to greater oil revenues, however its contribution to GDP is forecast to decrease at a 2.0 per cent. CAGR between 2022G and 2027G, in line with historical data. Governmental efforts to reduce the Kingdom’s reliance on oil are resulting in this reduction in the contribution of oil to total GDP.

Private sector (non-oil) real GDP grew by 6.0 per cent. from 2020 to 2021G, to SAR 1.04 trillion in 2021G. The private sector's contribution to the Kingdom's total GDP has been increasing at 2.0 per cent. CAGR, to 41.0 per cent. in 2020G, and is forecast to grow at a 2.0 per cent. CAGR from 2022 to 2027G. In 2027, the private sector is forecast to account for 47.0 per cent. of GDP, in line with the aims of the Government's Fiscal Sustainability Program (described in further detail in the following section).

Table 3.3: Kingdom GDP of Oil, Non-Oil, and Private Sector at Current Prices (2017G-2027G)

	2017G	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2017G-2021G)	CAGR (2022G-2027G)
GDP per capita (SAR)	79,117	88,271	86,902	74,984	87,415	90,037	92,739	95,520	98,386	101,338	104,378	3%	3%
Oil GDP (SAR billion)	1,103	1,128	1,091	1,018	1,020	1,178	1,154	1,131	1,109	1,087	1,065	-2%	-2%
Non-oil GDP (SAR billion)	1,446	1,424	1,463	1,426	1,496	1,547	1,563	1,578	1,594	1,610	1,626	1%	1%
Private sector GDP (SAR billion)	1,015	982	1,012	978	1,039	1,070	1,081	1,091	1,102	1,113	1,125	1%	1%

Source: Market Consultant report, GASTAT, Ministry of Economy & Planning, Statista, KPMG Kingdom Budget Report 2022, Focus Economics, Trading Economics, The National News, Focus Economics

The Government has been focusing on reducing the reliance of its economy on the oil and gas sector. The envisioned transition and growth are underpinned by various initiatives of the Vision 2030 and the 13 Vision Realization programs. Sport and fitness have a key part to play across the three pillars of: a Thriving Economy, a Vibrant Society and an Ambitious nation.

The Government's key economic aims revolve around transitioning away from an oil-based economy by growing non-oil revenues and the private sector's contribution to GDP. For example, the Government aims to increase the Sports sector's contribution from 0.075 per cent. of GDP (2016G) to 0.8 per cent. by 2030G, and boost household spending on culture and entertainment. To create a 'Vibrant Society', the Government aims to improve Kingdom's quality of life by achieving a 40.0 per cent. participation rate in Sports and Physical Activity by 2030G, alongside the activation of ~5000 sports, cultural and entertainment venues. The Government has also focused its efforts on enhancing the Kingdom's global presence, for example by hosting large-scale international events such as the Saudi Grand Prix, in order to drive FDI.

Over the next 10 years, the Government is planning to invest over SAR 100 billion into the Sports sector, across Events, Programs, and Infrastructure. This planned investment in the Sports sector is one of the many drivers of the Saudi fitness industry – to be explored in detail in Section 3.2.2 (*Key Drivers*).

3.1.2 Evolution of Fiscal Policy

The Kingdom's Fiscal Sustainability Program aims to reduce the Kingdom's dependence on oil, ensure financial sustainability, and diversify revenue streams. Its focus has been on developing public policies to support the realization of Vision 2030 by ensuring that all Government decisions will improve the balance of payments, grow the economy, and create new opportunities for the country's citizens. Thus far, it has seen a number of successes in the realization of its aims.

Government revenue increased at a CAGR of 9.0 per cent. from 2017G to 2021G, and is forecast to increase to 1.45 trillion in 2022G. This can largely be attributed to the growth of oil revenues due to increasing oil prices, which have risen to ~USD \$95.49 per barrel (Brent Oil, as of 19 August 2022G), a 34.0 per cent. increase from the previous year. Forecasts suggest oil revenues will increase by 67.0 per cent. in 2022G to 935 billion due to the recent rises in global oil prices. As a result, oil revenue will account for ~65.0 per cent. of GDP in 2022G.

Table 3.4: Government Revenue Breakdown (2017G-2027G)

	2017G	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2017G-2021G)	CAGR (2022G-2027G)
Oil revenue (SAR billion)	436	607	593	415	559	935	954	973	992	1,012	1,032	6%	2%
Non-oil revenue (SAR billion)	256	299	334	367	406	515	525	536	547	557	568	12%	2%
Oil revenue (% of GDP)	63%	67%	64%	53%	58%	65%	65%	65%	65%	65%	65%	-	-
Non-oil revenue (% of GDP)	37%	33%	36%	47%	42%	36%	35%	35%	35%	35%	35%	-	-
Govt. revenue (SAR billion)	692	906	927	782	965	1,450	1,479	1,509	1,539	1,569	1,600	9%	2%
Tax revenues (SAR billion)	110	172	222	227	309	392	428	468	523	549	576	29%	8%

Source: Market Consultant report, Statista, KPMG Kingdom Budget Report 2022G, Kingdom Budget Report 2017G

Non-oil revenue as a percentage of total Government revenue has increased from 37.0 per cent. in 2017 to 42.0 per cent. in 2021G. Contributing to this is the Government's focus on growing its revenue from tax, which has increased by 180.0 per cent. from SAR 110 billion in 2017G, to 309 billion in 2021G. Revenue from taxes on goods and services is the dominant form of tax income, accounting for 78.0 per cent. of tax revenues in 2021 up from 49.0 per cent. in 2017G, due to the rise in VAT in 2020G from 5.0 per cent. to 15.0 per cent..

Revenue from the Entertainment sector in Kingdom is also increasing because of the Government's significant investment in this sector. In 2022G, Entertainment sector revenue is forecast to reach SAR 1.2 billion in 2022G, accounting for 0.2 per cent. of total non-oil revenue. The Entertainment sector's revenue is forecast to grow at a 10.1 per cent. CAGR between 2022G and 2027G, with a projected value of SAR 1.8 billion in 2027G, accounting for 0.3 per cent. of projected non-oil revenues.

Table 3.5: Government Expenditure, Fiscal Surplus/Debt, Gross Public Debt (2017G-2027G)

	2017G	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2017G-2021G)	CAGR (2022G-2027G)
Govt. expenditure (SAR billion)	930	978	1,048	1,076	1,015	955	936	917	899	880	863	2%	-2%
Fiscal surplus/ deficit (SAR billion)	-238	-174	-133	-294	-73	90	115	100	95	95	98	-26%	2%
Gross public debt (SAR billion)	443	560	678	854	939	939	986	1,035	1,087	1,141	1,198	21%	5%

Source: Market Consultant report, KPMG Kingdom Budget Report 2022, Statista, Ministry of Finance pre-budget statement 2021, GASTAT, Ministry of Economy & Planning, The Financial Times, Arab News, Kingdom Public Budget 2017

Government expenditure is forecast to decrease by 6.0 per cent. in 2022G, with a continued focus on promoting economic growth and improving spending efficiency. In line with recent trends, Education, Military and Health & Social Development are projected to remain the largest categories of public expenditure in 2022G, as part of the Vision 2030 objectives of creating a better quality of life and a diversified economy. Within these categories, the Government is investing heavily in infrastructure to transform the nation and enable the diversification of the economy. Government spending is forecast to decrease at a CAGR of -2.0 per cent. from 2022G to 2027G as the Government implements controlled spending measures.

The Kingdom recorded a fiscal deficit of SAR 73 billion in 2021G, however a budget surplus of SAR 90 billion is projected for 2022G. Leading drivers for this change will be high oil prices, the Government's growing tax revenues, and controlled expenditure. As a result, public debt, which has been growing at a CAGR of 21.0 per cent. since 2017G, is not forecast to increase in 2022G.

3.1.3 Demographics

The Kingdom is the most populous country in the GCC, with a population of 35.5 million in 2021G. By 2027G, the population is projected to reach 39.9 million, with a forecast CAGR of 2.0 per cent. from 2022G to 2027G. The number of households is also forecast to increase at a 2.0 per cent. CAGR from 2022G to 2027G (7 million to 7.7 million).

The Kingdom population is primarily urban, with only 15.5 per cent. of the population in non-urban areas in 2021G. Within urban Kingdom areas, Riyadh is the most populous city with 7.4 million inhabitants, accounting for 20.9 per cent. of the total Kingdom population (2021G). Riyadh is followed by Jeddah, Mecca, Medina, and Dammam as the largest cities (together totaling 27.1 per cent. of the Kingdom population). All five top cities are forecast to increase in population 2022-2027G, with Riyadh predicted to reach 9.3 million. Further population growth is likely to be fueled by investment in giga-projects by the Saudi Government, the population of NEOM, for example, is forecast to reach 2 million by 2030G, and 9 million by 2045G.

The Kingdom has a young population, with the majority under the age of forty; 31.6 per cent. aged 0-19; 36.4 per cent. aged 20-39; and 26.2 per cent. aged 40-59 (2021G).

Table 3.6: Kingdom Population Total and Age Breakdown, and Riyadh Population

	2017G	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2017G-2021G)	CAGR (2022G-2027G)
Total Kingdom population (millions)	32.6	33.4	34.2	35.0	35.5	36.2	36.9	37.6	38.4	39.2	39.9	2%	2%
Riyadh population (millions)	6.7	6.9	7.0	7.2	7.4	7.5	7.8	7.9	8.2	8.6	9.3	3%	4%
<40-year-olds (% of total Kingdom population)	69.4%	69.3%	69.2%	69.1%	68.0%	68.0%	67.7%	67.3%	67.0%	66.7%	66.4%	-0.5%	-0.5%

Source: Market Consultant report, Statista, MacroTrends, Reuters, Vision 2030, Research Gate, GASTAT

There is a gender imbalance in the Kingdom, with the male population accounting for 58.0 per cent. of the population (2021G). This imbalance is driven by the high male proportion of the non-Saudi, expatriate population (67.0 per cent. male, 2021G), compared to a more balanced Saudi national population (51.0 per cent. male, 2021G). The overall expatriate population accounted for 36.4 per cent. of the total Kingdom population in 2021G, down from a high of 38.8 per cent. in 2020G – this decrease can be attributed to the significant numbers of the expatriate population who left Kingdom due to the Covid-19 pandemic.

Unemployment rose to 7.4 per cent. of the total labour force in 2020G due to the Covid-19 pandemic and is yet to return to pre-pandemic levels. In 2021G, it is at 6.7 per cent., compared to 5.6 per cent. in 2019G pre-pandemic. However, the rate of Saudi female unemployment declined significantly from 33.1 per cent. in 2017G, to 22.5 per cent. in 2021G. Unemployment is forecast to decrease at 2.0 per cent. per annum from 2022G to 2027G, as the growing private sector creates new job opportunities across the nation. Government ‘Saudization’ schemes, which require Saudi companies to hire Saudi Nationals on a quota basis, are also predicted to contribute to decreasing unemployment rates.

Table 3.7: Unemployment Size of Kingdom workforce, shown also as a Proportion of the Total Population and with Gender Breakdown. PPP shown as a Conversion Factor for GDP (2017G-2024G)

	2017G	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2017G-2021G)	CAGR (2022G-2027G)
Unemployment rate (% of labour force)	5.9%	6.0%	5.6%	7.4%	6.7%	6.9%	6.4%	6.3%	6.3%	6.1%	6.2%	3%	-2%
Kingdom total workforce (millions)	13.6	14.1	15.1	16.0	16.1	16.4	17.1	17.1	17.7	18.2	18.7	4%	3%
Workforce (% of total Kingdom population)	54.9%	56.0%	57.9%	59.5%	61.5%	60.4%	62.8%	63.0%	64.7%	65.9%	67.1%	3%	2%
Female workers (% of total Kingdom workforce)	14.8%	15.8%	18.2%	20.9%	20.4%	22.0%	24.0%	25.8%	27.8%	29.6%	31.6%	8%	8%
Kingdom PPP as a conversion factor for GDP (LCU per international \$)	1.69	1.72	1.66	1.69	1.71	1.71	1.70	1.70	1.70	1.70	1.70	0.3%	-0.1%

Source: Market Consultant report, World Bank, Trading Economics, Statista, UNFPA, Knoema

The Kingdom workforce grew at a CAGR of 4.0 per cent. 2017-2021G and is forecast to continue growing at a 3.0 per cent. CAGR, reaching 18.7 million in 2027G. As a proportion of the total population, the workforce is forecast to increase from 55.0 per cent. (2017G) to 67.0 per cent. (2027G). This growth is partly driven by the increasing numbers of females in the workforce; the proportion of the workforce that is female increased from 14.8 per cent. in 2017G to 20.4 per cent. in 2021G.

3.2 Kingdom's Gym Market

3.2.1 Market Overview and Dynamics

The Saudi Gym Market has grown at a CAGR of 13.9 per cent. from SAR 3.6 billion in 2017G to SAR 6.1 billion 2021G. The market is forecast to grow to SAR 11.8 billion by 2027G. This rapid growth is fueled by several factors, including the Government's significant investments in developing sport infrastructure, events, and programs across the nation. This has led to a rising consciousness of the importance of health across the Kingdom, which has been exacerbated by the rise of lifestyle-related diseases such as diabetes, and awareness of the link between poor health and suffering from Covid-19. Moreover, Saudis are seeing increasing levels of disposable income, alongside growing numbers of sports-related offerings. These factors, combined with a multitude of global trends, are resulting in a growing Saudi Gym Market – for further detail, please see section 3.2.2 (*Key Drivers*) for further detail.

Male gyms account for a larger segment of the market at SAR 4.4 billion, compared to SAR 1.7 billion for female gyms. However, the female gym segment has a higher CAGR than the male gym segment (24.7 per cent. VS. 10.8 per cent. for the years 2017G to 2021G). The number of gym members has risen from 1.1 million in 2017G to 1.7 million in 2021G, at a CAGR of 11.6 per cent.. Compared to international benchmarks, the gym penetration rate in Kingdom is low at 5.4 per cent. (see Table 8 below for benchmarks).

Table 3.8: Kingdom Gym Market Monetary and Membership Size, with Gender Breakdown (2017G-2027G)

	2017G	2020G	2021G	2022G	2023G E	2024G F	2025G F	2026G F	2027G F	CAGR (2017G-2021G)	CAGR (2022G-2027G)
Kingdom Gym market (SAR billions)	3.6	5.2	6.1	6.8	7.6	8.5	9.5	10.6	11.8	13.9%	11.8%
Kingdom male gym market (SAR billions)	2.9	3.7	4.4	4.9	5.4	6.1	6.8	7.6	8.4	10.8%	11.6%

	2017G	2020G	2021G	2022G	2023G E	2024G F	2025G F	2026G F	2027G F	CAGR (2017G-2021G)	CAGR (2022G-2027G)
Kingdom female Gym market (SAR billions)	0.7	1.5	1.7	1.9	2.1	2.4	2.7	3.0	3.4	24.7%	12.3%
Number of Kingdom Gym members (SAR millions)	1.1	1.6	1.7	1.9	2.0	2.2	2.4	2.6	2.8	11.6%	8.7%

Source: Market Consultant report

Table 3.9: Comparison of International Gym Market Penetration (2021G)

Country	USA ⁽¹⁾	Norway	UK	Germany	Kuwait ⁽¹⁾	UAE	Kingdom
Market penetration (%)	21.2%	15.0%	18.0%	11.0%	8.8%	6.0%	5.4%

Source: Market Consultant report, IHRSA 2021G report,

⁽¹⁾ Based on 2020 data

The Gym market can be split into primary and secondary gyms. Primary gyms are ‘traditional’ gyms, whereas secondary gyms are those included as part of a complimentary service (e.g. hotels, military gyms, university gyms and residential gyms). Primary gyms account for 71.0 per cent. of the Kingdom’s gym supply. At-home gyms are excluded from the market sizing as global trends demonstrate that, post-pandemic, there is a desire to return to physical gyms, with at-home technology acting to increase activity levels rather than compete with gyms.

Primary gyms can be split into two types: independent and chain gyms. Independent gyms are defined as primary sector small gyms, owned by individuals with single or very few branches, and currently account for 80.0 per cent. of the primary Gym market as of 2021G. Chain gyms are defined as primary sector gyms with multiple branches/ franchises and are usually owned by a wider entity. The chain gym sector can be split into five segments based on advertised full monthly prices (excluding discounts) and offerings:

- high value low cost (HVLC): Chain gyms with monthly membership rate less than SAR 350;
- mid-tier: Chain gyms with monthly membership rate greater than SAR 350 and less than SAR 615;
- premium Mid-tier: Chain gyms with monthly membership rate greater than SAR 615 and less than SAR 900;
- high-end: Chain gyms with monthly membership rate greater than SAR 900; and
- concept gyms: focused on group exercise and specialize in one or two fitness areas (e.g. boxing, yoga etc.

As can be seen in the table below, Mid-tier and HVLC gyms account for 68.0 per cent. of the current total number of gym sites in Kingdom as of 2021G. The Company’s B_FIT offering is classified as Premium mid-tier, while the Optimo offering is classed as High-end.

Table 3.10: Location Numbers of Gym Chain Subsegments and Proportional Breakdown

	HVLC	Mid-tier	Concept	Premium mid-tier	High-end
Gym chains subsegment Kingdom locations (% of total gym chains locations)	32%	36%	18%	8%	6%
Number of locations	112	128	64	28	22

Source: Market Consultant report, MoS Licensing data

There is a high degree of variance within the Kingdom Gym market in regards to numbers of members per location. High-performing gyms in major cities (e.g., Riyadh, Jeddah) in prime locations may drive membership levels upwards of 4,000 members, whilst gyms in the same chain in non-prime locations and smaller cities can see membership rates as low as 1,000 members per location. Furthermore, average member numbers per location are higher for the HVLC and Mid-tier segments, as volume is of greater importance to the lower segments for them to achieve business feasibility.

Table 3.11: Members per Location of Gym Chain Subsegments

	HVLC	Mid-tier	Concept	Premium mid-tier	High-end
Minimum members per location	800	1,400	250	800	300
Maximum members per location	4,000	4,500	1,200	1,500	2,300
Average members per location	1,815	1,696	626	1,102	966

Source: Market Consultant report

Personal trainer (PT) fees and usage rates also differ between segments. HVLC gyms charge the lowest average fee per PT session at SAR 200, where approximately 5.0 per cent. of members utilise PT services. Mid-tier gyms charge average fees of SAR 268, whilst Premium Mid-tier gyms charge average fees of SAR 253 for a PT session. A greater number of members in these segments use Personal Trainers, with 15.0 per cent. of Mid-tier and Premium Mid-tier members utilizing PT services. The High-end segment charges the highest average fees at SAR 356 per session.

In terms of memberships, gym chains on average achieve 85-90 per cent. of their target figures within the first year of operations and reach maturity in 2-3 years.

Gym members can either acquire individual memberships or corporate memberships. Corporate gym memberships (those purchased by/through companies for their employees) account for 14.0 per cent. of the gym chain membership base in 2021G, with individual members accounting for 86.0 per cent.. Corporate membership numbers have decreased since 2020G due to the Covid-19 pandemic, however they are projected to recover, with forecasted rates of corporate memberships at 20.0 per cent. and individual memberships at 80.0 per cent. in 2027G.

Average membership attrition rates in Kingdom are lower than the global average. Global gyms on average have an attrition rate of 28.6 per cent. and global concept gyms realize a 25.0 per cent. attrition rate, while Kingdom average attrition rates are 10.0 per cent..

Whilst gym chains tend to have presence throughout the Kingdom, tend to consolidate the majority of their branches in major cities. Riyadh currently has the highest number of gym chain locations, followed by Jeddah as of 2021G.

Table 3.12: Number of Gym Locations Per Kingdom Region (2021G)

Riyadh	Jeddah/ Mecca	Eastern Regions	Medina	Al-Qas- sim	Aseer	Najran	Tabuk	Al Baha	Hail	Northern Borders	Al-Jouf
163	78	58	12	9	7	3	3	3	2	1	1

Source: Market Consultant report, MoS Licensing data

The Kingdom Gym market grew by 69.0 per cent. between 2017G and 2021G, from SAR 3.6 to 6.1 billion. From 2022G-2027G, the Kingdom Gym market is forecast to grow at a CAGR of 11.8 per cent., to a market size of 11.8 billion. Membership rates are forecast to grow at a CAGR of 8.7 per cent. in the same period, reaching 2.8 million by 2027G.

After independent gyms, HVLC gyms are forecast to have the largest market share by 2027G, accounting for 25.0 per cent. of the total market. The Premium mid-tier segment will account for 12.0 per cent. and High-end will account for 7.0 per cent. of the market in 2027G. HVLC will have the highest share of total members (34.0 per cent.) with Premium mid-tier capturing 6.0 per cent. and High-end 1.0 per cent. in 2027G.

Table 3.13: Market Size and Number of Members Across the Total Market (2021G-2027G)

	2017G	2020G	2021G	2022G	2023G	2024G	2025G	2026G	2027G	CAGR (2022G-2027G)
Kingdom market size (SAR billions)	3.6	5.2	6.1	6.8	7.6	8.5	9.5	10.6	11.8	11.8%
Number of Kingdom members (millions)	1.1	1.6	1.7	1.9	2.0	2.2	2.4	2.6	2.8	8.7%

Source: Market Consultant report

Table 3.14: Market Size and Number of Members by Subsegment Breakdown (2021G-2027G)

	2021G			2027G		
	Market size (SAR million)	% Total Market	Number of members (% total market)	Market size (SAR million)	% Total Market	Number of members (% total market)
Independent	3,111	51%	70%	3,540	30%	45%
HVLC	610	10%	12%	2,950	25%	34%
Mid-tier	1,461	24%	13%	1,534	13%	9%
Concept	305	5%	2%	1,534	13%	5%
Premium mid-tier	244	4%	2%	1,416	12%	6%
High-end	366	6%	1%	826	7%	1%

Source: Market Consultant report, MoS Licensing data

The Saudi Gym market has matured and polarized more quickly than the typical growth path seen in other international fitness markets. The initial growth of the market of 9.2 per cent. CAGR in Kingdom 2017-2022G has been faster than comparable benchmarks; 7.4 per cent. in UK 1998-2018G, 6.2 per cent. in US 1996-2018G and 2.8 per cent. in Germany 2002-2018G. The Kingdom market has now reached a phase where polarization is prevalent, with a shrinking of the share of the Mid-tier market and a growth in Low Cost or Premium / High-end offerings.

Whilst the Covid-19 pandemic proved a shock to the market, membership numbers from global gyms are returning to pre-pandemic numbers in Q1 of 2022G. Corporate memberships, which were highly impacted by Covid-19, are projected to reach pre-pandemic numbers in 2022G and experience stable growth in the period 2022G to 2027G.

The growth of the Kingdom Gym market is being underpinned by an increase in the number of gym locations opening, a greater penetration rate of gym memberships and a faster than average polarization of the market. This is underpinned by a number of factors (explored in the following section) including rising awareness of the importance of fitness and health, the Kingdom's young and active population, and the Government's significant efforts to place Sport and Physical Activity at the forefront of the Saudi lifestyle. This growth level and pattern ensures that major players in the market with a defined offering at the high or low end of the market is in a strong position to benefit from these drivers.

3.2.2 Key Drivers

The growth of the Kingdom's fitness sector is underpinned by ten key drivers.

3.2.2.1 Global Demand for Fitness:

Between 2012G and 2020G, the global fitness industry grew at a CAGR of 4.0 per cent., whilst forecasts suggest its value will increase to SAR 1.6 trillion by 2028G. This growth is largely driven by four trends, namely increasingly health-conscious populations, greater awareness of lifestyle diseases, the rise of holistic wellness, and innovation and technology.

Global populations have become increasingly health conscious. Since 1975G, populations have seen significant rises in lifestyle diseases; the global prevalence of obesity has tripled, and diabetes rates have quadrupled. Combined lifestyle interventions covering diet and physical activity have been proven to significantly reduce an individual's likelihood of developing a lifestyle disease, thus provoking rising interest in healthy lifestyles across the global population. The interest in healthy lifestyles was exacerbated by the Covid-19 pandemic, which highlighted the link between low activity levels and poor health.

The global fitness sector has also begun to appeal to a wider range of potential consumers by offering holistic wellness. The growth of wellbeing-oriented services appeals to consumers looking for mental health benefits alongside physical ones, coinciding with greater awareness of the benefits of physical activity for mental health. Innovation and technology are also broadening the fitness sector's appeal by enhancing the customer experience and providing new ways to carry out physical activity.

3.2.2.2 Increasing Levels of Activity in Kingdom:

The Saudi Arabian population is becoming increasingly active, with physical activity rates increasing at a CAGR of 18.8 per cent. from 2017G to 2021G. In 2021G, 29.7 per cent. of the population met the World Health Organization's recommended levels of weekly physical activity (150 minutes of activity per week), compared to only 14.9 per cent. in 2017. In 2022G, 48.0 per cent. of people in Kingdom participated in physical activity for over thirty minutes each week, achieving a key goal set out in Vision 2030 to get the population more active.

3.2.2.3 Popularity of Gyms:

Fueled by growing activity levels, the popularity of gyms (by membership number) rose 45.0 per cent. between 2017 and 2020. Forecasts suggest this growth will continue, with a predicted increase of 65.0 per cent. in the numbers of gym members from 2022G (1.7 million) to 2027G (2.8 million). Forecasts also suggest that over 30.0 per cent. of members in 2027G will be women, up from 18.0 per cent. of the total gym members in 2017.

3.2.2.4 Focus on Mental Health and Link to Activity:

Globally, the mental health market is predicted to grow at a CAGR of 3.4 per cent. to 2030G. In the Middle East, consumers are more likely to prioritize their mental health than the global average. Post-pandemic, 83.0 per cent. of Middle Eastern consumers indicated that they would place greater emphasis on their mental health post-pandemic, compared to a global average of 69.0 per cent.. With growing awareness of the importance of mental wellbeing and the role that the fitness sector can play in alleviating poor mental health, demand for the fitness sector is growing. Kingdom has launched a number of initiatives to support mental health in the Kingdom, such as its partnership with Mental Health First Aid International, and the promotion of its Mental Health Initiative, which has seen the number of mental health clinics increase in the Kingdom.

3.2.2.5 High Incidence of Diabetes & Obesity:

The Saudi population is witnessing a rise in lifestyle diseases, with obesity rates increasing at a CAGR of 25.0 per cent. 2017-2021G. In 2021, 33.7 per cent. of the total population was classified as obese, and a 12.0 per cent. CAGR is forecast 2022-2027G. In an international context, Kingdom obesity and diabetes rates (the latter are closely linked to the prevalence of the former) are significantly higher than global benchmarks: the UK and Germany see diabetes rates of ~6.0 per cent., compared to Kingdom rates of 19.0 per cent..

Physical activity is proven to reduce the likelihood of a diabetes diagnosis, amongst other lifestyle-related illnesses, by 50.0 per cent.. Growing awareness of this link between activity and health is prompting Saudi citizens to become more physically active. This has been spurred on by Government initiatives to raise the health of the nation, such as education and participation campaigns.

3.2.2.6 Young Population:

Kingdom has a young population, with those under thirty years of age accounting for 48.1 per cent. of the population (2021G). Whilst this proportion is forecast to decrease, it is still estimated to account for 46.8 per cent. of the population in 2027G. This demographic is also the most active segment of the population, with 52.0 per cent. of individuals in Kingdom who are physically active for at least 30 minutes per week being under 30 years of age.

Within this demographic, females report participating in physical activity to enhance their health, whilst males exercise for recreation and physical fitness purposes. The leading barriers to physical activity amongst Saudi youth are an unwillingness to practice sport and lack of enough time. 25.0 per cent. of young women in Kingdom also report that a lack of enough nearby facilities is a barrier to physical activity.

There are four key trends driving the growth in physical activity rates of the Kingdom's young population; a greater interest in healthy lifestyle choices, opportunities to socialize through going to the gym, opportunities to access innovative gym offerings, and a desire to make more environmentally conscious decisions.

3.2.2.7 Disposable Spending Income:

Disposable income in Kingdom is projected to grow at a CAGR of 3.5 per cent. from 2022G to 2027G, reaching SAR 35,000 per capita in 2027G.

Post-pandemic, consumers in the Middle East are likely to increase their spending on their general health and wellbeing. A PWC global consumer insights survey demonstrated that, post-pandemic, of Middle East consumers 85.0 per cent. will be more focused on taking care of their physical health and fitness, 83.0 per cent. will be more focused on their mental health and wellbeing, 84.0 per cent. on their diet, and 88.0 per cent. on their medical needs. This compares to global averages of 63.0 per cent., 69.0 per cent., 63.0 per cent. and 64.0 per cent. respectively.

Wider trends in Kingdom also indicate that spending on health and wellbeing will increase; the weight loss market is forecasted to grow at a CAGR of 7.0 per cent. from 2022G to 2027G and the natural & organic food market is projected to grow at a CAGR of 16.0 per cent. from 2019G to 2025G. Sports events are also seeing increased uptake, with the Riyadh Marathon seeing 10,000 runners taking part, a record number for the Kingdom.

3.2.2.8 Adoption of Technology:

Kingdom has a high rate of technological adoption, with 90.0 per cent. of the population using smartphones in 2021G, compared to 80.0 per cent. in the UK and 65.0 per cent. in Turkey. This is forecast to rise to 97.0 per cent. in 2025G, suggesting that Saudis are becoming increasingly technology oriented.

The high rates of technological adoption in the Kingdom population have also spilled over into the fitness sector, with the fitness wearables market forecast to grow at a CAGR of 11.0 per cent. between 2020G and 2027G. This is a key driver of the fitness industry as users of wearables report greater rates of physical activity – an additional 40 minutes per day. Users have indicated they are keen to return to the gym, with wearables and technology being a complimentary good, rather than a competitor to gym membership.

3.2.2.9 Government Regulations to Open up the Kingdom Economy:

The Government is providing incentives for investment in the fitness sector in the Kingdom by reducing barriers to doing business in the country. Governmental actions include easing the process of entering the Saudi market as an international investor and presenting the Kingdom as an appealing innovation hub open to FDI. The process for acquiring a gym license has also been simplified and streamlined with the opening of the NAFES gym licensing platform. Lastly, low taxes and increased visas available for international workers are further conducive to helping new fitness businesses develop. New international entrants to the market, such as PureGym, are evidence of the impact of Government regulation changes.

3.2.2.10 Government Investments in Sport and Physical Activity:

The Government's continued investment in Sport and physical activity as part of Vision 2030 is contributing to the growth of the fitness sector.

Over the next 10 years, over SAR 20 billion will be invested in Sports events, aimed at raising the visibility of high-performance sport and making it an ingrained element of the Saudi lifestyle. The impact of Sports events is significant, with the UEFA Women's Euros in 2022G providing numerous opportunities for women and girls to play Football, and the 2012 London Olympics leading to participation growth in "gold medal" Sports across the United Kingdom. By raising the visibility of Sports through hosting events in Kingdom, the Government is helping to boost activity levels and create new demand for physical activity, as evidenced by the 30.0 per cent. of the population who met WHO recommended weekly activity levels in 2021G, up from 15.0 per cent. in 2017G.

To increase the physical literacy of the Saudi population, the Government is investing over SAR 40 billion in education and participation programs. For example, the Mahd Sports Academy offers over twenty Sports to Saudi girls and boys between the ages 6 to 14, focusing on discovering and developing Kingdom's sporting talent. Not only will this help to enhance elite Sport in the Kingdom, but it will also ingrain physical activity into the lifestyle of its children.

The Government has also invested significantly in the development of Sports infrastructure across the Kingdom to provide greater opportunities for Sport and physical activity. The ongoing Riyadh Sports Boulevard development project, for example, aims to incorporate activity into the everyday lives of citizens. Ongoing investment in infrastructure is forecast at SAR 50 billion over the next ten years, showcasing the significant Government effort to fuel the fitness sector.

3.2.3 KPIs

There is a wide range of KPIs to measure the performance of a gym chain in the Saudi market. The Company offering has been assessed against the three most adopted methodologies in the market: revenue per member, revenue per location and members per location.

Table 3.15: KPIs

KPI	2017G	2020G	2021G	2027G	CAGR 2020G-2027G
Average monthly revenue per member (SAR)	272.7	270.8	295.9	350.7	3.8%
Average annual revenue per location (SAR million)	2.9	3.3	3.4	4.6	4.7%
Average members per location (HVLC)	-	1,220	1,866	1,789	5.6%
Average members per location (Mid-tier)		1,439	1,498	1,695	2.4%
Average members per location (Concept)		700	641	639	1.3%
Average members per location (Premium mid-tier)		900	1,286	1,337	5.8%
Average members per location (High end)		922	910	1,012	1.3%

Source: Portas analysis, Portas proprietary data expert interviews, market reports, desk research

Across the Kingdom Gym market, average monthly revenue per member has grown from SAR 272.7 in 2017G to SAR 295.9 in 2021G. By 2027G, it is forecast to grow by 19.7 per cent. to SAR 350.7. On a per segment basis, High-end gyms drive the highest monthly revenues per member (SAR 1,419), followed by Premium mid-tier (SAR 665). These numbers are based on advertised monthly rack rates (not including VAT or joining prices) and do not include any discounts. Discounting is prevalent in the market.

Average annual revenue per location has grown from SAR 2.9 million (2017G) to SAR 3.4 million (2021G). This figure is forecast to rise to SAR 4.6 million by 2027G. On a per segment basis, High-end gyms drive the highest annual revenue per location of SAR 16.44 million, followed by Mid-tier (SAR 11.14 million) and Premium mid-tier (SAR 8.79 million).

Aside from Concept gyms, all segments saw an increase in average members per gym between 2020-2022G. Premium mid-tier is forecast to have the highest growth in average members, increasing 21.0 per cent. to 1,337 members per gym. High-end gyms are projected to see the second highest level of growth; 5.0 per cent. to an average of 1,012 members per gym by 2027G. As described in the industry overview, the average members per location is a flat metric – in the market there exists a range of members per gym between locations in gym chains, with high performing gyms in prime locations driving higher membership numbers than less prime locations.

3.2.4 Competitive Landscape

Monthly rack rates in the Kingdom market (excluding VAT and joining fees) are higher on average than international benchmarks due to the level of service expectation in the market and proven customer willingness to pay. As a comparison point, PureGym's Kingdom prices are 1.7x higher than those in the UK market, with Fitness First charging 1.8x more than in the UK market.

The monthly rack rate of SAR 999 places Optimo at the lower end of the High-end gym segment pricing bracket, defined as > SAR 900 per month. At SAR 698, B_FIT sits in the Premium mid-tier segment (SAR 615 – SAR 900). Discounting strategies are used extensively across the sector, with typical discounts ranging from 10-40 per cent., and discounts of up to 60.0 per cent. also seen.

Competition in the HVLC segment has seen monthly membership fees fall 39.0 per cent. between 2020G and 2022G. After declining by 13.0 per cent. between 2020G and 2022G, average price in the Premium mid-tier segment are forecast to rise by 10.0 per cent. to SAR 734 per month by 2027G. The High-end segment has seen strong growth in average membership prices between 2020-22G (32.0 per cent.), with average rates expected to grow by 23.0 per cent. to 1,738 in 2027G.

Fitness Time is currently the market leader by both market share (1.5 billion) and number of locations (145), followed by Body Masters (market share SAR 370 million, number of locations 55). The next set of competitors have far fewer locations than the two market leaders (see table below for full list of operators in the market). The Company currently has two live locations, with a market share of SAR 40.1 million.

The Company is currently in the process of launching Optimo, its second brand, on the market. Optimo's key competitors will be Core, Absolutely, Diva, Lava Fitness Sports, Kore and Fitness Time Plus. Fitness Time, Core and Lava Fitness Sports have the highest market shares in the High-end segment, with SAR 1,527 million, SAR 111 million and SAR 79 million respectively in 2021. Currently, there is a relatively low number of competitors in the High-end segment for Optimo, however this number is likely to change as more competitors enter the market.

Table 3.16: Key Operators in the Landscape

	Type of gyms (Female, Male, Male & Female)	Market share in Kingdom (SAR millions, 2021G)	Number of locations in Kingdom (2021G)
Fitness Time	Male & Female	1,527	145
Body Masters	Male & Female	370	55
9 Round	Male & Female	132	39
Core	Male & Female	111	4
Gold's Gym	Male & Female	89	13
Lava Fitness Sports	Female	79	5
Arena	Male	69	6
Interval Plus CrossFit	Male & Female	62	8
Power Gym	Male & Female	61	14
Nuyu	Female	61	8
B_it	Male & Female	56	11
VidaFit	Male & Female	51	5
Fitness First	Male & Female	44	7
Absolutely	Female	42	3
B_FIT	Female	40	2
Curves	Female	29	7
Diva	Female	28	3
Fit Forever Fitness	Female	26	3
PureGym	Male & Female	23	4
Kore	Female	19	3
Active Time	Female	17	2
Spectrum	Female	13	2
Activgym	Male & Female	12	3
Studio 55	Female	9	1
Tytans fitness	Male	6	1

Source: Portas analysis, Portas propriety data expert interviews, market reports, desk research

Five key barriers to entry exist in the Kingdom Gym market:

3.2.4.1 Competition (New and Existing Competitors)

Existing competitors have aggressive expansion plans (e.g. PureGym has publicly announced plans to add 30 new sites by 2030). Gymnation, a low-cost operator from the UAE, has publicly announced plans to open two sites in Riyadh and Jeddah in 2022G. Xponential Fitness, a franchise group of boutique gyms, has announced plans to reach 50 studios in the next 10 years. International gym chains now view the Kingdom market as a viable and attractive proposition and there is a high expectation of market entry by international players.

3.2.4.2 High Costs

Commercial real estate prices in target gym locations are high, compounded by high CAPEX required to open separate gyms for males and females.

3.2.4.3 Staff and Resources

The targeted audience expects high quality trainers and Personal Trainers (PTs). A lack of national training programs and qualifications means there is limited supply of highly skilled local talent. Recruiting quality international PTs is difficult due to relocation demands and high costs.

3.2.4.4 Kingdom Market Dynamics

Tier 2 and 3 cities target market is still developing and has low penetration rates. Charging premium rates can lead to low membership uptake in underdeveloped markets.

3.2.4.5 Gym Sector Regulations

Gym sector regulations are still evolving and improving which can be challenging when entering the market without previous experience / contacts. Municipality parking regulations limit potential locations as customers are heavily reliant on driving to the gym and therefore any limits to parking spaces will impact uptake at locations.

The Company offering builds on four key opportunities:

3.2.4.6 A growing Gym Market

The Kingdom Gym market is projected to grow at 14.3 per cent. from 2022G to reach SAR 11.8 billion by 2027G. The Company is well-positioned to capitalise on this growth with their unique offerings that will capture new customers in the Kingdom market.

3.2.4.7 Increased Segmentation / Polarisation of the Market

The Premium mid-tier and High-end segments of the market are both projected to grow in market share by 2027G, with Premium mid-tier projected to account for up to 13.0 per cent. of the Kingdom market and High-end 6.0 per cent.. As aforementioned, the Saudi Gym sector is polarising faster than internationally mature benchmarks (e.g. the USA and the UK). Therefore, the Company's clear and distinct offerings at two ends of the market is a key strength that will enable them to capture significant market share.

3.2.4.8 Government Investment in Sport and Physical Activity

The Government plans to invest over SAR 100 billion by 2030G into the sport and physical activity sector, stimulating demand in the sector and driving innovation. The Company has innovative capabilities and a unique offering that will provide holistic wellness to customers. The Government's stimulation of the sport and physical activity sector will therefore drive demand for high-quality, holistic, and unique fitness offerings such as those of Optimo and B_FIT.

3.2.4.9 Growing Activity Levels

29.7 per cent. of Saudis are now exercising at the WHO recommended 150+ minutes of activity per week (up from 14.9 per cent. in 2017G) and going to the gym ranks as the third most popular activity in Kingdom in 2022G. The Company is well-positioned to capitalise on the growing demand for gyms and the rising consciousness of the importance of health and fitness across the Saudi population due to its innovative, high-quality and holistic fitness offerings.

4. Business Description

4.1 Overview

Armah Sports Company is a Saudi joint stock company registered under commercial registration No. 1010559940 dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G) and formed pursuant to Ministerial Resolution No. 1929, dated 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G). The Company's capital amounts to two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million seven hundred and fifty-two thousand five hundred (28,752,500) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The Company's headquarters and registered office are located in an Nakheel District, Al Takhassousi Road, P.O. Box 3894, Riyadh 12382, Kingdom of Saudi Arabia. According to the Company's commercial register, its main activities are:

- Men's sports halls and centres.
- Women's sports halls and centres.

The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licences from the competent authorities.

The Company's core activities consist of the construction, operation, management, and maintenance of fitness clubs. For further details, see Section 4.6 (*Overview of the Company's Business*). As of 31 December 2022G, the Company operates six fitness clubs. For further details, see Section 4.6.6 (*Geographic Locations and Operations*).

The Company's product and service offering within the Optimo (a high-end smart fitness club concept that is specifically designed for people seeking privacy, outstanding service, and a luxurious atmosphere, targeting a slightly more business-oriented demographic) and B_FIT (a full-service smart fitness club featuring a wide range of innovative tech-enabled solutions which integrate with a premium fitness club offering, catering primarily to Gen Z and millennial audience and offering premium full-service facilities designed for customers who are interested in a broad range of facilities and fitness options) brands is unique in the market. They are the first fitness club chain in the Kingdom to offer integrated co-working spaces, and many features within the overall club environment are more akin to a hotel than a fitness centre. The fitness clubs are designed to be welcoming spaces for members who may choose to visit for co-working or other features and not a workout.

The Company's strategy is to develop and operate one of the smartest fitness clubs in the world, places where digital and human systems come together. As smart clubs, the facilities offer technology-enhanced environments, including advanced building management solutions (BMS), electric vehicle charging points, facial recognition access control, e-readers instead of magazines, virtual trainers (in addition to personal trainers), Amazon Alexa, smart lockers, automated class check-in, and a host of other technology-enabled services. When building the Company, its founders focused first on building the technological infrastructure before the physical infrastructure. The technological infrastructure enables the Company to deliver an enhanced customer experience, to develop a deep understanding of member behaviour, to have strong operational controls and to make informed business decisions. The infrastructure established from day one also enables the Company to integrate additional systems and solutions in the future, as technology and customer requirements evolve.

The Company's fitness clubs also include one of the broadest range of fitness facilities available in the Kingdom, for both men and women, bodybuilding and cardio gyms, combined with custom workout studios for indoor cycling, boxing, Pilates, yoga, functional training, high intensity interval training, group exercise, and workout experiences using augmented reality. The Optimo and B_FIT brands offer 25m swimming pools, approximately, aqua group training, hot and cold Jacuzzis, saunas and steam rooms, and luxurious changing room facilities.

The Company was founded by pioneers of the fitness centre business in the Kingdom who continue to leverage their decades of experience in the national, regional and global fitness industry. Moreover, members of the management team have been recruited from other regional and global fitness centres chains, bringing an inherent understanding of the competitive landscape, global best practice expertise gleaned from past experience with global brands, and a level of insight that enables efficient and informed decisions across all aspects of the business.

The Company develops each of its facilities from the ground up, following a standard approach and design concept that is consistent with the brands and associated brand guidelines across all of the locations that it has orrespon (the interior design and branding of the Company's Optimo and B_FIT clubs was conducted in partnership with a globally recognized London-based agency, known for working with many leading brands including Prada, Harrods, Level Shoe District and Lamborghini). As opposed to its competitors, however, the Company has further elevated this strategy by acquiring prefabricated buildings with real estate developers, or undeveloped land upon which the fitness clubs are developed (with the plan to only lease some of the required land). This provides a unique level of resilience to fluctuating lease rates and mitigates the risk of fitness club closures due to the non-renewal of land lease agreements or other reasons. The Company has a focused network strategy, concentrating only on major cities, and specific areas within those cities that are known to provide the greatest opportunity. With a focus on profitability and customer service, rather than network scale and unit growth, the Company can be very selective in choosing locations, and if preferred locations are not available, the Company would prefer to postpone or otherwise cancel investment in that location. As of 31 December 2022G, the Company has six fully operational fitness clubs and an additional six fitness clubs under development.

As of 31 December 2022G, the Company had a total of 95 employees across the Kingdom. For further details, see Section 5.9 (*Employees*).

The Company generated revenue of SAR 437.7 thousand and SAR 13.2 million in the financial years ended 31 December and 2021G and 2022G, respectively. The net income amounted to SAR (11.1) million and SAR (7.2) million in the financial years ended 31 December 2021G and 2022G, respectively. The total value of the Company's assets as of 31 December 2021G and 2022G was SAR 350.3 million and SAR 588.6 million, respectively. Total liabilities of the Company amounted to SAR 322.8 million and SAR 333.5 million as of 31 December 2021G and 2022G. See Section 6 (*Management Discussion and Analysis of Financial Position and Operating Results*) for more detailed discussions regarding the financial performance of the Company.

4.2 Corporate History and Evolution of Capital

The Company was established as a limited liability company under the Article of Association dated 12 Jumada al-Akhirah 1440H (corresponding to 17 February 2019G). Under the name Armah Sports Company registered under commercial registration No. 1010559940, dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G), with a capital of seventy-eight million five hundred and forty thousand Saudi Arabian Riyals (SAR 78,540,000) divided into seventy-eight thousand five hundred and forty (78,540) in-cash Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share. The number of Shareholders upon incorporation was twelve (12) Shareholders.

The Shares of the Company upon incorporation were distributed as follows:

Table 4.1: The Shareholders of the Company as of 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G)

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Abdulmohsen Ali Mohammed Alhagbani	18,876	24.03%
Latifa Mohammed Saleh Al-Haqbani	16,280	20.73%
Nahla Ali Mohammed Alhagbani	14,520	18.49%
Waleed Ali Mohammed Alhagbani	7,920	10.08%
Khalid Ali Mohammed Alhagbani	5,192	6.61%
Nada Ali Mohammed Alhagbani	4,840	6.16%
Fahad Ali Mohammed Alhagbani	3,828	4.87%
Abdullah Mohammed Ibrahim Alhagbani	2,728	3.47%
Huda Ali Mohammed Alhagbani	2,640	3.36%
Sulaiman Khaled Sulaiman Alkadi	836	1.06%
Abdulrahman Mohammed Ibrahim Alhagbani	572	0.73%
Abdulmalik Abdullah Mohammed Alhagbani	308	0.39%
Total	78,540	100%

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

On 14 Jumada al-Ula 1441H (corresponding to 9 January 2020G), the capital of the Company was reduced, due to it being more than the needed capital, from seventy-eight thousand five hundred and forty Saudi Arabian Riyals (SAR 78,540,000) to fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) divided into fifty-two thousand six hundred and twenty (52,620) in-cash Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share, and new Shareholders joined to increase their number up to fourteen (14) Shareholders. The Shareholders decided to use an amount of the capital reduction value which amounted to eighteen million and seven hundred and ninety five thousand Saudi Arabian Riyals (SAR 18,795,000) out of a total of twenty five million and nine hundred and fifteen thousand Saudi Arabian Riyals (SAR 25,915,000), in increasing the capital of Jiad United for Real Estate Development Company (which is a Related Party), for the purpose of purchasing a plot of land, and the remaining value amounting to seven million and one hundred and twenty thousand Saudi Arabian Riyals (SAR 7,120,000) was distributed to certain Shareholders as a partial redemption on their Shares in the Company.

Moreover, Fahad Ali Mohammed Alhagbani assigned some of his Shares in the company (which represent 1.14 per cent. of the Company's capital) to new Shareholders; in particular, 500 Shares were assigned to Najla Ali Mohammed Alhagbani, and 100 Shares were assigned to Mohammed Ali Mohammed Alhagbani.

The Shares of the Company when its capital was decreased and such transfer of ownership of Shares, were distributed as follows:

Table 4.2: The Shareholders of the Company as of 14 Jumada al-Ula 1441H (Corresponding to 9 January 2020G)

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Abdulmohsen Ali Mohammed Alhagbani	15,000	28.50%
Latifa Mohammed Saleh Alhagbani	9,250	17.58%
Nahla Ali Mohammed Alhagbani	8,325	15.82%
Waleed Ali Mohammed Alhagbani	6,250	11.88%
Khalid Ali Mohammed Alhagbani	5,000	9.50%
Nada Ali Mohammed Alhagbani	2,750	5.23%
Abdullah Mohammed Ibrahim Alhagbani	1,550	2.95%
Huda Ali Mohammed Alhagbani	1,500	2.85%
Fahad Ali Mohammed Alhagbani	1,250	2.38%
Sulaiman Khaled Sulaiman Alkadi	625	1.19%
Najla Ali Mohammed Alhagbani	500	0.95%
Abdulrahman Mohammed Ibrahim Alhagbani	325	0.62%
Abdulmalik Abdullah Mohammed Alhagbani	200	0.38%
Mohammed Ali Mohammed Alhagbani	100	0.19%
Total	52,625	100%

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

On 13 Muharram 1444H (corresponding to 1 August 2022G), the capital of the Company was increased from fifty-two million six hundred and twenty-five thousand Saudi Arabian Riyals (SAR 52,625,000) to seventy-one million five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) divided into seven million one hundred and fifty-four thousand (7,154,000) in-cash Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through the issuance of one million eight hundred and ninety-one and five hundred (1,891,500) new Shares to the new Shareholder Jiad United for Real Estate Development Company, for an in-kind contribution represented in the transfer of ownership of ten properties, from Jiad United for Real Estate Development Company to the Company (the Company previously leased these properties from Jiad United for Real Estate Development Company for the purpose of building its fitness clubs). As these properties have been evaluated by both Al Taweel Real Estate evaluation office, whose evaluation amounted to two hundred and thirty-seven million two hundred and thirty-four thousand Saudi Arabian Riyals (SAR 237,234,000), and Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation, whose evaluation amounted to two hundred and thirty-five million three hundred and fifty-five thousand and one hundred and fifty-two Saudi Arabian Riyals (SAR 235,355,152), a lower value than the lowest evaluation by the evaluators was set at two hundred and thirty four million and nine hundred thousand Saudi Arabian Riyals (SAR 234,900,000), the remaining amount of the property value amounted to two hundred and fifteen million and nine hundred eighty five thousand Saudi Arabian Riyals (SAR 215,985,000) and was allocated as additional capital for the Company. In addition, new Shareholders joined the Company.

The Shares of the Company when its capital was increased, and new Shareholders joined were distributed as follows:

Table 4.3: The Shareholders of the Company as of 13 Muharram 1444H (Corresponding to 1 August 2022G)

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Jiad United for Real Estate Development Company	1,891,500	26.44%
Abdulmohsen Ali Mohammed Alhagbani	1,114,500	15.58%
Nahla Ali Mohammed Alhagbani	726,750	10.16%
Latifa Mohammed Saleh Alhagbani	597,000	8.34%
Khalid Ali Mohammed Alhagbani	450,000	6.29%
Fahad Ali Mohammed Alhagbani	368,875	5.16%
Waleed Ali Mohammed Alhagbani	327,000	4.57%
Nada Ali Mohammed Alhagbani	247,500	3.46%
Ali Abdulmohsen Ali Alhagbani	235,500	3.29%
Deem Abdulmohsen Ali Alhagbani	235,500	3.29%
Reem Abdulmohsen Ali Alhagbani	235,500	3.29%
Sulaiman Khaled Sulaiman Alkadi	202,875	2.84%

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Huda Ali Mohammed Alhagbani	175,500	2.45%
Abdullah Mohammed Ibrahim Alhagbani	139,500	1.95%
Abdulmalik Abdullah Mohammed Alhagbani	123,250	1.72%
Najla Ali Mohammed Alhagbani	45,000	0.63%
Abdulrahman Mohammed Ibrahim Alhagbani	29,250	0.41%
Mohammed Ali Mohammed Alhagbani	90,000	0.13
Total	7,154,000	100%

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

Due to the decision of the Shareholders, on 1 Rabi' al-Awwal 1444H (corresponding to 27 September 2022G), the Company's legal entity changed from a limited liability company to a closed joint stock company, and the capital of the Company increased from seven million one hundred and fifty-four thousand Saudi Arabian Riyals (SAR 71,540,000) to two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million seven hundred and fifty-two thousand five hundred (28,752,500) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, the capitalization of an amount of two hundred and fifteen million nine hundred and eighty-five thousand Saudi Arabian Riyals (SAR 215,985,000) from the Company's additional capital. The issued Ministerial Resolution No. 1292 dated 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G) approved the transformation of the Company from a limited liability company to a closed joint stock company.

The Shares of the Company when its capital was increased, and the change of its legal entity, were distributed as follows:

Table 4.4: The Shareholders of the Company as of 1 Rabi' al-Awwal 1444H (corresponding to 27 September 2022G)

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Jiad United for Real Estate Development Company	7,420,196	25.81%
Abdulmohsen Ali Mohammed Alhagbani	4,517,787	15.71%
Nahla Ali Mohammed Alhagbani	2,945,986	10.25%
Latifa Mohammed Saleh Alhagbani	2,420,026	8.42%
Khalid Ali Mohammed Alhagbani	1,824,140	6.34%
Fahad Ali Mohammed Alhagbani	1,495,288	5.20%
Waleed Ali Mohammed Alhagbani	1,325,542	4.61%
Nada Ali Mohammed Alhagbani	1,003,277	3.49%
Ali Abdulmohsen Ali Alhagbani	954,633	3.32%
Deem Abdulmohsen Ali Alhagbani	954,633	3.32%
Reem Abdulmohsen Ali Alhagbani	954,633	3.32%
Sulaiman Khaled Sulaiman Alkadi	822,383	2.86%
Huda Ali Mohammed Alhagbani	711,415	2.47%
Abdullah Mohammed Ibrahim Alhagbani	565,483	1.97%
Abdulmalik Abdullah Mohammed Alhagbani	499,612	1.74%
Najla Ali Mohammed Alhagbani	182,414	0.63%
Abdulrahman Mohammed Ibrahim Alhagbani	118,569	0.41%
Mohammed Ali Mohammed Alhagbani	36,483	0.13%
Total	28,752,500	100%

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

Due to the decision of the Extraordinary General Assembly, on 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G), the capital of the Company was increased from two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) to three hundred and twenty eight million and five hundred and ninety one thousand and six hundred and sixty Saudi Arabian Riyals (SAR 328,591,660), divided into (32,859,166) ordinary Shares with nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and the issuance of four million and one hundred and six thousand and six hundred and sixty-six (4,106,666) new ordinary Shares ("New Shares") (which represented 12.50 per cent. of the capital of the Company after it was increased) and the offering of the new Shares in the initial public offering in the Parallel Market to Qualified Investors was approved, in Table 4.5 (*Direct Ownership Structure of the Company Pre-and Post-Offering*)).

4.3 Current Shareholding Structure

4.3.1 Overview

The current capital of the Company is two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million seven hundred and fifty-two thousand five hundred (28,752,500) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

The following table sets out the shareholding and capital structure of the Company before and after the Offering, in addition to issuance of new Shares post Offering:

Table 4.5: Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-IPO)			Shareholding (Post-IPO)		
	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value (SAR)	Number of Shares	Ownership (%)	Nominal Value (SAR)
Jiad United for Real Estate Development Company	7,420,196	25.81%	74,201,960	7,420,196	22.58%	74,201,960
Abdulmohsen Ali Mohammed Alhagbani	4,517,787	15.71%	45,177,870	4,343,852	13.22%	43,438,520
Nahla Ali Mohammed Alhagbani	2,945,986	10.25%	29,459,860	2,832,566	8.62%	28,325,660
Latifa Mohammed Saleh Alhagbani	2,420,026	8.42%	24,200,260	2,326,855	7.08%	23,268,550
Khalid Ali Mohammed Alhagbani	1,824,140	6.34%	18,241,400	1,753,911	5.34%	17,539,110
Fahad Ali Mohammed Alhagbani	1,495,288	5.20%	14,952,880	1,437,719	4.38%	14,377,190
Waleed Ali Mohammed Alhagbani	1,325,542	4.61%	13,255,420	1,274,509	3.88%	12,745,090
Nada Ali Mohammed Alhagbani	1,003,277	3.49%	10,032,770	964,651	2.94%	9,646,510
Ali Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	917,880	2.79%	9,178,800
Deem Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	917,880	2.79%	9,178,800
Reem Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	917,880	2.79%	9,178,800
Sulaiman Khaled Sulaiman Alkadi	822,383	2.86%	8,223,830	790,721	2.41%	7,907,210
Huda Ali Mohammed Alhagbani	711,415	2.47%	7,114,150	684,026	2.08%	6,840,260
Abdullah Mohammed Ibrahim Alhagbani	565,483	1.97%	5,654,830	543,712	1.65%	5,437,120
Abdulmalik Abdullah Mohammed Alhagbani	499,612	1.74%	4,996,120	480,388	1.46%	4,803,770
Najla Ali Mohammed Alhagbani	182,414	0.63%	1,824,140	175,391	0.53%	1,753,910
Abdulrahman Mohammed Ibrahim Alhagbani	118,569	0.41%	1,185,690	114,004	0.35%	1,140,040
Mohammed Ali Mohammed Alhagbani	36,483	0.13%	364,830	35,078	0.11%	350,780
Public	-	-	-	4,927,958	15%	49,279,580
Total	28,752,500	100.0%	287,525,000	32,859,166	100.0%	328,591,660

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

The following tables set out the details of Shareholders directly or beneficially holding 5.0 per cent. or more of the Shares in the Company as of the Date of this Prospectus:

Table 4.6: Details of Shareholders Directly Holding 5.0 per cent. or More Shares in the Company as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%) ⁽¹⁾	Value of Shares (SAR)	No. of Shares	Shareholding (%) ⁽¹⁾	Value of Shares (SAR)
Jiad United for Real Estate Development Company	7,420,196	25.81%	74,201,960	7,420,196	22.85%	74,201,960
Abdulmohsen Ali Mohammed Alhagbani	4,517,787	15.71%	45,177,870	4,343,852	13.22%	43,438,520
Nahla Ali Mohammed Alhagbani	2,945,986	10.25%	29,459,860	2,832,566	8.62%	28,325,660
Latifa Mohammed Saleh Alhagbani	2,420,026	8.42%	24,200,260	2,326,855	7.08%	23,268,550
Khalid Ali Mohammed Alhagbani	1,824,140	6.34%	18,241,400	1,753,911	5.34%	17,539,110
Fahad Ali Mohammed Alhagbani	1,495,288	5.20%	14,952,880	1,437,719	4.38%	14,377,190
Total	20,623,423	71.73%	206,234,230	20,115,099	61.22%	201,150,990

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

Table 4.7: Details of Shareholders Indirectly Holding 5.0 per cent. or More Shares in the Company

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Shareholding (%) ⁽¹⁾	Value of Shares (SAR)	No. of Shares	Shareholding (%) ⁽¹⁾	Value of Shares (SAR)
Abdulmohsen Ali Mohammed Alhagbani ⁽²⁾	1,570,855	5.46%	15,708,550	1,570,855	4.78%	15,708,550

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

⁽²⁾ As of the date of this Prospectus, Abdulmohsen Ali Mohammed Alhagbani owns 3,343,500 Shares in Jiad United for Real Estate Development Company (which owns 7,420,196 Shares in the Company). As a result, Abdulmohsen Ali Mohammed Alhagbani indirectly owns approximately 1,570,855 Shares in the Company.

4.3.2 Overview of Substantial Corporate Current Shareholders

The Company has one substantial corporate Shareholder, Jiad United for Real Estate Development Company, which directly owns 25.81 per cent. of the Company's Shares. The section below sets out the details of the substantial Shareholder.

4.3.2.1 Jiad United for Real Estate Development Company

Jiad United for Real Estate Development Company is a limited liability Company, registered under commercial registration No. 1010500822, dated 19 Rabi' al-Thani 1440H (corresponding to 26 December 2018G). It's headquarter is located in Al Malaz District, Riyadh 12831, Kingdom of Saudi Arabia. Its current capital amounts to twenty-eight million seven hundred and fifty-two thousand five hundred Saudi Arabian Riyals (SAR 157,875,000) divided into fifteen million seven hundred and eighty-seven thousand five hundred (15,787,500) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

Jiad United for Real Estate Development Company's main activities, according to its commercial registration, consist of managing and leasing real estate with owned or leased properties (non-residential), the rehabilitation and restructuring of administrative financial and operational operations for establishments, providing higher management consulting services, management of construction projects, other human resources services, and combined office administrative service activities.

Table 4.8: The Shareholding Structure of Jiad United for Real Estate Development Company as of the date of this Prospectus

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Abdulmohsen Ali Mohammed Alhagbani	3,343,500	21.18%
Nahla Ali Mohammed Alhagbani	2,180,250	13.81%
Latifa Mohammed Saleh Alhagbani	1,791,000	11.34%
Khalid Ali Mohammed Alhagbani	1,350,000	8.55%

Shareholder	Number of Shares	Ownership Percentage ⁽¹⁾
Fahad Ali Mohammed Alhagbani	1,106,625	7.01%
Waleed Ali Mohammed Alhagbani	981,000	6.21%
Nada Ali Mohammed Alhagbani	742,500	4.70%
Ali Abdulmohsen Ali Alhagbani	706,500	4.48%
Deem Abdulmohsen Ali Alhagbani	706,500	4.48%
Reem Abdulmohsen Ali Alhagbani	706,500	4.48%
Sulaiman Khaled Sulaiman Alkadi	608,625	3.86%
Huda Ali Mohammed Alhagbani	526,500	3.33%
Abdullah Mohammed Ibrahim Alhagbani	418,500	2.65%
Abdulmalik Abdullah Mohammed Alhagbani	369,750	2.34%
Najla Ali Mohammed Alhagbani	135,000	0.86%
Abdulrahman Mohammed Ibrahim Alhagbani	87,750	0.56%
Mohammed Ali Mohammed Alhagbani	27,000	0.17%
Total	15,787,500	100%

Source: The Company.

⁽¹⁾ The shareholding percentages are rounded.

4.4 Vision, Mission, and Strategy

4.4.1 Vision

To enable the human potential of Kingdom through fitness.

4.4.2 Mission

To establish the Kingdom as a global leader in fitness – through innovations in customer experience, technology and quality of life.

4.4.3 Strategy

The Company's strategy is to develop and operate one of the smartest fitness clubs in the world, places where digital and human systems come together, forming dynamic ecosystems that enable enhanced user experiences for all stakeholders. The Company believes that everyone should be able to make informed choices and that technology can be used to create an integrated and immersive experience that benefits users, stakeholders and the physical and natural environment.

At the core of the Company's concept is information availability. The Company engages specialists from across the globe to ensure that it can provide the right information to the right person(s) at the right time and in the right context.

The Company endeavours to provide market leading and unique user experiences. It strives to be different and looks to adjacent industries for inspiration and motivation, while examining its own industry for participation and collaboration. This "smart club" strategy can be further defined across four foundational themes: the Company's Shareholders, its team, the customers and the community, as well as a focused network strategy. The Company's main strategy pillars are provided below:

4.4.3.1 The Company's Shareholders

(a) Drive Shareholder Value

The Company aims to drive Shareholder value throughout the near-, mid-, and long- term. It has invested and it will continue to invest in areas that provide a higher level of financial and operational transparency to its management, thus increasing its efficiency in making decisions with a clear understanding of the impact of its decisions on the Company's value and profitability.

Profitability is a core aspect of the Company's strategy, and it has set this as a greater priority than the size and scale of its network. It focuses its fitness club investments on cities and districts that are known to deliver the greatest financial opportunity. Furthermore, the Company has built the foundation of the business on technology, allowing it to react more quickly to evolving customer behaviours and demands.

(b) Ensure Financial Longevity and Sustainability

The Company continues to evolve its past experience and fitness club development approach with the aim to create a business that is financially sustainable – less vulnerable to changes in market conditions and externalities (like COVID-19, which had a significant impact on fitness club operators across the globe) and more capable of capturing value from improving macro-economic conditions.

Nine of its first ten clubs are developed (or will be developed) on company-owned land. This literally and figuratively provides the Company with a strong foundation for the future, while also providing an intrinsic asset base. Capital deployed today into real estate assets can be leveraged in different ways in the future to create sustainable Shareholder value and a range of strategic options.

4.4.3.2 The Company's Team

(a) Build Organisational Efficiency

The Company's human resource strategy is to hire the best world-class talent from within the Kingdom and across the region and the globe. The Company is willing to pay competitive compensation packages for attracting the right talent that will enable the Company to do more with fewer people, and thus while its average compensation per person might be higher than the market rate, its total labour costs for the business will be competitive. The Company aims to trim regional average headcount by 20 to 30 per cent., both at the back-office level and within our fitness club operations, when compared to industry peers.

The Company's ability to build organisationally efficient and a lean head office team is realized through hiring top calibre staff and the systems and tools that it has implemented across all areas of its business. Its "smart club" philosophy applies not only to its customer-facing club operations, but also to its operational and financial back-office systems. The Company launched the business with a fully-fledged Oracle ERP and HRMS systems and a set of club management system (CMS) tools that provide a wide amount of data and process efficiency. It also integrated advanced building management solutions (BMS) into its built-up infrastructure in its headquarters and each fitness club. Physical paperwork has all but been eliminated from the business through such tools and also through the use of automated staff communication tools, maintenance scheduling and resourcing tools.

The Company regularly benchmarks itself against other international fitness business operations, and actively seeks out opportunities to deploy new systems and/or processes that can enable greater operational efficiency. The CEO is an active participant in the Roundtable of Executives (REX), an international group of 15 fitness business owners and CEOs from across the world that meets in person three to four times per year to share opportunities and ideas for business improvement. It is through channels like this, and others (including conferences and seminars, industry publications, formal and informal networks etc.), where the Company identifies and tests ideas.

(b) Become a World-Class Company

The Company aims to be one of the most trusted and respected employers in the Kingdom, with an employee benefits scheme and work environment that rivals the best of its global peers. The Company's founders are committed to creating a healthy balance between the spirit and values of a true family business with the principles of empowerment and professional development taken from private enterprise. The recent COVID-19 pandemic has only accelerated the race for talent in the face of radical changes in employee expectations. Accordingly, the Company is more committed than ever to providing a positive, safe and fulfilling work environment for all staff, both Saudi nationals and expatriates.

Employer awards are relatively new in the Kingdom, but rankings such as "Employer of Choice" and "Best Places to Work" are becoming increasingly familiar and respected. The Company strives to measure itself amongst the best companies across these rankings and awards not for the sake of accolades but as an objective view of the extent to which we are delivering against our strategy.

4.4.3.3 The Company's Customers

(a) Deliver a Best-In-Class Customer Experience in Every Club

At the heart of its strategy lies the customer experience. The Company aim to deliver a best-in-class customer experience in every club for every member for every visit. This experience is measured and monitored across the entire customer journey, from their initial introduction to its brands through social media or web App through post-membership communications. It includes a diverse set of touch points, including technology, community, environment, cleanliness, breadth and availability of equipment, programming, staff, tone of voice, and more. In total, there are 12 defined components to its customer experience model, each of which is further dissected to ensure all areas are appropriately covered and that training and performance metrics are aligned to support the customer experience.

Although the Company operates two different brands, Optimo and B_FIT, the same philosophy applies from a customer experience perspective. In other words, while the type (or level) of customer experience might vary from one brand to another, the model upon which that customer experience is developed and monitored is the same. For example, B_FIT as a young and trendy brand aimed at a Gen Z and millennial audience, requires a different tone of voice for customer communications than Optimo, a brand targeted towards a slightly more business-oriented demographic. But both require a clear and defined tone of voice.

(b) Utilize Technology to Improve Customer Experience and/or Operator Efficiency

The Company is a technology-dependent business. But that does not mean that it invests in every technology available – there simply would never be enough capacity (financial or otherwise) to deliver successful outcomes, and many of the technologies available in the market do not actually have a clear value proposition. As a result, the Company has a clear strategy to only invest in technology that either: (i) improves the customer experience; and/or (ii) improves operator efficiency (and thus enables us to further improve the customer experience).

The fitness Industry has historically been a laggard in technology development and adoption. But prior to the COVID-19 pandemic, and further accelerated throughout it, the industry began to realize the importance of technology and the customer's appetite for technology-enabled fitness solutions. And around the same time, fitness operators became more sophisticated in their views towards data and analytics and as a result a host of new software solutions have been brought to the market. Artificial intelligence and machine learning, among others, can create new opportunities for club operators and members, and Armah is actively investing in these areas. Future opportunities that are yet to have clearly defined value propositions, such as the metaverse, are being tracked by management but are not active areas of investment.

4.4.3.4 The Company's Community

(a) Be a Pioneer for Improving Quality of Life

The Company is committed to the Saudi Vision 2030 programme and the associated initiatives of the Quality of Life (QoL) Programme. It aims to provide value to the communities in which it operates by providing opportunities for increased participation and physical activity, while also having positive impacts on addressable lifestyle diseases, such as obesity and diabetes.

The Company also sees itself as a contributor to other aspects of quality of life beyond those addressed through physical activity. For example, Optimo and B_FIT clubs are areas of social engagement, where communities can gather and interact. They are places where people can be entertained and build careers. In total, the Company has identified more than 25 areas of the QoL Programme's "develop venues" where it can provide direct and/or indirect value.

One unique area of the Company's strategy that is linked to quality-of-life improvements, is mental health, a topic that has historically been underserved in the Kingdom. The Company acknowledges the impact mental health can have on society and is committed to increasing the level of social awareness in the Kingdom (and delivering mental health programming to our communities).

(b) Be Committed to Environmental Sustainability

The Company is an environmentally conscious business with a defined environmental sustainability strategy. All of its clubs are designed to meet Leed® certifications (Leadership in Energy and Environmental Design, an ecology-oriented building certification programme run under the auspices of the U.S. Green Building Council) – the Company is the only fitness club operator in the GCC Region to achieve such a rating, and in fact it now operates the only Leed® certified fitness club in the GCC Region.

Commitments to environmental sustainability extend beyond physical infrastructure design and into operational processes and behaviours. For example, the Company operates a completely paperless environment within their clubs.

(c) Partner with Industry Leaders

Across their internal and external network, the Company seeks to establish partnerships with industry leaders who can bring unique and/or proprietary offerings into the business, and with globally recognized training, development, and certification bodies that can help strengthen the Company's programming and fitness professionals. The Company has existing partnerships in areas including mental health (with Minderful, UK-based provider of mental health), education and certification (with the International Sports Sciences Association, ISSA), and programming (with SCW Fitness Education and their "Water in Motion" programme).

4.4.3.5 Focus on Key Geographies

The Company has a focused network strategy, concentrating only on three major cities for now (Riyadh, Jeddah, and Dammam/Al-Khobar), and specific areas within those cities that are known to provide the greatest opportunity. There are several benefits of such a focused network strategy, in particular (i) the lack of profit dilution from non-profitable operations in smaller cities; and (ii) the ability to have a more focused operational management team – managing a network of clubs across major cities is much more efficient than across a wider range of cities, especially when it comes to issues such as spare parts management, preventative and corrective maintenance scheduling, staff training and development.

Guided by their past experience, in combination with fresh market analytics and competitive dynamics, the Company has a very clear view of the areas within each city to target for their locations. Even going one step further, the Company understands (in many cases) which side of a street can be most convenient for members. With a focus on profitability and customer service, rather than network scale and unit growth, the Company can be very selective in choosing locations, and if preferred locations are not available, the Company would prefer to postpone or otherwise cancel investment in that location.

A network focusing on key geographic locations has the additional advantage of easier implementation of new concepts, equipment and/or ideas.

4.5 Competitive Strengths

There are several factors that provide the Company with a strong competitive advantage over its existing and potential future competitors. These factors include:

4.5.1 Experience of the Founders

The Company's founders are pioneers of the fitness centre business in the Kingdom who have gained significant experience through the establishment of over 160 fitness clubs in the Middle East over the past 25 years, and having served well over two million members during that time. They established the first fitness centre chain in the Kingdom in 1994G after the Chairman saw the need to help improve the health and well-being of the Saudi population. After that, in 2007G they founded what is now the largest fitness club chain in the Middle East, growing it to a network of 150 clubs in just over ten years. The Company's founders continue to build on their decades of experience in the national, regional and global fitness industry.

More than any other management team in the region, the Company has collective experience and real life fitness industry exposure that enables it to understand and adapt to meet the needs of their current and future members. The Company believes that the operational knowledge gained through past location openings enables it to be in a strong position to open new brands and clubs effectively. The collective experience and operational intelligence provides valuable insights to support important KPIs and other important aspects, such as: (i) average member growth in certain months of operations; (ii) average number of months to reach full profitability for each fitness club; (iii) level of key expense items as a percentage of revenue; (iv) average duration from site selection to start of operations; (v) ideal duration for pre-sales periods; (vi) best channels for marketing new locations; and (vii) workforce requirements for each fitness club during the start-up period until full profitability rates are reached.

This historical data and experience enable the Company to make reasonable decisions and to be more efficient and accurate in budgeting and forecasting, thus providing clear guidance for the Shareholders.

4.5.2 Highly Experienced and Skilled Management Team

The Company's management team has unparalleled expertise in the fitness industry and an inherent understanding of the local and regional market, including experience with the regulatory and operational requirements of the fitness industry, as regulation is a core element of fitness club operations in the region across the entire range of a fitness club, from start-up, licensing, and initial opening through staffing, training, and operating, and the nuances of operating a fitness facility within the Kingdom. To complement the local and industry expertise of the founders, the Company has recruited a leadership team that brings global experience across industry and functional domains. The members of the management team have been recruited from other regional and global fitness centres chains, bringing an inherent understanding of the competitive landscape, global best practice expertise gleaned from past experience with global brands, and a level of insight that enables efficient and informed decisions across all aspects of the business. The senior leadership team has significant experience in the fitness industry.

Many of the Company's leadership team and Senior leaders within IT, supply chain, strategy, operations, and project development have worked with the founders for years in the fitness industry, and a number of new leaders have been recruited from some of the most respected fitness brands from across the world. As a result, the management team understands the requirements of profitably building and operating fitness clubs in the Kingdom; this has been demonstrated over the past 25 years of growth and expansion in their previous businesses. The Company is able to quickly take well considered decisions on site selection, service offering, pricing strategy, marketing messages, customer service, operational policies, and other business-critical decisions.

4.5.3 Land Ownership

The Company aims to acquire several plots of land on which some fitness clubs are developed, unlike all other companies in the market. This provides a unique level of flexibility to volatile leasing rates, thus reducing the risk of closing some fitness clubs due to the non-renewal of land lease agreements or other reasons. This has enhanced the Company's ability to develop its facilities from the ground up, following a standard approach and design concept that is consistent with the brands and associated brand guidelines across all locations. It enables the Company to: (i) maintain consistency in the customer experience across different fitness clubs; (ii) ensure that the design and layout are aligned to the brand proposition; and (iii) improve cost management through standardization of engineering design, construction and material selection/fit-out. Unlike to anyone else in the market, however, the Company has further elevated this approach by acquiring land upon which the fitness clubs are developed. This provides a unique level of resilience to fluctuating lease rates and mitigates the risk of losing fitness clubs due to the non-renewal of land lease agreements.

4.5.4 Agility

Being a young company with the Company's founders having decades of experience in the national, regional, and global fitness industry, the Company is able to react to evolving market conditions. In fact, this has been built into the organizational DNA from the beginning. The experiences of the founders from past businesses and the COVID-19 pandemic have accentuated the need for companies to be able to react quickly to unexpected changes in Government regulations, customer behaviour, and a host of other externalities. Although no company can ever be fully resilient to external market conditions, the Company believes that it is much more resilient than other competitors, since it is a start-up company backed by significant experience in the market in which it operates.

The company actively monitors global trends and evolving customer behaviours in other markets and assesses the extent to which they could become prevalent in the Kingdom. Its management team is also open to trying new ideas and learning from failures, which is a fundamental mindset for innovative and agile organisations.

4.5.5 Focus on Technology Infrastructure

When building the Company, its founders focused first on building the technological infrastructure before building the clubs. This decision was made based on the founders' past experience and the general industry and societal developments over the past three to five years. The technology infrastructure enables the Company to deliver an enhanced customer experience, develop a deep understanding of member behaviour, have strong operational controls and make very informed business decisions. The infrastructure established from day one also makes the Company capable of integrating additional systems and solutions in the future, as technology and customer requirements evolve.

Leveraging their years of experience in the industry and the experiences of their network of peers, the management of the Company selected reliable technology partners before its establishment. Typically implemented by large, established players, the Company's integrated Club Management System (CMS) is considered one of the best in the business. In fact, it brought together two of the leading CMS providers to create an integrated solution, building on successful integrations elsewhere in the world and elevating it to a new level – to the extent that the Company now is the first in the world to offer a fully integrated solution of the two providers (PerfectGym from Poland and VirtuaGym from The Netherlands).

The technology backbone of the Company has allowed it to be “first to market” with new solutions like facial recognition, intelligent building management solutions (BMS), access control and Amazon Alexa, a virtual assistant technology to carry out voice commands such as booking classes, knowing schedules of trainers, and other services (the Company is the first fitness club operator in the world to use Amazon Alexa, which was implemented after an extensive co-development programme with Amazon). The Company's technology philosophy blends into all aspects of the business.

4.5.6 Unique Services Offered

The Company's product and service offering within the Optimo and B_FIT brands is unique in the market. They are the first fitness club chain in the Kingdom to offer integrated co-working spaces, and many features within the overall club environment is more akin to a hotel than a fitness centre, while still offering the broadest range of fitness facilities available in the Kingdom, for both men and women, including bodybuilding and cardio gyms, combined with custom workout studios for boxing, pilates, yoga, functional training, high intensity interval training and other concepts, some of which are the first of their kind in the Kingdom (such as the dedicated studio room for reactional training with Reaxing). See Section 4.6.1.3 (*Fitness Clubs Environment*) for a further description of the fitness club environment.

4.5.7 Mental Health as a Core Proposition

Perhaps most unique about the Company's offering within their Optimo and B_FIT clubs is their inclusion of mental health programming. In partnership with Minderful, the Company offers a range of mental health options for members to explore and hopes to elevate the awareness of mental health within the Kingdom and the links it has on overall health and wellness.

4.5.8 Network of International Partners

The Company enjoys a strong network of international partners and suppliers backed by the experience of its founders. Coupled with these deep relationships is a detailed understanding of equipment and service price points and best practice supply terms. As a result, and despite being a new and relatively small business, the Company has been able to secure extremely favourable prices and terms on fitness equipment, building materials, and service supply agreements. The Company also benefits from a reputation of delivering on development promises, which makes suppliers more confident in long-term demand projections when entering into commercial negotiations.

Beyond supplier and commercial relationships, the Company benefits from the extensive network of relationships of its founders with international industry peers. Through the CEO's involvement in the Roundtable of Executives (REX), a global network of fitness business owners and CEOs that meet face-to-face three to four times each year to discuss and share business ideas, and through other channels, the Company's founders and management team have the ability to share and learn from some of the most respected fitness club businesses around the globe. This helps to identify new ideas, concepts, tools and systems in addition to testing and gaining feedback on ideas before deployment, thus mitigating the risk associated with new investment.

4.5.9 New Facilities and Equipment

The Company's network of Optimo and B_FIT clubs are among the newest groups of fitness clubs in the Kingdom, offering members brand-new, clean, and optimised environments, together with competitive price points, a diverse set of offerings, and great customer service. The Company also has an extensive preventative maintenance programme in place for all aspects of the fitness clubs to ensure the environment remains attractive and compelling to members over the coming years. This is coupled with an equipment refurbishment and replacement plan that will provide members with a consistent experience.

4.6 Overview of the Company's Business

The Company was established in 2019G by Saudi pioneers of the fitness industry who have established the Company to develop and operate leading fitness clubs in the Kingdom. The Company has two brand concepts, "Optimo" and "B_FIT", which were developed by key partners from across the globe, including some of the leading brand architects, interior designers, lightning and audio designers and engineers.

4.6.1 Fitness Clubs

4.6.1.1 Fitness Clubs Number, Location, Size and Design

As of 31 December 2022G, the Company has six fully operational fitness clubs and an additional six fitness clubs under development. The following table shows the number of operational fitness clubs as of 31 December 2021G and 2022G:

Table 4.9: Number of Operating and Under Development Fitness Clubs as of 31 December 2021G and 2022G

	31 December 2021G	31 December 2022G
Operational Fitness Clubs	1	6
Under Development Fitness Clubs	9	6

Source: The Company.

The Company's fitness clubs are located in Riyadh and Jeddah, with a focus on high-traffic areas (either residential or business) and easy accessibility (i.e., main road access and parking). It focuses on major cities within the Kingdom only as part of its expansion plans.

The Company's fitness clubs range in size from around 2,500 square meters to 4,400 square meters, and the built up area ranges between 3,250 square meters to 5,300 square meters excluding parking space, and the average built up area amounts to 3,500 square meters with an additional external area, and an underground area reaching two floors underground allocated for parking.

The Company operates under the following brand concepts:

Optimo – a high-end smart fitness club that is specifically designed for people seeking privacy, outstanding service, and a luxurious atmosphere. The interior design and finishing of an Optimo facility are structured to rival that of a 5+ star hotel experience. Members of Optimo enjoy the widest array of state-of-the-art health, fitness, and wellness services in private and exclusive surroundings. A brand targeted towards a slightly more business-oriented demographic.

B_FIT – a full-service "smart club" featuring a wide range of innovative tech-enabled solutions integrated with a premium fitness club offering. A young and trendy brand, it caters primarily to Gen Z and millennial audience and offers premium full-service facilities designed for customers who are interested in a broad range of facilities and fitness options. Service provision in the clubs covers the "total fitness" experience, addressing mental, physical and emotional health. B_FIT clubs also offer members a fully integrated co-working lounge and a host of other services, which makes them a lifestyle destination.

A breakdown of revenue for the financial years ended 31 December 2021G and 2022G, and the number of fitness clubs and members as of 31 December 2021G and 2022G, is provided in the following table for each brand category:

Table 4.10: Revenue for the Financial Year Ended 31 December 2021G and the Number of Fitness Clubs and Members as of 31 December 2021G per Brand

Fitness Club Category	Revenue (thousand SAR) for the Financial Year Ended 31 December 2021G				Total Revenues FY	% of Total Revenue				Number of Fitness Clubs as of 31 December 2021G ⁽¹⁾	Number of Members as of 31 December 2021G			
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Optimo	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B_FIT	-	-	-	405	405	-	-	-	92.5%	1	-	-	-	289
Other	1	9	19	4	33	0.1%	2.0%	4.3%	1.0%	-	-	-	-	-
Total	1	9	19	409	438	0.1%	2.0%	4.3%	93.5%	1	-	-	-	289

Source: The Company.

⁽¹⁾ Operational fitness clubs only.

Table 4.11: Revenue for the Financial Year Ended 31 December 2022G and the Number of Fitness Clubs and Members as of 31 December 2022G per Brand

Fitness Club Category	Revenue (thousand SAR) for the Financial Year Ended 31 December 2021G				Total Revenues FY	% of Total Revenue				Number of Fitness Clubs as of 31 December 2021G ⁽¹⁾	Number of Members as of 31 December 2022G			
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter		1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Optimo	-	-	23	633	656	-	-	0.2%	4.8%	2	-	-	39	559
B_FIT	1,477	2,756	3,016	5,270	12,519	11.2%	20.9%	22.9%	39.9%	4	888	2,065	3,415	4,056
Other	4	13	-	-	17	0.0%	0.1%	-	-	-	-	-	-	-
Total	1,482	2,769	3,040	5,903	13,193	11.2%	21.0%	23.1%	44.7%	6	888	2,065	3,454	4,615

Source: The Company.

⁽¹⁾ Operational fitness clubs only.

The Company's revenues are recognized according to the type of product sold, as the revenue recognition criterion is the complete transmission of the service to the customer, meaning that the revenue is recognized when the service is implemented for the customer. The following is an explanation of the method of recognizing the Company's revenues according to the type of product sold:

- First Type (Monthly memberships): This type of product is recognized first as unrealized revenue (in the balance sheet or statement of financial position and not in the statement of income and losses), with tax recorded in full and recognized in full at the moment of sale, and then this collected amount is consumed in the income statement daily, from the date of the beginning of the contract and the last day of the contract term.
- Second Type (Products whose ownership is transferred to the customer directly at the moment of sale): These products include the one-day pass and administrative fees associated with the monthly subscription, retail products (such as apparel), health services, and beverages. This type of revenue actually achieved at the moment of sale is recognized in the income statement with the full amount collected without tax.
- Third Type (Personal Training Sessions): This type of product is recognized first as unrealized revenue (in the balance sheet or statement of financial position and not in the statement of income and losses), with tax recorded in full and recognized in full at the moment of sale, and then this collected amount is consumed in the income statement upon actual realization. In the presence of the trainer and the client during the training session, if the service was successfully provided, then the revenue is recognized in the income statement.

4.6.1.2 Fitness Club Development Model

The Company's primary strategy for the development of new fitness clubs is to acquire or rent (through long-term lease agreements) undeveloped land and build fitness clubs from the ground up. As such, the typical timeline from contract signing to start of operations is 12 to 24 months. Although relatively unique within the global fitness industry, this strategy enables the Company to have tight control on the quality and consistency of the customer experience. The following table shows the typical development life cycle of B_FIT and Optimo fitness clubs:

Table 4.12: Typical Project Development Life Cycle of B_FIT and Optimo Fitness Clubs

Step ⁽¹⁾	Description	Timeline ⁽¹⁾
Construction approvals	Municipality approval to begin construction	1-3 months
Bid package preparation	Preparing bid drawings, RFP, identifying potential bidders	1-2 months
Vendor selection and negotiation	Screening, short-listing, technical and commercial negotiation	1-2 months
Construction	Construction of the physical building and interior finishing	9-15 months
Fit-out	Order and installation of equipment and furniture	3-4 months
Licensing	Obtaining necessary licences from the municipality civil defence and others	1-3 months
Total duration		16-29 months

Source: The Company.

⁽¹⁾ Some steps can be managed in parallel, resulting in a total timeline of 12 to 14 months that is not the sum of each individual step.

(a) Fitness Club Site Selection

The Company's strategy is to have an intimate and focused network of clubs. With thirty-five clubs in the development plan, and six locations under development as of the date of this Prospectus, the Company can be very selective when choosing sites for future development. Given the history and experience of the Company's management, there are certain areas that are known to be of greatest opportunity, and these are the areas of focus. At the outset of the business, the founders and management prepared a development roadmap, which outlined the targeted cities and locations over the five-year development horizon. The roadmap was based on prior experience, market intelligence, population density and growth projections, income demographics and competition. Management then began the process of identifying potential sites that aligned with the development roadmap.

When potential locations were/are identified, management begins commercial negotiations with the owner. If favourable commercial terms cannot be reached, the management quickly discards the opportunity and searches for others. If favourable terms can be agreed, the management presents the opportunity to the Board for final approval. The site selection process is followed regardless of whether locations are purchased outright or leased on a long-term basis. For leased sites, the Company typically seeks to enter into leases with terms ranging between fifteen (15) years and thirty (30) years or more, as applicable.

See also Section 4.4.3.5 (*Focus on Key Geographies*) for further details regarding the Company's site selection strategy.

(b) Fitness Club Design and Construction Management

The Company's Optimo and B_FIT clubs' interior design and branding were conducted in partnership with a globally recognized London-based agency, known for working with many leading brands including Prada, Harrods, Level Shoe District and Lamborghini. It is characterized by the concept of creating unique spaces that blend functionality with originality. Once interior designs are complete, each project then moves into contracting and construction.

The Company has an internal projects and facilities management team that engages a prime contractor (who in turn coordinates the subcontracts) and supports overall project management at each new fitness club. The Company also works with architects and designers to develop detailed drawings for each specific site, allowing the Company to maximize flexibility in the design process, retain control over the cost and timing of the construction process, and realize potential cost savings on each project.

The Company has established the capability to manage multiple concurrent development projects, which may be in various stages of construction. The project development process involves engineering, design, and construction, including foundation, structural works, mechanical, electrical, and other civil works, followed by interior construction, finishing, and fit-out. Throughout each step of the process the Company engages trusted partners and suppliers to ensure the utilization of their capabilities and optimise the chances for successful project delivery.

All partner and supplier contracts are offered through a competitive bidding process, aligned with best practice, and in most cases the Company will balance their contracts across at least two suppliers in each category to balance risk and to ensure that an alternative supplier is always available if needed.

4.6.1.3 Fitness Clubs Environment

As discussed in Section 4.5.6 (*Unique Services Offered*), the Company's product and service offering within the Optimo and B_FIT brands is unique in the market. They are the first fitness club chain in the Kingdom reputed to offer integrated co-working spaces, and many features within the overall club environment are more akin to a hotel than a fitness centre. All of the clubs offer a full-service smoothie bar and large, open spaces where members can congregate, relax and socialise before or after a workout. The fitness clubs are designed to be welcoming spaces for members who may choose to visit for co-working or other activities and not a workout.

(a) Facilities

The Company's fitness clubs generally combine luxurious modern architecture and design with best-in-class amenities and a consistent look and feel. They are freestanding buildings designed with open architecture to make the movement inside each fitness club comfortable and easy, and with modern decorations designed to create a high-quality environment that attracts and retains members and encourages them to visit on a frequent basis. In addition to its staff, the Company has dedicated companies that specialize in operations for the purpose of maintaining the cleanliness of its fitness clubs. Moreover, the Company regularly updates and refurbishes its fitness clubs to maintain a high-quality experience. They are generally open from 6:00 am to 11:00 pm, six days per week (depending on location).

As smart clubs, the facilities offer technology-enhanced environments, including advanced building management solutions (BMS), electric vehicle charging points, facial recognition access control, e-readers instead of magazines, virtual trainers (in addition to personal trainers), and a host of other technology-enabled services.

(b) Equipment, Machinery and Services

The fitness clubs include one of the broadest range of fitness facilities available in the Kingdom, for both men and women, including traditional gym and cardio equipment, combined with custom workout studios for boxing, pilates, yoga, functional training, high intensity interval training and other concepts, some of which are the first of their kind in the Kingdom. The Optimo and B_FIT brands also offer 25 meters swimming pools, hot and cold jacuzzis, sauna and steam rooms, and luxurious changing room facilities.

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

The following table shows the range of fitness club features and services by category as of 31 December 2022G.

Table 4.13: Fitness Club Features and Services by Brand as of 31 December 2022G

Feature or Service	Optimo	B_FIT
Cardio	✓	✓
Strength Area	✓	✓
Group exercise	✓	✓
Spinning	✓	✓
Functional training	✓	✓
Swimming pool	✓	✓
Jacuzzi (hot/cold)	✓	✓
Sauna and steam bath	✓	✓
Indoor running track	✓	✓
Towels	✓	✓
Yoga	✓ ⁽¹⁾	✓ ⁽¹⁾
Pilates	✓ ⁽¹⁾	✓ ⁽¹⁾
Boxing	✓	✓
Personal Training	✓	✓
Smoothie Bar	✓	✓
Co-Working Space	✓	✓
Virtual Reality	✓	✓
Innovation Lab	✓	✓
Bungee	✓ ⁽¹⁾	x
Electric Vehicle Charging Points	✓	✓
3D Body Measurement	✓	x

Source: The Company.

⁽¹⁾ Available in women's branches.

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

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

(c) The Innovation Lab and the Body Lab

Within each fitness club the Company has designed a dedicated area to introduce and try new, unique and innovative solutions. Branded as the "Innovation Lab" the spaces allow members to experience new fitness concepts. Not all concepts introduced in the Innovation Lab will find their way to widespread adoption across the club or network, as this will depend on a combination of member feedback and commercial viability. These areas can also be used for the Company's equipment supplier partners to introduce new equipment and obtain end-user feedback during their own product development processes.

The Company also has a "Body Lab" where members can utilise the latest in 3D body image scanning to create a complete body composition diagnostic scan which can then be used in connection with training or personal training to develop programmes to target specific areas and to accurately monitor results.

(d) Personal Trainers

Personal training involves one-on-one coaching from a qualified instructor, and can be conducted either in the Company's specially-designed personal training zone or within other areas of the club, depending on member preferences and fitness objectives. Personal training sessions, which run for 60 minutes each, can be ordered in blocks of single sessions, or five, ten, twenty or thirty sessions. The personal training experience begins with a series of two introductory sessions before a member has to begin paying for the service.

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

(e) Classes and Activities

The Company organizes and runs a full schedule of diverse group class programming across its network of fitness clubs. Individual schedules are created for each fitness club based on the direction of the fitness department and tailored to suit the preferences of the membership base (as confirmed by the fitness club manager within the particular location). Up to fourteen or more classes are run at each fitness club daily, with capacity ranging from five participants to twenty five plus participants (depending on the type of class and facility size). Classes are provided as a free service to members and are a mixture of organically-developed programmes as well as programmes from international providers. Classes can be booked through multiple channels, including the member smart phone applications, the member portal of the website, through touch-screen pads throughout the clubs, and by using Amazon Alexa. See Section 4.5.5 (*Focus on Technology Infrastructure*) for further details regarding Amazon Alexa.

There are digital screens at the entrance to each club showing the class schedule for that day. These screens are synchronized with the membership application, ensuring up-to-date, real-time information and scheduling.

Perhaps most unique feature of the Company's offering within their Optimo and B_FIT clubs is their inclusion of mental health programming. In partnership with Minderful, the Company offers a range of mental health options for members to explore and it hopes to elevate the awareness of mental health within the Kingdom and the links it has on overall health and wellness.

(f) Health and Safety

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

All male fitness clubs are under constant video surveillance in all areas (including locker rooms but excluding shower rooms) for the safety of the members and to ensure Company staff is adhering to defined policy and Government regulations. The CEO is informed of any health and safety incidents for necessary action.

4.6.2 Membership Model and Pricing

Membership for each fitness club brand is sold as a one-time upfront membership joining fee plus monthly fees. The following table provides an overview of the Company's standard pricing by brand as of 31 December 2022G.

Table 4.14: Standard Pricing by Brand as of 31 December 2022G

Brand	Membership Type	Duration	List Price (SAR) ⁽¹⁾
Optimo	Monthly Recurring	One-time upfront membership joining fee	2,880
		Monthly fee	595
	Upfront Payment	3 Months	N/A
		6 Months	5,995
		12 Months	9,500
B_FIT	Monthly Recurring	One-time upfront membership joining fee	1,390
		Monthly fee	345
	Upfront Payment	3 Months	2,095
		6 Months	3,295
		12 Months	5,395

Source: The Company.

⁽¹⁾ The prices shown in the table exclude VAT.

The Company offers its members the flexibility of freezing their subscription at any time free of charge, subject to certain limitations based on membership duration.

The Company launches promotions throughout the year to promote sales. The timing of the campaigns varies from year to year due to several factors including: (i) school holidays; (ii) religious holidays; (iii) business performance; and (iv) competitors' campaigns. Sales reports which summarise sales by area, product, and fitness club are provided to the Company's senior management team on a daily basis enabling quick decision making.

4.6.2.1 Membership Overview

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

4.6.2.2 Membership Sales

Individual memberships can be purchased at the club, on the Company's websites and through smartphone applications. These three channels generate all of the Company's membership sales. In the financial years ended 31 December 2021G and 2022G, 90.0 per cent. and 73.0 per cent., respectively, of the Company's revenue was delivered through sales at the fitness clubs while 10.0 per cent. and 27.0 per cent. of the Company's revenue was generated through on-line sales and smartphone applications for the same periods. Over time, this ratio will shift towards online and mobile app sales, as (generally speaking), members prefer to purchase their initial membership while visiting the club and renew their membership online (through the website or smartphones application).

The Company has launched a dedicated mobile application for each of the Optimo and B_FIT brands allowing customers to purchase memberships, manage existing memberships, find and book classes and training sessions, and provide feedback directly to the Company. The applications also provide the Company with the ability to send messages to its members based on a variety of factors (e.g., location, frequency of use, time to subscription expiry).

4.6.2.3 Member Service and Satisfaction

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

4.6.3 Information Systems

4.6.3.1 Technology and Member Management Systems and Tools

The Company's IT strategy has always been aligned with its core business model, which is to create a better, more digitally enhanced experience for its members. Its IT strategy roadmap focuses on initiatives that reduce costs through greater digital efficiency and increased organizational flexibility and scalability.

To achieve its objectives, the Company built strong back-office systems to manage its finance, supply chain, and HR business needs, complemented with even stronger front office systems to manage its fitness clubs and to provide the best user experience that its members strive for. The Company successfully implemented Oracle Fusion Cloud ERP with the Oracle Fusion Enterprise Resource Planning Cloud Service (Finance and Project Management) and Oracle Fusion Supply Chain Execution Cloud Service modules, as well as HRMS Cloud, with its main focus on regional human resources, the payroll and personnel system, and the Menalite application (MenaPay, MenaHR, and Mena Mobile). As a result, the Company was able to realize immediate benefits in the following areas:

- budget friendly – pay as you go;
- no infrastructure required (cloud);
- no customization required, major features are built out of the box;
- data security; and
- accessibility – location / time independency.

For its front-office systems, the Company has implemented the following:

- **Club Management System (PerfectGym)** – market leader and scalable enterprise software to automate and manage all club operational activities with member experience being the focal objective. The system covers the following areas:
 - a client portal providing the Company's members with full control over their membership;
 - point of sale, which facilitates the payment process and allows easy and quick steps for member registration process;
 - a customer management system to manage the Company's sales and marketing campaigns; and
 - business intelligence and analytics which creates sales predictions, product recommendations and sales forecasts.

- **Member Fitness Management in Partnership with VirtuaGym**, a global company that provides health and fitness software, provides its members with the best fitness experience concerned with exercise and its method of performance, in addition to nutrition systems. The integration and alliance that was formed between the club management system (PG) and the Fitness App (VG) formed the bases for the SMART solution services that the Company provides to its members.
- **Club Form Automation** in support of the paperless environment which the Company's founders are committed to; it has transformed all of the fitness clubs' paper documents into digital format via KIZEO, a flexible and mobile application which allows for the quick creation and completion of custom digital/mobile forms and their delivery and or transfer from any mobile device/tablet.

4.6.3.2 Data Protection

Given that the Company manages a large portfolio of member data, it considers data protection to be a top priority. The Company seeks to ensure that all member data are sufficiently protected from the risks of hacking and regularly invests in the upgrade of systems, infrastructure and personnel to support the growing membership base. The Company employs third-party providers (such as PerfectGym, VirtuaGym, Oracle, etc.) to manage data security across the business.

4.6.4 Suppliers

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

The Company maintains a list of qualified alternative suppliers across all critical areas of its business in order to minimize its reliance on any particular partner. They also maintain multiple relationships with each partner organization for critical items, allowing multiple channels into the same product/service (for example, they maintain relationships with both the local distributor agents and the head office/OEM directly and the ability to buy from either). As a result, the Company is not dependant on any single source supplier of fitness-related items (equipment and related consumables).

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

The following table contains a summary of the Company's key suppliers, by percentage of total annual purchases for the financial years ended 31 December 2021G and 2022G:

Table 4.15: The Company's Key Suppliers for the Financial Years Ended 31 December 2021G and 2022G

(Percentage of the Company's Total Purchases for the Financial Year ended 31 December 2021G)					(Percentage of the Company's Total Purchases for the Financial Year ended 31 December 2022G)				
Supplier	Country of Headquarters	Values in (SAR)	%	Supplied Material/Service	Supplier	Country of Headquarters	Value in (SAR)	%	Supplied Material/Service
Gulf Architects Construction	Saudi Arabia	49,754,013	33%	Construction / Finishing	Sertah Group	Saudi Arabia	20,787,181	16%	Construction / Finishing
Al Medwar Contracting Company	Saudi Arabia	19,911,997	13%	Construction / Finishing	Kayan Technical Contracting	Saudi Arabia	13,127,494	10%	Construction / Finishing
Kayan Technical Contracting	Saudi Arabia	9,173,201	6%	Construction / Finishing	Al Noor Al Mohaterf Trading Establishment	Saudi Arabia	6,139,518	5%	Fixture Lighting / Finishing
Sertah Group	Saudi Arabia	9,165,313	6%	Construction / Finishing	Delta Marketing Company	Saudi Arabia	12,088,521	10%	Cooling
Delta Marketing Company	Saudi Arabia	8,866,365	6%	Construction / Finishing	Gulf Architects Construction	Saudi Arabia	34,893,233	27%	Construction / Finishing
Total	-	96,870,889	64%	-	-	-	87,035,946	68%	-

Source: The Company.

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

4.6.5 Marketing and Promotion

The Company operates under the Optimo and B_FIT brands, offering high-end and premium customer experience across their fitness clubs. The ongoing advertising and promotional support behind the brand names coupled with quality product and service and strong initial market performance have led to the rapid development of strong brand equity in the fitness category.

The Company's marketing strategy is to position the Optimo brand as a high-end luxurious fitness club and to position the B_FIT brand as a premium trendy fitness club. The Company seeks to position the services provided at its fitness clubs as the highest-end offering while providing competitive pricing. The Company's strategy is also to position the brands as being deeply committed to the development of society within the Kingdom and broader MENA region.

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

Social media is the primary mechanism used in marketing the Company's fitness club brands. For specific campaigns or events, the Company employs online advertising, through the same channels and web search engines.

4.6.6 Geographic Locations and Operations

The Company's headquarters are located in Riyadh, Kingdom of Saudi Arabia. All of the branches are located in the Kingdom and no businesses or assets exist outside the Kingdom. The following table shows the locations of the Company's branches as of 31 December 2022G:

Table 4.16: Details of the Company's Geographical Presence as of 31 December 2022G

Country	City	Number of Operational Fitness Clubs
Kingdom	Riyadh	5
	Jeddah	1
Total		6

Source: The Company.

4.7 Research and Development

The Company has a continuous research and development strategy focused on growth and market penetration through digitization and improving operational efficiency through the automation of processes. In particular, this includes:

- conducting detailed customer research, prototyping and analysis to find new channels to acquire customers at scale and to identify opportunities to improve the customer experience;
- identifying, evaluating, designing and developing new e-commerce opportunities and supporting them from start-up to maturity through digital customer journeys;
- continuously measuring and analysing platform performance data and user adoption data to optimize customer journeys and improve platform performance and reliability;
- building and managing integrations with relevant third-party systems;
- developing, automating and modernising internal operational systems and services; and
- optimizing business processes through automation.

4.8 Future Plans and Initiatives

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

Table 4.17: Locations Under Development as of 31 December 2022G

City	Number of Fitness Clubs
Riyadh	4
Jeddah	2
Dammam/Khobar	-
TOTAL	6

Source: The Company.

4.9 Business Continuity

There has been no suspension or interruption in the Company's business during the twelve-month period preceding the date of this Prospectus which would affect or have a significant impact on its financial position, and no material change in the nature of its business has occurred.

As the Company opened its first fitness club after the main COVID-19 related restrictions were lifted, COVID-19 had no impact on its operations. In any case, the Company is taking a series of proactive and preventive measures to ensure the health and safety of its employees and workforce, and the sustainability of its operations.

See also Section 2.1.28 (*Risks Related to Outbreaks of Infectious Diseases or Public Health Threats*) for a discussion of the risks related to infectious diseases and public health threats.

5. Ownership and Organisational Structure

5.1 Ownership Structure

The following table summarises the ownership structure of the Company pre- and post-Offering, In addition to the new Shares after the offering:

Table 5.1: Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-Offering)						Shareholding (Post-Offering)					
	Direct Ownership			Indirect Ownership			Direct Ownership			Indirect Ownership		
	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value
Jiad United for Real Estate Development Company	7,420,196	25.81%	74,201,960	-	-	-	7,420,196	22.58%	74,201,960	-	-	-
Abdulmohsen Ali Mohammed Alhagbani ⁽²⁾	4,517,787	15.71%	45,177,870	1,570,855	5.46%	15,708,550	4,343,852	13.22%	43,438,520	1,570,855	4.78%	15,708,550
Nahla Ali Mohammed Alhagbani ⁽³⁾	2,945,986	10.25%	29,459,860	1,024,729	3.56%	10,247,290	2,832,566	8.62%	28,325,660	1,024,729	3.12%	10,247,290
Latifa Mohammed Saleh Alhagbani ⁽⁴⁾	2,420,026	8.42%	24,200,260	841,450	2.93%	8,414,500	2,326,855	7.08%	23,268,550	841,450	2.56%	8,414,500
Khalid Ali Mohammed Alhagbani ⁽⁵⁾	1,824,140	6.34%	18,241,400	634,427	2.21%	6,344,270	1,753,911	5.34%	17,539,110	634,427	1.93%	6,344,270
Fahad Ali Mohammed Alhagbani ⁽⁶⁾	1,495,288	5.20%	14,952,880	520,156	1.81%	5,201,560	1,437,719	4.38%	14,377,190	520,156	1.58%	5,201,560
Waleed Ali Mohammed Alhagbani ⁽⁷⁾	1,325,542	4.61%	13,255,420	460,794	1.60%	4,607,940	1,274,509	3.88%	12,745,090	460,794	1.40%	4,607,940
Nada Ali Mohammed Alhagbani ⁽⁸⁾	1,003,277	3.49%	10,032,770	348,749	1.21%	3,487,490	964,651	2.94%	9,646,510	348,749	1.06%	3,487,490
Ali Abdulmohsen Ali Alhagbani ⁽⁹⁾	954,633	3.32%	9,546,330	332,425	1.16%	3,324,250	917,880	2.79%	9,178,800	332,425	1.01%	3,324,250
Deem Abdulmohsen Ali Alhagbani ⁽¹⁰⁾	954,633	3.32%	9,546,330	332,425	1.16%	3,324,250	917,880	2.79%	9,178,800	332,425	1.01%	3,324,250
Reem Abdulmohsen Ali Alhagbani ⁽¹¹⁾	954,633	3.32%	9,546,330	332,425	1.16%	3,324,250	917,880	2.79%	9,178,800	332,425	1.01%	3,324,250
Sulaiman Khaled Sulaiman Alkadi ⁽¹²⁾	822,383	2.86%	8,223,830	286,420	1.00%	2,864,200	790,721	2.41%	7,907,210	286,420	0.87%	2,864,200
Huda Ali Mohammed Alhagbani ⁽¹³⁾	711,415	2.47%	7,114,150	247,092	0.86%	2,470,920	684,026	2.08%	6,840,260	247,092	0.75%	2,470,920
Abdullah Mohammed Ibrahim Alhagbani ⁽¹⁴⁾	565,483	1.97%	5,654,830	196,635	0.68%	1,966,350	543,712	1.65%	5,437,120	196,635	0.60%	1,966,350
Abdulmalik Abdullah Mohammed Alhagbani ⁽¹⁵⁾	499,612	1.74%	4,996,120	173,633	0.60%	1,736,330	480,377	1.46%	4,803,770	173,633	0.53%	1,736,330
Najla Ali Mohammed Alhagbani ⁽¹⁶⁾	182,414	0.63%	1,824,140	63,814	0.22%	638,140	175,391	0.53%	1,753,910	63,814	0.19%	638,140

Shareholder	Shareholding (Pre-Offering)						Shareholding (Post-Offering)					
	Direct Ownership			Indirect Ownership			Direct Ownership			Indirect Ownership		
	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value	Number of Shares	Ownership (%) ⁽¹⁾	Nominal Value
Abdulrahman Mohammed Ibrahim Alhagbani ⁽¹⁷⁾	118,569	0.41%	1,185,690	41,553	0.14%	415,530	114,004	0.35%	1,140,040	41,553	0.13%	415,530
Mohammed Ali Mohammed Alhagbani ⁽¹⁸⁾	36,483	0.13%	364,830	12,614	0.04%	126,140	35,078	0.11%	350,780	12,614	0.04%	126,140
Public	-	-	-	-	-	-	4,927,958	15%	49,279,580	-	-	-
Total	28,752,500	100%	287,525,000	7,420,196	25.77%	74,201,960	32,859,166	100%	328,591,660	7,420,196	22.58%	74,201,960

Source: The Company.

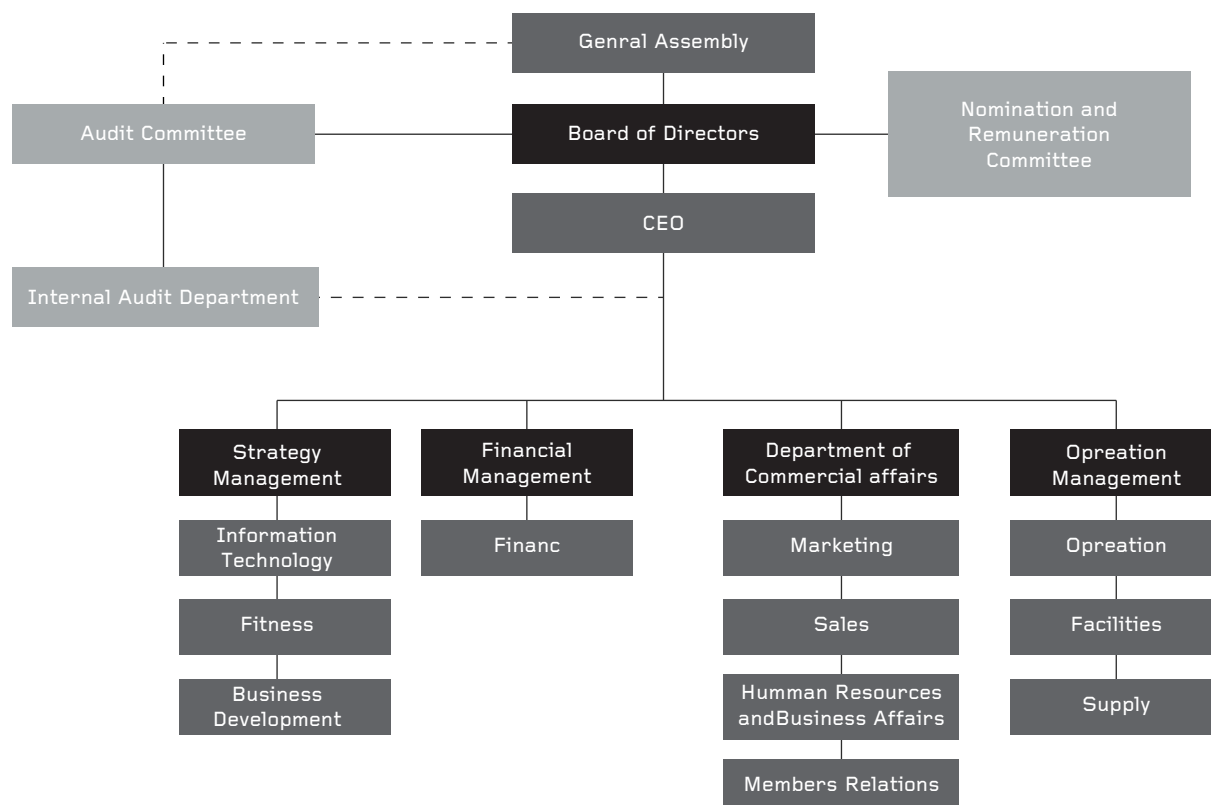
- ⁽¹⁾ Shareholding percentages are rounded.
- ⁽²⁾ As of the date of this Prospectus, Abdulmohsen Ali Mohammed Alhagbani owns 3,343,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulmohsen Ali Mohammed Alhagbani indirectly owns approximately 1,570,855 Shares in the Company.
- ⁽³⁾ As of the date of this Prospectus, Nahla Ali Mohammed Alhagbani owns 2,180,250 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Nahla Ali Mohammed Alhagbani indirectly owns approximately 1,024,729 Shares in the Company.
- ⁽⁴⁾ As of the date of this Prospectus, Latifa Mohammed Saleh Alhagbani owns 1,791,000 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Latifa Mohammed Saleh Alhagbani indirectly owns approximately 841,450 Shares in the Company.
- ⁽⁵⁾ As of the date of this Prospectus, Khalid Ali Mohammed Alhagbani owns 1,350,000 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Khalid Ali Mohammed Alhagbani indirectly owns approximately 634,427 Shares in the Company.
- ⁽⁶⁾ As of the date of this Prospectus, Fahad Ali Mohammed Alhagbani owns 1,106,625 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Fahad Ali Mohammed Alhagbani indirectly owns approximately 520,156 Shares in the Company.
- ⁽⁷⁾ As of the date of this Prospectus, Waleed Ali Mohammed Alhagbani owns 981,000 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Waleed Ali Mohammed Alhagbani indirectly owns approximately 460,794 Shares in the Company.
- ⁽⁸⁾ As of the date of this Prospectus, Nada Ali Mohammed Alhagbani owns 742,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Nada Ali Mohammed Alhagbani indirectly owns approximately 348,749 Shares in the Company.
- ⁽⁹⁾ As of the date of this Prospectus, Ali Abdulmohsen Ali Alhagbani owns 706,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Ali Abdulmohsen Ali Alhagbani indirectly owns approximately 332,425 Shares in the Company.
- ⁽¹⁰⁾ As of the date of this Prospectus, Deem Abdulmohsen Ali Alhagbani owns 706,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Deem Abdulmohsen Ali Alhagbani indirectly owns approximately 332,425 Shares in the Company.
- ⁽¹¹⁾ As of the date of this Prospectus, Reem Abdulmohsen Ali Alhagbani owns 706,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Reem Abdulmohsen Ali Alhagbani indirectly owns approximately 332,425 Shares in the Company.
- ⁽¹²⁾ As of the date of this Prospectus, Sulaiman Khaled Sulaiman Alkadi owns 608,625 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Sulaiman Khaled Sulaiman Alkadi indirectly owns approximately 286,420 Shares in the Company.
- ⁽¹³⁾ As of the date of this Prospectus, Huda Ali Mohammed Alhagbani owns 526,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Huda Ali Mohammed Alhagbani indirectly owns approximately 247,092 Shares in the Company.
- ⁽¹⁴⁾ As of the date of this Prospectus, Abdullah Mohammed Ibrahim Alhagbani owns 418,500 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdullah Mohammed Ibrahim Alhagbani indirectly owns approximately 196,635 Shares in the Company.
- ⁽¹⁵⁾ As of the date of this Prospectus, Abdulmalik Abdullah Mohammed Alhagbani owns 369,750 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulmalik Abdullah Mohammed Alhagbani indirectly owns approximately 173,633 Shares in the Company.
- ⁽¹⁶⁾ As of the date of this Prospectus, Najla Ali Mohammed Alhagbani owns 135,000 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Najla Ali Mohammed Alhagbani indirectly owns approximately 63,814 Shares in the Company.
- ⁽¹⁷⁾ As of the date of this Prospectus, Abdulrahman Mohammed Ibrahim Alhagbani owns 87,750 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulrahman Mohammed Ibrahim Alhagbani indirectly owns approximately 41,553 Shares in the Company.
- ⁽¹⁸⁾ As of the date of this Prospectus, Mohammed Ali Mohammed Alhagbani owns 27,000 Shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Mohammed Ali Mohammed Alhagbani indirectly owns approximately 12,614 Shares in the Company.

5.2 Organisational Structure

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

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

Exhibit 5.1: Organisational Structure of the Company



Source: The Company.

5.3 Board of Directors and Secretary of the Board of Directors

5.3.1 Composition of the Board of Directors

The Board of Directors consists of eight Directors who are appointed by the General Assembly by means of cumulative vote. For further details, see Section 10.11 (*Summary of Bylaws*). The Companies Law, the Corporate Governance Regulations, the Bylaws and the internal corporate governance regulations of the Company determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership in the Board of Directors, including the Chairman, is four years, except for the first term which lasts for a period of five years commencing on 16 Rabi' al Awwal 1444H (corresponding to 12 October 2022G).

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

Table 5.2: Company's Board of Directors

Name	Position	Nationality	Status and Independence	Direct Share Ownership ⁽¹⁾		Indirect Share Ownership		Date of Appointment ⁽²⁾
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Abdulmohsen Ali Mohammed Alhagbani ⁽³⁾	Chairman	Saudi	Non-Executive / Non-Independent	15.71%	13.22%	5.46%	4.78%	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Fahad Ali Mohammed Alhagbani ⁽⁴⁾	Vice Chairman	Saudi	Executive / Non-Independent	5.20%	4.38%	1.81%	1.58%	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Sulaiman Khaled Sulaiman Alkadi ⁽⁵⁾	Director	Saudi	Executive / Non-Independent	2.86%	2.41%	1.00%	0.87%	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Abdulmalik Abdullah Mohammed Alhagbani ⁽⁶⁾	Director	Saudi	Executive / Non-Independent	1.74%	1.46%	0.60%	0.53%	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Dr. Asma Khaled Sulaiman Alkadi	Director	Saudi	Non-Executive / Non-Independent	-	-	-	-	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Dag Lee	Director	Norwegian	Non-Executive / Independent	-	-	-	-	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Amit Kapur	Director	Canadian	Non-Executive / Independent	-	-	-	-	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)
Saad Mohammed Abdulaziz Al Ghereri	Director	Saudi	Non-Executive / Independent	-	-	-	-	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)

Source: The Company.

⁽¹⁾ Shareholding percentages are rounded.

⁽²⁾ The dates mentioned in this table are the dates of appointment of the members of the Board of Directors for the current session of the Board of Directors. The biographies of the members of the Board of Directors indicate the date of their respective appointments to the Board and to any other position. For more information, please see Section 5.3.3 (*Biographies of the Directors and the Secretary*).

⁽³⁾ As of the date of this Prospectus, Abdulmohsen Ali Mohammed Alhagbani owns 3,343,500 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulmohsen Ali Mohammed Alhagbani indirectly owns approximately 1,570,855 Shares in the Company.

⁽⁴⁾ As of the date of this Prospectus, Fahad Ali Mohammed Alhagbani owns 1,106,625 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Fahad Ali Mohammed Alhagbani indirectly owns approximately 520,156 Shares in the Company.

⁽⁵⁾ As of the date of this Prospectus, Sulaiman Khaled Sulaiman Alkadi owns 608,625 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Sulaiman Khaled Sulaiman Alkadi indirectly owns approximately 286,420 Shares in the Company.

⁽⁶⁾ As of the date of this Prospectus, Abdulmalik Abdullah Mohammed Alhagbani owns 369,750 shares in Jiad United for Real Estate Development Company (which in turn owns 7,420,196 Shares in the Company). As a result, Abdulmalik Abdullah Mohammed Alhagbani indirectly owns approximately 173,633 Shares in the Company.

The Secretary of the Board of Directors is Ibrahim Akram Ibrahim Gharbieh. For a summary of his biography, see Section 5.3.3.9 (*Ibrahim Akram Ibrahim Gharbieh, Board Secretary*).

5.3.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. The Board of Directors delegates responsibility for the overall day-to-day management of the Company to the Company's Executive Management.

Some powers are delegated to the Committees of the Board of Directors, consisting of the Audit Committee and the Nomination and Remuneration Committee (collectively, the "Committees"), and a number of administrative departments with responsibility for dealing with a range of operational and business matters. In addition, the Board of Directors has the power to form any number of committees it considers necessary for the effective governance, oversight and operation of the Company and to delegate some of its powers to one or more of the Directors or to third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

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

5.3.2.1 Board of Directors

Subject to the terms established for the General Assembly, the Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs to achieve its purposes inside and outside the Kingdom. In accordance with the Company's Bylaws, the responsibilities of the Board of Directors include the following:

- Participating in the overall direction and management of the Company;
- acting on behalf of the Company in an agent-like capacity;
- overseeing the Committees in line with the policies and objectives of the Company;
- approving the appointment of the Chief Executive Officer, the Chief Financial Officer and the Head of Internal Audit Department;
- laying down a comprehensive strategy for the Company, the main work plans and the policy related to risk management;
- determining the appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets;
- supervising the main capital expenditures of the Company and the acquisition/disposal of assets;
- determining the performance objectives to be achieved and supervising their implementation;
- monitoring the overall performance of the Company;
- reviewing and approving the organisational and functional structures of the Company;
- developing a written policy regulating conflicts of interest and remedying any possible cases of conflict by the Directors, Executive Management and Shareholders;
- developing written policies regulating the Company's relationship with the Shareholders, including policies in connection with the indemnification of Shareholders and the settlement of complaints or disputes between the Company and Shareholders;
- establishing a code of conduct for the Executive Management and employees in line with proper professional and ethical standards;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and their implementation;
- ensuring the alignment of the strategy and plan with the Company's existing resources, risks, economic and market conditions and growth;
- entering into financial transactions on behalf of the Company;
- ensuring the integrity of the financial and accounting procedures, including procedures related to the preparation of the financial reports;
- ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them with transparency;
- holding a meeting in the last quarter of each year to approve the budget for the following year;
- forming committees affiliated to the Board of Directors with specific competencies, approving their own business regulations and appointing their members except for the Audit Committee, which is formed by a resolution of the Ordinary General Assembly;
- evaluating the performance of the Company's Senior Executives in connection with the achievement of strategy;
- reviewing the effectiveness of the Company's internal control systems;
- ensuring compliance with the Company's corporate governance regulations and its policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;
- determining the powers to be delegated to the Company's Senior Executives;
- approving new business initiatives and business closures;
- reviewing the performance of the Committees established by the Board of Directors;
- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;

- calling for a meeting of the General Assembly at least once a year during the six months following the end of the Company's financial year;
- reviewing the Company's corporate governance regulations periodically, evaluating whether any changes are required in light of updated regulations and changes in practices and communicating such changes to the Secretary; and
- providing recommendations to the Shareholders for the dividends to be distributed in accordance with the Company's dividend distribution policy and for any retention of profits.

5.3.2.2 Chairman

The Chairman shall assume the following responsibilities:

- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance and value creation for Shareholders and accountability at all levels;
- promoting a culture in the boardroom that supports constructive criticism and alternative views on issues under consideration, and encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- delegating tasks to individual Directors and following up on their progress; and
- ensuring that the Directors disclose their business activities and conflicts of interest in any matter discussed in meetings of the Board of Directors.

5.3.2.3 Secretary

The responsibilities of the Secretary include the following:

- managing all of the administrative, technical and logistics matters related to the affairs of the Board of Directors and the meetings of the General Assembly;
- managing and coordinating the meeting agendas of the Board of Directors and the Committees;
- attending the meetings of the Board of Directors;
- preparing visual presentations, preparing and distributing minutes of meetings, archiving all data, information and records related to the Board of Directors and the Committees and monitoring the implementation of resolutions of the Board of Directors and the Committees;
- preparing and maintaining a register of proceedings and resolutions of the Board of Directors and the Committees and ensuring the safekeeping of the Company's official records; and
- performing any other tasks as directed by the Board of Directors.

5.3 Biographies of the Directors and the Secretary

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

5.3.3.1 Abdulmohsen Ali Mohammed Alhagbani, Chairman of the Board of Directors

Nationality:	Saudi
Age:	55 years
Position	Chairman of the Board of Directors.
Capacity	Non-Executive / Non-Independent.
Academic and Professional Qualifications:	Bachelor's Degree in Military Science, King Abdulaziz Military College, Riyadh, Saudi Arabia, 1989G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> - Chairman of the Board of Directors of the Company, since 2022G; - Member of the Audit Committee of the Company, since 2022G; and - Member of the Nomination and Remuneration Committee of the Company, since 2022G.
Key Past Professional Experience:	<ul style="list-style-type: none"> - Chairman of the Board of Managers of the Company, from 2019G until 2022G; - Vice Chairman of the Board of Directors and Managing Director, Leejam Sports Company, a public joint stock company, fitness sector, from 2017G until 2018G; - Chairman of the Board of Directors, Leejam Sports Company, a public joint stock company, fitness sector, from 2008G until 2017G; and - Chief Executive Officer, Sport Clubs Company, a limited liability company, fitness sector, from 1993G until 2005G.

5.3.3.2 Fahad Ali Mohammed Alhagbani, Vice Chairman of the Board of Directors

Nationality:	Saudi
Age:	44 years
Position	Vice Chairman of the Board of Directors and Chief Executive Officer.
Capacity	Executive / Non-Independent.
Academic and Professional Qualifications:	Bachelor's Degree in Management Information Systems, King Saud University, Riyadh, Saudi Arabia, 2001G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> - Vice Chairman of the Board of Directors of the Company, since 2022G; - Chief Executive Officer of the Company, since 2019G; and - Chairman, Pulse Fitness Company, a limited liability company, fitness sector, since 2019G. - Member of the Women in Sports Committee, Saudi Olympic and Paralympic Committee, Saudi Governmental entity, sports sector, since 2023G; - Member of the Board of Directors, Alhilal Football Club Company, a closed joint stock company, sports sector, since 2023G;
Key Past Professional Experience:	<ul style="list-style-type: none"> - Vice Chairman of the Board of Managers of the Company, from 2019G until 2022G; - Chief Executive Officer, Leejam Sports Company, a public joint stock company, fitness sector, from 2015G until 2018G; - Member of the Board of Directors, Leejam Sports Company, a public joint stock company, fitness sector, from 2008G until 2018G; - Vice President of Operations, Leejam Sports Company, a public joint stock company, fitness sector, from 2008G until 2015G; - Director of Information Security Policies and Procedures, Saudi Telecom Company, a public joint stock company, telecommunications sector, from 2001G until 2007G; and - Operations Officer, Sport Clubs Company, a limited liability company, fitness sector, from 1996G until 2005G.

5.3.3.3 Sulaiman Khaled Sulaiman Alkadi, Member of the Board of Directors

Nationality:	Saudi
Age:	39 years
Position	Member of the Board of Directors and Chief Operating Officer.
Capacity	Executive / Non-Independent.
Academic and Professional Qualifications:	Bachelor's Degree in Business Management and Information Systems, Oxford Brookes University, Oxford, United Kingdom, 2009G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> - Member of the Board of Directors of the Company, since 2022G; and - Chief Operating Officer of the Company, since 2019G.
Key Past Professional Experience:	<ul style="list-style-type: none"> - Member of the Board of Managers of the Company, from 2019G until 2022G; - Chief Operating Officer, Leejam Sports Company, a public joint stock company, fitness sector, from 2015G until 2018G; - Vice President of Operations Assistant, Leejam Sports Company, a public joint stock company, fitness sector, from 2013G until 2015G; - Project Manager, LLC, a limited liability company, registered in the United States of America, telecommunications sector, from 2010G until 2013G; and - Marketing Director, Al Kade EST International, an individual institution, trading sector, from 2004G until 2006G.

5.3.3.4 Abdulmalik Abdullah Mohammed Alhagbani, Member of the Board of Directors

Nationality:	Saudi
Age:	35 years
Position:	Member of the Board of Directors and Chief Commercial Officer.
Capacity:	Executive / Non-Independent.
Academic and Professional Qualifications:	Bachelor's Degree in Financial Management and Marketing, Al Yamamah University, Riyadh, Saudi Arabia, 2010G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> Member of the Board of Directors of the Company, since 2022G; and Chief Commercial Officer of the Company, since 2019G.
Key Past Professional Experience:	<ul style="list-style-type: none"> Member of the Board of Manager of the Company, from 2019G until 2022G; Assistant to the Chief Executive Officer, Leejam Sports Company, a public joint stock company, fitness sector, from 2015G until 2018G; and Branch Manager, Saudi British Bank, a public joint stock company, banking and financial services sector, from 2014G until 2015G.

5.3.3.5 Dr. Asma Khaled Sulaiman Alkadi, Member of the Board of Directors

Nationality:	Saudi
Age:	42 years
Position:	Member of the Board of Directors.
Capacity:	Non-Executive / Non-Independent.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> PhD in Organisational and Educational Leadership, University of Pennsylvania, Philadelphia, Pennsylvania, United States of America, 2020G; Master's Degree in Education, Lehigh University, Bethlehem, Pennsylvania State, United States of America, 2010G; and Bachelor's Degree in Arts, King Saud University, Riyadh, Saudi Arabia, 2004G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> Member of the Board of Directors of the Company, since 2022G; Member of the Nomination and Remuneration Committee of the Company, since 2022G; Chief Executive Officer, Al Tarbiyah Al Islamiyah Schools, a limited liability company, educational sector, since 2022G; and Consultant, Al Tarbiyah Al Islamiyah Schools, a limited liability company, educational sector, since 2021G.
Key Past Professional Experience:	<ul style="list-style-type: none"> Project Manager, MiSK Foundation, a non-profit organisation, educational sector, from 2021G until 2022G; Quality and Development Director, Al Tarbiyah Al Islamiyah Schools, a limited liability company, educational sector, from 2017G until 2021G; International High School Principal, Riyadh Schools, a limited liability company, educational sector, from 2012G until 2017G; Deputy Head of Programs, (CIBT) Education Trust Promgarm King Saud University, Saudi Governmental Entity, educational sector, from 2011G until 2012G; English Language Skills Department Coordinator, King Saud University, Saudi Governmental Entity, educational sector, from 2010G until 2011G; Consultant, BELL Educational Trust Program King Saud University, Saudi Governmental entity, educational sector, in 2010G; and English Teacher, Dhahran Ahliyya Girls School, a non-profit entity, educational sector, from 2004G until 2010G.

5.3.3.6 Dag Lee, Member of the Board of Directors

Nationality:	Norwegian
Age:	59 years
Position:	Member of the Board of Directors.
Capacity:	Non-Executive / Independent.
Academic and Professional Qualifications:	Master's Degree in Financial Management, University of Colorado Boulder, Colorado, United States of America, 1988G; and Bachelor's Degree in Business, Heriot-Watt University, Edinburgh, Scotland, 1987G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> Member of the Board of Directors of the Company, since 2022G; Chairman of the Nomination and Remuneration Committee of the Company, since 2022G; Co-Founder and Chairman of the Board of Directors, DBI Network Company, a private company, registered in the United States of America, consultancy sector, since 2015G; Syndicate Investor, Par Equity, a limited liability company, registered in the United Kingdom, investment sector, since 2013G; Chairman of the Board of Directors and General Manager, Nile HQ Company, a limited liability company, registered in the United Kingdom, consultancy sector, since 2012G; and Advisor, FSN Capital Company, a limited liability company, registered in Norway, investment sector, since 2011G.
Key Past Professional Experience:	<ul style="list-style-type: none"> Member of the Board of Directors and General Manager, InTouch Technology Inc., a private company, registered in Canada, fitness sector, from 2020G until 2022G; Member of the Board of Directors, FOSS Company, a limited liability company, registered in Norway, business consultancy sector, from 2005G until 2020G; Member of the Board of Directors and Investor, Fitness World Company, a limited liability company, registered in Denmark, fitness sector, from 2015G until 2020G; Member of the Board of Directors, Colosseum Smile Group Company, a limited liability company, registered in Norway, health services sector, from 2012G until 2014G; Member of the Board of Directors and Investor, ACTIC Company, a Swedish public joint stock company, fitness sector, from 2009G until 2012G; Member of the Board of Directors, Ellipse Holding Company, a limited liability company, registered in Norway, beauty and health services sector, from 2009G until 2012G; and Chief Executive Officer, SATS Group Company, a Norwegian public joint stock company, fitness sector, from 2000G until 2009G.

5.3.3.7 Amit Kapur, Member of the Board of Directors

Nationality:	Canadian
Age:	47 years
Position:	Member of the Board of Directors.
Capacity:	Non-Executive / Independent.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> - Master's Degree in Business Administration, Queen's University, Smith School of Business, Kingston, Canada, 2008G; - Master's Degree in Business Administration, Cornell University, Ithaca, New York, United States of America, 1998G; - Certified Financial Analyst, CFA Institute, Charlottesville, Virginia, United States of America, 2003G; - Certified Public Accountant, Association of International Certified Professional Accountants, Illinois, Chicago, United States of America, 2003G; and - Certified Chartered Accountant, Chartered Professional Accountants of Canada, Toronto, Canada, 2001G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> - Member of the Board of Directors of the Company, since 2022G; - Chairman of the Audit Committee of the Company, since 2022G; and - Vice President and Treasurer, ATS Automation, a Canadian public joint stock company, industrial sector, since 2018G.
Key Past Professional Experience:	<ul style="list-style-type: none"> - Council, Cloud XD Company, technology sector, from 2014G until 2021G; - Member of the Board of Directors, Academy of General Dentistry, Canadian educational institution, educational sector, from 2006G until 2019G; - Chief Financial Officer, Canaccede Financial Group, a Canadian limited liability company, banking and financial services sector, from 2015G until 2017G; - Senior Consultant, Saudi Arabian Oil Company (Saudi Aramco), a public joint stock company, industrial sector, from 2014G until 2015G; - Managing Director, General Electric Capital, a Canadian joint stock company, industrial sector, from 2011G until 2015G; - Member of the Board of Directors, Crow's Theatre, a Canadian non-profit company, arts and culture sector, from 2011G until 2012G; - Vice President and Treasurer, George Weston Limited, a Canadian public joint stock company, trade sector, from 2010G until 2011G; - Chief Financial Officer, General Electric Capital, a Canadian joint stock company, industrial sector, from 2009G until 2010G; - Financial Reporting Manager, Sears Roebuck and Co, an American public joint stock company, retail sector, from 2002G until 2003G; - Senior Accountant, Ernst and Young, a limited liability company, consultancy sector, from 2000G until 2002G; and - Staff Accountant, Ernst and Young, a limited liability company, consultancy sector, from 1998G until 2000G.

5.3.3.8 Saad Mohammed Abdulaziz Al Ghereri, Member of the Board of Directors

Nationality:	Saudi
Age:	41 years
Position:	Member of the Board of Directors.
Capacity:	Non-Executive / Independent
Academic and Professional Qualifications:	<ul style="list-style-type: none"> – Master's Degree in Business Administration, Stanford University, California, United States of America, 2011G; – Bachelor's Degree in Finance, Real Estate and Law, University of California, California, United States of America, 2005G; – Accounting and Information Systems Program, Virginia Tech, Blacksburg, Virginia, United States of America, 2003G; and – Certified Public Accountant, Association of International Certified Professional Accountants, Illinois, Chicago, United States of America, 2003G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G).
Current Positions:	<ul style="list-style-type: none"> – Member of the Board of Directors of the Company, since 2022G; – Member of the Audit Committee of the Company, since 2022G; – Chief Executive Officer, Al Rajhi Company, a closed joint stock company, investment sector, since 2022G; – Member of the Board of Directors, Badwa Capital, a limited liability company, registered in United Arab Emirates, investment sector, since 2017G; and – Member of the Board of Directors, Value Capital Partners, a closed joint stock company, investment sectors, since 2021G.
Key Past Professional Experience:	<ul style="list-style-type: none"> – Managing Director, Al Rajhi Company, a closed joint stock company, investment sector, from 2019G until 2022G; – Managing Director, Al Rajhi United Company, a closed joint stock company, investment sector, from 2013G until 2019G; – Team Leader, Saudi Arabian Oil Company (Saudi Aramco), a public joint stock company, oil and gas sector, in 2013G; – Head of Investment Management in the GCC, Saudi Aramco Investment Management Company, a limited liability company, investment sector, from 2011G until 2013G; and – Financial Analyst, Saudi Arabian Oil Company (Saudi Aramco), a public joint stock company, oil and gas sector, from 2005G until 2009G.

5.3.3.9 Ibrahim Akram Ibrahim Gharbieh, Board Secretary

Nationality:	Jordanian
Age:	44 years
Position:	Secretary of the Board and Finance Manager.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> – Bachelor's Degree in Accounting, Applied Science University, Amman, Hashemite Kingdom of Jordan, 2001G; and – Certified Public Accountant (CPA), American Institute of Public Accountants, New Hampshire, United States of America, 2011G.
Appointment Date (Current Term):	16 Rabi' al-Awwal 1445H (corresponding to 1 October 2023G).
Current Positions:	<ul style="list-style-type: none"> – Secretary of the Company's Board of Directors, since 2023G; and – Finance Manager of the Company, since 2023G.
Key Past Professional Experience:	<ul style="list-style-type: none"> – Finance Manager, AlHoloul AlMutakamela Holding Company, a closed joint stock company, investment sector, from 2021G until 2023G; – Chief Financial Officer, Tamkeen Industrial and Trading Company, a limited liability company, trade and industry sector, from 2011G until 2021G; and – Senior Auditor, Deloitte and Touche & Co Company, a professional company, consultancy sector, from 2005G until 2011G.

5.4 Board of Directors Committees

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

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

5.4.1 Audit Committee

5.4.1.1 Responsibilities of the Audit Committee

The Audit Committee assists the Board with oversight of: (i) the integrity, effectiveness and accuracy of the Company's financial statements, reports, and internal control system; (ii) the Company's compliance with legal and regulatory requirements and the rules of professional conduct. The responsibilities of the Audit Committee include the following:

(a) Financial Statements and Reports:

- study the Company's interim and annual financial statements, express an opinion thereon, and orres recommendations in this regard to the Board prior to their submission to the Board to ensure the validity, integrity and transparency thereof; and to consider whether they are complete and consistent with information that the members are aware of and whether they reflect appropriate accounting principles and policies;
- provide technical opinions, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced and understandable and contain information that enables the Shareholders and investors to assess the Company's financial position, performance, business model and strategy;
- review material or unusual issues included in the Company's financial statements and reports;
- review the results of the external audit, along with the management and the external auditor, including any difficulties encountered;
- examine accounting estimates with regard to significant matters contained in the Company's financial statements and reports; and
- consider the accounting policies followed by the Company, expressing an opinion thereon and make recommendations to the Board in respect of the same.

(b) Internal Audit:

- Review the Company's internal audit procedures, financial and risk management systems in the Company;
- consider internal audit reports, and follow up on the implementation of corrective measures with regard to the observations contained therein;
- oversee and supervise the performance and activities of the Company's Internal Audit Department to verify the availability of the necessary resources and the effectiveness thereof in performing the tasks and duties assigned thereto in accordance with appropriate professional standards; and
- review the performance and activities of the Head of the Internal Audit Department, and ensure that there are no unjustified restrictions on his/her activities, and make recommendations to the Board with respect to his/her appointment, dismissal, annual remuneration and salary.

(c) External Auditors:

- Recommend to the Board to nominate, dismiss and determine the fees of the external auditor, and review the scope of the work thereof and the terms of contract with the same, provided that the recommendation takes into account the independence of the external auditor;
- Verify the independence, objectivity and fairness of the external auditor, and the effectiveness of auditing, taking into account the relevant rules and standards, and make recommendations to the Board in this regard;
- Review the external auditors' proposed audit scope, approach and plan, and provide an opinion thereon, including coordinating audit efforts with internal audit activities;
- respond to the inquiries of the external auditor; and
- study the external auditor's report, observations and reservations on the Company's financial statements, and follow up on the relevant actions.

(d) Compliance:

- Review the results of the reports of the regulatory authorities and verify that the Company has taken the necessary actions;
- verify the Company's compliance with the relevant laws, regulations, policies and instructions.

- review contracts and transactions entered into by the Company with Related Parties, and provide its views thereon to the Board of Directors;
- submit to the Board of Directors such matters as it deems necessary to take action on, and make recommendations for actions to be taken; and
- any other tasks requested or decided upon by the Board of Directors.

5.4.1.2 Audit Committee Members

The Audit Committee was formed, and its members were appointed by a General Assembly resolution dated 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G), for a term of three years. The Audit Committee is comprised of the following members as of the date of this Prospectus:

Table 5.3: Audit Committee Members

Name	Role
Amit Kapur	Chairman
Saad Mohammed Abdulaziz Al Ghereri	Member
Abdumohsen Ali Mohammed Alhagbani	Member

Source: The Company.

5.4.1.3 Biographies of the Members of the Audit Committee

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

(a) Amit Kapur, Audit Committee Chairman

See Section 5.3.3.7 (*Amit Kapur, Member of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Amit Kapur.

(b) Saad Mohammed Abdulaziz Al Ghereri, Audit Committee member

See Section 5.3.3.8 (*Saad Mohammed Abdulaziz Al Ghereri, Member of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Saad Mohammed Abdulaziz Al Ghereri.

(c) Abdumohsen Ali Mohammed Alhagbani, Audit Committee Member

See Section 5.3.3.1 (*Abdumohsen Ali Mohammed Alhagbani, Chairman of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Abdumohsen Ali Mohammed Alhagbani.

5.4.2 The Nomination and Remuneration Committee

5.4.2.1 Responsibilities of the Nomination and Remuneration Committee

The responsibilities of the Nomination and Remuneration Committee further include the following:

- Ensure that all necessary and appropriate inquiries are made into the backgrounds and qualifications of such candidates before recommending them to the Board for nomination;
- at least annually review, assess and recommend to the Board the skills, qualifications and credentials required for membership on the Board and the Company's Executive Management, including setting the time commitment required for such membership and the job specifications for executive, non-executive, and independent Directors and members of the Company's Executive Management;
- review the structure of the Board of Directors and make recommendations regarding changes that should be made;
- regularly review the structure, size, composition, strengths and weaknesses of the Board (including its skills, knowledge and experience) and the Company's Executive Management and make appropriate recommendations to the Board that are compatible with the interests of the Company;
- verify on an annual basis the independence of each independent Director in accordance with the applicable law and the absence of any conflicts of interest, in the event that a Director also serves as a member of the board of directors of another company;
- recommend to the Board the form and amount of remuneration to be granted to the Directors, Senior Executives of the Company, and members of the Board committees, in accordance with the approved Remuneration Policy;
- review and make recommendations to the Board regarding the Company's incentive plans for Directors and employees, including in relation to adopting, amending and terminating such plans;

- prepare policies for human resources and training in the company, and monitor their application and review them on an annual basis;
- develop, recommend and oversee an annual self-evaluation process for the Directors and certain Senior Executives of the Company;
- approval of exceptional bonuses for the Company's senior management;
- recommendations on candidates from the Board of Directors for positions at the level of the General Manager and above;
- approve the remuneration received by the Chairman of the Board of Directors and the members of the Board;
- approve the fees and remuneration of the Chief Executive Officer; and
- approve the fees and remuneration of the Board Committees.

5.4.2.2 Nomination and Remuneration Committee Members

The Nomination and Remuneration Committee was formed, and its members were appointed pursuant to the Board of Directors' resolution dated 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G), for a term of three years. The Nomination and Remuneration Committee is comprised of the following members as of the date of this Prospectus:

Table 5.4: Nomination and Remuneration Committee Members

Name	Role
Dag Lee	Chairman
Abdulmohsen Ali Mohammed Alhagbani	Member
Dr. Asma Khaled Sulaiman Alkadi	Member

Source: The Company.

5.4.2.3 Biographies of the Members of the Nomination and Remuneration Committee

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

(a) Dag Lee, Chairman of the Nomination and Remuneration Committee

See Section 5.3.3.6 (*Dag Lee, Member of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Dag Lee.

(b) Abdulmohsen Ali Mohammed Alhagbani, Member of the Nomination and Remuneration Committee

See Section 5.3.3.1 (*Abdulmohsen Ali Mohammed Alhagbani, Chairman of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Abdulmohsen Ali Mohammed Alhagbani.

(c) Dr. Asma Khaled Sulaiman Alkadi, Member of the Nomination and Remuneration Committee

See Section 5.3.3.5 (*Dr. Asma Khaled Sulaiman Alkadi, Member of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Dr. Asma Khaled Sulaiman Alkadi.

5.5 Executive Management

5.5.1 Overview of the Executive Management

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

The following table sets out the details of the members of the Company's Executive Management:

Table 5.5: Details of Senior Executives

Name	Position	Appointment Date	Shareholding (Pre-Offering)					Shareholding (Post IPO)		
			Nationality	Age (Years)	Number of Shares Held Pre-Of-fering	Direct Own-ership (%) ⁽¹⁾	Indi-rect Own-ership (%) ⁽¹⁾	Number of Shares Held Post-Of-fering	Direct Own-ership (%) ⁽¹⁾	Indirect Own-ership (%) ⁽¹⁾
Fahad Ali Mohammed Alhagbani ⁽²⁾	Chief Executive Officer	25 Rabi' Al-Thani 1440H (corresponding to 1 January 2019G)	Saudi	44	1,495,288	5.20%	1.81%	1,437,719	4.38%	1.58%
Abdulmalik Abdullah Mohammed Alhagbani ⁽³⁾	Chief Commercial Officer	5 Jumada al-Ula 1442H (corresponding to 18 December 2020G)	Saudi	35	499,612	1.74%	0.60%	480,377	1.46%	0.53%
Nathan Clute	Chief Strategy Officer	5 Rabi' Al-Awwal 1444H (corresponding to 1 January 2022G)	Canadian	43	-	-	-	-	-	-
Ibrahim Akram Ibrahim Gharbieh ⁽⁴⁾	Finance Manager	4 Rabi' al-Awwal 1445H (corresponding to 19 September 2023G)	Jordanian	44	-	-	-	-	-	-
Sulaiman Khaled Sulaiman Alkadi ⁽⁵⁾	Chief Operating Officer	9 Jumada Al-Ula 1442H (corresponding to 24 December 2019G)	Saudi	39	822,383	2.86%	0.99%	790,721	2.41%	0.87%
Mike Downing	Operations Director	30 Ramadan 1443H (corresponding to 1 May 2022G)	British	60	-	-	-	-	-	-
Vacant ⁽⁶⁾	Head of Human Resource Department	-	-	-	-	-	-	-	-	-
Vacant ⁽⁷⁾	Head of Internal Audit and Compliance	-	-	-	-	-	-	-	-	-
Fares Abdullah Saed Al Ghamdi	Head of Facilities Department	5 Safar 1444H (corresponding to 1 September 2022G)	Saudi	32	-	-	-	-	-	-
Julio Dieguez Papi	Fitness Director	2 Rabi' Al-Thani 1443H (corresponding to 7 November 2022G)	Spanish	52	-	-	-	-	-	-

Name	Position	Appointment Date	Shareholding (Pre-Offering)					Shareholding (Post IPO)		
			Nationality	Age (Years)	Number of Shares Held Pre-Of-fering	Direct Own-ership (%) ⁽¹⁾	Indi-rect Own-ership (%) ⁽¹⁾	Number of Shares Held Post-Of-fering	Direct Own-ership (%) ⁽¹⁾	Indirect Own-ership (%) ⁽¹⁾
Sami Asad	Director of Information Technology Services and Digital Transformation	5 Safar 1444H (corresponding to 1 September 2022G)	Canadian	55	-	-	-	-	-	-
Mohammed Zuhair Peshimam	Procurement Manager	5 Safar 1444H (corresponding to 1 September 2022G)	Indian	41	-	-	-	-	-	-

Source: The Company.

⁽¹⁾ The ownership percentages are rounded.

⁽²⁾ As of the date of this Prospectus, Fahad Ali Mohammed Alhagbani holds an ownership stake of 7.01 per cent. in Jiad United for Real Estate Development Company (which in turn holds an ownership stake of 25.81 per cent. in the Company). As a result, Fahad Ali Mohammed Alhagbani holds an indirect ownership stake in the Company of 1.81 per cent. prior to the Offering.

⁽³⁾ As of the date of this Prospectus, Abdulmalik Abdullah Mohammed Alhagbani holds an ownership stake of 2.34 per cent. in Jiad United for Real Estate Development Company (which in turn holds an ownership stake of 25.81 per cent. in the Company). As a result, Abdulmalik Abdullah Mohammed Alhagbani holds an indirect ownership stake in the Company of 0.60 per cent. prior to the Offering.

⁽⁴⁾ As per his employment agreement with the Company, the Finance Manager will join on 30 Rabi' al-Awwal 1445H (corresponding to 15 October 2023G).

⁽⁵⁾ As of the date of this Prospectus, Sulaiman Khaled Sulaiman Alkadi holds an ownership stake of 3.86 per cent. in Jiad United for Real Estate Development Company (which in turn holds an ownership stake of 25.81 per cent. in the Company). As a result, Sulaiman Khaled Sulaiman Alkadi holds an indirect ownership stake in the Company of 0.99 per cent. prior to the Offering.

⁽⁶⁾ The position of Head of Human Resource Department is vacant, and the Company is working to find the right candidate for the position.

⁽⁷⁾ The position of Head of Internal Audit and Compliance is vacant, and the Company is working to find the right candidate for the position.

5.5.2 Biographies of Senior Executives

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

5.5.2.1 Fahad Ali Mohammed Alhagbani, Chief Executive Officer

See Section 5.3.3.2 (*Fahad Ali Mohammed Alhagbani, Vice Chairman of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Fahad Ali Mohammed Alhagbani.

5.5.2.2 Abdulmalik Abdullah Mohammed Alhagbani, Chief Commercial Officer

See Section 5.3.3.4 (*Abdulmalik Abdullah Mohammed Alhagbani, Member of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Abdulmalik Abdullah Mohammed Alhagbani.

5.5.2.3 Nathan Clute, Chief Strategy Officer

Nationality:	Canadian
Age:	43 years
Position:	Chief Strategy Officer.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> Master's Degree in Business Administration, Cornell University, New York, United States of America, 2008G; and Bachelor's Degree in Mechanical Engineering, Queen's University, Kensington, Canada, 2002G.
Appointment Date:	5 Rabi' Al-Awwal 1444H (corresponding to 1 January 2022G).
Current Positions:	<ul style="list-style-type: none"> Chief Strategy Officer of the Company, since 2022G; and Co-Founder, Pulse Fitness Group, a limited liability Company, fitness sector, since 2018G.
Key Past Professional Experience:	<ul style="list-style-type: none"> Chief Strategy officer, Leejam Sports Company, a public joint stock company, fitness sector, from 2015G until 2018G; Partner, PricewaterhouseCoopers (PwC), a limited liability professional company, professional services sector, from 2014G until 2015G; Director, PRTM Management Consultants (a subsidiary of PwC), a limited liability company, professional services sector, from 2011G until 2014G; Manager, PRTM Management Consultants (a subsidiary of PwC), a limited liability company, professional services sector, from 2009G until 2011G; and Associate, PRTM Management Consultants (a subsidiary of PwC), a limited liability company, professional services sector, from 2008G until 2009G.

5.5.2.4 Ibrahim Akram Ibrahim Gharbieh, Finance Manager

See Section 5.3.3.9 (*Ibrahim Akram Ibrahim Gharbieh, Board Secretary*) for further details regarding the experience, qualifications and the current and previous positions of Ibrahim Akram Ibrahim Gharbieh.

5.5.2.5 Sulaiman Khaled Sulaiman Alkadi, Chief Operating Officer

See Section 5.3.3.3 (*Sulaiman Khaled Sulaiman Alkadi, Member of the Board of Directors*) for further details regarding the experience, qualifications and the current and previous positions of Sulaiman Khaled Sulaiman Alkadi.

5.5.2.6 Vacant, Head of Human Resource Department

5.5.2.7 Vacant, Head of Internal Audit and Compliance Department

5.5.2.8 Fares Abdullah Saed Al Ghamdi, Head of Facilities Department

Nationality:	Saudi
Age:	32 years
Position:	Head of Facilities Department.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> - Bachelor's Degree in Agricultural Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2014G; - LEED Green Association certificate, U.S Green Building Council, Washington, United States of America, 2019G; and - Certified Facility Manager, The Middle East Facility Management Association, Riyadh, Kingdom of Saudi Arabia, 2019G.
Appointment Date	5 Safar 1444H (corresponding to 1 September 2022G).
Current Positions:	Head of Facilities Department of the Company, since 2022G.
Key Past Professional Experience:	<ul style="list-style-type: none"> - Regional Maintenance Manager, Leejam Sports Company, a public joint stock company, fitness sector, from 2014G until 2019G; - Club Manager, Leejam Sports Company, a public joint stock company, fitness sector, from 2012G until 2014G; - Assistant Club Manager, Leejam Sports Company, a public joint stock company, fitness sector, from 2012G until 2014G; and - Customer Service, Leejam Sports Company, a public joint stock company, fitness sector, from 2011G until 2012G.

5.5.2.9 Julio Dieguez Papi, Fitness Director

Nationality:	Spanish
Age:	52 years
Position:	Fitness Director.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> - Bachelor's Degree in Physiotherapy, Cardenal Herrera University, Valencia, Spain, 2009G; and - Bachelor's Degree in Sport Sciences and Physical Education, INEF Polytechnic University, Madrid, Spain, 2009G.
Appointment Date	2 Rabi' Al-Thani 1443H (corresponding to 7 November 2022G).
Current Positions:	<ul style="list-style-type: none"> - Fitness director of the Company, since 2022G; and - Program Director, Move on Fitness Academy, a limited liability company, registered in Romania, fitness sector, since 2013G.
Key Past Professional Experience:	<ul style="list-style-type: none"> - Product Manager, World Class Romania, a limited liability company, registered in Romania, fitness sector, from 2015G to 2021G; - Program Director, FACE Czech Academy, a limited liability company, registered in the Czech Republic, fitness sector, from 2011G to 2012G; - Fitness-Alliance Programs Director, a limited liability company, registered in Spain, from 2006G to 2010G; and - General Manager, Italian Fitness Federation, a limited liability company, registered in Italy, from 1998G to 2009G.

5.5.2.10 Sami Asad, Director of Information Technology Services and Digital Transformation

Nationality:	Canadian
Age:	55 years
Position:	Director of Information Technology Services and Digital Transformation.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> – Certificate of Six Sigma Green Belt, Honeywell Middle East Limited, Hongkong, China, 2007G; – Certificate of (ITIL) Information Technology Service Management Essentials, Saudi Diyar Consultants, Riyadh, Kingdom of Saudi Arabia, 2007G; and – Bachelor's Degree in Applied Science, Electrical Engineering, University of Ottawa, Ottawa, Canada, 1991G.
Appointment Date	5 Safar 1444H (corresponding to 1 September 2022G).
Current Positions:	Director of Information Technology Services and Digital Transformation of the Company, since 2022G.
Key Past Professional Experience:	<ul style="list-style-type: none"> – Information Technology Director, Leejam Sports Company, a public joint stock company, fitness sector, from 2016G until 2019G; – Information Technology Director, United Trading and Marketing Company (U-Mark), a closed joint stock company, retail sector, from 2015G until 2016G; – Information Technology Director, Dar Al Arkan Real Estate Company, a public joint stock company, real estate sector, from 2014G until 2015G; and – Head of Information Technology, Saudi Diyar Consultants, a limited liability company, engineering consultancy sector, from 2010G until 2014G.

5.5.2.11 Mike Downing, Operations Director

Nationality:	British
Age:	60 years
Position:	Operations Director.
Academic and Professional Qualifications:	Training Course in the Fitness Industry, British Amateur Weightlifting Association, Leeds, United Kingdom, 1998G.
Appointment Date	30 Ramadan 1443H (corresponding to 1 May 2022G).
Current Positions:	Operations Director of the Company, Since 2020G.
Key Past Professional Experience:	<ul style="list-style-type: none"> – Vice President for Operations, Leejam Sports Company, a public joint stock company, fitness sector, from 2014G until 2020G; – Operations Director, Body Masters, a limited liability company, fitness sector, from 2013G until 2014G; and – Regional Manager, Bannatyn's Fitness, a limited liability company, fitness sector, from 2000G until 2005G.

5.5.2.12 Mohammed Zuhair Peshimam, Procurement Manager

Nationality:	Indian
Age:	41 years
Position:	Procurement Manager.
Academic and Professional Qualifications:	<ul style="list-style-type: none"> – Master's Degree in Business Administration, Manipal University, Dubai, United Arab of Emirates, 2010G; and – Bachelor's Degree in Computer Science, Baldwin Methodist College, Bangalore University, Bangalore, India, 2002G.
Appointment Date	5 Safar 1444H (corresponding to 1 September 2022G).
Current Positions:	Procurement Manager of the Company, since 2022G.
Key Past Professional Experience:	<ul style="list-style-type: none"> – Supply Chain Manager, Leejam Sports Company, a public joint stock company, fitness sector, from 2014G to 2019G; and – Procurement Manager, Leisure Unlimited (Fitness First Middle East), a limited liability company, registered in the United Arab of Emirates, fitness sector, from 2008G until 2014G.

5.6 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors shall be determined in accordance with the Ministry of Commerce's relevant official resolutions and instructions, the provisions of the Companies Law, any other complementary laws thereto and the Company's Bylaws and Remuneration Policy. In addition, attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

All of the Company's Executives and certain other employees are eligible to participate in an incentive programme (the "Programme") which consists of cash amounts to be funded solely by the Selling Shareholders, on a pro rata basis according to the number Offer Shares being sold by each of them. As of the date of this Prospectus, twenty-one (21) employees are eligible to participate in the Programme, consisting of all of the employees in the Company's headquarters. Any employees who are also Shareholders, including the Chief Executive Officer, Chief Operating Officer and the Chief Commercial Officer, are not eligible to participate in the Programme.

The Programme is an incentive plan to maximize the Company's financial and operational performance, as well as retention plan for the Programme members.

The Programme offers cash only awards, and is composed of two payout milestones:

- a) upon listing: awards payable within thirty (30) days of listing; and
- b) post-listing: awards payable twelve (12) months after the listing date, contingent upon the Share price being equal or greater than the listing Share price.

The payment amount awarded to each Programme member is based on a combination of tenure and salary. Furthermore, the Programme has only one eligibility requirement, which is that the employee be employed in the Company without having served a resignation notice at the time of the milestone payout.

Neither the Directors, Committee Members, nor Senior Executives received any in-kind rewards or benefits for the financial years ended 2021G and 2022G.

5.7 Corporate Governance

The Company's internal Corporate Governance Manual was adopted by the Board of Directors on 23 Rabi' Al- Awwal 1444H (corresponding to 19 October 2022G).

5.8 Conflicts of Interest

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

As of the date of this Prospectus, none of the Directors, Senior Executives, Board Secretary nor any of their relatives have any direct or indirect interest in the Shares of the Company or any matter that may in any way affect the business of the Company.

The Directors also declare that, as of the date of this Prospectus, they are not engaged in any business competing with the Company's business, and that if they intend to engage in businesses competing with the Company they must obtain approval from the General Assembly in accordance with Article 27 of the Companies Law.

The following table provides a summary of the contracts and arrangements in effect or contemplated with any member of the Company in which a Director or Senior Executive or any of their relatives have a direct or indirect interest as of the date of this Prospectus (The arrangements that would compete with the Company's business were approved by the General Assembly at its meeting on 29 Rabi' Al-Awwal 1444H (corresponding to 25 October 2022G):

Table 5.6: Summary of Contracts and Transactions in which a Director or Senior Executive or any of their Relatives have a Direct or Indirect Interest as of the Date of this Prospectus

Director	The Other Competing Company	The Position of the Director in the Competing Company	The Nature of the Competing Activity
Fahad Ali Mohammed Alhagbani	Pulse Fitness LLC	Chairman of the Board of Directors	Fitness Facilities

Source: The Company.

The Directors also declare that none of the members of the Board of Directors or senior executives or their relatives have a direct or indirect interest in any contract or arrangement in effect or intended to be concluded as of the date of this Prospectus, except for what has been disclosed in the table below and Section 10.8 (*Contracts and Transactions in which Directors have an Interest*). The following table provides a summary of the contracts and arrangements in effect or contemplated with any member of the Group in which a Director or Senior Executive or any of their relatives have a direct or indirect interest as of the date of this Prospectus:

Table 5.7: Summary of Contracts and Transactions in which a Director or Senior Executive or any of their Relatives have a Direct or Indirect Interest as of the Date of this Prospectus

Parties	Nature of the Contract or Transaction	Total Revenue from the Contract/ Transaction		Direct or Indirect Interest
		For the financial year ended 31 December 2021G	For the financial year ended 31 December 2022G	
The Company (as the purchaser) Al Hayat Investment Company (as the supplier)	Transactions on a Purchase Order Basis	SAR 2,033,744	SAR 3,249,338	<ul style="list-style-type: none"> - Abdulmohsen Ali Mohammed Alhagbani - Fahad Ali Mohammed Alhagbani - Sulaiman Khaled Sulaiman Alkadi - Dr. Asma Khaled Sulaiman Alkadi
The Company (as the purchaser) Blue Construction Company (as the supplier)	Transactions on a Purchase Order Basis	SAR 2,715,780	SAR 2,833,898	<ul style="list-style-type: none"> - Abdulmohsen Ali Mohammed Alhagbani - Fahad Ali Mohammed Alhagbani - Sulaiman Khaled Sulaiman Alkadi - Dr. Asma Khaled Sulaiman Alkadi
The Company (as the purchaser) Sertah United Construction Company (as the supplier)	Transactions on a Purchase Order Basis	SAR 16,115,100	SAR 23,324,016	Sulaiman Khaled Sulaiman Alkadi
The Company (as the client) SKAT Trading Company (as the service provider)	Storage and Distribution Agreement	SAR 742,257	SAR 719,562	<ul style="list-style-type: none"> - Abdulmohsen Ali Mohammed Alhagbani - Fahad Ali Mohammed Alhagbani - Sulaiman Khaled Sulaiman Alkadi - Dr. Asma Khaled Sulaiman Alkadi

Source: The Company.

5.9 Employees

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

5.9.1 Number of Employees

As of 31 December 2022G, The Company employed 95 employees. 45.3 per cent. of whom were Saudi nationals.

The following table shows the number of employees of the Company by business segments as of 31 December 2021G and 2022G:

Table 5.8: Number of Employees of the Company by Business Segments as of 31 December 2021G and 2022G

Business Segment	31 December 2021G			31 December 2022G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Executive Management Department	3	-	3	3	-	3
Finance Department	-	3	3	-	3	3
Facilities Department	1	3	4	1	6	7
Operation Department	-	2	2	-	11	11
Fitness Department	7	11	18	34	32	66
HR and Admin Department	-	-	-	3	-	3
Members Relation Department	-	-	-	2	-	2
Total	11	19	30	43	52	95

Source: The Company.

5.9.2 Saudization

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

As of 31 December 2022G, the Company committed to achieving the required Saudization ratio, and was classified in the medium green range.

6. Management Discussion and Analysis of Financial Position and Operating Results

6.1 Introduction

The Management's Discussion and Analysis of Armah Sports Company (the "**Company**") provides an analytical review of the Company's operational performance and financial position during the years ended 31 December 2021G and 2022G.

This section and the accompanying notes have been prepared on the basis of the audited financial statements of the financial years 2022G (which includes the comparative financials for the financial year 2021G) which have been audited by the Company's auditor, in accordance with the International Standards on Auditing that are endorsed in the Kingdom. The financial information for the financial year ended 31 December 2021G was mainly extracted from the comparative financial information presented in the audited financial statements of the Company for the financial years ended 31 December 2022G, with no material changes to the financial information unless disclosed.

The Company has applied the International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("**SOCPA**") collectively referred to as "International Financial Reporting Standards approved in the Kingdom" and in accordance with the Companies Law and the Company's Articles of Association for the preparation of the financial statements for the year ended 31 December 2022G.

Neither the Company's auditor, nor their subsidiaries or employees (who form part of the team serving the Company), nor any of their employees' relatives own any Shares or stock of any kind in the Company that would impair their independence as on the date of issuing the financial statements report. As of the date of this Prospectus, the Company's auditor has given and not withdrawn their written consent to the reference in this Prospectus to their role as auditors of the Company for the financial years ended 31 December 2022G.

The above-mentioned financial statements are an integral part of this Prospectus, and it should be read in conjunction with these financial statements and their supplementary notes, and these financial statements are contained in Section 18 (*Financial Statements and Auditor Report*) of this Prospectus.

The figures in this Section have been rounded to the nearest thousand riyals unless otherwise stated, and all numbers and percentages are rounded to the nearest decimal point. Therefore, if summed, the numbers may differ to those which are stated in the tables. Annual percentages, margins, expenses and CAGRs are based on the rounded figures.

This Section might include forward-looking statements related to the Company's future capabilities, based on the management's plans and prospects as to its growth, results of operations and financial condition that could involve prospective risks and uncertainties. The Company's actual results could differ materially from those anticipated as a result of numerous factors, risks and future events, including those discussed in this section of the Prospectus or elsewhere thereof, particularly Section 2 (*Risk Factors*).

6.2 Directors' Declaration for Financial Statements

1. The Board of Directors declare that the financial information contained in this Prospectus is derived without material changes from the audited financial statements for 2022G (which includes the comparative financial figures for the year 2021G) prepared by the Company in accordance with International Financial Reporting Standards approved in the Kingdom and other issuances approved by the Saudi Organization for Auditors and Accountants which was audited by the Company's auditor.
2. The Board of Directors also declare that the Company has sufficient working capital for 12 months from the date of this Prospectus.
3. Except for what has been disclosed in Section 4.2 (*Corporate History and Evolution of Capital*), the Board of Directors declare that there has been no material adverse change in the financial or trading position of the Company during the three years immediately preceding the year the application for admission and offering of the securities subject to this Prospectus was submitted, or during the period covered by the chartered accountant's report until the approval of this Prospectus.
4. The Board of Directors declare that all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading.
5. The Board of Directors declare that the Company does not have any properties, including contractual securities or other assets the value whereof is subject to fluctuations or is difficult to ascertain, which materially affects the assessment of the financial position.
6. The Board of Directors declare that the Company did not provide any commissions, discounts, brokerage fees or other non-cash compensation have been granted by the Company to any of the Board members, proposed members of the Board, Senior Executives, offerors of securities or experts during the three years preceding the date of submission of the registration and offering application.
7. The Board of Directors declare that the Company does not have any loans or any other liabilities including overdraft balance and declare that there are no guarantee liability (either covered by personal guarantee or non-personal guarantee), liabilities

under acceptances, credits or any hire purchase commitments except what has been disclosed in Section 10.5 (*Financing Agreements*), Section 2 (*Risk Factors*) and Section 6 (*Management Discussion and Analysis of Financial Position and Operating Results*) of this Prospectus.

8. The Board of Directors declare that the Company has no intention of making any fundamental change in the nature of its activity.
9. The Board of Directors declare that the Company's operations have not been discontinued in such a way as to affect or have significantly affected the financial position in the last 12 months.
10. The Board of Directors confirm that the Company's capital is subject to the right of option.
11. The Board of Directors declare that the Company has presented comprehensive details in this section of any potential liabilities and has calculated and recorded a provision for such as stated in this discussion.
12. Other than what has been disclosed in Section 10 (*Legal Information*), the Board of Directors declare that the properties of the Company are not subject to any mortgages, rights or encumbrances or costs on the Company's property as of the date of this Prospectus.
13. The Board of Directors declare that the Company has presented comprehensive details in this section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.
14. The Board of Directors declare that the Company has not issued, existing or approved but unissued debt instruments, term loans or secured or unsecured mortgages, except as disclosed in Section 10.5 (*Financing Agreements*).
15. Other than what is mentioned in this Prospectus, neither the Board of Directors nor any of their relatives have Shares or interest of any kind in the issuer, if any.
16. The Board of Directors declare that the Company has no information about any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially (directly or indirectly) impact the Company's operations except as disclosed in Section 2 (*Risk Factors*) of this Prospectus.
17. The Board of Directors declare that except as disclosed in Section 2 (*Risk Factors*) and Section 6.4 (*The Main Factors that Affect the Business and Performance of the Company*), the Company is not aware of any seasonal or business-related factors that may have an impact on the Company's business or financial condition.
18. The Board of Directors declare that there were no qualifications in the chartered accountant's report on the Company's financial statements for any of the three financial years preceding the date of this Prospectus.
19. Other than what has been disclosed in Section 4 (*Business Description*), the Board of Directors declare that no structural changes were made to the issuer during the three financial years preceding the date of submission of the application for the registration and offering of the securities subject of this Prospectus.
20. The Board of Directors declare that there was no material change in the issuer's accounting policies during the three financial years preceding the date of this Prospectus.
21. The Board of Directors declare that the Company does not have any potential obligations, guarantees or any important fixed assets that it intends to purchase or lease other than what has been disclosed in this section of this Prospectus.

6.3 Company Overview

Armah Sports Company is a closed joint stock registered in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010559940 dated 14/06/1440H (corresponding to 19 February 2019G).

The Company's primary activities include operating men and women sport centers.

6.4 The Main Factors that Affect the Business and Performance of the Company

The following is a discussion of the most significant factors that have affected, or are expected to affect the Company's financial position and results of operations. These factors are based on the information currently available to the Company and may not represent all of the factors that may have an impact on the Company's business. Please see Section 2 (*Risk Factors*) and "Important Notice" on page (i) of this Prospectus.

6.4.1 Economic Factors and Impact on Consumer Spending

The Company's clubs require significant investment, including equipment maintenance and replacement. The Company's depreciation policy for the equipment used in its clubs is based on their estimated useful life of approximately five (5) to six (6) years for sport equipment and furniture and sixteen (16) to twenty (20) years for fitout and buildings. If such costs incurred are greater than expected, or there is a need to replace equipment in the clubs earlier than their estimated useful life, the Company may not be able to achieve its targeted returns. Moreover, any rise in maintenance and replacement costs may result in lower operating income for the Company, which will negatively affect the Company's performance, financial position and prospects.

6.4.2 The B_FIT and Optimo Brand Concept

The Company sees the launching of B_FIT and Optimo brands as a new health and fitness club concepts for the Middle Eastern market. The B_FIT club operates as a smart club featuring a wide range of innovative tech solutions to create an integrated digital member experience. Consequently, the Company considers the B_FIT brand to be one of its most important assets. The B_FIT brand highly depends on the members' awareness and the Company's ability to maintain and enhance its club design concept.

Moreover, the Optimo concept is an ultimate luxurious fitness experience and a high-end smart fitness club concept that is specifically designed for people seeking privacy, outstanding service and a luxurious atmosphere, targeting a slightly more business-oriented demographic.

As a result, the Company faces the risk of accidents that may negatively affect its operating brand. These risks include internal factors such as actions in relation to health, comfort, safety, etc. or external factors such as legal proceedings, litigations, infringing, complaints or any illegal activity that may result in a negative publicity and can damage the Company's reputation and impact the subscription and membership levels. This in turn will negatively affect the Company's performance and financial position.

6.4.3 Ability to Successfully Establish New Clubs

The Company's growth strategy highly depends on the establishment of new clubs, which in turn relies on the Company's ability to identify and provide suitable sites and locations for new clubs in line with its standards. While the Company has demonstrated its ability to identify and provide suitable locations for its 6 operating clubs and 6 non-operating clubs, the Company may face competition for suitable sites for its 23 additional planned clubs. Therefore, if the Company cannot identify and provide suitable locations for the new planned clubs, this will negatively affect revenues and profits.

The Company's strategy is based on expanding its footprint and increasing its clubs' presence in the Kingdom through establishing new clubs in different cities. Some of the new clubs that the Company is planning to open may be located in areas close to other existing clubs. The new clubs planned to be established near existing clubs may attract some members of the existing clubs which can consequently result in a decline in the levels of subscriptions and memberships in the existing clubs. This in turn will negatively affect the Company's revenues and profitability as well as the financial position.

6.4.4 Impact of Employee Costs and Changes in Applicable Laws and Regulations

The Company's operations are significantly dependent on the Company's executive Management as well as the well-trained and efficient employees at the Company's clubs. That said, salaries and other employees' benefit represent a large part of the Company's operating expenses. Therefore, any increase in the average salaries or changes in the labour regulations applicable in the Kingdom including the imposition of additional fees on future non-Saudi employees, can negatively affect the Company's performance and financial position.

6.4.5 Impact of Rising Costs of Maintaining Existing Clubs

The Company's clubs require significant investment, including equipment maintenance and replacement. The Company's depreciation policy for the equipment used in its clubs is based on their estimated useful life of approximately five (5) to six (6) years for sport equipment and furniture and sixteen (16) to twenty (20) years for fitout and buildings. If such costs incurred are greater than expected, or there is a need to replace equipment in the clubs earlier than their estimated useful life, the Company may not be able to achieve its targeted returns. Moreover, any rise in maintenance and replacement costs may result in lower operating income for the Company, which will negatively affect the Company's performance, financial position and prospects.

6.4.6 Seasonal Factors

The Company does not have an operating history that can be used as a basis to identify seasonal behavior and trends. However, in general, the revenues of similar companies within the health and fitness industry are affected by seasonal factors, particularly during holidays, summer vacations, and examination periods, which negatively affect membership and subscription levels and result in lower revenues and profitability of the Company. Therefore, this will have an adverse impact on the Company's performance and financial position.

6.4.7 Changes in Regulatory Environment

In July 2017G, Kingdom started granting licenses for female fitness centres. As of 31 December 2022G, the Company had six clubs operating in the Kingdom (one in Jeddah and five in Riyadh) in addition to three female clubs and three male clubs being under construction. While the Company's original strategy in 2019G was to focus on the female clubs in the Kingdom, the change in the regulatory environment caused a shift in the market towards female clubs which led consequently to a gap between the female and male clubs. The Company's current strategy aim to balance its network between male and female clubs and bridge the gap that resulted from the granting of licenses for female clubs. This represents a major opportunity for the Company, which in turn could have a positive impact on the Company's business, financial position and results of operations.

6.5 Basis of Preparation

6.5.1 Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for the following:

- Land under property and equipment – measured at revalued amount; and
- Defined benefit plan – measured at the present value of future obligations using the Project Unit Credit Method.

Furthermore, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

6.5.2 Functional and Presentation Currency

The financial statements are presented in the Company's functional currency, the Saudi Arabian Riyal (SAR).

6.5.3 Level of Precision

The amounts have been rounded off to the nearest thousand Saudi Riyal (SAR), unless otherwise stated.

6.5.4 Statement of Compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards as endorsed in the Kingdom ("IFRS") and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

6.5.5 Application of New and Revised International Financial Reporting Standards ("IFRSs")

New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2022G, have been adopted in the financial statements of the Company. The application of the revised IFRSs has not had any material impact on the amounts reported for the current and prior period but may affect the accounting for future transactions or arrangements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous.
- Annual Improvements to IFRS (2018G – 2020G Cycle) amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	1 January 2023G
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023G
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023G
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023G
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024G

Management anticipates that these new standards, interpretations, and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

6.5.6 Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The Company makes certain judgements, estimates and assumptions regarding the future. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

6.5.6.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements is included in the following note:

(a) Capitalization of Borrowing Cost

The Company capitalizes the borrowing cost directly attributable to construction of the qualifying assets. Capitalizing borrowing cost requires certain amount of judgement as to determine the commencement date of capitalization, suspension during extended periods when activities necessary to prepare the asset for its intended use are suspended and cessation of capitalization period.

6.5.6.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2022G are as follows:

(a) Useful Lives of the Property and Equipment

An estimate of the useful lives of property and equipment is made to calculate depreciation expense. Such estimate is made based on the expected useful lives of relevant assets.

The useful lives of the Company's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

(b) Revaluation of Land Under Property and Equipment

The Company measures the land under property and equipment at revalued amount with changes in fair value being recognized in other comprehensive income. The fair value is determined by reference to the transactions involving properties of similar nature, location and condition. The Company engages two independent valuation specialists to determine the fair value of the land.

(c) Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

6.6 Significant Accounting Policies

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

6.6.1 Current Versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

Assets are current when they are:

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

All other assets are classified as “non-current”.

All liabilities are determined to be current when:

- They are expected to be settled in the normal operating cycle;
- Are held primarily for the purpose of trading;
- Are due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liabilities for at least twelve months after the reporting period.

All other liabilities are classified as “non-current”.

6.6.1.1 Property and Equipment

(a) Recognition and Initial Measurement

Items of property and equipment are measured at cost, which comprises of purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

(b) Subsequent Measurement

Property and equipment other than land are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Land is stated in the statement of financial position at its revalued amounts, being the fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued land does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(c) Capital Work in Progress

Capital work in progress is stated at cost and not depreciated. Depreciation on capital work in progress commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use. Depreciation of right of use assets and interest expense on the lease liabilities that are directly attributable to construction of the underlying asset are also capitalized in the cost of the asset.

(d) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the statement of profit or loss and other comprehensive income. Land and capital work in progress are not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

Description	Useful life
Computers and related	6 years
Furniture and fixture	6 years
Machinery and equipment	5 – 6 years
Buildings and fit out	16 – 20 years

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(e) Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment is recognized in the statement of profit or loss and other comprehensive income. Revaluation surplus, if any, is transferred directly to retained earnings at the time of derecognition of land.

6.6.1.2 Leases

The Company assesses whether a contract contains a lease, at the inception of the contract. For all such lease arrangements, the Company recognizes right of use assets and lease liabilities except for the short-term leases and leases of low-value assets as follows:

(a) Right of Use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

(b) Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

(c) Short-Term Leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

6.6.1.3 Intangible Assets

Intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives of 6- 20 years.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

6.6.1.4 Inventories

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

6.6.1.5 Impairment Testing of Non-Financial Assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (collectively known as a cash generating unit).

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for other publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of the continuing operations, if any, are recognized in the statement of profit or loss and other comprehensive income in the year in which such impairment arises and in the expense category consistent with the function of the impaired asset.

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

6.6.1.6 Financial Instruments

6.6.1.7 Financial Assets

(a) Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

(b) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification.

(c) Financial Assets at Amortized Cost

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

(d) Derecognition

A financial asset is primarily derecognized when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(e) Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets such as cash and cash equivalents and other debit balances have low credit risk and the impact of applying ECL is immaterial.

6.6.1.8 Financial Liabilities

(a) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(b) Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

(c) Loans and Borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

(d) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss unless it relates to the construction of qualifying asset, then it is capitalized to the cost of the qualifying asset.

(e) Modification

When loans and borrowings obtained to finance qualifying assets is modified in such a way that this does not result in derecognition, the Company recalculates the loans and borrowings carrying amount by discounting the new modified cash flows at the original effective interest rate. Any modification gain or loss is considered part of the borrowing cost as an “other cost an entity incurs in connection with the loans and borrowings”, the portion relates to the construction of qualifying assets is capitalized with the remainder recognized in profit or loss.

(f) Offsetting of Financial Instruments

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

6.6.1.9 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and cash in hand.

6.6.1.10 Employees' End of Service Benefits

(a) Short-Term Employee Benefits

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

(b) Defined Benefit Plan

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, is recognized immediately in OCI. The Company determines the net finance expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net finance expenses and other expenses related to defined benefit plans are recognized in the statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of profit or loss and other comprehensive income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(c) Other Long-Term Employee Benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to its present value and recognized as an expense in the statement of profit or loss and other comprehensive income in the period in which it arises.

6.6.1.11 Provisions and Contingent Liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company, and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided as a provision.

6.6.1.12 Zakat

The Company is subject to the regulations of Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom. Zakat provision is calculated based on the Zakat base of the Company. Any differences between the provision and the final assessment is recorded when the final assessment is approved. Provision for Zakat is charged to statement of profit or loss and other comprehensive income.

6.6.1.13 Revenue Recognition

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1: Identify 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 criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a 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 Company 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 a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when the Company satisfies a performance obligation.

Subscription and membership fee are recognized as revenue systematically over the term of the subscription period. The subscriptions fee received in advance is initially recognized as unearned revenue and subsequently amortized over the subscription period.

Personal training fees are recognized as revenue as and when related services are rendered and performance obligation are satisfied. Fee received in advance is initially recognized as unearned revenue and subsequently recognized when personal training sessions are conducted or training period ends whichever is earlier.

Administrative registration fees are one-time nonrefundable fees for opening a file for the monthly subscription members. This fee does not allow the members to enter the club even if paid separately. Accordingly, administrative registration fees are recognized as revenue at a point in time on the date of sales transaction.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

6.6.1.14 Cost of Revenue

Cost of revenue includes direct costs of sales, including costs of materials and overheads directly attributable to revenue.

6.6.1.15 Selling and Marketing and General and Administrative Expenses

Selling and marketing, general and administrative expenses and other expenses include direct and indirect costs not specifically part of the cost of revenue. Allocations between cost of revenue and other operating expenses are made consistently when required.

6.6.1.16 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at yearend exchange rates are recognized in profit or loss.

6.7 Summary of Financial Information and Key Performance Indicators

The following table shows the statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G and 2022G:

Table 6.1: Statement of Profit or Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Variance 2021G - 2022G
Revenue	438	13,193	2,912.1%
Cost of revenue	(2,078)	(15,117)	627.5%
Gross loss	(1,640)	(1,925)	17.4%
General and administrative expenses	(8,602)	(16,283)	89.3%
Selling and marketing expenses	(569)	(2,636)	3,068.5%
Other income, net	124	3,943	363.3%
Operating loss	(10,686)	(16,900)	58.2%
Finance cost	(435)	(4,268)	881.1%
Loss before zakat	(11,121)	(21,169)	90.4%
Zakat	(33)	-	(100.0%)
Net loss for the period	(11,154)	(21,169)	89.8%
Other comprehensive income	-	13,932	n.a
Total comprehensive loss for the period	(11,154)	(7,237)	(35.1%)

Source: Audited financial statements for the financial year ended 31 December 2022G.

The following table shows the statement of financial position as of 31 December 2021G and 2022G:

Table 6.2: Statement of Financial Position as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Assets		
Non-current assets		
Property and equipment	136,604	514,247
Right of use assets	168,022	18,983
Intangible assets	1,426	1,231
Advances to suppliers and contractors	37,153	42,839
Total non-current assets	343,204	577,300
Current assets		
Prepayments and other current assets	4,677	6,912
Due from Related Parties	1,014	166
Inventories	516	1,023
Cash and cash equivalents	865	3,146
Total current assets	7,073	11,247
Total assets	350,277	588,547
Equity		
Share capital	52,625	287,525
Accumulated losses	(25,190)	(46,541)
Revaluation surplus	-	14,114
Total equity	27,435	255,098
Liabilities		
Non-current liabilities		
Employees' end of service benefits	501	1,284
Loans and borrowings	131,349	239,876
Long term retentions	4,004	1,903
Lease liabilities	153,630	18,571
Total non-current liabilities	289,483	261,635
Current liabilities		
Accrued expenses and other current liabilities	7,576	15,758
Unearned revenue	690	7,013
Trade payables	5,427	15,150
Lease liabilities	12,630	1,611
Due to Related Parties	6,320	-
Loans and borrowings	715	32,283
Zakat provision	-	-
Total current liabilities	33,359	71,814
Total liabilities	322,842	333,449
Total equity and liabilities	350,277	588,547

Source: Audited financial statements for the financial year ended 31 December 2022G.

The following table shows the statement of cash flows for the financial years ended 31 December 2021G and 2022G:

Table 6.3: Statement of Cash Flows for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Cash flows from operating activities:		
Loss before Zakat	(11,121)	(21,169)
Adjustments for:		
Depreciation of property and equipment	525	5,954
Write off of intangible assets	-	760
Amortization of intangible assets	0.2	93
Depreciation of right of use assets	330	1,407
Finance cost	435	4,268
Loss on modification of financial liability	-	3,753
Employees' end of service benefits	193	591
Gain on disposal of lease contract	-	(1,284)
Gain on disposal of property and equipment	-	(18)
Changes in working capital:		
Prepayments and other current assets	(1,313)	(2,235)
Due from/to Related Parties	5,935	(5,472)
Inventories	(373)	(507)
Accrued expenses and other current liabilities	5,091	8,182
Unearned revenue	690	6,323
Long term retentions	2,097	(2,101)
Trade payables	182	9,723
Cash generated from / (used in) operating activities	2,671	8,270
Employees' end of service benefits paid	-	(6)
Zakat paid	(73)	-
Net cash generated from / (used in) operating activities	2,599	8,264
Cash flows from investing activities		
Purchase of property and equipment	(70,704)	(116,152)
Purchase of intangible assets	(286)	(658)
Proceeds from disposal of property and equipment	-	159
Advances to suppliers and contractors	(33,055)	(5,686)
Net cash flows used in investing activities	(104,046)	(122,337)
Cash flows from financing activities		
Principal element of lease liabilities paid	(11,906)	(5,138)
Interest element of lease liabilities paid	(321)	(1,285)
Payment of finance cost on long-term loans and borrowings	(1,108)	(4,535)
Receipt of long-term loans and borrowings	108,766	112,312
Receipt of short-term loans and borrowings	-	15,000
Net cash flows generated from financing activities	95,431	116,354
Net change in cash and cash equivalents	(6,016)	2,281
Cash and cash equivalents at the beginning of the period	6,881	865
Cash and cash equivalents at the end of the period	865	3,146
Non-cash transactions not included in the cash flows		
Increase in share capital through contribution of land	-	234,900

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Capitalization of depreciation of right of use asset	5,265	4,133
Capitalization of interest on loans and borrowings	1,626	5,134
Gain on revaluation of land	-	14,114
Capitalization of loss on modification of financial liability	-	5,463
Disposal of right-of-use asset	-	143,499
Disposal of lease liability	-	144,783
Capitalization of interest on lease liability	4,878	3,843

Source: Audited financial statements for the financial year ended 31 December 2022G.

The following table shows the key performance indicators for the financial years ended 31 December 2021G and 2022G:

Table 6.4: Key Performance Indicators for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Income statement metrics	
	Financial year 2021G	Financial year 2022G
Revenue per club		
Town square Women	405	7,186
Shobra Women	n.a.	5,223
Malqa Women	n.a.	533
Malqa Men	n.a.	123
Yasmine Men	n.a.	108
Rayan Men	n.a.	4
Income statement metrics		
SAR in 000s	Financial year 2021G	Financial year 2022G
Revenue growth	(53.9%)	2,912.1%
Gross profit margin	(374.6%)	(14.6%)
Net income growth	12.7%	89.8%
Number of operational clubs	1	6
Number of active members at period-end	289	4,615
Balance sheet metrics		
	As of 31 December 2021G	As of 31 December 2022G
ROA ⁽¹⁾	(3.2%)	(3.6%)
ROE ⁽¹⁾	(40.7%)	(8.3%)
Total assets / total liabilities	1.1	1.8
Current ratio	0.2	0.2
Debt / equity	4.8	1.1

Source: Audited financial statements for the financial year ended 31 December 2022G and management information for the financial years ended 31 December 2021G and 2022G.

⁽¹⁾ The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

6.8 Results of Operations for the Financial Years Ending 31 December 2021G and 2022G

The Company's selected financial information and key performance indicators set out below should be read in conjunction with the financial information for the financial year ended 31 December 2022G (which includes the financial information for the comparative period ended 31 December 2021G) prepared in accordance with the IFRS issued by the IASB as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, each of which is included in Section 18 (*Financial Statements and Auditor Report*).

6.8.1 Income Statements

The following table shows the statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G and 2022G:

Table 6.5: Statement of Profit or Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Annual Variance 2021G - 2022G
Revenues	438	13,193	2,912.1%
Cost of revenues	(2,078)	(15,117)	627.6%
Gross (loss) / profit	(1,640)	(1,924)	17.4%
General and administrative expenses	(8,602)	(16,283)	89.3%
Selling and marketing expenses	(569)	(2,636)	363.3%
Other income, net	124	3,943	3068.5%
Loss from operations	(10,686)	(16,900)	58.2%
Finance expenses	(435)	(4,268)	881.1%
Loss before zakat	(11,121)	(21,169)	90.3%
Zakat	(33)	-	(100.0%)
Net loss for the year	(11,154)	(21,169)	89.8%
Other comprehensive income	-	13,932	n.a
Total comprehensive loss for the year	(11,154)	(7,237)	(35.1%)
KPIs			
Gross profit margin	(374.6%)	(14.6%)	360.0
Number of operational clubs	1	6	5
Active members at year-end	289	4,615	4,326
Number of employees at year-end	30	95	65

Source: Audited financial statements for the financial year ended 31 December 2022G.

KPIs: Management information for the financial years ended 31 December 2021G and 2022G.

The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

6.8.1.1 Revenues

The Company's revenue is mainly generated through monthly subscriptions (approximately 74.0 per cent. of total revenue for the financial year ended 31 December 2022G) and administrative registration fees (approximately 21.0 per cent.).

The Company's revenues increased by 2,912.1 per cent. from SAR 438 thousand in the financial year on 31 December 2021G to SAR 13.2 million in the financial year ended 31 December 2022G, mainly driven by the ramp-up period of the first club that opened in the second half of the financial year ending 31 December 2021G and the opening of clubs in the financial year ended 31 December 2022G.

6.8.1.2 Cost of Revenues

Cost of revenue mainly consists of: (i) depreciation on property and equipment, which represents approximately 37.0 per cent. of total cost of revenue in the financial year ending 31 December 2022G; (ii) salaries and wages for fitness instructors, receptionists and club management (approximately 23.0 per cent.); and (iii) cleaning and service expenses (about 12.0 per cent.).

Cost of revenue increased by 627.7 per cent. from SAR 2.1 million in the financial year ending 31 December 2021G to SAR 15.1 million in the financial year ended 31 December 2022G in line with the opening of five clubs, which resulted in new costs being incurred mainly related to: (i) depreciation of property and equipment (SAR 5.5 million); and (ii) salaries and wages (SAR 3.5 million) related to 66 employees.

6.8.1.3 General and Administrative Expenses

General and administrative expenses consisted mainly of: (i) salaries and wages mainly for the executive management, administrative staff and support staff such as finance, information technology and human resources, which represented approximately 46.6 per cent. of the total general and administrative expenses in the financial year ended 31 December 2022G; (ii) consulting (approximately 22.0 per cent.); (iii) professional fees (approximately 13.0 per cent.) and other miscellaneous expenses.

General and administrative expenses increased by 89.3 per cent. from SAR 8.6 million in the financial year ended 31 December 2021G to SAR 16.3 million in the financial year ended 31 December 2022G, driven by an increase in consulting costs (+SAR 2.7 million) and professional fees (+SAR 1.8 million) as a result of recording legal advisory fees in the financial year ended 31 December 2022G, related to the initial public offering.

6.8.1.4 Selling and Marketing Expenses

Selling and marketing expenses consist mainly of agency fees related to design, publishing, and others (approximately 42.0 per cent. of total sales and marketing expenses in the financial year ended 31 December 2022G) and agency fees (approximately 36.0 per cent.).

Selling and marketing expenses increased by 363.3 per cent. from SAR 569 thousand in the financial year ended 31 December 2021G to SAR 2.6 million in the financial year ending 31 December 2022G as a result of the increase in agency fees related to a marketing agency (+SAR 1.1 million), which includes SAR 959 thousand in costs for photography / videography incurred mainly to increase brand awareness, in addition to the agency fee (+SAR 587 thousand) for a company providing IT and marketing services as a result of marketing campaigns.

6.8.1.5 Finance Costs

The finance costs in the financial year ended 31 December 2022G consisted of : (i) interest on loans (70.0 per cent. of total financing costs in the financial year ended 31 December 2022G) related to loan facilities from Bank Aljazira; and (ii) interest related to contract obligations rent (approximately 30.0 per cent.).

Finance costs increased by 881.1 per cent. from SAR 435 thousand in the financial year ended 31 December 2021G, to SAR 4.3 million in the financial year ended 31 December 2022G, as a result of an increase in interest on loans by an amount of SAR 2.9 million and an increase in interest related to lease obligations by an amount SAR 964 thousand, as most of the additional plots of land were leased in the second half of the financial year ended 31 December 2022G.

6.8.1.6 Other Income, Net

Other income, net increased from SAR 124 thousand in the financial year ended 31 December 2021G to SAR 3.9 million in the financial year ended 31 December 2022G, mainly consisting of rental concessions amounting to SAR 6.0 million granted by Jiad United for Real Estate Development Company in exchange for previously leased lands.

6.8.1.7 Zakat

Zakat amounted to nil in financial year ended 31 December 2022G and SAR 33 thousand in the financial year ended 31 December 2021G.

(a) Revenue by Category

The following table shows the revenue by category for the financial years ended 31 December 2021G and 2022G:

Table 6.6: Revenue by Category for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Annual Variance 2021G - 2022G
Monthly subscription	279	9,711	3380.6%
Administrative registration fees	102	2,781	2,626.5%
Personal trainer	22	515	2,240.9%
Other ⁽¹⁾	35	186	431.4%
Total	438	13,193	2,912.1%
KPIs			
Number of monthly subscriptions	549	12,915	12,366
Number of administrative registration fees	89	2,560	2,471
Number of personal trainer subscriptions	23	570	547
Number of members at year-end			
Active	289	4,615	4,326
Inactive	3	2,831	2,828

SAR in 000s	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Annual Variance 2021G - 2022G
Other KPIs			
Number of operational clubs	1	6	5

Source: Audited financial statements for the financial year ended 31 December 2022G.

KPIs: Management information for the financial years ended 31 December 2021G and 2022G.

The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

⁽¹⁾ Other include shared services and other.

The Company's revenue comprised of monthly subscription (approximately 74.0 per cent. of total revenue in the financial year ended 31 December 2022G), administrative registration fees (approximately 21.0 per cent.), personal trainer revenue (approximately 4.0 per cent.) and other (approximately 1.0 per cent.).

(b) Monthly Subscription

Monthly subscription relates to subscription packages some of which are renewable automatically unless the member cancels the membership themselves. The available subscription packages are as follows:

- i. Monthly package (Freeze for seven days maximum, renewable automatically),
- ii. 3 months (Freeze for 21 days maximum, not renewable automatically),
- iii. 6 months (Freeze for 49 days max, not renewable automatically), and
- iv. 12 months (Freeze for 91 days maximum, not renewable automatically).

Monthly subscription revenue amounted to SAR 9.7 million in the financial year ended 31 December 2022G. It relates to a total of 12,915 subscriptions, of which 7,686 (60.0 per cent.) relate to monthly memberships and 3,259 (25.0 per cent.) relate to three-month memberships. The shift in focus on the one-month membership program is due to a marketing campaign that started in May 2022G, when this product was promoted (administrative fees + monthly program).

(c) Administrative Registration Fees

The administrative registration fee is a one-time (non-refundable) fee for the purpose of opening a file for subscription members. The value of this fee of SAR 1,390 (excluding VAT) for B_FIT and SAR 2,880 for Optimo. It does not entitle the member to enter the club, even if it is paid separately.

Revenue from administrative registration fees amounted to SAR 2.8 million in the financial year ended 31 December 2022G, in relation to 2,560 subscriptions.

Administrative registration fee revenues witnessed a significant increase in revenues between May 2022G and June 2022G, due to the marketing campaign that promoted this product (administrative fees + monthly program).

(d) Personal Trainer

Personal training revenue is related to the personal training sessions (individual session) conducted by trainers and is recorded based on the number of sessions provided. Personal training revenues amounted to SAR 22 thousand in the financial year ended 31 December 2021G, and increased to SAR 515 thousand in the financial year ended 31 December 2022G, and the increase was in line with the opening of five clubs.

(e) Other

Other revenue consisted of: (i) juice stand (which accounted for approximately 50.0 per cent. of total other revenue in the financial year ending 31 December 2022G); (ii) commodities (approximately 41.0 per cent.) relating mainly to water bottles, training gloves, towels, and shoes, and others; and (iii) shared services revenue in connection with assisting Pulse Fitness Sports Company in general operations and providing some administrative and support services (approximately 9.0 per cent.).

Other revenues increased by 431.4 per cent. from SAR 35 thousand in the financial year ended 31 December 2021G to SAR 186 thousand in the financial year ended 31 December 2022G, mainly due to the increase in juice stand services by SAR 93 thousand.

6.8.1.8 Revenue and Gross Profit by Club

The following table shows the revenue and gross profit by club for the financial years ended 31 December 2021G and 2022G:

Table 6.7: Revenue and Gross Profit by Club for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Financial year 2021G (Management)	Financial year 2022G (Management)	Annual Variance 2021G - 2022G
Town Square Women	405	7,186	1674.3%
Shobra Women	-	5,223	NA
Malqa Women	-	533	NA
Malqa Men	-	123	NA
Yasmine Men	-	108	NA
Rayan Men	-	4	NA
Other	33	17	(48.1%)
Total revenue	438	13,193	2,912.1%
Town Square Women	(1,550)	286	118.4%
Shobra Women	(64)	(431)	(574.6%)
Malqa Women	-	(1,011)	NA
Malqa Men	-	(453)	NA
Yasmine Men	-	(326)	NA
Rayan Men	-	4	NA
Other	(26)	7	128.0%
Total gross profit	(1,640)	(1,925)	17.4%
KPI Change			
Town Square Women	289	2,157	1,868
Shobra Women	-	1,596	1,596
Malqa Women	-	404	404
Malqa Men	-	155	155
Yasmine Men	-	267	267
Rayan Men	-	36	36
Total active members at year-end	289	4,615	4,326
Town Square Women	3	1,550	1,547
Shobra Women	-	1,249	1,249
Malqa Women	-	9	9
Malqa Men	-	20	20
Yasmine Men	-	3	3
Rayan Men	-	-	-
Total inactive members at year-end ppt.	3	2,831	2,828
Town Square Women	(382.6%)	4.0%	387
Shobra Women	NA	(8.3%)	NA
Malqa Women	NA	(189.6%)	NA

SAR in 000s	Financial year 2021G (Management)	Financial year 2022G (Management)	Annual Variance 2021G - 2022G
Malqa Men	NA	(368.4%)	NA
Yasmine Men	NA	(303.0%)	NA
Rayan Men	NA	100%	NA
Other	(79.8%)	43.0%	123
Total	(374.6%)	(14.6%)	360

Source: Management information for the financial years ended 31 December 2022G.

(a) Town Square Women (B_FIT)

The revenues of the Town Square Club for Women increased from SAR 405 thousand in the financial year ended 31 December 2021G to SAR 7.2 million in the financial year ended 31 December 2022G (2,157 active members at the end of the year).

Town Square for Women was incurring losses in the financial year ended 31 December 2021G, as the total profit amounted to SAR -1.6 million, and the gross margin amounted to -382.6 per cent. In the financial year ended 31 December 2022G, the club became profitable, with a total profit of SAR 286 thousand and a gross profit margin of 4.0 per cent.

(b) Shobra Women (B_FIT)

The revenues of Shobra Club for Women amounted to nil in the financial year ended 31 December 2021G, as the club became operational in the month February 2022G. The total loss of Shobra Club for Women during the financial year ended 31 December 2021G is due to some expenses that were incurred during that year prior to opening.

Revenues from the Shobra Club for Women amounted to SAR 5.2 million in the financial year ended 31 December 2022G (1,596 active members at the end of the period).

(c) Malqa Women (Optimo)

Revenues from Malqa Club for Women amounted nil in the financial year ended 31 December 2021G, and rose to SAR 533 thousand in the financial year ended 31 December 2022G, as the club began receiving customer subscriptions at the end of the month September 2022G.

The total losses amounted to SAR 1 million in the financial year ended 31 December 2022G, with a margin of -189.6 per cent. as the club began receiving customer subscriptions at the end of the month of September 2022G.

(d) Malqa Men (Optimo)

Revenues from Malqa Club for Men amounted nil in the financial year ended 31 December 2021G, and increased to SAR 123 thousand in the financial year ended 31 December 2022G, as the club began receiving customer subscriptions at the end of the month September 2022G.

The total losses amounted to SAR 453 thousand in the financial year ended 31 December 2022G, with a margin of -368.4 per cent., as the club began receiving customer subscriptions at the end of the month September 2022G.

(e) Yasmine Men (B_FIT)

Revenues from the Yasmine Club for Men amounted to nil in the financial year ended 31 December 2021G, and increased to SAR 108 thousand in the financial year ended 31 December 2022G, as the club began receiving customer subscriptions in the month December 2022G.

The total losses amounted to SAR 326 thousand in the financial year ended 31 December 2022G, with a margin of -303.0 per cent., as the club began receiving customer subscriptions at the end of December 2022G.

(f) Rayan Men (B_FIT)

Revenue from Rayan Club for Men amounted to nil in the financial year ended 31 December 2021G and increased to SAR 4 thousand in the financial year ended 31 December 2022G, as the club is still in the pre-sale stage as of the month December 2022G.

The total profit amounted to SAR 4 thousand in the financial year ended 31 December 2022G, as a result of not incurring any losses during the period, as the club began receiving customer subscriptions at the end of December 2022G.

(g) Other

Other mainly related to the shared service agreement with a Related Party.

6.8.1.9 Cost of Revenues

The following table shows the cost of revenues for the financial years ended 31 December 2021G and 2022G:

Table 6.8: Cost of Revenues for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Annual Variance 2021G - 2022G
Depreciation of Property and equipment	515	5,540	975.7%
Salaries and wages	587	3,498	495.6%
Cleaning and services	135	1,813	1243.8%
Depreciation of right of use assets	330	1,407	326.6%
Utilities	25	1,049	4060.7%
Governmental fees	144	395	174.2%
Club consumables	34	207	509.7%
Repair and maintenance	0.3	189	NA
Travel expenses	225	80	(65.1%)
Software charges	-	116	NA
Merchandise items	6	101	1503.4%
Rent	15	36	139.2%
Others	61	686	1029.4%
Total	2,078	15,117	627.7%
KPIs			
Number of employees at year-end	16	66	50
Avg. monthly salary per employee (in SAR)	6,117	4,416	(27.8%)

Source: Audited financial statements for the financial year ended 31 December 2022G.

KPIs: Management information for the financial years ended 31 December 2021G and 2022G.

The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

Note: Avg. monthly salary per employee for FY21 was calculated based on the 6-month period starting July 2021G, equivalent to the period during which salaries started to be recorded.

The Company's operational activity, excluding shared services, started in the second half of the financial year ended 31 December 2021G with the opening of the first fitness club in Town Square Jamaah. Accordingly, cost of revenue in relation to the clubs' operation were recorded in the financial year ended 31 December 2021G.

(a) Depreciation of Property and Equipment

The depreciation of property and equipment amounted to SAR 515 thousand in the financial year ended 31 December 2021G, and it increased to SAR 5.5 million in the financial year ended 31 December 2022G, in line with the opening of six clubs as of the financial year ended 31 December 2022G.

(b) Salaries and Wages

Salaries and wages relate to the salaries of fitness trainers, receptionists and club management.

Salaries and wages amounted to SAR 3.5 million in the financial year ended 31 December 2022G and consisted mainly of: (i) basic salary (SAR 2.1 million) with respect to 66 employees; and (ii) housing allowance (SAR 322 thousand) in line with opening of six clubs as of the financial year ended 31 December 2022G.

(c) Cleaning and Services

Cleaning and service costs in the financial year ending 31 December 2021G related to an agreement with a supply company that was signed in the month March 2021G to provide labour mainly for cleaning. Another agreement was concluded with Falcon Eye Company, signed in the month January 2022G, to provide security guards.

The costs of cleaning and services amounted to SAR 135 thousand in the financial year ended 31 December 2021G, and SAR 1.8 million in the financial year ended 31 December 2022G, in line with the opening of five clubs during the financial year ended 31 December 2022G.

(d) Depreciation of Right-of-Use Assets

The depreciation of right-of-use assets increased from SAR 330 thousand in the financial year ended 31 December 2021G to SAR 1.4 million in the financial year ended 31 December 2022G, and related to two clubs (Town Square Club and Shubra Club).

(e) Utilities

Utilities amounted to SAR 25 thousand in the financial year ended 31 December 2021G, and increased to SAR 1 million in the financial year ended 31 December 2022G, in line with the opening of six clubs as of the financial year ended 31 December 2022G.

(f) Governmental Fees

Government fees in the financial year ended 31 December 2022G are mainly related to employment fees - labour card fees - agency fees.

Government fees amounted to SAR 144 thousand in the financial year ended 31 December 2021G, and increased to SAR 395 thousand in the financial year ended 31 December 2022G in line with the additional hiring of employees as a result of the opening of five clubs during the financial year ended 31 December 2022G.

(g) Club Consumables

Club consumables mainly relate to the supply of materials, uniforms and consumable sports supplies.

Club consumables recorded SAR 34 thousand in the financial year ended 31 December 2021G, and increased to SAR 207 thousand in the financial year ended 31 December 2022G, in line with the opening of six clubs as of the financial year ended 31 December 2022G.

(h) Repair and Maintenance

The cost of repair and maintenance amounted to nil in the financial year ended 31 December 2021G, and SAR 189 thousand in the financial year ended 31 December 2022G, in line with the opening of new clubs.

(i) Travel Expenses

Travel expenses amounted to SAR 225 thousand in the financial year ended 31 December 2021G and to SAR 79 thousand in the financial year ended 31 December 2022G to support the opening of new clubs.

(j) Software Charges

The cost of software charges amounted to nil in the financial year ended 31 December 2021G, and SAR 116 thousand in the financial year ended 31 December 2022G, in line with the opening of new clubs.

(k) Merchandise Items

Merchandise items amounted to SAR 6 thousand in the financial year ended 31 December 2021G, and SAR 101 thousand in the financial year ended 31 December 2022G, in line with the opening of new clubs.

(l) Rent

Rent amounted to SAR 15 thousand in the financial year ended 31 December 2021G, and increased to SAR 36 thousand in the financial year ended 31 December 2022G, and related to staff housing in line with the opening of new clubs.

(m) Other

Other costs amounted to SAR 61 thousand in the financial year ended 31 December 2021G, and increased to SAR 686 thousand in the financial year ended 31 December 2022G, and mainly included bank fees for points of sale (SAR 343 thousand) and training expenses (SAR 63 thousand) in the financial year ended 31 December 2022G.

6.8.1.10 General and Administrative Expenses

The following table shows the general and administrative expenses for the financial years ended 31 December 2021G and 2022G:

Table 6.9: General and Administrative Expenses for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	Financial year 2021G (Restated)	Financial year 2022G (Audited)	Annual Variance 2021G - 2022G
Salaries and wages	5,951	7,596	27.6%
Consultation	802	3,532	340.5%
Professional fees	328	2,127	548.1%
Licenses and programs	535	827	54.5%
Rent	230	571	148.3%
Depreciation of property and equipment	11	414	3663.6%
Withholding tax	55	176	220.7%
Travel expenses	21	130	531.2%
Amortization of intangible assets	-	91	NA
Other	669	819	22.4%
Total	8,602	16,283	89.3%
KPIs			
Number of employees at year-end	14	29	15
Avg. monthly salary per employee (in SAR)	35,424	21,827	(38.4%)

Source: Audited financial statements for the financial years ended 31 December 2022G.

KPIs: Management information for the financial years ended 31 December 201G and 2022G.

The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

Note: Number of employees at year-end excludes external labour.

General and administrative expenses mainly consist of: (i) salaries and wages (approximately 47.0 per cent. of the total during the financial year ended 31 December 2022G); and (ii) consulting (approximately 22.0 per cent.).

(a) Salaries and Wages

Salaries and wages mainly related to executive management, administrative staff and support staff such as finance, information technology and human resources, and specifically consist of basic salary, external labour (which mainly represents head office employees hired by Jiad United for Real Estate Development Company) and housing allowance.

Salaries and wages increased by 27.6 per cent. from SAR 6.0 million in the financial year ended 31 December 2021G to SAR 7.6 million in the financial year ending 31 December 2022G, mainly driven by the increase (i) in the basic salary (SAR +1.3 million) in line with the increase in the number of employees from 14 to 29, in addition to (ii) housing (SAR +313 thousand). This was offset by a decrease in the average monthly salary for each employee from SAR 35.4 thousand to SAR 21.8 thousand. This is due to the addition of employees at junior positions who receive relatively lower salary packages.

(b) Consultation

Consulting expenses relate to consulting services provided by Related Parties (Pulse Fitness and Sports Company and Jiad United for Real Estate Development Company), as well as individuals who have been appointed to provide operational and supply chain consulting.

Consulting expenses increased by 340.5 per cent. from SAR 802 thousand in the financial year ended 31 December 2021G, to SAR 3.5 million in the financial year ending 31 December 2022G, as a result of recording legal advisory fees related to the initial public offering in the financial year ended 31 December 2022G.

(c) Professional Fees

Professional fees relate mainly to legal and auditing services.

Professional fees increased by 548.1 per cent. from SAR 328 thousand in the financial year ended 31 December 2021G to SAR 2.1 million in the financial year ending 31 December 2022G, mainly due to the legal advisory fees related to the initial public offering in the financial year ended December 31 2022G, which amounted to SAR 1.4 million.

(d) Licenses and Software

Software licensing expenses are primarily associated with software subscription and licensing costs for the three major software platforms (Oracle, PerfectGym, and VirtuaGame).

Programming expenses increased by 54.5 per cent., from SAR 535 thousand in the financial year ended 31 December 2021G, to SAR 827 thousand in the financial year ended 31 December 2022G.

(e) Rent

Rental expenses relate to operating leases for the head office (Digital City in Riyadh).

Rental expenses related to operating leases for the head office (Digital City in Riyadh) increased by 148.3 per cent., from SAR 230 thousand in the financial year ended 31 December 2021G, to SAR 571 thousand in the financial year ended 31 December 2022G.

(f) Depreciation of Property and Equipment

The depreciation for property and equipment amounted to SAR 11 thousand in the financial year ended 31 December 2021G, and SAR 414 thousand in the financial year ended 31 December 2022G, in line with the opening of five clubs during the financial year ended 31 December 2022G.

(g) Withholding Tax

The withholding tax increased by 220.7 per cent. from SAR 55 thousand in the financial year ended 31 December 2021G to SAR 176 thousand in the financial year ended 31 December 2022G and related to foreign consulting services provided to the Company.

(h) Travel Expenses

Travel expenses increased by 531.2 per cent. from SAR 21 thousand in the financial year ended 31 December 2021G to SAR 130 thousand in the financial year ended 31 December 2022G, driven by travel to attend conferences and meetings held by executive management, fitness and operations, information technology and procurement.

(i) Amortization of Intangible Assets

The amortization of intangible assets amounted to SAR 91 thousand in the financial year ended 31 December 2022G.

(j) Other

Other expenses consist mainly of registration and subscription fees, recruitment fees - agency fees and fees for obtaining business cards.

Other expenses increased from SAR 669 thousand in the financial year ended 31 December 2021G to SAR 819 thousand in the financial year ended 31 December 2022G. This is mainly due to the increase in energy expenses (+SAR 93 thousand) in addition to the increase in other administrative expenses in line with the increase in the Company's activity.

6.8.2 Balance Sheets

The following table shows the statement of financial position as of 31 December 2021G and 2022G:

Table 6.10: Statement of Financial Position as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Assets		
Non-current assets		
Property and equipment	136,604	514,247
Right of use assets	168,022	18,983
Intangible assets	1,426	1,231
Advances to suppliers and contractors	37,153	42,839
Total non-current assets	343,204	577,300
Current assets		
Prepayments and other current assets	4,677	6,912
Due from Related Parties	1,014	166

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Inventories	516	1,023
Cash and cash equivalent	865	3,146
Total current assets	7,073	11,247
Total assets	350,277	588,547
Equity		
share capital	52,625	287,525
Accumulated losses	(25,190)	(46,541)
Revaluation surplus	-	14,114
Total equity	27,435	255,098
Liabilities		
Non-current liabilities		
Employees' end of service benefits	501	1,284
Loans and borrowings	131,349	239,876
Long term retentions	4,004	1,903
Lease liabilities	153,630	18,571
Total non-current liabilities	289,483	261,635
Current liabilities		
Accrued expenses and other current liabilities	7,576	15,758
Unearned revenue	690	7,013
Trade payables	5,427	15,150
Lease liabilities	12,630	1,611
Due to Related Parties	6,320	-
Loans and borrowings	715	32,283
Total current liabilities	33,359	71,814
Total liabilities	322,842	333,449
Total equity and liabilities	350,277	588,547
KPIS		
ROA ⁽¹⁾	(3.2%)	(3.6%)
ROE ⁽¹⁾	(40.7%)	(8.3%)
Total assets / total liabilities	1.1	1.8
Current ratio	0.2	0.2
Debt / equity	4.8	1.1

Source: Financial statements for the financial year ended 31 December 2022G.

KPIs: Management information for the financial years ending 31 December 2021G and 2022G.

⁽¹⁾ The financial and statistical information has been rounded off to the nearest integer, or for the first decimal point, as applicable; therefore, if figures contained in the table are added up, a slight difference may appear compared to those figures reported in the audited financial statements or the total may not match those mentioned in the Prospectus.

6.8.2.1 Assets

(a) Non-Current Assets

Non-current assets increased from SAR 343.2 million as of 31 December 2021G to SAR 577.3 million as of 31 December 2022G, mainly due to an increase in property and equipment (+SAR 377.6 million, offset by a decrease in right-of-use assets (-SAR 149.0 million) as a result of transferring 10 plots of land from the Jiad United for Real Estate Development Company to the Company in return for an equity stake of 25.81 per cent.

(b) Current Assets

Current assets increased from SAR 7.1 million as of 31 December 2021G to SAR 11.3 million as of 31 December 2022G mainly due to the increase in cash and cash equivalents by SAR 2.3 million and prepaid expenses and other current assets by SAR 2.2 million.

6.8.2.2 Equity

Equity increased from SAR 27.4 million as of 31 December 2021G to SAR 255.1 million as of 31 December 2022G as a result of the Company's capital increase on August 10, 2022G, with a value of SAR 234.9 million through the contribution of 10 plots of land from Jiad United for Real Estate Development Company in exchange for an equity stake of 25.81 per cent.

6.8.2.3 Liabilities

(a) Non-Current Liabilities

Non-current liabilities decreased from SAR 289.5 million as of 31 December 2021G to SAR 261.6 million as of 31 December 2022G, mainly due to a decrease in lease liabilities by SAR 135.1 million as a result of the transfer of 10 plots of land from Jiad United for Real Estate Development Company to the Company for an equity stake of 25.81 per cent., which was offset with an increase in long-term loans and borrowings of SAR 108.5 million.

(b) Current Liabilities

Current liabilities increased from SAR 33.4 million as of 31 December 2021G to SAR 71.8 million as of 31 December 2022G, mainly due to the increase in: (i) the current portion of loans and borrowings (+SAR 31.6 million); (ii) trade payable (+SAR 9.7 million); and (iii) accrued expenses and other current liabilities (+SAR 8.2 million).

6.8.2.4 Non-Current Assets

The following table shows the non-current assets as of 31 December 2021G and 2022G:

Table 6.11: Non-Current Assets as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Property and equipment	136,604	514,247
Advances to suppliers and contractors	37,153	42,839
Right of use assets	168,022	18,983
Intangible assets	1,426	1,231
Total	343,204	577,300

Source: Audited financial statements for the year ended 31 December 2022G.

6.8.2.5 Property and Equipment

The following table shows the net book value of property and equipment as of 31 December 2021G and 2022G:

Table 6.12: Net Book Value of Property and Equipment as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Land	-	249,014
Buildings and fit out	16,498	138,203
Machinery and equipment	4,350	17,915
Furniture and fixtures	1,547	7,558
Computers and related	99	4,770
Capital work in progress	114,109	96,788
Total	136,604	514,247

Source: Audited financial statements for the year ended 31 December 2022G.

(a) Land

The book value of the land amounted to SAR 249 million as of 31 December 2022G, as a result of the transfer of 10 plots of land from Jiad United for Real Estate Development Company to the Company in exchange for an equity stake of 25.81 per cent.. In the financial year ended 31 December 2022G, the land was revalued from SAR 235.9 million to SAR 249.0 million (+SAR 14.1 million).

(b) Buildings and Fit Out

Buildings and fit out amounted to SAR 138.2 million as of 31 December 2022G and related to the six clubs.

Buildings and fit out increased from SAR 16.5 million as of 31 December 2021G to SAR 138.2 million as of 31 December 2022G due to transfers from capital work in progress (+SAR 112.0 million) related to the equipment and construction works for Shubra Clubs, Malqa Men and Women Clubs, Yasmeen Men and Rayan Men Clubs during the financial year ended 31 December 2022G.

(c) Machinery and Equipment

Machinery and equipment amounted to SAR 17.9 million as of 31 December 2022G, and consisted of various fitness equipment in clubs such as rubber floors, lockers, fitness equipment, and others.

Machinery and equipment increased from SAR 4.4 million as of 31 December 2021G to SAR 17.9 million as of 31 December 2022G, mainly due to transfers from capital work in progress (+SAR 11.3 million) related to the opening of Shubra, Malqa Men and Women, Yasmeen Men and Rayan Men Clubs, in addition to balances related to the head office and the Jamaah Town Square Club.

(d) Furniture and Fixtures

Furniture and Fixtures amounted to SAR 7.6 million as of 31 December 2022G, as it consisted of various furniture in clubs.

Furniture and fixtures increased from SAR 1.5 million as of 31 December 2021G to SAR 7.6 million as of 31 December 2022G, mainly due to transfers from capital work in progress (+SAR 3.4 million) related to the opening of Shubra, Malqa Men and Women, Yasmeen Men and Rayan Men Clubs, in addition to balances related to the head office and the Jamaah Town Square Club.

(e) Computers and Related

Computers and related amounted to SAR 99 thousand as of 31 December 2021G, and increased to SAR 4.8 million as of 31 December 2022G mainly due to additions (+SAR 4.4 million).

6.8.2.6 Capital Work in Progress

Capital work in progress amounted to SAR 96.8 million as of 31 December 2022G (Please refer to Table 6-13 for more information on capital work-in-progress).

6.8.2.7 Capital Work in Progress

The following table shows the capital work in progress as of 31 December 2021G and 2022G:

Table 6.13: Capital Work in Progress as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Management)	As of 31 December 2022G (Management)
Construction and design	114,109	96,788
Trademark	784	-
Software development	463	21
Other	174	8
Total	115,530	96,817

Source: Management information for the financial years ended 31 December 2021G and 31 December 2022G.

Capital work in progress amounted to SAR 96.8 million as of 31 December 2022G, and it consists mainly of buildings and designs (approximately 99.0 per cent. of the total balance).

(a) Construction and Design

Construction and design relate to capital expenditures incurred on the head office and 6 clubs under development as of 31 December 2022G.

Construction and designs decreased from SAR 114.1 million as of 31 December 2021G to SAR 96.8 million as of 31 December 2022G as a result of the completion of the ongoing construction work for clubs (decreased by SAR 17.3 million) for: (i) Shubra Club for Women (decreased by SAR 22.1 million); (ii) Malqa Club for Women (decreased by SAR 19.2 million); (iii) Malqa Club for Men (decreased by SAR 13.3 million); and (iv) Yasmine Club for Men (decreased by SAR 9.9 million). This was offset by the increase in the ongoing construction work for clubs: (i) Rayyan Men's Club (increased by SAR 21.2 million); and (ii) Al Nakheel Men's Club (increased by SAR 13.2 million).

(b) Trademark

The trademark is related to the costs of awareness of the Armah brand, and amounted to SAR 784 thousand as of 31 December 2021G and nil as of 31 December 2022G.

(c) Software Development

Software development costs decreased from SAR 463 thousand as of 31 December 2021G to SAR 21 thousand as of 31 December 2022G due to the capitalization of the Perfect Gym and Oracle programs in the financial year ended 31 December 2022G.

(d) Other

Other balances decreased from SAR 174 thousand as of 31 December 2021G to SAR 8 thousand as of 31 December 2022G as a result of the transfer of "Acapella Sound Tracks", which began depreciation in the financial year ended 31 December 2022G.

6.8.2.8 Right of Use Assets

The following table shows the right of use assets as of 31 December 2021G and 2022G:

Table 6.14: Right of Use Assets as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
As of 1 January	21,505	168,022
Additions	152,112	-
Amortization of right of use assets	-	(143,499)
Charge for the year	(5,595)	(5,540)
At period end	168,022	18,983

Source: Audited financial statements for the year ended 31 December 2022G.

The Company records right-of-use assets in relation to finance lease contracts in accordance with IFRS16 as of 31 December 2022G.

Right of use assets decreased from SAR 168 million as of 31 December 2021G to SAR 19 million as of 31 December 2022G, mainly due to disposals during the financial year ended 31 December 2022G amounting to SAR 143.5 million which related to the transfer of 10 plots of land from Jiad United for Real Estate Development Company (which were previously leased), in addition to amortization charges (-SAR 5.5 million).

6.8.2.9 Current Assets

The following table shows the current assets as of 31 December 2021G and 2022G:

Table 6.15: Current Assets as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Prepayments and other current assets	4,677	6,912
Amounts due from Related Party	1,014	166
Inventory	516	1,023
Cash and cash equivalent	865	3,146
Total current assets	7,073	11,246

Source: Audited financial statements for the year ended 31 December 2022G.

6.8.2.10 Prepayments and Other Current Assets

The following table shows the prepayments and other current assets as of 31 December 2021G and 2022G:

Table 6.16: Prepayments and Other Current Assets as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Net value added tax refundable	4,037	5,379
Prepaid expense	567	1,384
Staff receivables	45	110
Others	28	39
Total	4,677	6,912

Source: Audited financial statements for the year ended 31 December 2022G.

Prepayments and other current assets amounted to SAR 6.9 million as of 31 December 2022G, and consisted mainly of net value added tax refundable balances (approximately 78.0 per cent. of the total).

(a) Net Value Added Tax Refundable

Net value added tax refundable increased from SAR 4 million as on 31 December 2021G to SAR 5.4 million as on 31 December 2022G, as a result of the near completion of the clubs under construction, which led to a decrease in related expenses.

(b) Prepaid Expense

Prepaid expenses included: (i) prepaid labour card fees (approximately 25.0 per cent.); (ii) prepaid insurance (approximately 21.0 per cent. of the total as of 31 December 2022G); and (iii) prepaid software costs (approximately 18.0 per cent.).

Prepaid expenses amounted to SAR 567 thousand as of 31 December 2021G and SAR 1.4 million as of 31 December 2022G as a result of: (i) the increase in prepaid labour card fees (+SAR 118 thousand), driven by the increase in the number of employees; and (ii) the increase in the prepaid software (+SAR 86 thousand).

(c) Staff Receivables

Staff receivables amounted to SAR 45 thousand as of 31 December 2021G and SAR 110 thousand as of 31 December 2022G.

(d) Other

Others amounted to SAR 28 thousand as of 31 December 2021G and SAR 39 thousand as of 31 December 2022G.

6.8.2.11 Amounts Due from Related Party

The following table shows the amounts due from Related Party as of 31 December 2021G and 2022G:

Table 6.17: Amounts Due from Related Party as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Pulse Fitness and Sports Company	962	127
Jiad United for Real Estate Development Company	52	38
Total	1,014	166

Source: Audited financial statements for the year ended 31 December 2022G.

Amounts due from Related Party over the historical period were mainly with the following:

(a) Pulse Fitness and Sports Company

In the financial year ended 31 December 2019G, the Company entered into a joint services agreement with Pulse Fitness and Sports Company to provide some administrative and support services.

The balance due from Pulse Fitness and Sports Company amounted to SAR 962 thousand as of 31 December 2021G and SAR 127 thousand as of 31 December 2022G.

(b) Jiad United for Real Estate Development Company

In the financial year ended 31 December 2019G, the Company entered into a joint services agreement with Jiad United for Real Estate Development Company to obtain some administrative and support services from them.

The balance due from Jiad United for Real Estate Development Company amounted to SAR 52 thousand as of 31 December 2021G and SAR 38 thousand as of 31 December 2022G.

6.8.2.12 Inventories

The following table shows the inventories as of 31 December 2021G and 2022G:

Table 6.18: Inventories as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Retail inventory	324	335
Consumable items	192	644
Other	1	44
Total	516	1,023

Source: Audited financial statements for the year ended 31 December 2022G.

Inventories amounted to SAR 1.0 million as of 31 December 2022G, and it is mainly from consumables.

(a) Retail Inventory

Retail inventory relates to goods held for the purpose of selling to club members such as water, bottles and training gloves. Retail inventory amounted to SAR 324 thousand as of 31 December 2021G and SAR 335 thousand as of 31 December 2022G.

(b) Consumable Items

Consumable items consist of body care consumables, stationery, sports support, toiletries and uniforms. Consumable items increased from SAR 192 thousand as of 31 December 2021G to SAR 644 thousand as of 31 December 2022G, as a result of the operating six clubs as of 31 December 2022G.

(c) Other

Other inventory amounted to SAR 1 thousand as of 31 December 2021G and SAR 44 thousand as of 31 December 2021G as a result of operating six clubs.

6.8.2.13 Cash and Cash Equivalent

The following table shows the cash and cash equivalent as of 31 December 2021G and 2022G:

Table 6.19: Cash and Cash Equivalent as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Cash with banks	349	2,761
Cash in hand	517	385
Total	865	3,146

Source: Audited financial statements for the year ended 31 December 2022G.

Cash and cash equivalents amounted to SAR 3.1 million as of 31 December 2022G and related to cash balances with banks and cash in hand.

Cash and cash equivalents increased from SAR 865 thousand as of 31 December 2021G to SAR 3.1 million as of 31 December 2022G as a result of the increase in cash flows available from financing activities (+SAR 20.9 million) coupled with the increase in cash flows available from / (used in) operating activities (+SAR 5.7 million). This was offset by the increase in cash flows used in investing activities (-SAR 18.3 million).

6.8.2.14 Non-Current Liabilities

The following table shows the non-current liabilities as of 31 December 2021G and 2022G:

Table 6.20: Non-Current Liabilities as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Employees' end of service benefits	501	1,284
Loans and borrowings	131,349	239,876
Long term retentions	4,004	1,903
Lease liabilities	153,630	18,571
Total non-current liabilities	289,483	261,635

Source: Audited financial statements for the year ended 31 December 2022G.

6.8.2.15 Employees' End of Service Benefits

The following table shows the employees' end of service benefits as of 31 December 2021G and 2022G:

Table 6.21: Employees' end of Service Benefits as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
As of 1 January	308	501
Service charge	193	591
Finance charge	-	16
Costs recognized in profit or loss	193	607
Paid during the year	-	(6)
Remeasurement loss in other comprehensive income	-	182
Balance at the end of the year	501	1,284

Source: Audited financial statements for the year ended 31 December 2022G.

End-of-service benefits for employees increased from SAR 501 thousand as of 31 December 2021G to SAR 1.3 million as of 31 December 2022G in line with the increase in the number of employees from 30 to 95.

6.8.2.16 Term Loans

The following table shows the term loans as classified in the statement of financial position as of 31 December 2021G and 2022G:

Table 6.22: Term Loans as Classified in the Statement of Financial Position as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Current portion	715	32,283
Non-current portion	131,349	239,876
Total	132,064	272,159

Source: Audited financial statements for the year ended 31 December 2022G.

The following table shows the term loans as of 31 December 2021G and 2022G:

Table 6.23: Term Loans as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
As of 1 January	22,666	132,064
Additions	108,766	127,312
Interest accrued during the year	1,740	8,102
Interest paid during the year	(1,108)	(4,535)
Long term loan modification (IFRS 9)	-	9,216
Balance at 31 December	132,064	272,159

Source: Audited financial statements for the year ended 31 December 2022G.

The long-term loans as of 31 December 2022G related to a long-term facility granted to the Company by Bank AlJazira amounting to SAR 259 million and subject to an interest rate of 1.5 per cent. + SIBOR.

The purpose of the loan is to finance the cost related to the construction, finishing and equipping the Company's clubs, against bills certified by the project consultant and accepted by the bank.

As of January 19, 2022G, the Company entered into a rescheduling agreement with the bank under which the loan grace period was extended from 24 months to 36 months. Accordingly, the first instalment is now due in the month September 2023G. On 22 November 2022G, the Company entered into another rescheduling agreement with the bank whereby the long term loan will be repaid in 10 unequal semi-annual instalments and carry a mark-up of at SIBOR + 1.6 per cent.. These two modifications resulted in a loss of SAR 9.2 million, of which the Company capitalized SAR 5.5 million to property and equipment.

Long-term loans increased from SAR 132.1 million as of 31 December 2021G to SAR 272.2 million as of 31 December 2022G as a result of the additions made amounting to SAR 127.3 million.

6.8.2.17 Long Term Retentions

Long term retentions decreased from SAR 4.0 million as of 31 December 2021G to SAR 1.9 million as of 31 December 2022G, mainly as six clubs and the head office are now operational, their respective retention balances have been classified as current based on the contractual terms with suppliers.

6.8.2.18 Lease Liabilities

The following table shows the lease liabilities as classified in the statement of financial positions as of 31 December 2021G and 2022G:

Table 6.24: Lease Liabilities as Classified in the Statement of Financial Positions as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Current portion	12,630	1,611
Non-current portion	153,630	18,571
Total	166,260	20,182

Source: Audited financial statements for the year ended 31 December 2022G.

The following table shows the lease liabilities as of 31 December 2021G and 2022G:

Table 6.25: Lease Liabilities as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
As of 1 January	21,175	166,260
Additions	152,112	-
Disposals	-	(144,783)
Interest expense	5,199	5,128
Payments	(12,227)	(6,422)
As of 31 December	166,260	20,182
Current portion	12,630	1,611
Non-current portion	153,629	18,571

Source: Audited financial statements for the year ended 31 December 2022G.

Lease liabilities decreased from SAR 166.3 million as of 31 December 2021G to SAR 20.2 million as of 31 December 2022G, mainly due to the disposal of SAR 144.8 million in connection with the transfer of 10 plots of land from Jiad United for Real Estate Development Company.

6.8.2.19 Current Liabilities

The following table shows the current liabilities as of 31 December 2021G and 2022G:

Table 6.26: Current Liabilities as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Accruals and other current liabilities	7,576	15,758
Unearned revenue	690	7,013
Accounts payable	5,427	15,150
Current portion of lease liabilities	12,630	1,611
Amounts due to Related Party	6,320	-
Current portion of loan	715	32,283
Total current liabilities	33,359	71,814

Source: Audited financial statements for the year ended 31 December 2021G and 2022G.

6.8.2.20 Accruals and Other Current Liabilities

The following table shows the accruals and other current liabilities as of 31 December 2021G and 2022G:

Table 6.27: Accruals and Other Current Liabilities as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Short term retentions	2,286	8,365
Accruals against projects under construction	3,200	5,441
Accrued employee benefits	644	1,332
Other	1,446	620
Total	7,576	15,758

Source: Audited financial statements for the years ended 31 December 2022G.

Accrued expenses and other current liabilities amounted to SAR 15.8 million as of 31 December 2022G, and consisted mainly of short term retentions (approximately 53.0 per cent.) and other accruals and liabilities (approximately 47.0 per cent. of the total).

(a) Short Term Retentions

Short-term retentions mainly related to: (i) Gulf Contracting Company (approximately 41.0 per cent. of the total retention as of 31 December 2022G); and (ii) Sertah United Company (approximately 28.0 per cent.).

Short term retentions increased from SAR 2.3 million as of 31 December 2021G to SAR 8.4 million as of 31 December 2022G, mainly due to the increase in the balance payable to Gulf Contracting Company (+SAR 2.5 million) and Sertah United Company (+SAR 1.9 million).

(b) Accruals Against Projects Under Construction

Accruals against projects under construction amounted to SAR 5.4 million as of 31 December 2022G, and represented dues for suppliers' invoices that will be received mainly from: (i) Al-Hassan Ghazi Ibrahim Shaker (SAR 3.8 million); (ii) and Facade Technology Company (SAR 919 thousand).

(c) Accrued Employee Benefits

Accrued employee benefits amounted to SAR 1.3 million as of 31 December 2022G, and were mainly related to leave salary entitlements (SAR 1.0 million) (approximately 76.0 per cent. of the total).

(d) Other

Other balances mainly consist of: (i) accrued rent; and (ii) accrued professional fees.

6.8.2.21 Amounts Due to Related Party

The following table shows the due to Related Parties as of 31 December 2021G and 2022G:

Table 6.28: Due to Related Parties as of 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Jiad United for Real Estate Development Company	6,314	-
Pulse Fitness and Sports Company	6	-
Total	6,320	-

Source: Audited financial statements for the year ended 31 December 2022G.

Amounts due to Related Party over the historical period were mainly with the following:

(a) Jiad United for Real Estate Development Company

The balance due to Jiad United for Real Estate Development Company amounted to SAR 6.3 million as of 31 December 2021G and related to payables against lease agreements with Jiad United for Real Estate Development Company.

The balance decreased from SAR 6.3 million as of 31 December 2021G to nil as of 31 December 2022G as a result of rental concessions amounting to SAR 6 million granted by Jiad United for Real Estate Development Company.

(b) Pulse Fitness and Sports Company

The balance due to Pulse Fitness Company amounted to SAR 6 thousand as of 31 December 2021G and nil as of 31 December 2022G and related to consulting services provided by two employees of Pulse Fitness and Sports Company.

6.8.2.22 Equity

The following table shows the statement of changes in equity as of 31 December 2021G and 2022G:

Table 6.29: Statement of Changes in Equity as of 31 December 2021G and 2022G

SAR in 000s	Share capital	Accumulated losses	Revaluation surplus	Total
Financial year As of 31 December 2022G (audited)				
Balance at 1 January 2021G (restated)	52,625	(14,920)	-	37,704
Previous years' adjustments	-	885	-	885
Balance at 1 January 2021G (restated)	52,625	(14,035)	-	38,590
Net loss for the year	-	(11,154)	-	(11,154)
Other comprehensive income	-	-	-	-
Total loss and other comprehensive income	-	(11,154)	-	(11,154)
Balance at 31 December 2021G (restated)	52,625	(25,189)	-	27,435
Net loss for the year	-	(21,169)	-	(21,169)
Other comprehensive income	-	(182)	14,114	13,931
Total loss and other comprehensive income	-	(21,351)	14,114	(7,237)
Capital increase	234,900	-	-	234,900
Balance at 31 December 2022G	287,525	(46,541)	14,114	255,098

Source: Audited financial statements for the year ended 31 December 2022G.

(a) Share Capital

The Company's capital amounted to SAR 287.5 million as of 31 December 2022G. The Company's capital increased by SAR 234.9 million as a result of the contribution of 10 plots of land from Jiad United for Real Estate Development Company in return for an equity stake of 25.81 per cent..

(b) Accumulated Losses

Accumulated losses increased from SAR 25.2 million as of 31 December 2021G to SAR 46.5 million as on 31 December 2022G mainly as a result of the net loss for the period of SAR 21.2 million.

(c) Revaluation Surplus

The revaluation surplus amounted to SAR 14.1 million as of 31 December 2022G, and related to the revaluation of the land from SAR 234.9 million to SAR 249.0 million as of 31 December 2022G, which contributed to the increase in total equity.

6.8.3 Statement of Cash Flows

The following table shows the statement of cash flows for the financial years ended 31 December 2021G and 2022G:

Table 6.30: Statement of Cash Flows for the Financial Years Ended 31 December 2021G and 2022G

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Cash flows from operating activities:		
Net loss for the period	(11,121)	(21,169)
Adjustments for:		
Depreciation of property and equipment	525	5,954
Write off of intangible assets	-	760
Amortization of intangible assets	0.2	93
Depreciation of right of use assets	330	1,407
Finance costs	435	4,268
Loss on modification of financial liability	-	3,753
Employees' end of service benefits expenses	193	591
Gain on disposal of lease contracts	-	(1,284)
Gain on disposal of property and equipment	-	(18)
Changes in working capital:		
Prepayments and other current assets	(1,313)	(2,235)
Due from/to Related Parties	5,935	(5,472)
Inventories	(373)	(507)
Accrued expenses and other current liabilities	5,091	8,182
Unearned revenue	690	6,323
Long term retentions	2,097	(2,101)
Trade payables	182	9,723
Cash generated from / (used in) operating activities	2,671	8,270
Employees' end of service benefits paid	-	(6)
Zakat paid	(73)	-
Net cash generated from / (used in) operating activities	2,599	8,264
Cash flows from investing activities		
Purchase of property and equipment	(70,704)	(116,152)
Purchase of Intangible assets	(286)	(658)
Proceeds from disposal of property and equipment	-	159
Advances to suppliers and contractors	(33,055)	(5,686)
Net cash flows used in investing activities	(104,046)	(122,336)
Cash flows from financing activities		
Paid-in capital	-	-
Principal element of lease liabilities paid	(11,906)	(5,138)
Interest element of lease liabilities paid	(321)	(1,285)

SAR in 000s	As of 31 December 2021G (Restated)	As of 31 December 2022G (Audited)
Payment of finance cost on long-term loans and borrowings	(1,108)	(4,535)
Receipt of long-term loans and borrowings	108,766	112,312
Receipt of short-term loans and borrowings	-	15,000
Net cash flows generated from financing activities	95,431	116,354
Net change in cash and cash equivalents	(6,016)	2,281
Cash and cash equivalents at the beginning of the period	6,881	865
Cash and cash equivalents at the end of the period	865	3,146
Non-cash transactions not included in the cash flows		
Increase in capital through lands contribution	-	234,900
Capitalization of depreciation of right-of-use assets	5,265	4,133
Interest on capitalized loans	1,626	5,135
Gain from land revaluation	-	14,114
Capitalization loss from adjusting a financial liability	-	5,463
Disposals of right-of-use assets	-	143,499
Disposals of lease obligations	-	144,783
Capitalization of interest on lease obligations	4,878	3,843

Source: Audited financial statements for the year ended 31 December 2022G.

6.8.3.1 Net Cash From Operating Activities

Net cash from operating activities increased from SAR 2.6 million in the financial year ended 31 December 2021G to SAR 8.3 million in the financial year ending 31 December 2022G, despite the increase in net loss in the financial year ended 31 December 2022G to -SAR 21.2 million. This is mainly due to the net effect of the following:

1. The increase in commercial creditors (+SAR 9.7 million in the financial year ended 31 December 2022G) in connection with the ongoing construction of clubs; and
2. The increase in unaccounted revenues (+SAR 6.3 million in the financial year ended 31 December 2022G) as a result of the increase in revenues for Town Square Club for Women and Shubra Club.

6.8.3.2 Net Cash Used in Investing Activities

Net cash used in investment activities increased from SAR 104.0 million in the financial year ended 31 December 2021G to SAR 122.3 million in the financial year ended 31 December 2022G as a result of: (i) the purchase of property and equipment (+SAR 116.2 million); and (ii) payments made to suppliers and contractors (+SAR 5.7 million) related to the projects under construction.

6.8.3.3 Net Cash from Financing Activities

Net cash from financing activities increased from SAR 95.4 million in the financial year ended 31 December 2021G to SAR 116.4 million in the financial year ended 31 December 2022G, as a result of: (i) the increase in long-term loans from Bank Aljazira (+SAR 3.5 million); and (ii) the increase in short-term loans (+SAR 15.0 million) relate to the projects under construction.

6.8.4 The impact of the restatement of the financial statements for the financial year ended 31 December 2021G

It should be noted that the financial statements for the financial year ended 31 December 2021G have been restated. The Company restated its comparative financial statements, and the impact is stated as follows:

Table 6.31: Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 31 December 2021G (Audited and Restated)

SAR in 000s	Financial year 2021G (Audited)	Reclassification	Remeasurement	Financial year 2021G (Restated)
Revenue	438	-	-	438
Cost of revenue	(1,709)	(330) ⁽¹⁾	(39) ⁽⁴⁾	(2,078)
Gross (loss) / profit	(1,271)	(330)	(39)	(1,640)
General and administrative expenses	(14,197)	330 ⁽¹⁾	5,265 ⁽³⁾	(8,602)
Selling and marketing expenses	(569)	-	-	(569)
Other income	124	-	-	124
Operating income (loss) for the period	(15,913)	-	5,227	(10,686)
Finance costs	(5,313)	-	4,878 ⁽²⁾	(435)
Loss before zakat	(21,226)	-	10,105	(11,121)
Zakat	(33)	-	-	(33)
Net loss for the period	(21,259)	-	10,105	(11,154)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(21,259)	-	10,105	(11,154)

Source: Audited financial statements for the year ended 31 December 2022G.

⁽¹⁾ An amount of SAR 330 thousand has been reclassified from general and administrative expenses to the cost of revenue in the financial year ended 31 December 2021G, which is related to right of use asset depreciation charges of Town Square club that was booked in general and administrative expenses and was reclassified as part of cost of revenue in financial year ended 31 December 2022G. The reclassification was made for comparability purposes. This in turn increased the Company's gross losses in financial year ended 31 December 2021G (with no impact at the net loss level).

⁽²⁾ Previously, the lease liability interest expenses related to projects under construction were expensed and recorded under the statement of profit or loss and other comprehensive income up until the financial year ended 31 December 2021G (according to the Company's accounting policy). During the financial year ended 31 December 2022G, the Company changed its accounting policy, which was approved by the Board of Directors on 05/06/1444H (corresponding to 29 December 2022G) after the management performed an assessment on whether recording such costs incurred related to right of use assets for projects under construction were in accordance with the International Accounting Standard (IAS16) to capitalize the related right of use assets amortization charges and lease liability interest expenses during the construction phase until the club is operational. The effect of the adjustment was the decrease in finance costs by SAR 4.9 million in the financial year ended 31 December 2021G, and the decrease in net loss for the period by the same value.

⁽³⁾ Previously, the right of use asset depreciation charges related to projects under construction were expensed and recorded under the statement of profit or loss and other comprehensive income up until the financial year ended 31 December 2021G (according to the Company's accounting policy). During the financial year ended 31 December 2022G, the Company changed its accounting policy, which was approved by the Board of Directors on 05/06/1444H (corresponding to 29 December 2022G) after the management performed an assessment on whether recording such costs incurred related to right of use assets for projects under construction were in accordance with the International Accounting Standard (IAS16) to capitalize the related right of use assets amortization charges and lease liability interest expenses during the construction phase until the club is operational. The effect of the adjustment was the decrease in general and administrative expenses by SAR 5.3 million in the financial year ended 31 December 2021G, and the decrease in net loss for the period by the same value.

⁽⁴⁾ The increase of SAR 39 thousand in the cost of revenue in the financial year ending 31 December 2021G related to the depreciation of right of use assets and lease liability interest expense related to land lease obligations in connection with Town Square Club following the change in accounting policy that took place in the financial year ending 31 December 2022G.

The following table shows the statement of financial position as of 31 December 2021G and 2022G (audited and restated):

Table 6.32: Statement of Financial Position as of 31 December 2021G and 2022G (audited and restated)

SAR in 000s	As of 31 December 2021G (Audited)	Reclassification	Remeasurement	As of 31 December 2021G (Restated)
Assets				
Non-current assets				
Property and equipment	20,056	114,105	2,442	136,604
Right of use assets	168,022	-	-	168,022
Intangible assets	-	1,426	-	1,426
Advances to suppliers and contractors	-	37,153	-	37,153
Projects under construction	144,136	(152,683)	8,548	-
Total non-current assets	332,214	-	10,990	343,204
Current assets				
Prepayments and other current assets	4,677	-	-	4,677
Due from Related Parties	1,014	-	-	1,014
Inventory	516	-	-	516
Cash and cash equivalent	865	-	-	865
Total current assets	7,073	-	-	7,073
Total assets	339,287	-	10,990	350,277
Equity				
Share capital	52,625	-	-	52,625
Accumulated losses	(36,180)	-	10,990	(25,190)
Revaluation surplus	-	-	-	-
Total equity	16,445	-	10,990	27,435
Liabilities				
Non-current liabilities				
Employees' end of service benefits	501	-	-	501
Loans and borrowings	131,349	-	-	131,349
Long term retentions	4,004	-	-	4,004
Lease liabilities	153,630	-	-	153,630
Total non-current liabilities	289,483	-	-	289,483
Current liabilities				
Accrued expenses and other current liabilities	7,576	-	-	7,576
Unearned revenue	690	-	-	690
Trade payables	5,427	-	-	5,427
Current portion of lease liabilities	12,630	-	-	12,630
Due to Related Parties	6,320	-	-	6,320
Loans and borrowings	715	-	-	715
Total current liabilities	33,359	-	-	33,359
Total liabilities	322,842	-	-	322,842
Total equity and liabilities	339,287	-	10,990	350,277

Source: Audited financial statements for the year ended 31 December 2022G.

(1) Starting as of the financial year ended 31 December 2022G, projects under construction (which was shown separately on the Company's balance sheet) were reclassified as "capital work in progress" under property and equipment. Moreover, advances to suppliers and contractors which were booked under projects under construction were reclassified separately following the auditor's recommendation. Moreover, a portion of projects under construction which related to intangible assets (mainly related to Acapella Sound tracks and other software) were reclassified under intangible assets for better presentation purposes as per the auditor's recommendation. This had no impact on the Company's equity position as of the financial year ended 31 December 2021G.

(2) Please refer to comments number 2, 3 and 4 in the previous section for details on the remeasurements. The overall impact of the remeasurements was the increase in the total equity of the Company as of 31 December 2021G by SAR 11.0 million.

7. Dividend Distribution Policy

The Shares entitle their holders to the right to receive any dividends that the Company declares from the date of this Prospectus and for subsequent financial years.

The Company intends to distribute annual dividends to its Shareholders in line with the Company's profits, financial position, restrictions on dividend distribution under financing and debt agreements, results of the Company's activities, current and future cash requirements, expansion plans, investment requirements and other factors, including the analysis of the Company's investment opportunities, monetary and capital requirements, trade expectations and the impact of any such distributions on any legal and regulatory considerations. In addition, investors who wish to invest in the Offer Shares should be aware that the Dividend Distribution Policy may change from time to time.

While the Company intends to distribute dividends to its Shareholders on an annual basis, it does not guarantee the distribution of such dividends or the amounts to be distributed in any given year. The distribution of profits is subject to certain restrictions in accordance with the Company's Articles of Association, the Company's net profits shall be distributed after deducting all general expenses and other costs as follows according to the Company's Bylaws:

1. 10.0 per cent. of the net profits shall be set aside to form a statutory reserve. Such obligation may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30.0 per cent. of the Company's paid-up capital.
2. Based on the Board's suggestion, the Ordinary General Assembly may set aside 10.0 per cent. of net profits to build up contractual reserve that shall be allocated to one or more specific purposes.
3. The Ordinary General Assembly may resolve to form other reserves to the extent that they serve the Company's interests, or to ensure the distribution of fixed dividends – as far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind.
4. Out of the balance of the net profits, Shareholders shall receive a payment of 5.0 per cent. of the Company's paid-up capital.
5. 10.0 per cent. of the balance shall be set aside to remunerate the Board of Directors, provided that such remuneration is proportionate to the number of meetings attended by each Director.

The Company did not distribute any dividends for the financial years ended 31 December 2021G and 2022G.

8. Use of Proceeds

8.1 Net Offering Proceeds

The total Offering Proceeds are estimated at SAR 137,982,824 of which approximately thirteen million and two hundred thousand Saudi Arabian Riyals (SAR 13,200,000) will be applied towards the Offering Expenses, which include the fees of the Financial Advisors, Legal Advisors, the Financial Due Diligence Advisor, Auditors, and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering Expenses will be deducted from the Offering Proceeds and 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 one of them.

8.2 Use of Net Offering Proceeds

The Net Offering Proceeds amounting to approximately SAR 124,782,824 (after deducting the Offering Expenses) will be distributed as follows: (i) SAR 20,796,268 will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Sale Shares being sold in the Offering; and (ii) SAR 103,986,556 will be distributed to the Company.

The Company intends to use its share of the net proceeds from the Offering, in addition to other sources of financing, such as cash flows from its operating activities and bank financing, to finance the following activities:

- Construction and fit-out of Optimo and B_FIT fitness clubs on secured and future locations that are part of the Company's existing core business plan;
- fitness equipment purchases to support the aforementioned fitness clubs;
- short-term working capital requirements; and
- general corporate purposes of the Company, including debt repayment and the development of the Company's facilities and technical systems.

Noting that if the net Offering proceeds are less than the cost of the expansion plans described in this Prospectus or any additional costs or items not included in the expansion plans, the Company will rely on banking facilities and operating cash flow for the purpose of financing the completion of its expansion plans. Any surplus in the net Offering proceeds will be used as working capital for the Company's operations.

The following table summarizes the estimated cost for projects:

Table 8.1: The Estimated Cost for Future Projects

Item	Estimated Cost (SAR million)	Summary of Use of Net Proceeds from the Offering timeline (SAR million)					
		2023G		2024G		2025G	
		First Half	Second Half	First Half	Second Half	First Half	Second Half
Construction and Fit-Out of Fitness Clubs	74.5	-	35.4	27.4	8.1	3.6	-
Fitness Equipment Purchases	23.1	-	10.6	9.5	2.7	0.3	-
Short-Term Working Capital Requirements	5.8	-	5.8	-	-	-	-
General Corporate Purposes of the Company	11.6	-	8.0	1.8	1.8	-	-
Total	115.0	-	59.7	38.7	12.6	3.9	-

Source: The Company.

The following table summarizes the expected use of the Company's share of proceeds from the Offering:

Table 8.2: Expected Use of the Company's Share of Net Offering Proceeds

Item	Expected Use of the Company's Share of Net Proceeds from the Offering ^{(1),(2)}
Construction and Fit-Out of Fitness Clubs	65%
Fitness Equipment Purchases	20%
Short-Term Working Capital Requirements	5%
General Corporate Purposes of the Company	10%

Source: The Company.

⁽¹⁾ For more information about the possible changes to the expected use of the Company's share of Net Offering Proceeds set out above, see Section 8.3 (Time Plan for Expected Use of Net Offering Proceeds and Possible Changes).

⁽²⁾ Subject to Note (1) above, Section 8.2 (Use of Net Offering Proceeds) and Section 8.3 (Time Plan for Expected Use of Net Offering Proceeds and Possible Changes), the uses of the Company's share of Net Offering Proceeds split among the various items in the above table shall not exceed 100.0 per cent. of the Company's share of Net Offering Proceeds.

8.2.1 Construction and Fit-Out of Fitness Clubs

Construction and fit-out of fitness clubs represents the single largest cash requirement for the Company over the business plan horizon, due to the Company's dominant strategy to construct its own fitness clubs. A significant amount of capital is required to finance the development of fitness clubs on land that has already been purchased by the Company, and for future fitness clubs that are expected to open in the next three or four years. The ability to build and fit-out fitness clubs is essential for the Company, as operating cash flows depend on these clubs being open and servicing members. Given the Company's current plans and commitments, it requires financing to fund its expansion, and the majority of this is associated with construction and fit-out costs. The Company plans to use the largest portion of the Net Offering Proceeds to support this cash requirement.

8.2.2 Fitness Equipment Purchases

Each of the fitness clubs developed by the Company requires fitness equipment, which represents another significant cash requirement. As a result, and to support the successful delivery of the business plan, the Company plans to use a significant portion of the Net Offering Proceeds to purchase fitness equipment for its fitness clubs.

8.2.3 Short-Term Working Capital Requirements

As the Company's fitness clubs continue to open, and while they are in the ramp-up phase of operations, a certain amount of working capital is required to support them. While the Company has other sources and strategies for managing working capital requirements, it may utilize a portion of the Net Offering Proceeds for short-term working capital, especially in cases where the timing of cash flows from other sources may present an immediate and/or urgent cash need.

8.2.4 General Corporate Purposes of the Company

In addition to the capital expenditures outlined above, the Company has a relatively smaller portion of ongoing and continuing capital expenditure needs and requirements, which include requirements for the maintenance of buildings and equipment, investment in back-office equipment and infrastructure, and other general corporate purposes, such as debt repayment, acquisition and maintenance of IT hardware and systems, recruitment and training of employees, employee housing, and fitness programme development. Although the Company expects to self-finance these requirements using cash flows from its operating activities, it continuously assesses its capital expenditure requirements and the methods of utilization of its share of Net Offering proceeds, in addition to its need to use its share of Net Offering Proceeds for general corporate purposes, as required.

8.3 Time Plan for Expected Use of Net Offering Proceeds and Possible Changes

The Company intends to employ and use its entire share of the net proceeds from the Offering for the purpose of covering some or all of the above uses within 24 to 36 months from the date of this Prospectus. The plans for the expected use of the Company's share of Net Offering Proceeds reflect the Company's business plan and market conditions as of the date of this Prospectus. Thus, the expected use of the Company's share of 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.

The following table summarizes the expected time periods for the implementation of future projects:

Table 8.3: Expected Time Periods for the Implementation of Projects

Item	Expected Time Periods for the Implementation of Projects
Construction and Fit-Out of Fitness Clubs	12-24 months
Fitness Equipment Purchases	6-12 months
Short-Term Working Capital Requirements	6-12 months
General Corporate Purposes of the Company	6-12 months

Source: The Company.

9. Directors' Declaration

The Directors declare that:

- 1) There has been no interruption in the business of the Issuer that may influence or have a significant impact on its financial position during the last 12 months.
- 2) No commissions, discounts, brokerage fees or any non-monetary compensation with respect to the issuance or offering of any Shares were granted by the Issuer during the year preceding the date on which the application for registration and offering of Shares was submitted.
- 3) There has been no material negative change in the financial or trading position of the Issuer during the year immediately preceding the date on which the application for registration and Offering of Shares was submitted. The Directors also declare that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts whose omission would make any statement herein misleading.
- 4) Except as disclosed in Section 4.7 (*Research and Development*), as of the date of this Prospectus, the Company does not have a policy on research and development as the Company does not produce any products;
- 5) Except as disclosed in Section 5.3.1 (*Composition of the Board of Directors*) none of the Directors or their relatives have any Shares or interests of any kind in the Issuer.
- 6) Except as described in Section 5.8 (*Conflicts of Interest*), and Section 10.8 (*Contracts and Transactions in which Directors have an Interest*), none of the Directors, Senior Executives, the Secretary or any of their relatives have any interest in any existing written or oral contract, arrangement or agreement or arrangement under consideration or to be concluded with the Company until the date of this Prospectus.
- 7) 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 in meetings of the Board of Directors and – where the law so requires – the Company's General Assembly. Directors may not vote on any decision related to business and contracts of the Company in which they hold a direct or indirect interest, whether in the Board of Directors or General Assembly, in accordance with Article 71 of the Companies Law.
- 8) Except as disclosed in Section 5.6 (*Remuneration of Directors and Senior Executives*) of this Prospectus, there are no other employee share schemes entitling employees to participate in the Company's share capital, and there are no other similar arrangements in place.
- 9) All of the Company's employees are under its sponsorship.
- 10) The Company is not a party to any disputes, claims, lawsuits or outstanding investigation proceedings that may have a material impact on the Company's operations or financial position.
- 11) 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 investors' decision to invest in the Offer Shares.
- 12) There is no intention to materially change the nature of the Company's activities.
- 13) They will work in accordance with Articles 27, 71 and 72 of the Companies Law.
- 14) They have developed procedures, controls and systems to enable the Company to meet the requirements of the relevant laws, regulations and instructions, including the Companies Law, the CML and its Implementing Regulations, the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.
- 15) The Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA.
- 16) No member of the Board of Directors, the Company's executive management or the Secretary of the Board of Directors has been declared bankrupt or has undergone any bankruptcy proceedings.
- 17) The Directors will not vote on decisions related to contracts or transactions in which they have a direct or indirect interest.
- 18) They will not participate in voting during General Assembly meetings on any Related Party contracts in which they have an indirect interest.
- 19) They will not compete with the Company's business without the approval of the General Assembly in accordance with Article 27 of the Companies Law.
- 20) The financial information contained in Section 6 (*Management Discussion and Analysis of Financial Position and Operating Results*) of this Prospectus has been derived without material adjustment and presented in a format consistent with the audited financial statements for the financial years ended 31 December 2021G and 2022G and the accompanying notes thereto in accordance with the International Financial Reporting Standards and other issuances in the Kingdom as issued by SOCPA.
- 21) The Company has sufficient working capital for at least twelve (12) months following the date of publication of this Prospectus.
- 22) The Directors declare that the Company does not have any properties, including contractual financial securities or other assets, whose value is subject to fluctuations or difficult to ascertain, which significantly affects the evaluation of the financial position.
- 23) The Company does not have any loans or indebtedness including bank overdrafts, guarantee obligations (including personal

guarantees, non-personal guarantees, covered or not covered by mortgage), obligations under acceptance, acceptance credits, or hire purchase commitments except as disclosed in Section 10.5 (*Financing Agreements*) of this Prospectus.

- 24) To the best of their knowledge and belief, there are no mortgages, rights, burdens or costs on the Company's properties as of the date of this Prospectus. Except as disclosed in Section 10.5 (*Financing Agreements*) and Section 10.7 (*Real Estate*) of this Prospectus.
- 25) The Company's share capital is not under option.
- 26) All of the increases in the Company's capital were made in a manner that does not conflict with the applicable laws and regulations in the Kingdom.
- 27) The Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that would or could have a (direct or indirect) material impact on its business.
- 28) The insurance policies adopted by the Company provide sufficient insurance coverage with sufficient limits (in accordance with current customary market practice for similar companies) to carry out its business activities. The Company renews its insurance policies regularly to ensure continued insurance coverage.
- 29) The Company has obtained all necessary approvals to register and place its Shares on the Parallel Market, to be a public joint stock company.
- 30) The members of the Board of Directors shall not be subject to any legal claims or proceedings that alone or in their entirety may materially affect the Company's business or financial situation.
- 31) The Company will not bear any obligations related to real estate transaction tax resulting from the in-kind contribution made by Jiad United for Real Estate Development Company, which involved the transfer of ownership of ten properties to the Company. This is in accordance with the undertaking letter provided by Jiad United for Real Estate Development Company to the Company, dated 3 Thul-Qi'dah 1444H (corresponding to 21 June 2023G), which confirms its unconditional commitment to assume the obligations arising from the real estate transaction tax for the transferred properties and to bear any additional claims or fines that might be imposed by ZATCA in this regard.
- 32) The Company is working on appointing a Head for the Internal Audit and Compliance department, and his appointment is expected to be completed during the third quarter of the year 2023G.

10. Legal Information

10.1 The Company

Armah Sports Company is a closed joint stock company converted pursuant to Ministerial Resolution No. 1929 dated 17 Rabi' al-Awwal 1444H (corresponding to 13 October 2022G) with commercial registration No. 1010559940 dated 14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G). The Company's registered headquarter is located in Takhassusi Street, An Nakheel District, Riyadh 12382, Kingdom of Saudi Arabia. The current capital of the Company is SAR 287,525,000 divided into 28,752,500 ordinary Shares with a fully paid nominal value of SAR 10 per Share. For further details see Section 4.2 (*Corporate History and Evolution of Capital*). According to its main commercial registration certificate, the Company's main activities include men's sports halls and centres, and women's sports halls and centres.

10.2 Ownership Structure

The following table summarises the shareholding structure of the Company pre-and post-Offering, reflecting also the New Shares post-Offering:

Table 10.1: Shareholding Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Direct Ownership (%) ⁽¹⁾	Nominal Value (SAR)	Number of Shares	Direct Ownership (%)	Nominal Value (SAR)
Jiad United for Real Estate Development Company	7,420,196	25.81%	74,201,960	7,420,196	22.58%	74,201,960
Abdulmohsen Ali Mohammed Alhagbani	4,517,787	15.71%	45,177,870	4,343,852	13.22%	43,438,520
Nahla Ali Mohammed Alhagbani	2,945,986	10.25%	29,459,860	2,832,566	8.62%	28,325,660
Latifa Mohammed Saleh Alhagbani	2,420,026	8.42%	24,200,260	2,326,855	7.08%	23,268,550
Khalid Ali Mohammed Alhagbani	1,824,140	6.34%	18,241,400	1,753,911	5.34%	17,539,110
Fahad Ali Mohammed Alhagbani	1,495,288	5.20%	14,952,880	1,437,719	4.38%	14,377,190
Waleed Ali Mohammed Alhagbani	1,325,542	4.61%	13,255,420	1,274,509	3.88%	12,745,090
Nada Ali Mohammed Alhagbani	1,003,277	3.49%	10,032,770	964,651	2.94%	9,646,510
Ali Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	917,880	2.79%	9,178,800
Deem Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	917,880	2.79%	9,178,800
Reem Abdulmohsen Ali Alhagbani	954,633	3.32%	9,546,330	917,880	2.79%	9,178,800
Sulaiman Khaled Sulaiman Alkadi	822,383	2.86%	8,223,830	790,721	2.41%	7,907,210
Huda Ali Mohammed Alhagbani	711,415	2.47%	7,114,150	684,026	2.08%	6,840,260
Abdullah Mohammed Ibrahim Alhagbani	565,483	1.97%	5,654,830	543,712	1.65%	5,437,120
Abdulmalik Abdullah Mohammed Alhagbani	499,612	1.74%	4,996,120	480,377	1.46%	4,803,770
Najla Ali Mohammed Alhagbani	182,414	0.63%	1,824,140	175,391	0.53%	1,753,910
Abdulrahman Mohammed Ibrahim Alhagbani	118,569	0.41%	1,185,690	114,004	0.35%	1,140,040
Mohammed Ali Mohammed Alhagbani	36,483	0.13%	364,830	35,078	0.11%	350,780
Public	-	-	-	4,927,958	15%	49,279,580
Total	28,752,500	100%	287,525,000	32,859,166	100%	328,591,660

Source: The Company.

⁽¹⁾ The stated ownership percentages are rounded.

For further details regarding the Shareholders and the shareholding structure of the Company, see Section 4.3 (*Current Shareholding Structure*).

10.3 Government Consents, Licences and Certificates

The Company holds several operational and regulatory licences and certificates from the relevant competent authorities which are periodically renewed. The Directors declare that the Company has obtained all licences and certificates necessary to execute their operations in order to engage in the relevant activities, except for certain operational licences that have expired or have not been obtained, as disclosed in Table 10.4 (Summary of Operational Licences Obtained by the Company). The following tables list the licences and certificates held by the Company as of the date of this Prospectus:

Table 10.2: Details of Commercial Registration Certificates Obtained by the Company

No.	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
1.	Riyadh, Kingdom of Saudi Arabia	Closed joint stock company	1010559940	14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G)	14 Jumada al-Akhirah 1445H (corresponding to 27 December 2023G)
2.	Riyadh, Kingdom of Saudi Arabia	Branch	1010677835	16 Jumada al-Ula 1442H (corresponding to 31 December 2020G)	16 Jumada al-Ula 1447H (corresponding to 7 November 2025G)
3.	Jeddah, Kingdom of Saudi Arabia	N/A	Certificate Not Available	N/A ⁽¹⁾	N/A

Source: The Company.

⁽¹⁾ The Company has not been issued a commercial registration certificate for its branch in Jeddah (B_FIT – Shobra Branch). The Company confirmed that it is in the process of obtaining such commercial registration certificate.

Table 10.3: Details of Regulatory Licences and Certificates Obtained by the Company

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
Armah Sports Company	Ministry of Human Resource and Social Development	82533272051159	Certificate of compliance with Saudization requirements	20 Thul-Qi'dah 1443H (corresponding to 19 June 2022G)	19 Muharram 1445H (corresponding to 6 August 2023G)
	Ministry of Human Resource and Social Development	20012306012992	Certificate of wage protection	25 Thul-Qi'dah 1444H (corresponding to 14 June 2023G)	29 Safar 1445H (corresponding to 14 September 2023G)
	Riyadh Chamber of Commerce and Industry	484551	Chamber of Commerce and Industry membership certificate	14 Jumada al-Akhirah 1440H (corresponding to 19 February 2019G)	14 Jumada al-Akhirah 1445H (corresponding to 27 December 2023G)
	ZATCA	120214893	Certificate enabling the Company to finalise all processes	5 Shawwal 1443H (corresponding to 6 May 2022G)	21 Shawwal 1445H (corresponding to 30 April 2024G)
	ZATCA	3104239072	VAT registration certificate	21 Safar 1441H (corresponding to 20 October 2019G)	N/A
	GOSI	55296279	Certificate of fulfilment of the GOSI obligations	25 Thul-Qi'dah 1444H (corresponding to 14 June 2023G)	25 Thul-Hijjah 1444H (corresponding to 13 July 2023G)

Source: The Company.

Table 10.4: Summary of Operational Licences Obtained by the Company

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
Armah Sports Company	Riyadh - (Head Office)				
	Riyadh Municipality, Kingdom of Saudi Arabia	440711613472	Engaging in commercial activities	25 Rajab 1444H (corresponding to 16 February 2023G)	25 Rajab 1447H (corresponding to 14 January 2026G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	100111465144	Civil defense license	25 Rajab 1444H (corresponding to 16 February 2023G)	25 Rajab 1445H (corresponding to 6 February 2024G)
	Riyadh - (Optimo - Al Malqa Branch) (Female)				
	Riyadh Municipality, Kingdom of Saudi Arabia	440210445164	Engaging in commercial activities	12 Rabi' al-Thani 1444H (corresponding to 6 November 2022G)	12 Rabi' al-Thani 1445H (corresponding to 27 October 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-001005290-44	Civil defense license	12 Rabi' al-Thani 1444H (corresponding to 6 November 2022G)	12 Rabi' al-Thani 1445H (corresponding to 27 October 2023G)
	Ministry of Sports, Kingdom of Saudi Arabia	01482	Providing women's sport halls and centres activities	1 Sha'ban 1444H (corresponding to 21 February 2023G)	11 Sha'ban 1445H (corresponding to 21 February 2024G)
	Riyadh - (Optimo - Al Malqa Branch) (Male)				
	Riyadh Municipality, Kingdom of Saudi Arabia	440511027913	Engaging in commercial activities	25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G)	25 Jumada al-Akhirah 1445H (corresponding to 7 January 2024G)
	General Directorate of Civil Defense, Kingdom	1-001058586-44	Civil defense license	25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G)	25 Jumada al-Akhirah 1445H (corresponding to 7 January 2024G)
	Ministry of Sports, Kingdom of Saudi Arabia	01498	Providing men's sport halls and centers activities	2 Sha'ban 1444H (corresponding to 22 February 2023G)	12 Sha'ban 1445H (corresponding to 22 February 2024G)
	Riyadh - (B_FIT – Shobra Branch)				
	Riyadh Municipality, Kingdom of Saudi Arabia	43079348284	Engaging in commercial activities	12 Sha'ban 1443H (corresponding to 15 March 2022G)	12 Sha'ban 1445H (corresponding to 22 February 2024G)
	General Directorate of Civil Defense, Kingdom	1-000883130-43	Civil defense license	12 Sha'ban 1443H (corresponding to 15 March 2022G)	12 Sha'ban 1444H (corresponding to 4 March 2023G)
	Ministry of Sports, Kingdom of Saudi Arabia	01483	Providing women's sport halls and centers activities	1 Sha'ban 1444H (corresponding to 21 February 2023G)	11 Sha'ban 1445H (corresponding to 21 February 2024G)
	Riyadh - (B_FIT – Al Rayyan Branch)				
	Riyadh Municipality, Kingdom of Saudi Arabia	440611393829	Engaging in commercial activities	12 Ramadan 1444H (corresponding to 3 April 2023G)	12 Ramadan 1445H (corresponding to 22 March 2024G)
	General Directorate of Civil Defense, Kingdom	1-00110667-14	Civil defense license	7 Ramadan 1444H (corresponding to 29 March 2023G)	7 Ramadan 1445H (corresponding to 17 March 2024G)
	Ministry of Sports, Kingdom of Saudi Arabia	01483	Providing men's sport halls and centers activities	22 Sha'ban 1444H (corresponding to 14 March 2023G)	3 Ramadan 1445H (corresponding to 13 March 2024G)
	Riyadh - (B_FIT – Al Yasmeen Branch)				
	Riyadh Municipality, Kingdom of Saudi Arabia	440411002227	Engaging in commercial activities	21 Jumada al-Ula 1444H (corresponding to 15 December 2022G)	21 Jumada al-Ula 1445H (corresponding to 5 December 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-001058584-44	Civil defense license	21 Jumada al-Ula 1444H (corresponding to 15 December 2022G)	21 Jumada al-Ula 1445H (corresponding to 5 December 2023G)

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
	Ministry of Sports, Kingdom of Saudi Arabia	07085	Providing men's sport halls and centers activities	11 Rajab 1444H (corresponding to 2 February 2023G)	21 Rajab 1445H (corresponding to 2 February 2024G)
	Jeddah - (B_FIT – Town Square Branch)				
	Jeddah Municipality, Kingdom of Saudi Arabia	43026410625	Engaging in commercial activities	26 Rabi' al-Awwal 1443H (corresponding to 1 November 2021G)	26 Rabi' al-Awwal 1445H (corresponding to 11 October 2023G)
	General Directorate of Civil Defense, Kingdom	2-000791661-44	Civil defense license	14 Ramadan 1444H (corresponding to 5 April 2023G)	14 Ramadan 1445H (corresponding to 24 March 2024G)
	Ministry of Sports, Kingdom of Saudi Arabia	01483	Providing women's sport halls and centers activities	29 Rajab 1444H (corresponding to 20 February 2023G)	10 Sha'ban 1445H (corresponding to 20 February 2024G)

Source: The Company.

⁽¹⁾ The licence is expired and the Company is in the process of renewing it.

10.4 Material Agreements

The Company have entered into a number of agreements for the purpose of their business. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company believes that all such agreements, in addition to the key provisions thereunder, have been included in this Section and that there are no other agreements, which are material in the context of the Company's business, that have not been disclosed. As of the date of this Prospectus, the Company has not breached any of the provisions of the material business agreements during the relevant terms of such agreements and is not aware of any event which with the passing of time may become a breach or default under any such agreements. These summaries do not purport to describe all of the applicable provisions of such agreements. For further details of the Company's financing agreements, lease agreements, and insurance policies, see Section 10.5 (*Financing Agreements*), Section 10.7.3 (*Leases*), and Section 10.6 (*Insurance Policies*). The following table sets out the material agreements (except for financing agreements, lease agreements and insurance policies) entered into by the Company for the purposes of its business:

Table 10.5: Details of Material Agreements

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Service Agreement	The Company (as the customer) and Perfect Gym Solutions S.A. (as the service provider)	The Company has entered into a service agreement for the purpose of obtaining club management system services from the service provider.	The agreement is for a term of three years valid from 20 Jumada al-Ula 1441H (corresponding to 15 January 2020G) to 21 Jumada al-Akhirah 1444H (corresponding to 14 January 2023G). The agreement is automatically renewable for a similar term, unless either party requests termination.	EUR 65,520 (equivalent to SAR 278,256) for the financial year ended 31 December 2021G. EUR 65,520 (equivalent to SAR 263,711) for the financial year ended 31 December 2022G
Licence Agreement	The Company (as the licensee) and Virtuagym (as the licensor)	The Company has entered into a licence agreement with the licensor for the purpose of obtaining a licence to integrate customer management system services such as branded mobile apps for activity and nutrition tracking, and other related activities.	The agreement was commenced on 12 Jumada al-Ula 1441H (corresponding to 7 January 2020G) for a term of three years. The agreement is automatically renewable for a similar term, unless either party requests termination.	EUR 14,748 (equivalent to SAR 62,633) for the financial year ended 31 December 2021G. EUR 14,748 (equivalent to SAR 59,359) for the financial year ended 31 December 2022G
Construction Agreement	The Company (as the customer) and Gulf Architects For Contracting Company (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of seven (7) months, commencing on the date of receipt of the site or the disbursement of the advance payment, whichever is later.	— ⁽¹⁾
Construction Agreement	The Company (as the customer) and Al-Kayan Technical Arab Contracting Co. LTD (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of five (5) months, commencing on the date of receipt of the site or the disbursement of the advance payment, whichever is later.	— ⁽¹⁾

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Construction Agreement	The Company (as the customer) and Gulf Architects For Contracting Company (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of ten (10) months, commencing on the date of receipt of the site or the disbursement of the advance payment, whichever is later.	ـ(١)
Construction Agreement	Construction Agreement between the Company (as customer) and Al-Judy Arab Establishment for Contracting and Industrial Works (as service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of six (6) months, commencing on the date of receipt of the site or the disbursement of the advance payment, whichever is later.	ـ(١)
Construction Agreement	The Company (as the customer) and Sertah United (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of seven (7) months, commencing on the date of receipt of the site or the disbursement of the advance payment, whichever is later.	ـ(١)
Construction Agreement	The Company (as the customer) and Sertah United (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of seven and a half (7.5) months, commencing on the date of receipt of the site or the disbursement of the advance payment.	ـ(١)
Marketing Services Agreement	The Company (as the customer) and Electronic Elements Technology Company (as the service provider)	The Company has entered into a marketing services agreement for the purpose of providing advertising services, marketing and promotional services, developing communication strategy, marketing and design services and the development of the Company's websites.	In regard to the advertising services, the agreement is for a term of one (1) year commencing on the date on which the written notice was provided by the first party as soon as it is ready and in need to activate it and shall be renewed automatically unless one of the parties notifies the other by a prior written notice at least thirty (30) days before the end of the contractual year of its unwillingness to renew, in regard to the development of the communication strategy, marketing and design services, the agreement is for a term of three (3) months commencing on the day following day of signing of the agreement by both parties, and in regard to the development of the websites services, the agreement is for a term of (3) three months commencing on the day following the day of signing of the agreement by both parties.	ـ(١)
Operations and Maintenance Agreement	The Company (as the customer) and Emdadat Alatta Co. For Trading and Contracting (as the service provider)	The Company has entered into an operations and maintenance agreement for the purpose of providing operation services in accordance the agreement.	The agreement is for a term of seven (7) years, commencing on the date of signing of the agreement by both parties.	ـ(١)
Construction Agreement	The Company (as the customer) and Sertah United (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of five (5) months, commencing on the date of receipt of the site and design plans.	ـ(١)
Construction Agreement	The Company (as the customer) and Al Medwar Contracting Co. Ltd (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of a month and a half (1.5) month.	ـ(١)

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Construction Agreement	The Company (as the customer) and Sertah United (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on land that is owned by the Company.	The agreement is for a term of three (3) months, commencing on the date of receipt of the site or the disbursement of the advance payment, whichever is later.	— ⁽¹⁾
Construction Agreement	The Company (as the customer) and Al Medwar Contracting Co. Ltd (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club in the basic Company branch for the development and real estate investment's complex.	The agreement is for a term of four (4) months, commencing from the date of approval of the final plans of the workshop.	— ⁽¹⁾
Construction Agreement	The Company (as the customer) and Gulf Architects For Contracting Company (as the service provider)	The Company has entered into a construction agreement with the service provider for the purpose of constructing a fitness club on a land that is owned by the Company.	The agreement is for a term of seven (7) months, commencing from the date of receipt of the site or the disbursement of the advance payment, whichever is later.	— ⁽¹⁾

Source: The Company.

⁽¹⁾ The value of the agreement is not disclosed in the table above as the Company considers it to be of a sensitive commercial nature.

10.5 Financing Agreements

The Company has entered into two financing agreements related to its business. The following is a summary of the financing agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. As of the date of this Prospectus, the Company has not breached any of provisions of the financing agreements during the relevant terms of such agreements, and it is not aware of any event which with the passing of time may become a breach or default under any financing agreement. These summaries include only the material provisions, not all applicable provisions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

The financing agreements to which the Company is a party include provisions that require the submission of a prior notification or obtaining prior written consent in connection with any change of control or change in the ownership structure of the Company, or when offering the Company's Shares for public subscription. The Company has obtained all such consents required from the financiers.

The following table sets out the financing agreements entered into by the Company for the purposes of its business:

Table 10.6: Details of Financing Agreements

Lender and Borrower	Type of Financing	Availability Period	Financing Amount
Bank AlJazira	Banking Facilities Agreement	The facilities agreement commenced on 28 Rabi' al-Thani 1444H (corresponding to 22 November 2022G) and will continue in effect until 8 Shawwal 1448H (corresponding to 16 March 2027G)	SAR 274,000,000 ⁽¹⁾
Riyad Bank	Islamic Financing Agreement	The financing agreement commenced on 1 Muharram 1445H (corresponding to 19 July 2023G) and will continue in effect until 26 Safar 1450H (corresponding to 19 July 2028G)	SAR 45,000,000

Source: The Company.

⁽¹⁾ As of 31 December 2022G, Bank Al Jazira's outstanding balance under the banking facilities was SAR 258,660,363.

10.5.1 Banking Facilities Agreement with Bank AlJazira

The Company concluded a banking facilities agreement with Bank AlJazira on 28 Rabi' al-Thani 1444H (corresponding to 22 November 2022G), whereby Bank AlJazira agreed to provide the Company with banking facilities amounting to SAR 274,000,000. The banking facilities consist of:

- SAR 259,000,000 Tawarruq facility for the purpose of financing 53.0 per cent. of the construction expenses of a new fitness club owned by the Company at an annual profit rate of 1.6 per cent. over SAIBOR with a grace period of three years. The maximum availability date for the facility is 1 Rabi' al-Awwal 1445H (corresponding to 16 September 2023G); and
- SAR 15,000,000 Tawarruq facility for the purpose of financing the Company's working capital requirements at an annual profit rate of 1.5 per cent. over SAIBOR, and repayable in one or more payments due within a maximum period of 180 days.

The agreement was concluded and the financing became available on 28 Rabi' al-Thani 1444H (corresponding to 22 November 2022G), and will continue in effect for a period until 8 Shawwal 1448H (corresponding to 16 March 2027G) and all outstanding obligations are satisfied. The Company considers that to be in line with prevailing market practices.

The guarantees provided under the agreement are as follows:

- a promissory note provided by the Company covering SAR 301,400,000 in favour of Bank AlJazira; and joint and several guarantees provided by (i) Abdulmohsen Ali Mohammad Alhagbani; (ii) Fahad Ali Mohammad Alhagbani; (iii) Sulaiman Khaled Sulaiman Alkadi; and (iv) Abdulmalik Ali Mohammad Alhagbani covering SAR 274,000,000 in total;
- joint and several guarantees (personal and corporate) provided by (i) Abdulmohsen Ali Mohammad Alhagbani; (ii) Fahad Ali Mohammad Alhagbani; (iii) Sulaiman Khaled Sulaiman Alkadi; and (iv) Abdulmalik Ali Mohammad Alhagbani covering SAR 274,000,000 in total;
- a pledge over 15 of the Company's title deeds in favour of Bank AlJazira. For a more detailed overview of such title deeds, see Section 10.7.1 (*Title Deeds*);
- the assignment of an amount covering the total facilities granted by Bank AlJazira from the insurance policy which the Company is obliged to have on its properties;
- a written letter of undertaking to deposit all of the branches' revenues in the Company's account with Bank AlJazira; and
- an undertaking to deposit the Company's contribution share of SAR 13,000,000 in its account with Bank AlJazira and to authorise the bank to reserve those amounts to be used for construction works.

The main financial and non-financial covenants given by the Company in favour of Bank AlJazira under the agreement include the following:

- an undertaking that the Company will maintain a debt to equity ratio not exceeding 1:2.5;
- an undertaking not to undergo a change in the ownership or the legal entity of the Company without the prior approval from Bank AlJazira; and
- an undertaking not to sell or mortgage any of the Company's assets without obtaining written consent from Bank AlJazira.

The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be resolved amicably. Otherwise, such disputes shall be referred to the Committee for the Settlement of Banking Disputes (the "Banking Committee").

Pursuant to a letter to that effect dated 26 Muharram 1444H (corresponding to 24 August 2022G) Bank AlJazira consented to the Offering and the waiver of the personal guarantees once the CMA's approval is obtained.

Bank AlJazira shall have the right to change, limit or cancel any/all of the provided facilities upon 30 days' notice to the Company. Following the lapse of which, Bank AlJazira will have the right to immediately claim the outstanding amounts, including expenses and/or profit margin, due and payable. Bank AlJazira shall also have the right to request any additional guarantees, at its sole discretion and in accordance with the credit risks and market conditions.

In addition, Bank AlJazira shall have the right to terminate the facilities and claim payment of any outstanding amounts, following its provision of 30 days' written notice, in the following cases:

- the Company's failure to pay any amounts when due;
- the Company's failure to carry out any of the conditions of the banking facilities agreement;
- the inaccuracy of any information furnished by the Company prior to or after the signing of the agreement;
- the Company's legal form/structure was changed without the prior knowledge and consent of Bank AlJazira; and
- the Company's failure to utilize all or part of the facilities within the specified utilization period.

10.5.2 Islamic Financing Agreement with Riyad Bank

The Company concluded an Islamic financing agreement with Riyad Bank on 1 Muharram 1445H (corresponding to 19 July 2023G), whereby Riyad Bank agreed to provide the Company with facilities amounting to SAR 45,000,000.

The facilities consist of 45,000,000 Tawarruq facility with an annual profit rate of 1.5 per cent over SAIBOR, to be repaid in semi-annual installments over a period of five years with a grace period of 12 months.

The agreement was concluded on 1 Muharram 1445H (corresponding to 19 July 2023G) and will continue in effect for a period until 26 Safar 1450H (corresponding to 19 July 2028G). The Company considers that to be in line with prevailing market practices.

The guarantees provided under the agreement are as follows:

- a promissory note provided by the Company covering SAR 61,875,000 in favour of Riyad Bank; and guaranteed by (i) Abdulmohsen Ali Mohammad Alhagbani; (ii) Sulaiman Khaled Sulaiman Alkadi; and (iii) Fahad Ali Mohammad Alhagbani;
- joint and several guarantees provided by (i) Abdulmohsen Ali Mohammad Alhagbani; (ii) Sulaiman Khaled Sulaiman Alkadi; and (iii) Fahad Ali Mohammad Alhagbani covering SAR 45,000,000, in total; and
- a pledge over a real estate title deed in favour of Riyad Bank covering 100 per cent of the total financing value. For a more detailed overview of such title deed, see Section 10.7.1 (*Title Deeds*).

The main financial and non-financial covenants given by the Company in favour of Riyad Bank under the agreement include the following:

- an undertaking not to undergo a change in the ownership or the legal entity of the Company without obtaining written consent from Riyad Bank;
- an undertaking not to sell or mortgage any of the Company's assets until all dues to Riyad Bank are settled and after obtaining the written consent from Riyad Bank;
- an undertaking to maintain the mortgaged property, and to cover its expenses and maintenance;
- an undertaking to provide Riyad Bank with the audited annual financial statements within a period of six months from the end of the financial year; and
- an undertaking to obtain an insurance policy against all risks on the mortgaged property and to assign the insurance claims proceeds to Riyad Bank in an amount equivalent to the Company's indebtedness to Riyad Bank.

In addition, Riyad Bank shall have the right to terminate the financing and claim payment of any outstanding amounts, in the following cases:

- the Company's failure to make timely payments of any due amounts;
- the Company's failure to fulfill any of the conditions stipulated in the agreement;
- the initiation of legal proceedings, such as lawsuits, judicial procedures, seizures, or the issuance of any decision or judgment leading to the liquidation of the Company's operations or the appointment of a judicial guardian for the Company;
- any change in the Company's legal form or structure without prior notification and consent from Riyad Bank; and
- the occurrence of bankruptcy or insolvency affecting the Company or its guarantors.

The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be resolved amicably. Otherwise, such disputes shall be referred to the Banking Committee.

Pursuant to a letter dated 12 Rabi' al-Awwal 1445H (corresponding to 27 September 2023G), Riyad Bank consented to the Offering and the waiver of the personal guarantees upon the completion of listing the Company's Shares in the Parallel Market.

10.6 Insurance Policies

The Company maintains insurance policies covering different types of risks they may be exposed to. These insurance policies have been concluded with several insurers. The following table sets out the key particulars of the insurance policies held by the Company.

Table 10.7: Details of Insurance Policies

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
C1-221602000024	Fidelity guarantee insurance policy	Wala'a Cooperative Insurance Company	4 Jumada al-Ula 1444H (corresponding to 28 November 2022G) to 13 Jumada al-Ula 1445H (corresponding to 27 November 2023G)	SAR 400,000
C1-22601000023	Money insurance policy	Wala'a Cooperative Insurance Company	4 Jumada al-Ula 1444H (corresponding to 28 November 2022G) to 13 Jumada al-Ula 1445H (corresponding to 27 November 2023G)	SAR 475,000
C1-22500000146	Comprehensive general liability insurance policy	Wala'a Cooperative Insurance Company	4 Jumada al-Ula 1444H (corresponding to 28 November 2022G) to 13 Jumada al-Ula 1445H (corresponding to 27 November 2023G)	SAR 500,000
C01-2220030000779	Property all risks insurance policy	Wala'a Cooperative Insurance Company	4 Jumada al-Ula 1444H (corresponding to 28 November 2022G) to 13 Jumada al-Ula 1445H (corresponding to 27 November 2023G)	SAR 107,374,933.48
23485170	Medical Insurance Policy	Tawuniya Insurance Company	17 Shawwal 1443H (corresponding to 18 May 2022G) to 27 Shawwal 1444H (corresponding to 17 May 2022G) ⁽¹⁾	Not available

Source: The Company.

⁽¹⁾ The insurance policy is expired, and the Company renewed this policy with Tawuniya Insurance Company, but did not receive the renewed policy as of the date of this Prospectus.

10.7 Real Estate

10.7.1 Title Deeds

As of the date of this Prospectus, the Company owns the following title deeds:

Table 10.8: Details of Title Deeds Owned by the Company

No.	Title Deed Particulars	Location	Description and Purpose	Rights of Third Parties/Disputes
1.	Title deed number 293533003117 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Al-Nada District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 5,329.81 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
2.	Title deed number 293533003119 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Shobra District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
3.	Title deed number 393533003112 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Shobra District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
4.	Title deed number 393533003113 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Shobra District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
5.	Title deed number 393533003120 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Shobra District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
6.	Title deed number 793533003115 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Shobra District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
7.	Title deed number 793533003116 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Shobra District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
8.	Title deed number 293533003123 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Al-Rayyan District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 2,800 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
9.	Title deed number 393533003111 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Al-Rayyan District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 1,600 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
10.	Title deed number 394099000895 dated 27 Muharram 1445H (corresponding to 14 August 2023G)	Al-Rayyan District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 2,500 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Riyad Bank pursuant to the financing agreement entered into by the Company with Riyad Bank.
11.	Title deed number 393533003121 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Almalqa District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 3,405.88 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.

No.	Title Deed Particulars	Location	Description and Purpose	Rights of Third Parties/Disputes
12.	Title deed number 393533003124 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Almalqa District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 2,979.85 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
13.	Title deed number 793533003122 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Alyasmeen District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 1,764 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
14.	Title deed number 993533003118 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Alyasmeen District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 1,860 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
15.	Title deed number 393533003125 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Al Nakheel District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 2,430 sqm, for the purpose of constructing the Company's headquarters, with the remaining portion of the land being combined with the land on title deed 493533003113 to construct and operate a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.
16.	Title deed number 493533003114 dated 4 Muharram 1444H (corresponding to 2 August 2022G)	Al Nakheel District, Riyadh, Kingdom of Saudi Arabia	Plot of land with a total size of 2,160 sqm, for the purpose of constructing and operating a fitness club facility.	The title deed is pledged to Bank AlJazira pursuant to the financing agreement entered into by the Company with Bank AlJazira.

Source: The Company.

10.7.2 Summary of Valuation of Lands Valued by Real Estate Evaluators

The lands transferred by an in-kind contribution represented in the transfer of ownership of ten properties, from Jiad United for Real Estate Development Company to the Company, and these properties have been evaluated by both Al Taweel Real Estate evaluation office, whose evaluation amounted to two hundred and thirty-seven million two hundred and thirty-four thousand Saudi Arabian Riyals (SAR 237,234,000), and Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation, whose evaluation amounted to two hundred and thirty-five million three hundred and fifty-five thousand and one hundred and fifty-two Saudi Arabian Riyals (SAR 235,355,152).

The following table demonstrates the summary of the land valuations according to reports prepared by Al Taweel Real Estate evaluation office and Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation:

Table 10.9: Land Valuation According to the Report Prepared By Al Taweel Real Estate Evaluation Office, dated 17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G)

Location	Area (sqm)	Valuation Value as of June 2022G (SAR) ⁽¹⁾
Shobra District, Riyadh, Kingdom of Saudi Arabia	3,000	18,000,000
Al Malqa District, Riyadh, Kingdom of Saudi Arabia	3,405.88	42,233,000
Al Malqa District, Riyadh, Kingdom of Saudi Arabia	2,979.85	41,122,000
Al Rayyan District, Riyadh, Kingdom of Saudi Arabia	4,400	20,680,000
Al Rayyan District, Riyadh, Kingdom of Saudi Arabia	2,500	12,750,000
Al Nakheel District, Riyadh, Kingdom of Saudi Arabia	2,430	18,711,000
Al Nakheel District, Riyadh, Kingdom of Saudi Arabia	2,160	16,200,000
Al Nada District, Riyadh, Kingdom of Saudi Arabia ⁽²⁾	5,329.81	38,908,000
Al Yasmeeen District, Riyadh, Kingdom of Saudi Arabia	3,624	28,630,000

Source: Land valuation report prepared by Al Taweel Real Estate evaluation office.

⁽¹⁾ The value quoted indicates the valuation of the price of the land only, and does not include any buildings that have been built. This value also reflects the valuation of land at the date of preparation of the report, and this value may change according to the current conditions in the real estate market in the Kingdom and the valuation may be affected by global and local economic conditions, social and political changes and other risks.

⁽²⁾ The two lands in Al Nada District, with a total area of 5,330 sqm, were evaluated as one land.

Table 10.10: Land Valuation According to the Report Prepared By Ahmad and Mohammed sons of Ibrahim Ben Saedan Company for Real Estate Evaluation, dated 6 Thul-Qi'dah 1443H (corresponding to 5 June 2022G)

Location	Area (sqm)	Valuation Value as of June 2022G (SAR) ⁽¹⁾
Al Malqa District, Riyadh, Kingdom of Saudi Arabia	3,405.88	40,189,384
Al Malqa District, Riyadh, Kingdom of Saudi Arabia	2,979.85	38,738,050
Al Rayyan District, Riyadh, Kingdom of Saudi Arabia	2,500	13,750,000
Al Nada District, Riyadh, Kingdom of Saudi Arabia ⁽²⁾	5,329.81	41,572,518
Al Yasmeen District, Riyadh, Kingdom of Saudi Arabia	3,624	28,267,200
Al Nakheel District, Riyadh, Kingdom of Saudi Arabia ⁽³⁾	4,590	37,638,000
Shobra District, Riyadh, Kingdom of Saudi Arabia	3,000	13,200,000
Al Rayyan District, Riyadh, Kingdom of Saudi Arabia	4,400	22,000,000

Source: Land valuation report prepared by Ahmad and Mohammed sons of Ibrahim Ben Saedan company for real estate evaluation.

⁽¹⁾ The value quoted indicates the valuation of the price of the land only, and does not include any buildings that have been built. This value also reflects the valuation of land at the date of preparation of the report, and this value may change according to the current conditions in the real estate market in the Kingdom and the valuation may be affected by global and local economic conditions, social and political changes and other risks.

⁽²⁾ The two lands in Al Nada District, with a total area of 5,330 sqm, were evaluated as one land.

⁽³⁾ The two lands in Al Nakheel District, with a total area of 4,590 sqm, were evaluated as one land.

10.7.3 Leases

As of the date of this Prospectus, the Company has entered into a number of lease agreements in connection with its business. The Company, being the lessee in these agreements, ensures the payment of the rental amounts as specified in each agreement and generally does not have the right to assign or sublease the agreements in whole or in part to any third party. The leasing terms varies for every lease agreement, generally falling between the ranges of one to twenty years; some agreements provide for automatic renewal. Most of the agreements allow either party of the relevant agreement to terminate such agreement by providing prior notice of not less than one to three months before the expiry of the agreement. The Board of Directors of the Company declares that there are no material leases on which the Company relies in its operations, except as noted in the table below. The following table shows the lease agreements by lease term:

Table 10.11: Details of Lease Agreements Entered into by the Company as Lessee

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/Assignment
1.	Prime Unit for Development and Real Estate Investment Company	Abdullah Sulaiman Street, Jeddah, Kingdom of Saudi Arabia	3,540 sqm	SAR 1,610,868.35 annually for the first five years period, SAR 1,691,411.77 annually for the second five years period, SAR 1,775,982.36 annually for the third five years period and SAR 1,864,781.48 annually for the last five years period.	Twenty years starting from 1 Shawwal 1441H (corresponding to 24 May 2020G). The lease agreement may be renewed by executing a new lease agreement between the parties.	The affected party has the right to terminate the lease with immediate effect by a written notice if the other party has breached one of his obligations under this agreement and fails to remedy it within 15 days of receiving such notice. The lessor has the right to terminate the lease agreement with immediate effect if the lessee is bankrupt or insolvent.	Constructing and operating a fitness club facility.	N/A
2.	Ahmad Abdullah Alsama' for Construction Establishment ⁽¹⁾	Al-Salama District, Jeddah, Kingdom of Saudi Arabia	7,010 sqm	SAR 2,804,000 annually for the first year, SAR 3,154,500 annually for the second year until the fifth year, SAR 3,329,750 annually for the sixth year until the 10th year, SAR 3,505,000 annually for the 11th year until the 15th year and SAR 3,645,200 for last five years.	Twenty years and seven months starting from 12 Thul-Qi'dah 1442H (corresponding to 22 June 2021G). The lease agreement may be renewed by executing a new lease agreement.	The lessee has the right to terminate the lease upon six months written notice provided to the lessor, following the lapse of 15 years from the commencement date of the lease.	Constructing and operating a fitness club facility.	The lessee may assign or sublease the leased premise.

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/Assignment
3.	Ahmad Fuad Salem Al-Nahdi	Abi Baker Alktbi Street, Jeddah, Kingdom of Saudi Arabia	120 sqm	SAR 10,000 every six months.	One year starting from 5 Thul-Hijjah 1442H (corresponding to 15 July 2021G). The lease agreement is automatically renewable for a similar term, unless either party notifies the other party 60 days prior to the end of the term.	The effected party has the right to terminate the lease with immediate effect by a written notice if the other party has breached one of his obligations under this agreement and fails to remedy it within 15 days of receiving such notice.	Workers' accommodation	The lessee shall not sublease the leased premise.
4.	Ameera Mohammed Al-Khadafi	Abi Baker Alktbi Street, Jeddah, Kingdom of Saudi Arabia	120 sqm	SAR 10,000 every six months.	One year starting from 24 Muharram 1443H (corresponding to 1 September 2021G). The lease agreement is automatically renewable for a similar term, unless either party notifies the other party 60 days prior to the end of the term.	The effected party has the right to terminate the lease with immediate effect by a written notice if the other party has breached one of his obligations under this agreement and fails to remedy it within 15 days of receiving such notice.	Workers' accommodation	The lessee shall not sublease the leased premise.

Source: The Company.

⁽¹⁾ As of the date of this Prospectus, the agreement is not registered under Ejari platform.

10.8 Contracts and Transactions in which Directors have an Interest

10.8.1 Transactions on a Purchase Order Basis Between the Company and Al Hayat Investment Company

The Company (as the purchaser) has made several transactions, on a purchase order basis, for the purchase and installation of equipment for its fitness clubs, with Al Hayat Investment Company (as the supplier). The total value of the purchase orders amounted to SAR 2,033,744 for the financial year ended 31 December 2021G, and SAR 3,249,338 for the financial year ended 31 December 2022G, respectively. The purchase orders are generally issued using the Company's standard purchase orders, including its terms and conditions.

These transactions include an indirect interest of the following Directors: (i) Abdulmohsen Ali Mohammed Alhagbani; (ii) Fahad Ali Mohammed Alhagbani; (iii) Sulaiman Khaled Sulaiman Alkadi; and (iv) Dr. Asma Khaled Sulaiman Alkadi. These transactions and interests were presented to and approved by the Company's General Assembly at its meeting dated 10 Shawwal 1444H (corresponding to 30 April 2023G), for the purpose of Article 27 of Companies Law.

10.8.2 Transactions on a Purchase Order Basis Between the Company and Blue Construction Company

The Company (as the purchaser) has made several transactions, on a purchase order basis, for the purchase and installation of sport swimming pools for its fitness clubs, with Blue Construction Company (as the supplier). The total value of the purchase orders amounted to SAR 2,715,780 for the financial year ended 31 December 2021G, and SAR 2,833,898 for the financial year ended 31 December 2022G, respectively. The purchase orders are generally issued using the Company's standard purchase orders, including its terms and conditions.

These transactions include an indirect interest of the following Directors: (i) Abdulmohsen Ali Mohammed Alhagbani; (ii) Fahad Ali Mohammed Alhagbani; (iii) Sulaiman Khaled Sulaiman Alkadi; and (iv) Dr. Asma Khaled Sulaiman Alkadi. These transactions and interests were presented to and approved by the Company's General Assembly at its meeting dated 10 Shawwal 1444H (corresponding to 30 April 2023G), for the purpose of Article 27 of Companies Law.

10.8.3 Transactions on a Purchase Order Basis Between the Company and Sertah United Construction Company

The Company (as the purchaser) has made several transactions, on a purchase order basis, for the purchase and supply of construction equipment for building a fitness clubs, with Sertah United Construction Company (as the supplier). The total value of the purchase orders amounted to SAR 16,115,100 for the financial year ended 31 December 2021G, and SAR 23,324,016 for the financial year ended 31 December 2022G, respectively. The purchase orders are generally issued using the Company's standard purchase orders, including its terms and conditions.

These transactions include an indirect interest of the Director, Sulaiman Khaled Sulaiman Alkadi. These transactions and interests were presented to and approved by the Company's General Assembly at its meeting dated 10 Shawwal 1444H (corresponding to 30 April 2023G), for the purpose of Article 27 of Companies Law.

10.8.4 Storage and Distribution Agreement Between the Company and SKAT Trading Company

The Company (as the client) entered into a Storage and Distribution agreement, for the purpose of obtaining logistical services, with SKAT Trading Company (as the service provider). The total value of the agreement amounted to SAR 742,257 for the financial year ended 31 December 2021G, and SAR 719,562 for the financial year ended 31 December 2022G. The agreement shall be valid for a term of one year commencing from 13 Muharram 1442H (corresponding to 1 September 2020G) until 24 Muharram 1443H (corresponding to 1 September 2021G), and is automatically renewable. This agreement is governed by the Laws of the Kingdom, and any disputes arising therefrom shall be referred to the competent authorities.

These transactions include an indirect interest of the following Directors: (i) Abdulmohsen Ali Mohammed Alhagbani; (ii) Fahad Ali Mohammed Alhagbani; (iii) Sulaiman Khaled Sulaiman Alkadi; and (iv) Dr. Asma Khaled Sulaiman Alkadi. These transactions and interests were presented to and approved by the Company's General Assembly at its meeting dated 10 Shawwal 1444H (corresponding to 30 April 2023G), for the purpose of Article 27 of Companies Law.





10.9 Intellectual Property

10.9.1 Trademarks

As of the date of this Prospectus, the Company submitted an application to register the trademark it uses to carry out its business. Therefore, if the Company failed to protect its trademarks it would be forced to take legal action necessary to protect the same, which could have an adverse effect on its ability to use such trademarks. For further details on risks related to the trademarks, see Section 2.1.34 (*Risks Related to the Protection of Intellectual Property Rights*).

The following table sets out certain key particulars of the Company's trademarks, both of which are under processing with the Saudi Authority for Intellectual Property:

Table 10.12: Details of Registered Trademarks

Country of Registration	Description of Trademark	Validity/Expiration Date	Category	Logo
The Kingdom	Three vertices of a triangle in three corners and a triangle in the middle, with the word "ARMAH" written in Latin letters in black contrasting with the white background and "أرماح" written in black contrasting with the white background.	Registered on 27 Ramadan 1442H (corresponding to 9 May 2021G) valid until 18 Rajab 1452H (corresponding to 14 November 2030G).	41	
The Kingdom	The word "B_FIT" written in Latin letters in black contrasting with the white background.	Registered on 6 Rabi' al-Awwal 1440H (corresponding to 14 November 2018G) valid until 21 Thul-Hijjah 1449H (corresponding to 16 May 2028G).	41	
The Kingdom	The word "BYLD" written in Latin and Arabic letters in black contrasting with the white background, each ending with a full stop.	Registered on 6 Shawwal 1442H (corresponding to 18 May 2021G) valid until 22 Rajab 1452H (corresponding to 18 November 2030G).	41	
The Kingdom	The word "OPTIMO" written in Latin letters in gold contrasting with the Black background.	Registered on 9 Ramadan 1440H (corresponding to 14 May 2019G) valid until 1 Jumada al-Ula 1450H (corresponding to 20 September 2028G).	41	

Source: The Company.

10.9.2 The Company's Other Intellectual Properties

The Company owns the rights to a number of soundtracks using human vocals, pursuant to an agreement entered into by the Company and Culturale Mezzotono dated 15 Rabi' al-Thani 1443H (corresponding to 20 November 2021G) for a term of three years.

The Company owns one internet domain registered under its name. The following table sets out the details of the internet domain registered under the Company's name:

Table 10.13: Details of Internet Domain Name

Internet Domain Name	Expiration Date
armah.com.sa	2 Thul-Qi'dah 1445H (corresponding to 10 May 2024G)
bfit.com.sa	15 Rajab 1445H (corresponding to 27 January 2024G)
bfit.sa	15 Rajab 1444H (corresponding to 27 January 2024G)
optimo.com.sa	2 Thul-Qi'dah 1445H (corresponding to 10 May 2024G)
optimo.sa	2 Thul-Qi'dah 1445H (corresponding to 10 May 2024G)

Source: The Company.

10.10 Litigation

As of the date of this Prospectus, the Company is not involved in any pending litigation, lawsuits or claims.

10.11 Summary of Bylaws

10.11.1 Name of the Company

The name of the Company is "Armah Sports Company", a Saudi closed joint stock company.

10.11.2 Activities of the Company

The Company's activities are:

- the operation of sports facilities;
- activities of sports clubs;
- consultancy activities in the management field;
- the provision of human resources on a long-term or generally permanent basis;
- activities of integrated administrative services for offices;
- hairdressing and other types of cosmetology;
- other personal service activities not classified elsewhere;
- other catering activities; and
- wholesale and retail trade and repair of motor vehicles and motorcycles - and other types of retail sale in non-specialized stores - retail sale of carpets, rugs, floor cladding and walls in specialized stores - retail sale of household electrical appliances, furniture, lighting equipment and other household items in specialized stores - retail sale of sports tools in specialized stores - the retail sale of pharmaceutical, medical and cosmetic products - decorative objects in specialized stores - retail sale of audio and visual equipment in specialized stores - other types of retail outside stores, stalls and markets)

The Company carries out its activities according to the applicable regulations and following obtaining the required licences, if any, from the competent authorities.

10.11.3 Participation

The Company has the right to participate in other companies, and it may incorporate companies (limited liability or closed joint stock companies) provided that the capital thereof is not less than five million Saudi Arabian Riyals (SAR 5,000,000).

10.11.4 Headquarters of the Company

The Company's headquarters shall be located in the city of Riyadh, Kingdom of Saudi Arabia. The Board of Directors may establish branches, offices or agencies within or outside the Kingdom by approval of the competent authorities.

10.11.5 Duration of the Company

The term of the Company shall be ninety-nine (99) years commencing from the date of its registration in the commercial register as a closed joint stock company. This term may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

10.11.6 Company's Share Capital

The share capital of the Company is set at two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000) divided into twenty-eight million seven hundred and fifty-two thousand five hundred (28,752,500) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, all of which are ordinary in-kind Shares.

10.11.7 Capital Subscription

The Shareholders have subscribed to all of the Company's Shares, amounting to twenty-eight million seven hundred and fifty-two thousand five hundred (28,752,500) Shares and have paid their value in full, with a total value of two hundred and eighty-seven million five hundred and twenty-five thousand Saudi Arabian Riyals (SAR 287,525,000), and the Shareholders acknowledge their joint liability in their own funds towards third parties that the full capital of seventy-one million and five hundred and forty thousand Saudi Arabian Riyals (SAR 71,540,000) was paid prior to the conversion, while the increase in capital in the amount of two hundred and fifteen million and nine hundred and eighty-five thousand Saudi Arabian Riyals (SAR 215,985,000) was fully paid by an in-kind contribution in the amount of two hundred and fifteen million and nine hundred and eighty-five thousand Saudi Arabian Riyals (SAR 215,985,000), which is the value of eight (8) real estate properties owned by the Company as valued by an accredited real estate valuer.

10.11.8 Unpaid Value of Shares

If a Shareholder fails to pay the value of a Share when it falls due, the Board of Directors may, after giving such Shareholder a notice by registered mail sent to his address specified in the Shareholders' register, sell such Shares in a public auction or on the Exchange, according to the circumstances and in accordance with the regulations specified by the competent authority. The Company shall recover from the proceeds of sale such amounts as are due to it and shall refund the balance to the Shareholder. If the proceeds of the sale fall short of amounts due, the Company shall have a claim on the entirety of the unpaid balance from the defaulting Shareholder's personal assets. Nevertheless, a defaulting Shareholder may, up to the date of sale of such Shares, pay the outstanding value of such Share plus all expenses incurred by the Company in this regard. The Company shall cancel the Shares sold in accordance with the provisions of this Article and give the purchaser new Shares bearing the serial numbers of the cancelled Shares and make a notation to this effect in the Shareholders' register, together with the name of the new holder.

10.11.9 Issuance of Shares

The Shares shall be classified as nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added as a separate item under Shareholders' equity and may not be distributed to Shareholders as profits. A Share shall be indivisible vis à vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

10.11.10 Trading of Shares

Shares subscribed to by Shareholders may not be tradable except upon the publication of the financial statements for two consecutive financial years from the date of the Company's conversion, provided that each year is not less than twelve (12) months. The certificates for such Shares shall be marked with an indication of their type, the date of the Company's conversion and the restriction period for trading. During the lock-up period, Shares owned by a Shareholder may be transferred to another Shareholder in accordance with the provisions governing the sale of rights, or from the heirs of a deceased Shareholder to a third party, or to a third party in the event of enforcement against the property of an insolvent or bankrupt Shareholder, without prejudice to other Shareholders' right of first refusal. The provisions of this Article shall apply to such Shares that are subscribed by the Shareholders in the event of a capital increase prior to expiration of the lock-up period.

10.11.11 Shareholder's Register

The Shares shall be transferred by registration in the Shareholders' register maintained or outsourced by the Company. This register contains the names of the Shareholders, their nationalities, places of residence and professions, in addition to the serial numbers of the Shares and the amount paid thereof, while an annotation reflecting the same shall be made on the Shares. The transfer of title to a Share shall not be effective vis à vis the Company or any third party until the date of its registration in said register.

10.11.12 Increase of Share Capital

The Extraordinary General Assembly may resolve to increase the Company's capital, provided that the authorized capital has been paid up in full, unless the unpaid amount of the authorized capital is allocated for Shares issued in exchange for converting debt instruments or financing instruments into Shares and the period specified for conversion has not yet expired.

The Extraordinary General Assembly shall in all cases allocate the issued Shares when increasing the Company's capital or any part thereof for the employees of the Company. It is not permissible for the Shareholders to exercise their pre-emptive rights when the Company issues Shares to its employees.

Upon the issuance of a resolution approving the capital increase by the Extraordinary General Assembly, the Shareholders shall have the pre-emptive right to subscribe to the newly issued Shares issued for a cash contribution. The Shareholders shall be notified of their pre-emptive rights to such capital increase by a publication in a daily newspaper or by a notice to be sent to them by registered mail, which shall include the conditions for subscription, its term, and start and end dates.

The Extraordinary General Assembly may suspend working with the priority of the Shareholders in the subscription for Shares issued following the capital increase or giving priority to non-shareholders in the cases that may be seen as appropriate for the interest of the Company.

A Shareholder may sell or assign its pre-emptive rights during the period from the date of the Extraordinary General Assembly Resolution approving the capital increase until the subscription closing date, in accordance with the applicable laws.

Subject to the abovementioned provisions, the new shares shall be distributed to the holder of priority rights who requested subscription, in proportion to the priority rights they hold from the total priority rights resulting from the increase in the capital, provided that their subscription does not exceed the new Shares requested. The rest of the new Shares shall be distributed to the original holders of priority rights who have requested more than their portion of original Shares provided that their subscription does not exceed their request for new Shares. The remaining Shares shall be offered to third parties, unless the Extraordinary General Assembly decides or the Capital Market Law states otherwise.

10.11.13 Decrease of Share Capital

The Extraordinary General Assembly may resolve to decrease the Company's capital if it exceeds the Company's needs or if the Company suffers losses. In the latter case alone, the capital may be decreased to less than the limit stipulated in Article 54 of the Companies Law. Such resolution shall be issued only after receiving a special report prepared by the auditor on the reasons for such reduction, the obligations to be fulfilled by the Company and the impact of the reduction on such obligations.

If the capital decrease is due to it being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such a reduction within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper distributed in the area where the Company's headquarters are located. Should any creditor object to such reduction and present to the Company evidentiary documents within the period set above, the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is payable at a future date.

10.11.14 Board of Directors

The Company shall be managed by a Board of Directors consisting of eight (8) members to be elected by the Ordinary General Assembly for a period not exceeding three (3) years. As an exception to the above, the Company's first Board of Directors was appointed for a term of five (5) years.

10.11.15 Membership Termination

A Director's membership in the Board shall be terminated upon the expiry of the Board's term or upon the termination of that Director's membership in the Board pursuant to the applicable laws or regulations in the Kingdom. However, the Ordinary General Assembly may at any time dismiss all or some of the Board of Directors without prejudice to the right of the dismissed Director(s) towards the Company to claim compensation if dismissed unreasonably or at an inappropriate time. A Director has the right to tender his/her resignation, provided that such resignation occurs at an appropriate time; otherwise, said Director shall be liable towards the Company for damages resulting from his/her resignation.

10.11.16 Board Vacancy

If a position on the Board of Directors becomes vacant, the Board of Directors may appoint a temporary Director to fill the vacancy, in line with the number of votes obtained at the General Assembly that elected the Board of Directors, provided that such Director is experienced and eligible. The Ministry of Commerce shall be notified within five (5) business days from the date of appointment, such appointment shall be submitted to the earliest Ordinary General Assembly and the new Director shall complete the term of his/her predecessor. Where the conditions required for holding a Board of Directors meeting are not satisfied because the number of Directors falls below the minimum prescribed in the Company's Law or the Bylaws, the remaining Directors must call the General Assembly to convene within sixty (60) days to elect the required number of Directors.

10.11.17 Powers and Duties of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with the widest powers to manage the Company and supervise its affairs, and shall have the right to participate in other companies and within the limits of its competences shall have the right to authorize one or more of its members or third parties to carry out a particular business or business, as well as the right to conduct its affairs and dispose of its assets, properties and real estate. However, the Board may not sell or mortgage the Company's real estate without obtaining the approval of the Ordinary General Assembly in accordance with the following conditions:

- the Board of Directors shall set out, in its sale resolution, the reasons and justifications for the sale;
- the sale shall be for an equivalent value;
- the sale shall be for due consideration, with the exception of special situations and with sufficient guarantees; and
- such disposal shall not result in the suspension of the Company's activities or the imposition of other liabilities.

The Board may also appoint and dismiss employees and workers, request visas, recruit manpower from outside the Kingdom, enter into contracts with them, determine their salaries, issue their residence permits and transfer their sponsorship and waive guarantees.

The Board shall also have the right to conclude and obtain loans from Government funds and financial institutions, in addition to commercial banks, provided that the following conditions apply in respect of any loan having a term exceeding three (3) years:

- the Board shall ensure that the terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, its Shareholders or the guarantees provided to the Company's creditors;
- the Board shall specify, in its resolution, the manner in which the loan will be used and how it will be repaid; and
- the loan amounts executed in any given financial year shall not exceed 50.0 per cent. of the Company's capital.

The Board shall also have the right to discharge the Company's debtors from their obligations in a manner that serves the Company's interests, provided that the reason of such decision is recorded in the minutes of the relevant meeting of the Board of Directors and that the Board's decision observes the following:

- the discharge shall be after the lapse of at least one year from the establishment of the debt, subject to the Company claiming such debt in accordance with the relevant procedures during the relevant period;
- the right to discharge shall be exclusive to the Board of Directors, and may not be delegated; and
- the discharge shall be for a specified maximum amount for each year, and for one debt for each debtor.

10.11.18 Remuneration of the Directors

The members of the Board of Directors shall be remunerated in accordance with the Company Bylaws and within the limits of the Companies Law and its implementing regulations.

The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all amounts received by Directors during the financial year by way of remuneration, expenses, and other benefits, as well as all amounts received by the Directors during the financial year in remuneration, allowances, expenses and other benefits and amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration for technical, administrative or advisory services. The report shall also include a statement of the number of Board meetings and the number of meetings attended by every Director as of the date of last General Assembly meeting.

10.11.19 The Authorities of the Chairman

The Board shall appoint one of its members as Chairman and another member as deputy, and may appoint a Managing Director. No member may be a chairman and appointed to another executive position in the Company.

The Chairman shall have the required authority for representation of the Company with third parties, including in connection with (i) the sale and purchase of real estate, (ii) the import and export of products, (iii) participation in governmental tenders, (iv) disputes, litigations and investigations adjudicated by judicial and quasi-judicial bodies, (v) governmental affairs and processes.

The Board shall appoint a Secretary from the Directors or others and shall determine his/her responsibilities and compensation. The Secretary shall be responsible for documenting the Board meetings and preparing all minutes.

The term of office of the Chairman, Managing Director and the Secretary, if a member of the Board, shall not exceed their respective terms of service as members of the Board. They may be reappointed and Board dismissed at any time without prejudice to the right of the dismissed, if the dismissal was due to illegitimate reasons or at an inappropriate time.

10.11.20 Board Meetings

The Board of Directors shall be convened no less than two (2) times per year upon a written invitation from the Chairman. The invitation shall also include the agenda of the meeting. The Chairman shall call a meeting of the Board if requested by any two Directors. Invitations shall be sent by registered mail, or delivered in person, or by fax or email, at least two weeks prior to the scheduled time for the meeting. All Directors shall sign the minutes of the meeting.

10.11.21 Quorum and Representation

A meeting of the Board shall only be valid if attended by a minimum of three (3) Directors. A Director may delegate another Director to attend Board meetings by proxy; however, such delegation must be made according to the following guidelines:

- a Director may not act as a proxy for more than one other Director at the same meeting;
- a proxy shall be appointed in writing, and in connection with a specific meeting; and
- a Director acting by proxy may not vote on resolutions on which his/her principal is prohibited from voting.

Resolutions of the Board shall be adopted by the majority vote of the Directors present or represented by proxy.

10.11.22 Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the attending Directors and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

10.11.23 Shareholders Assemblies

Each Shareholder, regardless of the number of his/her shareholding, has the right to attend the Conversion General Assembly in person or by another Shareholder on his/her behalf by proxy.

Each Shareholder has the right to attend the General Assembly or delegate another Shareholder who is not a member of the Board of Directors or a Company's employee to attend the General Assembly on his/her behalf.

10.11.24 Conversion General Assembly

The Shareholders shall invite all subscribers to a Conversion General Assembly within forty-five (45) days from the date of the decision of the Ministry of Commerce to authorize the conversion of the Company. In order to be validly constituted, the Conversion General Assembly must be attended by Shareholders representing at least half (1/2) of the Company's capital. If such majority is not achieved, an invitation shall be sent for a second meeting 15 days from the end of the first meeting. In any event, this second meeting shall be valid regardless of the number of Shareholders represented therein.

The Conversion General Assembly shall have the competencies listed in Article 63 of the Companies Law.

10.11.25 Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called when necessary.

10.11.26 Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted under the law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly and under the same conditions and manners as prescribed for the latter.

10.11.27 Manner of Convening Assemblies

General Assemblies and assemblies of holders of preferred Shares are convened at the invitation of the Board, including in the event that this is requested by the Company's external auditors, the Audit Committee or by a number of Shareholders representing at least 5.0 per cent. of the Company's capital. The external auditors may convene the General Assembly if the Board does not convene a General Assembly within 30 days from the date of the external auditor's request.

Invitations for General Assembly meetings shall be published in a daily newspaper distributed in the vicinity of the Company's headquarters, at least twenty-one (21) days prior to the date set for the meeting. Nevertheless, it suffices to send the invitation to all Shareholders by registered mail within the time limit set above. A copy of both the invitation and the agenda shall be sent to the Ministry of Commerce within the period specified for publication. It is sufficient to send the invitation within the aforementioned time period to all Shareholder by registered letters.

10.11.28 Record of Attendance

Shareholders who wish to attend the General Assembly must register their names in the Company's headquarters before the time specified for the General Assembly.

10.11.29 Quorum of the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least a quarter (25.0 per cent.) of the Company's share capital. If such quorum cannot be achieved at the first meeting, a call for convening a second meeting, within thirty (30) days following the prior meeting, shall be made and declared in the manner prescribed in article twenty-nine (29) of the Bylaws. In all cases, the second meeting shall be valid regardless of the number of Shares represented therein.

10.11.30 Quorum of the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall only be valid if attended by Shareholders representing at least half (50.0 per cent.) of the Company's share capital. If such quorum cannot be achieved at the first meeting, an invitation for a second meeting shall be made in the manner prescribed in article twenty-nine (29) of the Bylaws. In all cases, the second meeting shall be valid if attended by Shareholders representing at least a quarter (25.0 per cent.) of the Company's share capital. If such quorum cannot be achieved at the second meeting, an invitation for a third meeting shall be made in the same manner prescribed in Article twenty-nine (29) of the Bylaws. The third meeting shall be valid regardless of the number of Shares represented therein, following the approval of the competent authorities.

10.11.31 Voting Rights

Each Shareholder shall have a vote for every Share represented by him/her in the constituent General Assembly meeting, and cumulative voting shall be used in electing the Board of Directors.

10.11.32 Resolutions

Resolutions of the Conversion General Assembly shall be adopted by an absolute majority vote of the Shares represented at the meeting, and resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company or establishment, such resolution shall be valid only if adopted by a majority vote of three quarters (3/4) of the Shares represented at the meeting.

10.11.33 Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and external auditors. The Directors or external auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interests. If a Shareholder deems the answer to the question unsatisfactory, such Shareholder may refer the issue to the General Assembly and its decision in this regard shall be conclusive.

10.11.34 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman, or in his absence, his deputy or whomever is delegated by the Board of Directors if both the Chairman and the deputy are absent. Minutes shall be taken for the meeting and shall include the names of the Shareholders in attendance, in person or represented by proxy, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of assenting and dissenting votes to such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register and shall be signed by the Chairman, the Secretary and the vote-counter.

10.11.35 Audit Committee

The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly and shall consist of three (3) members from the Shareholders or others, provided that no executive Director is among its members. The resolution shall also determine the Audit Committee's composition rules, mandate and procedures as well as the remuneration of its members.

The meeting of the Audit Committee shall be valid by the presence of a majority of its members. All of its decisions shall be made by the majority of votes of the attending members. In the event of a tie, the committee chairman's vote shall be decisive.

The Audit Committee shall oversee the affairs of the Company. As a result, it has the right to review all of the Company's records and documents and obtain any explanations or statements from the members of the Board of Directors or the executive management. The Committee may request that the Board of Directors call an Ordinary General Assembly if the Board of Directors obstructs its course of work or the Company suffers serious damage or losses.

The Audit Committee shall check the Company's financial statements and the reports and notes to be provided by the auditor and shall express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the internal control in the Company, along with other activities within its competence. The Board of Directors shall deposit enough copies of this report in the Company's headquarters at least twenty-one (21) days prior to the date of the regular general meeting convention, in order to provide it to any Shareholder wishing to have the same. The report shall be read out at the meeting.

10.11.36 The Auditor

The Company shall have one or more external auditors licenced to practice in the Kingdom. The Ordinary General Assembly may appoint the external auditors annually and determine their remuneration and the duration of work. The Ordinary General Assembly may change the external auditor at any time without prejudice to their rights to compensation if such change was due to an illegitimate reason or at an inappropriate time.

The external auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as they deem necessary. They may further verify the Company's assets and liabilities. The Chairman shall enable the external auditors to perform their duty specified in the preceding paragraph. If the external auditors encounter difficulty in this regard, they shall record that in a report submitted to the Board of Directors. If the Board does not facilitate the work of the external auditors, the latter shall call an Ordinary General Assembly to consider the matter.

10.11.37 Financial Year

The Company's financial year shall commence on 1 January and expire on 31 December of each year, provided that the first financial year commences on the date of its registration in the commercial register as a closed joint stock company and expires on 31 December of the following year.

10.11.38 Financial Documents

At the end of each financial year, the Board of Directors shall prepare the Company's financial statements and a report of its activities and financial position for such financial year, including the proposed method to distribute the net profits. The Board of Directors shall put these documents at the disposal of the external auditors within the statutory period stipulated in the Companies Law.

The Chairman of the Board of Directors, the Chief Executive Officer and the Financial Manager shall sign the documents set forth in the above paragraph, and copies thereof shall be deposited at the Company's headquarters at the disposal of the Shareholders at least twenty-one (21) days before the date specified for the General Assembly.

The Chairman of the Board of Directors shall provide the Shareholders with the Company's financial statements, the Board of Directors' report and the external auditors' report, unless they are published in a daily newspaper distributed in or near the city where the Company's headquarters are situated. The Chairman shall also send a copy of these documents to the Ministry of Commerce at least fifteen (15) days before the date specified for the General Assembly.

10.11.39 Distribution of Dividends

The Company's annual net profits shall be allocated as follows:

- 10.0 per cent. of the net profits shall be set aside to form a statutory reserve. Such obligation may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30.0 per cent. of the Company's paid-up capital;
- the Ordinary General assembly may, based on the proposal of the Board of Directors, set aside 10.0 per cent. of the net profit to form a conventional reserve made for a specific purpose or purposes;
- the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – as far as possible – to the Shareholders; the Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees or to support existing institutions of a similar kind;
- 5.0 per cent. of the remaining balance of annual net profits shall be distributed to the Shareholders; and

considering the provisions stipulated in Article nineteen (19) of the Company's Bylaws and Article 76 of the Companies Law, 10.0 per cent. of the remaining profits may be allocated in remuneration for the members of the Board of Directors, provided that the entitlement to the remuneration is proportional to the attendance of that member.

10.11.40 Entitlement to Profits

Shareholders shall be eligible to receive dividends pursuant to a General Assembly resolution adopted in that regard and indicating the entitlement and distribution dates. The Shareholders whose names appear on Shareholders' Register at the end of the entitlement date shall be eligible to receive dividends.

10.11.41 Company's Losses

If the Company's losses amount to half (1/2) of the paid up capital, at any time during the financial year, any officer of the Company or the external auditors upon becoming aware of such losses shall notify the Chairman of the Board of Directors, and the Chairman shall immediately inform the Directors. The Board of Directors shall convene an Extraordinary General Assembly to meet within the statutory period stipulated in the Companies Law, to resolve whether to increase or reduce the capital of the Company pursuant to the provisions of the Companies Law, such that the losses become less than half (1/2) of the Company's paid up capital, or dissolve the Company before the end of its term as stated in the Companies law.

The Company shall be deemed terminated by operation of law if the General Assembly is not convened during the term specified in the above paragraph, the General Assembly is convened but is unable to adopt a resolution on the matter or the Assembly resolves to increase the capital

in accordance with the conditions specified in the above paragraph but the capital increase is not fully subscribed for within ninety (90) days from the date on which the General Assembly adopted the resolution to increase the capital.

10.11.42 Disputes

Each Shareholder shall have the right to file a liability action, vested in the Company, against the Directors if they have committed an act which has caused particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of the intention to file such action.

10.11.43 Dissolution and Winding up of the Company

Upon its dissolution, the Company, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify the liquidator's powers, fees, any restrictions to such powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be further extended without a judicial order. The authority of the Board of Directors shall cease upon the dissolution of the Company; however, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. The General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies so far as they do not conflict with those of the liquidator.

10.12 Representations Related to Legal Information

The Directors declare the following:

- the issue does not violate the relevant laws and regulations of the Kingdom;
- the issue does not violate any of the contracts or agreements to which the Company is a party;
- all material legal information relating to the Company has been disclosed in the Prospectus;
- The Company is not a party to any existing disputes, or legal procedures that may jointly and severally have a material impact on the Company's operations or financial position; and
- the Company's Directors are not subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business or financial position.

11. Offering Expenses

All of the expenses and costs pertaining to the Offering, are estimated at about thirteen million and two hundred Saudi Arabian Riyals (SAR 13,200,000). These expenses include the fees of the Financial Advisor, Lead Manager, Bookrunner, Legal Advisor, Legal Advisor to the Financial Advisor, Financial Due Diligence Advisor, and Market Consultant as well as marketing, printing and other expenses related to the Offering. The Offering expenses will be deducted from the total proceeds of the offering and divided among the Company and the Selling Shareholders on a pro rata basis according to the number of Offer Shares to be sold by each of them.

12. Undertakings by The Company

12.1 Post-Listing Undertakings

Following Listing, the Company undertakes to:

- provide the CMA with the date on which the first General Assembly will be held following Listing so that a representative thereof may attend;
- submit transactions and contracts in which a Director has a direct or indirect interest for authorization by the General Assembly (in accordance with the Companies Law) and renew such authorization on an annual basis, provided that the interested Director shall be prohibited from voting on the relevant resolution (whether at a Board meeting or the General Assembly).
- comply with all of the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules immediately upon Listing; and
- comply with all of the mandatory provisions of the Listing Rules immediately upon Listing.
- Based on the foregoing, following admission to Listing, the Directors undertake to:
- record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Chairman and the Secretary; and
- disclose the details of any Related Party transactions in accordance with the Companies Law.

13. Details on Shares and Subscription Terms and Conditions

The Company has submitted an application to the CMA to register and offer the Shares on the Parallel Market as required by the OSCO Rules. This Prospectus has been approved, all supporting documents requested by the CMA have been submitted, and all necessary official approvals for the offering of the Shares in the Parallel Market have been obtained.

All Qualified Investors must carefully read the Offering Terms and Conditions before completing the Subscription Application. Signing and submitting the Subscription Application Form through the electronic subscription system of the Lead Manager is deemed an acceptance and approval of the Offering Terms and Conditions.

13.1 Subscription to the Offer Shares

The Offering consists of offering four million nine hundred and twenty-seven thousand nine hundred and fifty-eight (4,927,958) Shares from the: (i) the sale of eight hundred and twenty-one thousand two hundred and ninety-two (821,292) ordinary Shares; and (ii) the issuance of four million one hundred and six thousand six hundred and sixty-six (4,106,666) new ordinary Shares with the Offer Price of twenty eight Saudi Arabian Riyals (SAR 28) per Share, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, the Offer Shares represent fifteen per cent. (15.0 per cent.) of the Company's capital after the capital increase and a total value of (SAR 137,982,824) Saudi Arabian Riyals. The CMA may suspend the Offering after the approval of this Prospectus and before the registration and acceptance of the Shares for listing on the Parallel Market, in the event of a material change that would adversely and materially affect the operations of the Company. The Offering is limited to Qualified Investors, namely:

1. Capital Market Institutions acting on their own behalf;
2. clients of a Capital Market Institution authorized to perform management activities, provided that the Capital Market Institution has been appointed under terms that enable it to make decisions to accept participation in the Offering and to invest in the Parallel Market on the client's behalf without the need for his prior approval;
3. the Kingdom's government, any Government agency, or any international body recognized by the CMA, the Exchange or any other stock exchange recognized by the CMA or the Depository Center;
4. Government-owned companies whether investing directly or through a portfolio managed by a Capital Market Institution authorized to perform management activities;
5. companies and funds established in GCC countries;
6. investment funds;
7. any other legal persons who may open an investment account in the Kingdom and an account with the Depository Center,
8. Natural persons who may open an investment account in the Kingdom and an account with the Depository Center and meet any of the following criteria:
 - a. have made transactions in the securities market with a total value of not less than forty million Saudi Arabian Riyals (SAR 40,000,000) and not less than ten (10) transactions per quarter during the past 12 months;
 - b. have net assets whose total value is not less than five million Saudi Arabian Riyals (SAR 5,000,000);
 - c. are working or have worked in the financial sector for at least three (3) years;
 - d. have a CME-1 approved by the CMA; or
 - e. hold a professional certificate that is related to dealing with securities and accredited by an internationally recognized entity.
9. any other persons defined by the CMA.

13.2 Subscription Terms and Method

Subscription to the Offer Shares can be made through the electronic subscription system of the Lead Manager during which the Qualified Investors will be able to subscribe to the Offer Shares during the Offering Period. Subscription Application Forms shall be completed in accordance with the instructions mentioned in this section. Applicants must complete all relevant items of the Subscription Form. The Company reserves the right to decline any Subscription Application, in part or in whole, in the event that any of the subscription terms and conditions are not met. Amendments to and withdrawal of the Subscription Application shall not be permitted once the Subscription Application is submitted. The submission of the Subscription Application Form is considered a binding agreement between the relevant subscriber and the Selling Shareholders.

Investors can obtain an electronic copy of this Prospectus and the Subscription Application Form from the Financial Advisor and Lead Manager via the contact details stated below:

Financial Advisor, Lead Manager, and Bookrunner

Saudi Fransi Capital

King Fahad Road 8092

P.O.BOX 23454

Riyadh 12313-3735

Kingdom of Saudi Arabia

Tel: +966 11 2826666

Fax: +966 11 2826823

Website: www.sfc.com

Email: Armah.IPO@fransicapital.com.sa

السعودي الفرنسي كابيتال
Saudi Fransi Capital



13.3 Offering Period and Conditions

Subscription Application Forms will be received by the Lead Manager starting on Eight (8) days, Thursday, on 25/04/1445H (corresponding to 09/11/2023G) until Thursday, on 02/05/1445H (corresponding to 16/11/2023G). In the event that incomplete or incorrect information is provided in the Subscription Application Form, the Subscription Application Form shall be deemed null and void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of twenty eight Saudi Arabian Riyals (SAR 28) per Offer Share. Each Qualified Investor who subscribes for the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of One million six hundred and forty-two thousand nine hundred and fifty-seven (1,642,957) Offer Shares.

Subscription Application Forms must be submitted during the Offering Period with the following documents, as applicable:

Table 13.14: Documents Required for Subscription to the Offer Shares

Type of Investor	Documents Required for Subscription to the Offer Shares
Saudi Individual Investors	Individual <ul style="list-style-type: none"> - Copy of power of attorney (when submitting the Subscription Application by the agent on behalf of the investor). (if applicable) - Copy of certification of succession if there are heirs. (if applicable) - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - Document that proves that the Subscriber is qualified.
	Investment portfolio managed through a Financial Institution <ul style="list-style-type: none"> - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - A letter from the financial institution confirming the authority of the financial institution to invest on behalf of the investor's portfolio.
Non-Saudi Individual Investors (resident)	Individual <ul style="list-style-type: none"> - Copy of residence identity card (valid). - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number.
	Investment portfolio managed through a financial institution <ul style="list-style-type: none"> - Copy of residence identity card (valid). - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - A letter from the financial institution confirming the authority of the financial institution to invest on behalf of the investor's portfolio.

Type of Investor		Documents Required for Subscription to the Offer Shares
Companies	Saudi Company	<ul style="list-style-type: none"> - Copy of the commercial registration (valid). - Copy of the signed power of attorney or the authorization resolution from the Shareholders or the board of directors that states authorization to submit the Subscription Application. - Letter or document stating that the subscriber is qualified to invest in the Parallel Market (Nomu).
	Financial Institution	<ul style="list-style-type: none"> - Copy of the commercial registration, and a copy of the identity card of the authorized signatory, and copies of the CMA licenses of the (if the investor is a Financial Institution licensed by the CMA). - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number.
	Investment portfolio owned by a Saudi Company and managed through a Financial Institution	<ul style="list-style-type: none"> - Copy of the commercial registration (valid). - Copy of the signed power of attorney or the authorization resolution from the Shareholders or the board of directors that states authorization to submit the Subscription Application. - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - A letter from the Financial Institution confirming the authority of the Financial Institution to invest on behalf of the investor's portfolio.
Investment Fund	Investment Fund	<ul style="list-style-type: none"> - Copy of the signed power of attorney or the authorization resolution from the Shareholders or the board of directors that states authorization to submit the Subscription Application. - Fund terms and conditions. - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - Letter from the fund manager confirming its compliance with the applicable CMA regulations in connection with the maximum number of Shares to be applied for.
GCC National	GCC Company	<ul style="list-style-type: none"> - Copy of the applicant's commercial registration certificate (or its equivalent), articles of association and bylaws, as needed and any other document that may be required to prove (in the case of companies) that the majority of the capital is owned by citizens of the GCC countries or by their government. - Copy of the signed power of attorney or the authorization resolution from the Shareholders or the board of directors that states authorization to submit the Subscription Application. - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number.
	GCC Individual	<ul style="list-style-type: none"> - Copy of national identity card. - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number.
GCC Investment Fund	GCC Investment Fund	<ul style="list-style-type: none"> - Copy of the signed power of attorney or the authorization resolution from the Shareholders or the fund's board of directors that states authorization to submit the Subscription Application. - Fund terms and conditions. - Copy of any document that proves that the majority of the fund's unit holders are citizens of the GCC countries or their government. - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - Letter from the fund manager confirming its compliance with the applicable CMA regulations in connection with the maximum number of Shares to be applied for.
	Investment portfolio owned by a GCC national	<ul style="list-style-type: none"> - Copy of the commercial registration (for companies) or copy of national identity card (for individuals). - Copy of the signed power of attorney or the authorization resolution from the Shareholders or the fund's board of directors that states authorization to submit the Subscription Application. - Letter from the portfolio manager stating that the Subscriber has an active portfolio to invest in the Parallel Market (Nomu) indicating the ID number associated with the portfolio number. - A letter from the Financial Institution confirming the authority of the Financial Institution to invest on behalf of the investor's portfolio.

13.4 Allocation and Refunds

The Lead Manager will open a trust account to receive and collect the subscription amounts. Each of the Subscribers shall deposit the subscription amounts into the trust account, the details of such account shall be specified in the Subscription Application Forms. Qualified Investors must submit the Subscription Applications to the Lead Manager through the electronic subscription system of the Lead Manager during which the Qualified Investors will be able to subscribe to the Offer Shares during the Offering Period, and no later than 03:00 pm of the Closing Date. The Subscription Applications to the Offer Shares must be accompanied by all the supporting documents required as per the relevant instructions. Each investor, by completing the Subscription Application, acknowledges that he has received and read this Prospectus, and accordingly wishes to subscribe to the Offer Shares as specified in the Subscription Application Form.

Subscription to the Offer Shares will be made by completing the Subscription Application Form and transferring the funds directly to the subscription account related to the Offering as specified in the Subscription Application Form. The allocation of Offer Shares will be determined at the discretion of the Financial Advisor in consultation with the Company. Announcement of the final allotment will be made no later than Tuesday, 07/05/1445H (corresponding to 21/11/2023G) and refund of excess subscription amounts, if any, will be made no later than Thursday, 09/05/1445H (corresponding to 23/11/2023G). Excess subscription amounts, if any, will be refunded to Qualified Investors without any charge or commission being withheld by the Financial Advisor on the Net Offering Proceeds or by the Lead Manager or the Company.

The Lead Manager will notify the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded, if any. Subscribers should communicate with the Financial Advisor and Lead Manager for any further information.

13.5 Miscellaneous

- 1) The Subscription Application Form and all related terms, conditions and covenants hereof 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. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- 2) These instructions, terms and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.
- 3) This Prospectus is published in Arabic after obtaining CMA approval.
- 4) In accordance with Article 97 of the OSCO Rules, the Company will submit a supplementary prospectus to the CMA if, at any time after this Prospectus has been published and before the Offering is completed, the Company becomes aware that:
 - a) there has been a significant change in material matters contained in this Prospectus; or
 - b) additional significant matters that should have been included in this Prospectus have become known.

Where a supplementary prospectus is submitted to the CMA, a Qualified Investor who subscribed for Shares prior to the publishing of the supplementary prospectus is permitted to rescind or amend his subscription for such Shares prior to the end of the Offering Period, in accordance with paragraph (d) of Article 97 of the OSCO Rules.

13.6 Times and Circumstances Where the Offering May be Suspended

13.6.1 Power to Suspend Trading or Cancel Listing

- a) The CMA may suspend trading or cancel the listing of the Shares at any time as it deems fit, in any of the following circumstances:
 - 1) The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
 - 2) The Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its Implementing Regulations or the Exchange rules.
 - 3) The Issuer fails to punctually pay any fees due to the CMA or the Exchange or any fines due to the CMA.
 - 4) 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 contain sufficient information about the proposed transaction. If the Issuer has provided sufficient information regarding the target and the CMA is convinced, following the Issuer's announcement that sufficient public information is available on the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage.
 - 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) If the liquidity requirements specified in paragraph (b) of Article 41 of the Listing Rules are not met after the lapse of the period established in subparagraph (1) of paragraph (d) of Article 42 of the Listing Rules.
 - 8) When an application for the financial reorganization of the Issuer is registered with a court in accordance with the Bankruptcy Law, if its losses exceed 50.0 per cent. of its share capital;

- 9) When an application for liquidation or administrative liquidation of the Company is registered with the court in accordance with the Bankruptcy Law.
 - 10) When a court issues a final ruling to terminate a financial reorganization procedure and commence a bankruptcy proceeding or administrative liquidation procedure of the Issuer in accordance with the Bankruptcy Law.
 - 11) Upon the issuance of a final court ruling to commence a bankruptcy proceeding or administrative liquidation procedure of the Issuer in accordance with the Bankruptcy Law.
- b) The lifting of a trading suspension imposed under paragraph (a) above is subject to the following:
- 1) The events which led to the suspension have been sufficiently remedied, and the suspension is no longer necessary for the protection of investors.
 - 2) The lifting of the suspension is unlikely to affect the normal activity of the Exchange.
 - 3) The issuer is in compliance with any other conditions that the CMA may require.
 - 4) Upon the issuance of a final judgment initiating the financial restructuring of the Issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension was imposed in accordance with paragraph a(8) above.
 - 5) Upon the issuance of a final court judgment dismissing the initiation of a liquidation procedure or administrative liquidation procedure under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authorities, if the suspension was enforced in accordance with paragraph (a)(9) above.
- c) The Exchange shall suspend the trading of the Issuer's securities in any of the following cases:
- 1) The Issuer does not comply with the deadlines specified for disclosing its periodic financial information in accordance with the relevant implementing regulations;
 - 2) The Auditor's Report on the Issuer's financial statements contains a negative opinion or an abstention from expressing an opinion;
 - 3) The liquidity requirements of Chapters 8 of the Listing Rules are not met after the lapse of the period set by the Exchange for the Issuer to rectify its conditions, unless the CMA agrees otherwise; or
 - 4) The Issuer's Extraordinary General Assembly issues a decision to reduce its capital, for the two trading days following the issuance of the decision.
- d) The Exchange shall remove the suspension referred to in Paragraph c (1 and 2) above, following one trading session after the cause of suspension is eliminated. In the event that the over-the-counter trade of the Issuer's Shares is allowed, the Exchange shall remove the suspension within a period of no more than five (5) trading sessions after the cause of suspension is eliminated.
- e) The Exchange may at any time suggest that the CMA suspend the trading of any listed security or cancel its listing if, in its opinion, any of the circumstances of paragraph (a) of this Article are likely to occur.
- f) An issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its Implementing Regulations and the Exchange Rules.
- g) In the event that the listing suspension continues for six (6) months with no appropriate procedure adopted by the Issuer to correct such suspension, the CMA may cancel the Issuer's listing.
- h) When the Issuer completes a reverse acquisition, the Issuer's Shares shall be de-listed. If the Issuer wishes to re-list its Shares, it must submit a new application to list its Shares in accordance with the Listing Rules and fulfil the relevant requirements stipulated in the OSCO Rules.
- i) This Article shall not prejudice the suspension of trading and the cancellation of listing resulting from the Company's losses pursuant to the relevant Implementing Regulations and the Exchange Rules.

13.6.2 Voluntary Cancellation of Listing

- 1) An issuer whose securities have been admitted to listing may not cancel such listing on the Exchange without the prior approval of the CMA. In order to obtain such approval, the Issuer must submit an application for the cancellation to the CMA, with concurrent notification to the Exchange, which must include the following:
 - a) The specific reasons for the request for the cancellation.
 - b) A copy of the disclosure described in Paragraph (4) below.
 - c) A copy of the relevant documentation and a copy of each related communication to the Shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer.
 - d) The names and contact information of the financial and legal advisors appointed in accordance with the relevant regulations.
- 2) The CMA may, at its full discretion, accept or reject the request for cancellation.

- 3) The Issuer must obtain the consent of its Extraordinary General Assembly to cancel a listing, but only after the CMA has approved such cancellation.
- 4) Where a cancellation is made at the Issuer's request, it must make a disclosure to the public as soon as possible. This disclosure must include at least the reason for cancellation, the nature of the event resulting in the cancellation and the extent to which it affects the Issuer's activities.

13.6.3 Temporary Trading Suspension at the Issuer's Request

- 1) The Issuer may request a temporary trading suspension if an event occurs during trading hours which requires immediate disclosure under the CML, its Implementing Regulations or the Exchange Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend the trading of the Issuer's securities immediately upon receipt of the request.
- 2) When a temporary trading suspension is made at the Issuer's request, the Issuer must announce the reason for the trading suspension, the anticipated period of the trading suspension and the event affecting the Issuer's activities as soon as possible.
- 3) The CMA may impose a temporary trading suspension without a request from the Issuer if it becomes aware of information or circumstances affecting the Issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to temporary trading suspension must continue to comply with the CML and its implementing regulations and the Exchange Rules.
- 4) The Exchange may propose that the CMA exercise its powers in accordance with subparagraph (c) of paragraph 12-10-1 above if it is found to have information about circumstances that may affect Issuer's activities and potentially affect the Exchange activity or the protection of investors.
- 5) A temporary trading suspension will be lifted following the lapse of the period referred to in the announcement specified in subparagraph (b) of paragraph 12-10-1 above, unless the CMA or the Exchange decides otherwise.

13.6.4 Re-listing and Admission of Cancelled Securities

If the issuer wishes to re-list its Shares after a cancellation, it must submit a new application for the listing of its Shares in accordance with the Listing Rules and comply with the applicable requirements under the OSCO Rules.

13.7 Approvals and Decisions for the Offering

The following are the decisions and approvals required for the Offering:

- a) The Company's Board of Directors resolution dated 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G), recommending the increase of the Company's capital and the Offering;
- b) Approval of the Company's General Assembly to increase the Company's capital and the offering of the Shares issued on 29 Rabi' al-Awwal 1444H (corresponding to 25 October 2022G);
- c) The CMA's approval of the Offering dated 02/12/1444H (corresponding to 20/06/2023G); and
- d) The Exchange's approval of the Listing dated 21 Sha'ban 1444H (corresponding to 13 March 2023G), subject to the approval of the CMA.

13.8 Statements on Current Arrangements to Prevent the Disposal of Certain Shares

The Substantial Shareholders whose names appear in this Prospectus (please see Table 2 (Direct Substantial Shareholders, Number of Shares and Shareholding Before and After the Offering) of this Prospectus) may not dispose of their Shares before the lapse of a period of twelve (12) months from the date of registration and listing of the Company's Shares on the Parallel Market, the Substantial Shareholders also undertake to commit to an additional Lock-up Period of twelve (12) months commencing from the date of the expiry of the statutory Lock-up Period. Other than the Lock-up Period imposed by the CMA on the Substantial Shareholders and the additional Lock-up Period, there are no other existing arrangements that prevent the disposal of certain Shares.

14. Change in Share Price as a Result of Increase in Capital

14.1 Information on Expected Change in Share price

The number of Shares in the Company pre-Offering is twenty eight million seven hundred and fifty two thousand and five hundred (28,752,500) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, with a total nominal value of two hundred eighty seven million and five hundred and twenty five thousand Saudi Arabian Riyals (SAR 287,525,000). The number of Shares in the Company post-Offering will be thirty two million eight hundred and fifty-nine thousand and one hundred sixty-six (32,859,166) ordinary Shares with a fully paid nominal value, with a nominal value of ten Saudi Arabian Riyals (SAR 10), and with a total nominal value of three hundred twenty eight million five hundred ninety one thousand six hundred sixty Saudi Arabian Riyals (SAR 328,591,660). The Offer Shares will be allocated to Qualified Investors in the Parallel Market (Nomu). Upon completion of the Offering, the current Shareholder ownership ratio in the Company will decrease from 100.0 per cent. to 85.0 per cent., a decrease of 15.0 per cent.

The value of the Shares owned by the current Shareholders is expected to be affected on the first day of listing, as the Share price will be offered on the first day of listing on the basis of the specified Offering price of twenty eight Saudi Arabian Riyals (SAR 28), noting that the market value of the Company's Shares after listing will be affected in accordance with the permitted daily fluctuation ratios in the Parallel Market, which is (30.0 per cent. up and down).

14.2 Expected Change in Share Price Impact on Shareholders

The value of the Shares owned by the current Shareholders is expected to be positively affected on the first day of listing, as the Share price will open on the first day of listing on the basis of the specified offering price which is twenty eight Saudi Arabian Riyals (SAR 28) with an increase rate of (280%) per cent. over the specified nominal value of the stock of ten Saudi Arabian Riyals (SAR 10).

15. Subscription Undertakings

15.1 Subscriber Acknowledgments

By completing and submitting the Subscription Application Form, each Subscriber:

- 1) Agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form.
- 2) Warrants that they have read this Prospectus and understood its content.
- 3) Accepts the Company's Articles of Association and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes for the Offer Shares accordingly.
- 4) Confirms that they will not waive their right to have recourse against the Company for any damage arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing therefrom which would directly impact the Subscriber's acceptance of the subscription had it been contained in the Prospectus.
- 5) Declares that neither they nor any of their included family members have previously submitted a Subscription Application Form for any Shares and that the Company has the right to reject any or all duplicate applications.
- 6) Accepts the number of Offer Shares allocated to them (up to the maximum amount they have subscribed for) as per the Subscription Application Form and all other Subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form.
- 7) Agrees not to cancel or amend the Subscription Application Form after submitting it.

15.2 Share Register and Trading Arrangements

The Exchange shall keep a record of Shareholders containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

15.3 The Saudi Exchange

In 1990G, full electronic trading of equities in the Kingdom was introduced. The Exchange was founded in 2001G as the successor to the Electronic Securities Information System. Trading in Shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from the execution of the trade transaction through its settlement. Trading occurs on each business day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which times orders are executed. Outside those times, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. These hours may change during the month of Ramadan and are announced on the Exchange's official website. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. The Exchange distributes a comprehensive range of information through various channels, including the Exchange website and the Exchange Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that a transfer of Shares settles two business days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information important to investors via the Exchange. As the operator of the Market, the Exchange is responsible for surveillance and monitoring to ensure fair-trading and an orderly market.

15.4 Trading of Shares on the Parallel Market

An application was submitted to the CMA to register and offer the Company's Shares on the Parallel Market, and an application was submitted to the Exchange to list the Company's Shares on the Parallel Market. It is expected that trading in the Company's Shares will commence upon the final allocation of those Shares and after all relevant statutory procedures are met. The dates and times included in this Prospectus are only indicative and may be changed or extended subject to the approval of the CMA.

Furthermore, Offer Shares can only be traded after all allocated Shares have been credited to the Shareholders' accounts on the Exchange, the Company has been registered in the Official List and its Shares have been listed on the Exchange. Pre-trading is strictly prohibited and investors entering into any pre-trading activities will be acting at their own risk. The Company shall bear no legal responsibility in connection with pre-trading activities.

Trading in Shares listed on the Parallel Market shall be restricted to Qualified Investors (see Section 1 (*Definitions and Abbreviations*) of this Prospectus).

16. Procedures for not Completing The Offering

If the Offering is not completed on the date specified for the end of the Offering process stated in this Prospectus (see “**Key Dates and Subscription Procedures**” on page (x) of this Prospectus), the Financial Advisor will, within ten (10) days from the end of the Offering Period, notify the CMA in writing of the non-completion of the Offering and then notify the Subscribers. The amounts collected from the Subscribers (if any) will be refunded without deducting any commissions or fees.

The Company confirms that it will comply with any decisions, instructions and procedures issued by the CMA in the event that the Offering is not completed.

17. Documents Available for Inspection

The following documents will be available for inspection at the Company's headquarters are located in Al-Nakheel District, Takhassusi Street, P.O. Box 3894 Riyadh 12382, Kingdom of Saudi Arabia, between 9:00 a.m. and 5:00 p.m from Sunday 07/04/1445H (corresponding to 22/10/2023G) until Thursday on 02/05/1445H (corresponding to 16/11/2023G) for a period of not less than 20 days prior to the end of the Offering Period:

- the CMA announcement of the approval of the Offering;
- the approval of the Saudi Stock Exchange Company (Tadawul) of the listing.
- the Company's General Assembly approval of the Company's capital increase and the Offering in the Parallel Market, dated 29/03/1444H (corresponding to 25 October 2022G);
- the Company's Bylaws, and the amendments made thereto;
- the Company's articles of association, and the amendments made thereto;
- the Company's commercial registration certificate issued by the MoC;
- the audited financial statements of the Company for the financial years ended 31 December 2021G and 2022G; and the unaudited interim financial statements for the six-month period ended 30 June 2023G;
- the market study report prepared by the Market Consultant;
- letters of consent from each of:
 - a. the Financial Advisor, Lead Manager, Bookrunner and Underwriter, Saudi Fransi Capital for the inclusion of its name, logo, and statements in this Prospectus;
 - b. the Auditor Baker Tilly MKM & Co for the inclusion herein of their names and logos, along with the audit reports on the financial statements of the financial year ended 31 December 2022G;
 - c. the Financial Due Diligence Advisor PricewaterhouseCoopers (PwC) Professional Services 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 (Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation, for the inclusion of its name, logo and statements, in this Prospectus.

18. Financial Statements and Auditor Report

This section contains the audited financial statements of the Company for the financial year ended 31 December 2022G (which include financial information compared with the financial year ended 31 December 2021G) and the unaudited interim financial statements for the six-month period ended 30 June 2023G, and the accompanying notes thereto, which have been prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and audited by the Auditor.

Armah Sports Company
(Closed Joint Stock Company)
Financial Statements and Independent Auditor's Report
For the year ended December 31, 2022G



BAKER TILLY MKM & CO.
CERTIFIED PUBLIC ACCOUNTANTS
P.O.Box 300457, Riyadh 11372
Kingdom of Saudi Arabia
T: +966 11 835 1600
F: +966 11 835 1601

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Armah Sports Company

(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements 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 that are endorsed in the Kingdom of Saudi Arabia ("ISAs"). Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on April 19, 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.



Independent Auditor's Report (Continued)

To the Shareholders,

Armah Sports Company

(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Financial Statements

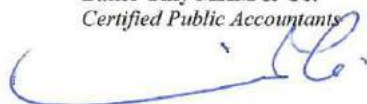
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly MKM & Co.
Certified Public Accountants



Majed Moneer AlNemer
(License No. 381)
Riyadh on Ramadan 25, 1444H
Corresponding to April 16, 2023



ARMAH SPORTS COMPANY
 (CLOSED JOINT STOCK COMPANY)
 STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2022G
 (Saudi Riyals)

	Notes	December 31, 2022G	December 31, 2021G	January 1, 2021G
			(Restated) (Note 30)	(Restated) (Note 30)
ASSETS				
Non-current assets				
Property and equipment	6	514,247,081	136,603,580	54,655,230
Right of use assets	7	18,983,001	168,021,942	21,504,837
Intangible assets	8	1,231,058	1,425,615	1,139,594
Advances to suppliers and contractors	9	42,839,162	37,153,045	4,097,636
Total non-current assets		577,300,302	343,204,182	81,397,297
Current assets				
Prepayments and other current assets	10	6,912,171	4,677,264	3,363,861
Inventories	11	1,022,897	516,172	143,620
Due from related parties	12	165,513	1,014,200	916,846
Cash and cash equivalents	13	3,146,353	865,144	6,881,384
Total current assets		11,246,934	7,072,780	11,305,711
Total assets		588,547,236	350,276,962	92,703,008
EQUITY AND LIABILITIES				
Equity				
Share capital	14	287,525,000	52,625,000	52,625,000
Accumulated losses		(46,540,690)	(25,189,690)	(14,035,361)
Revaluation surplus		14,114,080	-	-
Total equity		255,098,390	27,435,310	38,589,639
Liabilities				
Non-current liabilities				
Loans and borrowings	15	239,876,455	131,348,640	22,582,298
Lease liabilities	7	18,571,027	153,629,600	19,967,163
Long term retentions		1,902,729	4,003,940	1,907,190
Employees’ end of service benefits	16	1,284,356	500,593	307,668
Total non-current liabilities		261,634,567	289,482,773	44,764,319
Current liabilities				
Loans and borrowings	15	32,282,623	715,333	83,613
Lease liabilities	7	1,610,868	12,630,121	1,208,151
Due to related parties	12	-	6,320,379	287,994
Trade payables		15,149,646	5,426,711	5,244,223
Accrued expenses and other current liabilities	17	15,758,212	7,576,351	2,485,749
Unearned revenue	18	7,012,930	689,984	-
Zakat provision	19	-	-	39,320
Total current liabilities		71,814,279	33,358,879	9,349,050
Total liabilities		333,448,846	322,841,652	54,113,369
Total equity and liabilities		588,547,236	350,276,962	92,703,008

The accompanying notes form an integral part of these financial statements.

ARMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

	Notes	December 31, 2022G	December 31, 2021G
			(Restated) (Note 30)
Revenue	20	13,192,771	437,713
Cost of revenue	21	(15,117,413)	(2,077,650)
Gross loss		(1,924,642)	(1,639,937)
General and administrative expenses	22	(16,282,881)	(8,601,779)
Selling and marketing expenses		(2,636,049)	(568,863)
Other income, net	23	3,943,360	124,456
Operating loss		(16,900,212)	(10,686,123)
Finance cost	24	(4,268,358)	(435,006)
Loss before zakat		(21,168,570)	(11,121,129)
Zakat	19	-	(33,200)
Net Loss for the year		(21,168,570)	(11,154,329)
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss in subsequent periods:			
Gain on revaluation of land	6	14,114,080	-
Re-measurement loss on employees end of service benefits	16	(182,430)	-
Other comprehensive income for the year		13,931,650	-
Total comprehensive loss for the year		(7,236,920)	(11,154,329)
Basic and diluted earnings per share	25	(1.46)	(2.12)

The accompanying notes form an integral part of these financial statements.

ARMAH SPORTS COMPANY
 (CLOSED JOINT STOCK COMPANY)
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2022G
 (Saudi Riyals)

	Note	Share capital	Accumulated losses	Revaluation surplus	Total
Balance at January 1, 2021G (Audited)		52,625,000	(14,920,339)	-	37,704,661
Prior years' adjustments	30	-	884,978	-	884,978
Balance at January 1, 2021G (Restated)		52,625,000	(14,035,361)	-	38,589,639
Net loss for the year (Restated)		-	(11,154,329)	-	(11,154,329)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	(11,154,329)	-	(11,154,329)
Balance at December 31, 2021G (Restated)		52,625,000	(25,189,690)	-	27,435,310
Net loss for the year		-	(21,168,570)	-	(21,168,570)
Other comprehensive income		-	(182,430)	14,114,080	13,931,650
Total comprehensive loss		-	(21,351,000)	14,114,080	(7,236,920)
Increase in share capital	14	234,900,000	-	-	234,900,000
Balance at December 31, 2022G		287,525,000	(46,540,690)	14,114,080	255,098,390

The accompanying notes form an integral part of these financial statements.

ARMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

	Notes	December 31, 2022G	December 31, 2021G (Restated)
Cash flows from operating activities			
Loss before zakat		(21,168,570)	(11,121,129)
Adjustments for:			
Depreciation of property and equipment	6	5,954,311	525,390
Depreciation of right of use assets	7	1,407,022	329,795
Write off of intangible assets	8	759,501	-
Amortization of Intangible assets	8	93,198	190
Finance cost	24	4,268,358	435,006
Loss on modification of financial liability	23	3,753,314	-
Gain on disposal of lease contract	12	(1,284,340)	-
Gain on disposal of property and equipment	12	(17,829)	-
Employees' end of service benefits	16	591,487	192,925
		(5,643,548)	(9,637,823)
Changes in working capital items:			
Prepayments and other current assets		(2,234,907)	(1,313,403)
Due from / to related parties		(5,471,692)	5,935,031
Inventories		(506,725)	(372,552)
Accrued expenses and other current liabilities		8,181,861	5,090,602
Unearned revenue		6,322,946	689,984
Long term retentions		(2,101,211)	2,096,750
Trade payables		9,722,935	182,488
Cash generated from operating activities		8,269,659	2,671,077
Employees' end of service benefits paid	16	(5,992)	-
Zakat paid	19	-	(72,520)
Net cash generated from operating activities		8,263,667	2,598,557
Cash flows from investing activities			
Purchase of property and equipment		(116,151,984)	(70,704,331)
Purchase of Intangible assets		(658,142)	(286,211)
Proceeds from disposal of property and equipment		159,289	-
Advances to suppliers and contractors		(5,686,117)	(33,055,409)
Net cash used in investing activities		(122,336,954)	(104,045,951)
Cash flows from financing activities			
Principal element of lease liabilities paid		(5,137,506)	(11,906,341)
Interest element of lease liabilities paid		(1,284,799)	(321,064)
Payment of finance cost on long-term loans and borrowings		(4,534,922)	(1,107,783)
Receipt of long-term loans and borrowings		112,311,723	108,766,342
Receipt of short-term loans and borrowings		15,000,000	-
Net cash generated from financing activities		116,354,496	95,431,154
Net change in cash and cash equivalents		2,281,209	(6,016,240)
Cash and cash equivalents at the beginning of the year		865,144	6,881,384
Cash and cash equivalents at the end of the year		3,146,353	865,144

The accompanying notes form an integral part of these financial statements.

ARMAH SPORTS COMPANY
 (CLOSED JOINT STOCK COMPANY)
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2022G
 (Saudi Riyals)

Non-Cash transactions not included in cash flows	Notes	December 31, 2022G	December 31, 2021G
			(Restated)
Increase in share capital through contribution of land	12	234,900,000	-
Disposal of right of use asset	7	143,499,122	-
Disposal of lease liability	7	144,783,462	-
Capitalization of interest on loans and borrowings	6	5,134,491	1,625,561
Gain on revaluation of land	6	14,114,080	-
Capitalization of depreciation of right of use asset	7	4,132,797	5,265,479
Capitalization of interest on lease liability	7	3,843,142	4,878,369
Capitalization of loss on modification of financial liability	15	5,462,778	-

The accompanying notes form an integral part of these financial statements.

ARMMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Armah Sports Company, (the “Company”) is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010559940 dated Jumada Al-Akhirah 14, 1440 H (corresponding to February 19, 2019G).

The registered address of the Company is building number 3894, Al Nakheel District, Riyadh, Kingdom of Saudi Arabia.

On October 13, 2022G, the legal form of the Company changed from a limited liability company to a closed joint stock company.

The Company’s primary activities include operating facilities, sport centers, retail sales of sports apparel, and providing food services in sport facilities, salons, and other sports activities.

The financial statements include the Company’s accounts and its following branch:

Branch name	CR Number	Issuance Location	Registration date	Activity
Branch of Armah Sports Company	1010677835	Riyadh	16/05/1442 (H)	Fitness centers’ support activities

2. BASIS OF PREPARATION

(d) Statement of compliance with IFRS

These 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”).

(e) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following:

- Land under property and equipment – measured at revalued amount; and
- Defined benefit plan – measured at the present value of future obligations using the Project Unit Credit Method.

Furthermore, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

(f) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is the Company’s functional currency.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

3.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2022G, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior period but may affect the accounting for future transactions or arrangements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous.
- Annual Improvements to IFRS (2018G – 2020G Cycle) amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

ARMAH SPORTS COMPANY
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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

3.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	1 January 2023G
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023G
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023G
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023G
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024G

Management anticipates that these new standards, interpretations, and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes certain judgements, estimates and assumptions regarding the future. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements is included in the following note:

Capitalization of borrowing cost

As disclosed in note 5.2 to these financial statements, the Company capitalizes the borrowing cost directly attributable to construction of the qualifying assets. Capitalizing borrowing cost requires certain amount of judgement as to determine the commencement date of capitalization, suspension during extended periods when activities necessary to prepare the asset for its intended use are suspended and cessation of capitalization period.

ARMAH SPORTS COMPANY
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4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended December 31, 2022G are as follows:

Useful lives of the property and equipment

An estimate of the useful lives of property and equipment is made to calculate depreciation expense. Such estimate is made based on the expected useful lives of relevant assets.

The useful lives of the Company's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology (refer to note 5.2).

Revaluation of land under property and equipment

The Company measures the land under property and equipment at revalued amount with changes in fair value being recognized in other comprehensive income. The fair value is determined by reference to the transactions involving properties of similar nature, location and condition. The Company engages two independent valuation specialists to determine the fair value of the land. The key assumptions used in determination of fair value are provided in note 6 to these financial statements.

Incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

Assets are current when they are:

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

All other assets are classified as "non-current".

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.1 Current versus non-current classification (Continued)

All liabilities are determined to be current when:

- They are expected to be settled in the normal operating cycle;
- Are held primarily for the purpose of trading;
- Are due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liabilities for at least twelve months after the reporting period.

All other liabilities are classified as “non-current”.

5.2 Property and equipment

Recognition and initial measurement

Items of property and equipment are measured at cost, which comprises of purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

Subsequent measurement

Property and equipment other than land are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Land is stated in the statement of financial position at its revalued amounts, being the fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued land does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Capital work in progress

Capital work in progress is stated at cost and not depreciated. Depreciation on capital work in progress commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use. Depreciation of right of use assets and interest expense on the lease liabilities that are directly attributable to construction of the underlying asset are also capitalized in the cost of the asset.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the statement of profit or loss and other comprehensive income. Land and capital work in progress are not depreciated.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.2 Property and equipment (Continued)

Depreciation (Continued)

The estimated useful lives of property and equipment for current and comparative periods are as follows:

Description	Useful life
Computers and related	6 years
Furniture and fixture	6 years
Machinery and equipment	5 – 6 years
Buildings and fit out	16 – 20 years

The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment is recognized in the statement of profit or loss and other comprehensive income. Revaluation surplus, if any, is transferred directly to retained earnings at the time of derecognition of land.

5.3 Leases

The Company assesses whether a contract contains a lease, at the inception of the contract. For all such lease arrangements, the Company recognize right of use assets and lease liabilities except for the short-term leases and leases of low-value assets as follows:

Right of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.3 Leases (Continued)

Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

5.4 Intangible assets

Intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives of 6- 20 years.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and the amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

5.5 Inventories

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

5.6 Impairment testing of non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (collectively known as a cash generating unit).

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for other publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of the continuing operations, if any, are recognized in the statement of profit or loss and other comprehensive income in the year in which such impairment arises and in the expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the Company estimates the asset's or CGU's

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.6 Impairment testing of non-financial assets (Continued)

recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the extent so as not to cause the carrying amount of the asset to exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

5.7 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at amortized cost

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

Derecognition

A financial asset is primarily derecognized when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments (Continued)

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets such as cash and cash equivalents and other debit balances have low credit risk and the impact of applying ECL is immaterial.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss unless it relates to the construction of qualifying asset, then it is capitalized to the cost of the qualifying asset.

Modification

When loans and borrowings obtained to finance qualifying assets is modified in such a way that this does not result in derecognition, the Company recalculates the loans and borrowings carrying amount by discounting the new modified cash flows at the original effective interest rate. Any modification gain or loss is considered part of the borrowing cost as an "other cost an entity incurs in connection with the loans and borrowings", the portion relates to the construction of qualifying assets is capitalized with the remainder recognized in profit or loss.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.7 Financial instruments (Continued)

Offsetting of financial instruments

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

5.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and cash in hand.

5.9 Employees' end of service benefits

Short-term employee benefits

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

Defined benefit plan

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, is recognized immediately in OCI. The Company determines the net finance expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net finance expenses and other expenses related to defined benefit plans are recognized in the statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of profit or loss and other comprehensive income. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to its present value and recognized as an expense in the statement of profit or loss and other comprehensive income in the period in which it arises.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.10 Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company, and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided as a provision.

5.11 Zakat

The Company is subject to the regulations of Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat provision is calculated based on the Zakat base of the Company. Any differences between the provision and the final assessment is recorded when the final assessment is approved. Provision for Zakat is charged to statement of profit or loss and other comprehensive income.

5.12 Revenue recognition

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1: Identify 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 criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a 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 Company 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 a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when the Company satisfies a performance obligation.

Subscription and membership fee are recognized as revenue systematically over the term of the subscription period. The subscriptions fee received in advance is initially recognized as unearned revenue and subsequently amortized over the subscription period.

Personal training fees are recognized as revenue as and when related services are rendered and performance obligation are satisfied. Fee received in advance is initially recognized as unearned revenue and subsequently recognized when personal training sessions are conducted or training period ends whichever is earlier.

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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5.12 Revenue recognition (Continued)

Administrative registration fees are one-time nonrefundable fees for opening a file for the monthly subscription members. This fee does not allow the members to enter the club even if paid separately. Accordingly, administrative registration fees are recognized as revenue at a point in time on the date of sales transaction.

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

5.13 Cost of revenue

Cost of revenue includes direct costs of sales, including costs of materials and overheads directly attributable to revenue.

5.14 Selling and marketing and general and administrative expenses

Selling and marketing, general and administrative expenses and other expenses include direct and indirect costs not specifically part of the cost of revenue. Allocations between cost of revenue and other operating expenses are made consistently when required.

5.15 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at yearend exchange rates are recognized in profit or loss.

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6. PROPERTY AND EQUIPMENT

	Land	Computers and related	Furniture and fixture	Machinery and equip-ment	Building and fit out	Capital work in progress	Total
Cost or revalued amount:							
As at January 1, 2021G (Restated)	-	53,832	2,190	7,620	61,725	54,549,767	54,675,134
Additions during the year	-	66,799	7,170	-	-	82,399,771	82,473,740
Transfers during the year	-	-	1,599,342	4,544,081	16,697,080	(22,840,503)	-
As at December 31, 2021G (Restated)	-	120,631	1,608,702	4,551,701	16,758,805	114,109,035	137,148,874
Additions during the year	234,900,000	4,381,300	3,209,533	3,944,667	13,004,103	110,185,589	369,625,192
Transfers during the year	-	640,259	3,430,669	11,299,864	112,010,070	(127,380,862)	-
Disposal	-	-	-	(18,681)	-	(126,154)	(144,835)
Revaluation gain	14,114,080	-	-	-	-	-	14,114,080
As at December 31, 2022G	249,014,080	5,142,190	8,248,904	19,777,551	141,772,978	96,787,608	520,743,311
Accumulated depreciation:							
As at January 1, 2021G	-	10,462	450	234	8,758	-	19,904
Charge for the year	-	10,927	61,567	200,975	251,921	-	525,390
As at December 31, 2021G (Restated)	-	21,389	62,017	201,209	260,679	-	545,294
Charge for the year	-	351,125	628,695	1,664,908	3,309,583	-	5,954,311
Disposal	-	-	-	(3,375)	-	-	(3,375)
As at December 31, 2022G	-	372,514	690,712	1,862,742	3,570,262	-	6,496,230
Net book value							
As at 31 December 2022G	249,014,080	4,769,676	7,558,192	17,914,809	138,202,716	96,787,608	514,247,081
As at 31 December 2021G(Restated)	-	99,242	1,546,685	4,350,492	16,498,126	114,109,035	136,603,580

Refer to note 15 for information on property and equipment pledged as security by the Company.

The depreciation expense for the year is allocated as follows:

	December 31, 2022G	December 31, 2021G
Cost of revenue (Note 21)	5,540,178	514,836
General and administrative expenses (Note 22)	414,133	10,554
	5,954,311	525,390

The Capital Work in Progress ("CWIP") represents construction costs and capital equipment of new fitness centers. The total borrowing cost capitalized under CWIP during the year amounted to SR 5,134,491 (2021G: SR 1,625,561). In addition, interest on lease liability amounting to SR 3,843,142 (2021G: SR 4,878,369) and depreciation of right of use assets amounting to SR 4,132,797 (2021G: SR 5,265,479) was capitalized under CWIP. Furthermore, loss on modification of financial liability amounting to SR 5,462,778 was capitalized under CWIP (Note 15).

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6. PROPERTY AND EQUIPMENT (Continued)

Net book value of buildings and fit out amounting to SR 16,546,654 (2021G: SR 13,999,652) are constructed on a leased land.

Revaluation of land

The valuation was performed by Ahmed and Muhammad Sons of Ibrahim Bin Saidan Real Estate Appraisal Company (independent valuer accredited by Saudi Authority of Accredited Valuers).

The fair value of the land was determined using the market comparable approach with all resulting fair value estimates being valued under level 2. The key inputs under this approach are the price per square meter from the current year sales of comparable lots of land in the area. The valuations performed are based on proprietary databases of prices of transactions for properties of similar nature, location and condition.

7. RIGHT OF USE ASSETS & LEASE LIABILITIES

Right of use asset

The Company has a lease agreement for a long term that has been used to establish one of the sports clubs. The contract is for a period of 20 years ending in 2040.

During the year, lease contracts pertaining to ten plots of land were terminated with Jiad United Company for Real Estate Development, as the underlying plots were transferred to the Company against issuance of new shares through in-kind transfer (see note 14).

The movement in right of use assets during the year was as follows:

	December 31, 2022G	December 31, 2021G
As at January 1,	168,021,942	21,504,837
Additions	-	152,112,379
Disposals	(143,499,122)	-
Charge for the year	(5,539,819)	(5,595,274)
As at December 31,	18,983,001	168,021,942

The depreciation on right of use assets has been allocated as follows:

	December 31, 2022G	December 31, 2021G
Capitalized as part of property and equipment (Note 6)	4,132,797	5,265,479
Expensed out in statement of profit or loss (Note 21)	1,407,022	329,795
	5,539,819	5,595,274

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7. RIGHT OF USE ASSETS & LEASE LIABILITIES (Continued)

Lease liabilities

The movement in lease liabilities during the year was as follows:

	December 31, 2022G	December 31, 2021G
As at the start of the year	166,259,721	21,175,314
Additions	-	152,112,379
Disposals	(144,783,462)	-
Interest expense	5,127,941	5,199,433
Payments	(6,422,305)	(12,227,405)
As at the end of the year	20,181,895	166,259,721
Current portion	1,610,868	12,630,121
Non-current portion	18,571,027	153,629,600

The interest expense on lease liabilities has been allocated as follows:

	December 31, 2022G	December 31, 2021G
Capitalized as part of property and equipment (Note 6)	3,843,142	4,878,369
Expensed out in statement of profit or loss (Note 24)	1,284,799	321,064
	5,127,941	5,199,433

The expense charged relating to short-term leases in the statement of profit or loss is as follows:

	December 31, 2022G	December 31, 2021G
Under cost of revenue (Note 21)	36,011	15,056
Under general and administrative expenses (Note 22)	570,583	229,754
	606,594	244,810

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8. INTANGIBLE ASSETS

	Software	Others	Capital work in progress	Total
Cost:				
As at January 1, 2021G	-	-	1,139,594	1,139,594
Additions during the year	-	-	286,211	286,211
Transfers during the year	4,558	-	(4,558)	-
As at December 31, 2021G	4,558	-	1,421,247	1,425,805
Additions during the year	82,892	-	575,250	658,142
Transfers during the year	510,752	696,792	(1,207,544)	-
Write off	-	-	(759,501)	(759,501)
As at December 31, 2022G	598,202	696,792	29,452	1,324,446
Accumulated Amortization:				
Balance as at January 1, 2021G	-	-	-	-
Charge for the year	190	-	-	190
Balance as at December 31, 2021G	190	-	-	190
Charge for the year	84,488	8,710	-	93,198
As at December 31, 2022G	84,678	8,710	-	93,388
Net book value				
Balance as at December 31, 2022G	513,524	688,082	29,452	1,231,058
Balance as at December 31, 2021G	4,368	-	1,421,247	1,425,615

9. ADVANCES TO SUPPLIERS AND CONTRACTORS

The balance represents the advances paid by the Company to suppliers and contractors in respect of construction of fitness centers.

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10. PREPAYMENTS AND OTHER CURRENT ASSETS

	December 31, 2022G	December 31, 2021G
Net value added tax refundable	5,379,402	4,037,395
Prepaid expense	1,384,198	567,458
Staff receivables	109,841	44,665
Others	38,730	27,746
	6,912,171	4,677,264

11. INVENTORIES

	December 31, 2022G	December 31, 2021G
Consumable items	644,116	191,775
Retail inventory	334,518	323,860
Others	44,263	537
	1,022,897	516,172

12. RELATED PARTIES TRANSACTIONS AND BALANCES

Transactions with related parties during the year and the balances as at end of the year are as follows:

Related party	Relationship with the Company	Nature of transactions	December 31, 2022G	December 31, 2021G
Jiad United Company for Real Estate Development	Shareholder	Expenses charged by related party	1,932,095	1,309,383
		Invoice against lease of land	5,533,153	12,672,142
		Rent concession	6,000,000	-
		Contribution of land (Note 14)	234,900,000	-
Pulse Fitness and Sports Company	Shareholder	Revenue	178,071	40,754
		Expenses charged by related party	638,196	128,325

Amounts due from related parties:

	December 31, 2022G	December 31, 2021G
Pulse Fitness and Sports Company	127,036	962,382
Jiad United Company for Real Estate Development	38,477	51,818
	165,513	1,014,200

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12. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

Amounts due to related parties:

	December 31, 2022G	December 31, 2021G
Jiad United Company for Real Estate Development	-	6,314,054
Pulse Fitness and Sports Company	-	6,325
	-	6,320,379

The following table illustrates details of remuneration and compensation of directors and top four executives:

	December 31, 2022G	December 31, 2021G
Short term benefits	3,593,649	2,573,472
End of service benefits	157,950	107,230
	3,751,599	2,680,702

13. CASH AND CASH EQUIVALENTS

	December 31, 2022G	December 31, 2021G
Cash with banks	2,761,239	348,644
Cash in hand	385,114	516,500
	3,146,353	865,144

14. SHARE CAPITAL

During the year, the Company issued 23.49 million new shares at a par value of SR 10 per share against an in-kind consideration of ten plots of land from Jiad United Company for Real Estate Development. These plots of land had a fair value of SR 234.9 million at the time of transfer to the Company. The details of authorized and issued share capital is as follows:

	December 31, 2022G	December 31, 2021G
Authorized & issued		
Number of ordinary shares	28,752,500	5,262,500
Value of shares @ SR 10 per share	287,525,000	52,625,000

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15. LOANS AND BORROWINGS

The company has obtained long and short-term bank facilities from a local bank in the form of Tawarruq with a total facility amount of SR 274 million (December 31, 2021G: SR 150 million) comprising of long-term facility of SR 259 million and short-term facility of SR 15 million.

These facilities have been taken against mortgage of land of the Company, issuance of a promissory note of SR 301.4 million and other joint and several personal guarantees from the shareholders of the Company.

Long-term loan:

As per the initial agreement, the long-term loan was repayable in 10 semi-annual equal installments after a grace period of 24 months from the date of first withdrawal and carried a mark-up of SAIBOR + 1.5%.

As on January 19, 2022G, the Company entered into a rescheduling agreement with the bank whereby the grace period of the loan was extended from 24 months to 36 months. Accordingly, the first installment is now due in September 2023G. On November 22, 2022G, the Company entered into another rescheduling agreement with the bank whereby the long-term loan will be payable in 10 semi-annual non-equal installments and to carry a mark-up of SAIBOR + 1.6%. These two modifications resulted in loss of SR 9,216,092 out of which, the Company capitalized SR 5,462,778 to property and equipment.

Short-term loan:

The short-term loan has been obtained for working capital management and is charged at mark-up of SAIBOR + 1.5% per annum on utilized balance (tenor of 180 days).

The carrying amount of the above stated facilities as of year-end was as follows:

	December 31, 2022G	December 31, 2021G
Non-current portion of long-term loans	239,876,455	131,348,640
Current portion of long-term loans	13,000,000	-
Short term borrowings	15,000,000	-
Accrued interest on long and short-term loans	4,282,623	715,333
Loans and borrowings – current	32,282,623	715,333
Total loans and borrowings	272,159,078	132,063,973

Under the terms of the facility, the Company is required to maintain a debt-to-equity ratio of 2.5:1. The non-compliance with the said covenant causes the outstanding long-term loan to become payable on demand by the lender. During the year, the said ratio of the Company exceeded the defined limit rendering the loan to be payable on demand. However, the Company obtained a temporary waiver from the bank in this regard with validity up to December 30, 2022G.

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16. EMPLOYEES' END OF SERVICE BENEFITS

The movement in employee's end of service benefits' during the year is as follows:

	December 31, 2022G	December 31, 2021G
At the beginning of the year	500,593	307,668
Service cost	591,487	192,925
Finance cost (Note 24)	15,838	-
Costs recognized in profit or loss	607,325	192,925
Benefits paid to outgoing members	(5,992)	-
Remeasurement loss recognized in OCI	182,430	-
At the end of the year	1,284,356	500,593

Analysis of remeasurement loss recognized in other comprehensive income during the year:

	December 31, 2022G	December 31, 2021G
Actuarial gain due to change in financial assumptions	(139,164)	-
Actuarial loss due to change in experience adjustments	321,594	-
Remeasurement loss recognized in OCI	182,430	-

Actuarial assumptions on defined benefit liability

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	December 31, 2022G	December 31, 2021G
Discount rate	4.6%	2.4%
Long term salary increase rate	4.0%	2.4%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the following amounts:

	December 31, 2022G	December 31, 2021G
Discount rate +1%	1,169,323	438,148
Discount rate -1%	1,427,281	558,846
Long term Salary Increases +1%	1,429,936	559,172
Long term Salary Increases -1%	1,164,995	436,394

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16. EMPLOYEES' END OF SERVICE BENEFITS (Continued)

Expected maturity analysis

	December 31, 2022G	December 31, 2021G
1 year	152,403	30,712
2 - 5 years	332,901	126,902
More than 5 years	1,695,196	739,900

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31, 2022G	December 31, 2021G
Short-term retentions	8,365,300	2,286,432
Accruals against projects under construction	5,440,906	3,199,910
Accrued employee benefits	1,332,105	643,779
Others	619,901	1,446,230
	15,758,212	7,576,351

18. UNEARNED REVENUE

	December 31, 2022G	December 31, 2021G
Membership	6,936,828	673,854
Personal training	76,102	16,130
	7,012,930	689,984

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19. ZAKAT PROVISION

Zakat calculation

	December 31, 2022G	December 31, 2021G
Adjusted net loss for the year	(20,373,374)	(10,844,137)
Equity	287,525,000	52,625,000
Long-term loans and borrowings	243,112,721	131,348,640
Provisions and other	500,593	307,667
Other long-term liabilities	22,084,624	167,920,274
	532,849,564	341,357,444
Less:		
Property and equipment	514,247,081	136,603,580
Intangible assets	1,231,058	1,425,615
Right of use assets	18,983,001	168,021,942
Accumulated losses	25,189,690	14,035,361
Advances to suppliers and contractors	42,839,162	37,153,045
	602,489,992	357,239,543
Zakat base	(69,640,428)	(15,882,099)
Zakat charge	-	33,200

20. REVENUE

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following lines of business.

	December 31, 2022G	December 31, 2021G
Over a period of time:		
Subscription and membership	9,710,975	279,078
Personal training	514,781	22,435
	10,225,756	301,513
At a point in time:		
Administrative registration fees	2,780,965	101,609
Others	186,050	34,591
	2,967,015	136,200
Total revenue	13,192,771	437,713

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21. COST OF REVENUE

	December 31, 2022G	December 31, 2021G
Depreciation of property and equipment (Note 6)	5,540,178	514,836
Salaries and wages	3,497,841	587,247
Cleaning and services	1,813,386	134,947
Depreciation of right of use assets (Note 7)	1,407,022	329,795
Utilities	1,049,109	25,214
Governmental fees	395,346	144,188
Club consumables	207,438	34,023
Repair and maintenance	188,979	272
Software charges	115,755	-
Merchandise items	101,269	6,316
Travel expenses	79,514	225,081
Rent (Note 7)	36,011	15,056
Others	685,565	60,675
	15,117,413	2,077,650

22. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2022G	December 31, 2021G
Salaries and wages	7,595,794	5,951,222
Consultation	3,532,348	801,961
Professional fees	2,127,136	328,215
Licenses and programs	826,754	535,204
Rent (Note 7)	570,583	229,754
Depreciation of property and equipment (Note 6)	414,133	10,554
Withholding tax	175,867	54,843
Travel expenses	130,328	20,649
Amortization of intangible assets	90,722	-
Others	819,216	669,377
	16,282,881	8,601,779

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23. OTHER INCOME, NET

	December 31, 2022G	December 31, 2021G
Rent concessions	6,000,000	-
Gain on disposal of lease contracts	1,284,340	-
Gain on disposal of property and equipment	17,829	-
Loss on modification of financial liability	(3,753,314)	-
Others	394,505	124,456
	3,943,360	124,456

24. FINANCE COST

	December 31, 2022G	December 31, 2021G (Restated)
Interest on loans and borrowings	2,967,721	113,942
Interest on lease liabilities (Note 7)	1,284,799	321,064
Interest on employees' end of service benefits (Note 16)	15,838	-
	4,268,358	435,006

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Company over the weighted average number of outstanding ordinary shares during the year.

There were no diluted shares outstanding at any time during the year, therefore, the diluted earnings per share is equal to the basic earnings per share.

	December 31, 2022G	December 31, 2021G
Net loss attributable to the shareholders of the Company	(21,168,570)	(11,154,329)
Weighted average number of outstanding shares during the year	14,529,788	5,262,500
Basic and diluted earnings per share	(1.46)	(2.12)

26. COMMITMENTS

The Company has capital commitments on contracts for setting up fitness centers amounting to SR 57.9 million as at December 31, 2022G (December 31, 2021G: SR 61.5 million).

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27. SEGMENT INFORMATION

A segment is a separate and distinct part of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating segments are disclosed on the basis of internal reports that are reviewed by the chief operating decision-maker, who is responsible for allocating resources, assessing performance and making strategic decisions about the operating segments. The operating sectors that show similar economic characteristics, products, services, and similar customer categories, whenever possible, are grouped and recorded as segments that are reported in accordance with International Financial Reporting Standard (8) "Operating Segments".

For management purposes, the Company is organized into business units based on their geographical and market distribution.

27.1 Geographical segments

The following tables present information for the geographical segments for the year end.

For the year ended December 31, 2022G

	Central region	Western region	Total
Revenue	6,007,263	7,185,508	13,192,771
Cost of revenue	(8,217,521)	(6,899,892)	(15,117,413)
Gross profit/ (loss)	(2,210,258)	285,616	(1,924,642)

For the year ended December 31, 2021G

	Central region	Western region	Total
Revenue	32,643	405,070	437,713
Cost of revenue	(122,665)	(1,954,985)	(2,077,650)
Gross loss	(90,022)	(1,549,915)	(1,639,937)

27.2 Market segments

The following tables present information for the Market segments for the year end.

	Male fitness centers		Female fitness centers		Total	
	2022G	2021G	2022G	2021G	2022G	2021G
Revenue	251,496	32,643	12,941,275	405,070	13,192,771	437,713
Cost of revenue	(1,019,566)	(58,698)	(14,097,847)	(2,018,952)	(15,117,413)	(2,077,650)
Gross loss	(768,070)	(26,055)	(1,156,572)	(1,613,882)	(1,924,642)	(1,639,937)
Comprehensive income/ (loss)	8,311,582	(31,946)	1,230,168	(2,205,967)	9,541,750	(2,237,913)
Unallocated head office costs					(16,778,670)	(8,916,479)
Total comprehensive loss					(7,236,920)	(11,154,392)
Depreciation						
- Property and equipment	(806,664)	(10,554)	(5,147,647)	(514,836)	(5,954,311)	(525,390)
- Right of use assets	-	-	(1,407,022)	(329,795)	(1,407,022)	(329,795)

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28. FINANCIAL INSTRUMENT

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Currency risk; and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Due from/ to related parties
- Trade payables
- Loans and borrowings
- Lease liabilities
- Long term retentions
- Other current liabilities

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's executive management.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	December 31, 2022G	December 31, 2021G
Cash and cash equivalents	3,146,353	865,144
Due from related parties	165,513	1,014,200
	3,311,866	1,879,344

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28. FINANCIAL INSTRUMENT (Continued)

The Company deposits its cash balances with banks with sound credit ratings and does not believe that there is a significant risk of non-performance by these financial institutions. The financial position of the related parties is stable.

The Company monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company has no significant variable commission bearing long-term assets, but has variable interest-bearing liabilities as at December 31, 2022G and 2021G. The Company manages its exposure to interest rate risk by continuously monitoring movements in commission rates.

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

	December 31, 2022G	December 31, 2021G
100 bp Increase	(2,721,591)	(1,320,640)
100 bp Decrease	2,721,591	1,320,640

Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in the foreign exchange rates. Currency risk arises from recognized assets and liabilities which are denominated in a currency that is not the Company's functional currency. The Company does not believe that it is substantially exposed to currency risk as the majority of the Company's transactions and balances are denominated in Saudi Riyals or U.S. Dollar. The Company's functional currency is pegged to U.S. Dollar. The Company's transactions in currencies other than the Saudi Riyals or U.S. Dollars are not significant.

Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet the obligations, monitoring of liquidity ratios and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

December 31, 2022G

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
Loans and borrowings	32,814,402	214,932,286	82,245,372	329,992,060
Long term retentions	-	1,902,729	-	1,902,729
Lease liabilities	1,610,868	6,664,968	22,009,496	30,285,332
Due to related parties	-	-	-	-
Trade payables	15,149,646	-	-	15,149,646
Other current liabilities	13,806,206	-	-	13,806,206
	63,381,122	223,499,983	104,254,868	391,135,973

ARMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

28. FINANCIAL INSTRUMENT (Continued)

December 31, 2021G

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
Loans and borrowings	14,097,297	113,143,514	14,948,824	142,189,635
Long term retentions	-	4,003,940	-	4,003,940
Lease liabilities	12,630,121	50,804,789	194,913,826	258,348,736
Due to related parties	6,320,379	-	-	6,320,379
Trade payables	5,426,711	-	-	5,426,711
Other current liabilities	5,486,342	-	-	5,486,342
	43,960,850	167,952,243	209,862,650	421,775,743

Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to shareholders.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide and adequate return to shareholders.

Consistent with the others in the industry, the Company monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity. The Company's gearing ratio as of the year end of the reporting year was as follows:

	December 31, 2022G	December 31, 2021G
Loans and borrowings	272,159,078	132,063,973
Lease liabilities	20,181,895	166,259,721
Less: cash and cash equivalents	(3,146,353)	(865,144)
Net debt	289,194,620	297,458,550
Total equity	255,098,390	27,435,310
Gearing ratio	1.13	10.84

ARMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

29. FAIR VALUE AND FAIR VALUE HIERARCHY

The Company measures financial instruments at fair value at each statement of financial position date wherever such measurement is required by applicable financial reporting framework or the Company has a choice and it has chosen to do so under permitted accounting policies or where the Company is required to disclose the fair value in these financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. External valuers are involved in the valuation of significant assets. The involvement of external valuers is decided by the Company after discussion with the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with its external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing with the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Financial instruments by category

Financial assets / liabilities at amortized cost:

Financial assets:

	December 31, 2022G	December 31, 2021G
Cash and cash equivalents	3,146,353	865,144
Due from related parties	165,513	1,014,200
Total financial assets	3,311,866	1,879,344

ARMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

29. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Financial liabilities:

	December 31, 2022G	December 31, 2021G (Restated)
Non-current:		
Loans and borrowings	239,876,455	131,348,640
Lease liabilities	18,571,027	153,629,600
Long term retentions	1,902,729	4,003,940
Current:		
Loans and borrowings	32,282,623	715,333
Lease liabilities	1,610,868	12,630,121
Trade payables	15,149,646	5,426,711
Due to related parties	-	6,320,379
Other current liabilities	13,806,206	5,486,342
Total financial liabilities	323,199,554	319,561,066

There are no financial instruments being carried at fair value in these financial statements as at December 31, 2022G and 2021G.

30. PRIOR YEARS' ADJUSTMENTS

The Company has restated its comparative financial statements and the impact is stated as follows:

The following is a summary of the adjustments to the statement of financial position as at January 1, 2021G:

	Note	January 1, 2020G (Audited)	Reclassification	Remeasurement	January 1, 2021G (Restated)
Property and equipment	A	105,463	54,549,767	-	54,655,230
Projects under construction	A, B	58,902,019	(59,786,997)	884,978	-
Intangible assets	A	-	1,139,594	-	1,139,594
Advances to suppliers and contractors	A	-	4,097,636	-	4,097,636
Accumulated losses	B	(14,920,339)	-	884,978	(14,035,361)

ARMAH SPORTS COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022G
(Saudi Riyals)

30. PRIOR YEARS' ADJUSTMENTS (Continued)

The following is a summary of the adjustments to the statement of financial position as at December 31, 2021G:

	Note	December 31, 2021G	Reclassification	Remeasurement	December 31, 2021G
		(Audited)			(Restated)
Property and equipment	A, B	20,056,419	114,104,667	2,442,494	136,603,580
Projects under construction	A, B	144,135,766	(152,683,327)	8,547,561	-
Intangible assets	A	-	1,425,615	-	1,425,615
Advances to suppliers and contractors	A	-	37,153,045	-	37,153,045
Accumulated losses	B	(36,179,745)	-	10,990,055	(25,189,690)

The following is a summary of the adjustments to the statement of profit or loss and other comprehensive income for the year ended December 31, 2021G:

	Note	December 31, 2021G	Reclassification	Remeasurement	December 31, 2021G
		(Audited)			(Restated)
Cost of revenue	A, B	(1,708,894)	(329,985)	(38,771)	(2,077,650)
General and administrative expenses	A, B	(14,197,243)	329,985	5,265,479	(8,601,779)
Finance cost	A, B	(113,942)	(5,199,433)	4,878,369	(435,006)
Interest expense on lease liability	A	(5,199,433)	5,199,433	-	-
Net loss for the year	B	(21,259,406)	-	10,105,077	(11,154,329)

A: Certain comparative figures have been reclassified to comply with the current year presentation of these financial statements.

B: Depreciation of right of use assets and interest expense related to the lease liabilities of the land incurred with respect to work performed for the construction of property and equipment that relate to the years ended December 31, 2021G and December 31, 2020G had been charged to the statement of profit or loss and other comprehensive income. Management assessed that the costs incurred related to the lease of land meet the recognition criteria of property and equipment according to IAS 16. Management corrected prior years' numbers (December 31, 2021G: SR 10,990,059 and December 31, 2020G: SR 884,978) in the current year's financial statements by restating the comparatives.

31. SIGNIFICANT EVENTS

On June 28, 2022G, the Company's shareholders resolved in their extraordinary general assembly meeting to list the Company in Saudi Exchange Parallel Market "Nomu". Accordingly, legal, financial and other advisors have been appointed by the Company.

32. SUBSEQUENT EVENTS

No events have arisen subsequent to December 31, 2022G and before the date of issuing the financial statements that could have a significant effect on the financial statements as at December 31, 2022G.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on Ramadan 25, 1444H (corresponding to April 16, 2023G).

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Interim Condensed Financial Statements (Unaudited)
and Independent Auditor's Review Report
For the Six-Month Period Ended June 30, 2023G



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Review Report on the Interim Condensed Financial Statements

To the Shareholders

Armah Sports Company

(Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Armah Sports Company (the "Company") as at June 30, 2023 and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

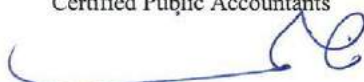
Scope of Review

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" as endorsed in the Kingdom of Saudi Arabia. A review of the 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 as 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 financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Baker Tilly MKM & Co.
Certified Public Accountants



Majed Moneer AlNemer

(License No. 381)

Riyadh on Safar 25, 1445H

Corresponding to September 10, 2023G



ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Interim Condensed Statement of Financial Position
As at June 30, 2023G
(Saudi Riyals)

	Notes	June 30, 2023G	December 31, 2022G
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property and equipment	5	567,820,182	514,247,081
Right of use assets	6	51,827,052	18,983,001
Intangible assets		1,451,871	1,231,058
Advances to suppliers and contractors		39,701,698	42,839,162
Total non-current assets		660,800,803	577,300,302
Current assets			
Prepayments and other current assets		3,790,481	6,912,171
Inventories		1,113,082	1,022,897
Due from related parties		30,741	165,513
Cash and cash equivalents		2,093,752	3,146,353
Total current assets		7,028,056	11,246,934
Total assets		667,828,859	588,547,236
EQUITY AND LIABILITIES			
Equity			
Share capital		287,525,000	287,525,000
Accumulated losses		(52,683,379)	(46,540,690)
Revaluation surplus		14,114,080	14,114,080
Total equity		248,955,701	255,098,390
Liabilities			
Non-current liabilities			
Loans and borrowings	7	241,116,092	239,876,455
Lease liabilities	6	50,227,101	18,571,027
Long term retentions		2,119,156	1,902,729
Employees’ end of service benefits		1,645,175	1,284,356
Total non-current liabilities		295,107,524	261,634,567
Current liabilities			
Loans and borrowings	7	50,764,193	32,282,623
Lease liabilities	6	3,713,868	1,610,868
Due to related parties		3,312	-
Trade payables		29,204,787	15,149,646
Accrued expenses and other current liabilities		20,456,929	15,758,212
Unearned revenue		19,622,545	7,012,930
Zakat provision		-	-
Total current liabilities		123,765,634	71,814,279
Total liabilities		418,873,158	333,448,846
Total equity and liabilities		667,828,859	588,547,236

The accompanying notes form an integral part of these interim condensed financial statements

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
For the Six-Month Period Ended June 30, 2023G
(Saudi Riyals)

	Notes	For the six-month period ended June 30	
		2023G	2022G
			(Restated, note 13)
Revenue	8	26,071,872	4,250,315
Cost of revenue		(20,294,913)	(5,480,217)
Gross profit / (loss)		5,776,959	(1,229,902)
General and administrative expenses		(8,484,700)	(5,799,350)
Other income	9	1,194,009	6,081,245
Selling and marketing expenses		(893,965)	(794,831)
Operating loss		(2,407,697)	(1,742,838)
Finance costs		(3,734,992)	(1,357,669)
Loss before zakat		(6,142,689)	(3,100,507)
Zakat		-	-
Net loss for the period		(6,142,689)	(3,100,507)
Other comprehensive income		-	-
Total comprehensive loss for the period		(6,142,689)	(3,100,507)
Basic and diluted earnings per share	10	(0.21)	(0.59)

The accompanying notes form an integral part of these interim condensed financial statements

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Interim Condensed Statement of Changes in Equity (Unaudited)
For the Six-Month Period Ended June 30, 2023G
(Saudi Riyals)

	Share capital	Accumulated losses	Revaluation Surplus	Total
Balance as at January 1, 2022G	52,625,000	(25,189,690)	-	27,435,310
Net loss for the period (Restated, note 13)	-	(3,100,507)	-	(3,100,507)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(3,100,507)	-	(3,100,507)
Balance as at June 30, 2022G (Restated)	52,625,000	(28,290,197)	-	24,334,803
Balance as at January 1, 2023G	287,525,000	(46,540,690)	14,114,080	255,098,390
Net loss for the period	-	(6,142,689)	-	(6,142,689)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(6,142,689)	-	(6,142,689)
Balance as at June 30, 2023G	287,525,000	(52,683,379)	14,114,080	248,955,701

The accompanying notes form an integral part of these interim condensed financial statements

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Interim Condensed Statement of Cash Flows (Unaudited)
For the Six-Month Period Ended June 30, 2023G
(Saudi Riyals)

	June 30, 2023G	June 30, 2022G
		(Restated)
Cash flows from operating activities		
Loss before Zakat	(6,142,689)	(3,100,507)
Adjustments for non-cash items:		
Depreciation of property and equipment	8,484,347	2,073,447
Depreciation of right of use assets	547,587	807,458
Amortization of intangible assets	70,005	37,961
Finance costs	3,734,992	1,357,669
Employees' end of service benefits	382,236	163,385
	7,076,478	1,339,413
Changes in working capital items:		
Prepayments and other current assets	3,121,690	(582,923)
Due from/ to related parties	138,084	(5,217,573)
Inventories	(90,185)	(186,448)
Accrued expenses and other current liabilities	4,698,717	4,755,667
Unearned revenue	12,609,615	390,375
Long term retentions	216,427	940,527
Trade payables	14,055,141	3,605,240
Cash generated from operating activities	41,825,967	5,044,278
Employees' end of service benefits paid	(21,417)	(2,990)
Net cash generated from operating activities	41,804,550	5,041,288
Cash flows from investing activities		
Purchase of property and equipment	(59,027,059)	(54,045,337)
Purchase of intangible assets	(290,818)	(437,578)
Advances to suppliers and contractors	3,137,464	(7,980,328)
Net cash used in investing activities	(56,180,413)	(62,463,243)
Cash flows from financing activities		
Principal element of lease liabilities paid	(1,015,113)	(4,878,020)
Interest element of lease liabilities paid	(491,322)	(738,852)
Payment of finance costs on loans and borrowings	(409,940)	(1,620,106)
Receipt of long-term loans and borrowings	15,239,637	72,952,380
Net cash generated from financing activities	13,323,262	65,715,402
Net change in cash and cash equivalents	(1,052,601)	8,293,447
Cash and cash equivalents at beginning of the period	3,146,353	865,144
Cash and cash equivalents at end of the period	2,093,752	9,158,591
Non-cash transactions not included in the cash flows		
Capitalization of depreciation of right of use assets	549,657	3,549,825
Capitalization of interest on lease liabilities	832,892	3,301,437
Capitalization of finance costs on loans and borrowings	1,647,840	1,676,127
Addition to right of use assets and lease liabilities	33,941,295	-

The accompanying notes form an integral part of these interim condensed financial statement

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the Six-Month Period Ended June 30, 2023G
(Saudi Riyals)

1. Corporate Information and Principal Activities

Armah Sports Company, (the “Company”) is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010559940 dated Jumada Al-Akhirah 14, 1440 H (corresponding to February 19, 2019G).

The Capital Market Authority “CMA” Board has issued its resolution dated June 20, 2023G, approving the Company’s application for the registration and offering of (4,927,958) shares, representing (15%) of the Company’s share capital in the Parallel Market “Nomu”.

The registered address of the Company is building number 3894, Al Nakheel District, Riyadh, Kingdom of Saudi Arabia.

The Company’s primary activities include operating facilities, sport centers, retail sales of sports apparel, and providing food services in sport facilities, salons, and other sports activities.

2. Basis of Preparation

Statement of compliance

These interim condensed financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS 34) “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

These interim condensed financial statements do not include all the information and disclosures required in a full set of financial statements prepared in accordance with International Financial Reporting Standards. Accordingly, it should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2022G. Specific accounting policies and explanatory disclosures have been included in order to explain the significant events and transactions behind the changes in the Company’s financial position and financial performance during the period.

The interim period is considered as an integral part of the full fiscal year; however, the results of operations for the interim periods may not be a fair indication of the results for the full-year operations.

Basis of measurement

These interim condensed financial statements have been prepared on the historical cost basis, except for the following:

- Land under property and equipment – measured at revalued amount; and
- Defined benefit plan – measured at the present value of future obligations using the Project Unit Credit Method.

Furthermore, these interim condensed financial statements are prepared using the accrual basis of accounting and the going concern basis.

Presentation and functional currency

The interim condensed financial statements are presented in Saudi Riyal, which is the Company’s functional currency.

3. Use of Judgments and Estimates

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

The significant estimates made by the Company for managing the Company’s accounting policies and the primary sources of estimating the unreliability were the same as those that were applied in the financial statements for the year ended December 31, 2022G.

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the Six-Month Period Ended June 30, 2023G
(Saudi Riyals)

3. Use of Judgments and Estimates (Continued)

Going Concern Assumption

As of June 30, 2023G, the Company's current liabilities exceeded its current assets by SR 116,737,578 (December 31, 2022G: SR 60,567,345) which is mainly due to concentrating the Company's financial resources on expanding its operations by establishing new fitness centers which will lead to increase the Company's profitability. Management believes that it will be able to obtain the necessary financial resources by obtaining funds from Banks and through increasing the share capital by offering the Company's share capital in the Parallel Market "Nomu" (Note 1). Accordingly, the management reasonably expects that it will be able to continue its activities for the foreseeable future.

4. Summary of Significant Accounting Policies

The accounting policies and calculation methods applied in preparing the interim condensed financial statements are consistent with those followed in preparing the Company's annual financial statements for the year ended December 31, 2022G, except for the application of the new standards that became effective on January 1, 2023G. The Company did not early adopt any other standard, interpretation or amendment issued but not yet effective.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued that are effective for these interim condensed financial statements; however, there are number of amendments to standards which are effective from January 1, 2023G and have been explained in Company's annual financial statements, but they do not have a material effect on the Company's interim condensed financial statements.

5. Property and Equipment

	June 30, 2023G	December 31, 2022G
Beginning Balance for the period/ year	514,247,081	136,603,580
Additions during the period/ year	62,057,448	369,625,192
Disposal during the period/ year	-	(141,460)
Revaluation gain during the period/ year	-	14,114,080
Depreciation charged during the period/ year	(8,484,347)	(5,954,311)
Ending balance for the period/ year	567,820,182	514,247,081

6. Right of Use Assets and Lease Liabilities

During the period, the Company entered into a lease agreement for a building for twenty years for the purpose of establishing two fitness centers.

ARMAH SPORTS COMPANY
(Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the Six-Month Period Ended June 30, 2023G
(Saudi Riyals)

7. Loans and Borrowings

The carrying amount of the loans and borrowings as of period/ year-end is as follows:

	June 30, 2023G	December 31, 2022G
Non-current portion of long-term loans	241,116,092	239,876,455
Current portion of long-term loans	27,000,000	13,000,000
Short term borrowings	15,000,000	15,000,000
Accrued interest on long and short-term loans	8,764,193	4,282,623
Loans and borrowings – current	50,764,193	32,282,623
Total loans and borrowings	291,880,285	272,159,078

8. Revenue

	For the six-month period ended June 30	
	2023G	2022G
Over a period of time:		
Subscription and membership	20,418,831	2,646,546
Personal training	1,853,162	97,512
	22,271,993	2,744,058
At a point in time:		
Administrative registration fees	3,444,336	1,450,122
Others	355,543	56,135
	3,799,879	1,506,257
Total revenue	26,071,872	4,250,315

9. Other Income

	For the six-month period ended June 30	
	2023G	2022G
Rent concessions	-	6,000,000
Others	1,194,009	81,245
	1,194,009	6,081,245

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10. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the shareholders of the Company over the weighted average number of outstanding ordinary shares during the period.

There were no diluted shares outstanding at any time during the period, therefore, the diluted earnings per share is equal to the basic earnings per share.

	For the six-month period ended June 30	
	2023G	2022G
Net loss attributable to the shareholders of the Company	(6,142,689)	(3,100,507)
Weighted average number of outstanding shares during the period	28,752,500	5,262,500
Basic and diluted earnings per share	(0.21)	(0.59)

11. Commitments

The Company has capital commitments on contracts for setting up fitness centers amounting to SR 50.2 million (December 31, 2022G: SR 57.9 million).

12. Segment Information

For management purposes, the Company is organized into business units based on their geographical and market distribution.

Geographical segments

The following tables present information for the geographical segments:

For the six-month period ended June 30, 2023G

	Central region	Western region	Total
Revenue	21,794,810	4,277,062	26,071,872
Cost of revenue	(16,422,516)	(3,872,397)	(20,294,913)
Gross profit	5,372,294	404,665	5,776,959

For the six-month period ended June 30, 2022G

	Central region	Western region	Total
Revenue	1,467,630	2,782,685	4,250,315
Cost of revenue	(2,387,794)	(3,092,423)	(5,480,217)
Gross loss	(920,164)	(309,738)	(1,229,902)

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12. Segment Information (Continued)

Market segments

The following tables present information for the Market segments for the six-month period ended June 30:

	Male fitness centers		Female fitness centers		Total	
	2023G	2022G	2023G	2022G	2023G	2022G
Revenue	12,650,898	16,952	13,420,974	4,233,363	26,071,872	4,250,315
Cost of revenue	(9,409,850)	(3,796)	(10,885,063)	(5,476,421)	(20,294,913)	(5,480,217)
Gross profit/ (loss)	3,241,048	13,156	2,535,911	(1,243,058)	5,776,959	(1,229,902)
Comprehensive income/ (loss)	2,999,913	(84,500)	1,960,266	(2,135,389)	4,960,179	(2,219,889)
Unallocated head office costs					(11,102,868)	(880,618)
Total comprehensive loss					(6,142,689)	(3,100,507)
Depreciation						
Property and equipment	(4,453,511)	(16,424)	(4,030,836)	(2,057,023)	(8,484,347)	(2,073,447)
Right of use assets	-	-	(547,587)	(807,458)	(547,587)	(807,458)

13. Prior period adjustments

The Company has restated its comparative condensed interim financial statements and the impact on the interim condensed statement of profit or loss and other comprehensive income for the six-month period ended June 30, 2022G:

	June 30, 2022G	Remeasurement	June 30, 2022G
	(Unaudited)		(Restated)
Cost of revenue	(5,370,240)	(109,977)	(5,480,217)
General and administrative expenses	(9,349,175)	3,549,825	(5,799,350)
Finance costs	(4,659,106)	3,301,437	(1,357,669)
Net loss for the period	(9,841,792)	6,741,285	(3,100,507)

Depreciation of right of use assets and interest expense related to the lease liabilities of the land incurred with respect to work performed for the construction of property and equipment that relate to the period ended June 30, 2022G had been charged to the interim condensed statement of profit or loss and other comprehensive income. Management assessed that the costs incurred related to the lease of land meet the recognition criteria of property and equipment according to IAS 16. Accordingly, Management corrected prior period's numbers in the current period's interim condensed financial statements by restating the comparatives.

This restatement had no impact on the cash generated from/ (used in) operating, investing or financing activities.

Financial Risk Management

The Company's financial risk management strategies have not changed significantly since the last year end. All financial assets and financial liabilities of the Company are classified and measured at amortized cost.

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14. Subsequent Events

There are no subsequent events that require disclosure or amendment to the accompanying interim condensed financial statements.

15. Approval of the Interim Condensed Financial Statement

The interim condensed financial statements have been approved by the Board of Directors on Safar 25, 1445H (corresponding to September 10, 2023G).



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