

LEEJAM SPORTS COMPANY
ASSEMBLY GENERAL MEETING (ORDINARY)
(FIRST MEETING)

THURSDAY 4TH MAY 2023

Element List	Explanation
Introduction	The Board of Directors of Leejam Sports Company (Fitness Time) is pleased to Invite the Shareholders to Attend & vote in the Ordinary General Assembly Meeting (First Meeting) on 4th May 2023 at 06:30 p.m. which will be conducted via modern technologies.
City and Location of the General Assembly's Meeting	Riyadh at Leejam Head Office via modern technologies using Tadawulaty
URL for the Meeting Location	https://login.tadawulaty.com.sa/ir/user/login.xhtml
Date of the General Assembly's Meeting	2023-05-04 Corresponding to 1444-10-14
Time of the General Assembly's Meeting	18:30
Attendance Eligibility	Each shareholder who is registered in the Company's shareholders register with Edaa at the end of the trading session prior to the Assembly meeting shall be entitled to attend the assembly meeting, according to the rules and regulations
Quorum for Convening the General Assembly's Meeting	The Ordinary general assembly meeting is valid if shareholders, representing at least 25% of the capital, attended.
General Assembly Meeting Agenda	<ol style="list-style-type: none"> 1- Reviewing the Board of Directors' Report for the fiscal year ending on 31st December 2022 and discuss it. 2- Reviewing the Financial Statements for the fiscal year ending on 31st December 2022 and discuss it. 3- Voting on the Auditor's Report on the Company's accounts for the fiscal year ending on 31st December 2022. 4- Voting on releasing the Board of Directors members from liability for the fiscal year ending on 31st December 2022. 5- Voting on paying an amount of SAR 2,965,000 as remunerations to the Board Members for the fiscal year ending on 31st December 2022.

	<p>6- Voting on appointing the auditor for the company from among the candidates based on the Audit Committee's recommendation. The appointed auditor shall examine, review, and audit the second and third quarters and annual Financial Statements of 2023, and the first quarter of 2024, and the determination of the Auditor fees.</p> <p>7- Voting on delegating the Board of Directors to distribute interim dividends on a biannually or quarterly basis for the fiscal year 2023.</p> <p>8- Voting on delegating to the Board of Directors the authorization powers of the General Assembly stipulated in paragraph (1) of Article (27) of the Companies Law, for a period of one year starting from the date of the approval by the General Assembly or until the end of the delegated Board of Directors' term, whichever is earlier, in accordance with the implementation rules of Companies Law for listed Joint Stock Companies.</p>
Proxy Form	Attached
The shareholder right in discussing the assembly agenda topics, asking questions, and exercising the voting right. (Mentioning the E-Voting details, if any)	<p>The shareholders who are registered in the Tadawulaty services can remotely vote on the items of the Ordinary General Assembly Meeting, through (electronic voting) service at (https://login.tadawulaty.com.sa) as voting and registration is free of charge. Noting that the remote voting will start at 01:00 AM on 30 April 2023 and continue till the end of the Meeting.</p>
Eligibility for Attendance Registration and Voting	<p>The eligibility to register attendance at the assembly meeting ends at the time of the assembly and the right to vote on the Ordinary General Assembly Agenda for attendees ends when the counting committee finishes counting the votes.</p>
Method of Communication	<p>For any inquiries please contact Investor Relations at: +966 11 210 1015 Ext. 188,</p> <p>or at: 00966564149752</p> <p>or at: investor.relations@leejam.com.sa</p>

ATTACHMENTS

نموذج التوكيل

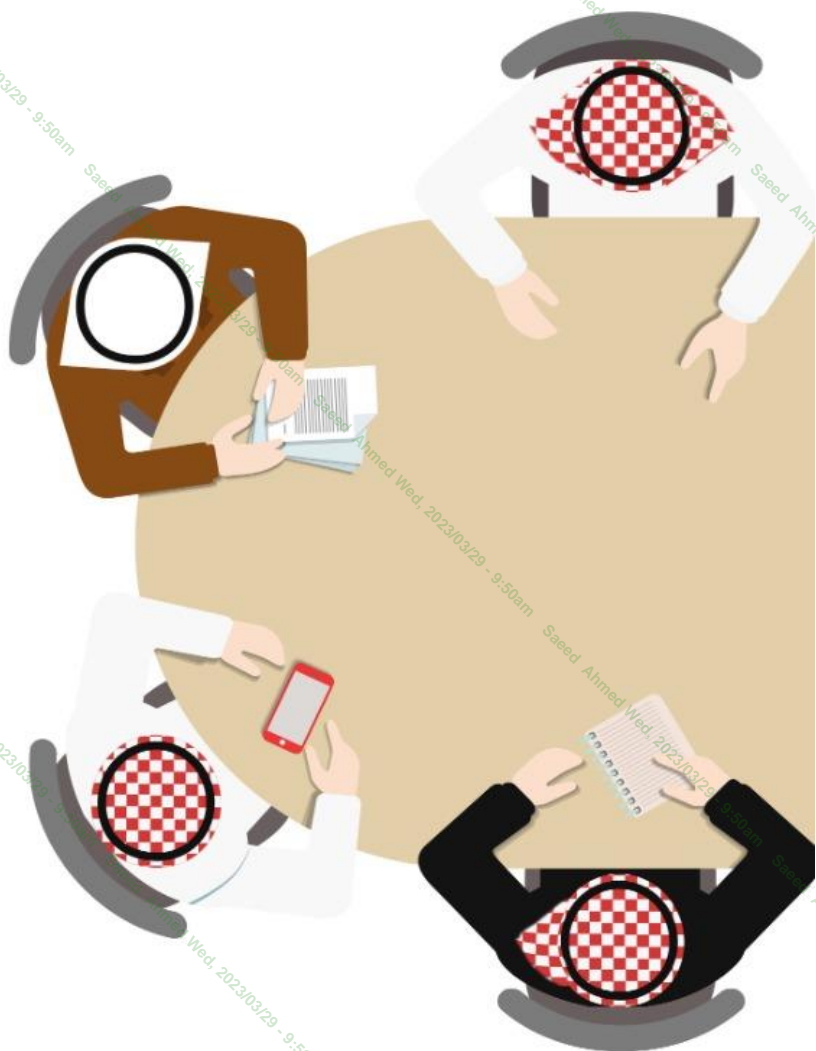
Proxy Form

نموذج التوكيل غير متاح وذلك بسبب إنعقاد اجتماع الجمعية عن طريق وسائل التقنية الحديثة باستخدام منظومة تداولاتي على الرابط التالي:

<https://login.tadawulaty.com.sa/ir/user/login.xhtml>

Proxy Form is not available due to that the AGM will be conducted via modern technologies using Tadawulaty system at the following link:

<https://login.tadawulaty.com.sa/ir/user/login.xhtml>



LEEJAM SPORTS COMPANY

ANNUAL AUDIT COMMITTEE REPORT

For the year ended 31 December 2022

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A. Executive summary

The report provides details on the work performed by the Audit Committee (hereafter referred to as “Committee”) in discharge of its responsibilities during the year 2022 and includes key observations, recommendations and conclusions made by the committee with regards to risk, controls, and governance.

During the year 2022, the Committee reviewed effectiveness of both the external audit process and the internal audit function as part of the continuous improvement of financial reporting and controls environment across LEEJAM. The Committee also focused particularly on the appropriateness of LEEJAM’s financial statements to ensure compliance with applicable International Accounting and Financial Reporting Standards (IFRS) along with relevant local laws and regulations of Kingdom of Saudi Arabia (KSA). The Committee has ensured itself, and has advised the Board accordingly, that the 2022 financial statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess LEEJAM performance, business model and strategy.

The Committee held six (6) meetings during the year 2022 that took place with internal audit team, key management personnel and external auditor; to review the internal controls, compliance, and risk management system. The Chairman of the Committee also made communications with the Board of Directors to share high risk alerts to ensure timely remediation in line with best practices of risk management and internal controls system.

This report also sets out in more detail the work of internal audit along with related risks that were timely reviewed and responded by the Committee to ensure key business risks are managed on timely basis.

B. The Composition of Audit Committee

As of 31 December 2022, the Committee at LEEJAM consists of three independent non-executive members (one Chairman and two members) who have been appointed for a term of three consecutive financial years expiring on 09 December 2024. As required by the Institute of Internal Auditors (IIA) standards and Capital Market Authority (CMA) guidelines for Committee members, the members should collectively possess sufficient knowledge of audit, finance, governance, risk management, internal control, and industry specific knowledge. The Committee operates under rules and procedures defined in the Audit Committee charter approved by the Board. Below are the names of Audit Committee Members as of 31 December 2022:

Name	Designation	Appointment Date
Dr. Mohammed Faraj Alkinani	Chairman of the Committee	10 December 2021
Mr. Abdulaziz Abdullah Alhidery	Member of the Committee	
Mr. Wisam Hussain M. Alfreihi	Member of the Committee	

C. Audit Committee Roles and Responsibilities

The key responsibilities of the Committee are to assist the Board in fulfilling its oversight responsibilities in relation to: financial reporting; the effectiveness of the system of risk management and internal control; compliance with applicable external legal and regulatory requirements; monitoring the qualifications, expertise, resources and independence of both the internal and external auditors; and assessing the internal and external auditors' performance and effectiveness each year. Overall, the Committee helps in achieving the company's objective and protects the interests of shareholders and investors.

The Committee role is summarized as below:

1. Financial Reporting

The role of the Committee is to ensure reliable financial information and integrity of the financial reporting process by:

- Review financial statements before they are approved by the Board of Directors to ensure their objectiveness, accuracy, completeness, and timeliness.
- Evaluate exposure to fraud.
- Appraise key management estimates, judgments, and valuations where they are thought to be material to the financial statements.
- Evaluate the adequacy of financial statement disclosures.

2. Internal Audit

The Committee is to strengthen the internal audit function by ensuring that management is establishing and maintaining an adequate and effective internal audit structure and ensure the internal audit function's effectiveness and objectivity. The role of the Committee related to internal audit is as following:

- Recommend to Board of Directors for appointment of an Internal Audit Director.
- Approve the Internal Audit Charter.
- Approve the Internal Audit Plans and Budgets.
- Approve the scope of the Internal Audit Program to ensure that planned Internal Audit activity is aligned with key business risks.
- Review and take adequate action on significant audit findings.
- Monitor corrective measures taken by management to address risks on timely basis.
- Monitor procedures and challenge the existence and effectiveness of accounting, financial systems and other systems of internal control and business risk management.

3. Internal Control System

The Committee reviews adequacy of management's system of internal controls to ensure regulatory and policies compliance. The Committee verifies the implementation of such internal controls system through internal audit especially monitoring the implementation of authority matrix and policies & procedures.

4. External Auditor

The Committee has a responsibility for hiring the external audit firm, approving its proposed budget and audit plan, and releasing the audited financial statements. The role of Committee is as the following:

- Recommend to Board of Directors for retaining or changing the external auditors and approving audit engagement fees and other terms.
- Approve, in advance, any audit and any permissible non-audit engagement or relationship between the Company and the independent Auditors;
- Review, at least annually, the qualifications, performance and independence of the external auditors and present its conclusions to the Board of Directors.

5. Compliance

The Committee is responsible for oversight over matters of financial compliance (including auditing, financial reporting, and disclosures to investors), as well as to oversight responsibility for matters of non-financial compliance, including the Company's overall compliance programs, policies, and procedures and significant legal or regulatory compliance exposure.

D. Attendance of Audit Committee

Audit committee held 6 meetings during the year-ended 31 December 2022. Attendance of members according to attendance record is as follows:

Name	Attendance Meeting Number / Date (during 2022)					
	43 / 10 Feb	44 / 14 Apr	45 / 03 Aug	46 / 08 Sep	47 / 26 Oct	48 / 26 Dec
Dr. Mohammed Faraj Alkinani	✓	✓	✓	✓	✓	✓
Mr. Abdulaziz Abdullah Alhidery	✓	✓	✓	✓	✓	✓
Mr. Wisam Hussain M. Alfreihi	✓	✓	✓	✓	✓	✓

Quorum was complied with all audit committee meetings as required by the corporate governance regulations and companies' law of the Kingdom. Decisions of the Committee were also recommended and approved with consensus of all the committee members and there was no dissenting vote in all the decisions.

E. Outcome of Audit Committee Work

During the year 2022, the Committee worked on activities to fulfill its responsibilities under governance and to strengthen internal controls. Major activities are detailed below:

1. Review of Financial Statements

During the financial year 2022, the Committee considered the accounting policies, estimates and judgments used, considering the impact of such factors on the financial position of LEEJAM and its suitability to the nature of the company's activity.

Below Financial Statements have been reviewed by the Committee under the period:

Period of Financial Statements
Year ended 31 Dec 2022
Quarter ended 30 Sep 2022
Quarter ended 30 Jun 2022
Quarter ended 31 Mar 2022

The Committee reviewed integrity, fairness, and transparency of the financial statements along with basis of provisions and various accounting treatments during the period that were recommended to the Board of Directors for adoption.

Major financial statement areas reviewed were:

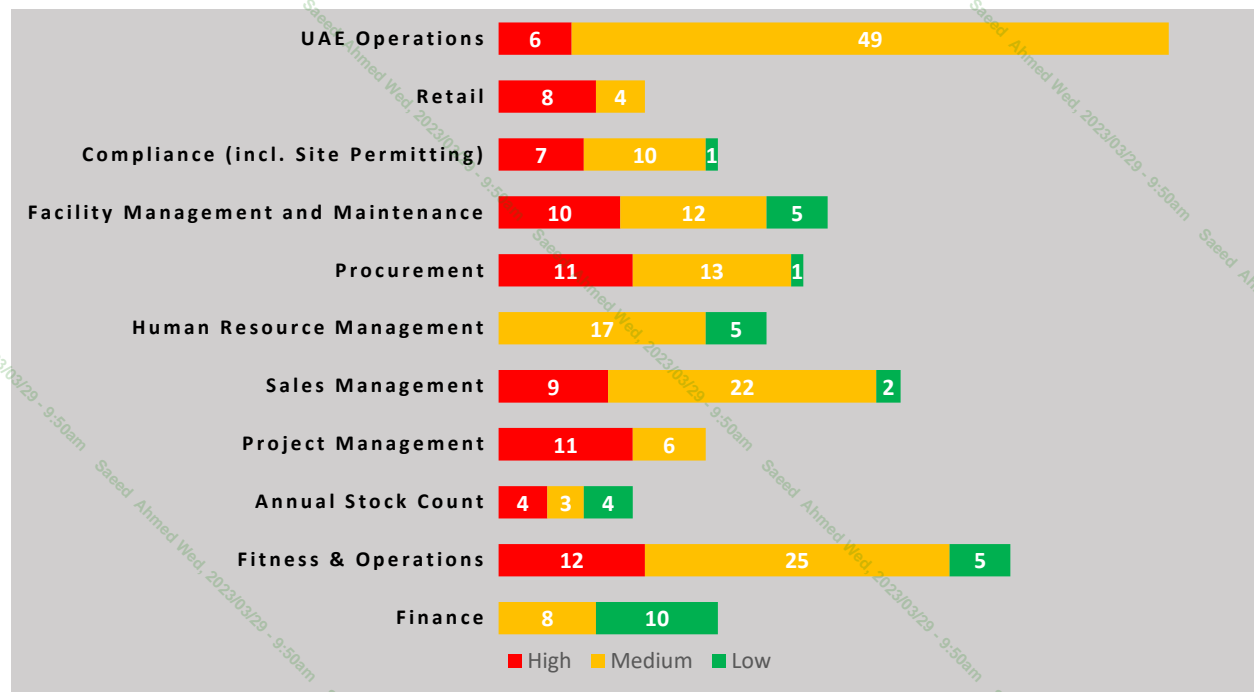
- a. Accounting treatments and revenue recognitions.
- b. Key ratios to monitor financial performance and bank financing.
- c. Legal and financial impact of bank covenant breaches.
- d. Cash Flow Projections.
- e. Short-term and long-term borrowings.
- f. Related Parties disclosure in Financial Statements.
- g. Review of Cost of Sales.
- h. Review of ZATCA tax liability assessments (supported by Legal and Tax Consultant's professional opinion).
- i. Account receivables (specifically outstanding rent receivables).
- j. Advances to vendors (including provision for doubtful debts).

2. Review of Internal Audit Reports

The Committee reviewed the internal audit reports and advised Executive Management on audit findings & remediation measures. Below audit engagements were completed in year 2022:

Internal Audits reports issued during 2022		
#	Business Areas Reviewed	Internal Controls Focus
1.	UAE Office	Operational & Financial
2.	Retail	Operational & Financial
3.	Compliance (including Site Permitting)	Operational & Financial
4.	Facility Management and Maintenance	Operational & Financial
5.	Procurement Management	Operational & Financial
6.	Human Resource Management	Operational & Compliance
7.	Sales Management	Operational & Financial
8.	Project Management	Operational & Financial
9.	Fitness & Operations (HO)	Strategic & Operational
10.	Finance	Financial & Compliance
11.	Year End Procedures (Annual Stock Count)	Operational & Financial

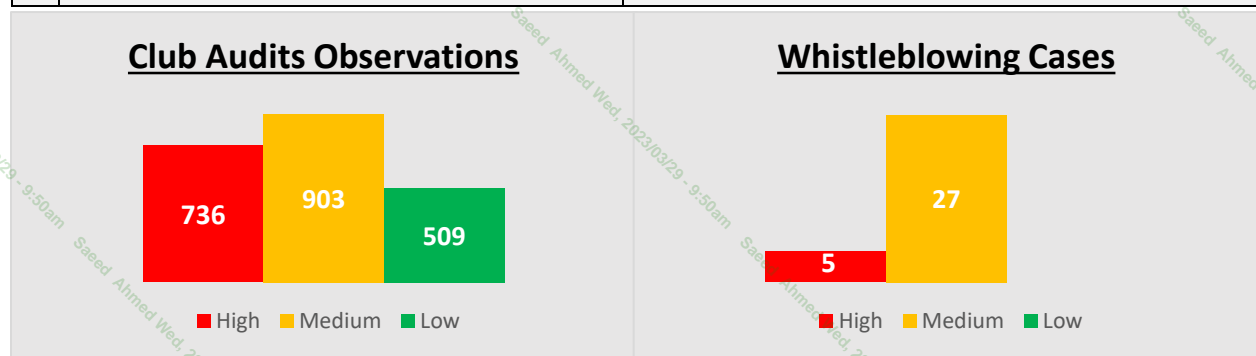
Below is summary of risk rating-wise observations for each **audit engagement**:



3. Review of Recurring Engagements Reports

The Committee monitors the progress of recurring audit engagements and other reviews performed by the Internal Audit function on monthly and quarterly basis, as seen below:

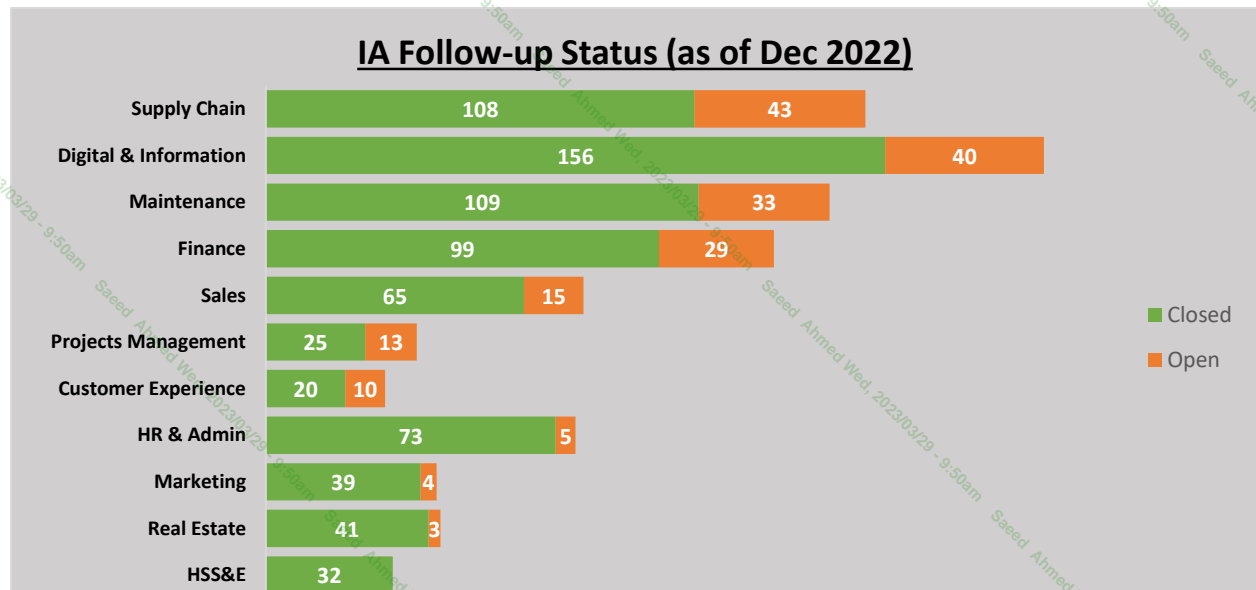
Recurring Engagements		
#	Business Areas Reviewed	Internal Controls Focus
1	Club Audits (135 clubs)	Operational & Compliance
2	Safe-Call Whistleblowing cases (32 cases for the year)	Operational & Reputational
3	Internal Audit Follow-ups (quarterly)	All areas (Operational, Financial, Technological, Compliance, Strategic and others)



4. Follow up on Internal Audit Work

The Committee reviewed the Internal Audit work and oversights timely follow up on the raised observations to ensure timely implementation of the corrective action plan. Out of the total 962 observations reported till date, 767 (80%) has been closed. The remaining observations of 195 are not yet due (as of Dec, 2022) and will be closed during year 2023.

Following is a summary of Committee's efforts in the **follow-up** to internal audit work for 2022:

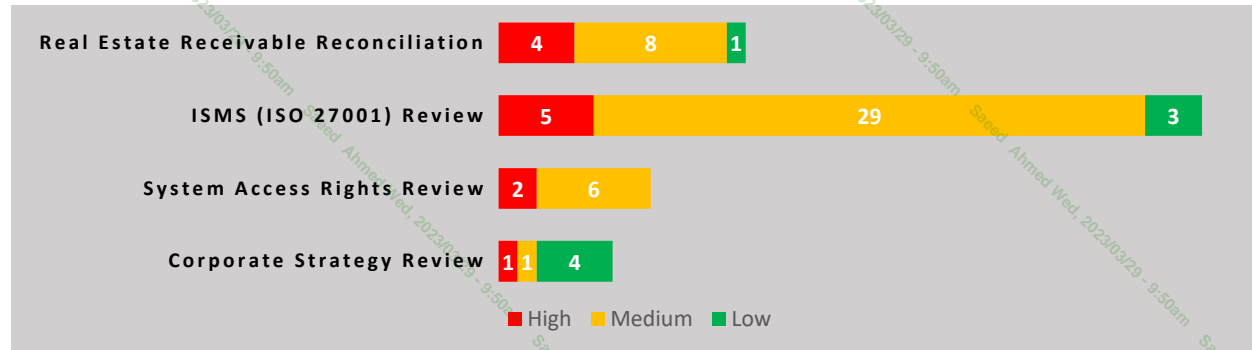


5. Consulting Engagements

The Committee monitored the progress of consulting engagements performed by Internal Audit function designed to improve internal control environment and support management in adding business value. Such engagements included limited review engagements and workshop/awareness sessions as highlighted below:

#	Reviews and Workshops conducted	Internal Controls Focus
1.	Real Estate - Customer Receivable Reconciliation Process	Operational & Financial
2.	Information Security Management System (ISO 27001) Review	Operational, Reputational & Technological
3.	System Access Rights Review (Oracle and EXERP systems)	Operational, Reputational, Financial, Compliance & Technological
4.	Leejam's Corporate Strategy Review	All areas (Operational, Financial, Technological, Compliance, Strategic and others)
5.	Policies & Procedures Review	Operational, Financial, Compliance
6.	GRC and Fraud Awareness Sessions	Operational, Financial & Reputational

Summary of observations reviewed by the Committee from consulting engagements is below:



The GRC and Fraud Awareness sessions were conducted to target mainly the club-level operational staff including Area Business Managers, Club Managers, Fitness Managers, etc. The Committee reviewed and approved the awareness material disseminated by IA team during the 24 sessions which included the following topics:

- Introduction to Internal Audit & Internal Control Mechanism
- Introduction to Governance, Risk and Compliance (GRC)
- Fraud awareness & Anti-fraud practices
- Whistleblowing (via hotline)

6. Key Projects by Audit Committee

The Audit Committee undertook key projects to improve the overall risk management culture and overall internal control environment across the organization. For the year 2021, engagements to improve the company internal control systems were conducted, such as 'Internal Controls Over Financial Reporting (ICFR)' review and 'Controls Self-Assessment (CSA)'. In the previous year 2022, below initiatives were taken:

- 1- **Enterprise Risk Management (ERM)**: An outsourced consultant had been hired to carry out the ERM project within LEEJAM to develop a holistic view of significant risks against achievement of company's business objectives. The Committee monitored the engagement progress, reviewed and provided their feedback on the ERM deliverables to achieve the desired outcome as per agreed scope and ensure it is implemented by management across the company.
- 2- **System Post Implementation Review (PIR)**: An outsourced consultant has been hired to conduct a system post implementation review in coordination with the Internal Audit team for the main ERP (Oracle) and Member Management (EXERP) systems. The PIR project will facilitate strengthening the control environment by enhancing the efficiency and effectiveness of system-based controls and optimizing the system utilization. The Committee will oversee the project to ensure timely progress and completion while achieving the desired objectives.

7. Other Important Matters

The Audit Committee met with Internal Audit and Executive Management, where latest development was discussed and following important matters were followed up:

- a. Review, approve and monitor the Internal Audit plan (along with budget) and ensure the availability of necessary resources to achieve the IA objectives.
- b. Optimization of the finance cost by exploring other feasible options for financing for future capital expenditures due to recent increase in borrowing interest rates in KSA.
- c. Review of the 'Zakat, Tax and Customs Authority (ZATCA)' assessments for Leejam with CFO and External Auditors
- d. Review of the outcome of ad hoc assignments performed by Internal Audit upon senior management's requests.
- e. Review of the 'Top Corporate Risks' and 'Key Risk indicators' (along with the risk registers) to ensure that they are appropriate with reference to company objectives and in alignment with Company strategy.
- f. Review of the new/revised departmental policies & procedures.
- g. Review of the amendments within Delegation of Authority (DoA) Matrix proposed by the management.
- h. Minimization of credit risk by advising management on credit collection process and timely follow-up to reduce receivable provision (mainly Real estate tenants).

Leejam Sports Company
Annual Audit Committee Report
For the Year ended 31 December 2022



- i. Selection of Consultant 'Ecovis AlSabti' to perform 'System Post Implementation Review (PIR)' engagement which will help improve assess internal controls over system implementation, system utilization and performance across the company.
- j. Assuming responsibilities for overseeing the risk management function to ensure organization risks are periodically identified, evaluated, monitored as well as appropriate corrective actions are taken by management in a timely manner.
- k. Supporting the Internal Audit function by ensuring its independence and providing with all the authority and resources that allow it to carry out its work.

F. Internal Control and Risk Management Environment

The Committee recognizes that the Company has adopted a system of internal controls designed to monitor the company's activities and provide reasonable assurance about the effectiveness and efficiency of such controls (including financial reporting, compliance to applicable rules and regulations and operational efficiency and effectiveness). The Committee also ensured the work of the internal audit is focused on key risks mitigations and observations of internal audit are addressed by the management.

During the year, internal controls systems were updated and improved as part of ongoing improvement program. On recommendation of audit committee key enhancements & improvements were made to internal policies to comply them with the Capital Market Authority requirements.

Below steps were taken by the Committee to improve the internal control environment:

- a. Recent update of company risk register to capture and manage new risks and evaluation of controls effectiveness at process level.
- b. Consistent update in delegation of authority matrix in line with change in company organization structure.
- c. Providing guidance to Internal Audit function to add business value by providing consultancy services and awareness sessions to management while monitoring the outcome of such consultancy engagements.

As for the Risk Management activities, The Committee reviewed the updated risk register along with internal controls system of LEEJAM to ensure that such systems are sufficient to mitigate the high risks in line with best industry practices, business needs and corporate governance regulations of Capital Market Authority (CMA).

Based on the recent engagement performed for 'Enterprise Risk Management (ERM)' by the outsourced Consultant, the Committee has adequately reviewed the updated ERM framework and deliverables. The ERM framework and policies has been agreed by the management who will implement it effectively from Q1-2023 whereas the Committee will be monitoring the company risk management activities in alignment with ERM policies.

G. External Auditor Review

The Audit Committee has responsibility for overseeing the LEEJAM's relationship with the external auditor including reviewing the quality and effectiveness of their performance, their external audit plan and process, their independence from the LEEJAM, their appointment and their audit fee proposals.

The committee also received communication from E&Y that they are independent and confirmed that they were not aware of any relationships between LEEJAM and E&Y or between E&Y and any persons in financial reporting oversight roles in LEEJAM that may affect its independence.

The committee reviewed external auditor reports on that were based on unqualified opinions on annual and interim financial statements along with management representation letter. For year 2023, the Committee evaluated external audit proposals and recommended two names to be reviewed and approved in the Annual General Meeting.

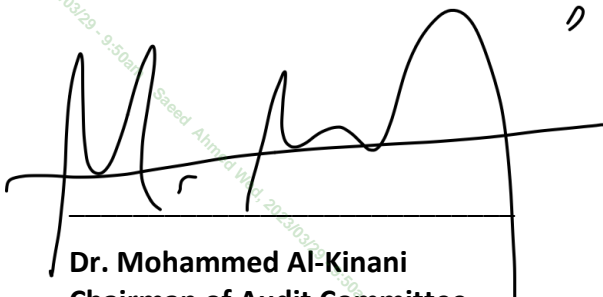
H. Conclusion

The Audit Committee was able to carry out its work at LEEJAM to fulfill its statutory mandate under unrestricted conditions.

With reference to the financial statements, based on assurance obtained during the review of internal audit reports, unqualified opinion issued by the external auditor and review of the documentation deemed necessary, the committee concludes that interim and annual financial statements for year ended 31 December 2022 gives a true and fair view of the financial position as well as financial performance of LEEJAM.

With reference to internal controls, nothing comes to the attention of the committee to believe that internal controls are not working effectively to ensure regulatory compliance and governance requirements.

Moreover, as part of best practices and emerging regulatory changes, there is still improvement required to improve the overall risk and control culture where all LEEJAM employees are aware of their own responsibilities in relation to internal control environment, compliance, and risk management (as specified by IIA's three lines of defense model, corporate governance guidelines as per Capital Market Authority (CMA) and global risk management practices).



Dr. Mohammed Al-Kinani
Chairman of Audit Committee
Leejam Sports Company