

SAUDI RESEARCH AND MEDIA GROUP
(Previously Saudi Research and Marketing Group)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
Independent Auditor's Report

SAUDI RESEARCH AND MEDIA GROUP
(Previously Saudi Research and Marketing Group)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2021

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KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Saudi Research and Media Group ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

key audit matter (continued)	
Assessing potential impairment of Goodwill – See note (4.b) to the consolidated financial statements for the accounting policy relating to goodwill and note (7.a) to the consolidated financial statements for the related disclosures	
Key audit matter	How the matter was addressed in our audit
<p>The Group's acquisitions in prior years resulted in SR 369.9 million (2020: SR 369.9 million) of goodwill being recognized, of which SR 359.7 million was allocated to Emirates National Factory for Plastic Industries and SR 10.2 million was allocated to Hala Printing Company.</p> <p>The Management performed an assessment of goodwill arising from the acquisition of Emirates National Factory for Plastic Industries and Hala Printing Company.</p> <p>The preparation of discounted cash flow forecast of the CGUs involves estimating future cash flows, growth rates and discount rates which inherently involves uncertainty due to evolving economic conditions and trends.</p> <p>We have identified the assessment of potential impairment of goodwill allocated to Emirates National Factory for Plastic Industries and Hala Printing Company as a key audit matter because the year-end assessment performed by management contains certain judgmental assumptions which could be subject to management bias. Furthermore, the assessment involves an element of uncertainty.</p>	<p>Our audit procedures to assess the potential impairment of goodwill allocated to Emirates National Factory for Plastic Industries and Hala Printing Company included the following:</p> <ul style="list-style-type: none"> Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of goodwill; Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment; Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast, including projected future growth rates for income and expenses and discount rate with reference to our understanding of the business, historical trends and available industry information and market data; Engaging our own valuation specialists to assess the methodology adopted by management in its impairment assessment of goodwill allocated to the CGUs with reference to the requirements of the prevailing accounting standards; and Performing sensitivity analyses on the key assumptions, included projected profitability and the discount rate, adopted in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions. Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

key audit matter (continued)	
Assessing potential impairment of Mastheads – See note (4.e) to the consolidated financial statements for the accounting policy relating to Mastheads and note (7) to the consolidated financial statements for the related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>The consolidated financial statements include Mastheads of SR 172 million as at 31 December 2021 (31 December 2020: SR 172 million). These relate to Intellectual Holding Company for Advertisement and Scientific Works Holding Company. The Company conducts an annual test of impairment in accordance with the requirements of IAS 36 "Impairment of Assets".</p> <p>Determination of the recoverable amount of an asset or cash-generating unit requires the management to make significant assumptions.</p> <p>We considered impairment of intangibles to be a key audit matter due to the high level of estimates and assumptions used in determination of impairment of intangibles.</p>	<p>Our audit procedures to assess the potential impairment of Mastheads include the following:</p> <ul style="list-style-type: none"> ● Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of Mastheads; ● Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment; ● Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast; ● Engaging our own valuation specialists to assess the methodology adopted by management in its impairment assessment with reference to the requirements of the prevailing accounting standards; and ● Performing sensitivity analyses on the key assumptions adopted in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions. ● Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

key audit matter (continued)

Revenue recognition – See note (4.I) to the consolidated financial statements for the accounting policy relating to revenue recognition and note 33 to the consolidated financial statements for the related disclosures

Key audit matter

During the year ended 31 December 2021, the Group recognized total revenue of SR 3,04 billion (2020: 2,3 SR billion).

The Group operates predominantly in three segments:

For Public relations and advertising, the Group recognizes revenue over time and on a "stand ready" basis. The performance obligations are stand-ready obligations and that the nature of the promise is that the customer will have access to a good or service.

Revenue from Printing and packaging, the Group's sales arrangement is at a point in time. In line with the contracts, goods are delivered which the customer must accept hence, performance obligation is at a point in time.

Revenue from publishing is recognised as a performance obligation satisfied at a point in time. Subscription revenue is recognised over time.

We have identified revenue recognition as a key audit matter because revenue is one of the Group's performance indicators giving rise to an inherent risk that revenue could be subject to overstatement to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess revenue recognition include the following:

- Assessing the design, implementation and operating effectiveness of management's key internal controls which govern the revenue recognition process;
- Evaluating the Group's revenue recognition policy;
- Evaluating key contractual arrangements with customers;
- Testing sample of revenue transactions during the year and inspect underlying customer acceptances to assess compliance with the Group's revenue recognition policy;
- Testing a sample of credit notes post the year-end, where applicable, to assess that the revenue is recorded in the correct period; and
- Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

key audit matter (continued)	
Assessing allowance for impairment on trade receivables – See note (4.o) to the consolidated financial statements for the accounting policy relating to trade receivables and note (12) to the consolidated financial statements for the related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the Group recognized an allowance of impairment on trade receivables of SR 219 million (2020: SR 212 million).</p> <p>The Group's allowance of impairment on trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions. All of which involve a significant degree of management judgement.</p> <p>We have identified allowance of impairment on trade receivables as a key audit matter because recognition of loss allowance is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess allowance of impairment on trade receivables included the following:</p> <ul style="list-style-type: none"> ● Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of expected credit losses; ● Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes; ● Obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including historical default data and management's estimated loss rates; ● Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and ● Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 31 December 2021 with bank statements and relevant remittance documentation. ● Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.
Other Information	

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



Independent Auditor's Report (continued)

To the Shareholders of Saudi Research and Media Group (a Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Research and Media Company and its subsidiaries.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services


Fahad Mubark Aldossari
License No: 469

Riyadh, 4 Ramadan 1443H
Corresponding to: 5 April 2022



SAUDI RESEARCH AND MEDIA GROUP
(PREVIOUSLY SAUDI RESEARCH AND MARKETING GROUP)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Expressed in Saudi Riyals)

	<i>Notes</i>	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	(5)	1,113,694,086	1,063,151,696
Intangible assets and goodwill	(7)	839,945,533	884,766,153
Investment properties	(6)	25,961,117	26,110,491
Financial assets at fair value through other comprehensive income (FVOCI)	(9)	1,155,872,141	1,139,499,770
Financial assets at amortised cost	(10)	307,152,000	-
Right-of-use assets	(8)	87,343,732	105,152,316
Total non-current assets		3,529,968,609	3,218,680,426
Current assets			
Inventories	(11)	216,256,632	175,117,734
Financial assets at fair value through profit or loss (FVTPL)	(9)	349,302,897	241,211,454
Trade receivables	(12)	1,028,549,561	1,208,784,432
Prepayments and other current assets	(13)	147,274,863	189,908,007
Short-term investments	(14)	700,000,000	-
Cash and cash equivalents	(15)	396,786,676	387,700,102
Total current assets		2,838,170,629	2,202,721,729
Total assets		6,368,139,238	5,421,402,155
EQUITY			
Share capital	(16)	800,000,000	800,000,000
Statutory reserve	(17)	293,701,965	240,000,000
Contractual reserve	(18)	67,547,177	67,547,177
Retained earnings		902,491,085	418,084,308
Other reserves		2,717,310	1,847,320
Equity attributable to shareholders of the Parent Company		2,066,457,537	1,527,478,805
Non-controlling interests		235,739,033	241,803,062
Total equity		2,302,196,570	1,769,281,867
Liabilities			
Non-current liabilities			
Borrowings and Murabaha	(19)	418,680,482	387,023,410
Defined employees' benefits liabilities	(21)	129,392,757	121,523,760
Trade payables	(22)	80,379,078	142,651,173
Contract liabilities	(20)	830,011,706	1,047,252,865
Other non-current liabilities		15,478,746	3,834,134
Deferred tax liabilities		60,301	-
Lease liabilities	(8)	70,383,979	91,653,861
Total Non-current liabilities		1,544,387,049	1,793,939,203
Current Liabilities			
Borrowings and Murabaha	(19)	439,393,795	556,531,447
Trade payables	(22)	329,667,273	279,064,177
Contract liabilities	(20)	1,263,809,142	711,852,136
Accrued expenses and other current liabilities	(23)	305,625,353	174,595,588
Lease liabilities	(8)	26,376,068	26,177,350
Provision for Zakat and income tax	(24)	156,683,988	109,960,387
Total current liabilities		2,521,555,619	1,858,181,085
Total liabilities		4,065,942,668	3,652,120,288
Total equity and liabilities		6,368,139,238	5,421,402,155

Chairman

CEO and Board Member

CFO

Abdulrahman Al Rowaita

Jomana AlRashid

Mohammed Abdulfatah Nazer

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

SAUDI RESEARCH AND MEDIA GROUP
(PREVIOUSLY SAUDI RESEARCH AND MARKETING GROUP)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021
(Expressed in Saudi Riyals)

	<i>Notes</i>	<u>2021</u>	<u>2020</u>
Revenues	(33)	3,045,974,177	2,260,093,956
Cost of revenues	(25)	<u>(1,963,834,181)</u>	<u>(1,512,019,092)</u>
Gross profit		1,082,139,996	748,074,864
Other income, net	(29)	8,622,978	26,726,044
Selling, marketing and distribution expenses	(26)	<u>(95,176,970)</u>	<u>(74,956,923)</u>
General and administrative expenses	(27)	<u>(357,825,054)</u>	<u>(273,445,695)</u>
Impairment loss on trade receivables	(12)	<u>(7,913,025)</u>	<u>(12,068,988)</u>
Impairment loss on intangible assets	(7)	<u>-</u>	<u>(42,800,000)</u>
Operating profit		629,847,925	371,529,302
Finance cost	(28)	<u>(57,662,005)</u>	<u>(69,965,392)</u>
Finance income	(28)	<u>8,286,759</u>	<u>4,330,761</u>
Net finance costs		<u>(49,375,246)</u>	<u>(65,634,631)</u>
Profit before zakat and income tax		580,472,679	305,894,671
Zakat and income tax expense	(24)	<u>(66,265,930)</u>	<u>(78,103,335)</u>
Deferred tax		<u>(60,301)</u>	<u>-</u>
Profit for the year		514,146,448	227,791,336
Profit / (loss) attributable to:			
Shareholders of the Parent Company		<u>537,019,653</u>	<u>245,646,777</u>
Non-controlling interests		<u>(22,873,205)</u>	<u>(17,855,441)</u>
Earnings per share:			
Earnings per share attributable to shareholders of the Parent Company (basic and diluted)	(30)	<u>6.71</u>	<u>3.07</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

SAUDI RESEARCH AND MEDIA GROUP
(PREVIOUSLY SAUDI RESEARCH AND MARKETING GROUP)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Expressed in Saudi Riyals)

	<u>2021</u>	<u>2020</u>
Profit for the year	514,146,448	227,791,336
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Re-measurement of defined employees' benefits liabilities	508,280	(2,244,080)
Financial assets at fair value through other comprehensive income – change in fair value	8,147,957	45,428,400
	<u>8,656,237</u>	<u>43,184,320</u>
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences	(7,461,111)	898,667
	<u>(7,461,111)</u>	<u>898,667</u>
Total other comprehensive income for the year	1,195,126	44,082,987
Total comprehensive income for the year	515,341,574	271,874,323
Total comprehensive income / (loss) attributable to:		
Shareholders of the Parent Company	<u>538,978,732</u>	<u>290,091,722</u>
Non-controlling interests	<u>(23,637,158)</u>	<u>(18,217,399)</u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.





SAUDI RESEARCH AND MEDIA GROUP
(PREVIOUSLY SAUDI RESEARCH AND MARKETING GROUP)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(Expressed in Saudi Riyals)

	Equity attributable to shareholders of the Parent Company						
	Other reserves						Non-controlling interests SR
	Share capital SR	Statutory reserve SR	Contractual reserve SR	Translation reserve SR	fair value of financial assets reserve SR	Retained earnings SR	Total SR
As at 1 January 2020	800,000,000	224,830,534	67,547,177	(23,131,287)	(21,335,671)	189,476,330	1,237,387,083
Net change in non-controlling interests	-	-	-	-	-	-	10,290,000
Total comprehensive income for the year	-	-	-	-	-	245,646,777	245,646,777
Profit / (loss) for the year	-	-	-	885,878	45,428,400	(1,869,333)	44,444,945
Other comprehensive income / (loss) for the year	-	-	-	885,878	45,428,400	243,777,444	290,091,722
Total comprehensive income / (Loss) for the year	-	-	-	-	-	(15,169,466)	-
Transferred to statutory reserve	800,000,000	240,000,000	67,547,177	(22,245,409)	24,092,729	418,084,308	1,527,478,805
As at 31 December 2020	800,000,000	240,000,000	67,547,177	(22,245,409)	24,092,729	418,084,308	1,527,478,805
As at 1 January 2021	800,000,000	240,000,000	67,547,177	(22,245,409)	24,092,729	418,084,308	1,527,478,805
Net change in non-controlling interests	-	-	-	-	-	-	12,889,999
Non-controlling interests arising from acquisition	-	-	-	-	-	-	4,683,130
Total comprehensive income for the year	-	-	-	-	-	537,019,653	537,019,653
Profit / (loss) for the year	-	-	-	(7,277,967)	8,147,957	1,089,089	1,959,079
Other comprehensive income / (loss) for the year	-	-	-	(7,277,967)	8,147,957	538,108,742	538,978,732
Total comprehensive income / (Loss) for the year	-	53,701,965	-	-	-	(53,701,965)	-
Transferred to statutory reserve	800,000,000	293,701,965	67,547,177	(29,523,376)	32,240,686	902,491,085	2,066,457,537
As at 31 December 2021	800,000,000	293,701,965	67,547,177	(29,523,376)	32,240,686	902,491,085	2,066,457,537
						241,803,062	1,769,281,867
						241,803,062	1,769,281,867
						12,889,999	12,889,999
						4,683,130	4,683,130
						(23,637,158)	515,341,574
						-	-
						235,739,033	2,302,196,570

The attached notes 1 to 37 form an integral part of these consolidated financial statements.



SAUDI RESEARCH AND MEDIA GROUP
(PREVIOUSLY SAUDI RESEARCH AND MARKETING GROUP)
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Expressed in Saudi Riyals)

CASH FLOWS FROM OPERATING ACTIVITIES:	<i>Notes</i>	2021	2020
Profit before zakat and income tax		580,472,679	305,894,671
Adjustments for:			
Depreciation	(5)- (6)	103,826,326	99,921,093
Amortization	(7)	86,208,430	82,484,715
Depreciation on right-of-use assets	(8)	27,621,000	25,689,686
Fund management fees	(9)	2,481,643	446,135
Losses / (gains) from disposal of property, plant and equipment	(29)	124,807	(533,242)
Impairment loss on intangible assets	(7)	-	42,800,000
Finance cost	(28)	57,251,375	68,493,508
Impairment loss on trade receivables	(12)	7,913,025	12,068,988
Reversal of impairment loss on trade receivables		(277,351)	(2,585,396)
Impairment on prepayments and other current assets		4,119,887	357,227
Provision of slow-moving inventories		4,923,938	129,439
Reversal for provision of slow-moving inventory	(11)	(1,236,550)	(414,456)
Realized gains from sales of financial assets at fair value through profit or loss (FVTPL)	(9)	(2,261,151)	(1,961,829)
Unrealized losses/ (gains) from financial assets at fair value through profit or loss (FVTPL)	(9)	1,169,708	(1,231,513)
Transfer of property, plant and equipment and intangible assets to profit and loss		1,136,754	-
Defined employees' benefits liabilities provision	(21)	17,426,858	10,325,157
		890,901,378	641,884,183
Change in:			
Inventories		(44,816,962)	15,190,609
Trade receivables		175,056,099	160,900,323
Prepayments and other current assets		34,271,964	(34,771,220)
Trade payables		(15,421,782)	(42,816,032)
Contract liabilities		334,715,847	(551,390,693)
Accrued expenses and other current liabilities		125,338,532	(29,969,407)
		1,500,045,076	159,027,763
Finance cost paid		(55,348,137)	(63,798,183)
Zakat and income tax paid	(24)	(19,584,834)	(43,851,509)
Defined employees' benefits liabilities paid	(21)	(12,026,442)	(25,396,214)
Net cash generated from operating activities		1,413,085,663	25,981,857
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,023,084	1,673,883
Net cash paid for acquisition of a subsidiary		(17,374,476)	-
Short-term investments		(700,000,000)	-
Purchase of property, plant and equipment	(5)	(151,672,691)	(51,264,561)
Purchase of intangible assets		(9,271,547)	(78,098,568)
Proceeds from sale of financial assets at fair value through profit or loss (FVTPL)	(9)	43,000,000	43,100,000
Purchase of financial assets at amortized cost		(307,152,000)	-
Purchase of financial assets at fair value through profit or loss (FVTPL)	(9)	(150,000,000)	(3,160,000)
Purchase of financial assets at fair value through other comprehensive income (FVOCI)	(9)	(10,706,057)	(27,300,000)
Net cash flows used in investing activities		(1,302,153,687)	(115,049,246)
Cash flows from financing activities			
Proceeds from borrowings and Murabaha	(19)	1,446,343,578	724,515,044
Repayment of borrowings and Murabaha	(19)	(1,530,432,225)	(782,592,319)
Lease liabilities paid	(8)	(27,334,548)	(24,776,618)
Changes in non-controlling interests		12,889,999	10,290,000
Net cash flows used in financing activities		(98,533,196)	(72,563,893)
Net change in cash and cash equivalents		12,398,780	(161,631,282)
Cash and cash equivalents as at 1 January		383,681,155	529,529,066
Foreign currencies translation adjustments		(3,312,206)	1,470,348
Change in restricted cash at banks		(5,773,963)	14,313,023
Cash and cash equivalents as at 31 December	(15)	386,993,766	383,681,155
Non-cash transactions:			
Transfers from properties, plant and equipment to intangible assets		1,610,304	32,354,115
Transfers from prepayments and other current assets to properties, plant and equipment		3,485,268	-
Right of use assets and other non-current liability (sites restoration provision)		3,846,096	-
Right of use assets and lease liabilities		5,116,420	-
Transfers from properties, plant and equipment to prepayments and other current assets		-	10,427,783
Transfers from property, plant and equipment to inventories		-	2,760,952
Disposal of government grant (land)		-	8,361,425
Accrued fees		-	396,395

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

SAUDI RESEARCH AND MEDIA GROUP
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1. REPORTING ENTITY

Saudi Research and Media Group (Previously Saudi Research and Marketing Group) (the “Company” or the “Parent Company”) is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia and operates under commercial registration number 1010087772 dated 29 Rabi Al-Awal 1421H (corresponding to 1 July 2000) and has a registered branch in Jeddah under sub-commercial registration number 4030061258. The Company’s head office address is Al-Moutamarat District, Makkah Road, P.O. Box 53108, Riyadh 11583, Kingdom of Saudi Arabia.

The Company has announced to the shareholders on 2 May 2021 the approval of the Extraordinary General Assembly held on 17 Ramadan 1442H (corresponding to 29 April 2021) to amend Article (2) of the Company’s by-laws regarding changing the Company’s name from Saudi Research and Marketing Group to Saudi Research and Media Group, after completion of all legal requirements on 17 May 2021.

The Company and its subsidiaries (collectively referred as the “Group”) are engaged in trading, media, advertising, promotions, distribution, printing and publishing, and public relations, and operate mainly in the Middle East, Europe, and North Africa.

These consolidated financial statements include the financial position and results of operations of the Company and its domestic and foreign subsidiaries in the schedule below.

Following is the list of the subsidiaries incorporated within these consolidated financial statements:

Subsidiaries	Country of incorporation and activities	Principal activity	Direct and indirect ownership %	
			2021	2020
Intellectual Holding Company for Advertisement and Publicity	Kingdom of Saudi Arabia	Investment in subsidiaries	100	100
Scientific Works Holding Company	Kingdom of Saudi Arabia	Investment in subsidiaries	100	100
Saudi Research and Publishing Company	Kingdom of Saudi Arabia	Publishing	100	100
Al-Khaleejiah Advertisement and Public Relations Company	Kingdom of Saudi Arabia	Advertisement and publicity	100	100
Arab Media Company Limited	Kingdom of Saudi Arabia	Visual and readable media and advertising services	100	100
Saudi Distribution Company	Kingdom of Saudi Arabia	Publishing and distribution	100	100
Moutamarat Company for Exhibitions and Conferences	Kingdom of Saudi Arabia	Holding and organizing specialized exhibitions, conferences and forums	100	100
Emirates Printing, Publishing, and Distribution Company Ltd.	United Arab Emirates	Distribution	100	100
Moroccan Printing and Publishing Company	Morocco	Printing and publishing	100	100

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1. REPORTING ENTITY (CONTINUED)

Following is the list of the subsidiaries incorporated within these consolidated financial statements (continued):

Subsidiaries	Country of incorporation and activities	Principal activity	Direct and indirect ownership %	
			2021	2020
VOX Asia Productions Limited	Pakistan	Advertising	100	100
Numu Media Holding Company	Kingdom of Saudi Arabia	Management of subsidiaries	100	100
Scene Visual Media Company (previously "Numu Visual Media Company")	Kingdom of Saudi Arabia	Advertising	100	100
Numu Elmiah Co. (previously Educational Bookshop Co.)	Kingdom of Saudi Arabia	Development of educational methods and books trade	100	100
Saudi Specialized Publishing Company	Kingdom of Saudi Arabia	Specialized publishing	100	100
Saudi Commercial Company	Kingdom of Saudi Arabia	Trading in printing accessories	100	100
Al-Ofoq Management Information System and communication Company	Kingdom of Saudi Arabia	Trading in communication equipment and software development	100	100
Character Company Limited	Kingdom of Saudi Arabia	Trade	100	100
Taoq Public Relations Company Limited	Kingdom of Saudi Arabia	Public relations and communication	100	100
Takanah Public Relations Company Limited (c)	Kingdom of Saudi Arabia	Finance and business services	100	100
Numu Training and Consulting Company	Kingdom of Saudi Arabia	Training and consulting	100	100
Education Concept for Educational and Technical Solutions Company	Kingdom of Saudi Arabia	Import, export, and wholesale trade	100	100
Numu Alelaniah for Advertising	Kingdom of Saudi Arabia	Visual and readable media and advertising services	100	100
Arab Net Technology Co. Ltd	United Kingdom	Internet services	100	100
Al Khaleejiah Company Ltd	United Kingdom	Advertising	100	100
Book Depot for Publishing and Distribution (Ethra'a)	Jordan	Publishing and Distribution	100	100
Raff Publishing Company (previously Nasheroon for publishing co.) (c)	Kingdom of Saudi Arabia	Publishing and distribution	100	100
Taoq Media Research Company	Kingdom of Saudi Arabia	Research and support TV broadcasting, radio, and other media platforms	100	100
Al Sharq News Services Company Limited	United Arab Emirates	Specialized publishing	100	100
Content Specialized Media Company	United Arab Emirates	Publishing and distribution	100	100
University Book Shop Company	United Arab Emirates	Publishing and distribution	100	100
Smart Super Stores Company	United Arab Emirates	Publishing and distribution	100	100

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1. REPORTING ENTITY (CONTINUED)

Following is the list of the subsidiaries incorporated within these consolidated financial statements (continued):

Subsidiaries	Country of incorporation and activities	Principal activity	Direct and indirect ownership %	
			2021	2020
HH Saudi Research and Marketing Company	United Kingdom	Publishing and distribution	100	100
Media Investment Company Limited	United Kingdom	Rental services	100	100
Al-Majalla Magazine Limited	United Kingdom	Commercial activities	100	100
Asharq Al Awsat Co. Ltd	United Kingdom	Main center activities	100	100
		Registration, maintenance, and ownership of the Group's intellectual property		
IPM Ltd	Guernsey Islands		100	100
Sayidaty Products Co.	United Kingdom	Commercial activities	100	100
Sayidaty Limited Company	United Kingdom	Commercial activities	100	100
Euromena Company (formerly "Satellite Graphics")	United Kingdom	Commercial activities	100	100
Media Arabia Company Limited	Jersey	Commercial activities	100	100
Al Sharq News Services Company Limited	Kingdom of Saudi Arabia	TV broadcasting, radio, and platforms	100	-
	Kingdom of Saudi Arabia	Television Broadcasting and Radio and Forums	100	-
Alsharq TV Company	United Kingdom		100	-
The News Hub Limited	United Kingdom		100	-
Saudi Printing and Packaging Company (a)	Kingdom of Saudi Arabia	Printing, packaging, and plastic industries	70	70
Argaam Investment and trading Company (b)	Kingdom of Saudi Arabia	Publishing and electronic content	51	51
Thmanyah Co. for Publishing and distribution (d)	Kingdom of Saudi Arabia	Provide visual content	51	-

a) The Saudi Printing and Packaging Company owns the following subsidiaries:

Subsidiaries	Country of incorporation and activities	Principal activity	The Group percentage of indirect ownership (%)	
			2021	2020
Al Madinah Al Mounoura for Printing and Publishing Company	Kingdom of Saudi Arabia	Printing	70	70
Hala Printing company	Kingdom of Saudi Arabia	Printing	70	70
Future Industrial Investment Company	Kingdom of Saudi Arabia	Printing and packaging	70	70
Emirates National Factory for Plastic Industries	United Arab Emirates	Packaging and plastic industries	70	70

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1. REPORTING ENTITY (CONTINUED)

- b) The Arab Media Company (a subsidiary) owns 51% of the shares in Argaam Investment and Trading Company (Argaam), a limited liability company. Argaam has the following subsidiaries:

<u>Subsidiaries</u>	<u>Country of incorporation and activities</u>	<u>Principal activity</u>	<u>The Group percentage of indirect ownership (%)</u>	
			<u>2021</u>	<u>2020</u>
Danat Free Zone Company	United Arab Emirates	Publishing and electronic content	51	51
Argaam Media Company	Arab Republic of Egypt	Publishing and electronic content	51	51

- c) Takanah Public Relations Company Limited and Raff Publishing Company own 100% of the shares in Global Media Company and its subsidiaries, based in the United Kingdom.
- d) On 1 October 2021, the Arab Media Company, a subsidiary of the Group, has acquired 51% of the issued capital of Thmanyah for Publishing and Distribution Company (Thmanyah), one of the leading digital media companies in the Kingdom of Saudi Arabia that works in the production and distribution of podcasts and documentaries on social media platforms. The acquisition is part of the Group's multi-platform approach and commitment to provide original, distinguished, and exclusive content to customers through digital platforms and social media.

Acquisition accounted for as business combinations in accordance with IFRS 3, using acquisition method, as all assets and liabilities were recognised at their fair value as on the acquisition date. Subsequently, in March 2022, the Group completed the purchase price allocation (PPA) to the net identifiable assets.

The details of the cash consideration for the purchase of net assets and goodwill are as follows:

	<u>SR</u>
Cash consideration fair value	
Cash Paid	17,498,500
Present Value of deferred cash consideration (*)	7,196,110
	<u>24,694,610</u>

(*) A deferred cash consideration of SR 8.0 million to be paid to the seller in installments starting from the second year of the transaction date until the fifth year. The present value of the deferred cash consideration was defined at SR 7.2 million and recognized in other non-current liabilities. This amount is discounted as a cash outflow using a discount factor of 5%.

Details of the assets and liabilities fair values recognized as a result of the acquisition are as follows:

<u>Description</u>	<u>SR</u>
Property, plant and equipment	3,133,418
Intangible assets	437,502
Intangible assets: trade names	10,352,800
Right-of-use assets	823,646
Trade receivables	1,635,953
Cash and cash equivalents	124,024
Lease liabilities	(1,072,136)
Defined employees' benefits liabilities	(93,360)
Zakat provision	(93,795)
Other current liabilities	(5,691,232)
Fair value of the net identifiable assets	<u>9,556,820</u>

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1. REPORTING ENTITY (CONTINUED)

Goodwill:

<u>Description</u>	<u>SR</u>
Cash consideration at fair value	24,694,610
Non-controlling interests (**)	4,682,842
Fair value of the net identifiable assets	(9,556,820)
Goodwill resulting from acquisition	19,820,632

(**) The non-controlling interests are calculated at (49%) of the net present value of the identifiable assets.

Net cash outflows at acquisition

SR

Cash Paid	(17,498,500)
Cash acquired by the subsidiary	124,024
Net cash outflow at acquisition date	(17,374,476)

Thmanyah has contributed to the Group's results with revenues of SR 875,367 and losses of SR 3,694,105 since the acquisition date on 1 October 2021 up to the year ended on 31 December 2021.

If the acquisition had taken place on 1 January 2021, the management estimates that revenues would have been SR 5.7 million, and the losses for the year would have been SR 8.0 million.

The following table summarizes the information relating to each subsidiary of the Group in which it has a material non-controlling interest before excluding intra-group transactions:

<u>Description</u>	<u>Saudi Printing and Packaging Company and its subsidiaries (1)</u>	<u>Argaam Investment Trading Company (2)</u>	<u>Thmanyah Company (*) (3)</u>	<u>Total SR</u>
31 December 2021				
Total assets	1,702,052,042	89,928,985	23,894,735	1,815,875,762
Total liabilities	1,060,305,829	22,580,073	3,049,425	1,085,935,327
Equity attributable to shareholders of the Parent Company	449,222,349	34,347,945	10,631,108	494,201,402
Non-controlling interests	192,523,864	33,000,967	10,214,202	235,739,033
Total revenue	783,639,098	20,394,244	875,367	804,908,709
Loss for the year/period	(59,297,476)	(6,357,805)	(3,694,105)	(69,349,386)
Net cash flows from operating activities	11,690,202	(3,534,421)	(3,143,567)	5,012,214
Net cash flows from investing activities	(15,635,804)	(6,996,325)	(826,461)	(23,458,590)
Cash flows from financing activities	(366,338)	9,249,329	11,306,120	20,189,111

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1. REPORTING ENTITY (CONTINUED)

<u>31 December 2020</u>	Saudi Printing and Packaging Company and its subsidiaries (1)	Argaam Investment Trading Company (2)	Thmanyah Company (*) (3)	Total SR
Total assets	1,671,989,887	84,499,964	-	1,756,489,851
Total liabilities	969,249,126	21,273,183	-	990,522,309
Equity attributable to shareholders of the Parent Company	491,918,532	32,245,948	-	524,164,480
Non-controlling interests	210,822,229	30,980,833	-	241,803,062
Gross revenue	767,687,606	17,083,469	-	784,771,075
Loss for the year	(20,544,719)	(23,860,365)	-	(44,405,084)
Net cash flows from operating activities	94,140,510	1,083,871	-	95,224,381
Net cash flows from investing activities	(16,895,945)	(6,925,021)	-	(23,820,966)
Cash flows from financing activities	(93,269,225)	19,283,555	-	(73,985,670)

- (1) The Saudi Printing and Packaging Company (SPPC) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia. The principal activity of SPPC is the wholesale and retail of materials, machineries, and equipment for printing, and its respective tools, inks, and all types of papers, raw materials, tools, equipment, books, printings, office supplies and materials, together with advertising materials.
- (2) Argaam Investment Trading Company is a limited liability company and is engaged in providing technical proposals and solutions in the fields of telecommunications, information technology services, mobile and fixed communications devices, telecommunications, and designing and hosting of internet websites.
- (3) Thmanyah Publishing and Distribution Company is a Saudi company established in 2016 specialized in the production of documentaries, podcasts, political, social, cultural, economic, and other digital media materials.

(*) On 1 October 2021, the Arab Media Company, a subsidiary of the Group, has acquired 51% of the issued capital of Thmanyah for Publishing and Distribution Company. Therefore, the above financial information is for the period from 1 October till 31 December 2021.

2. BASIS OF PREPARATION

a) Statement of compliance

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

The consolidated financial statements are prepared under the historical cost convention, except for the following:

- Financial assets at fair value through other comprehensive income are measured at fair value
- Financial assets at fair value through profit or loss are measured at fair value
- Defined employees' benefits liabilities are recognized at the present value of future liabilities using the Projected Unit Credit Method

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2. BASIS OF PREPARATION (CONTINUED)

b) *Going Concern*

The consolidated financial statements have been prepared on a going concern basis which the management consider to be appropriate for the following reasons.

The management have prepared cash flow forecasts for a period of at least 12 months from the date of these consolidated financial statements which indicate that, taking account of a reasonable scenario, the Group will have sufficient funds, through cash generated from its operations and credit facility to meet its liabilities as they fall due for that period. The management of the Group has assessed the impact that COVID-19 may have on the ability of the Group to continue as a going concern. Throughout the Group, business has not been significantly affected thus far.

The Group's cash flow forecasts indicate profitability and cash flows to continue in line with previous years as a result of its operations supported by strategic and long-term relationships and agreements with its customers and attracting further customers. The Group's revenue includes public relations and advertising, printing and publishing, and other segment services, a large proportion of which is generated from existing customers. As at 31 December 2021, the Group's statement of financial position had net current assets of SR 316.6 million (2020: SR 344.5 million). The Group's statement of financial position also included contract liabilities of SR 2,094 million (2020: SR 1,759 million) and net assets of SR 2,066 million (2020: SR 1,527 million). This included a cash balance of SR 396.8 million (2020: SR 387.7 million). The current cash flow forecast indicates that there is no need for additional borrowing.

Taking the above into consideration, along with the Group's forecast profitability, cash flows from existing contracts, anticipated future growth and the Group's current cash balance, the management are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of these consolidated financial statements and therefore have prepared these consolidated financial statements on a going concern basis.

c) *Functional and presentation currency*

The consolidated financial statements are presented in Saudi Riyal (SR) which is the functional and presentational currency of the Group and used in the preparation of financial reports of the Group. All amounts have been stated in full, except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Group's consolidated financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by SOCPA require management to make judgments, estimates, and assumptions that affect the amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

USE OF JUDGEMENTS AND ESTIMATES

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

- Note (4) (I) - revenue recognition: whether revenue from made-to-order paper products is recognized over time or at a point in time;
- Note 4 (a) - consolidation: whether the Group has de facto control over an investee; and
- Note (5, 7) - whether Al Sharq News Services Company is part of a larger cash generating unit (CGU) within the Group for the purposes of impairment testing.

3. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 7 - impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 12 - measurement of Expected Credit Loss (ECL) allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate; and
- Note 21 - measurement of defined employees' benefits liabilities: key actuarial assumptions.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021 (collectively referred as the "Group"). Control is achieved when the Group is exposed to risk or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through practicing its control over the investee. Specifically, the Group controls an investee only when the Group has:

- Control over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its control over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

When one or more of the three control elements are available, consolidation of the subsidiary begins from the date of the Group's control over the subsidiary and continues until the control of the subsidiary ceases to exist. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are allocated between the shareholders of the Parent Company and the non-controlling interests, even if such distribution results in a deficit in the balance of non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to intra-group transactions are eliminated in full on consolidation. A change in the interest of equity of a subsidiary, without a loss of control, is accounted for as equity transactions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the Group loses control over a subsidiary, then it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained; and
- Recognizes any surplus or deficit in consolidated statement of profit or loss.

Resulting in the Group reclassifying its share of components previously recognized in the consolidated statement of comprehensive income to the consolidated statement of profit or loss or retained earnings, as appropriate, as would be directly required if the Group had disposed of the related assets or liabilities.

The Company and its subsidiaries apply the same financial reporting periods.

b) *Business Combination and Goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at the acquisition date at fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date.

Any contingent consideration, if any, to be transferred by the acquirer will be recognised at fair value as at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument, is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised as non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gains are recognised in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the unit when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the value related to the disposed operation and the retained portion of the CGU.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) "Current" versus "non-current" classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting 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:

- it is expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period;
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period; or
- the Group classifies all other liabilities as "non-current".

d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost which includes capitalized borrowing costs (if any), less accumulated depreciation and any accumulated impairment losses, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

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

Depreciation

The depreciation method used should reflect the pattern in which the economic benefits of the asset are expected to be depreciated by the Group. The management uses the following two methods to calculate the depreciation:

i: Straight line method

Depreciation of properties, plant and equipment items is calculated using the straight-line method to allocate their cost over their estimated useful lives, net of their residual values. Land is not depreciated.

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

<u>Assets</u>	<u>Estimated useful life</u>
Buildings	10-50 years
Leasehold improvements	4-10 years, or lease term, whichever is shorter
Plant and equipment (except printing and packaging equipment)	5-20 years
Computer equipment	4-10 years
Furniture and fixtures	4-13,3 years
Motor vehicles	2-6,67 years
Photographic equipment	5 years

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Property, plant and equipment (continued)*

ii: Units of production method

The depreciation of printing and packaging machineries is calculated based on the ratio of the number of actual generating units to the total production capacity of the machinery, resulting in a burden based on the expected use or production, reflecting - to the maximum extent - the expected pattern of depreciation of the future economic benefits embodied in the machinery. The management of the Group applies this method - consistently - from one period to another unless there is a change in the expected pattern of depreciation of these future economic benefits.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Projects in progress

Assets in the course of construction or development are capitalized in the projects-in-progress account. The asset under construction or development is transferred to the appropriate category in the property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of projects-in-progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management. Costs associated with commissioning the items (prior to its being available for use) are capitalized net of proceeds from sale of any production during the commissioning period. Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production. project-in-progress is measured at cost less any recognized impairment. Capital project-in-progress is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

e) *Intangible assets and goodwill*

Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses
Research and development	Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.
Other intangible assets	Other intangible assets, including customer relationships, patents, trademarks, and trade names that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the consolidated statement of profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Intangible assets and goodwill (continued)

Mastheads “Printing names”

Mastheads represent the recorded value of the mastheads of the newspapers and magazines published by the Group. The Group has assessed its mastheads as having an indefinite useful life and they are therefore not amortised. The Group reviews the useful life of the mastheads annually to determine whether the infinite life continues to be supportable. If not, the change in useful life from “indefinite” to “finite” is made on a prospective basis. Furthermore, the Group assesses the recorded value of the mastheads on an annual basis to determine whether there is objective evidence that they have suffered any impairment loss through fair value measurement methods. If such evidence exists, analyzes are performed to ensure that the book value of the mastheads is recoverable, and in case if the recoverable amount of the mastheads is determined as lower than its carrying value, the carrying value of mastheads is then decreased to its recoverable amount and impairment loss is recognized in the consolidated statement of profit or loss.

Publishing rights and books development projects

Publishing rights include all necessary costs incurred in acquiring the publishing rights and are amortised over the contractual life using the straight-line method or the contracted number of books to be published. Amortization is calculated upon release of the first edition of the book. Publishing rights of books at the Group are recorded at cost less amortization and impairment in value.

Media content project, websites and computer programs

Media content projects, websites and computer programs are amortised on a straight-line method over a period of two to five years from the effective starting date of these projects. For the media content projects, the amortization is calculated and recognized effectively from the starting date of the project.

Computer software

Computer software are recorded at historical cost less accumulated amortization and accumulated impairment losses, if any. Historical cost comprises all costs attributable directly to the acquisition of the items.

Amortization is charged to consolidated statement of profit or loss using the straight-line method in order to allocate the costs over the respective assets less the residual value over their estimated useful lives, as following:

Computer software: 3 – 6.5 years

Trade names

Trade names are amortized using the straight-line method over the estimated useful life of eight years.

f) Investment properties

Investment properties are land, buildings, part of a building, or both (land and building). They are acquired either to gain rental income, to increase their value, or both, but not for the purpose of its sale through normal activity of the Group. They are also not used in production or the supply of goods, services, or for administrative purposes. Investment properties are initially carried at cost, and transaction costs are recognized in the initial measurement, and are subsequently measured according to the cost model (at historical cost less accumulated depreciation - except for lands, which are carried at its cost - and the accumulated impairment losses, if any).

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investment properties (continued)

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of investment properties as follows:

Buildings 10 - 33 years

The gains or losses on disposal of investment properties are determined (based on the difference between the net sale proceeds and the book value) and are recorded in the consolidated statement of profit or loss for the year of de-recognition.

g) Leases

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

Group as a lessee

At inception or on reassessment of an arrangement that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, with regard to real estate leases, the Group elected not to separate the non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset and cost of restoring the underlying asset or the site on which it is located (if any), less any lease incentives received.

Right-of-use assets are subsequently depreciated using the straight-line method from the date of commencement of the lease to the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Further, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and is discounted using the implicit interest rate in the lease, or if that rate is difficult to determine reliably, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, the lease payments in the optional renewal period if the Group is reasonably certain to exercise the extension option, and payments for penalties for early lease termination unless the Group is reasonably certain not to exercise an option for early lease termination.

The lease liability is measured at amortized cost using the Effective Interest Rate (EIR) method. It is remeasured when there is a change in future lease payments arising from a change in index or a rate, or if there was a change in the Group's estimate of the amount expected to be payable by the lessee under residual value guarantees, or if the Group changed its assessment whether it will exercise either the purchase, extension, or termination.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Leases (CONTINUED)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term in the consolidated statement of profit or loss.

Group as a lessor

When the Group is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Group performs an overall assessment of whether the lease substantially transfers all risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, otherwise it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether or not the lease term is for the majority of the economic life of the underlying asset.

When the Group is an intermediate lessor, it calculates its interest in the headlease and sublease separately. Classification of the sublease is assessed by reference to the right-of-use asset arising from the headlease, rather than by reference to the underlying asset. If the headlease is a short-term lease, the Group applies an exemption and the sublease shall be classified as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group also regularly reviews the estimated unsecured residual values used in the calculation of the total lease investment.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term in the consolidated statement of profit or loss.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method. In the case of manufactured and in progress inventories, the cost includes direct materials, direct labor, and an appropriate share of production overheads in accordance with normal operating capacity.

Net realizable value is the estimated selling price in the Group's ordinary course of business less estimated costs to complete the sale.

The value of the decrease in obsolete and slow-moving inventory is determined based on the policy approved by the Group.

i) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Impairment of non-financial assets (CONTINUED)

For impairment testing of assets, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are charged to the consolidated statement of profit or loss. They are first allocated to reduce the carrying amount of any goodwill allocated to the CGU, and then reduce the carrying amounts of the other assets within the CGU on a pro rata basis.

An impairment loss in respect to goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency defined for the Group's companies at the exchange rates at the dates of those transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the consolidated profit or loss.

Foreign operations

As part of the financial statement consolidation process, the assets and liabilities of foreign operations are translated into SR at the prevailing exchange rate at the date of preparing the consolidated financial statements, and their profit or loss statements are translated into the average exchange rates on the date of the transactions. Exchange differences arising from the translation of currencies for consolidation purposes are recognized in other comprehensive income. On disposal of any foreign operation, other comprehensive income related to that foreign operation is recognized in the consolidated statement of profit or loss.

k) Employees benefits

Employees's short-term benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group 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 plans

The Group estimates a defined benefit plan for its employees in accordance with Saudi Labor and Workman Law as defined by the conditions set out in the laws of the Kingdom of Saudi Arabia. The defined employees' benefits liability is calculated by a qualified actuary using the projected unit credit method then accrued and charged to the consolidated statement of profit or loss and other comprehensive income.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Revenue from contracts with customer

The Group recognizes revenue from contracts with customers according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract with the 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 the performance obligations	A performance obligation is a contract with a customer to transfer a good or service to the customer
Step 3: Identify the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation
Step 5: Revenue recognition	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract

Identify the contract with the customer

The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price of a contract (or both) is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identifying performance obligations

Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

Identify the transaction price

The Group determines transaction price as the amount by which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer, if any. Variable considerations are limited to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allocation of transaction price

Once the performance obligations have been identified and the transaction price has been determined, the transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the group is required to use observable information, if any. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) Revenue from contracts with customer (CONTINUED)

The Group recognizes revenue as per the terms and conditions in the contracts with customers for media, advertising, publishing, and other segmental services as follows:

Public relations and advertising

Revenue is recognized over time and on a “stand-ready” basis. The performance obligations are stand-ready obligations and generally agreed that the nature of the promise in a stand-ready obligation is the promise that the customer will have access to a good or service. The standard describes a stand-ready obligation as a promised service that consists of standing ready to provide goods or services or making goods or services available for a customer to use as and when it decides to do so.

Advertising revenue is billed monthly based on the services provided and payments are due shortly after the bill date. Such services are recognised as a performance obligation satisfied at a point in time. A receivable is recognised by the Group when the goods or services are delivered or rendered as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Printing and packaging

Revenue is recognized when customers obtain control of goods; when goods are delivered to customers and have been accepted at their premises. Invoices are generated and revenue is recognized at that point in time.

Some contracts allow customers to return goods and replace them with other newer goods, and no refunds are permitted. Revenue is recognized when the goods are delivered and have been accepted by customers.

With respect to contracts that allow customers to return goods, revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur in the amount of the accumulated revenue.

Other segments:

Subscription revenues are billed and collected in advance. Revenue billed in advance of the rendering of services is deferred and presented in the statement of financial position as contract liabilities. Subscription revenue is recognised over time as the Group satisfies its performance obligations over time. The transaction price allocated to these subscriptions are recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the service period.

Penalties on overdue accounts receivable are recognized on an accrual basis using the rates stipulated in the service agreements.

Contract liabilities

Contract liabilities consist of advance receipts and collections in excess of revenue recognized and deferred revenue. The contracts at times contain prepayment terms in advance of providing the service.

Contract assets

Contract assets primarily relate to the Group’s right to consideration for work completed but not billed as at the reporting date (unbilled receivable). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customers. Right-of-use asset are subject to impairment requirements as per IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and short-term highly liquid deposits with original maturity of three months or less which are not subject to a significant risk of change in value. Time-deposits with an original maturity of greater than three months but less than twelve months, are included as part of short term investments.

n) Borrowings and Murabaha

Borrowings and Murabaha are initially recognized at fair value (which represent proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings and Murabaha are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the year of the borrowing using EIR method. Borrowings and Murabaha financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the preparation of the financial statements.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets which are require a significant period of time to be ready for their intended use or sale are capitalized. All other borrowing costs are expensed in the year in which they are incurred in the consolidated statement of profit or loss.

o) Financial instruments

Initial recognition and measurement

The Group initially recognizes trade receivables on the date that they are originated. All other financial assets and liabilities are initially recognized when the Group becomes part of the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. Trade receivables that do not have a significant financing component are initially measured at the transaction price.

Subsequent classification and measurement

I: Financial assets

Under IFRS 9, on initial recognition, a financial asset is measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- fair value through other comprehensive income (FVOCI) – equity investment; or
- fair value through profit or loss (FVTPL).

According to IFRS 9 the classification of the financial assets is generally based on the business model for managing the financial asset and the contractual terms of the related cash flows. Derivatives embedded in contracts, where the host is a financial asset and which falls within the scope of IFRS 9, should not be recognized separately. Instead, the whole instrument is considered as a hybrid instrument and assessed accordingly for classification.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial instruments (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets is measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- It is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at fair value through consolidated statement of profit or loss (FVTPL). This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial instruments (continued)

cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent classification and measurement (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are measured at amortized cost using the effective interest method. The amortized value is reduced by impairment losses. Interest income, foreign exchange gains, losses of foreign currencies translation and impairment are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
Financial assets through other comprehensive income (debt investments)	Subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign currencies translation gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognised in the consolidated statement of other comprehensive income. On derecognition, profits and losses accumulated in the consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.
Financial assets through other comprehensive income (investments in equity instruments)	These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss. Any profit or loss on derecognition or recognition of investment in the consolidated statement of change in equity is recognized and may not be reclassified to the consolidated statement of profit or loss.

II: Financial Liabilities

Financial liabilities are classified when measured at amortized cost or at FVTPL. The financial liabilities are classified at FVTPL if they are classified as held-for-trading, they are derivative or they are classified as such on initial recognition. Financial liabilities at FVTPL are measured at fair value, and net gains and losses, including any interest expenses, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expenses and foreign currencies translation gains and losses are recognized in the consolidated statement of profit or loss. Any gains or losses on derecognition is recognized in consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial instruments (continued)

Derecognition

I: Financial assets

The Group derecognises a financial asset when:

- The right to receive cash flows from the asset has expired; or
- The Group has transferred its rights to receive cash flows from the transaction through any of the following:
 - (a) The Group has transferred substantially all risks and rewards of the asset; or
 - (b) The Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

II: Financial Liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, canceled, or expired. The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in consolidated statement of profit or loss.

Offsetting of financial instruments

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

Impairment of financial assets

The Group recognizes provisions for ECLs on the financial asset measured at amortized cost. The Group measures impairment losses at an amount equal to the lifetime ECL when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the historical experience of the Group and the credit evaluation, which includes forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit loss. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Group in accordance with the contract and cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired include:

- significant financial difficulties faced by the Group's customers;
- breach of contract such as a default or past due event;
- rescheduling of financing by the Group on terms that are not favorable to the Group;
- imminent bankruptcy or other financial reorganization of the customer; and
- absence of an active market for that financial instrument due to financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Impairment losses in financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

Financial assets are written off (either partially or in full) when the Group has no reasonable expectations of recovery. The Group also performs an individual assessment of each customer in order to determine the value and timing of write-offs, based on whether there are reasonable expectations of recovery.

However, financial assets that are written off are still subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

In the event that the amount to be written off exceeds the accumulated loss allowance, the difference is initially considered as an addition to the provision that is applied to the gross carrying amount. Any subsequent recoveries are credited to other income.

p) Zakat and income tax

Zakat

The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to zakat in accordance with the regulation issued by the General Authority of Zakat and Income Tax (ZATCA). Zakat provision is calculated according to the consolidated zakat base of the Company and its directly or indirectly wholly owned subsidiaries. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted zakat profit or zakat base. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in zakat returns in case of any differences. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the assessments are finalized. Subsidiaries outside the Kingdom of Saudi Arabia calculate income tax in accordance with the relevant income tax regulations in those countries. The provision for income tax is charged to the consolidated statement of profit or loss.

Value Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables and payables are stated with the amount of VAT included.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Zakat and income tax (continued)

The net amount of value added tax (VAT) recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized.

Withholding Tax

The Group makes a provision for withholding tax on payments to non-resident parties in the Kingdom of Saudi Arabia in accordance with the Income Tax Law applicable in the Kingdom of Saudi Arabia.

q) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Collaterals	A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities
Restructuring	A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.
Site restoration	In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and related expense, is recognised when the land is deemed contaminated
Asset restoration	Restoration costs are provided at the present value of expected costs to settle the obligation using the estimated cashflow which are recognized as part of the cost of the particular asset. The cashflows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimated future cost of restoration is reviewed annually and adjusted as appropriate
Onerous contracts	A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on incremental costs necessary to fulfil the obligation under the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract

r) Selling and marketing expenses

Selling and marketing expenses consist of the costs incurred in marketing and selling the Group's products and include other indirect costs related to revenue. All the other expenses are classified as general and administrative expenses.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) General and administrative expenses

General and administrative expenses comprise direct and indirect costs not attributable to cost of revenue. Allocations between general and administration expenses and cost of revenues, when required, are made on a consistent basis. Expenses mainly include employee costs, other benefits, compensation, and allowances for members of the Board of Directors and its committees, maintenance fees, rental and travel expenses, insurance, professional fees, and others.

t) Dividend

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Furthermore, final dividends are recorded in the period in which they were approved by the shareholders' General Assembly.

u) Earnings per share

Basic earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted earnings per share

Diluted EPS, if any, is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

The Group has not issued any potential ordinary shares; therefore, the basic and diluted earnings per share are the same.

v) Contingent liabilities

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is unlikely to occur. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) NEW STANDARDS OR AMENDMENTS FOR 2021 ISSUED AND FORTHCOMING REQUIREMENT

The following are a number of standards, amendments, and interpretations of standards that were issued by the International Accounting Standards Board (IASB) as at 31 August 2021.

New currently effective requirements:

Effective Date	New standards and amendments
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Reform - second phase
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16)

Management assessed the financial impact and there is no impact on the consolidated financial statements as at 31 December 2021.

Forthcoming Requirement:

The below pronouncements are effective for subsequent annual periods and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these financial statements. The impact of these standards on the Group is not expected to be material when the below standards and amendments are applied.

Effective for annual periods beginning on or after	New standards and amendments
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37
	Annual Amendments to IFRS (2018 - 2020 cycle)
	Property, plant and equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the Conceptual Framework (Amendments to IFRS 3).
1 January 2023	Amendments to IAS 1 ‘Presentation of Financial Statements’ related to classification of liabilities as current / non-current
Available for optional adoption/effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

Management assessed that the application of the new standards and amendments have no significant impact on the Group’s consolidated financial statements as at 31 December 2021.

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5. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land SR	Buildings SR	Leasehold improvements SR	Plant and printing equipment SR	Computer equipment SR	Furniture and fixtures SR	Photographic equipment SR	Motor vehicles SR	Projects in progress SR	Total SR
1 January 2021	178,031,098	400,011,639	105,697,964	1,011,624,364	175,374,428	158,682,029	-	24,377,931	32,564,671	2,086,364,124
Assets acquired through acquisition	-	-	-	-	247,965	64,153	153,048	-	2,754,296	3,219,462
Additions during the year	-	-	7,934,510	938,792	19,915,846	32,557,927	59,230	825,595	89,440,791	151,672,691
Disposal	-	-	-	(3,121,153)	(76,744)	(307,130)	-	(413,642)	-	(3,918,669)
Transferred to the statement of profit or loss	-	-	-	-	-	-	-	-	(990,814)	(990,814)
Transferred from prepayments	-	-	-	3,485,268	-	-	-	-	-	3,485,268
Transferred to intangible assets	-	-	-	-	-	-	-	-	(1,610,304)	(1,610,304)
Transferred from projects in progress	-	397,431	2,222,231	13,346,536	1,362,227	720,176	-	352,742	(18,401,343)	-
Foreign currency translation adjustment	-	-	(51,942)	(1,216,774)	(14,546)	(33,037)	-	(393)	12,175	(1,304,517)
31 December 2021	178,031,098	400,409,070	115,802,763	1,025,057,033	196,809,176	191,684,118	212,278	25,142,233	103,769,472	2,236,917,241
Depreciation and impairment										
1 January 2021	-	158,195,117	45,094,967	602,331,479	98,589,054	96,133,336	-	22,868,475	-	1,023,212,428
Depreciation of assets acquired through acquisition	-	-	-	-	37,678	17,519	30,847	-	-	86,044
Charge for the year	-	12,837,605	12,774,378	35,659,568	14,859,302	26,765,236	3,725	785,907	-	103,685,721
Disposal	-	-	-	(2,246,137)	(38,303)	(167,954)	-	(376,644)	-	(2,829,038)
Foreign currency translation adjustment	-	-	(53,700)	(588,171)	(153,708)	(137,838)	-	1,417	-	(932,000)
31 December 2021	-	171,032,722	57,815,645	635,156,739	113,294,023	122,610,299	34,572	23,279,155	-	1,123,223,155
Net book value										
31 December 2021	178,031,098	229,376,348	57,987,118	389,900,294	83,515,153	69,073,819	177,706	1,863,078	103,769,472	1,113,694,086

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land SR	Buildings SR	Leasehold improvements SR	Plant and printing equipment SR	Computer equipment SR	Furniture and fixtures SR	Photographic equipment SR	Motor vehicles SR	Projects in progress SR	Total SR
Cost:										
1 January 2020	186,392,523	399,939,901	90,935,896	1,016,740,517	120,010,654	99,244,205	-	35,958,230	168,231,407	2,117,453,333
Additions during the year	-	-	742,740	127,800	5,327,425	6,370,746	-	120,570	38,575,280	51,264,561
Disposal	(8,361,425)	(108,364)	(104,562)	(12,293,457)	(5,433,159)	(3,869,967)	-	(12,175,751)	-	(42,346,685)
Transferred from projects in progress	-	180,102	16,120,739	7,049,504	48,256,382	56,889,301	-	203,138	(128,699,166)	-
Transferred to prepayments and inventory	-	-	-	-	-	-	-	-	(13,188,735)	(13,188,735)
Transfers to intangible assets	-	-	-	-	-	-	-	-	(32,354,115)	(32,354,115)
Foreign currency translation adjustment	-	-	230,804	-	310,180	108,810	-	13,270	-	663,064
Reclassification	-	-	(2,227,653)	-	2,030,245	(61,066)	-	258,474	-	-
Reclassification from intangible assets	-	-	-	-	4,872,701	-	-	-	-	4,872,701
31 December 2020	178,031,098	400,011,639	105,697,964	1,011,624,364	175,374,428	158,682,029	-	24,377,931	32,564,671	2,086,364,124
Depreciation and impairment										
1 January 2020	-	144,860,125	26,454,549	573,551,875	87,404,897	88,645,699	-	32,771,755	-	953,688,900
Charge for the year	-	13,443,356	20,731,828	40,915,691	11,623,675	11,986,040	-	1,079,599	-	99,780,189
Disposal	-	(108,364)	(358,027)	(12,136,087)	(5,386,181)	(3,866,906)	-	(10,989,054)	-	(32,844,619)
Foreign currency translation adjustment	-	-	(47,243)	-	320,978	241,920	-	6,175	-	521,830
Reclassification	-	-	(1,686,140)	-	2,559,557	(873,417)	-	-	-	-
Reclassification from intangible assets	-	-	-	-	2,066,128	-	-	-	-	2,066,128
31 December 2020	-	158,195,117	45,094,967	602,331,479	98,589,054	96,133,336	-	22,868,475	-	1,023,212,428
Net book value										
31 December 2020	178,031,098	241,816,522	60,602,997	409,292,885	76,785,374	62,548,693	-	1,509,456	32,564,671	1,063,151,696

- As at 31 December 2021, some real estate, plant and equipment with a net book value of SR 91 million (2020: SR 132 million) were mortgaged against long-term loans (note 19).
The project-in-progress balance comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- During the year 2020, the Saudi Printing and Packaging Company - a subsidiary - has changed the method of calculating depreciation of machinery by using the unit of production method instead of the straight-line method in order to reflect more accurately the expected pattern of depreciation of the future economic benefits and determine depreciation based on the expected use or production of the asset. As a result, the depreciation expense for the above-mentioned item was reduced by SR 16.7 million for the year ended 31 December 2021 (2020: SR 11.8 million), which led to a decrease in revenue costs and an increase in profit for the year by the same amount in the above referenced subsidiary, as follows:

	Straight-line method SR	Units of production method SR	Effect on consolidated profit or loss SR
Change in depreciation	<u>65,768,514</u>	<u>49,034,137</u>	<u>16,734,377</u>

Depreciation charge for the year has been allocated as follows:

	2021	2020
Cost:		
Cost of revenue (<i>note 25</i>)	91,531,750	88,887,938
Selling, marketing, and distribution expenses (<i>note 26</i>)	388,784	446,521
General and administrative expenses (<i>note 27</i>)	11,765,187	10,445,730
	<u>103,685,721</u>	<u>99,780,189</u>

- For the purpose of impairment testing, management considers property and equipment amounting to SR 159 million (2020: SR 168 million) and intangible assets amounting to SR 73 million (2020: SR 112 million) related to Al Sharq News Services Company as part of a larger CGU within the Group.

6. INVESTMENT PROPERTIES

The Group's investment properties consist of two commercial properties in the Kingdom of Saudi Arabia and United Arab Emirates. Movement in investment properties is summarized as follows:

	Land SR	Buildings SR	Total SR
Cost:			
1 January 2020	18,922,102	9,403,543	28,325,645
31 December 2020	18,922,102	9,403,543	28,325,645
31 December 2021	<u>18,922,102</u>	<u>9,403,543</u>	<u>28,325,645</u>
Accumulated depreciation:			
1 January 2020	-	2,075,261	2,075,261
Depreciation charge for the year	-	140,904	140,904
Foreign currency translation adjustment	-	(1,011)	(1,011)
31 December 2020	-	2,215,154	2,215,154
Depreciation charge for the year	-	140,605	140,605
Foreign currency translation adjustment	-	8,769	8,769
31 December 2021	<u>-</u>	<u>2,364,528</u>	<u>2,364,528</u>
Net book value:			
31 December 2021	<u>18,922,102</u>	<u>7,039,015</u>	<u>25,961,117</u>
31 December 2020	18,922,102	7,188,389	26,110,491

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6. INVESTMENT PROPERTIES (CONTINUED)

- The Group's investment properties consist of two commercial properties in the Kingdom of Saudi Arabia and the United Arab Emirates, both of which have been retained by the Group for the purpose of earning and achieving rental income. Rental income for the year ended 31 December 2021 amounted to SR 881,508 (2020: SR 955,984) (note 29).

Fair value disclosures

The following is a comparison of the carrying value and fair value of the Group's investment properties:

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment properties	25,961,117	37,868,635	26,110,491	35,512,164
Total	25,961,117	37,868,635	26,110,491	35,512,164

- The fair value of investment properties has been determined by external, accredited, independent property valuers who have appropriate and recognized professional qualifications and recent experience in the location and category of the property whose value is estimated according to the geographical location.

The fair value of property located in the Kingdom of Saudi Arabia was determined based on the valuation made by Qiam company and its partner for real estate valuation, a valuer approved by the Saudi Authority of Accredited Valuers under membership number 1210000052.

The fair value of the property located in the United Arab Emirates was determined by the Technical and Loss Adjusting company LLC, a valuer approved by Department of Land and Property.

The property valuers provide fair value to the Group's investment property portfolio at the end of each financial year.

The fair value measurement of all investment properties has been classified as a level 3 fair value based on the inputs of the valuation method used. The following table shows the valuation method used in measuring fair value:

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6. INVESTMENT PROPERTIES (CONTINUED)

Geographical location	Valuation technique	Observable inputs	The relationship between Observable inputs and the fair value measurement
Kingdom of Saudi Arabia	Market approach. The market value is the basis of the evaluation used, and the value was extracted by studying the area and analyzing commercial and residential real estate prices and similar offers for land.	Assumptions The land was evaluated on the assumption that the submitted documents are correct and that it has absolute ownership and considering its: - condition according to the current situation - services in the area - proximity to the land area - declaration by the municipality The average price per square meter in the region was 700 Saudi Riyals per square meter. Nature and source of the information The deed and building permit were obtained from the customer, and information was obtained from approved real estate offices in the area, and all investigations were conducted The information was carefully studied, and some information was obtained from the Notary Public Index	The estimated fair value may increase (decrease) if: - change in selling prices of land in the neighborhood - difference in the level of services (infrastructure services and superstructure services such as schools, hospitals, parks, etc.) - completion of urbanization in the surrounding area - change in the regional building construction regulations
United Arab Emirates	Approaches used in evaluation: • Income Approach - By using revenue multiples / capitalization rates based on available market trends and evidence	Assumptions • Building - Annual rent of the subject of appraisal and similar buildings amounting AED 908,000 (SR:927,000) - Operating expenses average 8% of the annual rent for similar buildings - Vacancy periods for the building (a period of one month in relation to the shops and five months on average for the apartments, equivalent to 5% of similar rents).	The estimated fair value may increase / (decrease) if: - Projected market rental growth - Vacancy periods of the building - Occupancy rate of the building

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7. INTANGIBLE ASSETS AND GOODWILL

The movement of intangible assets is presented as follows:

	<u>Goodwill</u> SR	<u>Mastheads</u> SR	<u>Visual content project, websites, and copyrights</u> SR	<u>Computer software</u> SR	<u>Projects in progress</u> SR	<u>Trade names</u> SR	<u>Total</u> SR
Cost							
1 January 2020	451,341,677	350,000,000	411,109,223	50,534,372	-	-	1,262,985,272
Additions	-	-	75,244,364	1,128,955	1,725,249	-	78,098,568
Transfers from property, plant and equipment	-	-	-	32,354,115	-	-	32,354,115
Foreign currency translation adjustment	-	-	431,357	87,820	-	-	519,177
Reclassification of property, plant and equipment	-	-	(4,872,701)	-	-	-	(4,872,701)
31 December 2020	451,341,677	350,000,000	481,912,243	84,105,262	1,725,249	-	1,369,084,431
Assets acquired through acquisition	19,820,630	-	486,207	-	-	10,352,800	30,659,637
Additions	-	-	7,900,504	1,060,833	310,432	-	9,271,769
Disposal	-	-	(58,260)	-	-	-	(58,260)
Transferred to the statement of profit or loss	-	-	-	-	(145,940)	-	(145,940)
Transfers from property, plant and equipment	-	-	1,610,304	-	-	-	1,610,304
Reclassification	-	-	7,950,642	(7,950,642)	-	-	-
Transferred from projects	-	-	-	1,449,684	(1,449,684)	-	-
Foreign currency translation adjustment	-	-	113,532	34,384	1,522	-	149,438
31 December 2021	471,162,307	350,000,000	499,915,172	78,699,521	441,579	10,352,800	1,410,571,379
Accumulated amortization and impairment							
1 January 2020	81,417,241	147,873,650	116,386,665	15,422,166	-	-	361,099,722
Charged during the year	-	-	76,162,541	6,322,174	-	-	82,484,715
Impairment loss	-	30,000,000	12,800,000	-	-	-	42,800,000
Foreign currency translation adjustment	-	-	-	(31)	-	-	(31)
Reclassification of property, plant and equipment	-	-	(2,066,128)	-	-	-	(2,066,128)
31 December 2020	81,417,241	177,873,650	203,283,078	21,744,309	-	-	484,318,278
Amortization of assets acquired through acquisition	-	-	48,705	-	-	-	48,705
Amortization charged during the year	-	-	77,213,841	8,671,064	-	323,525	86,208,430
Foreign currency translation adjustment	-	-	69,438	(19,005)	-	-	50,433
31 December 2021	81,417,241	177,873,650	280,615,062	30,396,368	-	323,525	570,625,846
Net book value							
31 December 2021	389,745,066	172,126,350	219,300,110	48,303,153	441,579	10,029,275	839,945,533
31 December 2020	369,924,436	172,126,350	278,629,165	62,360,953	1,725,249	-	884,766,153

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7. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The details of intangible assets are as following:

	31 December 2021 SR	31 December 2020 SR
Goodwill (a), (b) and (c)	389,745,066	369,924,436
Visual content project, websites, and copyrights (d)	219,300,110	278,629,165
Mastheads (e)	172,126,350	172,126,350
Software	48,303,153	62,360,953
Trade names (<i>note 1</i> (d))	10,029,275	-
Projects in progress	441,579	1,725,249
	<u>839,945,533</u>	<u>884,766,153</u>

a) Goodwill – Saudi Printing and Packaging Company:

Goodwill - The details of goodwill are as following:

	31 December 2021 SR	31 December 2020 SR
Emirates National Factory for Plastic Industries LLC (*)	359,707,551	359,707,551
Hala Printing company	10,216,885	10,216,885
	<u>369,924,436</u>	<u>369,924,436</u>

(*) During 2012, SPPC acquired 100% of the shares of Emirates National Factory for Plastic Industries LLC (Emirates Factory), a limited liability company, was established in the Emirate of Sharjah, United Arab Emirates, for a net consideration of approximately SR 642 million.

All parties have agreed under the Shares Purchase and Sale Agreement (the “Agreement”) to transfer all rights and liabilities related to the former shareholders to the Group on 1 July 2012 as the date on which effective control is transferred to the company (the “Acquisition Date”). This acquisition resulted in goodwill amounting to approximately SR 353.8 million, which represents the increase in the consideration paid over the fair value of the net assets acquired on the date of acquisition, amounting to approximately SR 288.2 million.

Emirates Factory operates in the manufacture and distribution of packaging and plastic products and has several subsidiaries in both the United Arab Emirates and the Kingdom of Saudi Arabia. The consolidated financial statements of Emirates Factory were consolidated with effect from 1 July 2012.

On 1 July 2014, the Group restructured the packaging sector by merging Future Plus company and Flexible Packaging company with Emirates National Factory for Plastic Industries, so that on that date the total goodwill of the Emirates Factory, after adding the goodwill of these two companies, becomes SR 380.0 million. During 2017, goodwill impairment losses of SR 20.3 million recognized.

Goodwill impairment test

Management performs goodwill test to ensure that there is no impairment at the end of each financial year. The management found, through the goodwill test, that the book value of goodwill was less than its recoverable value as at 31 December 2021.

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7. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The recoverable amount was determined on the basis of the information used to calculate the present value of the five-year expected cash flows, based on the financial budget approved by the Board of Directors of one of its subsidiaries, SPPC. The estimated growth rate of the Emirates National Factory for Plastic Industries and Hala Press Company of 7.8% and 20.6%, respectively, for the current year, has been applied to the cash flows that exceed the period of the financial budget.

Management believe that the estimated growth rates do not exceed the long-term average growth rates related to the activities carried out by the group companies.

Sensitivity to changes in assumptions

In relation to the recoverable amount review, any adverse change in underlying assumptions will result in an impairment loss. The terminal growth rates and discount rates used are the key assumptions in cases where potential changes could lead to impairment.

The key assumptions used in the estimation of the recoverable amount are set out below; the values assigned to key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	31 December 2021		31 December 2020	
	Emirates National Factory for Plastic Industries %	Hala Printing Company %	Emirates National Factory for Plastic Industries %	Hala Printing Company %
Discount rate	7.81	7.81	7.94	7.94
Total estimated margin	20.7	30	24.2	30.7
Average annual growth rate of revenue	7.8	20.6	5.5	17.5
Terminal growth rate	2.5	2.5	2.5	2.5

The discount rate was determined on the basis of the rate of 10-year government bonds issued by the government in a favorable market and in the same currency as cash flows, adjusted by the risk factor to reflect both the increased risk of investing in equity shares in general and the inherent risk of a specific cash generating unit.

The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate of EBITDA in line with the assumptions that a market participant would make.

b) Goodwill – Argaam Investment Trading Company:

During the year 2017, 51% of the net assets of Argaam Investment Trading Company was acquired for a value of SR 31,908,938. During the year ended 31 December 2018 the management carried out a goodwill test to assess whether there was any impairment in value. According to the study, management determined an impairment in value of goodwill which amounted to SR 13,091,062, representing the total value of goodwill.

c) Goodwill - Thmanyah Company:

On 1 October 2021, the Arab Media Company, a subsidiary of the Group, has acquired 51% of the issued capital of Thmanyah for Publishing and Distribution Company, one of the leading digital media companies in the Kingdom of Saudi Arabia that works in the production and distribution of podcasts and documentaries on social media platforms. The acquisition is part of the Group's multi-platform approach and commitment to provide original, distinguished, and exclusive content to customers through digital platforms and social media. Goodwill resulting from acquisition amounted to SR 19,820,630.

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7. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

d) Mastheads

During the year ended 31 December 2021, management tested the mastheads to determine whether impairment exists or not. The management determined that the carrying value of the mastheads was close to its recoverable amount for the year ended 31 December 2021 (2020: less than its recoverable amount by SR 30 million). The recoverable value was determined on the basis of value-in-use calculation. This calculation uses cash flow projections for five years based on financial budgets approved by management. The management drew on its past experience taking into consideration the market indicators and used a discount rate based on an estimated weighted average cost of capital (WACC). In management's opinion, the growth rate assumption does not exceed the long-term average growth rate for the mastheads' activity.

Key assumptions for the value-in-use calculation are set out below:

	Percentage	
	%	
	<u>2021</u>	<u>2020</u>
Discount rate	12-13	12-13
Total estimated margin	4.7	5.0
Average annual growth rate for sales	0.6	0.1
Terminal growth rate	2.1	2.0

e) Visual content projects and Website - Bloomberg and Digital Content of Argaam Investment Trading Company:

On 31 October 2017, one of the subsidiaries (Arab Media Company) acquired 51% of the shares in Argaam, inclusive of the intangible assets comprising the digital content related to Argaam. During the year 2021, no provision for impairment of intangible assets of Argaam has been recorded (2020: SR 12.8 million).

Key assumptions for the value-in-use calculation are set out below:

	Percentage	
	%	
	<u>2021</u>	<u>2020</u>
Discount rate	19.8	21
Total estimated margin	63	46.7
Average annual growth rate for sales	30	42
Terminal growth rate	2	2

The Group signed an agreement with Bloomberg in 2017 to obtain an exclusive license to launch multiple media platforms in Arabic for an annual license fee of USD 9 million (equivalent to SR 33,750 million approximately) valid for a five-year period and extendable up to 10 years. In 2017, the Group has signed other e-content licensing agreements with the Independent amongst others to establish digital platforms in multiple languages.

Amortization charge for the year has been allocated as follows:

	<u>2021</u>	<u>2020</u>
Cost:		
Cost of revenue (<i>note 25</i>)	84,713,863	81,085,991
General and administrative expenses (<i>note 27</i>)	1,494,567	1,398,724
	<u>86,208,430</u>	<u>82,484,715</u>

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8. RIGHT-OF-USE ASSETS

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets
Cost:	
1 January 2020	107,972,661
Additions	56,162,074
Foreign currency translation adjustment	919,014
31 December 2020	<u>165,053,749</u>
Cost of assets acquired through acquisition	1,058,974
Additions (*)	8,962,516
Foreign currency translation adjustment	(264,186)
31 December 2021	<u>174,811,053</u>
Accumulated depreciation:	
1 January 2020	33,090,354
Depreciation	25,689,686
Foreign currency translation adjustment	1,121,393
31 December 2020	<u>59,901,433</u>
Depreciation of assets acquired through acquisition	235,328
Depreciation	27,621,000
Foreign currency translation adjustment	(290,440)
31 December 2021	<u>87,467,321</u>
Net book value:	
31 December 2020	<u>105,152,316</u>
31 December 2021	<u>87,343,732</u>

(*) Right-of-use assets additions include site restoration provision.

LEASES LIABILITIES:

	31 December 2021	31 December 2020
1 January	117,831,211	87,035,224
Additions	5,116,421	52,277,900
Liabilities assumed through acquisition	1,072,136	-
Foreign currency translation adjustment	31,230	2,773,583
Interest expenses (note 28)	5,453,883	8,149,475
Lease liabilities paid	<u>(32,744,834)</u>	<u>(32,404,971)</u>
31 December	<u>96,760,047</u>	<u>117,831,211</u>
	31 December 2021	31 December 2020
Current	26,376,068	26,177,350
Non-current	<u>70,383,979</u>	<u>91,653,861</u>
	<u>96,760,047</u>	<u>117,831,211</u>

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9. FINANCIAL ASSETS AT FVOCI AND FVTPL

This includes investment in funds in the Kingdom of Saudi Arabia regulated by the Saudi Capital Market Law and its executive regulations and shares in an unquoted company.

a- Financial assets at FVOCI

Financial assets at FVOCI represents the investments which the Group has the intention to hold for a long term for strategic purposes. In accordance with IFRS 9, the Group has initially recognized them as financial assets at FVOCI.

The movement of financial assets during the year ended 31 December 2021 and the year ended 31 December 2020 is as follows:

	31 December 2021 SR	31 December 2020 SR
1 January	1,139,499,770	1,067,217,505
Additions	5,390,000	27,300,000
Dividends	5,316,057	-
Management fee	(2,481,643)	(446,135)
Changes in fair value	8,147,957	45,428,400
31 December	<u>1,155,872,141</u>	<u>1,139,499,770</u>

b- Financial assets at fair value through profit or loss (FVTPL)

The movement of financial assets at FVTPL is as follows:

	31 December 2021 SR	31 December 2020 SR
1 January	241,211,454	277,958,112
Additions during the year (*)	150,000,000	3,160,000
Disposals during the year	(43,000,000)	(43,100,000)
Realized gain on disposals	2,261,151	1,961,829
Changes in fair value during the year	(1,169,708)	1,231,513
31 December	<u>349,302,897</u>	<u>241,211,454</u>

(*) 2021 additions represents the Group's purchase of 920,195 units in the Al Rajhi Commodities Mudaraba Fund with a value of SR 150 million.

10. FINANCIAL ASSETS AT AMORTIZED COST

The financial assets at amortized cost represent the purchase of Saudi government sukuk with a nominal value of SR 300 million. The cost as at 31 December 2021 as follows:

	31 December 2021 SR	31 December 2020 SR
Notional amount	300,000,000	-
Share premium	7,152,000	-
31 December	<u>307,152,000</u>	<u>-</u>

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11. INVENTORIES

	31 December 2021 SR	31 December 2020 SR
Raw materials	150,553,687	125,713,451
Finished and in progress production	61,793,848	43,886,567
Spare parts and consumables	24,277,992	24,034,582
Goods-in-transit	5,959,175	4,133,141
	<u>242,584,702</u>	<u>197,767,741</u>
Provision for obsolete and slow-moving inventories	(26,328,070)	(22,650,007)
	<u>216,256,632</u>	<u>175,117,734</u>

Movement in the provision for obsolete and slow-moving inventories is as follows:

	31 December 2021 SR	31 December 2020 SR
1 January	22,650,007	22,933,889
Provided during the year	4,923,938	129,439
Foreign currency translation adjustment	(9,325)	1,135
Reversal of provision during the year	(1,236,550)	(414,456)
31 December	<u>26,328,070</u>	<u>22,650,007</u>

12. TRADE RECEIVABLES

	31 December 2021 SR	31 December 2020 SR
Trade receivables	1,247,907,675	1,421,327,821
Less: impairment of trade receivables	(219,358,114)	(212,543,389)
	<u>1,028,549,561</u>	<u>1,208,784,432</u>

The movement in the impairment losses in accounts receivables value for years ended as 31 December is as follows:

	31 December 2021 SR	31 December 2020 SR
1 January	212,543,389	202,699,046
Provided during the year	7,913,025	12,068,988
Reversal of provision during the year	(277,351)	(2,585,396)
Transferred to prepayments and other current assets	(756,025)	-
Foreign currency translation	(64,924)	360,751
31 December	<u>219,358,114</u>	<u>212,543,389</u>

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13. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 SR	31 December 2020 SR
Prepaid expenses	83,558,289	100,830,765
Refundable deposits	26,432,041	26,774,854
Value Added Tax (VAT)	6,064,379	28,525,449
Employee advances	5,928,021	9,461,175
Insurance claim	6,463,188	5,112,518
Advances to suppliers	6,314,103	4,938,217
Letters of guarantee	798,900	169,655
Others	11,715,942	14,095,374
	147,274,863	189,908,007

14. SHORT-TERM INVESTMENTS

Short-term investments represent deposits with maturity dates of more than three months and less than a year from the date of acquisition and these are placed with local banks with a total amount of SR 700 million (2020: nil). They bear interest at a rate ranging from 0.9% to 1.3%.

15. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	31 December 2020 SR
Cash at banks and on hand	286,993,766	199,681,155
Cash at banks – restricted accounts (*)	9,792,910	4,018,947
Cash at bank – term deposits	100,000,000	184,000,000
	396,786,676	387,700,102

For the purposes of the consolidated statement of cash flows, the gross cash at banks and cash on hand consist of the following:

	31 December 2021 SR	31 December 2020 SR
Total cash and cash equivalents	396,786,676	387,700,102
Less: restricted accounts (*)	(9,792,910)	(4,018,947)
	386,993,766	383,681,155

(*) Restricted bank accounts represent deposit pledged against a loan obtained by the Saudi Printing and Packaging Company (a subsidiary).

Term deposits yield financial income at prevailing market prices, amounting to SR 1.8 million during the year ended 31 December 2021 (2020: SR 1.1 million).

16. SHARE CAPITAL

As at 31 December 2021 and 31 December 2020, the Group's capital of SR 800 million consists of 80 million shares at a value of SR 10 per share.

17. STATUTORY RESERVE

In accordance with the Parent Company's by-laws, the Group is required to set aside 10% of its net profit as statutory reserve until such reserve equals 30% of the share capital. The statutory reserve is not available for distribution.

18. CONTRACTUAL RESERVE

In accordance with the Parent Company's by-laws, the Ordinary General Assembly may, based on the proposal of the Board of Directors, set aside 10% of net profits for the formation of a contractual reserve allocated for specific purpose(s).

19. BORROWINGS AND MURABAHA

The Group has signed several financing agreements and banking facilities with a number of local and foreign banks, which include borrowings and Murabaha, credit facilities, letters of credit and letters of guarantee, amounting to SR 1.2 billion (2020: SR 1.2 billion). The purpose of these facilities is to finance the working capital, the investments and import of raw materials and equipment relating to the Group's activities. These facilities bear financial charges as per the relevant agreements.

The subsidiary company of the Group, Saudi Printing and Packaging Company, signed several financing agreements and banking facilities with a number of local and foreign banks, which include loans and Murabaha, credit facilities, letters of credit and letters of guarantee, on different periods starting from December 2018 and ending in March 2029, subject to renewal. The credit limit for total facilities was SR 884.6 million as at 31 December 2021 (2020: SR 890 million). These agreements are subject to the terms and conditions of banking facilities that apply to all types of facilities provided by banks to their customers. The purpose of these facilities is to finance the activity, working capital, investments, and capital expenditures as well as to finance the import of raw materials and equipment related to SPPC's activities and projects. During January 2021, Emirates National Factory for Plastic Industries (a wholly owned subsidiary in the United Arab Emirates) signed a banking facility agreement (in compliance with the provisions of Islamic Sharia) with a local bank in the United Arab Emirates for a total amount of AED 475.0 million (equivalent to SR 484.5 million) representing the following:

- Long-term financing of AED 375.0 million (equivalent to SR 382.5 million), repayable over eight years. The facility was obtained for the purposes of financing capital projects in the amount of AED 100.0 million (equivalent to SR 102.0 million), in addition to early payment of existing facilities in favor of other banks in the United Arab Emirates, amounting to AED 275.0 million (equivalent to SR 280.5 million).
- Short-term financing of AED 100.0 million (equivalent to SR 102.0 million) for the purpose of working capital financing.

These facilities are subject to interest charges according to the relevant agreements, ranging from 2% to 3.5% + SIBOR or EIBOR. Under these agreements, SPPC and its subsidiary provided a number of guarantees to cover the full value of the financing which consist of the following:

- Promissory notes with the total value of the available facilities
- A plot of land in Abhor district in Jeddah placed as collateral
- An insurance policy which grants the bank the right to be first beneficiary for the amount equal to the value of the facility
- A corporate guarantee provided by a subsidiary of SR 38 million
- Restricted bank accounts amounting SR 9.8 million (2020: SR 4 million)

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19. BORROWINGS AND MURABAHA (CONTINUED)

Based on the decision of the Board of Directors of SPPC held on 7 May 2018, the bank has the right, in the event of default by SPPC, to recourse through some of the subsidiaries, and the bank has the right to request additional guarantees other than what is mentioned in the loan agreement. SPPC has complied with all banking terms and commitments contained in the agreements.

The outstanding balance of the facilities available to the Group and its subsidiaries as at 31 December 2021, amounted to SR 858.1 million (31 December 2020: SR 943.6 million). The following is an analysis of the loans and Murabaha transactions:

	31 December 2021 SR	31 December 2020 SR
Short-term loans	325,506,091	418,372,473
Long-term borrowing	248,852,010	265,561,720
Bank overdrafts	19,172,640	5,080,128
Long-term / syndicated loans	261,361,214	249,966,281
Accrued financing costs	3,182,322	4,574,255
Gross borrowings	<u>858,074,277</u>	<u>943,554,857</u>
Less: current portion	<u>(439,393,795)</u>	<u>(556,531,447)</u>
Non-current portion	<u>418,680,482</u>	<u>387,023,410</u>

The following is the movement on the balance of borrowings and Murabaha:

	31 December 2021 SR	31 December 2020 SR
1 January	943,554,857	1,004,278,643
Proceeds from borrowings	1,446,343,578	724,515,044
Payments from borrowings	(1,530,432,225)	(782,592,319)
Finance cost	38,601,249	41,996,970
Finance costs paid	<u>(39,993,182)</u>	<u>(44,643,481)</u>
As at end of the year	<u>858,074,277</u>	<u>943,554,857</u>

20. CONTRACT LIABILITIES

Contract liabilities comprise advances received on contracts signed with its customers to provide media and marketing services in addition to the advertisement and digital expansion and reach. The liabilities are reclassified once the service(s) has been rendered.

Lease liabilities instruments have been categorized as follows:

	31 December 2021 SR	31 December 2020 SR
Contract liabilities – <i>non-current portion</i>	830,011,706	1,047,252,865
Contract liabilities – <i>current portion</i>	<u>1,263,809,142</u>	<u>711,852,136</u>
31 December	<u>2,093,820,848</u>	<u>1,759,105,001</u>

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21. DEFINED EMPLOYEES' BENEFITS LIABILITIES

The Group provides end of services benefits by considering the local laws, business, and general insurance regulations for the countries they operate in. Defined benefits liabilities are not financed. The amounts recognised in the consolidated statement of financial position and the movements in the net defined benefit liability over the year are as follows:

	31 December 2021	31 December 2020
	SR	SR
1 January	121,523,760	132,034,356
Provision during the year	17,426,858	10,325,157
Liabilities assumed through acquisition	93,360	-
Interest costs (note 28)	2,997,632	3,558,575
(Gain) / Loss from re-measurement of employees' defined benefits liabilities	(508,280)	2,244,080
Foreign currency translation adjustment	(114,131)	(1,242,194)
Paid during the year	(12,026,442)	(25,396,214)
31 December	<u>129,392,757</u>	<u>121,523,760</u>

Significant actuarial assumptions

The significant actuarial assumptions are as follows:

	Valuation at	
	2021	2020
Kingdom of Saudi Arabia:		
Discount rate	2.9%	2.5%
Inflation	2%	2%
Expected rate of salary increase	2%	2%
Assumed retirement age	60 years	60 years
United Arab Emirates:		
Discount rate	2.3%	1.9%
Inflation	3%	3%
Expected rate of salary increase	3%	3%
Assumed retirement age	60 years	60 years
Exchange rate (AED to SR)	1.02	1.02
United Kingdom:		
Discount rate	2%	1.4%
Inflation	2%	2%
Expected rate of salary increase	3%	3%
Assumed retirement age	60 years	60 years
Exchange rate (GBP to SR)	5.08	5.13

Sensitivity analysis

The sensitivity of the defined benefit liabilities to changes in the weighted principal assumptions is:

	Discount rate			Salary inflation		
	1% decrease SR	Base SR	1% increase SR	1% decrease SR	Base SR	1% increase SR
31 December 2021	(141,127,998)	(129,392,757)	(119,273,436)	(119,114,489)	(129,392,757)	(141,102,520)
31 December 2020	(132,164,187)	(121,523,760)	(112,424,411)	(112,269,414)	(121,523,760)	(132,146,473)

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21. DEFINED EMPLOYEES' BENEFITS LIABILITIES (CONTINUED)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit liabilities to significant actuarial assumptions the same method (present value of the defined benefit liabilities calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liabilities recognized in the consolidated statement of financial position.

22. TRADE PAYABLES

	31 December	31 December
	<u>2021</u>	<u>2020</u>
	SR	SR
Trade payables – <i>current portion</i>	329,667,273	279,064,177
Trade payables – <i>non-current portion</i>	80,379,078	142,651,173
	<u>410,046,351</u>	<u>421,715,350</u>

The Group has entered into agreements with Bloomberg and the Independent. The Group also has entered into an airtime licensing rights (segment of publishing and visual and digital content) agreement to broadcast the Group content on TV channel. The liabilities related to these agreements are recorded in trade payables.

23. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December	31 December
	<u>2021</u>	<u>2020</u>
	SR	SR
Accrued expenses	160,128,559	90,137,108
Value Added Tax (VAT)	62,554,071	25,738,975
Employee accruals	36,857,515	23,596,372
Provision for legal claims and cases	7,471,697	6,358,291
Advances from customers	13,365,884	10,436,889
Others	25,247,627	18,327,953
	<u>305,625,353</u>	<u>174,595,588</u>

24. ZAKAT AND INCOME TAX

Following are the major components of zakat and income tax expense in the consolidated statement of statement of profit or loss:

	31 December	31 December
	<u>2021</u>	<u>2020</u>
	SR	SR
Zakat	65,404,770	77,349,702
Income tax	861,160	753,633
	<u>66,265,930</u>	<u>78,103,335</u>

The movement in Group's zakat payable is as follows:

	31 December	31 December
	<u>2021</u>	<u>2020</u>
	SR	SR
1 January	110,639,526	75,796,140
Provision assumed through acquisition	93,794	-
Provision during the year	65,404,770	77,349,702
Paid during the year	<u>(19,584,834)</u>	<u>(42,506,316)</u>
31 December	<u>156,553,256</u>	<u>110,639,526</u>

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24. ZAKAT AND INCOME TAX

The movement in Group's income tax is as follows:

	31 December 2021	31 December 2020
	SR	SR
1 January	(679,139)	(28,420)
Provision during the year	861,160	753,633
Paid during the year	-	(1,345,193)
Foreign currency exchange translation differences	(51,289)	(59,159)
31 December	<u>130,732</u>	<u>(679,139)</u>

Zakat and income tax assessments for the "Parent Company and its wholly owned subsidiaries"

Provision for zakat and income tax is recognized and provided within the consolidated statement of profit or loss. The differences arising on calculating the zakat related to the final assessment are settled in the period in which they are completed.

Zakat returns of the Company and its wholly owned subsidiaries are submitted to the Zakat, Tax and Customs Authority based on the standalone financial statements prepared for zakat purposes up to 2006. Other non-wholly owned subsidiaries file their zakat returns separately.

During the year 2007, the Group had obtained the approval of ZATCA on filing a consolidated zakat return for the Company and its wholly owned subsidiaries. The Company and its wholly owned subsidiaries have filed zakat returns to ZATCA for the years from 2007 through 2020.

During the year 2020, a session was held with the Committee for the Settlement of the Zakat and Tax Disputes for the years 2007-2010, the Committee issued a final decision, the Company and its wholly owned subsidiaries paid the amount proposed by the Committee, and the status of the Company and its wholly owned subsidiaries was terminated for the years mentioned.

The Company and its wholly owned subsidiaries has filed zakat returns for the years from 2011 through 2013 to ZATCA. The final assessments for these years have not been raised yet by ZATCA.

The Company and its wholly owned subsidiaries have filed zakat returns for the years from 2014 through 2018. The ZATCA has issued the final assessment for the years from 2014 to 2018 and accordingly the Company and its wholly owned subsidiaries has made a provision to cover the potential claims as at 31 December 2020 amounting to SR 57,259,524. Subsequent to the year ended 31 December 2020, the Company and its wholly owned subsidiaries have filled an appeal to the Zakat Dispute Committee and the objection was partially accepted by ZATCA and assessment was adjusted to be SR 27,318,553. Accordingly, the Company and its wholly owned subsidiaries have resorted to General Secretariat of Committees for Resolution of Zakat, Tax and Customs Violations and Disputes.

ZATCA also issued zakat assessment on Numu Al Elmiah Company (a wholly owned subsidiary of the Company) with a value of SR 8,088,037 for the years from 2016 to 2018. Numu Al Elmiah filled and submitted an objection to the Zakat Disputes Committee, and the objection was not accepted by ZATCA. Subsequently, Numu Al Elmiah resorted to the General Secretariat of Committees for Resolution of Zakat, Tax and Customs Violations and Disputes.

The Company and its wholly owned subsidiaries have submitted their zakat returns for the years from 2019 to 2020, which are still under review by ZATCA, and therefore amendments may occur to them that may lead to an amendment of the zakat accrued for those years.

24. ZAKAT AND INCOME TAX (CONTINUED)

Zakat and income tax for “not-wholly-owned subsidiaries”

a. Saudi Printing and Packaging Company:

Zakat provision is estimated and charged to the consolidated statement of profit or loss. The differences arising on calculating the zakat related to the final assessment are settled in the year in which they are completed.

SPPC filed consolidated zakat returns to ZATCA for the years ended 31 December 2005 until 2008 and received zakat certificate for these years.

ZATCA issued assessment notices for the years 31 December 2005 to 2008 and requested SPPC to pay additional zakat amounting to SR 6,582,634. SPPC filed an objection against the said assessment, and during 2016 the objection was not accepted by ZATCA from both an objective and form aspect with the exception of some deferred gains which amounted to SR 2,004,578 for which the objection was accepted and was mentioned in the original objection amount.. Furthermore, ZATCA also requested payment of zakat differences due from the unauthorized profit difference for the years 2005 and 2006 amounted to SR 143,203 , which were paid by the SPPC during 2018 and mentioned within the original objection amount. The assessment discussions for the years ended 31 December 2005 to 2008 between ZATCA and SPPC are ongoing as at 31 December 2021.

SPPC filed consolidated zakat returns to ZATCA for the years ended 31 December 2009 until 2013 and received zakat certificate for these years. The assessment notices for the mentioned years up to 31 December 2021 have not yet issued by ZATCA. ZATCA issued assessment for the year ended 31 December 2014 without additional amounts.

SPPC filed consolidated zakat returns to General Authority of Zakat and Income Tax for the years ended 31 December 2015, 2016, and 2018 and received restricted zakat certificate for these years. ZATCA issued assessment for these years and requested SPPC to pay amount of SR 16,314,362. SPPC has filed an objection against the said assessment which are ongoing as at 31 December 2021.

ZATCA issued an assessment on the SPPC zakat return accounts for the year ended 31 December 2017 with a total difference of SR 12,180,465 of which an amount of SR 3,057,612 was paid based on the return submitted and ZATCA requested SPPC to pay the difference amounting to SR 9,122,853. However, SPPC objected to the assessment and the objection was partially accepted; differences were adjusted to be SR 2,253,606 which was paid within the year 2019.

SPPC filed consolidated zakat returns to ZATCA for the years ended 31 December 2019 and 2020 and received restricted zakat certificate for these years. ZATCA issued assessment for these years during 2021 and requested the SPPC to pay additional amount of SR 22,428,204. The SPPC has paid 25% of the variances according to the ZATCA regulations and filed an objection against the said assessment.

b. Argaam Investment Trading Company:

Zakat and income tax returns have been filed to Zakat and Tax and Customs Authority (ZATCA) till the year 2020. No zakat provisions accrued to the Group for the years ended 31 December 2020 and 2019 because the zakat base is negative. The Group has not been subject to any zakat examination up to the date of these financial statements.

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24. ZAKAT AND INCOME TAX (CONTINUED)

c. Thmanyah for Publishing and Distribution Company:

Zakat and income tax returns have been filed to Zakat and Tax and Customs Authority (ZATCA) till the year 2020.

Income tax:

Foreign subsidiaries regularly file its tax returns, and the difference between the effective and accounting tax rate is not considered significant.

25. COST OF REVENUE

	<u>2021</u>	<u>2020</u>
		SR
Cost of publishing, distribution, visual content, and public relations	590,998,690	355,873,659
Cost of materials	494,748,070	435,328,079
Salaries and benefits of employees and direct labor	622,272,325	470,534,694
Depreciation of property, plant and equipment (note 5)	91,531,750	88,887,938
Amortization (note 7)	84,713,863	81,085,991
Utilities	33,280,988	30,101,569
Depreciation on right-of-use assets (note 8)	15,663,085	14,518,565
Maintenance and repairs	11,244,698	12,294,759
Consumables	4,506,576	5,577,250
Insurance	3,555,351	3,559,891
Rent	1,409,690	2,703,190
Others	9,909,095	11,553,507
	<u>1,963,834,181</u>	<u>1,512,019,092</u>

26. SELLING, MARKETING AND DISTRIBUTION EXPENSES

	<u>2021</u>	<u>2020</u>
	SR	SR
Marketing and advertising expenses	40,456,925	21,929,488
Employees' salaries and benefits and others	27,658,346	26,279,656
Transport and shipping	15,596,273	15,298,977
Rent	3,845,047	3,979,386
Depreciation of property, plant and equipment (note 5)	388,784	446,521
Others	7,231,595	7,022,895
	<u>95,176,970</u>	<u>74,956,923</u>

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27. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2021</u> SR	<u>2020</u> SR
Employees' salaries and benefits and others	184,040,665	149,113,022
Consultancy, professional fees and advertising services	53,198,926	32,958,935
Depreciation of right-of-use assets (note 8)	11,957,915	11,171,121
Depreciation of property, plant and equipment (note 5)	11,765,187	10,445,730
BOD expenses, allowances, and respective committees	11,503,773	10,953,193
Repaid and maintenance	9,912,512	6,858,989
Telephone and fax	6,448,937	5,505,737
Rent	7,375,372	4,529,184
Insurance	5,620,867	5,725,953
Travel	4,973,567	907,089
Utilities	7,025,915	6,515,644
Hospitality and public relations	4,292,490	1,885,659
Provision for other debit balances	4,119,887	357,227
Government fees and subscriptions	3,438,146	3,785,693
Computer expenses	2,088,204	1,637,668
Amortization (note 7)	1,494,567	1,398,724
Stationery and prints	799,954	760,918
Depreciation of investment properties (note 6)	140,605	140,904
Others	27,627,565	18,794,305
	<u>357,825,054</u>	<u>273,445,695</u>

28. FINANCE COSTS, NET

	<u>2021</u> SR	<u>2020</u> SR
Financial assets at FVTPL – net change in fair value	(1,169,708)	1,231,513
Dividends	5,316,057	-
Realized gain from sale of financial assets at FVTPL	2,261,151	1,961,829
Income from time deposits	1,879,259	1,137,419
Total finance income	<u>8,286,759</u>	<u>4,330,761</u>
Finance costs on loans and Murabaha	36,280,799	41,996,970
Finance costs on long-term payables	9,598,111	11,907,157
Interest costs on lease liabilities (note 8)	5,453,883	8,149,475
Finance costs on employees' benefit liabilities (note 21)	2,997,632	3,558,575
Bank charges	410,630	1,471,884
Amortized rescheduled borrowing expenses and Murabaha	2,320,449	2,687,448
Unwinding of discounting of other non-current liabilities	600,501	193,883
Total finance costs	<u>57,662,005</u>	<u>69,965,392</u>
Net finance costs	<u>49,375,246</u>	<u>65,634,631</u>

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29. OTHER INCOME, NET

	<u>2021</u>	<u>2020</u>
	SR	SR
Reversal of accruals	8,904,955	25,656,062
Revenue from sale of scrap	3,131,398	3,342,556
Insurance claims	-	3,061,300
Proceeds from Human Resources Development Fund	938,438	-
(Loss) / Gain on foreign currency	(5,816,964)	(10,831,413)
Discount granted by Abu Dhabi Water and Electricity Authority	-	1,805,295
Rental income (note 6)	881,508	955,984
(Loss) / Gain on disposal of property and equipment	(124,807)	533,242
Others	708,450	2,203,018
	<u>8,622,978</u>	<u>26,726,044</u>

30. EARNINGS PER SHARE

Basic / diluted earnings per share (EPS) for income attributable to ordinary shares are calculated by the appropriation of the weighted average number of outstanding ordinary shares. Earnings per share as at 31 December 2021 was computed based on the weighted average number of shares outstanding during the year which amounted to 80,000,000 shares (2020: 80,000,000 shares). There are no contingent ordinary diluted shares. Diluted earnings per share are the same as the basic earnings per share as the Group does not have any convertible securities nor diluted instruments to exercise.

31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial assets and liabilities.

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

The Group has an established control framework with respect to the measurement of fair values for financial assets and liabilities. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The team regularly reviews significant unobservable input and adjustments to the evaluation. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the standards, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of assets or liabilities, the Group uses market observable data to the extent possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active financial markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- (note 6) - Investment properties

31.1 Financial assets

	31 December 2021 SR	31 December 2020 SR
Financial assets:		
Unquoted equity shares	1,000,000	1,000,000
Financial assets at FVOCI (note 9)	1,154,872,141	1,138,499,770
Financial assets at FVTPL (note 9)	349,302,897	241,211,454
Financial assets at amortized cost (note 10)	307,152,000	-
Trade receivables (note 12)	1,028,549,561	1,208,784,432
Cash and cash equivalents (note 15)	396,786,676	387,700,102
short-term investments (note 14)	700,000,000	-
Total financial assets	<u>3,937,663,275</u>	<u>2,977,195,758</u>
<i>Total current financial assets</i>	2,474,639,134	1,837,695,988
<i>Total non-current financial assets</i>	1,463,024,141	1,139,499,770

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT
(CONTINUED)

(31.2) Financial liabilities

Set out below is an overview of financial liabilities, held by the Group.

	31 December	31 December
	<u>2021</u>	<u>2020</u>
	SR	SR
Financial liabilities at amortized cost		
Trade payables (<i>note 22</i>)	410,046,351	421,715,350
Loans and Murabaha (<i>note 19</i>)	858,074,277	943,554,857
Lease liabilities (<i>note 8</i>)	96,760,047	117,831,211
Other non-current liabilities	7,287,235	-
Total	<u>1,372,167,910</u>	<u>1,483,101,418</u>
<i>Total current financial liabilities</i>	795,437,136	861,772,974
<i>Total non-current financial liabilities</i>	576,730,774	621,328,444

The average credit period on purchases is 60-90 days except for the non-current portion of trade payables. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels and the fair value hierarchy:

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

A. Financial instruments fair values:

	Carrying amount				Fair value			
	Financial assets at FVTPL	Financial assets at fair value through at FVOCI	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
31 December 2021								
Financial assets measured at fair value								
Financial assets at FVTPL	349,302,897	-	-	-	349,302,897	-	349,302,897	-
Financial assets at FVOCI	-	1,154,872,141	-	-	1,154,872,141	-	1,154,872,141	-
	<u>349,302,897</u>	<u>1,154,872,141</u>	-	-	<u>1,504,175,038</u>	-	<u>1,504,175,038</u>	-
Financial assets not measured at fair value								
Trade receivables	-	-	1,028,549,561	-	1,028,549,561	-	-	-
Financial assets at amortized cost	-	-	307,152,000	-	307,152,000	-	-	-
Short-term investments	-	-	700,000,000	-	700,000,000	-	-	-
Cash and cash equivalents	-	-	396,786,676	-	396,786,676	-	-	-
	-	-	<u>2,432,488,237</u>	-	<u>2,432,488,237</u>	-	-	-
Financial liabilities not measured at fair value								
Loans and Murabaha - current	-	-	-	439,393,795	439,393,795	-	-	-
Loans and Murabaha - non-current	-	-	-	418,680,482	418,680,482	-	-	-
Trade payable - current	-	-	-	329,667,273	329,667,273	-	-	-
Trade payable - non-current	-	-	-	80,379,078	80,379,078	-	-	-
Accrued expenses and other current liabilities	-	-	-	305,625,353	305,625,353	-	-	-
Non-current liabilities - others	-	-	-	7,287,235	7,287,235	-	-	-
Lease liabilities - current	-	-	-	26,376,068	26,376,068	-	-	-
Lease liabilities - non-current	-	-	-	70,383,979	70,383,979	-	-	-
	-	-	-	<u>1,677,793,263</u>	<u>1,677,793,263</u>	-	-	-

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

A. Financial instruments fair values (continued):

	Carrying amount				Fair value			
	Financial assets at FVTPL	Financial assets at fair value through at FVOCI	Other financial liabilities		Level 1	Level 2	Level 3	Total
			Amortized cost	liabilities				
31 December 2020								
Financial assets measured at fair value								
Financial assets at FVTPL	241,211,454	-	-	-	241,211,454	-	-	241,211,454
Financial assets at FVOCI	-	1,138,499,770	-	-	-	1,138,499,770	-	1,138,499,770
	241,211,454	1,138,499,770	-	-	-	1,379,711,224	-	1,379,711,224
Financial assets not measured at fair value								
Trade receivables	-	-	1,208,784,432	-	1,208,784,432	-	-	-
Cash and cash equivalents	-	-	387,700,102	-	387,700,102	-	-	-
	-	-	1,596,484,534	-	1,596,484,534	-	-	-
Financial liabilities not measured at fair value								
Borrowings and short-term Murabaha	-	-	-	556,531,447	-	-	-	-
Borrowings and long-term Murabaha	-	-	-	387,023,410	-	-	-	-
Trade payable - current	-	-	-	279,064,177	-	-	-	-
Trade payable - non-current	-	-	-	142,651,173	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	174,595,588	-	-	-	-
Lease liabilities - current	-	-	-	26,177,350	-	-	-	-
Lease liabilities - non-current	-	-	-	91,653,861	-	-	-	-
	-	-	-	1,657,697,006	-	-	-	-

31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B- Risk management:

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Commission rate risk
- Currency risk
- Capital management

This note shows information about the Group's exposure to each of the above risks, group objectives, policies, methods of measuring and managing risks, and Group's capital management.

Risk management framework

The Board of Directors of the Group has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has assigned the audit committee to oversee the risk management team, which is responsible for developing and monitoring the Group's risk management policies and submitting regular reports to the Board of Directors on its activities.

The Group risk management team was established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee monitors how management monitors the compliance with the Group's risk management procedures and policies. It also reviews the adequacy of the overall risk management framework in relation to the risks faced by the Group. The internal audit department supports the Group audit committee in performing its supervisory role. The internal audit team conducts periodic reviews, in particular, procedures and controls for risk management. It also sends reports on the results of these reviews to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's policy states that all customers who want to deal on a forward basis are subject to credit check. Financial instruments that are subject to concentration of credit risk consist mainly of customers' receivables. The Group places bank balances and deposits with a number of financial institutions with a good credit rating and has a policy of setting limits on its balances placed with each financial institution. The Group does not believe that there are significant risks of the inefficiency of these institutions. The Group believes that credit risks associated with financial assets at amortized cost are low, as they represent Saudi government sukuk, which have a very good credit rating from globally recognized credit rating agencies. The Group has a diverse customer base operating in various activities in different regions.

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

The carrying amount of financial assets represents the maximum value that financial assets may be exposed to credit risk as of the consolidated statement of financial position date as at 31 December are as follows:

	<u>2021</u>	<u>2020</u>
	SR	SR
Cash and cash equivalents (note 15)	396,786,676	387,700,102
Trade receivables, net (note 12)	1,028,549,561	1,208,784,432
Financial assets at FVTPL (note 9)	349,302,897	241,211,454
Financial assets FVOCI (note 9)	1,155,872,141	1,139,499,770
Financial assets at amortized cost (note 10)	307,152,000	-
Short-term investments (note 14)	700,000,000	-
	<u>3,937,663,275</u>	<u>2,977,195,758</u>

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The management has established a credit policy according to which the creditworthiness of each new customer is analyzed before the Group presents its terms and conditions for payment and supply. The Group audit includes external ratings, where appropriate, and sometimes includes bank references. The Group limits its exposure to credit risk from trade receivables by setting maximum collection limits and credit limits for its customers. Given the nature of the sector in which the Group operates, there is a certain concentration of risks. The number of disclosures submitted maintains the Group's competitive position in this sector.

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2021:

<u>Aging of trade receivables</u>	<u>Weighted- average loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>
Less than 3 months	0.6%	340,299,776	1,892,914
From 3 to 12 months	2.2%	207,208,929	4,589,862
More than 12 months	30.4%	700,398,970	212,875,338
Total		<u>1,247,907,675</u>	<u>219,358,114</u>

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2020:

<u>Aging of Trade receivables</u>	<u>Weighted- average loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>
Less than 3 months	0.40%	284,819,404	1,125,740
From 3 to 12 months	1.3%	398,673,185	5,109,083
More than 12 months	28%	737,835,232	206,308,566
Total		<u>1,421,327,821</u>	<u>212,543,389</u>

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT
(CONTINUED)

B- Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is the difficulties that the Group will encounter in raising funds to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at an amount close to its fair value.

The Group manages liquidity risk by maintaining the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 90 days. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables and ensuring that bank facilities are available. The terms and conditions of these facilities are disclosed in Note 17. The Group's terms of sale stipulate that payments are made in cash upon supply of the goods or on a forward basis.

Following the contractual maturities of non-derivative financial liabilities:

	Carrying amount SR	Contractual cash flows SR	Less than one year SR	More than one year SR
31 December 2021				
Borrowings and Murabaha	858,074,277	858,074,277	439,393,795	418,680,482
Trade payables	410,046,351	431,423,309	336,337,385	95,085,924
Other long-term liabilities	7,287,235	8,000,000	-	8,000,000
Accrued expenses and other current liabilities	305,625,353	305,625,353	305,625,353	-
	1,581,033,216	1,603,122,939	1,081,356,533	521,766,406
	Carrying amount SR	Contractual cash flows SR	Less than one year SR	More than one year SR
31 December 2020				
Borrowings and Murabaha	943,554,857	943,554,857	556,531,447	387,023,410
Trade payables	421,715,350	453,889,236	285,025,474	168,863,762
Accrued expenses and other current liabilities	174,595,588	174,595,588	174,595,588	-
	1,539,865,795	1,572,039,681	1,016,152,509	555,887,172

31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B- Risk management (continued)

Liquidity risk (continued)

Liquidity risk is managed by monitoring on a regular basis and ensuring that sufficient funds and banking facilities are available to meet the Group's future liabilities.

Lease liabilities

Commitments for minimum lease payments to which the requirements of the IFRS 16 have been applied to it as of 31 December are as follows:

	31 December	31 December
	<u>2021</u>	<u>2020</u>
	SR	SR
Within one year	32,052,163	22,479,618
More than a year and less than five years	72,743,361	55,308,649
More than five years	7,535,131	-
	<u>112,330,655</u>	<u>77,788,267</u>

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on short and long term commission bearing banking facilities.

The table below reflects the commission rate risk to income as a result of reasonably possible changes in commission rates while all other changes remain constant. Price risk has no effect on equity.

The income effect represents the effect of the assumed changes in commission rates on the profit (losses) of the Group for one year on the basis of floating commission financial liabilities as at December 31:

	The impact on the year	
	income (SR)	
	<u>2021</u>	<u>2020</u>
Increase (decrease) in base points		
+5	(427,446)	(394,767)
+10	(854,892)	(789,534)
-5	427,446	394,767
-10	854,892	789,534

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management monitors fluctuations in foreign exchange rates and believes that the Group is not exposed to significant currency risk, as it does not undertake any significant transactions in currencies other than the SR, USD, the AED, and GBP. The SR exchange rate is pegged against the USD, and therefore, balances and transactions dominated in USD do not represent significant risks. Regarding the AED and GBP, the Group's management believes that its exposure to currency risk is limited.

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31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B- Risk management (continued)

Capital management

The group's capital management policy is to maintain a strong capital base to maintain shareholders, creditors, and market confidence as well as the continued development of the group's future activities. The capital consists of ordinary shares, primary non-repayable shares, and the group's retained earnings.

The management monitors the return on capital, which is determined by dividing net operating profit on shareholders' equity.

Capital management

The group seeks to maintain the balance between the highest return possible in case of maximum level of borrowing and the preference and security arising from a strong capital position.

	<u>2021</u>	<u>2020</u>
	SR	SR
Total Debt	4,065,942,668	3,652,120,288
Less: Cash and cash equivalents (note 13)	<u>(396,786,676)</u>	<u>(387,700,102)</u>
Net Debts	<u>3,669,155,992</u>	<u>3,264,420,186</u>
Net shareholders' equity	<u>2,066,457,537</u>	<u>1,527,478,805</u>
Adjusted capital	<u>2,066,457,537</u>	<u>1,527,478,805</u>
Debt to capital ratio	<u>1.78</u>	<u>2.14</u>

32. CONTINGENT LIABILITIES AND COMMITMENT

Contingent legal claims

Certain subsidiaries of the Group are involved in litigation matters the normal course of business of business, which are being defended. The ultimate results of these matters cannot be determined with certainty. However, the management believes that the results of these matters will not have a significant impact on the Group's consolidated financial statements as of 31 December 2021.

The Group has the following contingent liabilities:

	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	<u>(SR million)</u>	<u>(SR million)</u>
Letters of credit	22.1	36.6
Letters of guarantee	5.3	6.2
Trades and marketing liabilities	16.0	16.0
Capital commitments	140.4	12.1

33. SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable segments, as follows:

1- Publishing and visual and digital content: comprises the local and international publishing works, research and marketing the products of the group and third parties. The segment is also involved in the publishing of specialized publications for third parties, issuance of licensed international publications, translation services and selling electronic and visual content.

33. SEGMENTAL INFORMATION (CONTINUED)

2- Public relations and advertising: comprise the local and international public relation services, studies, research, marketing, media events, international advertising, production, representation and marketing audio visual and readable advertising media, and advertising panels.

3- Printing and packaging: comprise printing works on paper and plastic, commercial posters, in addition to manufacturing of plastic products for the Group and others.

4- All other segments: comprises the wholesale and retail trading of school supplies, office furniture, installation, and maintenance of laboratories, and providing technical, training and educational courses, services, international distribution of newspapers, magazines, publications, books and the publications of the Group and other related activities.

The following segments have been aggregated in these condensed consolidated interim financial statements, as follows:

Publishing: This segment comprises the publishing and specialized publishing segments. The two have been aggregated based on the criteria of having similar nature of services and similar type or class of customer for their products.

All other segments: This segment is an aggregation of all other business activities and operating segments that do not individually meet the quantitative thresholds required under IFRS 8.

The Chief Executive Officer and the Chief Operating Officer, both monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently with income in the condensed consolidated interim financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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33. SEGMENTAL INFORMATION (CONTINUED)

The following table presents revenues and profit information for the Group's operating segments for the year ended 31 December 2021:

	Publishing and visual and digital content	Public relations and advertising	Printing and packaging	All other segments	Total	Adjustments and eliminations	Total
	SR	SR	SR	SR	SR	SR	SR
Revenues							
External customers	933,275,581	1,303,910,184	760,942,421	47,845,991	3,045,974,177	-	3,045,974,177
Inter-segment	523,623,878	67,483,577	22,696,678	6,059,206	619,863,339	(619,863,339)	-
Gross revenue	1,456,899,459	1,371,393,761	783,639,099	53,905,197	3,665,837,516	(619,863,339)	3,045,974,177
Total income	305,265,951	689,800,798	88,976,057	21,951,773	1,105,994,579	(23,854,583)	1,082,139,996
Segment profit / (loss)	111,900,979	546,415,565	(59,297,476)	(16,550,436)	582,468,632	(45,448,979)	537,019,653

The following table presents revenues and profit information for the Group's operating segments for the year ended 31 December 2020:

	Publishing and visual and digital content	Public relations and advertising	Printing and packaging	All other segments	Total	Adjustments and eliminations	Total
	SR	SR	SR	SR	SR	SR	SR
Revenues							
External customers	325,061,369	1,141,332,403	749,133,677	44,566,507	2,260,093,956	-	2,260,093,956
Inter-segment	741,999,996	79,298,326	18,553,928	4,926,907	844,779,157	(844,779,157)	-
Gross revenue	1,067,061,365	1,220,630,729	767,687,605	49,493,414	3,104,873,113	(844,779,157)	2,260,093,956
Total income	186,806,454	422,355,778	127,415,381	17,252,430	753,830,043	(5,755,179)	748,074,864
Segment profit / (loss)	24,694,904	330,760,193	(20,544,719)	(33,600,164)	301,310,214	(55,663,437)	245,646,777

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33. SEGMENTAL INFORMATION (CONTINUED)

The following table presents total assets and total liabilities information for the Group's operating segments as of 31 December 2021:

	Publishing and visual and digital content SR	Public relations and advertising SR	Printing and packaging SR	All other segments SR	Total SR	Adjustments and eliminations SR	Total SR
Total assets	3,182,723,271	6,493,755,361	1,702,052,042	788,351,341	12,166,882,015	(5,798,742,777)	6,368,139,238
Total liabilities	3,404,600,250	4,437,059,163	1,060,305,829	328,712,392	9,230,677,633	(5,164,734,965)	4,065,942,668

The following table presents total assets and total liabilities information for the Group's operating segments as of 31 December 2020:

	Publishing and visual and digital content SR	Public relations and advertising SR	Printing and packaging SR	All other segments SR	Total SR	Adjustments and eliminations SR	Total SR
Total assets	2,179,019,921	4,828,111,756	1,671,989,886	771,009,377	9,450,130,940	(4,028,728,785)	5,421,402,155
Total liabilities	2,374,665,333	3,102,300,924	969,249,126	822,732,832	7,268,948,215	(3,616,827,927)	3,652,120,288

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

Adjustments and eliminations

Finance costs and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a Group basis.

Zakat, income taxes, and certain financial assets and liabilities are not allocated to those segments as they are also managed on a Group basis.

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33. SEGMENTAL INFORMATION (CONTINUED)

Reconciliation of profit:

	<u>2021</u>	<u>2020</u>
	SR	SR
Segments profits	582,468,632	301,310,214
Disposals	(45,448,979)	(55,663,437)
Net income	<u>537,019,653</u>	<u>245,646,777</u>

Reconciliation of assets:

	<u>2021</u>	<u>2020</u>
	SR	SR
Segment operating assets	12,166,882,015	9,450,130,940
Inter-company accounts eliminations	(10,110,032,103)	(6,653,398,764)
Property, plant and equipment	18,232,185	16,406,617
Intangible assets	195,095,486	216,044,691
Due from related parties	1,879,192,197	1,432,529,281
Prepayments and other current assets	11,693,036	8,029,614
Financial assets	1,471,311,695	632,493,674
Shares in results	735,764,727	319,166,102
Total assets	<u>6,368,139,238</u>	<u>5,421,402,155</u>

Reconciliation of liabilities:

	<u>2021</u>	<u>2020</u>
	SR	SR
Segment operating liabilities	9,230,677,633	7,268,948,215
Inter-company balances elimination	(5,336,665,595)	(3,930,243,608)
Borrowings and short-term Murabaha	32,319,330	154,020,484
Due to related parties	180,752	76,701,861
Accrued expenses and other current liabilities	139,430,548	82,693,336
Total liabilities	<u>4,065,942,668</u>	<u>3,652,120,288</u>

Geographical information:

	<u>2021</u>	<u>2020</u>
	SR	SR
Revenues from external customers		
Kingdom of Saudi Arabia	2,480,131,063	1,731,356,265
United Arab Emirates	289,510,712	282,654,272
Other countries	276,332,402	246,083,419
Total revenues as per consolidated statement of profit or loss	<u>3,045,974,177</u>	<u>2,260,093,956</u>

The revenue information above is based on the location of the customers.

Non-current operating assets:	<u>2021</u>	<u>2020</u>
	SR	SR
Kingdom of Saudi Arabia	2,412,299,602	2,055,510,432
United Arab Emirates	998,908,655	1,069,015,862
Other countries	118,760,352	94,154,132
Total	<u>3,529,968,609</u>	<u>3,218,680,426</u>

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33. SEGMENTAL INFORMATION (CONTINUED)

For this purpose, non-current assets consist of property, plant and equipment, investment properties, intangible assets, financial assets at amortised cost, right-of-use assets and financial assets at fair value through profit or loss and other comprehensive income:

Timing of revenue recognition:

	<u>2021</u>	<u>2020</u>
	SR	SR
At a point in time	910,844,034	868,985,974
Over a period of time	<u>2,135,130,143</u>	<u>1,391,107,982</u>
	<u>3,045,974,177</u>	<u>2,260,093,956</u>

34. RELATED PARTIES' TRANSACTIONS AND BALANCES

Related parties of the Group comprise companies where shareholders and key management personnel have control, joint control, or significant influence. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business.

	<u>2021</u>	<u>2020</u>
	SR	SR
BOD expenses, allowances, and respective committees	9,974,000	9,446,000
Benefits of Group's key management personnel	12,267,135	4,717,836

The significant transactions and balances between the Group and its related parties are as follows:

<u>Related parties name</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>2021</u>	<u>2020</u>
			SR	SR
Al Madarat Company for advertising and its subsidiaries for advertising services	Owned by board of directors' member	Media service, programs, and films production	7,763,444	29,188,569
Al-Fahed law firm	Owned by board of directors' member	Legal consultancy	1,540,500	1,553,062

Balances resulted from the above transactions the Group and its related parties are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SR	SR
Al Madarat Company for advertising and its subsidiaries for advertising services	-	11,399,851

In addition, during the year the Group paid SR 28 million for media services to an entity owned by the general manager of one of its subsidiaries. This amount is included in prepayments and other current assets.

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35. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform for better presentation of the consolidated statement of financial position and consolidated statement of cash flows. The reclassification did not affect the profits and equity of the previous years.

36. SUBSEQUENT EVENTS

The management believes that there are no significant subsequent events since the end of the year, which may require disclosure or adjustment in these consolidated financial statements.

37. BOARD OF DIRECTORS APPROVAL

The consolidated financial statements were approved by the Board of Directors on 27 Sha'aban 1443H (corresponding to 30 March 2022).