

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 31 March 2021
Together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
For the three-month period ended 31 March 2021

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KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No. 10104245494

كي بي إم جي للاستشارات المهنية

وأجفة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial statements of **Saudi Research and Marketing Group** ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated Interim statement of financial position as at 31 March 2021;
- the condensed consolidated Interim statement of profit or loss for the three-month period ended 31 March 2021;
- the condensed consolidated Interim statement of comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated Interim statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated Interim statement of cash flows for the three-month period ended 31 March 2021; and
- the notes to the condensed consolidated Interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated Interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter - Comparative information

We draw attention to note 21 to the condensed consolidated interim financial statements which indicates that the comparative information presented as at and for the three-month period ended 31 March 2020 has been restated. Our conclusion is not modified in respect of this matter.



Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements (continued)

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The condensed consolidated interim financial statements of the Group as at and for the three-month period ended 31 March 2020, excluding the adjustments described in Note (21) to the condensed consolidated interim financial statements were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 13 Ramadan 1441H (corresponding to 6 May 2020).

As part of our review of the condensed consolidated interim financial statements as at and for the three-month period ended 31 March 2021, we reviewed the adjustments described in Note (21) that were applied to restate the comparative information presented as at and for the three-month period ended 31 March 2020. We were not engaged to audit, review, or apply any procedures to the condensed consolidated interim financial statements for the three-month period ended 31 March 2020, other than with respect to the adjustments described in Note 21 to the condensed consolidated interim financial statements. Accordingly, we do not express a conclusion or any other form of assurance on those respective condensed consolidated interim financial statements taken as a whole. However, in our conclusion, the adjustments described in Note (21) are appropriate and have been properly applied.

KPMG Professional Services


Fahad Mubark Al Dossari
License No.: 469



Date: 13 Shawwal 1442H
Corresponding to: 25 May 2021

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As of 31 March 2021
(Expressed in Saudi Riyal)

		31 March 2021	31 December 2020
	<i>Notes</i>	(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment, net	7	1,050,597,195	1,060,345,123
Intangible assets and goodwill, net	8	868,602,438	887,572,726
Investment properties		26,072,656	26,110,491
Financial assets at fair value through other comprehensive income (FVOCI)	9	1,170,175,857	1,139,499,770
Right-of-use assets		100,264,042	105,152,316
Total non-current assets		3,215,712,188	3,218,680,426
Current assets			
Financial assets at fair value through profit or loss (FVTPL)	9	198,432,708	241,211,454
Inventories, net	10	167,449,944	175,117,734
Trade receivables, net		1,156,011,976	1,208,784,432
Prepayments and other current assets		192,123,404	189,908,007
Cash and cash equivalents		491,521,119	387,700,102
Total current assets		2,205,539,151	2,202,721,729
Total assets		5,421,251,339	5,421,402,155
Equity			
Share capital	11	800,000,000	800,000,000
Statutory reserve	12	240,000,000	240,000,000
General reserve	13	67,547,177	67,547,177
Retained earnings		509,615,274	418,084,308
Other reserves		29,806,575	1,847,320
Equity attributable to shareholders of the Parent Company		1,646,969,026	1,527,478,805
Non-controlling interests		238,617,878	241,803,062
Total equity		1,885,586,904	1,769,281,867
Liabilities			
Non-current liabilities			
Murabaha and borrowings	14	475,696,096	387,023,410
Employees' defined benefits obligations		122,424,553	121,523,760
Trade payables		137,987,323	142,651,173
Contract liabilities		895,300,580	1,047,252,865
Lease liability		88,750,429	95,487,995
Total non-current liabilities		1,720,158,981	1,793,939,203
Current liabilities			
Murabaha financing and borrowings	14	472,612,830	556,531,447
Trade payables		258,191,129	279,064,177
Contract liabilities		781,624,748	711,852,136
Accrued expenses and other current liabilities		152,178,804	174,595,588
Lease liability		27,228,871	26,177,350
Zakat and income tax provision	15	123,669,072	109,960,387
Total current liabilities		1,815,505,454	1,858,181,085
Total liabilities		3,535,664,435	3,652,120,288
Total equity and liabilities		5,421,251,339	5,421,402,155


CFO
Mohammed Abdulfatah Nazer


CEO
Jomana al-Rashid


Chairman
Abdulrahman Al Rowaita

The accompanying notes from 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
For the three-month period ended 31 March 2021
(Expressed in Saudi Riyal)

		For the three- month period ended 31 March 2021	For the three- month period ended 31 March 2020
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenues	19	596,814,265	495,247,596
Cost of revenues		<u>(378,177,776)</u>	<u>(342,405,719)</u>
Gross profit	19	218,636,489	152,841,877
Other losses / income, net		(921,964)	21,640,451
Selling, marketing and distribution expenses		(14,927,274)	(16,045,488)
General and administrative expenses		(87,013,733)	(74,662,064)
Impairment loss on trade receivables		<u>(1,089,417)</u>	<u>(752,686)</u>
Operating profit		114,684,101	83,022,090
Finance cost		(15,067,393)	(17,731,458)
Finance income		384,516	1,332,431
Net finance costs		<u>(14,682,877)</u>	<u>(16,399,027)</u>
Profit for the period before zakat and income tax		100,001,224	66,623,063
Zakat and income tax		<u>(13,810,724)</u>	<u>(7,806,046)</u>
Profit for the period after zakat and income tax		86,190,500	58,817,017
Profit attributable to:			
Shareholders of the parent company		<u>91,530,966</u>	<u>64,724,945</u>
Non-controlling interests		<u>(5,340,466)</u>	<u>(5,907,928)</u>
Earnings per share:			
Basic and diluted earnings per share from profit for the period attributable to equity holders of the parent company		<u>1.14</u>	<u>0.81</u>

The accompanying notes from 1 to 25 form an integral part of these condensed consolidated interim financial statement.





SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2021
(Expressed in Saudi Riyal)

	For the three- month period ended 31 March 2021 (Unaudited)	For the three- month period ended 31 March 2020 (Restated note-21) (Unaudited)
Profit for the period	86,190,500	58,817,017
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Financial assets at FVOCI – net change in fair value	<u>28,094,411</u>	<u>-</u>
	<u>28,094,411</u>	<u>-</u>
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences (Restated-note 21)	<u>(184,874)</u>	<u>(5,864,807)</u>
	<u>(184,874)</u>	<u>(5,864,807)</u>
Total other comprehensive income / (loss) for the period	<u>27,909,537</u>	<u>(5,864,807)</u>
Total comprehensive income for the period	<u>114,100,037</u>	<u>52,952,210</u>
Profit attributable to:		
Owners of the company	<u>119,490,221</u>	<u>58,928,791</u>
Non-controlling interests	<u>(5,390,184)</u>	<u>(5,976,581)</u>





The accompanying notes from 1 to 25 form an integral part of these condensed consolidated interim financial statements

SAUDI RESEARCH AND MARKETING GROUP

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2021

(Expressed in Saudi Riyal)

	Equity attributable to shareholders of the Parent Company							Non-controlling interests SR	Total equity SR
	Share capital SR	Statutory reserve SR	General reserve SR	Translation reserve SR	fair value of financial assets SR	Retained earnings SR	Total SR		
Balance at 31 December 2020 (Audited)	800,000,000	240,000,000	67,547,177	(22,245,409)	24,092,729	418,084,308	1,527,478,805	241,803,062	1,769,281,867
Net change in non-controlling interests (unaudited)	-	-	-	-	-	-	-	2,205,000	2,205,000
Total comprehensive income for the period (unaudited)									
Profit for the period (unaudited)	-	-	-	-	-	91,530,966	91,530,966	(5,340,466)	86,190,500
Other comprehensive income for the period (unaudited)	-	-	-	(135,156)	28,094,411	-	27,959,255	(49,718)	27,909,537
Total comprehensive income for the period (unaudited)	-	-	-	(135,156)	28,094,411	91,530,966	119,490,221	(5,390,184)	114,100,037
As of 31 March 2021 (unaudited)	800,000,000	240,000,000	67,547,177	(22,380,565)	52,187,140	509,615,274	1,646,969,026	238,617,878	1,885,586,904
Balance at 1 January 2020 (Audited)	800,000,000	224,830,534	67,547,177	(23,131,287)	(21,335,671)	189,476,330	1,237,387,083	249,730,461	1,487,117,544
Net change in non-controlling interests (unaudited)	-	-	-	-	-	-	-	2,940,000	2,940,000
Total comprehensive income for the period (unaudited)									
Profit for the period (unaudited)	-	-	-	-	-	64,724,945	64,724,945	(5,907,928)	58,817,017
Other comprehensive loss for the period (unaudited) (restated- note 21)	-	-	-	(5,796,154)	-	-	(5,796,154)	(68,653)	(5,864,807)
Total comprehensive income for the period (unaudited) (restated- note 21)				(5,796,154)	-	64,724,945	58,928,791	(5,976,581)	52,952,210
As of 31 March 2020 (unaudited) (restated- note 21)	800,000,000	224,830,534	67,547,177	(28,927,441)	(21,335,671)	254,201,275	1,296,315,874	246,693,880	1,543,009,754

The accompanying notes from 1 to 25 form an integral part of these condensed consolidated interim financial statements

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the three-month period ended 31 March 2021
(Expressed in Saudi Riyal)

	31 March 2021 (Unaudited)	31 March 2020 (Unaudited) (Restated note- 21)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before Zakat and income tax	100,001,224	66,623,063
Adjustments for:		
Depreciation	23,772,574	24,962,116
Amortization	21,335,623	20,343,326
Depreciation of right-of-use assets	6,964,774	4,059,301
Fund expense	658,324	-
Realized gain from sale of Financial assets at fair value through profit or loss (FVTPL)	(2,261,150)	(1,961,831)
Change in fair value of Financial assets at fair value through profit or loss (FVTPL)	2,039,896	629,400
Finance costs	15,067,391	17,731,458
Impairment loss on trade receivables, net	1,089,417	752,686
Provision for slow-moving inventories	129,440	291,207
Employees' defined benefits liability provision	3,631,611	5,691,597
	<u>172,429,124</u>	<u>139,122,323</u>
Changes in:		
Inventories	7,538,350	(1,560,410)
Trade receivables	51,683,039	(55,845,628)
Prepayments and other current assets	(2,215,397)	(3,973,128)
Trade payables	(28,701,680)	(42,177,137)
Contract liabilities	(82,179,673)	(197,029,302)
Accrued expenses and other credit balances	(22,416,784)	(37,570,430)
	<u>96,136,979</u>	<u>(199,033,712)</u>
Finance cost paid	(7,514,548)	(12,314,973)
Employees' defined benefits liability paid	(2,730,818)	(1,377,631)
Net cash from / (used in) operating activities	<u>85,891,613</u>	<u>(212,726,316)</u>
Cash flows from investing activities		
Addition of property, plant and equipment	(13,191,205)	(8,497,234)
Addition of intangible assets	(2,366,442)	(24,546,129)
Proceeds from sale of financial assets at FVTPL	43,000,000	43,100,000
Addition of financial assets at FVTOCI	(3,240,000)	-
Net cash from by investing activities	<u>24,202,353</u>	<u>10,056,637</u>
Cash flows from financing activities		
Proceeds from Murabaha and term borrowings	557,808,506	257,622,593
Repayment of Murabaha and term borrowings	(555,477,655)	(272,936,450)
Lease liabilities paid	(9,904,405)	(1,435,834)
Change in non-controlling interests	2,205,000	2,940,000
Net cash used in financing activities	<u>(5,368,554)</u>	<u>(13,809,691)</u>
Net change in cash and cash equivalents	<u>104,725,412</u>	<u>(216,479,370)</u>
Cash and cash equivalents at the beginning of the period	<u>387,700,102</u>	<u>547,861,036</u>
Effect of movements in exchange rates	(904,395)	(6,334,883)
Cash and cash equivalents at the end of the period	<u>491,521,119</u>	<u>325,046,783</u>
<u>Non-cash transactions:</u>		
Lease liability	1,517,575	91,253,497
Right-of-use assets	(1,517,575)	(76,947,189)

The accompanying notes from 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For three-month period ended 31 March 2021

1 REPORTING ENTITY

Saudi Research and Marketing Group (the “Company” or “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 1010087772/001. The Company’s head office address is Al-Moutamarat District, Makkah Road, P.O. Box 53108, Riyadh 11583 - Kingdom of Saudi Arabia.

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

These condensed consolidated interim financial statements include the financial position and financial performance of the Company and its subsidiaries as listed in the schedule below. Following is the list of the subsidiaries incorporated within these consolidated financial statements:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Direct and indirect ownership (%)</u>	
		<u>2021</u>	<u>2020</u>
Intellectual Holding Company for Advertisement and Publicity- LLC ^(a)	Kingdom of Saudi Arabia	100	100
Scientific Works Holding company- LLC ^(a)	Kingdom of Saudi Arabia	100	100
Numu Media Holding Company and its subsidiaries	Kingdom of Saudi Arabia	100	100
Saudi Printing & Packaging Company and its subsidiaries ^{(c), (g)}	Kingdom of Saudi Arabia	70	70
Al Sharq News Services (LTD)	United Arab Emirates	100	100

- (a) The below listed subsidiaries are wholly owned by Intellectual Holding Company for Advertisement and Publicity and Scientific Works Holding Company:

<u>Subsidiary</u>	<u>Country of incorporation</u>
Saudi Research & Publishing Company (SRPC) and its subsidiaries ^(b)	Kingdom of Saudi Arabia
Saudi Distribution Company (SDC) and its subsidiaries ^(d)	Kingdom of Saudi Arabia
Arab Media Company (AMC) ^(f)	Kingdom of Saudi Arabia
Al-Khaleejiah Advertisement and Public Relations Company	Kingdom of Saudi Arabia
Al-Ofoq Management Information System and communication Company	Kingdom of Saudi Arabia
Seen Visual Media company (formerly known as “Numu Multimedia Company”)	Kingdom of Saudi Arabia
Taoq Research company (formerly known as “Numu Research Company”)	Kingdom of Saudi Arabia
International Publishers company (formerly known as “Numu Publishing Company”)	Kingdom of Saudi Arabia
Taoq Public Relations Company Limited ^(e)	Kingdom of Saudi Arabia
Tekanah Public Relations Company Limited ^(e)	Kingdom of Saudi Arabia
Characters Company Limited ^(e)	Kingdom of Saudi Arabia

- (b) Saudi Research and Publishing Company (SRPC) owns 100% of the shares of foreign subsidiaries headquartered in the United Kingdom (UK) and Morocco.
- (c) Saudi Printing and Packaging Company (SPPC) owns Hala Printing Company, Al-Madina Al-Munawarah Printing and Publishing Company, Future Industrial Investment Company, and Emirates National Factory for Plastic Industries (ENPI) and their subsidiaries.
- (d) Saudi Distribution Company (SDC) owns 100% of the share capital of Emirates Printing and Publishing Company Limited, a company registered in the United Arab Emirates (UAE).

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For three-month period ended 31 March 2021

1- REPORTING ENTITY (CONTINUED)

- (e) Intellectual Holding Company for Advertisement and Publicity and Scientific Works Holding Company have established Taoq Public Relations Company Limited, Tekanah Public Relations Company Limited and Characters Company Limited equally. These entities are primarily engaged in providing international and local public relation services, studies, research and active marketing. During 2018, Tekana Company and Moutamrat Company possessed 100 % of shares of Global Media Company and its Subsidiaries located United Kingdom with net asset value equal to SR 363 Thousand.
- (f) In the last quarter of 2017, Arab Media Company, acquired 51% of the shares in Argaam Investment Trading Company ("Argaam"^(h)), a limited liability Company.
- (g) Saudi Printing and Packaging company (SPPC) is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010219709 issued in Riyadh on Jumada Al-Ula 1, 1427H (corresponding to 28 May 2006), pursuant to the Ministry of Commerce and Investment resolution number 104/Q dated Rabi Al-Thani 20, 1428H (corresponding to 7 May 2007). The principal activity of SPPC according to the license number 21050 issued by the Ministry of Culture and Information dated Dhul-Hijjah 24, 1412H (corresponding to 25 September 1992) 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.
- (h) Argaam Investment Trading Company is a limited liability company. Argaam Investment Trading Company is engaged in providing technical proposals and solutions in the fields of telecommunications, information technology, mobile and fixed communications devices, IT services, telecommunications and IT services, and designing and hosting of internet websites.

2- BASIS OF PREPARATION

These condensed consolidated interim financial statements for the three-month period ended 31 March 2021 are prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These condensed consolidated interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ('last annual consolidated financial statements'). These financial statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia. However, selected explanatory notes are included to explain events and transaction that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

a) Basis of measurement

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

- Financial assets at fair value through Other Comprehensive Income ("FVOCI") are measured at fair value
- Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value.
- Defined benefit obligation is recognized at the present value of future obligations using the Projected Unit Credit Method.

The condensed consolidated interim financial statements have been prepared using accrual basis of accounting and going concern concept.

b) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyal ("SR"), which is the functional currency of the Group. All amounts are shown in full unless otherwise indicated

3- USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For three-month period ended 31 March 2021

3- USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements. The following change has occurred in the estimates used compared to the period ending on 31 March 2020.

- The Group has changed the method of calculating depreciation in April 2020 on its machinery from the straight line method to the units of production method to reflect the future economic benefits from utilizing the machinery and recognizing the cost of using the machinery in light of expected use or production. As a result, the depreciation charge for machinery amounted to SR 7.6 million for the three-month period ended 31 March 2021 (31 March 2020: SR 13.2 million as per straight line method).

4- ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. Accounting policies and key judgment areas adopted in preparation of these condensed consolidated interim financial statements are described in note 4 of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adopting of the new standards effective as at 1 January 2021.

5- FAIR VALUE MEASUREMENTS

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

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 inputs and valuation adjustments. 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 an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised 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 markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. 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 a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

6- NEW STANDARDS OR AMENDMENTS EFFECTIVE IN 2020 AND SUBSEQUENT YEARS

The Group has not adopted any new standards, interpretations or amendments that has been issued but not yet effective

New currently effective requirements:

Effective from	New standards and amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards.
	Definition of Material (Amendments to IAS 1 and IAS 8).
	Definition of a Business (Amendments to IFRS 3).
	Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate reform.

SAUDI RESEARCH AND MARKETING GROUP
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For three-month period ended 31 March 2021

6. NEW STANDARDS OR AMENDMENTS EFFECTIVE IN 2020 AND SUBSEQUENT YEARS (CONTINUED)

Effective for annual periods beginning on or after	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 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37). Annual Amendments to IFRSs (2018 - 2020 Cycle). Property, Plant and Equipment: Proceeds Before Intended Use (amendments to IAS 16). Reference to 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 condensed consolidated interim financial statements as at 31 March 2021.

7. PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2021, the cost of property, plant and equipment amounted to SR 2,096 million (31 December 2020: SR 2,081 million) and the accumulated depreciation as at 31 March 2021 amounted to SR 1,045 million (31 December 2020: SR 1,021 million).

Refer to note 3 for the change made to depreciation method during period ended 31 March 2021.

Assets with net book value amounting to SR 121.8 million as at 31 March 2021 (2020: SR 132 million) were placed as collateral against long-term borrowing (*Note 14*).

The capital commitments of the Group pertaining to purchase of property, plant and equipment amounted to SR 10.1 million as at 31 March 2021 (2020: SR 12.1 million). These are expected to be delivered in 2022.

8. INTANGIBLE ASSETS AND GOODWILL

The details of intangible assets are as follows:

	31 March 2021	31 December 2020
	SR	SR
Goodwill	369,924,436	369,924,436
Mastheads	172,126,350	172,126,350
Visual content project, websites and copyrights	263,989,142	281,435,738
Computer software	60,788,809	62,360,953
Projects under progress	1,773,701	1,725,249
	<u>868,602,438</u>	<u>887,572,726</u>

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9. FINANCIAL ASSETS AT FVOCI & FVPL

The Group invested in two Funds in the Kingdom of Saudi Arabia, which are regulated by the Saudi Capital Market Law and its executive regulations.

a- Financial assets at fair value through other comprehensive income (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 IFRS9, the Group has initially recognized them as financial assets at FVOCI.

The movement of financial assets during the period / year ended 31 March is follows:

	31 March 2021	31 December 2020
	SR	SR
At 1 January	1,138,499,770	1,066,217,505
Additions	3,240,000	27,300,000
Fund expenses	(658,324)	(446,135)
Changes in fair value	28,094,411	45,428,400
Fair value at end of the period / year	1,169,175,857	1,138,499,770
Unquoted equity shares *	1,000,000	1,000,000
At end of the period / year	1,170,175,857	1,139,499,770

(*) It represents an investment in equity shares amounting to 7% of a non-listed company and is measured at cost as it represents the best estimate by the management of the fair value of this investment.

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

The movement of financial assets at FVTPL is as follows:

	31 March 2021	31 December 2020
	SR	SR
At 1 January	241,211,454	277,958,112
Additions during the period / year	-	3,160,000
Disposals during the period / year	(43,000,000)	(43,100,000)
Realized gain on disposal during the period / year	2,261,150	1,961,829
Cost at end of the period / year	200,472,604	239,979,941
Changes in fair value during the period/ year	(2,039,896)	1,231,513
At end of the period / year	198,432,708	241,211,454

10. INVENTORY

The provision for slow moving inventories as at 31 March 2021 was in line with the policy adopted by the Group and amounted to SR 22.7 million (31 December 2020:SR 22.6 million).

11. SHARE CAPITAL

The Company's share capital amounting to SR 800 million as of 31 March 2021 and 31 December 2020 is divided into 80 million shares of SR 10 each.

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of its net profits for the year to the statutory reserve until this reserve reaches 30% of share capital.

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13. GENERAL RESERVE

According to the Company's By-laws, the Group is required to transfer a percentage of its net income for the year (after covering the accumulated loss) to the general reserve until it equals 10% of the share capital. Such reserve may be used for the purposes as determined by members of the board of directors.

14. MURABAHA AND BORROWINGS

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 1,7 billion (2020: SR 1.2 billion). The utilized balance of the borrowings and Murabaha financing amounts to approximately SR 0.9 billion as of 31 March 2021 (31 December 2020: SR 0.9 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 (SPPC)" 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 2025, subject to renewal. The credit limit for total facilities was SAR 1,335 million as at 31 March 2021 (31 December 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 clients. 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 the Group's activities and projects. In 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 (equivalent to SR 484.5) million representing the following:

- Long-term financing of AED 375 (equivalent to SR 382.5) million, repayable over 8 years. The facility was obtained for the purposes of financing capital projects in the amount of AED 100 (equivalent to SR 102) million, in addition to early payment of existing facilities in favor of other banks in the United Arab Emirates, amounting to AED 275 (equivalent to SR 280.5) million.
- Short-term financing of AED 100 (equivalent to SR 102) 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 and LIBOR. Under these agreements, the Group 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 SAR 36 million.
- Restricted bank accounts amounting to SAR 9.8 million (2020: SAR 4 million)

Based on the decision of the Board of Directors held on 7 May 2018, the bank has the right, in the event of default by the Group, 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. The Group has complied with all banking terms and commitments contained in the agreements.

Of the facilities available to the Group, as at 31 March 2021, the balance utilized amounted to SAR 948.3 million (31 December 2020: SAR 943.6 million). The following is an analysis of the loans and Murabaha transactions:

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14 MURABAHA AND BORROWINGS (CONTINUED)

	31 March 2021	31 December 2020
	SR	SR
Short-term borrowing	392,733,408	418,372,473
Other long-term borrowing	261,423,541	265,561,720
Bank overdrafts	9,811,226	5,080,128
Syndicated loan	277,343,278	249,966,281
Accrued finance costs	6,997,473	4,574,255
Total borrowings	948,308,926	943,554,857
<i>Less: Current portion</i>	(472,612,830)	(556,531,447)
<i>Non-current portion</i>	475,696,096	387,023,410

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

	31 March 2021	31 December 2020
	SR	SR
At 1 January	943,554,897	1,004,278,643
Proceeds from borrowings	557,808,506	724,515,044
Repayment of borrowings	(555,477,655)	(782,592,319)
Finance costs	9,470,866	41,996,970
Paid finance costs	(7,047,688)	(44,643,481)
At end of the period / year	948,308,926	943,554,857

The balance of borrowings and Murabaha were presented in the condensed consolidated interim, statement of financial position as follows:

	31 March 2021	31 December 2020
	SR	SR
Current portion shown under current liabilities	472,612,830	556,531,447
Non-current portion shown under non-current liabilities	475,696,096	387,023,410

15. ZAKAT AND INCOME TAX

Zakat and income tax assessments

Provision for zakat and income tax is recognized and provided within the condensed consolidated Interim statement of profit or loss. The differences arising from the computation of zakat associated with final assessments for the year in which they are finalized are recorded in the current year provision.

Zakat returns of the Group and wholly owned subsidiaries are submitted to the General Authority of Zakat and Tax ("GAZT") based on the standalone financial statements prepared for zakat purposes up to 2006. Other non-wholly owned subsidiaries file their zakat returns separately.

During year 2007, the Company had obtained the approval of GAZT on filing a consolidated zakat return for the Group. The Group has filed its zakat returns to GAZT for the years from 2007 to 2019.

During 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 Group paid the amount proposed by the Committee, and the status of the group was terminated for the years mentioned.

The Group has filed its zakat returns to GAZT for the years from 2011 through 2013. The final assessments for these years have not been raised yet by GAZT.

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15. ZAKAT AND INCOME TAX (CONTINUED)

The GAZT has issued the final assessment for the years from 2014 to 2018 and accordingly the Group has recorded a provision to cover the potential risk as at 31 December 2020 amounted to SR 57,259,524. Subsequent to the year ended 31 December 2020, the Group has filled and submitted an appeal to the Zakat Dispute Committee and the objection was not accepted by GAZT and the company has resorted to General secretariat of Tax Committees for Resolutions of tax violations and disputes. The GAZT has issued the assessment of SAR 8,088,037 for the company Numu Al Elmiah Co, the Group has filled and submitted an appeal to the Zakat Dispute Committee and the objection was not accepted by GAZT and the company has resorted to General secretariat of Tax Committees for Resolutions of tax violations and disputes.

In respect of the audit of Printing and Packaging company (SPPC):

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 General Authority of Zakat and Income Tax ('GAZT') for the years ended in 31 December 2005 until 2008 and received Zakat certificate for these years.

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

SPPC filed consolidated Zakat returns to General Authority of Zakat and Income Tax ('GAZT') for the years ended in 31 December 2009 until 2013 and received Zakat certificate for these years. The GAZT didn't issue the assessment notices for the mentioned years up to 31 March 2021. GAZT 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 ('GAZT') for the years ended in 31 December 2015, 2016, and 2018 and received restricted Zakat certificate for these years. GAZT issued assessment for these years and requested SPPC to pay amount of SAR 16,314,362. SPPC has filed an objection against the said assessment which are ongoing as at 31 March 2021.

GAZT issued an assessment on the Group's Zakat return accounts for the year ended 31 December 2017 with a total difference of SAR 12,180,465 of which amount of SAR 3,057,612 was paid based on the return submitted and GAZT requested SPPC to pay the difference amounted to SAR 9,122,853. However, the assessment was objected by the Group and the objection has been accepted. The differences was adjusted to be SAR 2,253,606 which paid within the year 2019.

SPPC filed consolidated Zakat returns to General Authority of Zakat and Income Tax ('GAZT') for the years ended in 31 December 2019 and 2020 and received restricted Zakat certificate for these years.

16. 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 for the three-month period ended 31 March 2021 has been computed based on the weighted average number of shares outstanding during the period which amounted to 80,000,000 shares for the period ended 31 March (three month period ended 31 March 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.

17. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT

The table below shows the carrying and fair values of financial assets and liabilities as at 31 March 2021 and 31 December 2020:

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17 FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

	Carrying value				Fair value				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 March 2021 (Unaudited)									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	198,432,708	-	-	-	198,432,708	-	198,432,708	-	198,432,708
Financial assets at fair value through OCI	-	1,169,175,857	-	-	1,169,175,857	-	1,169,175,857	-	1,169,175,857
	198,432,708	1,169,175,857	-	-	1,367,608,565	-	1,367,608,565	-	1,367,608,565
Financial assets not measured at fair value									
Trade receivables	-	-	1,156,011,976	-	1,156,011,976	-	-	-	-
Cash and cash equivalents	-	-	491,521,119	-	491,521,119	-	-	-	-
	-	-	1,647,533,095	-	1,647,533,095	-	-	-	-
Financial liabilities not measured at fair value									
Murabaha financing and short-term borrowings	-	-	-	472,612,830	472,612,830	-	-	-	-
Murabaha financing and long-term borrowings	-	-	-	475,696,096	475,696,096	-	-	-	-
Trade payables-current	-	-	-	258,191,129	258,191,129	-	-	-	-
Trade payables / non-current	-	-	-	137,987,323	137,987,323	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	152,178,804	152,178,804	-	-	-	-
Lease liability / current	-	-	-	27,228,871	27,228,871	-	-	-	-
Lease liability / non-current	-	-	-	88,750,429	88,750,429	-	-	-	-
	-	-	-	1,612,645,482	1,612,645,482	-	-	-	-

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17 FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

	Carrying value				Fair value				
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2020 (Audited)									
Financial assets measured at fair value									
Financial assets at fair value through profit or loss	241,211,454	-	-	-	241,211,454	-	241,211,454	-	241,211,454
Financial assets at fair value through OCI	-	1,138,499,770	-	-	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	-	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									
Murabaha financing and short-term borrowings	-	-	-	556,531,447	556,531,447	-	-	-	-
Murabaha financing and long-term borrowings	-	-	-	387,023,410	387,023,410	-	-	-	-
Trade payables-current	-	-	-	279,064,177	279,064,177	-	-	-	-
Trade payables / non-current	-	-	-	142,651,173	142,651,173	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	174,595,588	174,595,588	-	-	-	-
Lease liability / current	-	-	-	26,177,350	26,177,350	-	-	-	-
Lease liability / non-current	-	-	-	95,487,995	95,487,995	-	-	-	-
	-	-	-	1,661,531,140	1,661,531,140	-	-	-	-

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18. COMMITMENTS AND CONTINGENCIES

Contingent legal claims

Certain subsidiaries of the Group are involved in litigation matters in their ordinary course 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 condensed consolidated interim financial statements as of 31 March 2021.

The Group has the following contingent liabilities:

	31 March	31 December
	2021	2020
	<u>(in million)</u>	<u>(in million)</u>
	SR	SR
Letters of credits	78.99	36.6
Letters of guarantee	9.52	6.2
Trades and marketing commitments	15.40	16
Capital commitments (<i>note 7</i>)	10.1	12.1

19. SEGMENT INFORMATION

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

- 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 digital and visual content.
- 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.
- Printing and packaging:** comprise printing works on paper and plastic, commercial posters, in addition to manufacturing of plastic products for the Group and others.
- 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, but which management considers reportable.

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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19 SEGMENT INFORMATION (CONTINUED)

The following table presents revenues and profit information for the Group's operating segments for the three-month period ended March 31, 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	224,611,507	186,072,285	170,305,820	15,824,653	596,814,264	-	596,814,265
Inter-segment	86,749,999	13,906,847	3,134,520	693,551	104,484,917	(104,484,917)	-
Total revenues	311,361,506	199,979,132	173,440,340	16,518,204	701,299,181	(104,484,917)	596,814,265
Gross profit	88,853,425	101,973,960	22,872,740	10,426,156	224,126,281	(5,489,792)	218,636,489
Segment profit (loss)	42,446,406	76,864,407	(13,556,737)	1,544,370	107,298,446	(15,767,480)	91,530,966

The following table presents revenues and profit information for the Group's operating segments for the three-month period ended March 31, 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	23,469,137	275,005,076	186,959,415	9,813,968	495,247,596	-	495,247,596
Inter-segment	91,776,294	8,074,144	7,310,974	3,428,142	110,589,554	(110,589,554)	-
Total revenue	115,245,431	283,079,220	194,270,389	13,242,110	605,837,150	(110,589,554)	495,247,596
Gross profit	(58,556,258)	187,012,427	26,893,162	3,891,626	159,240,957	(6,399,080)	152,841,877
Segment profit (loss)	(100,577,985)	171,654,140	(14,913,171)	(1,670,921)	54,492,063	10,232,882	64,724,945

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The following table presents total assets and total liabilities information for the Group's operating segments as of 31 March 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
Total assets	2,111,462,447	5,115,794,354	1,677,156,098	782,369,804	9,686,782,703	(4,265,531,364)	5,421,251,339
Total liabilities	2,472,905,596	3,100,498,855	988,137,799	822,793,344	7,384,335,594	(3,848,671,159)	3,535,664,435

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	Public relations and advertising	Printing and packaging	All other segments	Total	Adjustments and eliminations	Total
	SR	SR	SR	SR	SR	SR	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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19 SEGMENT INFORMATION (CONTINUED)

Revenue recognition time:

For contracts entered into before 1 January 2020, the Group recognizes revenue as per the terms and conditions in the contracts with customers for media, advertising, publishing, and other segments 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.

Printing and packaging

Revenue is recognized when customers obtain control of goods when the 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 new 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:

Advertising revenue is billed on a monthly basis 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.

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 is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

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

	31 March 2021	31 March 2020
	SR	SR
At a point in time	203,741,980	222,032,454
Over a period of time	393,072,285	273,215,142
	596,814,265	495,247,596

20. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group comprise entities 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 normal course of business:

	31 March 2021	31 March 2020
	SR	SR
BOD expenses, allowances and respective committees	1,619,861	1,575,000
Compensation of group key management personnel	2,510,963	914,712

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20 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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>31 March 2021</u>	<u>31 March 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	3,421,331	12,414,228
Al-Fahed law firm	Owned by board of directors' member	Legal consultancy	375,000	312,500

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

	<u>31 March 2021</u>	<u>31 December 2020</u>
	SR	SR
Al Madarat Company for advertising and its subsidiaries for advertising services	5,509,536	11,399,851

In addition, during the period the Group paid SR 63 million for media services to an entity owned by one of the subsidiaries' General Manager. This amount, along with the balance for Al Madarat Company are included in prepayments and other current assets and trade payables, respectively.

21. RESTATEMENT OF THE COMPARATIVE PERIOD

During the three-month period ended 31 March 2021, the group discovered that the translation reserve in equity and trade payables are overstated and understated, respectively, by SAR 17.6 M as of 31 March 2020. Management corrected the matter by restating each of the affected financial statement line items as of 31 March 2020 and the three-month period then ended. The following tables summarize the impact of the restatement.

Condensed Consolidated Interim Statement of Changes in Equity

	<u>Balances previously reported as at 31 March 2020</u>	<u>Effect of restatement</u>	<u>Restated Balance as at 31 March 2020</u>
Other reserves	(32,706,277)	(17,556,835)	(50,263,112)
Total equity	1,560,566,589	(17,556,835)	1,543,009,754

Condensed Consolidated Statement of Financial Position

	<u>Balances previously reported as at 31 March 2020</u>	<u>Effect of restatement</u>	<u>Restated Balance as at 31 March 2020</u>
Trade payables	234,175,374	17,556,835	251,732,209
Total current liabilities	1,621,933,970	17,556,835	1,639,490,805

Condensed Consolidated Interim Statement of Other Comprehensive Income

	<u>Balances previously reported for the three-month period ended 31 March 2020</u>	<u>Effect of restatement</u>	<u>Restated Balance for the three-month period ended 31 March 2020</u>
Foreign operations – foreign currency translation differences	11,692,028	(17,556,835)	(5,864,807)
Total other comprehensive income	70,509,045	(17,556,835)	52,952,210

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21. RESTATEMENT OF THE COMPARATIVE PERIOD (CONTINUED)

Condensed Consolidated Interim Statement of Cashflow

	Balances previously reported for the three-month period ended 31 March 2020	Effect of restatement	Restated Balance for the three-month period ended 31 March 2020
Operating activities	(230,283,151)	17,556,835	(212,726,316)
Effect of movements in exchange rates	11,221,952	(17,556,835)	(6,334,883)

22. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform for the nature of expense in the condensed consolidated interim statement of profit or loss. The reclassification did not impact the previous period's reported profit or equity.

Condensed Consolidated Statement of Profit or Loss

	Balances previously reported for the three-month period ended 31 March 2020	Reclassification	Balance reclassified for the three-month period ended 31 March 2020
Cost of revenues	349,090,627	(6,684,908)	342,405,719
General and administrative expenses	67,977,156	6,684,908	74,662,064

23. COVID 19 UPDATE

The novel Coronavirus (COVID19) which was declared as pandemic by the World Health Organization (WHO) in March 2020, continues to evolve. It is currently difficult to predict the full extent and duration of the impact of this pandemic on the business and the economies in which the Group operates.

The extent and duration of the impact of the pandemic remains uncertain and depends on future developments (such as the transmission rate of the virus), which cannot be accurately predicted at this point in time. The Group has taken containment steps that, as at 31 March 2021, have limited the adverse impact of the pandemic on the financial results of the Group.

The Group does not expect future, significant and adverse impact on the going concern, goodwill, property, plant and equipment and loan covenant. The Group will continue to reassess its position and the related impact on regular basis.

24. SUBSEQUENT EVENTS

On 17 of May 2021 Saudi Research and Marketing Group announced to shareholders the approval of the Extraordinary General Assembly held on 17 Ramadan1442 H corresponding to 29 April 2021 to amend Article (2) of the company's bylaw regarding changing the company name from Saudi Research and Marketing Group to Saudi Research and Media Group, after completion of all legal requirements to change company commercial register with concerned departments.

25. BOARD OF DIRECTORS APPROVAL

The condensed consolidated interim financial statements were approved by the Board of Directors on 11 Shawwal 1442H corresponding to 23 May 2021.