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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 (4.1) 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

How the matter was addressed in our audit

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.

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)	
<p>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.</p>	
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

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

