

MBC Group
(A Listed Joint Stock Company)
And Its Subsidiaries

Consolidated Financial Statements

For the period from 20 April 2023 (inception of parent company) to 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MBC Group (A Saudi Joint Stock Company) Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MBC Group (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 20 April 2023 to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the period from 20 April 2023 to 31 December 2023 in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are 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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of MBC Group (A Saudi Joint Stock Company)
Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from contracts with customers	
<p>As disclosed in the consolidated financial statements, the Group has total revenue from contracts with customers amounting to SR 1,444 million comprising of multiple streams primarily advertising revenue and digital revenue. As reported in the explanatory notes, revenues are recognized subject to the fulfillment of performance obligations as required under IFRS 15. Advertising revenue is recognized over the period of contract, generally when the advertisement is aired on related platform while digital revenue is recognized over the subscription period after taking into account discounts and offers.</p> <p>We considered this a key audit matter as the application of accounting standard for revenue recognition includes number of key judgements mainly relating to the time when performance obligations are satisfied including variable consideration estimation due to the existence of volume rebates and the resulting refund liabilities</p> <p>Refer to note 2.4 and 26 for the accounting policy and judgements applied with respect to recognition of revenue from contracts with customers. Refer note 4 for related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Assessed the Group's revenue recognition policies, for compliance with IFRS as endorsed by SOCPA; • Obtained an understanding of the relevant controls adopted by the Group on revenue recognition; • Verification of the implementation and tests of the operating effectiveness of relevant controls; • Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls; • For sale of air time slots, performed test of details by vouching the underlying contracts, reports, invoices and reconciliations; • For digital revenues, performed test of details by verifying the amounts in payment gateway reports and reconciled with bank statements; • Evaluated management's assessment of principal vs agency relationship; • Tested volume rebates by recomputing the expected amounts and reconciled with accounting records; • Performed analytical procedures including trend and variance analysis; and • Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of MBC Group (A Saudi Joint Stock Company)
Report on the Audit of the Consolidated Financial Statements (continued)**

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2023 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.

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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's Bylaws, 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 i.e. Audit Committee is 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 that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of MBC Group (A Saudi Joint Stock Company)
Report on the Audit of the Consolidated Financial Statements (continued)**

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

As part of an audit, in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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, 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 auditor's 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.

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.

INDEPENDENT AUDITOR'S REPORT

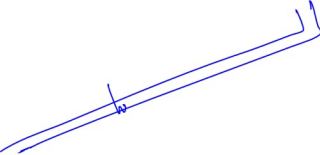
To the Shareholders of MBC Group (A Saudi Joint Stock Company)
Report on the Audit of the Consolidated Financial Statements (continued)

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

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, actions taken to eliminate threats or safeguards applied.

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 auditor's 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.

for Ernst & Young Professional Services



Fahad Mohammed AlToaimi
Certified Public Accountant
License No. (354)



Riyadh: 20 Ramadan 1445H
30 March 2024

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Consolidated Statement of Comprehensive Income

For the period from 20 April 2023 to 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>SAR'000</i>
Revenue from contracts with customers	4	1,334,697
Other operating revenues	5	369,490
Direct costs	6	<u>(1,231,188)</u>
Gross profit		472,999
General and administrative expenses	7	<u>(557,019)</u>
Operating loss		(84,020)
Other income	8	71,511
Finance costs – net	9	(3,095)
Share of results in associates and joint ventures	14a	28,895
Unrealised loss on investment in financial asset at fair value through profit or loss (FVTPL)	14.3	(882)
Gain on derivative financial instruments	23	<u>2,961</u>
Profit before tax		15,370
Income tax and zakat benefit	10	<u>2,185</u>
Profit for the period		17,555
Attributable to:		
Equity holders of the parent		19,020
Non-controlling interests		<u>(1,465)</u>
		<u>17,555</u>
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translating foreign operations, net		142
Share of other comprehensive income of associates, net	14.2.1	1,467
<i>Other comprehensive income that may not be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Remeasurement actuarial gain on defined benefits obligations	21	<u>1,531</u>
Other comprehensive income for the period		3,140
Total comprehensive income for the period		<u><u>20,695</u></u>
Attributable to:		
Equity holders of the parent		22,310
Non-controlling interests		<u>(1,615)</u>
		<u>20,695</u>
		<i>2023</i> <i>SAR</i>
Earnings per share (“EPS”):		
Basic attributable to ordinary equity holders of the parent	29	<u>0.17</u>
Diluted attributable to ordinary equity holders of the parent	29	<u>0.13</u>



Chairman



CEO



CFO

The attached notes 1 to 31 form part of these consolidated financial statements.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Consolidated Statement of Financial Position

As at 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>SAR'000</i>
ASSETS		
Non-current assets		
Property and equipment	11	116,275
Intangible assets	12	67,121
Right-of-use assets	13	59,347
Investments in associates and joint ventures	14	1,201,204
Investment in financial asset at fair value through profit or loss (FVTPL)	14.3	15,891
Employees' end of service benefits plan assets	21	107,943
Deferred tax assets	10	1,397
Other non-current assets		21
		<u>1,569,199</u>
Current assets		
Inventories	15	2,590,326
Trade receivables, prepayments and other assets	16	2,733,318
Due from related parties	17	433,573
Bank balances and cash	18	826,803
Derivative financial instruments	23	6,028
		<u>6,590,048</u>
TOTAL ASSETS		<u><u>8,159,247</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	19	2,992,500
Proposed share capital increase	19.2	763,750
Retained earnings		22,357
Foreign currency translation reserve		625
Equity attributable to equity holders of the parent		<u>3,779,232</u>
Non-controlling interests	20	11,636
Total equity		<u>3,790,868</u>
Non-current liabilities		
Lease liabilities	13	32,524
Employees' end of service benefits	21	158,510
Loan from a related party	17	64,167
Deferred tax liability	10	9
		<u>255,210</u>
Current liabilities		
Lease liabilities	13	30,574
Trade and other payables	22	3,350,150
Due to related parties	17	47,695
Loan from a shareholder	17	497,250
Borrowings	28	187,500
		<u>4,113,169</u>
Total liabilities		<u>4,368,379</u>
TOTAL EQUITY AND LIABILITIES		<u><u>8,159,247</u></u>


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The attached notes 1 to 31 form part of these consolidated financial statements.


MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

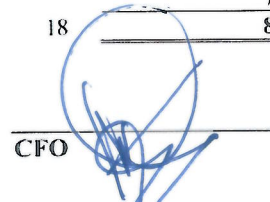
Consolidated Statement of Cash Flows

For the period from 20 April to 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>SAR'000</i>
OPERATING ACTIVITIES		
Profit before tax		15,370
Adjustments for:		
Depreciation on property and equipment	6.7	21,570
Depreciation on right-of-use assets	6.7	8,470
Allowance for expected credit loss, net	7	19,964
Amortisation of intangible assets	7	5,593
Share of results of associates and joint ventures, net	14	(28,895)
Unrealised loss on investment in financial asset at fair value through profit or loss (FVTPL)	14.3	882
Unrealised gain on derivative financial instruments	23	(2,961)
Provision for employees' end of service benefits	21	12,835
Finance cost – net	9	3,095
		<u>55,923</u>
Working capital changes:		
Inventories		200,445
Trade receivables, prepayments and other assets		(153,049)
Due from related parties		(62,870)
Trade and other payables		162,519
Due to related parties		27,760
		<u>230,728</u>
Employees' end of service benefits paid	21	(19,803)
Interest paid		(1,855)
Income tax and zakat paid	10	(5,020)
Net cash flows generated from operating activities		<u>204,050</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	11	(40,199)
Proceeds from disposal of property and equipment		18
Other non-current assets		88
Purchase of intangible assets	12	(20,712)
Investments in joint ventures	14	(102,230)
Dividend received		4,000
Net cash flows used in investing activities		<u>(159,035)</u>
FINANCING ACTIVITIES		
Repayment of principal lease liability	13	(9,030)
Repayment of borrowings		(18,750)
Net cash flows used in financing activities		<u>(27,780)</u>
NET INCREASE IN BANK BALANCES AND CASH		17,235
Net foreign exchange difference		10,734
Bank balances transferred on reorganisation		799,717
BANK BALANCES AND CASH AT THE END OF THE PERIOD	18	<u>827,686</u>


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MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Consolidated Statement of Changes in Equity

For the period from 20 April to 31 December 2023

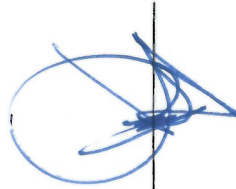
	Attributable to equity holders of the Parent					Non-controlling interests (NCI)	Total Equity
	Share capital SAR '000	Proposed share capital increase SAR '000	Shareholders' contribution SAR '000	Foreign currency translation reserve SAR '000	Retained earnings SAR '000		
Issuance of shares	500	-	-	-	-	-	500
Additional shareholders' contribution (Note 19.1):	-	-	2,992,672	-	-	13,251	3,005,923
Acquisition as a part of reorganisation under common control (Note 19.1)	2,992,000	-	(2,992,672)	-	672	-	-
Proposed share capital increase (Note 19.2)	-	763,750	-	-	-	-	763,750
Total comprehensive income for the period:	-	-	-	-	19,020	(1,465)	17,555
- Profit for the period	-	-	-	625	2,665	(150)	3,140
- Other comprehensive income	-	-	-	625	21,685	(1,615)	20,695
Balance at 31 December 2023	2,992,500	763,750	-	625	22,357	11,636	3,790,868



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MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

1 CORPORATE INFORMATION

MBC Group (A listed joint stock company) [formerly known as MBC Group (A closed joint stock company)] (the “Company”) is a newly formed Company under Saudi laws that was incorporated as a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia (“KSA”) under commercial registration number 1010876295 dated 29 Ramadan 1444H (corresponding to 20 April 2023). The accompanying financial statements consolidate the financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). The principal activity of the Group is to provide broadcasting services, to operate free-to-air Pan-Arab entertainment channels and over-the-top (OTT) platform, and to produce content.

On 20 April 2023, pursuant to the reorganisation of the Group (the “reorganisation”), the shareholders established the Company as a closed joint stock company with a share capital of SAR 500,000 at SAR 10 per share, and transferred ownership of the Group entities, as listed below, to the Company.

The ownership of the Group entities was transferred from the previous holding company, MBC Group Holdings Limited (a company registered in the British Virgin Islands), to the Company - being new holding company, for nil consideration. The legal procedures to transfer ownership were completed on 22 June 2023.

As a result of the aforesaid transfer of shares, on 20 September 2023 the General Assembly of the Company approved to increase the share capital by SAR 2,992,000 thousand at a par value of SAR 10 per share (as a result the total share capital post increase amounted to SAR 2,992,500 thousand).

On 12 November 2023, the Extraordinary General Assembly approved the increase of the share capital from SAR 2,992,500,000, divided into 299,250,000 ordinary shares with a nominal value of SAR 10 per share to SAR 3,325,000,000 through the issuance of 33,250,000 new ordinary shares (representing 10% of the Company’s share capital after the increase) for subscription through an initial public offer (IPO) on the Saudi Stock Exchange Market (“Tadawul”) in KSA.

The new commercial registration of the Company, transforming it from a closed joint stock company into a listed joint stock company was issued on 1 January 2024. The trading of shares was officially announced on 8 January 2024. The majority shares of the Company, before and after the IPO, are held by Al Istedamah Holding Company and Waleed Bin Ibrahim Al Brahim. The shareholding of the Company is further described in Note 19.

The consolidated financial statements of the Group include activities of the following entities:

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
MBC FZ LLC and its subsidiaries (“MBC FZ LLC”)	The principal activity of MBC FZ LLC and its subsidiaries is to provide broadcasting services and to operate free-to-air Pan-Arab entertainment channels. Its registered office address is MBC Building, Dubai Media City, P.O. Box 72627, Dubai, United Arab Emirates.	100%
MBC Studios FZ LLC (“MBC Studios”)	The main activities of MBC Studios (formerly known as O3 Productions FZ LLC) are production and post-production of television programmes. It also acquires television content for resale purposes. Its registered office address is MBC Building, Dubai Media City, P.O. Box 72627, Dubai, United Arab Emirates.	100%
MBC IP FZ LLC (“MBC IP”)	The main activity of MBC IP is to provide broadcast support services. Its registered office address is MBC Building, Dubai Media City, Dubai, United Arab Emirates.	100%
MBC Studios Projects FZ LLC (“MBC Studios Projects”)	The principal activity of MBC Studios Projects (formerly known as Eventique FZ LLC) is event management services and media content production. Its registered office address is P.O. Box 72627, Dubai, United Arab Emirates.	100%

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

1 CORPORATE INFORMATION (continued)

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
Platinum Records FZ LLC (“Platinum”)	Platinum is mainly engaged in music label and rights management. Its registered office address is MBC Building, Dubai Media City, P.O. Box 72627, Dubai, United Arab Emirates.	100%
Wanasah FZ LLC (“Wanasah”)	Wanasah is mainly engaged in broadcasting services. It operates as Wanasah TV, a music television channel specialising in Arabic music. Its registered office address is MBC Building, Dubai Media City, P.O. Box 72627, Dubai, United Arab Emirates.	51%
MBC Holding Cyprus Limited (“MBC Holding Cyprus”)	MBC Holding Cyprus serves as a holding company for Middle East Broadcasting Centre (Lebanon SAL) and has no operations.	100%
MBC Ventures Limited (“MBC Ventures”)	MBC Ventures is incorporated in the British Virgin Island and engages in the business of investing in companies and start-ups.	100%
MBI FZ LLC (“MBI”)	The main activity of MBI is broadcasting TV segments. Its registered office address is MBC Building, Dubai Media City, Dubai, United Arab Emirates.	100%
MBC Media FZ-LLC (“MBC Media”)	The main activity of MBC Media is to provide broadcast support services. Its registered office address is MBC Building, Dubai Media City, Dubai, United Arab Emirates.	100%
MBC Initiatives LLC (“MBC Initiatives”)	MBC Initiatives is incorporated in the Kingdom of Saudi Arabia. The main activity of MBC Initiatives is management and development of artistic and entertainment talents.	100%
MBC Media Services BVI Limited (“MMS BVI”)	The main activity of MMS BVI is to provide advertising services for the Group.	100%
MBC Events Limited (“MBC Events”)	MBC Events is incorporated in the Kingdom of Saudi Arabia. The main activity of MBC Events is events and exhibitions management.	100%
MBC Media Saudi Arabia Co. Ltd. (“MBC KSA”)	The principal activity of MBC KSA is to provide broadcasting services in the Kingdom of Saudi Arabia.	100%

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

1 CORPORATE INFORMATION (continued)

Following are the subsidiaries of MBC FZ LLC:

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
MBC Group Holding Hungary Limited Liability Company, Hungary (“MBC Hungary”)	The principal activity of MBC Hungary is to manage certain distribution contracts. Its registered address is 1074 Budapest, Dohány utca 12, Hungary.	100%
MBC Jordan LLC (“MBC Jordan”)	The principal activity of MBC Jordan is to provide e-commerce services such as technical management of web sites and mobile applications, and other activities including brokerage, production and distribution of artwork. Its registered address is P.O. Box 855143, Amman, Jordan, 11855.	100%
MBC Media Cyprus Limited (“MBC Cyprus”)	MBC Media Cyprus was established in 2018 and its principal activity is to provide technical support services to the Group.	100%
Middle East Production Company (“MEP Egypt”)	The main activity of MEP Egypt is the production of television, cinema, broadcasting and media arts works.	90%**

** MBC FZ LLC owns 90% of the equity interest in MEP Egypt whilst the remaining 10% equity interest is owned by companies within the Group.

Following are the subsidiaries of MBC Studios Projects FZ LLC:

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
MBC Studios BVI Limited (“MBC Studios BVI”)	MBC Studios BVI is incorporated in the British Virgin Islands and engaged in entering into agreements relating to MBC Studios for writers who are registered under Writers Guild of America (WGA).	100%
Desert Warriors Holdings Limited	A fully owned subsidiary of MBC Studios Projects FZ LLC. The main activity of Desert Warriors Holdings Limited is content production and is incorporated in Abu Dhabi, United Arab Emirates.	100%
Ze Qar Art Productions Limited	A fully owned subsidiary of MBC Studios Projects FZ LLC. The main activity of Ze Qar Art Productions Limited is content production and is incorporated in the Kingdom of Saudi Arabia.	-

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

1 CORPORATE INFORMATION (continued)

Following are the subsidiaries of MBC Studios Projects FZ LLC: (continued)

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
CG Drama Project Holdings Limited	A fully owned subsidiary of MBC Studios Projects FZ LLC. The main activity of CG Drama Project Holdings Limited is content production and is incorporated in the Abu Dhabi, United Arab Emirates.	100%
MBC Studios Projects Saudi Limited	A fully owned subsidiary of MBC Studios Projects FZ LLC. The main activity of MBC Studios Projects Saudi Limited is content production and is incorporated in the Kingdom of Saudi Arabia.	100%

Following is the subsidiary of MBC Media Services BVI Limited:

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
MBC Media Solutions FZ-LLC (“MMS UAE”)	A subsidiary of MBC Media Services BVI Limited. The principal activity is to provide advertising services. The registered office address of the Company is P.O. Box 72627, Dubai, United Arab Emirates.	60%

Following are the subsidiaries of MMS UAE:

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2023</i>
Al Wasa'il National Advertising Company (“MMS KSA”)	A subsidiary of MMS UAE which is incorporated in the Kingdom of Saudi Arabia. The main activity of MMS KSA is to provide advertising services. Its registered address is 3074 Prince Mohammed bin Abdulaziz road, Olaya, Riyadh 8022-12213, Kingdom of Saudi Arabia	100%
Al Miza Co. for Advertising (“MMS Egypt”)	A fully owned subsidiary of MMS UAE which is incorporated in Egypt. The main activity of MMS Egypt is to provide advertising services. Its registered address is 3rd floor, Building 5,7 Gezeriet El-Arab Street, Agouza, Giza, Egypt.	100%
MBC Media Solutions for Advertising Services LLC (MMS EGY)	The principal activity of MMS EGY is to provide advertising services. Its registered address is Star Capital Building, 4th floor, 5&7 Gezeiret El-Arab street, EL-Mohandesein, Cairo, Egypt.	99%

The consolidated financial statements of the Group were authorised for issue by the Board of Directors of the Company on 26 March 2024 (corresponding to 16 Ramadan 1445H).

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that issued by the Saudi Organization for Chartered and Professional Accountants “SOCPA” (collectively referred to as “IFRS endorsed by SOCPA”).

The reorganisation did not result in any change of economic substance and is considered a business combination under common control, not covered by IFRS 3 Business Combination. Accordingly, the acquisition of the Group entities was accounted for at the book values of the net assets as at the acquisition date. For accounting of the acquisition, the Group considered the acquisition date to be the end of the month on which the transfer of the acquired Group entities was completed, i.e. 30 June 2023.

Pursuant to directives issued by SOCPA, considering the Company (being the new holding company of the Group) to be legally existing only from the date of incorporation, retrospective presentation of the consolidated financial statements as if the holding company had always owned its subsidiaries could not be used, and only prospective presentation must be used. Accordingly, these consolidated financial statements cover the period from 20 April 2023 (incorporation) to 31 December 2023, and consolidate the subsidiaries prospectively from the aforementioned date of acquisition. Note 30 to the consolidated financial statements provide additional financial information.

Except for the defined employees’ benefits liabilities which are recognized at the present value of future liabilities using the projected unit credit method, derivative financial instruments, and investment in financial asset which are recognised at fair value through profit or loss, the consolidated financial statements are prepared under the historical cost convention and have been presented in Saudi Riyal (SAR).

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power 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
- The ability to use its power 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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

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For the period from 20 April 2023 to 31 December 2023

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent across each period presented, except as follows:

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform Pillar Two Model Rules – Amendments to IAS 12
- IAS 41 Agriculture – Taxation in fair value measurements

The adoption of the above amendments and improvements had no significant impact on the consolidated financial statements of the Group.

Standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023);
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (effective for annual reporting periods beginning on or after 1 January 2023)

The above standards, amendments and interpretations are not expected to have any material impact on the consolidated financial statements of the Group.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Business combinations 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 acquisition date 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 administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and Goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for 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 recognised 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 gain is recognised in 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 cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (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 operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 *Business Combinations*. In the case of an absence of a specific guidance in IFRS, the management use their judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement the management may also consider the most recent pronouncement of other standard setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that they do not conflict with the IFRS.

Management have adopted the pooling of interest method to account for the business combination of entities under common control other than combinations with substance. Acquisition method of accounting is explained in the business combinations policy.

This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No goodwill is recognised as a result of combination. The only goodwill recognised is relating to the combining entities. Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity.

Pursuant to the directive issued by SOCPA in respect of business combination under common control, retrospective presentation of the consolidated financial statements as if the holding company had always owned its subsidiaries is not allowed, and only prospective presentation must be used. Accordingly, these consolidated financial statements cover the period from the date of 20 April 2023 (incorporation) to 31 December 2023.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates are accounted for using the equity method.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Investments in Associates and Joint Ventures (continued)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profits/losses of associates and joint venture' in the consolidated statement of comprehensive income. Upon loss of significant influence over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The principal activities of the Group are to provide broadcasting services and to operate free-to-air Pan-Arab entertainment channels. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenues when it transfers control over a product or service to a customer as per the underlying contractual terms. The specific recognition criteria described below must also be met before revenue is recognised:

Advertising revenue

Advertising revenue is recognised over the period of contract, generally when the advertisement is aired on the related platforms.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group also provides retrospective volume rebates to certain customers once the quantum of advertising slots purchased during the period exceeds the threshold specified in the contract. The volume rebates give rise to variable consideration.

Volume rebates

The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e. the amount not included in the transaction price). The refund liability is clubbed under accrued expenses as part of trade and other payables.

Interactivity revenue

Interactivity revenue represents income from the use of interactive services and is recognised based on interactive transaction volumes from internal reports, adjusted for estimated uncertainties based on management's prior experience. The Group recognises the associated revenue over the period of underlying contracts.

Barter revenue

Barter transactions are recorded at the fair value at contract inception of cash and noncash consideration received or promised from the customer. Revenue from barter transactions, involving the exchange of dissimilar goods or services, are only recognised if the amount of revenue can be reliably measured. The Group, where appropriate, measures barter related revenue by estimating the economic value of the goods or services received in the barter transaction. The Group recognises the associated revenue over the period of underlying contracts.

Programme revenue

Programme revenue represents income earned from the sale of filmed events, concerts, and other related television programmes owned by the Group to the customers and is recognised at the point in time when control of the programme is transferred to the customers, generally at the time of passing the title to the customers.

Distribution revenue

Distribution revenue represents income from the licensing of TV channels and the Over-The-Top (OTT) platform subscription income generated through business-to-business channels. The performance obligation is satisfied over the underlying contractual period or subscription period, and therefore, the Group recognises the associated revenue as the service is provided over the period of contract.

Event management revenue

Event management revenue represents income from events and concerts held by the Group and is recognised at point in time, generally when the event takes place.

Digital revenue

Digital revenue represents the business -to-consumer subscription fees earned from the Group's digital platform, Shahid, and is recognised over the period of the subscription.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services provided to the customer. If the Group provides services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract assets are initially recognised for revenue earned from various services performed as receipt of consideration is conditional on successful completion of contractual milestones. Upon completion of contractual obligations and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to provide services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group provides services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Interest income

Interest income is recognised as the interest accrues using the effective interest rate (EIR), under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of comprehensive income.

Value Added Tax (VAT)

Revenue, expenses and assets are recognised at amounts net of VAT except:

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

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cost of advertising sales

Cost of advertising represents the purchase cost of airtime spots paid to Al Arabiya Network FZ LLC. The Group recognises cost on the basis of price agreed per contract for the airtime utilized during the period.

Inventories

Inventories consist of programmes acquired from third parties and related parties, and programmes which are produced in-house. Inventories are stated at cost less accumulated amortisation and allowance for impairment, if any.

Acquired programmes

Represents the costs incurred in acquiring the right to telecast the programmes, net of amortisation.

Developed programmes

Represents the expenses incurred and recharged to develop the programmes, net of amortisation (based on expected usage of the programme).

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For the period from 20 April 2023 to 31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Inventories (continued)

Production work in progress

Cost represents direct costs incurred for the development of programmes not completed as at period-end.

Amortisation

The cost of programmes is amortised based on each category and when the related content is broadcasted and aired to public. Based on past experience, management believes that substantially all benefits from the sale (licensing) of programmes are realised upon first airing and a significant majority of those benefits are realised during the first two years of that period. Shahid content inventory is amortised on an accelerated basis which is the lesser of six years or the license period and most of the content is amortised within first three years.

Government grants

Government grants are recognised where there is reasonable assurance that the funding will be received, and all attached conditions will be complied with. When the funding relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. When the funding relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. The related portion of the government funding is recognised under other operating revenues or netted off against the related specific line item of expense (as further explained in note 5), and the related receivable, if any, is recorded under due from related parties.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical costs include expenditure that is directly attributable to the acquisition of the items including installation costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the consolidated statement of other comprehensive income during the period in which they are incurred.

Work-in-progress is not depreciated. Depreciation is calculated using the straight-line method to reduce the carrying cost of each asset to its residual value over its estimated useful life as follows:

	<u>Years</u>
Leasehold improvements	5
Technical equipment	3 – 5
Motor vehicles	3
Furniture and fixtures	3 – 5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period-end and adjusted prospectively if appropriate.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The intangible assets in the consolidated financial statements are related to trademarks and development and upgrade costs of Shahid platform.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

The estimated economic useful lives of trademark and Shahid platform costs are 10 years and 3 years, respectively.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in direct costs. During the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Cash dividend

The Group recognises liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the general assembly. A corresponding amount is recognised directly in equity.

Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets consist of derivative financial instruments, bank balances and deposits, amounts due from related parties and trade and other receivables.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; 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.

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include bank balances, trade and other receivables and due from related parties.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably the related non-listed equity investments under this category.

Financial assets at fair value through profit and loss (equity instruments and derivatives)

Financial assets at fair value through profit or loss are carried in consolidated the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the consolidated statement of comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Financial assets at fair value through profit and loss (equity instruments and derivatives) (continued)

The Group carries its call options on its investments in associates (Note 23) as derivative financial instruments which are recognised as financial assets at fair value through profit and loss.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

Impairment of financial assets

The Group recognises an allowance for ECL for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset’s original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integrated to the contractual terms.

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

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, contract assets, bank balance and due from related parties, the Group applies a simplified approach in calculating ECLs based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the consolidated statement of comprehensive income.

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

i. Financial assets (continued)

Bank balances and cash

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and treasury bills with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, bank balances and cash consist of cash and cash at banks, as defined above, as they are considered an integral part of the Group's cash management.

ii. Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include amounts due to related parties, trade and other payables, borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Income and expenses will not be offset in the consolidated statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

iv. Fair value measurement

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – Initial recognition and subsequent measurement (continued)

iv. Fair value measurement (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the consolidated statement of comprehensive income.

Employees' end of service benefits

The Group primarily has end of service benefits which qualify as defined benefit obligations ("DBO").

The employee's defined benefit liability is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service costs, past service cost, as well as gains and losses on curtailment and settlement)
- Interest expense, and
- Re-measurements

The Group presents the first two components of defined benefit costs in the consolidated statement of comprehensive income in relevant lines.

Further, the Group operates a defined contribution plan, for which the contribution is upon the discretion of the Group. The plan is deemed a saving fund. All interest received in the plan shall be accrued as part of the provision of employees' end of service indemnity payable at the end of the period of service.

Taxes

(a) Income tax

The tax currently payable is based on taxable profit for the period of those Group entities located in taxable jurisdictions. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period in those jurisdictions where tax is applicable.

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Taxes (continued)

(b) Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(c) Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

(d) Zakat

Zakat is provided for in accordance with the regulations of Zakat, Tax, and Customs Authority (“ZATCA”). The provision for zakat is charged to the consolidated statement of comprehensive income on an accrual basis. Any differences between the provision and the final assessment are recorded when the final assessment is approved.

Foreign currencies

The Group’s consolidated financial statements are presented in SAR, which is also the Group’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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Notes to the Consolidated Financial Statements

For the period from 20 April 2023 to 31 December 2023

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, 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 lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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2.4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as lessee (continued)

	<i>Years</i>
Leasehold building	3 - 20
Motor vehicles	1 - 4
Satellites	2

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy for impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the consolidated statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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Notes to the Consolidated Financial Statements

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3 OPERATING SEGMENTS

A segment is a separate and distinct unit of the Group's engagement in business activities that result in recognition of revenues or expenses. Operating segments are disclosed on the basis of internal reports reviewed by the Chief Executive Officer, Chief Financial Officer and other key management personnel, who are the Chief Operating Decision Maker (CODM), and responsible for resource allocation, performance evaluation, and strategic decision making on operational segments. Operating segments with similar economic characteristics, products, services, and similar customer categories are aggregated and recorded where possible as units to be reported.

Segment basis

The Group generates its revenue primarily from: (i) advertising revenue, predominantly from advertisers placing advertisements on its free-to-air TV channels, radio channels, and on the Group's advertising-video-on-demand streaming platform ("AVOD"), (ii) revenue from subscriptions of the Group's Shahid VIP subscription-video-on-demand ("SVOD") service, and (iii) ancillary revenue from its other business operations. The Group also benefits from funding received through its majority shareholder for various projects and initiatives, including for production of its content.

The Group has the following strategic segments which provide different services, have different economic characteristics – such as sales growth trends, rates of returns, capital investment levels – and are managed separately.

Segment	Operations
• Broadcasting and other commercial Activities	TV, radio, and social media and ancillary activities Broadcasting and other commercial activities segment is the largest of the Group's business segments with revenues earned primarily from advertising on its FTA TV, radio channels and social media, collectively as broadcasting activities. Broadcasting also generates a variety of additional non-advertising revenues, such as from carriage agreements and interactive games for viewers. The Group is also engaged in varied range of media-related activities such as interactive games, events, music publishing, and talent management. The Group is in the process of further diversifying its revenue base by building up its events management business and developing its own video games. The Group aims to leverage its brand and its long-standing know-how in these additional businesses to expand its activities in these areas.
• Shahid	Video streaming on the Shahid platform One of the Group's main operating segment is Shahid for which the Group is currently strongly investing in to drive future growth. The Group's Shahid OTT platform is available both as an SVOD service (also called Shahid VIP) as well as a "free" AVOD service and broadcasting services.
• Media & Entertainment Initiatives ("M&E Initiatives")	Media and Entertainment Given the Group's capabilities and position in the media sector and the successes it has achieved historically, it has been chosen as a strategic partner of the KSA government for the implementation of media and entertainment projects and initiatives that will develop the media ecosystem in the KSA and the region in accordance with Saudi Vision 2030. The Group receives funding for these projects from the government [represented by its majority shareholder Istedamah Holding Company ("Istedamah"), a KSA government-owned company], in consideration for the Group's commitment to implement such projects in accordance with specified performance indicators and other obligations which it must fulfil. The Group contributes to the development of the local KSA media and entertainment industry by continuously investing in various entertainment and media initiatives in the KSA including high-quality Arabic content production, broadcasting of certain TV channels, gaming, developing talent and events management in the KSA. Furthermore, the Group is, through its move to the KSA, directly creating new employment opportunities for individuals in the entertainment industry in the KSA.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

3 OPERATING SEGMENTS (continued)

Segment financial information

Financial results of each segment are presented below. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs, finance income and other income) and income tax are managed on a Group basis and are not allocated to operating segments.

For the Period From 20 April to 31 December 2023

	<i>Broadcasting and Other Commercial Activities</i>	<i>Shahid</i>	<i>M&E Initiatives</i>	<i>Total</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Revenue from contract with customers	811,506	447,451	75,740	1,334,697
Other operating revenues	70,395	-	299,095	369,490
Total revenue	881,901	447,451	374,835	1,704,187
Operating costs*	(837,655)	(558,919)	(364,470)	(1,761,044)
Other income	77,166	(6,232)	577	71,511
Share of results in associates and joint ventures (net)	36,146	-	(7,251)	28,895
Loss on financial assets and derivative instruments (net)	2,079	-	-	2,079
Finance income/(costs) – net	(3,419)	-	324	(3,095)
Depreciation and amortisation (Notes 6 and 7)	(23,087)	(3,422)	(654)	(27,163)
Segment results before income tax	<u>133,131</u>	<u>(121,122)</u>	<u>3,361</u>	<u>15,370</u>

*Operating costs include direct costs and General and administrative expenses except for depreciation of fixed assets and amortization of intangible assets which are presented as separate line items.

Segment assets

The table below summarizes the key assets per segment:

As of 31 December 2023

	<i>Broadcasting and Other Commercial Activities</i>	<i>Shahid</i>	<i>M&E Initiatives</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Inventories	643,063	654,830	1,292,433	2,590,326
Property and equipment	85,663	28,083	2,529	116,275
Investments in associates and joint ventures	1,201,204	-	-	1,201,204
Investment in financial asset at fair value through profit or loss (FVTPL)	15,891	-	-	15,891
Total	<u>1,945,821</u>	<u>682,913</u>	<u>1,294,962</u>	<u>3,923,696</u>

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3 OPERATING SEGMENTS (continued)

Geographic information

The table below summarizes geographic information of the Group's revenue from contract with customers based on where the service is provided.

	2023 SAR'000
Revenue from contracts with customers:	
GCC*	1,092,136
Egypt	84,492
Others**	158,069
Total	1,334,697

* GCC includes revenue earned mainly in UAE and Kingdom of Saudi Arabia where various revenue types are provided.

** Others include North Africa and Iraq where the Group broadcasts two of its TV channels, as well as other countries outside of GCC and Egypt where subscribers to its OTT platform, Shahid, are based.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 SAR'000
Advertising revenue (i)	495,080
Digital revenue	377,030
Broadcast and technical services revenue (ii)	157,411
Distribution revenue	58,797
Interactivity revenue	41,640
Programme revenue	61,502
Event management revenue	25,182
Barter revenue	17,543
Artists management revenue	1,875
Other revenues (iii)	98,637
	1,334,697

(i) *Advertising revenue*

Advertising revenue is presented net of volume rebates amounting to SAR 27,737 thousand.

(ii) *Broadcast and technical services revenue*

Broadcast and technical services revenue represent mainly the Group's revenue from providing broadcast and technical services for the Saudi Sports Channels, owned by Saudi Sports Company (SSC) and Al Thakafya Channel, owned by the Ministry of Culture (MOC).

(a) Revenue from SSC channels

The term of the Group's agreement with SSC is for three years, commencing on 15 July 2022 and expiring on 14 July 2025. The contract covers three sports seasons which run from August to May. The Group recognizes revenue based on services provided for each season according to the pricing terms of the agreement. Where a contract pricing for a season is being finalized, the Group's revenue is limited to the cost incurred.

Revenue recognized from SSC for the period amounted to SAR 88,937 thousand.

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4 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(ii) *Broadcast and technical services revenue (continued)*

(b) *Revenue from Al Thakafya Channel*

During the period ended 31 December 2023, the Group recognized an amount of SAR 65,204 thousand for services provided to Al Thakafya Channel which equals costs while contract terms are being finalized.

In addition to the above, the Group also recognized revenue of SAR 3,270 thousand for broadcast services to Takhayal on its Shahid platform.

(iii) *Other revenues*

Other revenues mainly represent the Group's revenue earned from production and events management services provided to General Entertainment Authority (GEA) and Neom for various projects during the period. Revenues are recognized based on services provided for the period and as per contract terms with the parties. In addition, commission income earned from providing advertising services on behalf of SSC and Tiktok are included herein.

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<i>2023</i> <i>SAR'000</i>
<i>Timing of revenue recognition</i>	
Services provided over a period of time	1,248,012
Services transferred at a point in time	86,685
	<u>1,334,697</u>

4.2. Contract balances

	<i>2023</i> <i>SAR'000</i>
Trade receivables (Note 16)	<u>790,502</u>
Contract assets (Note 16)	<u>528,118</u>
Contract liabilities (Note 22)	<u>396,671</u>

5 OTHER OPERATING REVENUES

The Group receives, from the Government of the KSA, government funding to implement a number of expansion initiatives which contribute to the overall KSA vision to build up the media sector in the KSA. The funding covers the costs of implementation of these initiatives in various entertainment and media initiatives in the KSA including broadcasting of certain TV channels dedicated to viewers outside of KSA, content production, gaming, developing talent and events management in the KSA, as well as by creating new employment opportunities for individuals in the entertainment industry in the KSA. Receipt by the Group of the relevant amounts is linked to pre-agreed KPIs that must be satisfied, or milestones that must be reached. The Group has in the past been able to achieve such KPIs and requirements.

Amounts received towards these initiatives are recognised in the consolidated statement of comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the funds are intended to compensate.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

5 OTHER OPERATING REVENUES (continued)

During the period, the Group has assessed (in accordance with the accounting judgment for the other operating revenues in Note 26) the following as government grants and accordingly they have been recognised as other operating revenues related to the following initiatives:

	<i>2023</i> <i>SAR'000</i>
TV channels initiatives and MBC Academy initiatives (a)	200,722
Production related initiatives (a)	89,726
Funding of broadcasting rights (b)	65,625
Gaming initiative (c)	7,252
Relocation cost (d)	5,776
Funding of other government related projects	389
	369,490

As disclosed above, the Group receives funding, from Government of KSA, subject to satisfactory performance against certain criteria. The funding is based on annual pre-approved expenditure which also sets a maximum entitlement limit. Depending upon the nature of the funding the related costs have been accounted for as follows:

- (a) On TV channels initiatives and MBC Academy initiatives, production related initiatives and relating to funding of other government related projects, the vast majority of the related costs are included within 'Direct costs' (Note 6).
- (b) On funding of broadcasting rights, the related costs are included within 'Direct costs' (Note 6).
- (c) On gaming initiative, the related costs are adjusted against the 'Share of results in associates and joint ventures'.
- (d) On relocation cost, the related costs are included within 'General and administrative expenses' (Note 7).

To the extent government fundings have been recognized within income, there are no unfulfilled conditions or contingencies attached to the above fundings.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

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5 OTHER OPERATING REVENUES (continued)

Below is the reconciliation of other operating revenues with the deferred revenues (Note 22) and due from related parties (Note 17):

2023:

	<i>TV channels initiatives and MBC Academy initiatives</i>	<i>Production related initiatives</i>	<i>Funding of broadcasting rights</i>	<i>Funding of other government related projects</i>	<i>Gaming initiative</i>	<i>Riyadh head office capital expenditure</i>	<i>Relocation cost</i>	<i>Total</i>
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
As at 20 April 2023:								
Due from the Intermediate Parent Company	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Transfer on reorganisation (Note 30)								
Due from the Intermediate Parent Company	4,928	29	-	-	-	-	5,775	10,732
Deferred revenue	(23,473)	(1,414,190)	(65,625)	(389)	(196,936)	(53,688)	(88,253)	(1,842,554)
Add: Income recognised during the period (Note 5)	200,722	89,726	65,625	389	7,252	-	5,776	369,490
Add: Income netted off against related expense (Note 7)	-	-	-	-	-	-	47,276	47,276
Less: Advance / cash collected during the period	(176,407)	(102,785)	-	-	(33,811)	(127,062)	(21,105)	(461,170)
As at 31 December 2023:								
Due from the Intermediate Parent Company (Note 17a)	24,921	-	-	-	-	-	7,554	32,475
Deferred revenue (Note 22)	(19,151)	(1,427,220)*	-	-	(223,495)	(180,750)	(58,085)	(1,908,701)

* The deferred amount corresponds to inventories which remain as work-in-progress (WIP) as of 31 December 2023 amounting to SAR 1,289,440 thousand.

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6 DIRECT COSTS

	2023 SAR'000
Cost of programmes	633,855
Digital costs	139,561
Marketing costs	79,980
Cost of advertising sales*	21,464
Technical costs	35,738
Programme overheads	37,753
Interactivity costs	21,495
Transmission expenses (Note 13)	15,638
Depreciation on property and equipment (Note 11)	14,106
Barter costs	17,093
Cost of events management	17,857
Programme stocks write-off	8,505
Cost of artists management	6,603
Location costs	2,940
Distribution costs	3,581
Depreciation on right-of-use assets (Note 13)	1,615
Cost of news programmes (Note 17 c)	938
Other expenses	172,466
	<u>1,231,188</u>

* Cost of advertising sales represent costs of commercials, commission to a third party agent for advertising revenues earned from MBC Cinq channel, and costs incurred for the airtime purchased from Al Arabiya News Channel FZ LLC.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SAR'000
Staff costs **	400,846
Legal and professional fees	41,185
IT equipment and maintenance costs	28,015
Building occupancy costs (Note 13) **	28,468
Travel costs	19,047
Allowance for expected credit loss, net (Notes 16, 17, 18)	19,964
Depreciation on property and equipment (Note 11)	7,464
Depreciation on right-of-use assets (Note 13)	6,855
Amortisation of intangible assets (Note 12)	5,593
Communication costs	4,386
Foreign exchange loss / (gain), net	(7,179)
Bad debts written off	104
Withholding taxes	53
Loss on disposal of property and equipment	10
Recharges to related parties (Note 17c) *	(49,210)
Other expenses	51,418
	<u>557,019</u>

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7 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

* The Group incurs costs on behalf of other related parties. These costs consist principally of staff costs and shared facilities and are recharged to the individual entities based on the estimated time spent by employees on each entity and usage of shared facilities by each entity.

** Amounts of SAR 35,547 thousand, SAR 11,280 thousand, SAR 206 thousand, and SAR 243 thousand relating to staff costs, building occupancy costs, legal and professional costs and travel costs, respectively, have been reimbursed by the Intermediate Parent Company to the Group during the period (Note 5).

8 OTHER INCOME

	2023 SAR'000
Compensation for loss of business* (Note 17c)	54,375
Rental income (Note 17 c)	4,363
Other income	12,773
	<u>71,511</u>

*The Group has received compensation for the loss of business in relation to launching and operating a TV channel. As of 31 December 2023, a total amount of SAR 669,039 thousand has been received. During the period, the Group recognised and received SAR 54,375 thousand.

9 FINANCE COSTS - NET

	2023 SAR'000
Finance income	3,127
Finance costs*	(6,222)
	<u>(3,095)</u>

*Includes interest expense on lease liabilities amounting to SAR 1,239 thousand (Note 13.1).

10 INCOME TAX AND ZAKAT

Income tax and zakat benefit for the period consists of the following:

	2023 SAR'000
Income tax (a)	579
Zakat (b)	306
Deferred tax (c)	1,300
	<u>2,185</u>

The breakdown of the provision for income tax, zakat and deferred tax asset and liability is as follows:

	2023 SAR'000
Income tax (a)	7,319
Zakat (b)	1,554
Provision for income tax and zakat (Note 22)	<u>8,873</u>
Deferred tax liability (c)	9
Deferred tax asset (c)	<u>1,397</u>

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10 INCOME TAX AND ZAKAT (continued)

(a) Income Tax:

The movement of provision for income tax is as follows:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	9,571
Provided during the period*	3,466
Payments during the period	(5,434)
Adjustments during the period	(1,307)
Foreign exchange differences	496
As at 31 December	<u>6,792</u>

* In the consolidated statement of comprehensive income, income tax charge for the period amounting to SAR 3,466 thousand is presented net of income tax relief amounting to SAR 4,045 thousand, resulting in income tax relief of SAR 579 thousand as disclosed in this note above. The related receivable balance is presented under other receivables (Note 16).

The balance as per the movement above comprises of the following:

	2023 SAR'000
Income tax payable – classified under provision for income tax and zakat (Note 22)	7,319
Income tax refund – classified under other receivables (Note 16)	(527)
	<u>6,792</u>

Income tax expense for the period ended:

	2023 SAR'000
Tax base	68,933
Effective tax rate	20.44%
	<u>14,090</u>
Adjustments	(10,624)
Income tax expense	<u>3,466</u>

(b) Zakat:

The movement of provision for zakat is as follows:

	2023 SAR'000
As at 1 20 April	-
Transfer on reorganisation (Note 30)	485
Provided during the period*	746
Refund received during the period	414
Adjustment	(91)
As at 31 December	<u>1,554</u>

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For the period from 20 April to 31 December 2023

10 INCOME TAX AND ZAKAT (continued)

(b) Zakat (continued):

* In the consolidated statement of comprehensive income, zakat for the period amounting to SAR 746 thousand is presented net of zakat relief amounting to SAR 1,052 thousand, resulting in zakat relief of SAR 306 thousand as disclosed in this note above. The related receivable balance is presented under other receivables (Note 16).

Zakat charge for the period arises from is MBC Media Solutions Limited, KSA

	2023 SAR'000
Profit before zakat for the period	29,853
Adjustments to reach zakat profit base	5
Zakat profit base	29,858
Zakat rate	2.5%
Zakat expense for the period	746

(c) Deferred tax

The movement of deferred tax asset is as follows:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	273
Provided during the period	1,208
Adjustment	(84)
As at 31 December	1,397

The movement of deferred tax liability is as follows:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	16
Reversal during the period	(92)
Adjustments	85
As at 31 December	9

Deferred tax liability arises from the following subsidiaries of Company:
Al Miza for Advertising and MBC Media Solutions for Advertising, Egypt

Deferred tax asset arises from the following subsidiary of the Company:
MBC Media Solutions Limited, KSA

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

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11 PROPERTY AND EQUIPMENT

2023:

	<i>Leasehold improvements SAR'000</i>	<i>Technical equipment SAR'000</i>	<i>Motor vehicles SAR'000</i>	<i>Furniture and fixtures SAR'000</i>	<i>Capital work in progress (a) SAR'000</i>	<i>Total SAR'000</i>
Cost:						
As at 20 April 2023	-	-	-	-	-	-
Transfer on reorganisation (Note 30)	128,037	723,673	3,237	36,024	8,638	899,609
Additions during the period	3,085	31,796	-	756	4,562	40,199
Disposals during the period	-	(796)	-	(144)	-	(940)
Transfers during the period	-	-	-	-	(273)	(273)
Foreign currency translation adjustment	8	15	-	-	-	23
As at 31 December 2023	131,130	754,688	3,237	36,636	12,927	938,618
Accumulated depreciation:						
As at 20 April 2023	-	-	-	-	-	-
Transfer on reorganisation (Note 30)	116,654	647,942	3,153	33,989	-	801,738
Charge for the period (b)	3,111	17,559	64	836	-	21,570
Relating to disposals	-	(777)	-	(144)	-	(921)
Transfers during the period	-	-	-	-	-	-
Foreign currency translation adjustment	(6)	(22)	-	(16)	-	(44)
As at 31 December 2023	119,759	664,702	3,217	34,665	-	822,343
Net carrying amount:						
At 31 December 2023	11,371	89,986	20	1,971	12,927	116,275

(a) Capital work in progress mainly includes cost incurred to date towards implementation and customisation of a new software system to be used for content management broadcasting system and implementation of a new enterprise resource planning (ERP) software system.

(b) Depreciation charge during the period are net of government fundings amounting to SAR 6,250 thousand.

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For the period from 20 April to 31 December 2023

11 PROPERTY AND EQUIPMENT (continued)

Depreciation has been apportioned as follows:

	<i>2023</i> <i>SAR'000</i>
Direct costs (Note 6)	14,106
General and administrative expenses (Note 7)	7,464
	<u>21,570</u>

12 INTANGIBLE ASSETS

The movement in the intangible assets during the period is as follows:

	<i>2023</i> <i>SAR'000</i>
As at 20 April	-
Transfer on reorganisation (Note 30)	52,002
Additions during the period	20,712
Amortisation during the period (Note 7)	(5,593)
As at 31 December	<u>67,121</u>

During the period, the Group capitalised an amount of SAR 11,120 thousand representing costs incurred to develop and upgrade features of the Shahid platform including applications compatible with mobile devices, analytical models and architectural prototype implementation.

13 LEASES

13.1 Group as lessee

The Group has lease contracts for units, vehicles, infrastructures, and satellites used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of residential units, satellites, offices with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Further, the Group has entered into a long-term finance lease contract with Dubai Development Authority, previously known as Technology, Electronic Commerce and Media Free Zone, to lease a building, along with the associated fit outs. The contract carries an option to buy the property at any time during the lease period at the option price as calculated in the contract.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	<i>2023</i> <i>SAR'000</i>
As at 20 April	-
Transfer on reorganisation (Note 30)	40,080
Additions during the period	27,919
Deletions during the period	-
Depreciation (Notes 6 and 7)	(8,470)
Remeasurement of right-of-use assets	(187)
Foreign exchange difference (net)	5
As at 31 December	<u>59,347</u>

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

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For the period from 20 April to 31 December 2023

13 LEASES (continued)

13.1 Group as lessee (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<i>2023</i> <i>SAR'000</i>
As at 20 April	-
Transfer on reorganisation (Note 30)	44,613
Additions during the period	26,472
Accretion of interest (Note 9)	1,239
Remeasurement of lease liabilities	(187)
Payments during the period	(9,030)
Foreign exchange difference (net)	(9)
As at 31 December	<u>63,098</u>
	<i>2023</i> <i>SAR'000</i>
Current	30,574
Non-current	32,524
	<u>63,098</u>

The maturity analysis of lease liabilities is disclosed in Note 24. The following are the amounts recognised in consolidated statement of comprehensive income:

	<i>2023</i> <i>SAR'000</i>
Depreciation expense of right-of-use assets – direct costs (Note 6)	1,615
Depreciation expense of right-of-use assets – general and administrative expenses (Note 7)	6,855
Interest expense on lease liabilities (Note 9)	1,239
Other expenses related to leases – general and administrative expenses (Note 7)	28,468
Other expenses related to leases – direct costs (Note 6)	15,638
Total amount recognised in consolidated statement of comprehensive income	<u>53,815</u>

During the period, the Group had total cash outflows for leases, excluding short-term and low value leases, of SAR 9,030 thousand and non-cash additions to right-of-use assets and lease liabilities amounted to SAR 27,919 thousand and SAR 26,472 thousand respectively.

14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has the following investments in associates and joint ventures on the consolidated statement of financial position:

	<i>2023</i> <i>SAR'000</i>
Investment in equity accounted joint ventures (14.1)	209,362
Investment in associates (14.2)	991,842
	<u>1,201,204</u>

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

The following are the amounts recognised in the consolidated statement of comprehensive income:

	2023 SAR'000
Share of results in investments in associates and joint ventures (PL)(14a)	28,895
Share of results in investments in associates (OCI) (14.2.1)	1,467
	<u>30,362</u>

14a) Share of results in investments in associates and joint ventures (PL)

	2023 SAR'000
Share of results in investments in joint ventures (14.1)	(7,258)
Share of results in investments in associates (14.2.1)	36,153
	<u>28,895</u>

14.1) Investments in Joint Ventures:

The Group has the following investment in equity accounted joint venture:

	2023 SAR'000
MBC Game Studio (a)	209,362
O3 Turkey (b)	-
	<u>209,362</u>

The movement in the investment in joint ventures during the period is as follows:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	114,390
Additional investment during the period*	102,230
Share of results**	(7,258)
At 31 December	<u>209,362</u>

* The additional investment is fully covered by virtue of government funding. Accordingly, deferred revenues (Note 22) include an equivalent balance in this regard as at the period-end date.

** As per Note 5, the share of results has been reimbursed by the Intermediate Parent Company.

(a) MBC Initiatives LLC, a fully owned subsidiary, jointly controls MBC Game Studio with another shareholder whereby it owns 70% and the other shareholder owns 30%. Previously, the Subsidiary accounted for its investment in the Game Studio as a joint operation under the provision of *IFRS 11 – Joint Arrangements* which requires that each shareholder records their respective shares in asset, liabilities, revenues, and expenses. MBC Game Studio “Game Studio”. As of 30 June 2022, the investment in the Game Studio was accounted for as an investment in a joint operation as it jointly controls the Game Studio with the other shareholder. The value of the investment as of that date amounted to Nil. Subsequent to 30 June 2022, the investment was reclassified to a joint venture and accounted for under the equity method. As of 31 December 2023, the carrying value of the investment in Game Studio amounted to SAR 209,362 thousand.

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

14.1) Investment in Joint Ventures (continued):

The following table illustrates the summarised financial information at the reporting date of the Group's investment in MBC Game Studio:

<i>Statement of financial position</i>	<i>2023</i> <i>SAR'000</i>
Current assets	56,177
Non-current assets	280,768
Current liabilities	(37,791)
Non-current liabilities	(65)
Equity	299,089
Group's share in net assets at 70%	<u>209,362</u>
 <i>Statement of comprehensive income</i>	 <i>2023</i> <i>SAR'000</i>
Revenue	-
Direct costs	(2,446)
General and administrative expenses	(7,923)
Total comprehensive loss for the period	(10,369)
Group's share of results at 70%	<u>(7,258)</u>

- (b) O3 Turkey Medya Produksiyon Hizmetleri Ticaret A.S ("O3 Turkey") is a 51% owned joint venture between the Group and two individuals, Onur Guvenatam and Saner Ayar. The joint venture commenced on 27 February 2014 and is governed by the joint venture and shareholder agreement between the parties and is registered under the Istanbul Turkey Registry in Istanbul, Turkey. As of 31 December 2023, the carrying value of the investment in O3 Turkey amounted to SAR Nil.

14.2) Investments in Associates:

The Group's investment in associates as of 31 December is as follows:

	<i>2023</i> <i>SAR'000</i>
Wego (a)	16,512
Tapmad (b)	14,127
ACSC (c)	961,203
As at 31 December	<u>991,842</u>

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

14.2 The movement in the investments in associates during the period is as follows:

	<i>Period ended 31 December 2023</i>			<i>Total SAR'000</i>
	<i>Wego SAR'000</i>	<i>Tapmad SAR'000</i>	<i>ACSC SAR'000</i>	
As at 20 April	-	-	-	-
Transfer on reorganisation (Note 30)	15,885	13,519	924,818	954,222
Share of results (Note 14.2.1)	627	608	36,385	37,620
As at 31 December	16,512	14,127	961,203	991,842

14.2.1) Share of results in investment in associates is presented as follows in the consolidated statement of comprehensive income:

	<i>2023 SAR'000</i>
Share of results in investment in associates, net (PL)	36,153
Share of results in investment in associates, net (OCI)	1,467
	37,620

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

14.2 Investments in Associates (continued):

a) Wego

Wego PTE LTD (“Wego”), is a Company incorporated and domiciled in Singapore. Wego’s principal activities are to carry on business of providing information on travel products by the use of the travel search engine. MBC owns 10% as per the shareholder agreement.

Based on the evaluation of terms of investment, the Group has significant influence over the investee and has recorded its investment in Wego as an equity accounted associate.

b) Tapmad

Tapmad Holdings PTE LTD (“Tapmad”) was incorporated in the Republic of Singapore on 8 October 2018. The principal activity of the Company is to provide Over the Top (OTT) and Subscription Videos on Demand (SVOD) services in Pakistan.

Effective 17 October 2021, MBC increased its ownership from 25.08% to 29.76% with a consideration payable amounting to SAR 7,500 thousand. As part of the agreement, MBC has an option to purchase an extra 10% of the total issued shares (Note 23). Furthermore, the agreement gives the Group an additional right to increase their shareholding in Tapmad to 51% or more. This option is treated as a derivative financial instrument (Note 23) as at 31 December 2023.

c) ACSC

Effective August 2020, the Group acquired a 5% stake in Arabian Contracting Services Company (“ACSC”), which is a joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010048419. The main activity of ACSC is advertising. The consideration paid was SAR 46,081 thousand. Furthermore, the Group had an option to increase its shareholding percentage to 20% within a certain timeframe (Note 23). Based on the evaluation of terms of investment, the Group assessed that it had significant influence over the investee and has recorded its investment in ACSC as an equity accounted associate.

On 11 November 2021, ACSC listed its shares on Tadawul, the Saudi Stock Exchange. The Group did not sell any of its shares and still held its 5% ownership at the time of ACSC’s listing. As of 31 December 2021, the Group held 5% shareholding in ACSC and reassessed its terms of the investment and concluded that it still has significant influence over ACSC.

On 10 October 2022, the Group exercised its call option and acquired an additional 15% shareholding in ACSC thereby increasing the total shareholding to 20%. The exercise price of SAR 497,250 thousand which has been paid was based on the terms agreed between the Group and Engineer Holding Group (“the other shareholder”) in their agreement entered into in August 2020. At the date of the transaction, the market value of the additional shares acquired amounted to SAR 829,500 thousand. The call option to acquire an additional 15% interest in ACSC, which was valued at SAR 337,500 thousand as at 31 December 2021 (Note 23), was reclassified into investment in associates upon exercise of the call option. Consequently, an amount of SAR 5,250 thousand was recognised as a loss on exercise of the call option in the consolidated statement of comprehensive income during the year ended 31 December 2022.

The acquisition of the additional 15% in ACSC was financed by a shareholder loan amounting to SAR 497,250 thousand. The loan is interest-free and is repayable on demand with 12 month-notice period.

As at 31 December 2023, the fair value of Group’s interest in ACSC was SAR 2,410,000 thousand based on the quoted market price available on the stock exchange which is a level 1 input in terms of IFRS 13.

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

14.2 Investments in Associates (continued):

The following table illustrates the summarised financial information for the year 2023 of the Group's investment in ACSC:

Statement of financial position

	2023 SAR'000
Current assets	1,576,947
Non-current assets	2,968,427
Current liabilities	(1,131,543)
Non-current liabilities	(2,297,117)
Equity	1,116,713
Group's share in net assets at 20%	223,343

Statement of comprehensive income

	2023 SAR'000
Revenue	1,279,861
Direct costs	(681,689)
General and administrative expenses (including zakat)	(170,189)
Finance costs	(114,366)
Other income, net	7,566
Loss from discontinued operations	(2,213)
Other comprehensive income	(5,206)
Total comprehensive income for the year	313,763
Group's share of results at 20% for the period	36,385

14.3 Investment in financial asset at fair value through profit or loss (FVTPL)

Investment in Anghami

Anghami is a limited liability company incorporated in the Cayman Islands on 14 February 2012. Anghami's principal activities consist of facilitating a platform for music and video streaming, entertainment, social, through mobile, web, computer, applications and other supported programs and related media. As at 31 December 2021, MBC's shareholding was 18.15%.

On 4 February 2022, Anghami listed its shares on NASDAQ, New York. The Group reassessed its influence in Anghami based on the listing particulars and concluded that the investment in Anghami shall be treated as an investment at fair value through profit and loss (FVTPL). The fair value of the investment in Anghami as at 31 December 2023 and loss on the FVTPL is as below:

	2023 SAR'000
Carrying value of investment as at 20 April	-
Transfer on reorganisation (Note 30)	13,709
Additional investment during the period	3,064
Unrealised loss due to change in fair value	(882)
Fair value of investment as at 31 December	15,891

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15 INVENTORIES

	2023 SAR'000
Acquired programmes	1,104,952
Developed programmes	8,173
	<u>1,113,125</u>
Production work-in-progress	1,477,201
	<u>2,590,326</u>

Acquired and developed programmes are net of accumulated programme amortisation and write-offs.

Programme amortisation and write-offs recognised in the consolidated statement of comprehensive income for the period ended 31 December 2023 amounted to SAR 637,947 thousand and are included within 'Direct costs' (Note 6).

16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	2023 SAR'000
Trade receivables* (Note 4.2)	790,502
Contract assets (Note 4.2)	528,118
Less: allowance for expected credit loss (Note 16.1)	<u>(211,892)</u>
	1,106,728
Advance for programme rights	465,536
Deposits**	15,998
Advance to suppliers	54,985
Prepaid expenses	27,344
Staff receivables	8,000
Other receivables***	1,054,727
	<u>2,733,318</u>

* Included in the trade receivables balance is the amount due from ARA International Productions Company LLC amounting to SAR 79,556 thousand in relation to Al Thakafya Channel.

** The deposit amounts are net of allowance for expected credit loss amounting to SAR 65 thousand. During the period, a reversal of allowance was made amounting to SAR 76 thousand.

*** Included in Other receivables is balance receivable from the Ultimate Controlling Party of SAR 71,625 thousand representing remaining balance of compensation for loss of business granted in 2018. The compensation to be received, which has been estimated at SAR 187,500 thousand was recognised in 2018 within the Group's consolidated statement of comprehensive income. During 2023, SAR Nil of this compensation was received. The compensation has been recognised up to the amount that management is reasonably certain will be received. The Group expects to receive the remaining amount within 12 months from the consolidated statement of financial position date.

In addition to the above, other receivables include a balance of SAR 763,750 thousand with respect to the proposed share capital increase. Please refer to Note 19.2 for further details in this regard.

16.1 Movements in allowance for expected credit loss are as follows:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	190,663
Allowance made during the period, net (Note 7)	21,156
Transfer from Saudi Sports Channel	16
Reclassification	57
As at 31 December	<u>211,892</u>

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16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (continued)

The typical credit period on trade receivables is 60 to 90 days. No interest is charged on the overdue trade receivables. The Group does not hold any collateral over these balances.

As of 31 December 2023, SAR 178,885 thousand and SAR 33,007 thousand was recognised as allowance for expected credit losses on trade receivables and contract assets, respectively.

See Note 24 on credit risk of trade receivables reflecting how the Group manages and measures quality of trade receivables that are neither past due nor impaired. In determining the recoverability of a trade receivable, the Group considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that there is no further credit allowance required in excess of the provision for expected credit loss.

17 RELATED PARTY TRANSACTIONS, BALANCES AND LOAN

Related parties represent the shareholders, directors and key management personnels of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of transactions with these related parties are approved by the shareholders and the Group's management.

a) *Balances with related parties included in the consolidated statement of financial position are as follows:*

Due from related parties:

	2023 SAR'000
<i>Shareholder</i>	
Intermediate Parent Company [Note 5]	32,475
<i>Companies under common control</i>	
MBC Group Holdings Ltd	168,077
ARA International Productions Company LLC	52,874
Middle East News FZ LLC	28,044
Al Sadaf for Sonic Visual Production	3,037
Al Arabiya Media Network Company	1,571
<i>Joint ventures and associates</i>	
O3 Turkey Medya Produksiyon, Turkey	11,907
O Three Media Production Co.	2,850
O2 Production	13
<i>Others</i>	
MBC International FZ LLC	48,369
Saudi Media Advertising Company	84,356
At 31 December	<u>433,573</u>

Outstanding balances at the period-end are unsecured, interest free and settlement generally occurs in cash and arise in the normal course of business. The balances with related parties are net of a cumulative allowance for impairment of SAR 15,595 thousand. During the period, the Group has recorded a reversal of SAR 399 thousand in the consolidated statement of comprehensive income. Further, the Group has written off allowance for impairments amounting to SAR 5,063 thousand and has reclassified an allowance of SAR 56 thousand to allowance for trade receivables. In addition, there is an outstanding SAR 71,625 thousand due from a related party as itemised in Note 16.

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17 RELATED PARTY TRANSACTIONS, BALANCES AND LOAN (continued)

b) Balances with related parties included in the consolidated statement of financial position are as follows:

Due to related parties:

	2023 SAR'000
<i>Shareholder</i>	
Waleed Bin Ibrahim Al Brahim	13,766
<i>Companies under common control</i>	
Al Arabiya News Channel FZ LLC	8,494
Middle East News UK Limited	79
Others	8
<i>Joint ventures and associates</i>	
MBC Game Studio Limited KSA	23,059
Arabian Contracting Services Company (ACSC)	2,289
At 31 December	<u>47,695</u>

c) Significant material transactions with related parties included in the consolidated statement of comprehensive income as follows:

	2023 SAR'000
<i>Ultimate Controlling Party</i>	
Other operating revenues (Note 5)	65,625
Other income (Note 8)	54,375
<i>Intermediate Parent Company</i>	
Other operating revenues (Note 5)	303,865
<i>Entities under common control</i>	
Expenses recharged to related parties (Note 7) *	49,210
Rental income (Note 8)	4,363
Cost of news programmes (Note 6)	938
Direct costs	39,515
Revenue from contracts with customers	12,158
Purchases	90,700
<i>Others</i>	
Revenue from contracts with customers	15,660

*Expenses recharged to related parties are on cost basis without margin. These recharges are settled within 30-60 days of billing and are interest-free.

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17 RELATED PARTY TRANSACTIONS, BALANCES AND LOAN (continued)

d) Compensation to directors and key management personnel

The remuneration of directors and key management personnels during the period were as follows:

	2023 SAR'000
Salaries and short-term benefits	34,160
Employees' end of service benefits	717
	<u>34,877</u>

e) Loan from a related party

Loan from a related party represents loan availed by Group's subsidiaries from MBC Group Holdings Limited, a related party, amounting to SAR 64,167 thousand and it is interest- free, unsecured with no fixed repayment date.

f) Loan from a shareholder

Loan from shareholder of SAR 497,250 thousand as of 31 December 2023 which was received to finance the acquisition of the additional 15% on ACSC, is interest-free and is repayable on demand with 12 month-notice period.

18 BANK BALANCES AND CASH

	2023 SAR'000
Cash on hand	1,931
Bank balances:	
Current accounts	798,222
Short-term treasury bills*	27,533
Bank balances and cash	827,686
Less: Expected credit losses (Note 18.1)	(883)
	<u>826,803</u>

*Short-term treasury bills represent original cost and accrued interest till the date of consolidated financial statements and has maturity of less than 90 days.

18.1 Movements in the expected credit losses were as follows:

	2023 SAR'000
As at 20 April 2023	-
Transfer on reorganisation (Note 30)	1,601
Reversal of allowance for expected credit losses, net (Note 7)	(717)
Foreign exchange differences (net)	(1)
As at 31 December	<u>883</u>

19 SHARE CAPITAL

As discussed in Note 1, the Company was incorporated on 20 April 2023 with a share capital of SAR 500 thousand.

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19 SHARE CAPITAL (continued)

<i>Authorised shares</i>	<i>2023</i> <i>SAR'000</i>
332,500 thousand ordinary shares of SAR 10 each	<u>3,325,000</u>
<i>Ordinary shares issued and fully paid</i>	<i>2023</i> <i>SAR'000</i>
299,250 thousand ordinary shares of SAR 10 each*	<u>2,992,500</u>

The Intermediate Parent Company of the Company is Al Istedamah Holding Company, an entity incorporated in the Kingdom of Saudi Arabia. The Ultimate Controlling Party is the Ministry of Finance, Government of the Kingdom of Saudi Arabia.

* The fully paid-up ordinary shares include 50 thousand shares issued at the time of incorporation of the Company and 299,200 thousand shares issued subsequently during the period by virtue of additional shareholders' contribution as disclosed below (Note 19.1).

19.1 Additional shareholders' contribution

Based on the effect of reorganisation (Note 1), the entire equity attributable to the Parent Company, net of the issued share capital of the Company prior to reorganisation amounted to SAR 2,992,672 thousand. This balance was treated as additional shareholders' contribution under revised equity structure of the Company at reorganisation.

During the period, the aforementioned additional shareholders' contribution was utilised for the acquisition as a part of reorganisation under common control amounting to SAR 2,992,000 thousand as disclosed in this Note above. The remainder balance of SAR 672 thousand was transferred to retained earnings.

19.2 Proposed share capital increase

Pursuant to the resolution passed by the shareholders of the Company in the extraordinary general assembly meeting held on 12 November 2023, the total authorised share capital was increased from SAR 2,992,000 thousand, comprising of 299,250 thousand ordinary shares of SAR 10 each, to SAR 3,322,500 thousand, comprising of 332,250 thousand shares of SAR 10 each.

On 21 November 2023, the Company received approval from the CMA to float additional 33,250 thousand shares on Tadawul i.e. 10% of the total authorised share capital post increase as mentioned above. These shares were offered at SAR 25 per share upon completion of the book building process on 12 December 2023 resulting to total proceeds of SAR 831,250 thousand. The net proceeds after deducting the transaction costs, related to financial institutions' advisory and underwriting charges, of SAR 67,500 thousand amounted to SAR 763,750 thousand.

The net proceeds were received subsequent to the year ended 31 December 2023. Consequently, the balance of SAR 763,750 thousand has been disclosed as "proposed share capital increase" under equity as of 31 December 2023. The related receivable balance of SAR 763,750 thousand has been disclosed as other receivable under Note 16. Upon receipt of the net proceeds, the balance of proposed share capital increase will be transferred to share capital and share premium in the following proportion:

	<i>SAR'000</i>
Share capital (33,250 thousand shares at SAR 10 per share)	332,500
Share premium	431,250

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19 SHARE CAPITAL (continued)

The table below shows the ownership structure of the Company before and after issuance of the shares through IPO on Tadawul:

Shareholder	Pre-IPO			Post-IPO		
	No. of Shares ('000)	Ownership (%)	Par Value (SAR'000)	No. of Shares ('000)	Ownership (%)	Par Value (SAR'000)
Al Istedamah Holding Company	179,550	60%	10	179,550	54%	10
Waleed Bin Ibrahim Al Brahim	119,700	40%	10	119,700	36%	10
Public	-	-	-	33,250	10%	10
	299,250	100%		332,500	100%	

20 NON-CONTROLLING INTERESTS

The non-controlling interests represent minority ownership shares of 49% and 40% in Wanasah FZ LLC and MBC Media Solutions FZ-LLC (a subsidiary of MBC Media Services BVI), respectively. MBC Media Services BVI ("MMS BVI") and its subsidiary, MBC Media Solutions FZ-LLC ("MMS UAE"), were both incorporated during the year ended 31 December 2021.

Further, in accordance with the shareholders' agreement between MMS BVI and the minority shareholder, MMS BVI has a call option to acquire all of the non-controlling interest in MMS UAE. MMS BVI is able to exercise the call option at the following dates:

- a) At any time following the third anniversary of the date of the incorporation of MMS UAE.
- b) At any time after the date of the incorporation of MMS UAE if:
 - The Group, or any of its affiliates, submits an official application for an IPO to the competent capital market authority or stock exchange in the jurisdiction in which the IPO is intended to take place;
 - The minority shareholder (including any of its permitted transferees) ceases to hold (in aggregate) at least 30% of the share capital in ACSC by way of selling or otherwise disposing of its shares in ACSC to any other person other than the Group or the minority shareholder's affiliates;
 - The number of directors appointed to the board of directors of ACSC on the nomination of the minority shareholder becomes less than 5.

The transfer price of the option shall be an amount equal to the minority shareholder's pro-rata share (which, for these purposes, shall include any shares held by any permitted transferee) in MMS UAE's EBIT for the last four quarters preceding the date on which the call option is exercised, multiplied by six (6).

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20 NON-CONTROLLING INTERESTS (continued)

As of 31 December 2023, the fair value of the call option is assessed to be SAR 16 thousand (Note 23).

Summarised financial information of the entities that have non-controlling interests is set out below. The financial information below represents amounts before intragroup eliminations:

	2023 SAR'000
Revenue	519,911
Direct costs	(447,171)
Gross profit	72,740
General and administrative expenses	(82,390)
Operating loss	(9,650)
Other income	1,251
Finance income – net	2,534
Loss before tax	(5,865)
Income tax and zakat	2,211
Loss for the period	(3,654)
Other comprehensive income	(281)
Total comprehensive loss for the period	(3,935)
Loss attributable to owners of the Group	(2,189)
Loss attributable to the non-controlling interests	(1,465)
Loss for the period	(3,654)
Total comprehensive loss attributable to owners of the Group	(2,320)
Total comprehensive loss attributable to the non-controlling interests	(1,615)
Total comprehensive loss for the period	(3,935)

Below is the break-up of the total comprehensive income for non-controlling interests:

	<i>For the period ended 2023</i>		
	Wanasah FZ LLC SAR'000	MBC Media Solutions FZ LLC SAR'000	Total SAR'000
Revenue	953	518,958	519,911
Direct costs	(389)	(446,782)	(447,171)
Gross profit	564	72,176	72,740
General and administrative expenses	(819)	(81,571)	(82,390)
Operating loss	(255)	(9,395)	(9,650)
Other (expense) / income	(133)	1,384	1,251
Finance income – net	-	2,534	2,534
Loss before tax	(388)	(5,477)	(5,865)
Income tax and zakat	-	2,211	2,211
Loss for the period	(388)	(3,266)	(3,654)
Other comprehensive loss	-	(281)	(281)
Total comprehensive loss for the period	(388)	(3,547)	(3,935)
Loss attributable to owners of the Group	(198)	(1,991)	(2,189)
Loss attributable to the non-controlling interests	(190)	(1,275)	(1,465)
Loss for the period	(388)	(3,266)	(3,654)
Total comprehensive loss attributable to owners of the Group	(198)	(2,122)	(2,320)
Total comprehensive loss attributable to the non-controlling interests	(190)	(1,425)	(1,615)
Total comprehensive loss for the period	(388)	(3,547)	(3,935)

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For the period from 20 April to 31 December 2023

20 NON-CONTROLLING INTERESTS (continued)

Summarised financial information of the entities that have non-controlling interests is set out below. The financial information below represents amounts before intragroup eliminations:

	2023 SAR'000
Assets	
Property and equipment	4,736
Employees' end of service benefits plan assets	271
Deferred tax asset	1,397
Right-of-use assets	2,639
Due from related parties	89,456
Derivative financial instruments	16
Trade receivables, prepayments and other assets	504,572
Bank balances and cash	140,429
Liabilities	
Lease liabilities	(2,732)
Employees' end of service benefits liability	(6,793)
Deferred tax liability	(9)
Loan from a related party	(24,750)
Due to related parties	(405,081)
Trade and other payables	(263,772)
Equity	40,379
Equity attributable to the owners of the Company	28,743
Equity attributable to the non-controlling interests	11,636

Below is the movement in the non-controlling interests during the period ended 31 December 2023:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	13,251
Share of total comprehensive loss for the period	(1,615)
As at 31 December	11,636

Below is the break-up of the statement of financial position for non-controlling interests:

	<i>As at 31 December 2023</i>		
	Wanasah FZ LLC SAR'000	MBC Media Solutions FZ LLC SAR'000	Total SAR'000
Assets			
Property and equipment	3	4,733	4,736
Employees' end of service benefits plan assets	271	-	271
Deferred tax asset	-	1,397	1,397
Right-of-use assets	-	2,639	2,639
Due from related parties	7	89,449	89,456
Derivative financial instruments	-	16	16
Trade receivables, prepayments and other assets	642	503,930	504,572
Bank balances and cash	192	140,237	140,429
Liabilities			
Lease liabilities	-	(2,732)	(2,732)
Employees' end of service benefits liability	(191)	(6,602)	(6,793)
Deferred tax liability	-	(9)	(9)
Loan from a related party	(24,750)	-	(24,750)
Due to related parties	(3,807)	(401,274)	(405,081)
Trade and other payables	455	(264,227)	(263,772)
Equity	(27,178)	67,557	40,379

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21 EMPLOYEES' END OF SERVICE BENEFITS

The movements of the employees' end of service benefits liability recognised in the consolidated statement of financial position are as follows:

	<i>2023</i> <i>SAR'000</i>
DBO as at 20 April	-
Transfer on reorganisation (Note 30)	163,822
Current service cost	15,857
Interest costs	(3,022)
Remeasurement actuarial gain	(1,531)
Accrual of benefit plan asset interest	2,911
Transferred from related parties	276
Payments during the period	(19,803)
DBO as at 31 December*	158,510

Details of employees' benefit expense as presented on the consolidated statement of profit or loss and comprehensive income is as follows:

	<i>2023</i> <i>SAR'000</i>
Current service cost	15,857
Interest cost	(3,022)
Recognised in profit or loss	12,835
Remeasurement actuarial gain	1,531
Recognised in other comprehensive income	1,531

The significant assumptions used in determining defined benefits liabilities are shown below:

	<i>2023</i>
Average discount rate – KSA	4.8%
Average discount rate – UAE	4.85%
Salary increase	3%

Sensitivity analysis

The table below shows the change in employee benefits liability based on a reasonable possible change in the base assumption value for discount and increment rates:

	<i>Change</i> <i>(bps)</i>	<i>2023</i> <i>SAR'000</i>
Discount rate	1%	(12,960)
	(1)%	15,064
Salary increase	1%	15,762
	(1)%	(13,762)

*The Group has set aside assets in a plan specifically for the purpose of funding employees' end of service benefits obligations. Contributions to the plan are upon the discretion of the Group. The plan is deemed a saving fund. The interest received in the plan is accrued as part of the provision of employee's end of service indemnity payable.

Equiom, the plan's trustee, has placed the contribution with Barclays Bank, a financial institution in the United Kingdom.

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21 EMPLOYEES' END OF SERVICE BENEFITS (continued)

During the period, the plan asset has earned interest amounting to SAR 2,911 thousand. The average interest rate is 5.26% per annum.

The movement of the plan assets is as follows:

	2023 SAR'000
As at 20 April	-
Transfer on reorganisation (Note 30)	105,032
Interest earned during the period	2,911
As at 31 December	<u>107,943</u>

The fair value of plan assets is as follows:

	2023 SAR'000
Bank balances and cash	<u>107,943</u>

22 TRADE AND OTHER PAYABLES

	2023 SAR'000
Trade payables	312,831
Deferred revenue (Note 5)	1,908,701
Accrued expenses	688,146
Contract liabilities (Note 4.2)	396,671
Provision for income tax and zakat (Note 10)	8,873
Other payables	34,928
	<u>3,350,150</u>

23 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2023, the Group has call options which meet the definition of derivative financial instruments under *IFRS 9 – Financial Instruments* and which are measured at fair value in accordance with *IFRS 13– Fair Value Measurement*.

The Group also has call options relating to commercial marketing agreements. Those options are deemed insignificant to the Group and are valued at SAR Nil as of 31 December 2023. Further, below are the call options with their fair value as of 31 December.

	2023 SAR'000
ACSC Option (a)	-
Tapmad Option (b)	6,012
MMS UAE Option (c)	16
	<u>6,028</u>

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23 DERIVATIVE FINANCIAL INSTRUMENTS

(a) ACSC Option

In August 2020, the Group entered into a shareholders' agreement to acquire a 5% stake in ACSC (Note 14). As part of the agreement, the Group had an option to purchase an extra 15% of the total issued shares. The option expires on 1 July 2024. The option became exercisable from 1 January 2021. Further, on 10 October 2022, the Group and Engineer Holding Group ("the other shareholder") has exercised the Group's call option.

The Group has engaged a valuation specialist to estimate the value of the call option. The call option was deemed to be a derivative instrument that is required to be measured at FVTPL in accordance with *IFRS 13 - Fair Value Measurement*. The derivative financial instrument was categorised within Level 2 of the fair value hierarchy.

The valuation methodology used to determine the fair value of the option was the Monte Carlo simulation model. Based on the model, the ACSC Option was valued and recognised at SAR 337,500 thousand as of 31 December 2021. On 10 October 2022, the Group exercised its call option and acquired an additional 15% shareholding on ACSC. Consequently, the SAR 337,500 thousand fair value of the call option was revalued at the date of exercise giving a loss of SAR 5,250 thousand and was reclassified to investment in associate [Note 14.2 (c)].

(b) Tapmad Option

In October 2021, the Group entered into a shareholders' agreement to acquire a further stake in Tapmad shares (Note 14). As part of the agreement, the Group has an option to purchase an extra 10% of the total issued shares. Furthermore, the agreement gives the Group an additional right to increase their shareholding in Tapmad to 51% or more.

Further, the Group has engaged a valuation specialist to estimate the value of the call option as of 31 December 2021. The call option was deemed to be a derivative instrument that is required to be measured at FVTPL in accordance with *IFRS 13 - Fair Value Measurement*. The derivative financial instrument is categorised within Level 3 of the fair value hierarchy.

The valuation methodology used to determine the fair value of the option was the Binomial Option Pricing model. Based on the model, the Tapmad Option was valued and recognised at SAR 6,012 thousand as of 31 December 2023. Accordingly, during the period, an unrealised gain on the option amounting to SAR 5,102 thousand was recognised in the consolidated statement of comprehensive income. The Group will continue to reassess the value of the call option at each reporting date.

(c) MMS UAE Option

In accordance with the shareholders' agreement between MMS BVI, a fully owned subsidiary, and Engineer Holding Group ("the other shareholder"), MMS BVI has a call option to acquire all of the non-controlling interest in MMS UAE. In 2021, Engineer Holding Group transferred its ownership on MMS UAE to Saudi Media Advertising Company (SMAC), a company incorporated in the Kingdom of Saudi Arabia.

The Group has engaged a valuation specialist to estimate the value of the call option. The call option was deemed to be a derivative instrument that is required to be measured at FVTPL in accordance with *IFRS 13 - Fair Value Measurement*.

The fair value of the call option was determined based on the Black-Scholes Option Pricing Model. One of the key inputs to the option pricing model is the current fair value of the equity of MMS UAE which is subject to significant management judgements and estimates), such as the nature and logistics of MMS UAE's business along with its incorporation date. The fair value of the equity of MMS UAE is based on a market participant's viewpoint.

Based on the model and the consideration of the operations and contracts in place, the MMS UAE Option was assessed to have a value of SAR 16 thousand as of 31 December 2023. Accordingly, during the period, an unrealised loss on MMS UAE Option amounting to SAR 2,141 thousand was recognised in the consolidated statement of comprehensive income. The Group will continue to reassess the value of the call option at each reporting date.

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24 RISK MANAGEMENT

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The management provides guidelines covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date, the Group is exposed to interest rate risk as the Group invests cash funds at both fixed and floating interest rates and incurs variable finance charges for its finance lease liability. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate deposits.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate assets, the analysis is prepared assuming the amount of the asset outstanding at the reporting date was outstanding for the whole period. A 50-basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. This includes the Group's short-term deposits and lease liabilities.

If interest rates had been 50-basis points higher/lower and all other variables were held constant, the Group's profit for the period ended 31 December 2023 would increase/decrease by SAR 192 thousand. This is mainly attributable to the Group's exposure to interest rates on its finance lease liability.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to credit risk on its bank balances, trade receivables, accrued revenue and due from related parties. The Group seeks to limit its credit risk with respect to bank balances by dealing only with reputable banks and with respect to trade receivable by monitoring outstanding receivables.

With respect to credit risk arising from the other financial assets of the Group, including bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management and the Group maintains an allowance for doubtful debts based on expected collectability of all receivables.

Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position:

	2023
	SAR'000
Trade and other receivables (excluding advances to suppliers, advance for programme rights, and prepaid expenses) (Note 16)	2,185,453
Due from related parties (Note 17)	433,573
Derivative financial instruments (Note 23)	6,028
Bank balances and cash (Note 18)	826,803
	3,451,857

Trade receivables and contract assets

Credit risk is managed through the Group's policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

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24 RISK MANAGEMENT (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2023

	<i>Trade receivables and contract assets</i>						<i>Total</i> <i>SAR'000</i>
	<i>Contract</i> <i>assets</i> <i>SAR'000</i>	<i>Current</i> <i>SAR'000</i>	<i><30 days</i> <i>SAR'000</i>	<i>Days past due</i>			
				<i>31-60</i> <i>days</i> <i>SAR'000</i>	<i>61-90</i> <i>days</i> <i>SAR'000</i>	<i>>90 days</i> <i>SAR'000</i>	
Expected credit loss rate	6.25%	0.31%	0.63%	2.10%	1.07%	63.30%	16.0692%
Estimated total gross carrying amount at default	528,118	364,983	108,138	19,856	18,765	278,760	1,318,620
Expected credit loss	33,007	1,131	681	417	201	176,455	211,892

Due from related parties

Amounts due from related parties are not considered to represent significant credit risk because these amounts are due from the companies owned by the ultimate parent company and therefore do not carry any significant risks of default. The shareholder has resolved to bear losses, if any, that arises on recoverability of the amounts due from related parties. As of reporting date, an amount of SAR 15,595 thousand was provision for impairment against due from related parties.

Bank balances and short-term deposits

Bank balances and short-term deposits are placed with financial institutions whose credit ratings, as assigned by reputable external credit rating agencies, are of a higher grade. These balances are callable on demand and there has been no history of defaults. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks and counterparties with high credit ratings and no history of default. Considering these factors, management has assessed the credit risk on bank balances and has recognised an allowance for expected credit losses of SAR 883 thousand as of 31 December (Note 18).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2023, based on contractual payment dates and current market interest rates.

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For the period from 20 April to 31 December 2023

24 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2023

	<i>1 to 12 months SAR'000</i>	<i>>1 year SAR'000</i>	<i>Total SAR'000</i>
Lease liabilities	17,679	54,419	72,098
Due to related parties	47,695	-	47,695
Trade and other payables (excluding, provision for income tax and deferred revenue)	1,035,905	-	1,035,905
Loan from a shareholder	497,250	-	497,250
Borrowings	187,500	-	187,500
Loan from a related party	-	64,167	64,167
Total	1,786,029	118,586	1,904,615

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>Assets 2023 SAR'000</i>	<i>Liabilities 2023 SAR'000</i>
Sterling pound	(582)	1,997
Egyptian pound	52,589	15,170
Euro	6,262	8,135
Kuwaiti Dinar	1,548	(69)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase in the SAR against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where the SAR increases against the relevant currency. For a 10% weakening of the SAR against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	<i>2023 SAR'000</i>
Sterling pound	258
Egyptian pound	(3,742)
Euro	187
Kuwaiti Dinar	(162)

This is mainly attributable to the exposure to outstanding trade payables, trade receivables, bank balances, and amounts due from/to related parties at the period-end.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2022. The capital structure of the Group consists of equity comprising share capital, proposed share capital increase, retained earnings and foreign currency translation reserve measured at SAR 3,779,232 thousand as at 31 December 2023.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, derivative financial instruments, trade and other receivables and due from related parties. Financial liabilities consist of trade and other payables, excluding provision for income tax, borrowings, lease liabilities, and due to related parties. Except for the Investment at FVPL and derivative financial instruments explained below, the financial assets and liabilities are recorded at their carrying amounts which are within reasonable approximation of their fair values. The derivatives financial instruments are categorised within Levels 2 and 3 of the fair value hierarchy (Note 23).

The Group has call options for some of its investments in its subsidiaries and associates whose fair value are estimated using valuation techniques including the Black-Scholes Option Pricing Model, Monte Carlo simulation model and the Binomial Option Pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The Group limits its risk regularly reassessing a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). The Group included the renewal period as part of the lease term for leases of plant and equipment with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and equipment with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimations and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Allowance for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 24.

Impairment of amounts due from related parties

An estimate of the collectible amount of due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates. At the reporting date, SAR 15,595 thousand was impaired to the carrying amount of due from related parties.

Classification of inventories

Considering the nature of inventories, which mainly consists of acquired and developed programmes, Group believes that these inventories are expected to be realised or intended to be sold or consumed within the Group's normal operating cycle which is beyond 12 months after the end of the reporting period and hence classified as current.

Impairment of inventories

Inventories, which are mainly cost of acquired and developed programmes, are stated at cost less accumulated amortisation and accumulated impairment, if any. Factors influencing the amortisation and impairment include the length of the licence period of the programme and likelihood of the programme being aired.

Based on the above factors, management ensures that the programmes acquired and developed are relevant for transmission or airing requirement and appropriate allowances for slow moving and obsolete inventories are recorded against the cost for those programmes whose licence has expired. Revisions to the allowance for slow moving and obsolete inventories would be required if the outcome of these indicative factors differ from the estimates. Programme amortisation and write-offs recognised in the consolidated statement of comprehensive income for the period ended 31 December 2023 amounted to SAR 637,947 thousand and are included within 'Direct costs'. (Note 6).

Amortisation of programme inventories

Management has considered the likely period of benefits to be derived from broadcasting programme inventories. Based on past experience, management considers substantially all related benefits from broadcasting an acquired programme right are consumed based on the transmission of the show/series, irrespective of the length of time the broadcasting right has left to run.

The Group also holds inventory of programmes for which it has comprehensive exploitation rights that are typically not limited in time. The programmes are either produced in-house, commissioned from other production houses, or acquired "ready-made" from other parties. The group derives commercial benefit by selling transmission licenses that are limited in terms of time and number of runs to third parties. Based on past experience, management believes that substantially all benefits from the sale (licensing) of programmes are realised within three years from first availability, and a significant majority of those benefits are realised during the first two years of that period.

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26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

The cost of programmes is amortised based on an internal agreed percentage for each category and when the related content is broadcasted and aired to public. Shahid content inventory is amortised on an accelerated basis which is the lesser of six years or the license period.

Interactivity revenue

Interactivity revenue represents income from the use of interactive services and is recognised based on interactive transaction volumes from internal reports, adjusted for estimated uncertainties based on management's prior experience of differences arising between internal estimates and final reconciliation of external service provider data. Based on management's best estimate of the volume of interactive transactions likely to be confirmed and paid by the third-party service providers, management is satisfied that the recognition of the interactivity revenue is appropriate.

Revenue recognition - Estimating variable consideration for volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of advertising with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group applied the statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. As at 31 December 2023, the amount recognised as refund liabilities classified as part of accrued expenses for the expected volume rebates was SAR 87,987 thousand.

Useful lives of property and equipment and intangible assets

The Group's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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For the period from 20 April to 31 December 2023

26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value using valuation techniques including simulation and pricing models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Determination of significant influence in an associate-Wego

The Group concluded that it has significant influence over Wego (less than 20% shareholding). The shareholder agreement grants the Group voting rights on the board of directors. In addition, the Group concluded that some of the reserved matters are substantive in nature and, accordingly, the Group has significant influence on relevant activities of Wego.

Determination of control over the Game Studio

The Group concluded that it has joint control over investment in MBC Game Studio where the Group holds 70% of the voting rights. The Group has assessed, based on the contractual agreement with the other shareholder, that the contractual agreement includes significant matters. Some of the significant matters give substantive rights to the other shareholder. Therefore, the Group has concluded that it jointly controls the investee with the other shareholder and hence accounted for it under the requirements of IFRS 11.

Determination of the accounting treatment of other operating revenues

Whenever there is any funding from the Government, the Group performs an assessment under IAS 20 – Government Grants whether the fundings received by the Group from the Government, through an Intermediate Parent Company, was in the capacity of a shareholder or Government, as the Group is ultimately owned by the Government. If the funding or reimbursement is provided to the Group by the Government in the capacity of the Government as part of governmental funding initiatives, the Group recognises the fundings as other operating revenues within the consolidated statement of comprehensive income. However, if the funding or reimbursement is provided to the Group in the capacity of a shareholder then the same is recognised within the consolidated statement of changes in equity as contribution from shareholders. Details of the various funding recognized in the profit or loss statement are described in Note 5 *Other operating revenues*.

Determination of control over MBC Media Solutions FZ-LLC (“MMS UAE”)

Though the Group has 60% equity interest in MMS UAE, through a wholly owned subsidiary, it is required to assess whether or not the Group has control over MMS UAE, in accordance with IFRS 10 – Consolidated Financial Statements, as the minority shareholder has certain voting rights including the ability to vote on the approval of the entity's annual budget. After considering all facts and circumstances and the judgment placed in determining whether the approval rights over budgets are substantive or not, the Group has concluded that the budget approval rights held by the minority shareholder are considered protective in nature rather than substantive and hence the Group has control over MMS UAE. Accordingly, the Group has consolidated MMS UAE within these consolidated financial statements. As required by IFRS 10, the Group will reassess the accounting whenever there are any changes in the facts and circumstances.

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26 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Determination of the fair value of the call option over MBC Media Solutions FZ-LLC (“MMS UAE”)

Through a wholly owned subsidiary, the Group has a call option over the non-controlling interest representing 40% ownership of MMS UAE. Incorporated in the valuation methodology referenced to in Note 23, the Group has applied certain judgements and assumptions for the call option pricing. Those include judgements and assumptions over the probability of renewing the sale of airtime contract between MBC FZ LLC and MMS UAE and the volatility on the forecasted results used in the valuation model. Based on those above, the Group concluded that, as of 31 December 2023, the call option was valued at SAR 16 thousand. The Group will continue to reassess the valuation whenever there are any changes in the facts and circumstances and at each reporting period.

Going concern

The Group management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

27 COMMITMENTS AND CONTINGENCIES

At the reporting date, the Group has minimum spend contractual commitments as follows:

	<i>2023</i> <i>SAR’000</i>
Less than one year	889,832
Between two and five years	114,583
More than five years	31,634
Total commitments	<u>1,036,049</u>

The above commitments include programmes agreements where the Group is committed to acquire the programme inventory for the life of the respective programme.

As of 31 December 2023, in addition to the above commitments, the outstanding bank guarantees issued on behalf of the certain Group entities amounted to SAR 8,656 thousand.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

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28 BORROWINGS

During the year ended 31 December 2022, one of the subsidiaries of the Company before the re-organization entered into an agreement (“Original Facility Agreement”) with respect to the short-term uncommitted revolving facility for the purpose of financing the working capital requirements in accordance with the terms stipulated therein. The Original Facility Agreement was valid for 12 months from the date of the agreement, which is renewable annually for the same period.

The Original Facility Agreement was renewed during the period ended 31 December 2023. The maximum entitlement under the renewed facility agreement amounted to SAR 375,000 thousand (USD 100,000 thousand), which carries a variable interest at 1.25% + Secured Overnight Financing Rate (“SOFR”) on the date of drawdown. As at 31 December 2023, a balance of SAR 187,500 thousand was outstanding in this regard.

29 EARNING PER SHARE

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023
	SAR'000
Profit for the period attributable to ordinary equity holders of the parent*	19,020
<u>Weighted average number of shares:</u>	
Weighted average number of ordinary shares outstanding for the period, for basic EPS	108,744
Impact of dilution due to proposed share capital increase (Note 19.2)	33,250
Weighted average number of ordinary shares adjusted for the effect of dilution, for diluted EPS	<u>141,994</u>
	2023
	SAR
Basic EPS	<u>0.17</u>
Diluted EPS	<u>0.13</u>

* The profit for the period attributable to ordinary equity holders of the parent is same for basic and diluted EPS.

30 TRANSFER ON REORGANISATION

a. Assets and liabilities transferred

As explained in Note 1 of these consolidated financial statements, the reorganisation was completed on 22 June 2023 during which the legal ownership of all the Group entities was transferred to the new holding company. With the effect of such transfer, following assets and liabilities of all the subsidiaries were transferred to the Group and hence consolidated from that date onwards.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

30 TRANSFER ON REORGANISATION (continued)

a. Assets and liabilities transferred (continued)

As a result, the notes for all the relevant account balances include a line item as a part of the movement during the period ended 31 December 2023 as “transfer on reorganisation”. This essentially represents the balance of the relevant account balance of each of the Group subsidiaries as at 22 June 2023.

	<i>22 June 2023 (Unaudited) SAR'000</i>
ASSETS	
Property and equipment	97,871
Intangible assets	52,002
Right-of-use assets	40,080
Investments in associates and joint ventures	1,068,612
Investment in financial asset through profit or loss	13,709
Employees' end of service benefits plan assets	105,032
Deferred tax assets	273
Other non-current assets	20
Inventories	2,790,771
Trade receivables, prepayments and other assets	1,842,108
Due from related parties	384,464
Bank balances and cash	798,116
Derivative financial instruments	3,067
TOTAL ASSETS	7,196,125
LIABILITIES	
Lease liabilities	44,613
Employees' end of service benefits	163,822
Loan from a related party	64,167
Deferred tax liability	16
Trade and other payables	3,193,647
Due to related parties	19,936
Loan from a shareholder	497,250
Borrowing	206,251
TOTAL LIABILITIES	4,189,702
EQUITY	
Share capital	500
Capital Contribution	2,992,672
Non-Controlling interests	13,251
TOTAL EQUITY	3,006,423
TOTAL LIABILITIES AND EQUITY	7,196,125

b. Additional financial information in the event of retrospective financial reporting

In an event of adopting retrospective financial reporting under the principle of ‘substance over form’ as explained in Note 1, that the reorganisation is in substance a combination of the existing Group entities as if the Company had always owned the existing Group entities, the consolidated statement of comprehensive income and consolidated statement of financial position as at 31 December 2023 and 2022 of the Group would have been presented as disclosed on the next page.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

30 TRANSFER ON REORGANISATION (continued)

b. Additional financial information in the event of retrospective financial reporting (continued)

Consolidated statement of comprehensive income:

	2023 SAR'000	2022 SAR'000
Revenue from contracts with customers	2,800,027	2,353,711
Other operating revenues	903,876	1,135,023
Direct costs	<u>(2,782,638)</u>	<u>(2,847,598)</u>
Gross profit	921,265	641,136
General and administrative expenses	<u>(1,008,578)</u>	<u>(815,196)</u>
Operating loss	(87,313)	(174,060)
Other income	120,665	203,159
Finance (costs)/income - net	(7,572)	2,359
Share of results in associates and joint ventures	51,214	14,187
Unrealised (loss)/gain on investment in financial asset at fair value through profit or loss (FVTPL)	(5,862)	10,771
Gain/(Loss) on derivative financial instruments	<u>3,229</u>	<u>(1,326)</u>
Profit before tax	74,361	55,090
Income tax and zakat	<u>(5,073)</u>	<u>(7,224)</u>
Profit for the year	<u>69,288</u>	<u>47,866</u>
Attributable to:		
Equity holders of the parent	65,286	34,974
Non-controlling interests	<u>4,002</u>	<u>12,892</u>
	<u>69,288</u>	<u>47,866</u>
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translating foreign operations, net	(1,082)	(4,536)
Share of other comprehensive income of associates, net	30	780
<i>Other comprehensive income that may not be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Remeasurement (loss)/gain on defined benefits plans	(799)	35,452
Other comprehensive income for the year	<u>(1,851)</u>	<u>31,696</u>
Total comprehensive income for the year	<u>67,437</u>	<u>79,562</u>
Attributable to:		
Equity holders of the parent	64,107	67,864
Non-controlling interests	<u>3,330</u>	<u>11,698</u>
	<u>67,437</u>	<u>79,562</u>

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

30 TRANSFER ON REORGANISATION (continued)

b. Additional financial information in the event of retrospective financial reporting (continued)

Consolidated statement of financial position:

	2023 SAR'000	2022 SAR'000
ASSETS		
Non-current assets		
Property and equipment	116,275	105,482
Intangible assets	67,121	40,668
Right-of-use assets	59,347	36,285
Investments in associates and joint ventures	1,201,204	979,693
Investment in financial asset at fair value through profit or loss (FVTPL)	15,891	18,689
Employees' end of service benefits plan assets	107,943	102,518
Deferred tax assets	1,397	189
Other non-current assets	21	20
	<u>1,569,199</u>	<u>1,283,544</u>
Current assets		
Inventories	2,590,326	2,567,955
Trade receivables, prepayments and other assets	2,733,318	1,497,827
Due from related parties	433,573	307,564
Bank balances and cash	826,803	689,404
Derivative financial instruments	6,028	2,799
	<u>6,590,048</u>	<u>5,065,549</u>
TOTAL ASSETS	<u><u>8,159,247</u></u>	<u><u>6,349,093</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	2,992,500	-
Proposed share capital increase	763,750	-
Retained earnings	22,357	2,912,330
Legal reserve	-	78
Foreign currency translation reserve	625	(9,066)
Combined capital	-	10,064
Discretionary reserve	-	511
Other reserve	-	38,386
Equity attributable to equity holders of the parent	<u>3,779,232</u>	<u>2,952,303</u>
Non-controlling interests	11,636	8,306
Total equity	<u>3,790,868</u>	<u>2,960,609</u>
Non-current liabilities		
Lease liabilities	32,524	39,655
Employees' end of service benefits	158,510	149,371
Loan from a related party	64,167	64,167
Deferred tax liability	9	22
	<u>255,210</u>	<u>253,215</u>
Current liabilities		
Lease liabilities	30,574	9,445
Trade and other payables	3,350,150	2,574,520
Due to related parties	47,695	54,054
Loan from a shareholder	497,250	497,250
Borrowing	187,500	-
	<u>4,113,169</u>	<u>3,135,269</u>
Total liabilities	<u>4,368,379</u>	<u>3,388,484</u>
TOTAL EQUITY AND LIABILITIES	<u><u>8,159,247</u></u>	<u><u>6,349,093</u></u>

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

30 TRANSFER ON REORGANISATION (continued)

b. Additional financial information in the event of retrospective financial reporting (continued)

The revenue from contracts with customers for the year ended 31 December 2023 is presented below:

	2023 SAR'000	2022 SAR'000
Advertising revenue (i)	1,250,662	1,339,380
Digital revenue	709,225	502,888
Broadcast and technical services revenue (ii)	284,680	146,516
Distribution revenue	107,797	103,487
Interactivity revenue	84,535	70,809
Programme revenue	66,486	45,296
Event management revenue	27,584	82,024
Barter revenue	26,219	6,700
Artists management revenue	3,675	1,673
Other revenues (iii)	239,164	54,938
	<u>2,800,027</u>	<u>2,353,711</u>

(i) *Advertising revenue*

Advertising revenue is presented net of volume rebates amounting to SAR 85,441 thousand (2022: SAR 80,434 thousand).

(ii) *Broadcast and technical services revenue*

Broadcast and technical services revenue represent mainly the Group's revenue from providing broadcast and technical services for the Saudi Sports Channels, owned by Saudi Sports Company (SSC) Al Thakafya Channel, owned by the Ministry of Culture (MOC).

(a) *Revenue from SSC channels*

The term of the Group's agreement with SSC is for three years, commencing on 15/07/2022 and expiring on 14/07/2025. The contract covers three sports seasons which run from August to May. The Group recognizes revenue based on services provided for each season according to the pricing terms of the agreement. Where a contract pricing for a season is being finalized, the Group's revenue is limited to the cost incurred.

Revenue recognized from SSC for the year ended 31 December 2023 amounted to SAR 206,299 thousand (2022: SAR 146,516 thousand)

(b) *Revenue from Al Thakafya Channel*

During 2023, the Group recognized an amount of SAR 75,111 thousand (2022: Nil) for services provided to Al Thakafya Channel which equals costs while contract terms are being finalized.

In addition to the above, the Group also recognized revenue of SAR 3,270 thousand for broadcast services to Takhayal on its Shahid platform.

(iii) *Other revenues*

Other revenues mainly represent the Group's revenue earned from production and events management services provided to General Entertainment Authority (GEA) and Neom for various projects during the year. Revenues are recognized based on services provided for the period and as per contract terms with the parties. In addition, commission income earned from providing advertising services on behalf of SSC and Tiktok are included herein.

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

30 TRANSFER ON REORGANISATION (continued)

b. Additional financial information in the event of retrospective financial reporting (continued)

Results of operating segments for the year ended 31 December 2023 are presented below:

	<i>Broadcasting and Other Commercial Activities</i>	<i>Shahid</i>	<i>M&E Initiatives</i>	<i>Total</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Revenue from contract with customers	1,859,231	836,034	104,762	2,800,027
Other operating revenues	144,139	-	759,737	903,876
Total revenue	2,003,370	836,034	864,499	3,703,903
Operating costs*	(1,788,010)	(1,102,401)	(848,991)	(3,739,402)
Other income	121,286	(1,273)	652	120,665
Share of results in associates and joint ventures (net)	62,937	-	(11,723)	51,214
Loss on financial assets and derivative instruments (net)	(2,633)	-	-	(2,633)
Finance income/(costs) – net	(7,866)	-	294	(7,572)
Depreciation and amortisation	(39,056)	(11,558)	(1,200)	(51,814)
Segment results before income tax	350,028	(279,198)	3,531	74,361

Results of operating segments for the year ended 31 December 2022 are presented below:

	<i>Broadcasting and Other Commercial Activities</i>	<i>Shahid</i>	<i>M&E Initiatives</i>	<i>Total</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Revenue from contract with customers	1,707,571	552,268	93,872	2,353,711
Other operating revenues	232,800	-	902,223	1,135,023
Total revenue	1,940,371	552,268	996,095	3,488,734
Operating costs*	(1,695,846)	(933,218)	(979,336)	(3,608,400)
Other income	201,180	1,292	686	203,158
Share of results in associates and joint ventures (net)	24,270	-	(10,083)	14,187
Loss on financial assets and derivative instruments (net)	10,771	-	-	10,771
Finance income/(costs) – net	2,492	-	(132)	2,360
Depreciation and amortisation	(45,747)	(9,067)	(906)	(55,720)
Segment results before income tax	437,491	(388,725)	6,324	55,090

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries

Notes to the Consolidated Financial Statements

For the period from 20 April to 31 December 2023

30 TRANSFER ON REORGANISATION (continued)

b. Additional financial information in the event of retrospective financial reporting (continued)

*Operating costs include direct costs and General and administrative expenses except for depreciation of fixed assets and amortization of intangible assets which are presented as separate line items

<i>(a) Broadcasting and Other commercial activities</i>	Primarily includes advertising and other broadcasting-related ancillary activities
<i>(b) Shahid</i>	Represents the results of operations of the Group's OTT platform
<i>(c) M&E Initiatives</i>	Includes revenues from funding linked to M&E Initiatives across various verticals (channel operations in selected markets, content production, gaming and academy)

31 SUBSEQUENT EVENTS

Group's IPO on 8 January 2024

As described in Notes 1 and 19.1, on 21 November 2023, the Company announced its intention to float 10% of the authorised share capital of the Company on the Saudi Stock Exchange Market ("Tadawul") in KSA through an IPO, pursuant to the resolution passed by the shareholders of the Company. The trading of shares on Tadawul's main market officially commenced on 8 January 2024 under symbol 4072 and ISIN Code SA15U0CHVK19. The net proceeds of the offering, after deducting transactions related to financial institutions' advisory and underwriting charges amounted to SAR 763,750 thousand.

EGP devaluation on 6 March 2023

On 6 March 2024 the Central Bank of Egypt announced its decision to allow the Egyptian Pounds (EGP) to freely float without intervention from the state. Following the announcement, the pound began floating shortly lost more than 60% of its value against the dollar. The Group assessed that devaluation of the EGP as a non-adjusting subsequent event and hence do not impact the Group's net position as of report.