

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

Interim Condensed Consolidated Financial Statements
For the three-months period ended 31 March 2024 (Unaudited)

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MBC GROUP (A SAUDI LISTED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of MBC Group (“the Company”) and its subsidiaries (collectively referred to as “the Group”) as at 31 March 2024, and the related interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the three-months period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

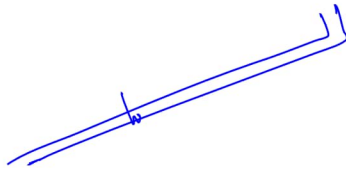
Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services



Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)



Riyadh: 17 May 2024
9 Thul-Qi'dah 1445H

MBC Group (A Listed Joint Stock Company) And Its Subsidiaries
Interim Condensed Consolidated Statement of Comprehensive Income
For the three-months period ended 31 March 2024

	<i>Notes</i>	<i>Three-months period ended 31 March 2024 (Unaudited) SAR'000</i>
Revenue from contracts with customers	4	1,087,241
Other operating revenues	5	148,512
Direct costs	6	<u>(890,843)</u>
Gross profit		344,910
General and administrative expenses	7	<u>(280,596)</u>
Operating profit		64,314
Other income	8	20,771
Finance income – net	9	8,131
Share of results in associates and joint venture	14a	15,044
Unrealised gain on investment in financial asset at fair value through profit or loss (FVTPL)	14.3	<u>14,210</u>
Profit before tax		122,470
Income tax	10	<u>(1,188)</u>
Profit for the period		121,282
Attributable to:		
Equity holders of the parent		109,502
Non-controlling interests		<u>11,780</u>
		<u>121,282</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		(5,477)
<i>Other comprehensive income that may not be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Remeasurement actuarial loss on defined benefits obligations	20	<u>(1,843)</u>
Other comprehensive loss for the period		(7,320)
Total comprehensive income for the period		113,962
Attributable to:		
Equity holders of the parent		104,397
Non-controlling interests		<u>9,565</u>
		<u>113,962</u>
Earnings per share (“EPS”):		
Basic and diluted, attributable to ordinary equity holders of the parent (SAR)	25	<u>0.33</u>



Chairman



CEO



CFO

The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

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

Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2024

	Notes	31 March 2024 (Unaudited) SAR'000	31 December 2023 (Audited) SAR'000
ASSETS			
Non-current assets			
Property and equipment	11	132,060	116,275
Intangible assets	12	72,097	67,121
Right-of-use assets	13	52,575	59,347
Investments in associates and joint venture	14	1,216,248	1,201,204
Investment in financial asset at fair value through profit or loss (FVTPL)	14.3	30,101	15,891
Employees' end of service benefits plan assets	20	109,424	107,943
Deferred tax assets		1,511	1,397
Other non-current assets		20	21
		1,614,036	1,569,199
Current assets			
Inventories	15	2,642,423	2,590,326
Trade receivables, prepayments and other assets	16	2,169,407	2,733,318
Due from related parties	17	580,960	433,573
Bank balances and cash	18	1,277,863	826,803
Derivative financial instruments	22	6,028	6,028
		6,676,681	6,590,048
TOTAL ASSETS		8,290,717	8,159,247
EQUITY AND LIABILITIES			
Equity			
Share capital	19	3,325,000	2,992,500
Share premium	19.2	431,250	-
Proposed share capital increase	19.2	-	763,750
Retained earnings		130,016	22,357
Foreign currency translation reserve		(2,637)	625
Equity attributable to equity holders of the parent		3,883,629	3,779,232
Non-controlling interests		922	11,636
Total equity		3,884,551	3,790,868
Non-current liabilities			
Lease liabilities	13	27,215	32,524
Employees' end of service benefits	20	159,651	158,510
Loan from a related party	17	64,167	64,167
Deferred tax liability		6	9
		251,039	255,210
Current liabilities			
Lease liabilities	13	21,592	30,574
Trade and other payables	21	3,599,371	3,350,150
Due to related parties	17	36,914	47,695
Loan from a shareholder	17	497,250	497,250
Borrowings	24	-	187,500
		4,155,127	4,113,169
Total liabilities		4,406,166	4,368,379
TOTAL EQUITY AND LIABILITIES		8,290,717	8,159,247


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The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

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

Interim Condensed Consolidated Statement of Cash Flows

For the three-months period ended 31 March 2024

	<i>Notes</i>	<i>Three-months period ended 31 March 2024 (Unaudited) SAR'000</i>
OPERATING ACTIVITIES		
Profit before tax		122,470
Adjustments for:		
Depreciation on property and equipment	6.7	10,112
Depreciation on right-of-use assets	13	7,588
Allowance for expected credit loss, net	7	6,718
Amortisation of intangible assets	7	3,004
Share of results in associates and joint venture	14	(15,044)
Unrealised gain on investment in financial asset at fair value through profit or loss (FVTPL)	14.3	(14,210)
Provision for employees' end of service benefits	20	8,630
Finance income – net	9	(8,131)
		<u>121,137</u>
Working capital changes:		
Inventories		(52,097)
Trade receivables, prepayments and other assets		557,528
Due from related parties		(148,373)
Trade and other payables		227,656
Due to related parties		(10,782)
		<u>695,069</u>
Employees' end of service benefits paid	20	(8,747)
Interest received		8,769
Net cash flows generated from operating activities		<u>695,091</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	11	(26,314)
Proceeds from sale of property and equipment		147
Purchase of intangible assets	12	(7,980)
Net cash flows used in investing activities		<u>(34,147)</u>
FINANCING ACTIVITIES		
Repayment of principal lease liability	13	(15,753)
Repayment of borrowings		(187,500)
Net cash flows used in financing activities		<u>(203,253)</u>
NET INCREASE IN BANK BALANCES AND CASH		457,691
Net foreign exchange difference		(7,084)
Bank balances and cash at beginning of the year		827,686
BANK BALANCES AND CASH AT THE END OF THE PERIOD	18	<u><u>1,278,293</u></u>


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

Interim Condensed Consolidated Statement of Changes in Equity

For the three-months period ended 31 March 2024

	Attributable to equity holders of the Parent						Non-controlling interests (NCI)	Total Equity
	Share capital SAR'000	Share premium SAR'000	Proposed share capital increase SAR'000	Foreign currency translation reserve SAR'000	Retained earnings SAR'000	Total SAR'000	SAR'000	SAR'000
1 January 2024 (audited)	2,992,500	-	763,750	625	22,357	3,779,232	11,636	3,790,868
Transfer from proposed share capital increase to share capital and share premium (Note 19.2) (unaudited)	332,500	431,250	(763,750)	-	-	-	-	-
Total comprehensive income for the period:								
- Profit for the period (unaudited)	-	-	-	-	109,502	109,502	11,780	121,282
- Other comprehensive income (unaudited)	-	-	-	(3,262)	(1,843)	(5,105)	(2,215)	(7,320)
Dividends*	-	-	-	(3,262)	107,659	104,397	9,565	113,962
Balance at 31 March 2024 (unaudited)	3,325,000	431,250	-	(2,637)	130,016	3,883,629	922	3,884,551

* This pertains to the dividend declared by MMS BVI to the parent and the owners of non-controlling interests.



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The attached notes 1 to 27 form part of these interim condensed consolidated financial statements.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

1 CORPORATE INFORMATION

MBC Group (A listed 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 interim condensed consolidated 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.

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.

These interim condensed 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 2024</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%
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%

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

1 CORPORATE INFORMATION (continued)

<i>Name of entity</i>	<i>Principal activities</i>	<i>Legal and beneficial ownership interest 2024</i>
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 Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

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 2024</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 2024</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%

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

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 2024</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 2024</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 2024</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 interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors of the Company on 15 May 2024 (corresponding to 7 Dhu'l-Qi'da 1445H).

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three-months ended 31 March 2024 have been prepared in accordance International Accounting Standard (IAS) 34, “Interim Financial Reporting”, that is endorsed in the Kingdom of Saudi Arabia (“KSA”), and other standards and pronouncements announced by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The results for the interim periods are unaudited and include all adjustments necessary for a fair presentation of the results for the periods presented. This condensed consolidated interim financial report should be read in conjunction with the annual consolidated financial statements and related notes for the year December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom, and other standards and pronouncements issued by SOCPA.

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, no comparative figures in respect of the statements of comprehensive income and cash flows were presented. Note 27 to the interim condensed 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 interim condensed consolidated financial statements are prepared under the historical cost convention and have been presented in Saudi Riyal (SAR).

2.2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries as at 31 March 2024. 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 interim condensed 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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

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 2024 (unless otherwise stated). The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1
- Lease liability in sale and leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The adoption of the above amendments and improvements had no significant impact on the interim condensed 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 interim condensed consolidated 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 IAS 21 - Lack of Exchangeability (effective for annual reporting periods beginning on or after 1 January 2025)

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

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.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

3 OPERATING SEGMENTS (continued)

Segment	Operations
<ul style="list-style-type: none">• Broadcasting and other commercial Activities	<p>TV, radio, and social media and ancillary activities</p> <p>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.</p> <p>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.</p>
<ul style="list-style-type: none">• Shahid	<p>Video streaming on the Shahid platform</p> <p>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.</p>
<ul style="list-style-type: none">• Media & Entertainment Initiatives ("M&E Initiatives")	<p>Media and Entertainment</p> <p>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.</p> <p>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.</p>

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

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 interim condensed interim condensed 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 three-months period ended 31 March 2024 (unaudited)

	<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	771,997	298,185	17,059	1,087,241
Other operating revenues	2,887	-	145,625	148,512
Total revenue	774,884	298,185	162,684	1,235,753
Operating costs*	(698,863)	(301,678)	(157,782)	(1,158,323)
Other income	20,634	104	33	20,771
Share of results in associates and joint venture (net)	18,944	-	(3,900)	15,044
Unrealised gain on investment in financial asset at fair value through profit or loss (FVTPL)	14,210	-	-	14,210
Finance income – net	6,618	-	1,513	8,131
Depreciation and amortisation (Notes 6 and 7)	(9,697)	(3,086)	(333)	(13,116)
Segment results before income tax	126,730	(6,475)	2,215	122,470

*Operating costs include Direct costs and General and administrative expenses except for depreciation of property and equipment 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 March 2024 (unaudited)

	<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	587,199	740,412	1,314,812	2,642,423
Property and equipment	97,292	31,895	2,873	132,060
Investments in associates and joint venture	1,216,248	-	-	1,216,248
Investment in financial asset at fair value through profit or loss (FVTPL)	30,101	-	-	30,101
Total	1,930,840	772,307	1,317,685	4,020,832

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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.

	2024 (unaudited) SAR'000
Revenue from contracts with customers:	
GCC*	923,236
Egypt	75,679
Others**	88,326
Total	1,087,241

* 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

	2024 (unaudited) SAR'000
Advertising revenue (i)	497,958
Digital revenue (ii)	216,130
Broadcast and technical services revenue (iii)	143,072
Distribution revenue	29,401
Interactivity revenue	14,969
Event management revenue	13,392
Programme revenue	9,968
Barter revenue	3,750
Artists management revenue	25
Other revenues	158,576
	1,087,241

(i) Advertising revenue

Advertising revenue is presented net of volume rebates amounting to SAR 37,960 thousand.

(ii) Digital revenue

Digital revenue mainly represents the subscription fees earned from the Group's digital platform, Shahid.

(iii) 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).

Revenue recognized from SSC for the period amounted to SAR 31,946 thousand.

During the period ended 31 March 2024, the Group recognized an amount of SAR 98,962 thousand for services provided to Al Thakafya Channel.

In addition to the above, the Group also recognized revenue of SAR 12,254 thousand with respect to other projects.

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4 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

4.1 Disaggregated revenue information

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

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
<i>Timing of revenue recognition</i>	
Services provided over a period of time	1,063,881
Services transferred at a point in time	23,360
	<u>1,087,241</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 interim condensed 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.

During the period, the Group has assessed (in accordance with the accounting judgment for the other operating revenues in note 23) the following as government grants and accordingly they have been recognised as other operating revenues related to the following initiatives:

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
TV channels initiatives and MBC Academy initiatives (a)	118,171
Production related initiatives (a)	23,555
Gaming initiative (b)	3,899
Relocation cost (c)	2,887
	<u>148,512</u>

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 other government related projects, the vast majority of the related costs are included within 'Direct costs' (Note 6).
- (b) On gaming initiative, the related costs are adjusted against the 'Share of results in associates and joint venture'.
- (c) 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.

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5 OTHER OPERATING REVENUES (continued)

Below is the reconciliation of other operating revenues with the deferred revenues (Note 21) and due from related parties (Note 17):

2024:

	<i>TV channels initiatives and MBC Academy initiatives SAR'000</i>	<i>Production related initiatives SAR'000</i>	<i>Gaming initiative SAR'000</i>	<i>Riyadh head office capital expenditure SAR'000</i>	<i>Relocation cost SAR'000</i>	<i>Total SAR'000</i>
As at 1 January 2024:						
<i>Due from the Intermediate Parent Company</i>	24,921	-	-	-	7,554	32,475
<i>Deferred revenue</i>	(19,151)	(1,427,220)	(223,495)	(180,750)	(58,085)	(1,908,701)
Add: Income recognised during the period (Note 5)	118,171	23,555	3,899	-	2,887	148,512
Add: Income netted off against related expense (Note 7)	-	-	-	-	20,194	20,194
As at 31 March 2024 (unaudited):						
<i>Due from the Intermediate Parent Company (Note 17a)</i>	<u>134,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,554</u>	<u>141,802</u>
<i>Deferred revenue (Note 21)</i>	<u>(10,307)</u>	<u>(1,403,665)*</u>	<u>(219,596)</u>	<u>(180,750)</u>	<u>(35,004)</u>	<u>(1,849,322)</u>

* The deferred amount corresponds to inventories which remain as work-in-progress (WIP) as of 31 March 2024 amounting to SAR 1,311,868 thousand.

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6 DIRECT COSTS

	2024 (unaudited) SAR'000
Cost of programmes	385,418
Cost of broadcasting and other special projects	246,487
Digital costs	96,824
Marketing costs	55,366
Cost of advertising sales*	19,745
Programme overheads	15,774
Technical costs	13,199
Cost of events management	10,876
Transmission expenses	10,606
Depreciation on property and equipment (Note 11)	6,692
Barter costs	3,750
Interactivity costs	3,177
Distribution costs	1,634
Programme stocks write-off	1,254
Cost of news programmes (Note 17 c)	819
Depreciation on right-of-use assets (Note 13)	808
Other expenses	18,414
	<u>890,843</u>

* Cost of advertising sales represent costs of commercials and costs incurred for the airtime purchased from Al Arabiya News Channel FZ LLC.

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2024 (unaudited) SAR'000
Staff costs **	197,346
Foreign exchange loss, net	33,385
IT equipment and maintenance costs	15,737
Legal and professional fees **	15,342
Building occupancy costs (Note 13) **	9,310
Travel costs	8,218
Allowance for expected credit loss, net (Notes 16, 17, 18)	6,718
Depreciation on property and equipment (Note 11)	3,420
Depreciation on right-of-use assets (Note 13)	2,437
Amortisation of intangible assets (Note 12)	3,004
Recharges to related parties (Note 17c) *	(28,181)
Other expenses	13,860
	<u>280,596</u>

* 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.

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For the three-month period ended 31 March 2024

7 GENERAL AND ADMINISTRATIVE EXPENSES (continued)

** Amounts of SAR 15,503 thousand, SAR 4,683 thousand and SAR 8 thousand relating to staff costs, building occupancy costs and legal and professional costs, respectively, have been reimbursed by the Intermediate Parent Company to the Group during the period (Note 5).

8 OTHER INCOME

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
Compensation for loss of business* (Note 17c)	10,349
Rental income (Note 17 c)	2,366
Other income	8,056
	<u>20,771</u>

*The Group has received compensation for the loss of business in relation to launching and operating a TV channel. As of 31 March 2024, a total amount of SAR 669,039 thousand has been received. During the period, the Group recognised SAR 10,349 thousand.

9 FINANCE COSTS - NET

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
Finance income	10,015
Finance costs*	<u>(1,884)</u>
	<u>8,131</u>

*Includes interest expense on lease liabilities amounting to SAR 638 thousand (Note 13).

10 INCOME TAX

Income tax charged for the period arises as follows:

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
Income tax:	
Current tax	1,301
Deferred tax relief	<u>(113)</u>
	<u>1,188</u>

The breakdown of the provision for income tax and zakat (Note 21) is as follows:

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>	<i>2023</i> <i>(audited)</i> <i>SAR'000</i>
Income tax (current tax)	11,551	7,319
Zakat	<u>2,253</u>	<u>1,554</u>
	<u>13,804</u>	<u>8,873</u>

11 PROPERTY AND EQUIPMENT

During the period, the Group acquired assets with a cost of SAR 26,314 thousand. Assets with a net book value of SAR 147 thousand were disposed by the Group during the period of three-months ended 31 March 2024. The said disposal resulted in no gain or loss in the interim condensed consolidated statement of comprehensive income.

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12 INTANGIBLE ASSETS

During the period, the Group capitalised an amount of SAR 7,980 thousand, mainly 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 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	2024 <i>(unaudited)</i> SAR'000	2023 <i>(audited)</i> SAR'000
As at 1 January/20 April	59,347	-
Transfer on reorganisation	-	40,080
Additions during the period	1,348	27,919
Depreciation (Note 13.1) *	(7,588)	(8,470)
Remeasurement of right-of-use assets	-	(187)
Foreign exchange difference (net)	(532)	5
As at 31 March/31 December	52,575	59,347

13.1 The depreciation on right-of-use assets amounting SAR 7,588 thousand includes SAR 4,343 thousand which has been netted off against the related grant income during the period. The remaining amount of SAR 3,245 has been presented under notes 7 and 6 as follows:

	2024 <i>(unaudited)</i> SAR'000
General and administrative expenses (Note 7)	2,437
Direct costs (Note 6)	808
	3,245

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

	2024 <i>(unaudited)</i> SAR'000	2023 <i>(audited)</i> SAR'000
As at 1 January/20 April	63,098	-
Transfer on reorganisation	-	44,613
Additions during the period	1,348	26,472
Accretion of interest (Note 9)	638	1,239
Remeasurement of lease liabilities	-	(187)
Payments during the period	(15,753)	(9,030)
Foreign exchange difference (net)	(524)	(9)
As at 31 March/31 December	48,807	63,098

	2024 <i>(unaudited)</i> SAR'000	2024 <i>(audited)</i> SAR'000
Current	21,592	30,574
Non-current	27,215	32,524
	48,807	63,098

During the period, the Group had total cash outflows for leases, excluding short-term and low value leases, of SAR 15,753 thousand and non-cash additions to right-of-use assets and lease liabilities amounted to SAR 1,348 thousand.

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

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

	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
Investment in equity accounted joint venture (14.1)	205,463	209,362
Investment in associates (14.2)	1,010,785	991,842
	<u>1,216,248</u>	<u>1,201,204</u>

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

	<i>2024 (unaudited) SAR'000</i>
Share of results in investments in associates and joint venture (PL)(14a)	15,044
Share of results in investments in associates (OCI) (14.2.1)	-
	<u>15,044</u>

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

	<i>2024 (unaudited) SAR'000</i>
Share of results in investments in joint venture (14.1)	(3,899)
Share of results in investments in associates (14.2.1)	18,943
	<u>15,044</u>

14.1) Investments in a joint venture:

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

	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
MBC Game Studio (a)	205,463	209,362
O3 Turkey (b)	-	-
	<u>205,463</u>	<u>209,362</u>

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

	<i>2024 (unaudited) SAR'000</i>
As at 1 January	209,362
Share of results*	(3,899)
At 31 March	<u>205,463</u>

* 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%. As of 31 March 2024, the carrying value of the investment in Game Studio amounted to SAR 205,463 thousand (31 December 2023: SAR 209,362 thousand).

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14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (continued)

14.1 Investment in a joint venture (continued):

- (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 March 2024, the carrying value of the investment in O3 Turkey amounted to SAR Nil (31 December 2023: SAR Nil).

14.2 Investments in associates:

The Group’s investment in associates as of period end reporting date is as follows:

	31 March 2024 (unaudited) SAR’000	31 December 2023 (audited) SAR’000
Wego (a)	16,204	16,512
Tapmad (b)	13,768	14,127
ACSC (c)	980,813	961,203
	<u>1,010,785</u>	<u>991,842</u>

Period ended 31 March 2024 (unaudited)

	Wego SAR’000	Tapmad SAR’000	ACSC SAR’000	Total SAR’000
As at 1 January	16,512	14,127	961,203	991,842
Share of results (Note 14.2.1)	<u>(308)</u>	<u>(359)</u>	<u>19,610</u>	<u>18,943</u>
As at 31 March (unaudited)	<u>16,204</u>	<u>13,768</u>	<u>980,813</u>	<u>1,010,785</u>

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

	2024 (unaudited) SAR’000
Share of results in investment in associates, net (PL)	18,943
Share of results in investment in associates, net (OCI)	<u>-</u>
	<u>18,943</u>

a) ACSC

As at 31 March 2024, the fair value of Group’s interest in ACSC was SAR 2,286,000 thousand (31 December 2023: 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 VENTURE (continued)

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.

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 March 2024 and gain on the FVTPL is as below:

	2024 (unaudited) SAR'000
Carrying value of investment as at 1 January	15,891
Unrealised gain due to change in fair value	14,210
Fair value of investment as at 31 March	30,101

15 INVENTORIES

	31 March 2024 (unaudited) SAR'000	31 December 2023 (audited) SAR'000
Acquired programmes	1,268,192	1,104,952
Developed programmes	6,714	8,173
	1,274,906	1,113,125
Production work-in-progress	1,367,517	1,477,201
	2,642,423	2,590,326

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

Programme amortisation and write-offs recognised in the interim condensed consolidated statement of comprehensive income for the period ended 31 March 2024 amounted to SAR 625,342 thousand and are included within 'Direct costs' (Note 6).

16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	31 March 2024 (unaudited) SAR'000	31 December 2023 (audited) SAR'000
Trade receivables*	1,085,708	790,502
Contract assets	492,753	528,118
Less: allowance for expected credit loss (Note 16.1)	(200,585)	(211,892)
	1,377,876	1,106,728
Advance for programme rights	486,539	465,536
Deposits**	14,148	15,998
Advance to suppliers	59,862	54,985
Prepaid expenses	31,163	27,344
Staff receivables	2,710	8,000
Other receivables***	197,109	1,054,727
	2,169,407	2,733,318

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16 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (continued)

* Included in the contract assets balance is an amount due from ARA International Productions Company LLC amounting to SAR 22,185 thousand (31 December 2023: SAR 79,556 thousand) in relation to Al Thakafya Channel.

** The deposit amounts are net of allowance for expected credit loss amounting to SAR 51 thousand (31 December 2023: SAR 65 thousand). During the period, a reversal of allowance was made amounting to SAR 14 thousand (31 December 2023: SAR 76 thousand).

*** Included in Other receivables is balance receivable from the Ultimate Controlling Party of SAR 71,625 thousand (31 December 2023: 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 the period, 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 interim condensed consolidated statement of financial position date.

In addition to the above, other receivables include a balance of SAR Nil (2023: SAR 763,750 thousand) with respect to the proposed share capital increase. Please refer to Note 19.2 for further details in this regard. The outstanding balance as of 31 December 2023 was settled during the month of January 2024.

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

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
As at 1 January	211,892
Allowance during the period, net (Note 7)	6,468
Transfer	63
Write-off	(17,838)
As at 31 March	200,585

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 March 2024, SAR 166,810 thousand and SAR 33,775 (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.

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.

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17 RELATED PARTY TRANSACTIONS, BALANCES AND LOAN (continued)

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

Due from related parties:

	31 March 2024 (unaudited) SAR'000	31 December 2023 (audited) SAR'000
<i>Shareholder</i>		
Intermediate Parent Company [Note 5]	141,802	32,475
<i>Companies under common control</i>		
MBC Group Holdings Ltd	168,578	168,077
Middle East News FZ LLC	58,505	28,044
ARA International Productions Company LLC	46,673	52,874
Al Sadaf for Sonic Visual Production	7,626	3,037
Al Arabiya Media Network Company	1,691	1,571
Middle East News UK LTD	296	-
<i>Joint ventures and associates</i>		
MBC Game Studio Limited KSA	4,921	-
O Three Media Production Co. KSA	2,850	2,850
O3 Turkey Medya Produksiyon, Turkey	11,907	11,907
<i>Others</i>		
O2 Production	13	13
Saudi Media Advertising Company	87,730	84,356
MBC International FZ LLC	48,368	48,369
At 31 December	<u>580,960</u>	<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 15,577 thousand (31 December 2023: SAR 15,595 thousand). During the period, the Group has recorded a reversal of SAR 18 thousand in the consolidated statement of comprehensive income. Further, the Group has written off allowance for impairments amounting to SAR Nil thousand (31 December 2023: SAR 5,063 thousand) and has reclassified an allowance of SAR Nil (31 December 2023: SAR 56 thousand) to allowance for trade receivables. In addition, there is an outstanding SAR 71,625 thousand (31 December 2023: SAR 71,625 thousand) due from the Ultimate Controlling 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:

	31 March 2024 (unaudited) SAR'000	31 December 2023 (audited) SAR'000
<i>Shareholder</i>		
Waleed Bin Ibrahim Al Brahim	13,766	13,766
<i>Companies under common control</i>		
Al Arabiya News Channel FZ LLC	9,251	8,494
Middle East News UK Limited	-	79
Others	-	8
<i>Joint venture and associates</i>		
MBC Game Studio Limited KSA	-	23,059
Arabian Contracting Services Company (ACSC)	13,854	2,289
MBC Studios MASR For Production SAE (Egypt)	43	-
At 31 December	36,914	47,695

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

	2024 (unaudited) SAR'000
<i>Ultimate Controlling Party</i>	
Other income (Note 8)	10,349
<i>Intermediate Parent Company</i>	
Other operating revenues (Note 5)	148,512
<i>Entities under common control</i>	
Expenses recharged to related parties (Note 7) *	28,181
Rental income (Note 8)	2,366
Cost of news programmes (Note 6)	819
Direct costs	26,113
Revenue from contracts with customers	13,268
Purchases	27,858
<i>Others</i>	
Revenue from contracts with customers	7,025

*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:

	2024 (unaudited) SAR'000
Salaries and short-term benefits	11,862
Employees' end of service benefits	265
	12,127

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 (31 December 2023: SAR 64,167 thousand) and it is interest-free, unsecured with no fixed repayment date.

f) Loan from a shareholder

Loan from shareholder outstanding amounting to SAR 497,250 thousand (31 December 2023: SAR 497,250 thousand) 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

	31 March 2024 (unaudited) SAR'000	31 December 2023 (audited) SAR'000
Cash on hand	1,087	1,931
Bank balances:		
Current accounts	489,179	798,222
Short-term treasury bills*	788,027	27,533
Bank balances and cash	1,278,293	827,686
Less: Expected credit losses (Note 18.1)	(430)	(883)
	1,277,863	826,803

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

18.1 Movements in the expected credit losses were as follows:

	2024 (unaudited) SAR'000
As at 1 January	883
Allowance for expected credit losses, net (Note 7)	282
Foreign exchange differences (net)	(735)
As at 31 March	430

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For the three-month period ended 31 March 2024

19 SHARE CAPITAL

<i>Authorised shares</i>	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
332,500 thousand ordinary shares of SAR 10 each	3,325,000	3,325,000
<i>Ordinary shares issued and fully paid</i>	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
332,500 (2023: 299,250) thousand ordinary shares of SAR 10 each*	3,325,000	2,992,500

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, 299,200 thousand shares issued during the year ended 31 December 2023 (Note 19.1) and 33,250 thousand shares, issued through the initial public offering (IPO) on 1 January, 2024 (Note 19.2).

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.

The aforementioned additional shareholders' contribution was utilised during the year ended 31 December 2023 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 Initial Public Offering (IPO)

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.

On 1 January 2024, upon receipt of the net proceeds, the balance of proposed share capital increase has been 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 EMPLOYEES’ END OF SERVICE BENEFITS

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

	<i>31 March 2024 (unaudited) SAR’000</i>	<i>31 December 2023 (audited) SAR’000</i>
Balance as at 1 January/ 20 April	158,510	-
Transfer on reorganisation	-	163,822
Current service cost	8,608	15,857
Interest costs/(income)	22	(3,022)
Remeasurement actuarial loss/(gain)	1,843	(1,531)
Accrual of benefit plan asset interest	1,481	2,911
Transferred from related parties	(1,004)	276
Payments during the period	(8,747)	(19,803)
Foreign exchange differences	(1,062)	-
Balance as at 31 March/ 31 December	159,651	158,510

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

	<i>31 March 2024 (unaudited) SAR’000</i>
Current service cost	8,608
Interest cost	22
Recognised in profit or loss	8,630
Remeasurement actuarial gain	1,843
Recognised in other comprehensive income	1,843

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

	<i>2024</i>
Average discount rate – KSA	4.8%
Average discount rate – UAE	4.85%
Salary increase	3%

During the period, the plan asset has earned interest amounting to SAR 1,481 thousand. The average interest rate is 5.68% per annum.

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For the three-month period ended 31 March 2024

20 EMPLOYEES' END OF SERVICE BENEFITS (continued)

The movement of the plan assets is as follows:

	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
Balance as at 1 January/20 April	107,943	-
Transfer on reorganisation	-	105,032
Interest earned during the period	1,481	2,911
As at 31 March/31 December	<u>109,424</u>	<u>107,943</u>

The fair value of plan assets is as follows:

	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
Bank balances and cash	<u>109,424</u>	<u>107,943</u>

21 TRADE AND OTHER PAYABLES

	<i>31 March 2024 (unaudited) SAR'000</i>	<i>31 December 2023 (audited) SAR'000</i>
Trade payables	497,632	312,831
Deferred revenue (Note 5)	1,849,322	1,908,701
Accrued expenses	771,959	688,146
Contract liabilities	378,602	396,671
Provision for income tax and zakat (Note 10)	13,804	8,873
Dividend payable	20,279	-
Other payables	67,773	34,928
	<u>3,599,371</u>	<u>3,350,150</u>

22 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 March 2024, 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 March 2024 (31 December 2023: SAR Nil).

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.

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Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

23 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgements, estimates and assumptions

The critical judgements and estimates used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2023.

24 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 March 2024, a balance of SAR Nil (31 December 2023: SAR 187,500 thousand) was outstanding in this regard.

25 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:

	<i>2024</i> <i>(unaudited)</i> <i>SAR'000</i>
Profit for the period attributable to ordinary equity holders of the parent*	109,502
<u>Weighted average number of shares:</u>	
Weighted average number of ordinary shares outstanding for the period, for basic EPS	332,500
Impact of dilution due to proposed share capital increase**	<u>-</u>
Weighted average number of ordinary shares adjusted for the effect of dilution, for diluted EPS	<u>332,500</u>
* The profit for the period attributable to ordinary equity holders of the parent is same for basic and diluted EPS.	
** There is no impact of dilution as the shares were transferred to ordinary share capital on 1 January 2024 (Note 19.2).	
Basic/diluted EPS	<u>0.33</u>

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Notes to the Interim Condensed Consolidated Financial Statements

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26 ADDITIONAL FINANCIAL INFORMATION

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 as at 31 March 2024 and 2023 of the Group would have been presented to include comparative figures as follows:

Interim condensed consolidated statement of comprehensive income:

	<i>Three-months period ended 31 March 2024 (Unaudited) SAR'000</i>	<i>Three-months period ended 31 March 2023 (Unaudited) SAR'000</i>
Revenue from contracts with customers	1,087,241	699,326
Other operating revenues	148,512	209,755
Direct costs	(890,843)	(748,812)
Gross profit	344,910	160,269
General and administrative expenses	(280,596)	(210,109)
Operating profit	64,314	(49,840)
Other income	20,771	19,603
Finance income – net	8,131	(920)
Share of results in associates and joint venture	15,044	15,199
Unrealised gain on investment in financial asset at fair value through profit or loss (FVTPL)	14,210	762
Profit/(loss) before tax	122,470	(15,196)
Income tax	(1,188)	(3,008)
Profit/(loss) for the period	121,282	(18,204)
Attributable to:		
Equity holders of the parent	109,502	(22,912)
Non-controlling interests	11,780	4,707
	121,282	(18,205)
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	(5,477)	(2,410)
Share of other comprehensive income of associates, net	-	(888)
<i>Other comprehensive income that may not be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Remeasurement actuarial loss on defined benefits obligations	(1,843)	-
Other comprehensive loss for the period	(7,320)	(3,298)
Total comprehensive income/(loss) for the period	113,962	(21,503)
Attributable to:		
Equity holders of the parent	104,397	(25,214)
Non-controlling interests	9,565	3,711
	113,962	(21,503)

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

26 ADDITIONAL FINANCIAL INFORMATION (continued)

The revenue from contracts with customers for the periods ended 31 March 2024 and 2023 is presented below:

	<i>Three-months period ended 31 March 2024 (unaudited) SAR'000</i>	<i>Three-months period ended 31 March 2023 (unaudited) SAR'000</i>
Advertising revenue (i)	497,958	366,541
Digital revenue	216,130	149,925
Broadcast and technical services revenue (ii)	143,072	15,909
Distribution revenue	29,401	23,064
Interactivity revenue	14,969	16,288
Event management revenue	13,392	2,114
Programme revenue	9,968	1,771
Barter revenue	3,750	614
Artists management revenue	25	100
Other revenues	158,576	123,000
	<u>1,087,241</u>	<u>699,326</u>

(i) *Advertising revenue*

Advertising revenue is presented net of volume rebates amounting to SAR 37,960 thousand (2023: SAR 29,884 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).

Revenue recognized from SSC for the period amounted to SAR 31,946 thousand (2023: SAR 15,091 thousand).

During the period ended 31 March 2024, the Group recognized an amount of SAR 98,962 thousand (2023: SAR Nil) thousand for services provided to Al Thakafya Channel which equals costs while contract terms are being finalised.

In addition to the above, the Group also recognized revenue of SAR 12,254 (2023: SAR 818) thousand with respect to other projects.

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Notes to the Interim Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2024

26 ADDITIONAL FINANCIAL INFORMATION (continued)

Results of operating segments for the period ended 31 March 2024 and 2023 are presented below:

Three-months period ended 31 March 2024 (unaudited):

	<i>Broadcasting and Other Commercial Activities</i>	<i>Shahid</i>	<i>M&E Initiatives</i>	<i>Total</i>
	(a)	(b)	(c)	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Revenue from contract with customers	771,997	298,185	17,059	1,087,241
Other operating revenues	2,887	-	145,625	148,512
Total revenue	<u>774,884</u>	<u>298,185</u>	<u>162,684</u>	1,235,753
Operating costs*	(698,863)	(301,678)	(157,782)	(1,158,323)
Other income	20,634	104	33	20,771
Share of results in associates and joint venture (net)	18,944	-	(3,900)	15,044
Unrealised gain on investment in financial asset at fair value through profit or loss (FVTPL)	14,210	-	-	14,210
Finance income – net	6,618	-	1,513	8,131
Depreciation and amortisation	(9,697)	(3,086)	(333)	(13,116)
Segment results before income tax	<u>126,730</u>	<u>(6,475)</u>	<u>2,215</u>	122,470

Three-months period ended 31 March 2023 (unaudited):

	<i>Broadcasting and Other Commercial Activities</i>	<i>Shahid</i>	<i>M&E Initiatives</i>	<i>Total</i>
	(a)	(b)	(c)	
	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>	<i>SAR'000</i>
Revenue from contract with customers	514,408	172,460	12,458	699,326
Other operating revenues	36,872	-	172,883	209,755
Total revenue	<u>551,280</u>	<u>172,460</u>	<u>185,341</u>	909,081
Operating costs*	(491,023)	(272,145)	(182,809)	(945,977)
Other income	19,491	-	112	19,603
Share of results in associates and joint ventures (net)	18,211	-	(3,012)	15,199
Unrealised gain on investment in financial asset at fair value through profit or loss (FVTPL)	-	-	762	762
Finance costs – net	(895)	-	(25)	(920)
Depreciation and amortisation	(9,903)	(2,783)	(258)	(12,944)
Segment results before income tax	<u>87,161</u>	<u>(102,468)</u>	<u>111</u>	(15,196)

* 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

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26 ADDITIONAL FINANCIAL INFORMATION (continued)

- | | |
|---|--|
| <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) |

27 SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events after the period ended 31 March, 2024 that could have a material impact on the Group's interim condensed consolidated financial position or the results of its operations.