



المجموعة السعودية للأبحاث والتسويق  
SAUDI RESEARCH & MARKETING GROUP

# 2016

Annual  
Report



# Saudi Research and Marketing Group

The Saudi Research & Marketing Group is one of the integrated leading publishing groups in the Middle East. The Group also enjoys an outstanding position in the aspects of publishing, media, advertising, distribution and printing and has a wide presence and audience in the Kingdom. The Group's main activities are centered throughout the Kingdom and it has publishing, printing and distribution centers in seven major countries. The Group operates through a number of subsidiaries. Being distinguished for vertical integration of its companies, the Group is actively engaged in several key areas: publishing, media and advertising sales, printing, Packaging, and distribution.



# Contents

5	The Message of the Chairman
6	SRMG Current Board Members
9	Board of Directors' Report
43	Year End Financial Performance Measurements 2016
49	Consolidated Financial Statements
59	Notes To The Consolidated Financial Statements 2016

# Saudi Research and Marketing Group

## Chairman's Message to Shareholders

Dear Shareholders,

Saudi Research & Marketing Group

Greetings,

It is my pleasure to welcome you to the meeting of the extraordinary general assembly, Saudi Research and Marketing Group, grateful to you accepting the invitation. It is also my pleasure to present the most important achievements and results of the Group during the year 2016.

Saudi Research and Marketing Group continued its successful by the grace of God first, then the efforts of the board's members and executive management and, in the advancement of the major challenges in the media sector in general, and make more effort in taking advantage of the ambiguities of these challenges and new opportunities. The group has endeavored to move forward to achieve its vision and objectives to reach its distinguished position in the field of media at the regional and international levels.

Therefore, continued the course of development in the group according to clear strategies. During the 2016 the group have taken advantage of media power to diversify their sources of income and generate new revenues from activities related to media status and reference in the industry of content on multiple platforms. That group has been active in strengthening the sources of income for public relations work in a short period of time, and that entailed the development of information services and marketing research services, this in addition to the expansion of the non-proliferation at the regional and global levels.

In conclusion, I thank the shareholders on behalf of the Board's members and Executive management for continues trust. We hope from Allah - the Almighty - that the coming years shall be excellent and successful.

With Best Regards,

Prince Bader bin Abdullah bin Mohammed bin Farhan Al Saud  
Chairman of the Board



# SRMG Members of the Board



Prince  
Badr bin Abdullah bin  
Mohammed bin Farhan  
Al Saud  
Chairman of the Board



His Excellency  
Dr. Azzam bin  
Mohammed Al Dakhil  
The Managing Director  
Board Member



His Excellency  
Mr. Ahmed bin Aqeel  
Al Khatib  
Board Member



Mr. Mohyedin bin  
Saleh Kamel  
Board Member

Board member of  
Jabal Omar  
Board member of  
Al Khozama Management  
Company  
Board member of  
Dallah Health  
Board member of  
Al Fawasel Regional  
Investment Co. Ltd



Mr. Abdulrahman bin  
Hamad Al-Rashed  
Board Member



Dr. Abdul Aziz bin  
Hamad Al Fahad  
Board Member



Dr. Turki bin Omar Saleh  
Buqshan  
Board Member

Board member of  
Saudi Printing & Packaging  
Co.



Mr. Adel bin Marzouq  
Al Nasser  
Board Member

Chairman of  
Saudi Printing & Packaging  
Co.

Board member of  
Al-Ittefaq Steel  
Board member of  
Absal Steel



Mr. Majed Abdulrahman  
AlEisa  
Board Member

Board member of  
Saudi Printing & Packaging  
Co.  
Board member of  
AL YUSR leasing & Financing  
Board member of  
Bee'ah Co.  
Board member of  
Ashmore Bank



# 2016

Annual  
Report

Board of Directors' Report  
for the year 2016

## Dear Shareholders of Saudi Research & Marketing Group

### Peace, Mercy and Blessings of Allah

Chairman and members of the Saudi Research & Marketing Group's Board of Directors are pleased to provide the shareholders of the group with the annual report that highlights the significant accomplishments of the group and its financial situation for the year ended as of 31/12/2016. This report was prepared in accordance with the requirements of the corporate governance regulation issued by Capital Market Authority, Saudi Companies regulations and Group Statute. We wish this report reflects the expectations of the shareholders toward further progress.

### First: Vision and Mission

#### Vision:

To maximize the role and status of the group to be one of the major media entities ranked as the best to reach to the reader both locally and globally.

#### Mission:

To provide the best media, educational services and products, with a classy content and a trustworthy high quality based on innovation within an attractive business environment which relies upon trusted trade names and trademarks

### Second: Strategic Objectives and Future Expectations

During 2016, the group continued to enhance its role and position locally and regionally in order to achieve its strategic objectives which we highlight as follows:

#### • Continuation of Key Sectors:

During 2016, the group persisted in maintaining its key sectors represented in publishing and printing which work together within an integrated system to provide a sophisticated and outstanding services and enrich the publications of the group with knowledge and culture locally and globally using the latest methods, means and competencies, developing the digital content of the publications and following the business development strategy through searching for the best ways in order to achieve the growth and sustainable development with the group's keenness to acquire the largest share of publishing and printing industry market in

order to create a knowledge sources detached from the non-studied independent opinions, experiments with lack of experience, talent and specialized visions.

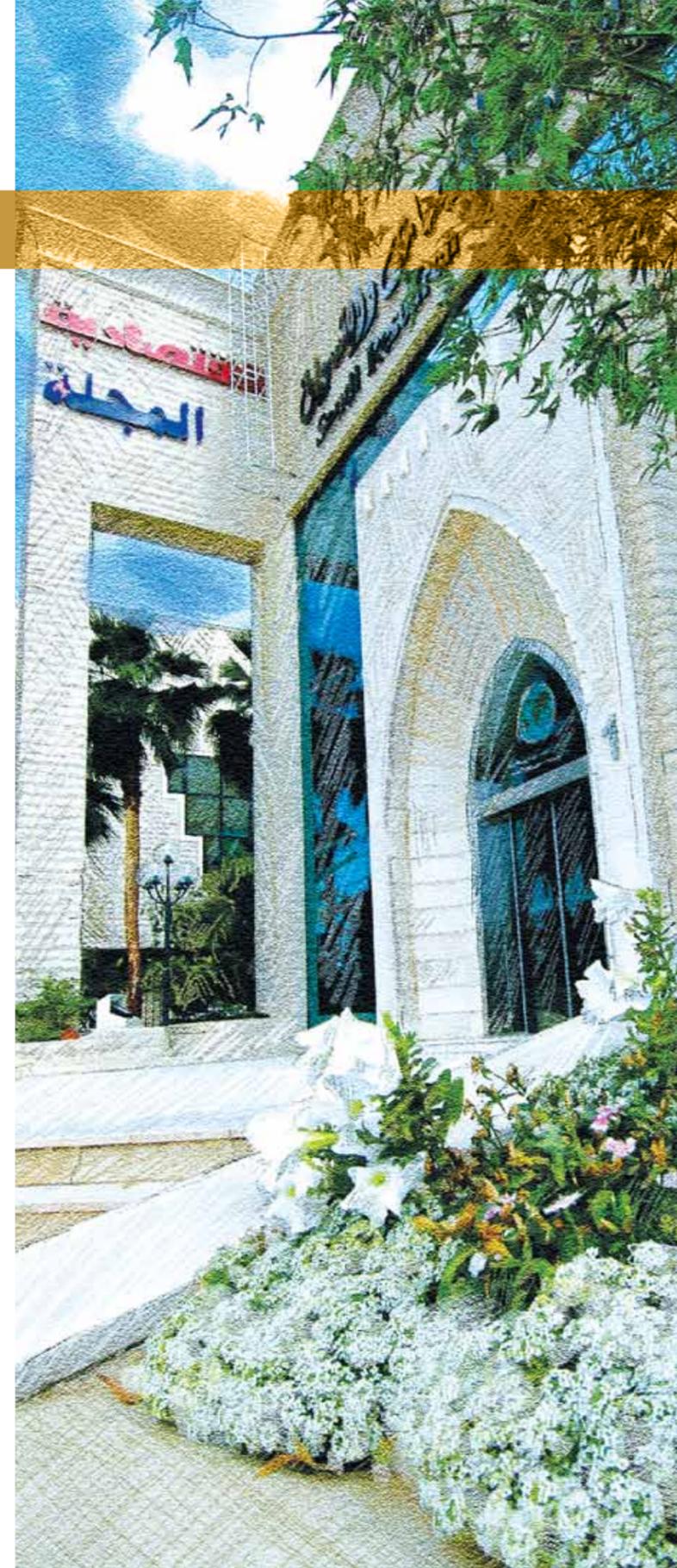
#### • Enhance the Strategic Relations and Partnerships

The group works on achieving the desired successes through several owned tools, especially what achieve the strategic growth. The group continued to strengthen partnership with the strategic partners locally and globally.

#### • Growth & Future Vision

During 2016, the group was keen to continue the strategic growth through diversification of its income sources and targeting new investment markets related to the sectors of media, paper and digital advertisement, public relations and packaging in order to consolidate the principle of risks scope distribution of revenues generated from a single source. The group diversifies the investment opportunities in the areas of media, advertisement, public relations, content and new media. As a part of our quest to achieve our strategic objectives, the group continues the development of newspapers and magazines digital content, educational digital content and works to provide the best services, in addition to the orientation of the group to provide services, studies, media and marketing researches at the local and international level.

As an emphasis on the group keenness to the strategic growth with a future vision for local and global markets, the group continued, during 2016, to achieve tangible gains in its investments; especially in the public relations sector which is expected to continue its growth in coming years by seeking to increase the market share in this area both locally, regionally and internationally. The group also expects that this growth would contribute to open new investment horizons to reach the desired objectives, fulfill the aspirations of the shareholders and maximize their revenues.



### Third: Overall Performance of the Group and Most Important Developments

In its hard quest to develop and maintain its leading role in the publishing & media field, the group has worked on reviewing all its activities including the companies and the administrative departments inside and outside Saudi Arabia. In addition, the group sought to update and review the internal control systems in order to enhance the supervisory role, reduce the risks and maintain the assets of the group subsidiaries and exploit them perfectly.

In terms of public relations, the group has established and launched public relations works in a short period to provide media, marketing and research services in addition to global outreach services in Europe, the Middle East, Asia and the Americas.

With regard to the education sector, the management of the group decided in 2016 to stop the education activity as part of the assessment plan of the works of the group companies. Accordingly, the Group discontinued this year consolidating the financial results of this activity into its preliminary consolidated financial statements. The investment in this activity was classified as (a deficit in suspended subsidiaries) within current liabilities. An impairment of the goodwill of this activity was recorded. It amounted to SR 48 million. In addition, provisions were formed for doubtful debts and slow moving inventories amounting to SR 34 million to reflect the recoverable amount of the activity based on the management's estimate of the current situation and the financial position of the activity.

As for the printing and publishing sector which is represented by the Saudi Printing & Packaging Co., a subsidiary of the group, there is a decline in the gross profit due to the decline of sales value as a result of instability of the economic conditions in foreign markets of some countries with which the company deals and also the lower prices resulting from decline in the raw materials prices which are directly associated with fall in the international oil prices.

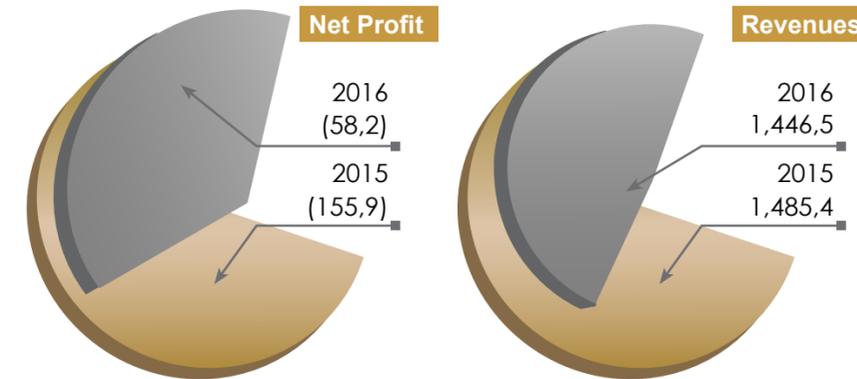
In 2016, the group signed several contracts relevant to the public relations activity through one of its subsidiaries (Tawq Public Relations Company) which led to an improvement in the gross profit for the year 2016 compared to the year 2015, which contributed to the improvement of the Group's results compared to the year 2015.

## Fourth: Financial Results and Reasons for Changes

The following table shows statement of income and values and percentages of the changes for 2016 compared to 2015:

### Statement of Income (Thousands of Saudi Riyals)

Statement	2016	2015	Change	Change %
Revenues	1,446,461	1,485,412	(38,951)	(2.6)%
Cost of Revenues	(1,086,580)	(1,141,600)	55,020	(4.8)%
<b>Gross Profit</b>				
Marketing and Selling Expenses	(105,226)	(89,009)	(16,217)	18.2%
General and Administrative Expenses	(323,188)	(229,371)	(93,817)	40.9%
Reverse (Losses) of Decline in the Value of Properties, Machines and Equipment.	1,348	(12,850)	14,198	(110.0)%
Losses of Decline in the Value of Intangible Assets	(30,574)	(44,000)	13,426	(30.50)%
<b>(Loss) Income from Main Operations</b>	<b>(97,759)</b>	<b>(31,418)</b>	<b>(66,341)</b>	<b>211%</b>
Financial Burdens	(50,261)	(48,371)	(1,890)	3.9%
Building Sale Profits	94,877	-	94,877	100%
Building Sale Operation Cancellation Expenses	76,605	(70,654)	138,259	(195.7)%
Other Income (expenses), Net	17,482	43,560	(26,078)	(59.9)%
Income (Loss) from Ongoing Operations	31,944	(106,883)	138,827	(130)%
Losses from Investment in Suspended Subsidiary	(90,599)	(28,501)	(62,098)	218%
<b>(Loss) Income before Exceptional Losses, Minority Interests, Zakat, Income Tax</b>	<b>(58,655)</b>	<b>(135,384)</b>	<b>76,729</b>	<b>(56.7)%</b>
Exceptional losses	-	(3,121)	3,121	(100.0)%
Income (Loss) before minority interests, Zakat and income tax	(58,655)	(138,505)	79,850	(57.7)%
Minority Interests	10,508	(6,306)	16,814	(266.6)%
Income (Loss) of the period before Minority Interests	(48,147)	(144,811)	96,664	(66.8)%
Zakat and Income Tax	(10,097)	(11,040)	943	(8.5)%
<b>Net Income for the Year</b>	<b>(58,244)</b>	<b>(155,851)</b>	<b>97,607</b>	<b>(62.6)%</b>



- 1 - At the level of revenues, the group suffered from a decline at a rate of (2.6) % for the year ended on 31/12/2016, achieving gross revenues amounted to (1,446) million Saudi Riyal compared to an amount of (1,485) million Saudi Riyal for the same period of 2015.
- 2 - The group also made an operating loss (income from main operations) amounted to (97.8) million Saudi Riyals for the year ended on 31/12/2016 compared to an operating loss amounted to (31.4) million Saudi Riyals for 2015, at a decrease with a percentage of (211)% as a result of increase in sale and marketing expenses and general and administrative expenses due to the group adoption of international proliferation and public relations strategy in addition to expenses of digital transformation. The net losses of current period included the provision of intangible assets value decline with an amount of 30.6 million Riyal.
- 3- The group made a gross profit for the year ended on 31/12/2016, as it reached (359.9) million Saudi Riyals compared to (343.8) million Saudi Riyals for the year 2015, with an increase of 4.7%.
- 4 - The minority interests for 2016 include an amount of (10.5) million Saudi Riyals representing the share of the minority interests in the net losses of Saudi Printing & Packaging Company which amounted to 30%.
- 5 - The company made net losses for 2016 amounted to 58.2 million Saudi Riyals compared to net losses amounted to 155.9 million Saudi Riyals in the year 2015, at decline percentage of 62.6% and this resulted in an increase in the dividends by 62.6% which reached (0.73) Saudi Riyal per share in minus.

# 1963

Madina Printing Press (MPP) was founded as the first subsidiary of SRMG in Jeddah.

# Board of Directors Report

The following table shows the income statement for the past five years, noting that certain comparative figures were re-classified in order to conform with the current year:

## Statement of Income (Thousands of Saudi Riyals)

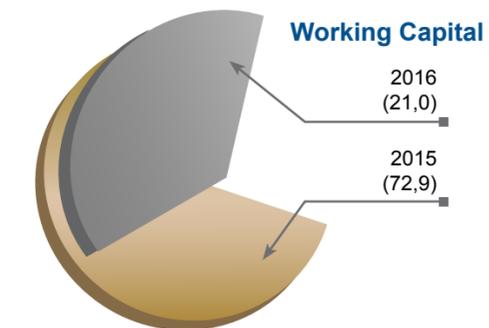
Description	2016	2015	2014	2013	2012 (Amended)
Revenues	1,446,461	1,485,412	1,743,268	1,726,057	1,382,397
Direct Costs	(1,086,580)	(1,141,600)	(1,349,825)	(1,305,924)	(1,000,141)
<b>Gross Profit</b>	<b>359,881</b>	<b>343,812</b>	<b>393,442</b>	<b>420,133</b>	<b>382,256</b>
Marketing and selling expenses	(105,226)	(89,009)	(116,321)	(82,843)	(63,407)
General and administrative expenses	(241,189)	(191,393)	(228,028)	(232,434)	(192,937)
Professional and consulting fees	(67,089)	(18,681)	(12,133)	(15,874)	(9,794)
Depreciation	(14,910)	(19,297)	(24,849)	(25,684)	(27,306)
Losses of decline in the value of properties, machines and equipment.	1,348	(12,850)	(1,001)	-	-
Losses of decline in intangible assets	(30,574)	(44,000)	-	-	-
<b>Income from Main Operations</b>	<b>(97,759)</b>	<b>(31,418)</b>	<b>11,109</b>	<b>63,298</b>	<b>88,812</b>
Other Income (net)	17,482	43,560	53,908	(12,316)	92,220
Building sale profits	94,877	-	-	-	-
Building sale operation cancellation expenses	67,605	(70,654)	-	-	-
Financial burdens(net)	(50,261)	(48,371)	(54,984)	(50,686)	(24,859)
Non-recurrent revenues and expenses	-	(3,121)	(22,621)	-	-
<b>Income (Loss) from Ongoing Operations</b>	<b>31,944</b>	<b>(110,004)</b>	<b>(12,586)</b>	<b>296</b>	<b>156,173</b>
Losses from Investment in Suspended Subsidiary	(90,599)	(28,501)	-	-	-
<b>(Loss) Income before Minority Interests, Zakat, Income Tax</b>	<b>(58,655)</b>	<b>(138,505)</b>	<b>(12,586)</b>	<b>296</b>	<b>156,173</b>
Zakat & income tax	(10,097)	(11,040)	(13,403)	(14,399)	(13,562)
<b>Income before minority interests</b>	<b>(68,752)</b>	<b>(149,545)</b>	<b>(25,989)</b>	<b>(14,126)</b>	<b>142,611</b>
Minority Interests	10,508	(6,306)	(13,322)	(16,086)	(38,021)
<b>Net income for the year</b>	<b>(58,244)</b>	<b>(155,851)</b>	<b>(39,311)</b>	<b>(30,212)</b>	<b>104,590</b>

7 - The following table shows statement of financial position of the group for past five years:

## Statement of Financial Position (Thousands of Saudi Riyals)

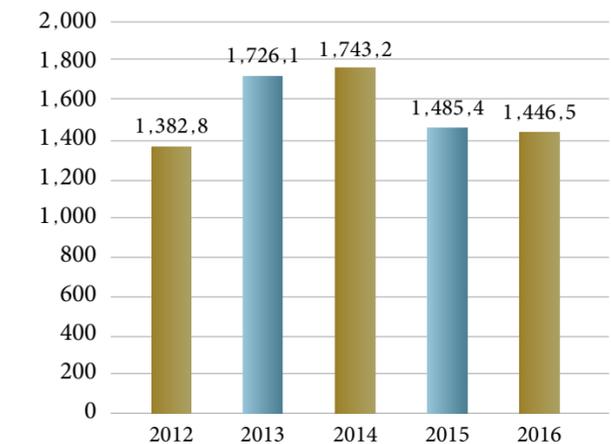
Description	2016	2015	2014	2013	2012 (Amended)
Current Assets	1,079,076	1,135,453	1,131,467	1,210,509	1,337,302
Non-current assets	1,831,975	1,923,981	2,061,121	2,107,947	2,083,803
<b>Total Assets</b>	<b>2,911,051</b>	<b>3,059,434</b>	<b>3,192,588</b>	<b>3,318,455</b>	<b>3,421,105</b>
Current liabilities	1,100,121	1,062,584	901,755	1,057,628	954,529
Non-current liabilities	640,493	751,140	895,037	820,129	906,559
<b>Total liabilities</b>	<b>1,740,614</b>	<b>1,813,724</b>	<b>1,796,792</b>	<b>1,877,756</b>	<b>1,861,088</b>
Shareholders' interests	901,616	966,514	1,122,968	1,170,113	1,287,893
Minority interest	268,821	279,196	272,825	270,586	272,124
<b>Total liabilities and Equity</b>	<b>2,911,051</b>	<b>3,059,434</b>	<b>3,192,585</b>	<b>3,318,455</b>	<b>3,421,105</b>

1- Working capital value as of 31/12/2016 amounted to (21.0) million Saudi Riyals minus, compared to 72.9 million Saudi Riyals for 2015.



2- The trading rate (current assets/ current liabilities) as in 31/12/2016, 1.06 (times), where the rate of trading still reflects the strong financial position of the group and its ability to meet short-term needs.

## Revenues



## Fifth: Group's Sectors Activity

The group is characterized by practicing of its activities in several geographic areas, which means the increase in its ability to expand and invade a variety of markets, as the group has centers for publishing, printing and distribution in seven key countries. The group works through a number of subsidiaries. At the same time, the main activities of the group spread across Saudi Arabia which is considered as a solid and supportive for the economic growth.

As the group is characterized by the activities integration among its subsidiaries, the group is active mainly in three main sectors, which are as follows:

### A • Publishing Sector

#### • Publishing:

Publishing sector is considered one of the basic mediums on which it depends, this is through the Saudi Research and Publishing Company which comprises 15 varied publications among daily, weekly, monthly and quarterly. More than 20 different supplements are generated through these publications, the company's publications are generated in five language: Arabic, English, Urdu, Malayalam and Tagalog. In addition, the company supports its existence in the publishing sector through various means of social communication, as well as interactive applications for smart devices and websites.

#### • Advertising

Al-Khaleejiah Advertising & Public Relations Co. Ltd. is considered one of the major advertising companies in Arab Gulf region. The company has the exclusive advertising franchise for the publications and websites of the Saudi Research and Publishing Company. The company carries out a constant and effective follow-up of the market needs through providing the continuous support for media researches. The company continues its expansion in the advertising activity through establishing close relations with the Arabian markets, expanding its media and advertising sales and its creative design services and public relations. The company also seeks to increase its share in the Gulf and Arab markets, taking into consideration the advertising industry in the region, the diversity of its advertising income sources. Al-Khaleejiah is proud of working with more than (3,000) advertising partner (advertising agencies/ clients) around the world. The company provides them consulting and marketing services beside the advertising spaces. It is expected that there will be major development the next few years.

#### • Saudi Specialized Publishing Company

Saudi Specialized Publishing Company, which was founded in 2006, established on a new professional culture entirely in the specialized content industry, this industry depends on the employment of outstanding journalistic work experiences in the production of the specialized media projects according to the international standards that provide reference, credibility and trust in its content and accuracy. The company is active in the areas of specialized content industry, global publishing and commercial publishing. The company has published a series of international magazines in Arabic or English editions distributed in all Arab countries, including Parents Arabic magazine in November 2009, Robb Report Arabic magazine, the first edition of which was published in January 2010, Better Homes and Gardens Arabic magazine, the first edition of which was published in February 2013 in addition to another series of international publications that had been released since 2007 in cooperation with the major international publishers such as Disney, French Figaro Group and Italian Editorial Domous and others.

Saudi Specialized Publishing Company provides the specialized content of wide range of public and private entities in Kingdom of Saudi Arabia including Prince

Saud Al Faisal Institute for Diplomatic Studies affiliated to Ministry of Foreign Affairs, Saudi Arabian Airlines, Public Pension Agency, King Faisal Specialist Hospital and Research Center, Kingdom Commercial Center, Etihad Etisalat Mobily, King Fahad Medical City and other major agencies and companies in both the public and private sectors.

#### • Distribution

Saudi Distribution Co., founded in 1983, is one of the subsidiaries of the Saudi Research and Marketing Company that represents the linking point between the publications and the client. It owns a fleet of more than 520 cars equipped with qualified human cadres exceed than (700 employees). It has a high cumulative experience in the area of distribution and supervision on the branches of the company across Saudi Arabia. The company also has warehouses customized for the receipt and delivery of publications, the returns and books maintaining distributed between these branches in order to serve its activities. The group's publications distribution is the main activity of the company in addition to other publications for various publishers (daily newspapers, weekly and monthly publications beside the Arabian and foreign quarterly publications). The company is specialized in the delivery of subscriptions and distribution to the sales outlets of the group publications and the other publishers in all cities and regions of Saudi Arabia in order to communicate with tens of thousands of subscribers and outlets daily. Beside the main activity, the company takes over the distribution of the promotional materials, logistic services management and shipping among the branches for different customers. It is also responsible for the distribution of brochures, packages and catalogs for major companies in all residential neighborhoods scattered in the targeted locations. It also participates in the international book exhibition and all the specialized exhibitions compatible with the company's activities.

Worth mentioning that Saudi Distribution Co. signed a contract with the Al Watania Consolidated Distribution Company. The contract stipulated that Saudi Distribution Co. will own a share equal to each of the promoters of Al Watania Consolidated Distribution Company. The contract also stated that the works of Saudi Distribution Co. will be transferred to Al Watania Consolidated Distribution Company in a way to consolidate the efforts of both companies in this activity. The contract will continue as long as Saudi Distribution Co. is still a partner in Al Watania Consolidated Distribution Company. This falls within the strategy of the group to focus on the main activities at the level of digital media and public relations. It is expected that the positive effect of the contract will show in the financial statements of the group.

#### • Arab Media Company

The Arab Media Company, founded in 2007, is one of the leading companies in providing the marketing programs and plans that help in subscriptions growth in the publications market. The company has achieved a constant annual growth rate of the publications of Saudi Research and Publishing Company through the sale of the subscriptions of the Saudi Research and Publishing Company's publications for individuals, companies, establishments, commercial sectors, banks and hospitals. It also leads the annual campaigns and subscriptions as well as implementing them in order to increase the share of Saudi Research and Publishing Company in the local market and leads subscriptions campaigns of local publications of local press institutions. All of this achieved through what the company owns including tools and channels related to sales and services (call center, telephone, email, fax, SMS messages and specialized representatives) in addition to securing the needs of local, Arab and foreign publications to all the government and private sectors and provide after-sale services

through a highly experienced team in providing the best services to the customers.

### B • NUMU Sector

#### • Numu Media Holding Co.

In 2016, the company's subsidiaries outside the Kingdom of Saudi Arabia, represented by University Bookshop Company and Smart Super Stores in UAE and Ithraa company in Jordan, have been active and made progress in this field. The activity has been enhanced to include provision of an integrated system of services for schools and universities. This led to the achievement of marked growth in sales; especially in the book of social studies and books of higher education. Numu Training Company in the Kingdom also provided training services for the preparatory year and implemented projects of indicators (KPI's) buildings and the short-term professional training of all kinds.

In terms of enhancing the relationship with its partners specialized in providing integrated educational solutions and training, Numu Training Company implemented the Shaqraa University project (key performance indicators [KPI] building, reference comparisons, graduates' specifications and learning outcomes) with its strategic partner (Riadat Al-Baha Educational Group for Consultation and Professional Development). The project was finalized with the university and handed over in full. With regard to strengthening the relationship between the University Bookshop Company and Smart Superstores with their partners University of Sharjah and Ajman University, it continued to strengthen its relations by renewing our contracts with them and opening new centers on campus to cover all educational solutions. In terms of the development of new projects, the University Bookshop Company has signed new contracts with Al Ghurair University, City University College in Ajman and UAE University.

University Bookshop Company developed strategic and logistic business with a sister company, "Emirates Printing and Publishing Co." to provide solutions and logistics services in the UAE and the Gulf.

### C. Printing & Packaging Sector

Saudi Printing & Packaging Company was established in 1963, the company was named as Medina Printing & Publishing Co., during the year 2007, its name has been changed to Saudi printing & Packaging Company, 30% of its shares was brought out to the public offering during this year, knowing that the Saudi Research & Marketing Group and its subsidiaries hold 70% of Saudi printing & Packaging Company's shares. The company features sophisticated newspapers printing centers in Riyadh, Jeddah and Dammam. The company prints a number of major newspapers such as Asharq Al-Awsat, Al-Eqtisadiyah, Al-Riyadiyah, Arab News, Al-Sharq, Al-Watan and others, in addition to serial commercial publications. The activity of the Saudi Printing & Packaging Company divided into two sections: First: Printing Sector, Saudi Printing & Packaging Company is considered one of the largest printing companies in Kingdom of Saudi Arabia, Middle East and North Africa; due to its excellence in providing a wide range of integrated printing services, its production capacity and through its outstanding subsidiaries namely Medina Printing & Publishing Co. and Hala Printing Co., the printing activity depends mainly in the printing of newspapers and magazines targeted to various sectors in Arab world, in addition to the hardcover books, commercial publications and packaging in different languages and styles.

The company also, through its subsidiaries, prints a large number of magazines related to the Saudi Research & Marketing Co., Saudi Specialized Publishing Company and many other publishers, in addition to the public sector such as

Ministry of Education, Ministry of Islamic Affairs and Ministry of Interior.

Second: Packaging Sector: This sector represents in Emirates National Factory for Plastic Industries and its subsidiaries (Tiba Packaging Co., Flexible Packaging Co., Medina Packaging Co. "City Pack", Future Pack Factory L. L. C., Abr Al Mustakbal Plastic Co., Etihad Global Packaging Co. Ltd., United Security Co., COMMERCIAL UNITED PACKAGING CO. (LLC) "CUPCO" and Future Plast Industries LLC) Emirates National Factory for Plastic Industries LLC one of the major plastics industry groups and integrated packaging materials in Arab Gulf region, as it characterizes with its high production capacity and acquisition of the latest techniques in plastic industry and packaging materials backed by the prestigious experience extended over 20 years.

The company also has the distinction of being the manufacturer of full range of plastic products and packaging materials placing it at the forefront of its competitors in the field of plastic and multi-packaging materials industry.

Saudi Printing & Packaging Company is based on the accumulated experiences of its employees, with best and latest machines and the highest degrees of quality control which boosted its position with a strong customers base. Emphasizing on the company's commitment in line with the international, the company has been keen to maintain ISO certification (ISO 9001: 2000).

### D. Public Relations Sector

#### • Tawq Public Relations Co. Ltd.

The launching of Tawq Public Relations Company Limited has strengthened the Group's capabilities in the areas of media monitoring and influencing and developing integrated informational media services for the Group's companies and customers, in addition to the development of an integrated electronic platform for media monitoring and influencing local, regional and global public opinion.

After a short period of its establishment and works launching, the group was able to sign a number of important contracts with various entities to provide media and marketing services, international research and marketing services and international media services as well as global outreach services in Europe, the Middle East, Africa, Asia and the Americas. Total contracts reached 273 million Riyal annually for five years. During the next phase, the company is seeking to develop its business and obtain new contracts that meet the high expectations and achieve its objectives represented in local and regional pioneering.

#### • Arab Innovative Arts and Technologies (ARiNAT)

Arab Innovative Arts and Technologies (ARiNAT) is a company specialized in the creative content industry. The company's activities in 2016 included the implementation of pilot projects in comics, animations and video games. The "Desert Knight" video clip, which was produced with Japan's Gainax company, was released and displayed in newscasts in Japanese channels and more than 100 newspapers and news sites around the world in 15 countries and received international acclaim. The initial drawings and texts were prepared for a number of upcoming projects. The company built a network of alliances and memoranda of cooperation and confidentiality were signed with long-standing content companies in East Asia such as Square Enix and Gainax (Japan) and Terias (China). Relations have also been established with investors willing to enter into joint ventures such as the Japanese government fund (Cool Japan Fund). On the other hand, the company held a number of meetings with senior officials in Japan, including the Governor of Tokyo, His Excellency the Deputy Prime Minister, Minister of State for Security Affairs and a number of members of the Japanese Parliament.

## Sixth: Sectorial Information

The following table shows the sectorial information of the group as per each sector:

### Sectorial Information (Thousands of Saudi Riyals)

#### As of December 31, 2016

Statement	Publishing sector			NUMU Sector		Printing sector	Public Relations	Others	Total	Exclusions	Consolidation
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging					
Net Revenues	499,471	36,425	225,594	-	19,385	1,005,394	174,375	375	1,961,019	(514,558)	1,446,461
Gross profit	135,063	2,439	26,104	-	4,116	187,796	8,842	53	364,413	(4,532)	359,881
Net loss	180,696	(22,860)	(17,073)	(90,627)	(4,234)	(34,892)	(20,972)	(55,765)	(65,727)	7,483	(58,244)
Net book value	66,643	11,154	10,612	-	128	980,565	182	18,058	1,087,342	-	1,087,342
Intangible assets	691	-	-	-	-	390,230	-	320,291	711,212	-	711,212
Total assets	523,035	54,259	96,407	-	13,302	2,065,813	297,652	1,256,997	4,307,465	(1,396,414)	2,911,051
Total liabilities	139,084	136,841	93,371	-	28,285	1,166,665	318,624	440,680	2,323,550	(582,937)	1,740,613

#### As of December 31, 2015

Statement	Publishing sector			NUMU Sector		Printing sector	Public Relations	Others	Total	Exclusions	Consolidation
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging					
Net Revenues	494,919	43,641	323,192	-	24,902	1,107,755	-	252	1,994,661	(509,249)	1,485,412
Gross profit	78,827	2,250	25,984	-	8,495	232,839	-	68	348,463	(4,651)	343,812
Net loss	(83,758)	(15,043)	2,091	(72,501)	2,029	21,650	-	(2,855)	(148,387)	(7,464)	(155,851)
Net book value	54,381	12,545	11,184	1,333	171	1,020,889	-	17,550	1,118,053	-	1,118,053
Intangible assets	1,855	-	-	50,808	-	390,231	-	350,003	792,897	-	792,897
Total assets	507,605	68,217	112,685	153,815	14,546	2,186,294	-	1,446,278	4,489,440	(1,430,006)	3,059,434
Total liabilities	288,247	126,439	85,522	152,237	25,277	1,252,700	-	330,405	2,260,827	(447,102)	1,813,725

The operating assets of the group are concentrated mainly in Kingdom of Saudi Arabia. The key markets of the group's activities are: Middle East, Europe and North Africa. The following table shows the revenues of the group and its subsidiaries inside and outside Kingdom of Saudi Arabia.

Description	Thousands of Saudi Riyals	Percentage
Revenues inside KSA	723,408	50.0%
Revenues outside KSA:		
The United Arab Emirates	423,133	29.3%
Ethiopia	48,292	3.3%
Oman	44,869	3.1%
Sudan	38,971	2.7%
Tunisia	31,930	2.2%
Yemen	26,653	1.8%
Europe	17,538	1.2%
Qatar	16,174	1.1%
Iraq	9,418	0.7%
Djibouti	7,129	0.5%
Bahrain	6,038	0.4%
Egypt	5,753	0.4%
India	5,702	0.4%
Kuwait	4,908	0.3%
Other	36,545	2.5%
<b>Total Revenues outside Saudi Arabia</b>	<b>723,053</b>	<b>56.2%</b>
<b>Total Revenues</b>	<b>1,446,461</b>	<b>100%</b>

# Board of Directors Report

## Seventh: Subsidiaries

The group directly and indirectly owns the following percentages in the below mentioned subsidiaries which work in the same field.

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% ownership	Country of incorporation
Intellectual Holding Company for Advertisement and Publicity – L.L.C	Investment in subsidiaries	KSA	SR300	100%	KSA
Scientific Works Holding Company – L.L.C.	Investment in subsidiaries	KSA	SR300	100%	KSA

## Publishing Sector

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% of ownership	Country of incorporation
Saudi Research and Publishing Company	Publishing	KSA	SR6,5	100%	KSA
Al-Sharq Al-Awsat Limited	Publishing and printing	United Kingdom	GBP0.09	100%	United Kingdom
H.H Saudi Research and Marketing	Publishing and distribution	United Kingdom	GBP 0,5	100%	United Kingdom
Moroccan Printing and Publishing Company	Publishing and printing	Morocco	MAD 0,5	100%	Morocco
Al Khaleejiah Advertising and Public Relations Company	Media, papers, advertising and promotional services	KSA	SR5,5	100%	KSA
Arab Media Company Limited	Media, papers, advertising and promotional services	KSA	SR1,0	100%	KSA
Saudi Distribution Company	Distribution	KSA	SR8,6	100%	KSA
Kuwaiti Group for Publishing and Distribution Company	Distribution	Kuwait	KWD 0,3	100%	Kuwait
Emirates Printing, Publishing, and Distribution Company	Distribution	United Arab Emirates	AED 1,7	90%	United Arab Emirates
Moutamarat Company for Exhibitions and Conferences	Organize conferences and exhibitions	KSA	SR1,0	100%	KSA

## NUMU sector

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% of ownership	Country of incorporation
NUMU Media Holding Company	Electronic audio and video production and distribution	KSA	SR100	100%	KSA
Seen Visual Media Company (Previously Numu)	E-audio & Video Production & Distribution	KSA	SR0,2	100%	KSA
Numu Educational Co. (Previously Educational Bookshop)	Advertising	KSA	SR0,5	100%	KSA
Saudi Specialized Publishing Company	Develop educational methods & books Trade	KSA	SR0,5	100%	KSA
Saudi Commercial Company	Specialized Publishing	KSA	SR2,0	100%	KSA
Ofoq Information Systems and Communications	Trading in comm. Equipment & software developing	KSA	SR3,5	100%	KSA
Arab Innovative Arts and Technologies (ARiNAT)	Trading in telecommunication Equipment	KSA	SR0,05	100%	KSA
Tawq Public Relations Co. Ltd.	Trading in telecommunication Equipment	KSA	SR0,3	100%	KSA
TKANH Public Relations Co. Ltd.	Finance & Business Services	KSA	SR0,5	100%	KSA
Education concept company for educational solutions company	Publishing and distribution	KSA	SR0,1	100%	KSA
NUMU Training and Consulting company	Training and Consulting	KSA	SR0,1	100%	KSA
NUMU Alelaniah for Advertising Co.	Visual, Paper Media & Advertising Services	KSA	SR0,05	100%	KSA
Nasheron International Co. for Publishing & Distribution (Previously Numu Nashr Publishing Co.)	Publishing and distribution	KSA	SR0,05	100%	KSA
Tawq Researching Co. (Previously Numu Researching Co.)	Research and Support	KSA	SR0,05	100%	KSA
Content Specialized Media	Specialized Publishing	United Arab Emirates	AED 0,2	100%	United Arab Emirates
University Book Shop Company	Publishing and distribution	United Arab Emirates	AED 3,0	100%	United Arab Emirates
Smart Super Store Company	Publishing and distribution	United Arab Emirates	AED 3,0	100%	United Arab Emirates
Book Depot for Publishing and Distribution (Ethra'a)	Publishing and distribution	Jordan	JD 0,1	100%	Jordan

## Printing and Packaging Sector:

Subsidiaries of Saudi Printing and Packaging Company in which the Group holds 70%

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% ownership	Country of incorporation
Saudi Printing and Packaging Company	Printing	KSA	SR 600	70%	KSA
Madinah Printing and Packaging Company	Printing and Publishing	KSA	SR 1.0	70%	KSA
Hala Printing Company	Printing	KSA	SR 28.5	70%	KSA
Emirates National Factory for Plastic Industries Company	Packaging and plastic industries	United Arab Emirates	AED 167	70%	United Arab Emirates
Future Industrial Investment Company	Printing and packaging	KSA	SR 0.1	70%	KSA

## Other Companies:

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% ownership	Country of incorporation
Media Investment Company Limited	Rental services	United Kingdom	GBP 0.5	100%	United Kingdom
Arab Net Technology Company Limited	Internet services	United Kingdom	GBP 0.5	100%	United Kingdom
Sayidaty Products Company	Commercial business	Greenzee Islands	GBP 0.5	100%	Greenzee Islands
IBM Limited	Reg., maintenance & possession of intellectual properties for the group	Greenzee Islands	GBP 0.5	100%	Greenzee Islands
Gulf British Company Limited	Advertising	United Kingdom	GBP 0.1	100%	United Kingdom
EuroMena Co. (Previously Satellite Graphics) Inc.	Commercial business	United Kingdom	GBP 0.4	100%	United Kingdom
Syaidaty Limited Company	Commercial business	United Kingdom	GBP 0.000002	100%	United Kingdom
Majallah Company	Commercial business	United Kingdom	GBP 0.000002	100%	United Kingdom
Arab Media Company	Commercial business	United Kingdom	GBP 0.000002	100%	United Kingdom

## Eighth: Zakat and Statutory Payments

The company and its subsidiaries are subjected to the regulations of Zakat & Income Authority in Kingdom of Saudi Arabia, as the group shall pay Zakat after finalizing the settlement of all outstanding and respond to the enquiries received from Zakat & Income Authority.

As for the subsidiaries abroad, a provision shall be set aside against the tax liabilities, if any, as well as the group pays all other regular obligations under the applicable regulations in Kingdom of Saudi Arabia. The following table shows the payments of the regular amounts during 2016.

Description	Paid during 2016 (000 SAR)
Zakat	9,359
Withholding taxes	1,154
General Organization for Social Insurance	11,593
Other regular payments	5,857
<b>Total</b>	<b>27,963</b>

1972

Saudi Research & Publishing Company (SRPC) was established, which later became one of the most important publishing houses in the Middle East.

## Ninth: Shares and Debt Instruments at the Group and its Subsidiaries

The group and its subsidiaries own 70% of the Saudi Printing& packaging Company's shares which has a capital of 600 million Saudi Riyals, where the number of the shares owned by the group and its subsidiaries are 42 million shares in the Saudi Printing& Packaging Company.

The group and its subsidiaries own 100% of Numu Holding Company's shares (Closed joint stock company) which has a capital of 100 million Saudi Riyals, where the number of the shares owned by the group and its subsidiaries are 10 million shares in the Numu Holding Company and there is no any debt instruments issued by the group and its subsidiaries.

## Tenth: Human Resources

The group is aware that its success, currently and in future, depends mainly on the skills of its human wealth, in which the group does not save any efforts in the development of its productive and creative capabilities in order to invest them optimally.

Through the development of these vital capabilities, the group enhances its assets in a manner providing the resources and energies necessary to meet the increasing challenges in markets that has an increasing competition. In order to achieve the maximum benefit from the talented group, the group motivates their employees through many of the programs that include career development, continuous education, development of the management culture and the culture of work and other aspects that enhance the performance, help on attracting the talented employees and keep them in the work and motivate them to make more efforts.

## Eleventh: Contingency Fund for Employees

In 2007, the group established an contingency fund for employees who face some contingency circumstances and problems through its keenness to strengthen the relationships with its employees and increasing their belongingness to the group. The fund has contributed in helping solve some circumstances and problems reflects positively on the performance of employees and their distinction in work. The fund regulations identify the necessary conditions and standards to provide the assistance, thus, the movement of the fund during 2016 was as follows:

Contingency fund for employees	Saudi Riyals
Balance at the beginning of the year	501,477
Added during the year	-
Disbursed during the year	115,000
Balance at the end of the year	386,477

# 1975

Arab News, the 1st Saudi English daily newspaper was launched.

# 1978

Asharq Al-Awsat, a daily newspaper founded in London-UK by SRPC.

## Twelfth: Social Responsibility

In the course of the group's endeavors to support the humanitarian and charitable efforts in Saudi society and out of its keenness to fulfill its obligations towards the country and the society, the group has taken its leading, positive and effective role toward the support of these efforts in a way achieving the benefit to large segments of society. In this regard in particular, the contributions of the group continued during 2016 in supporting several charities including:

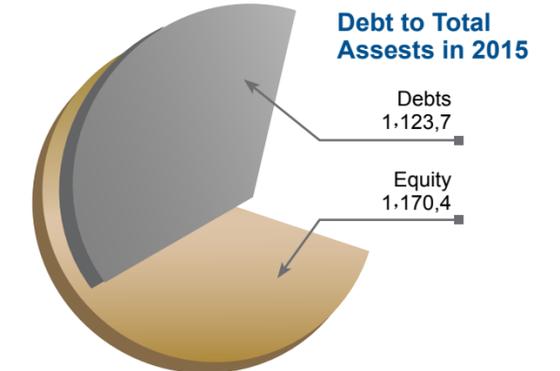
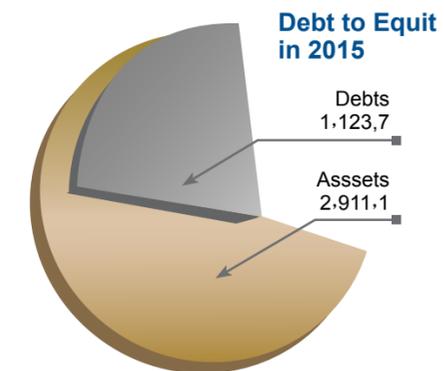
- \* Prince Ahmed bin Salman Academy for Applied Media
- \* Saudi Schizophrenia Charity Association
- \* Alkawaddah Society for Family Development)
- \* King Abdulaziz Foundation for Research and Archives (Darah)
- \* Disabled Children's Association
- \* Prince Fahd bin Salman Charitable Society for the Care of Kidney Patients (Kellana)s
- \* Charitable Society of Autism Families
- \* Prince Sultan Bin Abdul Aziz Charitable Foundation
- \* Mohammed Bin Salman Bin Abdulaziz charitable Foundation (MISK)
- \* King Salman Science Oasis
- \* The Voice of Down Syndrome Society

In addition, there are many of the participations and media care for many economic and social forums, several conferences and seminars that have concerns to all spectrums of society. What's worth noting, in this regard, is that the group has supported the establishment of Prince Ahmed bin Salman Applied Media Institute in order to meet the updated training needs in the media institutions. The institute is considered as a bridge where professionals from all the media specialties are receiving the highest level of training which focuses on the quality and quantity through training programs offered by the institute in collaboration with international facilities in the fields of training and programs design.

## Thirteenth: Information Related to Loans

The group and its subsidiaries within Saudi Arabia were keen that all their transactions in accordance with the Islamic Shari'a and that the loans obtained by them are in accordance with the Islamic transactions regulation. As the group is benefiting from these loans to finance its investments and meet the needs its subsidiaries, so as to ensure the cash flows that enable the group to fulfill its obligations and to achieve a positive cash position.

It should be noted that the group is still has a strong financial position in the light of its holding of assets and multiple sources of income, as the loans amounted to the equity a percentage of 96.0% for 2016 compared to 89.6% for 2015, as well as the loans to the total assets in percentage of 38.6% for 2016 compared to 36.5% for 2015.



The following tables show a detailed description of the loans used during 2015

(1) Group loans (with exception of the Saudi printing and Packaging Company)

Thousands of Saudi Riyals

Statement	Loan Date	2016	2015	Loan Paid	Loan Term	Bank
Loan (1)	4-Mar-15	-	8,5	8,5	350 Days	Samba
Loan (2)	19-Nov-15	-	24	24	55 Days	Banque Saudi Fransi
Loan (3)	9-Dec-15	-	32,5	32,5	57 Days	Banque Saudi Fransi
Loan (4)	21-Dec-15	-	25	25	62 Days	Banque Saudi Fransi
Loan (5)	28-Dec-15	-	22,5	22,5	44 Days	Banque Saudi Fransi
Loan (6)	18-Sep16	15	-	-	157 Days	Banque Saudi Fransi
Loan (7)	19-Sep-16	37,5	-	-	149 Days	Banque Saudi Fransi
Loan (8)	17-Oct-16	24	-	-	156 Days	Banque Saudi Fransi
Loan (9)	24-Oct-16	18	-	-	170 Days	Banque Saudi Fransi
Loan (10)	25-Oct-16	20	-	-	148 Days	Banque Saudi Fransi
Loan (11)	1-Nov-16	21	-	-	176 Days	Banque Saudi Fransi
Loan (12)	21-Nov-16	25	-	-	170 Days	Banque Saudi Fransi
Loan (13)	1-Dec-16	15	-	-	162 Days	Banque Saudi Fransi
Loan (14)	1-Dec-16	30	-	-	169 Days	Banque Saudi Fransi
<b>Total</b>		<b>205,5</b>	<b>112,5</b>	<b>112,5</b>		

Loans Receivables (with the exception of the Saudi Printing and Packaging Company)

Thousands of Saudi Riyals

Statement	2016	2015
Less than one year	205,5	112,5
From 1 to 2 years	-	-
From two to five years	-	-
More than five years	-	-
<b>Total</b>	<b>205,5</b>	<b>112,5</b>

# 1990

Establishing of Al-Khaleejiah for Advertising & Public Relations Company, an advertising arm as a subsidiary company for the SRMG.

Loans of Saudi Printing & Packaging Co. (with exception of Saudi Research and Marketing Group)

Samba Financial Group

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	30/11/2015	-	4,000	4,000	3 months
Loan (2)	07/10/2015	-	5,750	5,750	3 months
Loan (3)	21/12/2015	-	7,000	7,000	3 months
Loan (4)	21/12/2015	-	9,500	9,500	3 months
Loan (5)	21/12/2015	-	10,000	10,000	3 months
Loan (6)	21/12/2015	-	10,500	10,500	3 months
Loan (7)	23/12/2015	-	3,500	3,500	32 days
Loan (8)	27/12/2016	6,000	-	-	9 days
Loan (9)	27/12/2016	3,500	-	-	9 days
Loan (10)	21/11/2016	1,500	-	-	45 days
<b>Total</b>		<b>11,000</b>	<b>50,250</b>	<b>50,250</b>	

Saudi Fransi Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	29/11/2015	-	40,000	40,000	2 months
Loan (2)	19/11/2015	-	3,000	3,000	3 months
Loan (3)	30/10/2016	41,000	-	-	3 months
Loan (4)	22/12/2016	3,500	-	-	3 months
Loan (5)	12/12/2016	34,500	-	-	3 months
Loan (6)	22/12/2016	38,000	-	-	3 months
Loan (7)	22/12/2016	7,000	-	-	3 months
<b>Total</b>		<b>124,000</b>	<b>43,000</b>	<b>43,000</b>	

## Riyad Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	01/12/2015	-	12,500	12,500	3 months
Loan (2)	29/11/2015	-	28,000	28,000	3 months
Loan (3)	29/10/2015	-	42,000	42,000	3 months
Loan (4)	27/12/2015	-	11,500	11,500	15 days
Loan (5)	27/11/2016	13,600	-	-	3 months
Loan (6)	27/11/2016	28,000	-	-	3 months
Loan (7)	09/10/2016	3,000	-	-	3 months
Loan (8)	22/11/2016	4,000	-	-	3 months
Loan (9)	24/10/2016	2,000	-	-	3 months
Loan (10)	31/10/2016	4,750	-	-	3 months
<b>Total</b>		<b>55,350</b>	<b>94,000</b>	<b>94,000</b>	

## Arab National Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	19/11/2015	-	2,760	2,760	6 months
Loan (2)	29/11/2015	-	6,038	6,038	6 months
Loan (3)	30/08/2016	1,986	-	-	6 months
Loan (4)	27/09/2016	1,578	-	-	6 months
<b>Total</b>		<b>3,565</b>	<b>8,798</b>	<b>8,798</b>	

## Standard Chartered Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	15/12/2016	10,082	-	-	3 months
<b>Total</b>		<b>10,082</b>	<b>-</b>	<b>-</b>	

## SABB bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	20/05/2014	1,239	1734	495	5 years
Loan (2)	13/07/2014	1,600	2134	534	5 years
Loan (3)	17/11/2014	1,121	1494	373	5 years
Loan (4)	23/11/2015	-	4600	4600	3 months
Loan (5)	29/11/2015	-	1700	1700	3 months
Loan (6)	13/12/2015	-	856	856	30 days
Loan (7)	17/11/2015	-	500	500	3 months
Loan (8)	20/12/2015	-	550	550	30 days
Loan (9)	28/12/2015	-	369	369	3 months
Loan (10)	28/12/2015	-	1419	1,419	3 months
Loan (11)	28/12/2015	-	1366	1,366	3 months
Loan (12)	28/12/2015	-	1269	1,269	3 months
Loan (13)	23/11/2015	-	80	80	2 months
Loan (14)	17/05/2015	2,181	2,492	311	5 years
Loan (15)	14/07/2015	2,508	2,508	-	5 years
Loan (16)	04/08/2015	2,475	2,475	-	5 years
Loan (17)	28/10/2015	997	997	-	5 years
Loan (18)	20/11/2016	4,600	-	-	3 months
Loan (19)	27/11/2016	1,700	-	-	3 months
Loan (20)	05/10/2016	726	-	-	3 months
Loan (21)	11/10/2016	2,000	-	-	3 months
Loan (22)	16/10/2016	2,100	-	-	3 months
Loan (23)	17/10/2016	1,650	-	-	3 months
Loan (24)	19/10/2016	2,950	-	-	3 months
Loan (25)	25/10/2016	1,765	-	-	3 months
Loan (26)	02/11/2016	1,350	-	-	3 months
Loan (27)	29/11/2016	1,100	-	-	3 months
Loan (28)	14/11/2016	501	-	-	3 months
Loan (29)	14/11/2016	937	-	-	3 months
Loan (30)	19/12/2016	1,000	-	-	3 months
Loan (31)	22/12/2016	1,520	-	-	3 months
Loan (32)	22/12/2016	2,500	-	-	3 months
Loan (33)	29/12/2016	1,239	-	-	3 months
<b>Total</b>		<b>39,759</b>	<b>26,543</b>	<b>14,422</b>	

## Alinma Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	23/12/2012	198,100	254,700	56,600	7.5 years
<b>Total</b>		198,100	254,700	56,600	

## Abu Dhabi Commercial Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	21/10/2012	-	1,263	1,263	3.75 year
<b>Total</b>		-	1,263	1,263	

## Abu Dhabi Islamic Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	02/10/2014	342,257	394,155	51,898	6 years
Loan (2)	27/07/2015	55,343	64,873	9,530	5.25 years
Loan (3)	11/04/2016	25,526	-	-	4.5 years
Loan (4)	15/09/2015	-	2,595	2,595	5 months
Loan (5)	15/10/2015	-	9,370	9,370	5 months
Loan (6)	15/11/2015	-	11,291	11,291	5 months
Loan (7)	15/12/2015	-	6,941	6,941	5 months
Loan (8)	15/09/2015	5,215	-	-	5 months
Loan (9)	15/10/2015	7,575	-	-	5 months
Loan (10)	15/11/2015	7,908	-	-	5 months
Loan (11)	15/12/2015	7,162	-	-	5 months
<b>Total</b>		450,985	489,225	91,625	

## Emirates Islamic Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	18/12/2014	1,484	2,227	743	4 years
Loan (2)	14/07/2015	1,423	1,975	552	4 years
<b>Total</b>		2,907	4,202	1,295	

## Mashreq Bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	23/07/2015	-	1,199	1,199	6 months
<b>Total</b>		-	1,199	1,199	

## SABB bank

Statement	Loan Date	2016	2015	Loan Paid	Loan Term
Loan (1)	30/04/2014	51	277	226	3.17 years
Loan (2)	30/03/2014	-	798	798	3.17 years
Loan (3)	30/09/2014	217	1,081	864	3.19 years
Loan (4)	26/05/2015	2,573	3,768	1,195	4 years
Loan (5)	18/08/2015	326	449	123	4 years
Loan (6)	21/09/2015	458	630	172	4 years
Loan (7)	20/01/2016	1,165	-	-	4 years
Loan (8)	26/05/2016	135	-	-	4 years
Loan (9)	22/08/2016	2,411	-	-	4 years
Loan (10)	24/10/2016	672	-	-	4 years
Loan (11)	14/11/2016	2,674	-	-	4 years
Loan (12)	15/05/2015	-	842	842	8 months
Loan (13)	15/06/2015	-	1,135	1,135	8 months
Loan (14)	15/07/2015	-	572	572	8 months
Loan (15)	15/08/2015	-	3,299	3,299	6 months
Loan (16)	15/09/2015	-	4,849	4,849	6 months
Loan (17)	15/10/2015	-	3,150	3,150	6 months
Loan (18)	15/11/2015	-	4,384	4,384	6 months
Loan (19)	15/12/2015	-	5,978	5,978	6 months
Loan (20)	15/06/2015	68	-	-	8 months
Loan (21)	15/07/2015	631	-	-	8 months
Loan (22)	15/09/2015	616	-	-	6 months
Loan (23)	15/10/2015	9,748	-	-	6 months
Loan (24)	15/12/2015	693	-	-	6 months
<b>Total</b>		22,439	31,212	27,587	

<b>Total Loans</b>		918,187	1,004,392	390,039	
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Information Related to Murabaha & Loans (Saudi Printing and Packaging Company):  
(Thousands of Saudi Riyals)

Statement	2016	2015
Short-term loans	271,251	264,359
Murabahat	-	-
Long-term loans / investment financing	646,936	740,033
<b>Total</b>	<b>918,187</b>	<b>1,004,392</b>

Total of Murabaha & Loans are summarized as follows:  
Murabaha and company's loans movement used for the operational and investment activities are summarized as follows:  
(Thousands of Saudi Riyals)

Statement	2016	2015
Opening balance	1,004,392	991,823
Add		
Received during the year	303,834	344,529
Less		
Paid during the year	(390,039)	(331,960)
Opening balance	1,004,392	991,823
<b>Closing balance</b>	<b>918,187</b>	<b>1,004,392</b>

Loans Dues (Saudi Printing & Packaging Company):  
(Thousands of Saudi Riyals)

Statement	2016	2015
less than one year	358,442	
One to two years	113,534	
From two to five years	446,211	
More than five years	-	-
<b>Total</b>	<b>918,187</b>	<b>1,004,392</b>

## 2007

Saudi Printing & Packaging Company (SPPC) goes public, representing the printing arm of the Group that holds all printing facilities of the Group (MPP, HPP, and UPP).

### Fourteenth: Board of Directors

Current Board of Directors  
The following table shows the formation of the current board of directors as at 31/12/2016:

Directors	Statement	Executive Director	Non-Executive Director	Independent
Prince / Badr bin Abdullah bin Mohammed Al Saud	Chairman of the Board			✓
HE/ Dr. Azzam bin Mohammed Al Dakhil	Director	✓		
Mr. Ahmed bin Aqeel Al Khatib	Director			✓
Mr. Abdulrahman bin Hamad Al-Rashed	Director			✓
Mr. Mohiddin bin SalehKamel	Director			✓
Dr. Abdul Aziz bin Hamad Al Fahad	Director			✓
Mr. Majed Abdulrahman ALeisa	Director			✓
Mr. Adel Ben Marzouq Al Nasser	Director			✓
Dr. Turki bin Omar Saleh Buqshan	Director			✓
<b>Total</b>		<b>1</b>		<b>8</b>

The changes that took place in the board of directors during 2016:  
Directors submitted their resignation during 2016

Directors	2016	2015	
Dr. Abdallah bin Hussein Al Amoudi	18/04/2016	20/04/2016	Independent
Mr. Saleh Abdulaziz Almarzouq	17/04/2016	20/04/2016	Independent

## Meetings of the Board of Directors

The board of directors convened four meetings during the fiscal year 2016 as follows:

Date	Attendance record
27/03/2016	Mr. Mohiddin Bin Saleh Kamel, Mr. Abdulrahman bin Hamad Al-Rashed, Dr. Turki bin Omar Saleh Buqshan, Mr. Adel Ben Marzouq Al Nasser, Dr. Abdullah Bin Hussein Al Amoudi, Mr. Majed Abdulrahman ALEisa, Mr. Saleh Abdulaziz Almarzouq
05/06/2016	Mr. Ahmed bin Aqeel Alkhtib, HE/ Dr. Azzam bin Mohammed Al Dakhil, Mr. Mohiddin Bin Saleh Kamel, Mr. Abdulrahman bin Hamad Al-Rashed, Dr. Abdul Aziz bin Hamad Al Fahad, Dr. Turki bin Omar Saleh Buqshan, Mr. Adel Ben Marzouq Al Nasser
22/10/2016	HE/ Dr. Azzam bin Mohammed Al Dakhil, Mr. Mohiddin Bin Saleh Kamel, Mr. Abdulrahman bin Hamad Al-Rashed, Dr. Abdul Aziz bin Hamad Al Fahad, Mr. Adel Ben Marzouq Al Nasser, Mr. Majed Abdulrahman ALEisa
14/12/2016	Prince / Badr bin Abdullah Al Saud, HE/ Dr. Azzam bin Mohammed Al Dakhil, Mr. Ahmed bin Aqeel Alkhtib, Dr. Abdul Aziz bin Hamad Al Fahad, Dr. Turki bin Omar Saleh Buqshan, Mr. Adel Ben Marzouq Al Nasser, Mr. Abdulrahman bin Hamad Al-Rashed

# 1994

- Launching Urdu News, 1st Urdu daily newspaper in KSA and GCC.
- Launching Malayalam News, 1st Malayalam daily newspaper in KSA and GCC.
- Publishing Al-Jamila, a weekly female beauty & health magazine.

# 2006

- SRMG went public.
- Saudi Specialized Publishing Company was established.
- Acquiring Hala Printing Press (HPP).

## Salaries and compensation of the members of the board of directors and senior executives.

The following table shows the salaries and allowances of the board of directors in addition to the senior executives in the company during 2016:

(Million Saudi Riyals)

Statement	Executive members (1)	Non-executive members (Independent) (10)	Executives and CFO received salaries & allowances (2)
Salaries and compensation	9.4	-	3.0
Allowances	4.3	-	1.9
Annual & Periodical Bonuses	-	-	-
Motivational plans	-	-	-
Any compensations or other kind benefits paid monthly or yearly	-	-	-

The attendance allowances and expenses were paid to each member of the board of directors who attended the board meetings or its committees in a total amount of 717,350 thousand Saudi Riyals for year 2016.

## Interests of members of the board of directors and senior executives

The following table shows the benefits of members of the board of directors, senior executives, their spouses and their minor children or whom they representatives:

Name	Remarks	Number of shares beginning of the year	Ownership beginning of the year	Net change in number of shares during the year	Percentage change during the year	Number of shares end year	Ownership percentage at the end of the year
Benefits of members of the board of directors and senior executives as at 31/12/2016							
Prince / Badr bin Abdullah bin Mohammed Al Saud	-	1,000	-	-	-	-	-
HE/ Dr. Azzam bin Mohammed Al Dakhil- Representative of Human Resources Development Fund.	Fund shares	922,000	1,15%	-	-	1,15%	1,15%
	His Shares	1,053,374	1.32%	1,257,904	1.57%	1,000	-
Mr. Ahmed bin Aqeel Alkhtib- representative of Public Pension Agency	Agency Shares	3,515,804	4.39%	-	-	3,515.804	4.39%
	His Shares	1,000	-	-	-	1,000	-
Mr. Abdulrahman bin Hamad Al-Rashed	-	1,000	-	-	-	1,000	-
Mr. Mohiddin Bin Saleh Kamel	-	1,015	-	-	-	1,015	-
Dr. Abdul Aziz bin Hamad Al Fahad	-	-	-	-	-	1,000	-
Dr. Abdullah Bin Hussein Al Amoudi	-	2,015	-	-	-	2,015	-
Mr. Majed Abdulrahman ALEisa	-	-	-	-	-	1,200	-
Mr. Adel Ben Marzouq Al Nasser	-	-	-	-	-	1,000	-
Dr. Turki bin Omar Saleh Buqshan	-	-	-	-	-	1,000	-
Mr. Saleh Abdulaziz Almarzouq	-	-	-	-	-	1,000	-
Benefits of members of the board of directors and senior executives during 2016							
Dr. Abdullah Bin Hussein Al Amoudi	-	2,015	-	-	-	2,015	-
Mr. Saleh Abdulaziz Almarzouq	-	-	-	-	-	1,000	-

## The membership of members of the board of directors in other joint-stock companies

The membership of members in the board of directors in joint stock companies as at 31/12/2015G

Serial	Name of a director	included	Not included
1	Prince / Badr bin Abdullah bin Mohammed Al Saud	-	-
2	HE/ Dr. Azzam bin Mohammed Al Dakhil	-	-
3	Mr. Ahmed bin Aqeel Alkhtib	-	-
4	Mr. Abdulrahman bin Hamad Al-Rashed	-	-
5	Mr. Mohiddin Bin Saleh Kamel	• Board member of Jabal Omar company	• Board member of Al Khozama Management Company • Board member of Dallah Co. for Health Services • Al Fawasel Regional Investment Co Ltd
6	Dr. Turki bin Omar Saleh Buqshan	• Board member of Saudi Printing & Packaging Co.	
7	Mr. Majed Abdulrahman ALEisa	• Board member of Saudi Printing & Packaging Co.	• Board member of AL YUSR leasing & Financing • Board member of Abdullatif ALEissa Co. • Board member of Ashmore Bank • Board member of Al Ittefaq Steel products Co. • Board member of Absal Steel Co.
8	Mr. Adel Ben Marzouq Al Nasser	• Chairman of Saudi Printing & Packaging Co.	• Board member of Al-Ittefaq Steel Co. • Board member of Absal Steel Co.
9	Dr. Abdul Aziz bin Hamad Al Fahad	-	-
<b>Membership of Board Members in joint-stock companies who resigned during 2016</b>			
1	Dr. Abdullah Bin Hussein Al Amoudi	-	-
2	Mr. Saleh Abdulaziz Almarzouq	-	-

\*according to the last update submitted to Saudi Capital Market Authority until the end of 2016

## Deals and Contracts with Stakeholders

There were no deals or contracts between the group and stakeholders or parties in which there is an interest for a board member or any person who has a relation with any of them during 2016.

## Printing & Packaging

The group owns 70% of the Saudi Printing & Packaging Company whereas the results of Saudi Printing & Packaging Company fall under the consolidated financial results of the group. There are existing dealings between the Saudi company for research and publishing and Saudi Printing & Packaging Company on a daily basis based on printing of newspapers and going on since 2007. Whereas Saudi Printing & Packaging Company is the party in the dealings with Saudi Research and Publishing Company with limited liability, Saudi Printing & Packaging Company as the general stock company and the party in dealing discloses such dealings.

## Committees of the Board of Directors

The board of directors has three sub-committees

### Executive Committee:

The current executive committee consists of four board members. Within the scope of executive liabilities assigned to it by the board, the executive committee is responsible for supervising the implementation of the comprehensive strategy of the group and developing the budgets of the group. As well as it is responsible for overseeing the operational and financial performance of the group and reporting to the board of directors regarding the financial and strategic matters and related thereof.

The executive committee convened nine meetings during 2016. The following table shows the names of the executive committee's members:

Serial	Member Name	Statement
1	HE/ Dr. Azzam bin Mohammed Al Dakhil	Chairman of the Committee
2	Mr. Ahmed bin Aqeel Alkhtib	Committee member
3	Mr. Turki bin Omar Saleh Buqshan	Committee member

The executive committee was reformed on 07/06/2016:

Serial	Member Name	Statement
1	Mr. Ahmed bin Aqeel Alkhtib	Chairman of the Committee
2	Mr. Abdulrahman bin Hamad Al-Rashed	Committee member
3	HE/ Dr. Azzam bin Mohammed Al Dakhil	Committee member
4	Dr. Abdul Aziz bin Hamad Al Fahad	Committee member

## Auditing Committee

The board of directors, its term began in 01/05/2006, formed the auditing committee in its twenty-second meeting held dated 22/05/2006. The committee consists of three members, two of them are non-executive directors and the third is board outsider who is specialized in financial and accounting affairs.

The committee's duties and responsibilities include the study of the internal control system, and supervise the internal auditing management in the company in order to ensure its effectiveness in the implementation of actions and tasks set by the board of directors. In addition, the study of the internal auditing reports, follow-up the carry out of the corrective procedures to the notes contained therein.

The committee's responsibilities also include recommendation to the board of directors regarding the appointment of the certified public accountants, their dismissal, determine their fees and ensure their independence, following-up their business, in addition to the study and review of their the audit plan with the certified public accountant, as well as the study of his notes on the preliminary financial statements before submitting them to the board of directors, express the opinion and recommendation in respect thereof.

The committee also examines the applicable financial and accounting policies, express opinion and recommendations to the board of directors in respect thereof, evaluate the effectiveness of the company's estimate of the significant risks and steps taken by the company management to monitor and address these risks.

The audit committee, during 2015, convened eight meetings and the following table shows the names of the audit committee members:

Serial	Member Name	Statement
1	Mr. Majed Abdulrahman ALEisa	Chairman of committee
2	Mr. Adel Bin Marzouq Al Nasser	Committee member
3	Dr. Abdul Aziz bin Hamad Al Fahad	Committee member

The audit committee was reformed on 07/06/2016:

Serial	Member Name	Statement
1	Mr. Turki bin Omar Saleh Buqshan	Chairman of committee
2	Mr. Majed Abdulrahman ALEisa	Committee member
3	Mr. Adel Ben Marzouq Al Nasser	Committee member

## 1992

- Launching Al-Eqtisadiyah, a daily business newspaper.
- Launching Arrajol, a monthly lifestyle elite magazine for men.
- Launching Hia, a monthly lifestyle elite magazine for women.

## Nominations & Remunerations Committee

The nominations and remunerations committee comprises three members of the board of directors, its tasks and responsibilities as follows: to recommend the nominations to the membership of the board of directors in accordance with the approved standards, the annual review of the required skills needed for the board of directors, prepare a description of the required capabilities and qualifications to the membership of the board of directors, including the determination of the term to be assigned by the member to practice the board of directors' business. As well as the committee shall review the structure of the board of directors, report recommendations regarding the changes that can be made. The committee shall also determine the aspects of strengths and weakness in the board of directors and suggest their treatment in accordance with the company's benefits, to ensure on an annual basis the independence of the independent members and non-existence of any conflict of interests if this member is in another board of directors.

The committee's tasks also includes: develop clear policies regarding the compensations and remunerations of the members of the board and senior executives, follow-up the implementation of the committee's recommendations after being submitted to the board of directors and approving thereon, prepare the periodical and annual reports regarding the committee's businesses according to the regulations and submit them to the board of directors.

The following table shows the names of nominations and remunerations committee members, which convened two meeting during 2016.

Serial	Member Name	Statement
1	Mr. Turki bin Omar Saleh Buqshan	Chairman of committee
2	Mr. Mohiddin Bin Saleh Kamel	Committee member
3	Mr. Abdulrahman bin Hamad Al-Rashed	Committee member

The nominations and remunerations committee was reformed on 07/06/2016:

Serial	Member Name	Statement
1	Mr. Mohiddin Bin Saleh Kamel	Chairman of committee
2	Mr. Turki bin Omar Saleh Buqshan	Committee member
3	Mr. Abdulrahman bin Hamad Al-Rashed	Committee member

## Declarations of Board of Directors:

The board of directors declares that:

- The accounting records were properly prepared.
- The internal control system was prepared on a sound basis and implemented efficiently.
- There is no significant doubt about the group's ability to continue its activity.

## Fifteenth: Annual Review Outcomes of the Effectiveness of Internal Control Procedures for year 2016:

During 2016, the audit committee of the group followed up the implementation of the approved internal audit plan for the same year, taking into consideration the audit priorities in accordance with the results of a comprehensive analysis and evaluation of the risks study in the group and its subsidiaries which was implemented by means of a specialized consultancy office during 2009, knowing that this evaluation is reviewed and amended in line with the updates and developments that take place in the group management and its subsidiaries.

The audit committee studied the audit committee procedures in companies through following up the reports of the internal control department about the soundness of the internal control system and the policies and procedures with which the company management works to provide a reasonable assurance that achieves the necessary protection for the assets of the company and reach an agreement with the executive management of the group and its subsidiaries to implement the recommendations contained in the internal audit reports within a specific time frame and follow up the implementation in subsequent phases to ensure integrity and good application in order to improve and enhance such procedures.

During 2016, the audit committee followed-up the implementation of the mechanism of application of the financial and administrative procedures and policies manuals of the group and its subsidiaries, in addition to the administrative and financial matrix of powers which was approved and activated during 2011 in accordance with its recommendations submitted to the board of directors during 2011. In addition, it presented recommendations and followed up the completion of preparation and approval of policies and procedures manuals for the group companies which started its business during 2016.

The audit committee recommended to the board of directors to appoint an external auditor for the group and its subsidiaries for the fiscal year that will end on 31/12/2017. It also recommended to the board to appoint the external auditor to prepare the consolidated financial statements of the group and its subsidiaries for 2016 according to the International Financial Reporting Standards to cope with the requirements of international standards application in the kingdom.

Based on the results of the auditing tasks done by the internal control department during 2016 throughout the group and its subsidiaries, the audit committee is satisfied that the internal control procedures are effective and achieves the necessary protection for the assets of the company, efficiency and effectiveness of operations and compliance with regulations in order to achieve the desired goals. There are no significant remarks that require disclosure.

## Sixteenth: Risks Management

The company management seeks to confront any challenges and potential risks that may affect its activity and financial position and absorbing them through its study and vast experience in publishing industry, the ability to determine the associated risks and the risks related to the market on the other hand. The company believes that the significant risks are related to the following:

### Economic Conditions

The advertising income constitutes an essential element of the group's total revenue, the level of quality of this revenue in terms of quantity and quality is subjected to the economic cycles known in the region, as well as the influential political risks in this context.

### Leadership Stability

The group is managed by an elite of the best Arab and Saudi competencies in all its editorial, administrative and financial sectors, as the stability of the leaders is of the most important actors in the development of the group performance.

### Expansion Strategy

The group initiated the planning of many expansion projects that are compatible and consistent with its general strategies, these matters are subjected to the risks of delay and non-implementation.

### Industry Risks

The media and publishing industry face challenges in which the data and basic factors of using the data and using it from the traditional media channels are shifted to the modern media channels. The group is a ware and appreciates this shift and seeks to comply with all alternative and competitive channels in order to deliver its services and using them within a specified economic frameworks.

### Higher paper Prices

Paper is the most important raw materials used by the group in terms of its costs and supply resources, where the group using the presses of the Saudi Printing and Packaging Company (a subsidiary Saudi joint stock company) to print its publications inside Saudi Arabia. The group obtains paper under supply agreements with main supplier and obtain less quantity from different suppliers on a regular basis. The group reduces the fluctuation in the paper prices by identifying its paper stock and manage it efficiently.

### Operations Stability After Acquisition

The operations instability after the acquisition of new companies is considered one of the risks that may encountered by the group, in order to avoid these risks, the group takes all the necessary measures to achieve the stability of its operations.

## Seventeenth: Corporate Governance

The group is always keen to conduct all its commercial and investment operations in accordance with all systems and regulations applicable in Kingdom of Saudi Arabia. In this aspect, the group is committed to the best standards of transparency and disclosure in accordance with the requirements of the good governance and corporate governance regulations applied in Saudi Arabia including the provision of the basic information for shareholders and investors in the specified times according to the instructions and regulations of the Saudi capital authority and governance regulation applicable in the group.

The board of directors and its sub-committees (executive committee, audit committee and remunerations and nominations committee) support the governance means and methods on an ongoing basis, the governance rules related to the company are reviewed from time to time to ensure suitability of their purposes and to accommodate renewable and regular updates and requirements of the capital market authority and also for the purposes of good governance.

In general, it can be said that the company has complied with the requirements of the corporate governance contained in the corporate governance regulation issued by the capital market authority, except for the following provisions:

Article	Reasons for non-application
Paragraph (B) of article No. 6 related to the use of the cumulative voting on the selection of members of the board of directors at the general assembly	The company did not comply with the cumulative voting method because of the availability of a sufficient number of the independent members of the board of directors (ten members out of eleven members of the board of directors) as at 31/12/2015. As the members of the board of directors shall maintain the minority rights of the shareholders.
Paragraph (D) of article No. 6 of corporate governance regulation: The investors of the persons with legal status who act on behalf of the others such as investment funds- shall disclose of their policies in voting and their actual voting in their annual statements and also the disclosure of the way of deal with any material conflicts that may affect the practice of the fundamental rights related to their investments.	The company believes that this commitment is addressed to the investors who act on behalf of the others which represented in the regulation by the investment funds, the company does not play this role as it does not invest the people's monies in public joint stock companies until it discloses of its policy in voting regarding these investments. *Note that there is a regulation related to the conflict of interests applicable in the group.
Paragraph (I) of article No. 12 of corporate governance regulation: The person with legal status may not- who is entitled according to the company's articles of association to appoint representatives for him in the board of directors- vote on the selection of the other members in the board of directors.	According to the company's statute, any person with legal status has no right in the appointment of representatives for him in the board of directors but the nomination shall be open and general for all shareholders.
Paragraph (A) of Article No. 12 of corporate governance regulation that stipulates that the number of the members of the board of directors shall be from 3 to 11 members.	This is according to the company's statute where still stipulates that the number of the members of the board of directors are 12 members.

\*Through the keenness of the group to apply the provisions of corporate governance regulation, the group convened an extraordinary general assembly in 25/04/2015 to amend the group's statute to be compatible with the corporate governance regulation including the item of number of the members of board of directors and add new articles related to the sub-committee of the board of directors, but these did not get the percentage of shareholders' votes necessary for approval. The group called for an extraordinary general assembly to amend the basic bylaw of the group on 05/05/2016 but it didn't convene because the quorum was not fulfilled. The group will seek to comply with the corporate governance regulations. Noting that, the paragraphs (A) and (B) fall within the indicative articles of the corporate governance regulations issued by the Saudi capital market authority.

## Eighteenth: Transformation to the International Accounting Standards

With reference to the requirements of the Capital Market Authority as to the transformation to the approved international accounting standards, the Saudi Research and Marketing Group took the following procedures within the framework of the transformation plan whereas the following phases of transformation were announced in CMA as follows:

Announcement Date	Reasons for non-implementation
First Phase Monday 29/08/2016	With reference to the requirements of the Capital Market Authority as to the transformation to the approved international accounting standards, the Saudi Research and Marketing Group took the following procedures within the framework of the transformation plan: 1. The transformation plan to the implementation of the international accounting standards so that the targeted date for approving the accounting policies is 31/10/2016 2. An external financial consultant represented in PricewaterhouseCoopers which is experienced and specialized in the international accounting standards was appointed to implement the transformation plan. 3. An internal team of the company was appointed to be responsible for the implementation and follow up of the transformation plan. 4. The company didn't face essential difficulties in implementing the transformation process into international accounting standards 5. The targeted date for preparation of the financial statements according to the international accounting standards is 31/03/2017. Accordingly, Ernst & Young office, the current external auditor of the group will prepare the financial statements for the periods preceding the transformation plan of 2016 to cope with the international accounting standards.
Second Phase Thursday 27/10/2016	Subsequent to announcement by Saudi Research and Marketing Group on Tadawul website on 29/08/2016 regarding the phases of transformation by the group into the international accounting standards And referring to the previously announced date as to the adoption of international accounting standards, work is still going on to prepare the policies synchronous with the preparation by the Ernst & Young office, the current external auditor of the group of the financial statements for the periods preceding the transformation plan of 2016 to cope with the international accounting standards so that the policies will be prepared and adopted by the end of 2016. Worth mentioning is that work is going on to prepare the opening balances for 2016 and the financial statements of the first quarter of the current year 2016 according to the international accounting standards so that it will be finished before the end of the first quarter of 2017
Subsequent Announcement Thursday 29/12/2016	Subsequent to the announcement of Saudi Research and Marketing Group published on Tadawul website on 27/10/2016 regarding the phases of coping with the transformation into international accounting standards (second phase), the group would like to state that the board of directors of the group approved on 14/12/2016 the accounting policies required for the preparation of the financial statements to match the international accounting standards. In addition, the transformation plan previously announced is currently under implementation and goes as per the set plans.
Third Phase Thursday 31/01/2017	Saudi Research and Marketing Group announces the phases of coping with the transformation into international accounting standards (thirds phase) With reference to the group's announcements on Tadawul website on 29/08/2016, 27/10/2016 and 09/12/2016 regarding disclosure of the phases of transformation into international accounting standards and based on what was announced during the previous two phases of the disclosure phases, the group would like to announce the following: 1. The group set the accounting policies required for the preparation of the financial statements to comply with the international accounting standards and they were approved by the board of directors of the group on 14/12/2016 to be implemented on 01/01/2017. 2. The opening balances were prepared on 01/01/2016 according to the international accounting standards and are now audited by the external auditor. Currently, the financial statements of the first quarter of 2016 are being prepared. 3. The group is ready to prepare its financial statements for the first quarter of 2017 according to the international accounting standards during the specified official period. 4. There is no essential influences as a result of implementing the international accounting standards. 5. The group believes it is progressing smoothly into its approved transformation plan for the implementation of the international accounting standards and there is no hindrances that may affect the group's ability to prepare its financial statements according to the international accounting standards.

## Nineteenth: Dividends Distribution Policy:

The company's policy is based on paying dividends to the gross shares on an annual basis based on the income of the company, its financial positions, market conditions, economic conditions and other factors including the availability of investment opportunities, the needs of re-investment, financial and cash reserves, business possibilities and so of other regulatory considerations and the profits shall be distributed in Saudi Riyals.  
The company's statute stipulates to distribute the annual net profits of the company after deducting all the general expenses and other costs as follows:

- Allocation (10%) of the net profits to form a statutory reserve, the general assembly may suspend this allocation when the mentioned reserve reached half of the capital.
- A percentage of 5% of the net profits shall be put aside to form an agreed reserve to be allocated for the purposes determined by the board of directors and this retaining shall be postponed if it reached the quarter of the capital.
- From the remaining, a percentage equal to (5%) of the paid-up capital as a first payment shall be distributed among the shareholders.
- After the foregoing, a reward for the members of the board of directors shall be allocated provided not to exceed than the established limit under the council of ministers resolution No. (202) dates 13/08/1404H (15/05/1984), the remaining shall be distributed afterwards to shareholders as an additional share in the profits.

## Twentieth: Non-Distribution of Dividends for year 2016.

In the light of the financial outcomes for the fiscal year 2016 and the incurred losses, there is no profits to be distributed.

## Twenty First: Recommendations of the Board of Directors:

The board of directors of Saudi Research and Marketing Group recommends the esteemed ordinary general assembly with the following:

- To vote for the board of directors' annual report for 2016.
- To vote for the report of the company's accounts auditor for the year ended on 31/12/2016.
- To vote for the consolidated financial statements for the fiscal year ended on 31/12/2016.
- To vote for releasing the members of the board of directors for their works during the fiscal year ended in December 31, 2016.
- To vote for the appointment of an auditor among the nominees by the audit committee to review and examine the financial statements for 2017 and determine his fees.
- The board recommends to hold an extraordinary general assembly to amend the basic bylaw and relevant regulations.

Asking God to grant us all success

The Board of Directors



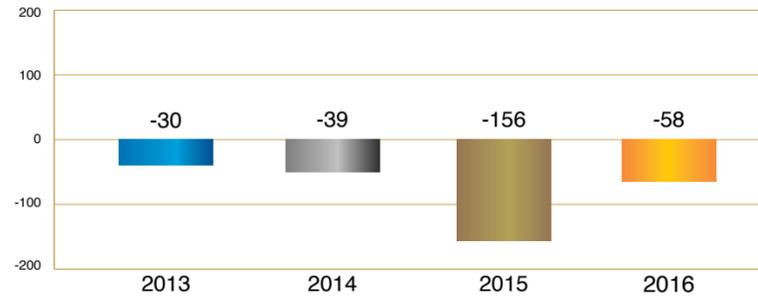
# 2016

Annual Report

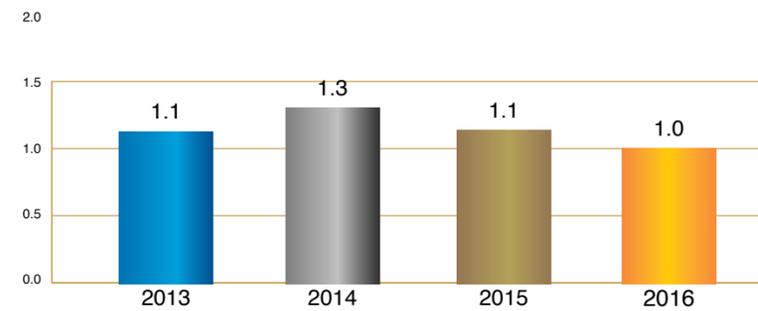
Year End Financial  
Performance Measurement

31 December 2016

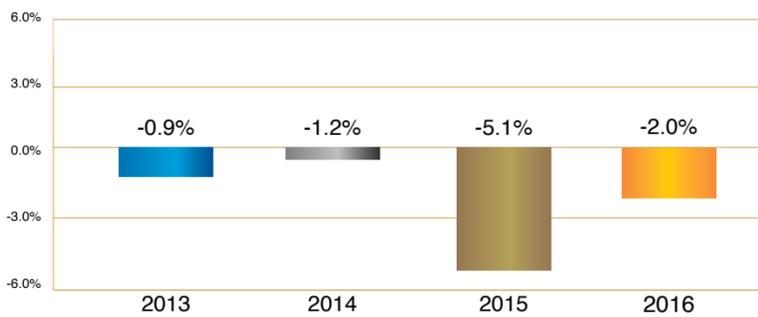
# Year End Financial Performance Measurements



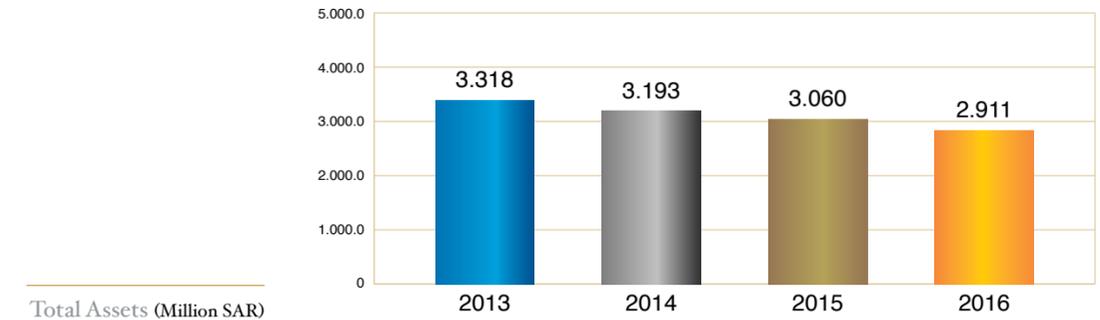
Net Income (Million SAR)



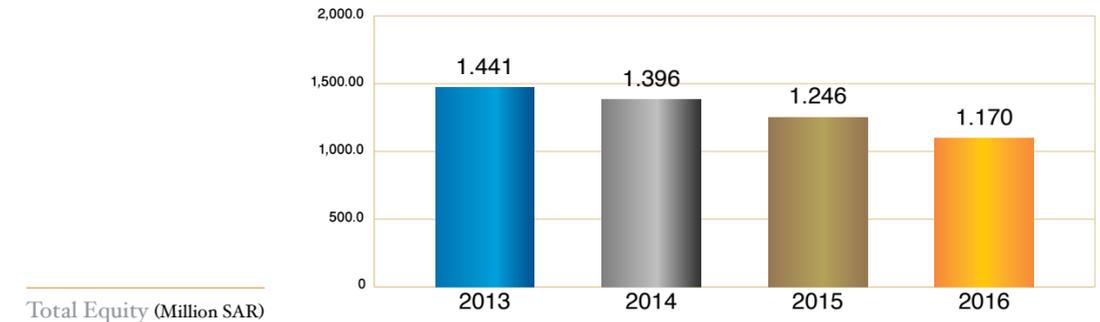
Current Ratio



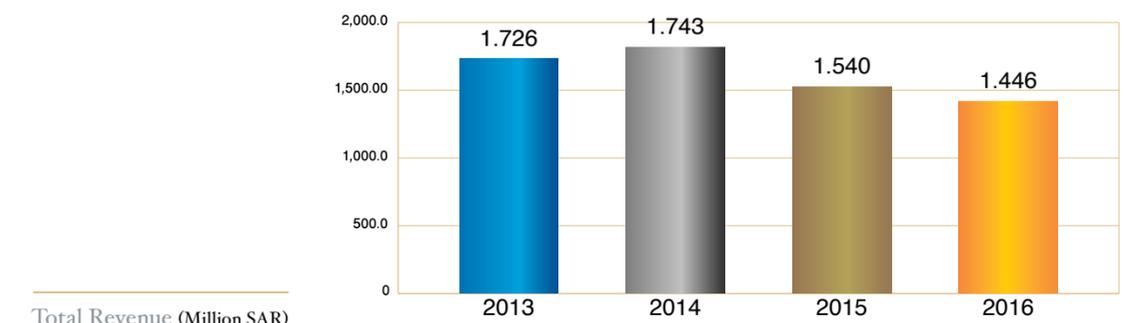
Return on Assets



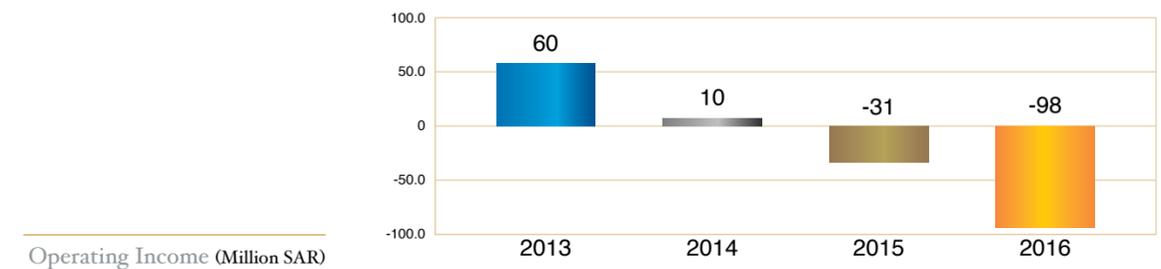
Total Assets (Million SAR)



Total Equity (Million SAR)



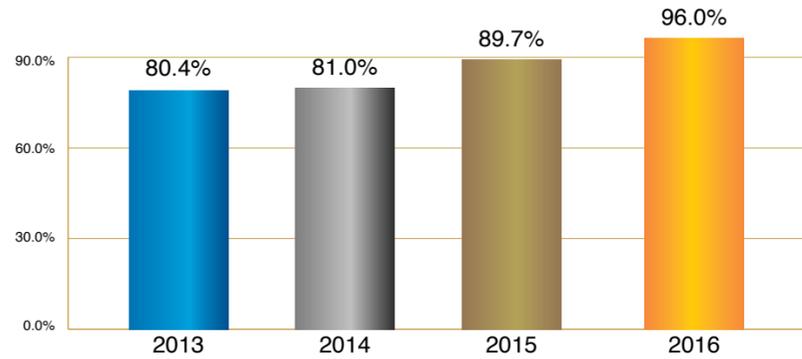
Total Revenue (Million SAR)



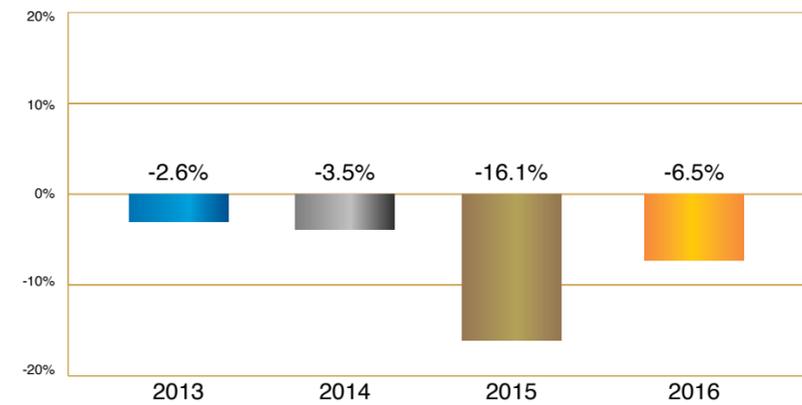
Operating Income (Million SAR)

# Year End Financial Performance Measurements

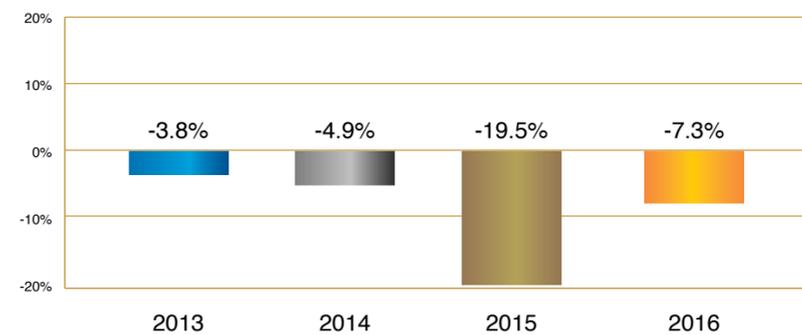
Leverage Ratio



Return on Shareholder's Equity



Return on Capital





# 2016

Annual Report

Consolidated Financial  
Statements

31 December 2016



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## AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI RESEARCH AND MARKETING GROUP (A SAUDI JOINT STOCK COMPANY)

### Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Research and Marketing Group - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of Group's management and have been prepared by them in accordance with the requirements of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

### Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- present fairly, in all material respects, the consolidated financial position of the Group and its subsidiaries as at 31 December 2016 and its consolidated results of operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- comply with the requirements of the Regulations for Companies and the Company's By-laws, in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. 437



Riyadh: 16 Jumad Thani 1438H  
(15 March 2017)

## SAUDI RESEARCH AND MARKETING GROUP (A Saudi Joint Stock Company) As of December 31, 2016

Consolidated balance sheet

Consolidated statement of income

Consolidated statement of cash flows

Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	2016	2015
<b>Current Assets</b>			
Bank balances and cash	4	369,728,617	347,575,413
Trade receivables, net	5	380,560,290	472,818,637
Inventories	6	202,540,616	247,980,003
Prepayments and other receivables	7	126,246,213	67,079,284
<b>Total Current Assets</b>		<b>1,079,075,736</b>	<b>1,135,453,337</b>
<b>Non-Current Assets</b>			
Property, machinery and equipment	9	1,087,341,952	1,118,053,123
Intangible assets	10	711,212,389	792,897,040
Investment properties	11	32,420,436	13,030,238
Investment available for sale	12	1,000,000	-
<b>Total of Non Current Assets</b>		<b>1,831,974,777</b>	<b>1,923,980,401</b>
<b>TOTAL ASSETS</b>		<b>2,911,050,513</b>	<b>3,059,433,738</b>

## LIABILITIES AND EQUITY

### Current liabilities

Trade and notes payable		163,403,113	193,879,774
Accrued expenses and other liabilities	13	271,570,499	331,482,136
Murabha Financing and short term loans	14	476,750,639	376,858,957
Current portion of Murabaha financing and term loans	14	147,311,298	126,405,640
Investment deficit in a discontinued subsidiary	15	8,386,425	-
Dividends payable		2,113,542	2,115,310
Zakat and income tax provision	16	30,585,047	31,841,970
<b>Total Current Liabilities</b>		<b>1,100,120,563</b>	<b>1,062,583,787</b>

To be Continued

# Consolidated Financial Statements

SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
As of December 31, 2016

Consolidated balance sheet

Consolidated statement of income

Consolidated statement of cash flows

Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2016	2015
<b>Non-current liabilities</b>			
Non-current portion of Murabaha financing and term loans	14	499,624,720	613,627,352
Customer's deposits		16,454,579	16,670,031
Employees' terminal benefits	17	124,413,301	120,843,326
<b>Total Non-Current Liabilities</b>		<b>640,492,600</b>	751,140,709
<b>TOTAL LIABILITIES</b>		<b>1,740,613,163</b>	1,813,724,496

<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
Share capital	18	800,000,000	800,000,000
Statutory reserve	19	203,777,609	203,777,609
Contractual reserve	20	67,547,177	67,547,177
Accumulated losses		(157,222,711)	(98,978,499)
Restricted governmental grant	21	8,361,425	8,361,425
Foreign currency translation		(20,412,286)	(9,576,341)
Net changes in fair value of cash flow hedges		(435,338)	(4,617,642)
<b>Total shareholders' equity</b>		<b>901,615,876</b>	966,513,729
Minority interest		268,821,474	279,195,513
<b>Total equity</b>		<b>1,170,437,350</b>	1,245,709,242
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,911,050,513</b>	3,059,433,738

SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
As of December 31, 2016

Consolidated balance sheet

Consolidated statement of income

Consolidated statement of cash flows

Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2016	2015
Revenues		1,446,461,171	1,485,412,202
Cost of revenues		(1,086,579,769)	(1,141,599,849)
<b>GROSS PROFIT</b>		<b>359,881,402</b>	343,812,353
<b>EXPENSES</b>			
Selling and marketing	22	(105,226,006)	(89,008,951)
General and administrative	23	(323,188,754)	(229,371,053)
Reversal of (losses) impairment of property, machinery, and equipment	9	1,348,144	(12,850,402)
Impairment losses of intangible assets	10	(30,573,650)	(44,000,000)
<b>Loss From Main Operations</b>		<b>(97,758,864)</b>	(31,418,053)
Financial charges		(50,260,809)	(48,370,579)
Gains from building sale	24	94,876,877	-
Reversal of (provision from) building sale cancellation	13,24	67,605,475	(70,654,272)
Other income, net	25	17,481,439	43,559,720
<b>Income (Loss) From Continued Operation</b>		<b>31,944,118</b>	(106,883,184)
<b>DISCONTINUED OPERATION</b>			
Loss from investment in discontinued subsidiary	15	(90,598,809)	(28,500,939)
<b>Loss Before Extraordinary Losses, Minority Interests, Zakat And Income Tax</b>		<b>(58,654,691)</b>	(135,384,123)
Extraordinary losses	26	-	(3,120,795)
<b>Loss Before Minority Interest, Zakat And Income Tax</b>		<b>(58,654,691)</b>	(138,504,918)
Minority interest		10,507,758	(6,306,236)
<b>Loss For The Year Before Zakat And Income Tax</b>		<b>(48,146,933)</b>	(144,811,154)
Zakat and income tax	16	(10,097,279)	(11,040,281)
<b>Net (LOSS) For The Year</b>		<b>(58,244,212)</b>	(155,851,435)
<b>Loss Per Share From:</b>	27		
(Loss) income from main operations		(1.22)	(0.39)
<b>Net Loss</b>		<b>(0.73)</b>	(1.95)

SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
As of December 31, 2016

Consolidated balance sheet  
Consolidated statement of income  
Consolidated statement of cash flows  
Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2016	2015
<b>Operating Activities</b>			
loss before minority interests, zakat and income tax		(58,654,691)	(138,504,918)
Adjustments for:			
Depreciation and amortization		87,781,024	88,293,208
Gains on disposal of property, machinery and equipment		(263,898)	(13,916,804)
Reversal of (losses) impairment of property, machinery, and equipment	9	(1,348,144)	12,850,402
Gains from building sale	24	(94,876,877)	-
Impairment losses of intangible assets	10	30,573,650	44,000,000
Allowance for doubtful debts	5	22,004,046	17,269,109
(Reversal of) provision for slow moving inventories		(432,908)	21,635,388
(Reversal of) provision from building sale cancellation	13,24	(67,605,475)	70,654,272
Extraordinary losses	26	-	3,120,795
Reversal of impairment losses of investment properties		-	(858,018)
Loss from investment in discontinued subsidiary		90,598,809	-
Provision for employees' terminal benefits	17	22,300,513	22,692,713
		<b>30,076,049</b>	127,236,147

To be Continued

SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
As of December 31, 2016

Consolidated balance sheet  
Consolidated statement of income  
Consolidated statement of cash flows  
Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2016	2015
<b>Changes in operating assets and liabilities:</b>			
Trade receivables		32,126,788	81,353,537
Inventories		24,713,526	14,864,579
Prepayments and other receivables		(62,607,336)	9,216,123
Trade and notes payable		17,192	(28,374,455)
Accrued expenses and other liabilities		105,567,821	(9,396,454)
Customers' deposits		(215,452)	(668,251)
Cash from operations		129,678,588	194,231,226
Zakat and income tax paid	16	(10,680,382)	(10,251,810)
Employees' terminal benefits paid	17	(17,175,579)	(17,601,639)
Net cash from operating activities		<b>101,822,627</b>	166,377,777
<b>Investing Activities</b>			
Proceeds from sale of land		-	19,500,065
Additions of property, machinery and equipment	9	(79,548,235)	(75,857,077)
Proceeds from sale of property, machinery and equipment		3,335,948	22,716,712
Proceeds from sale of building	13	-	159,886,700
Currency translation differences related to property, machinery and equipment	9	1,336,893	1,517,497
Currency translation differences related to investment properties	11	3,070	5,887
Additions of intangible assets	10	(889,581)	(951,148)
Other payables		-	(107,830,291)
Net cash from (used in) investing activities		<b>(75,761,905)</b>	18,988,345

To be Continued

# Consolidated Financial Statements



SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
As of December 31, 2016

Consolidated balance sheet  
Consolidated statement of income  
Consolidated statement of cash flows  
Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2016	2015
<b>Financing Activities</b>			
Proceeds from (repayment of) murabaha and loans, net		6,794,708	(13,930,581)
Minority interests		133,719	62,792
Net cash from (used in) financing activities		6,928,427	(13,867,789)
Increase in bank balances and cash		32,989,149	171,498,333
Currency translation differences		(10,835,945)	(3,541,098)
Bank balances and cash at the beginning of the year		328,778,324	163,772,705
Change in restricted cash		(4,228,456)	(2,951,616)
Bank balances and cash at the end of the year	4	346,703,072	328,778,324
<b>Significant non-cash transactions:</b>			
Transfer to investment properties to property, machinery, and equipment	9,11	19,912,881	-
Transfer from investment properties to property, machinery, and equipment	9,11	-	5,218,062
Changes in fair value of cash flows hedges		4,182,304	2,937,179
Investment in alwataniah company	12	1,000,000	-
Net carrying value of building which its sale is canceled		-	58,777,936
Write-off of provision for doubtful debts	5	229,282	1,007,102

SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
As of December 31, 2016

Consolidated balance sheet  
Consolidated statement of income  
Consolidated statement of cash flows  
Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Share Capital	Statutory Reserve	Contractual Reserve	(Accumulated Losses) Retained Earnings	Restricted Governmental Grant	Foreign Currency Translation	Net Changes In Fair Value Of Cash Flow Hedges	Shareholders' Equity	Minority Interest	Total
Balance As At 31 December 2014	800,000,000	203,777,609	67,547,177	56,872,936	8,361,425	(6,035,243)	(7,554,821)	1,122,969,083	272,826,491	1,395,795,574
Net Loss For The Year	-	-	-	(155,851,435)	-	-	-	(155,851,435)	-	(155,851,435)
Currency Translation Differences, Net	-	-	-	-	-	(3,541,098)	-	(3,541,098)	-	(3,541,098)
Net Changes In Fair Value Of Cash Flows Hedges	-	-	-	-	-	-	2,937,179	2,937,179	-	2,937,179
Minority interest share in net results of subsidiaries	-	-	-	-	-	-	-	-	6,306,236	6,306,236
Minority Interest	-	-	-	-	-	-	-	-	62,786	62,786
Balance As At 31 December 2015	800,000,000	203,777,609	67,547,177	(98,978,499)	8,361,425	(9,576,341)	(4,617,642)	966,513,729	279,195,513	1,245,709,242
Net Loss For The Year	-	-	-	(58,244,212)	-	-	-	(58,244,212)	-	(58,244,212)
Currency Translation Differences, Net	-	-	-	-	-	(10,835,945)	-	(10,835,945)	-	(10,835,945)
Net Changes In Fair Value Of Cash Flows Hedges	-	-	-	-	-	-	4,182,304	4,182,304	-	4,182,304
Minority interest share in net results of subsidiaries	-	-	-	-	-	-	-	-	(10,507,758)	(10,507,758)
Minority Interest	-	-	-	-	-	-	-	-	133,719	133,719
Balance As At 31 December 2016	800,000,000	203,777,609	67,547,177	(157,222,711)	8,361,425	(20,412,286)	(435,338)	901,615,876	268,821,474	1,170,437,350



# 2016

Annual Report

Notes to the Consolidated  
Financial Statements

31 December 2016

## 1. Organization and Activities

Saudi Research and Marketing Group (“the Company”) is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010087772 dated 29 Rabi Awal 1421H (corresponding to 1 July 2000), and it has a branch in Jeddah registered under sub Commercial Registration number 1010087772/001. The Company’s head office address is Al-Moutamarat District, Makkah Road, P.O. Box 53180, Riyadh 11583, Kingdom of Saudi Arabia.

The Company and its subsidiaries (the “Group”) are engaged in trading, marketing, advertising, promotions, distributing, printing and publishing, and operates mainly in the Middle East, Europe and North Africa.

## 2. Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (the “Group”), as adjusted by the elimination of all significant inter-group balances and transactions.

The financial statements of the subsidiary are prepared using accounting policies consistent with those adopted by the Company. The financial statements of the subsidiary company are consolidated from the date on which the Company is able to exercise effective management control over the subsidiary. A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% in the voting capital and/or over which it exercise effective management control.

Minority interest in the net assets of the consolidated subsidiary are identified separately from the Company’s shareholder equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority interest’s share of changes in equity since the date of the business combination.

The following are the subsidiaries included in these consolidated financial statements:

Company	Country of Incorporation	Direct and indirect shareholding	
		2016	2015
Intellectual Holding Company for Advertisement and Publicity- Limited Liability Company (a)	Kingdom of Saudi Arabia	100%	100%
Scientific Works Holding Company- Limited Liability Company (a)	Kingdom of Saudi Arabia	100%	100%
Numu Media Holding Company (b)	Kingdom of Saudi Arabia	100%	100%
Saudi Printing and Packaging Company- Joint Stock Company(c)	Kingdom of Saudi Arabia	70%	70%

The below listed subsidiaries are owned equally by Intellectual Holding Company for Advertisement and Publicity and Scientific Works Holding Company:

Company	Country of Incorporation
Saudi Research & Publishing Company and its subsidiaries	Kingdom of Saudi Arabia
Saudi Distribution Company and its subsidiaries (d) (*)	Kingdom of Saudi Arabia
Arab Media Company	Kingdom of Saudi Arabia
Al-Khalijiah Advertisement and Public Relations Company	Kingdom of Saudi Arabia
Al-Ofoq Management Information System and Commination Company	Kingdom of Saudi Arabia
Tauq Public Relation Company (e)	Kingdom of Saudi Arabia

(\*) Saudi Distribution Company owns 90% of the share capital of Emirates’ Printing and Publishing Company LTD, which is registered in United Arab Emirates.

Effective from the first quarter of 2016, the Company has discontinued to consolidate the financial statement of a subsidiary, Numu Media Holding Company as disclosed in (note 15) to these consolidated financial statements.

Saudi Printing and Packaging Company owns Taiba Printing and Publishing Company Ltd., Hala Printing Company Ltd., Al Madina Al Munawara Printing and Publishing Company, Future Industrial Investment Company, and Emirates National Factory for Plastic Industries LLC.

Saudi Distribution Company owns 100% of the share capital of Kuwait Group for Distribution and Publishing Company, a company registered in Kuwait. The financial statements of Kuwait Group for distribution and publishing have not been consolidated due to an administrative dispute that resulted in lack of necessary consolidation information. During the last quarter of 2010, the Group settled this dispute and has appointed a financial consultant to review the financial operations during the period of the administrative dispute, and at the preparation date of these consolidated financial statements, the review has not yet been completed. Accordingly, the financial statements of Kuwait Group for Distribution and Publishing Company have not been consolidated. The management has provided the required provisions for any balances with the Group and the management doesn’t believe that this subsidiary would have any significant financial impact on the consolidated financial statements.

Intellectual Holding Company for Advertisement and Publicity and Scientific Works Holding Company, have equally established Touq Public Relation Company. The company is engaged in providing international and local public relation services, studies, research and marketing. The company started its operations during 2016.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Effective 1 January 2017, the Company's financial statements will be prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards for the reporting periods starting 1 January 2017. In preparing the opening IFRS financial statements, the Company will analyze impacts and incorporate certain adjustments due to the first time adoption of IFRS.

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

#### Accounting convention

The consolidated financial statements are prepared under the modified historical cost convention to include the measurement of derivative financial instruments and available for sale investment at fair value.

#### Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### Accounts receivable

Accounts receivable are stated at the invoice original amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred and charged to the consolidated statement of income.

#### Inventories

Inventories are valued at the lower of cost or market value. Costs are those expenses incurred in bringing each product to its present condition and location and calculated on the following basis.

- Raw materials, consumables and spare parts
- purchase cost on a weighted average basis.
- Work in progress and Finished goods
- cost of direct materials and labour plus attributable overheads based on the normal level of activity.
- An appropriate provision is made for obsolete and slow moving inventories, if required.

#### Property, machinery and equipment

Property, machinery and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost of other property, machinery and equipment is depreciated on a straight line basis over the estimated useful life of the assets.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvements, or the term of the lease.

Expenditure for repair and maintenance are charged to the consolidated statement of income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalised.

The estimated useful lives of the main categories of property, machinery and equipment for calculation of depreciation are as follows:

Computers	4 – 10 years	Buildings	33 – 50 years
Furniture And Office Equipment	4 – 13.3 years	Printing machinery and tools	10 – 20 years
Leasehold improvements	4 – 10 years or the term	Vehicles	2 – 6.67 years
	of lease, whichever is the shorter		

#### Investment properties

Investment properties are properties held to earn rentals rather than for use or sale in the ordinary course of business, and/or for undetermined use.

Investment properties are carried at cost less accumulated depreciation and any impairment, if any. Freehold land is not depreciated. The cost of other proprieties is depreciated on a straight line basis over the estimated useful lives of the assets.

Expenditure for repair and maintenance are charged to income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalised.

#### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any minority interests in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

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 Allocated, From The Acquisition Date, To Each Of The Group's Cash Generating Units, Or Groups Of Cash Generating Units, That Are Expected To Summary Of Significant Accounting Policies benefit from the business combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of cash generating units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

#### Other intangible assets

##### Mastheads :

Mastheads represent the recorded value of the mastheads of the newspapers and magazines published by the Group. The useful life of the mastheads is indefinite. The cost of the mastheads is not amortised, but is tested, annually, for impairment at the cash generating unit level. The Group reviews the useful life of the mastheads annually to determine whether the infinite life continues to be supportable. If not, the change in useful life from "indefinite" to "finite" is made on a prospective basis. The Group, periodically, assesses the recorded value of the mastheads to determine whether there is objective evidence that they have suffered any impairment loss using the fair value measurement. If such evidence exists, the recoverable amount of the asset is estimated in order to determine that the carrying value of the mastheads is fully recoverable. If the recoverable amount if the mastheads is estimated to be less than its carrying amount of the mastheads is reduced to its recoverable amount. Impairment loss is recognised in the consolidated statement of income.

##### Publishing rights and books development project:

Publishing rights include all necessary costs incurred in acquiring the publishing rights, and are amortised over the contractual life using the straight line method or the contracted number of books to be published. Amortisation is calculated upon release the first edition of the book.

#### Media content project, websites and computer programs:

Media content project, websites and computer programs are amortised on a straight line method over a period of two to five years effective from the start of these projects.

#### Available for sale investments

Investments, that are bought neither with the intention of being held neither to maturity nor for the trading purposes, are stated at fair value and are included under non-current assets, unless they will be sold in the next fiscal year. Changes in fair value are credited or charged to the statement of changes in shareholder's equity.

Fair value is determined by reference to the market value if an active market exists, or the use of other alternative methods. Otherwise, cost is considered to be the fair value.

#### Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash generating unit to which that asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately and charged to the consolidated statement of income.

Except for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior periods. A reversal of an impairment loss is recognised as income immediately and charged to the consolidated statement of income.

#### Accounts payable and accruals

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

#### Loans and Murabaha financing

Loans and Murabaha financing are recognised as the proceeds received, net of transaction costs incurred, if any. Loans and Murabaha financing costs that are directly attributable to the construction or production of qualifying assets, are capitalised as part of those assets. Other loans and Murabaha financing costs are charged to the consolidated statement of income.

#### Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and may be measured reliably.

## Zakat and income tax

The Company and its subsidiaries are subject to the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat provision is calculated based on the consolidated zakat base of Saudi Research and Marketing Group and its directly or indirectly fully owned subsidiaries. The estimated zakat provision is allocated between the Company and its subsidiaries. Any differences between the provision and the final assessment is recorded when the final assessment is approved. For foreign subsidiaries, a provision is made for tax liabilities, if any, in accordance with the tax regulations applicable in the countries in which such companies operate. The provision for zakat and income tax is charged to the consolidated statement of income.

The Group withholds tax on certain transactions with non- resident parties in the Kingdom of Saudi Arabia in accordance with the Saudi Arabian Income Tax Law.

## Employees' terminal benefits

Provision is made in the consolidated financial statements for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service. The foreign subsidiaries provide a provision for employees' terminal benefits in accordance with the laws applicable in the respective countries.

## Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its income in each year to the statutory reserve. The Company may resolve to discontinue such transfer when the reserve equals to one half of the capital. This reserve is not available for distribution.

## Governmental Grant

Governmental grant has been measured at the fair value of the asset when obtained against commitment to the restrictions associated with the grant. The restricted governmental grant has been recorded as a separate item under equity and the granted asset has been recorded under property, machinery and equipment.

## Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its cash flow exposures to interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in shareholders' equity.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of income for the year.

## Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income.
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

## Revenue recognition

Revenues represent the invoiced value of goods supplied and services rendered and are recognised when the significant risks and rewards of the ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on the delivery to the customer, while subscriptions' revenue is recognised over the subscriptions' period.

Other income is recognised when earned.

## Expenses

Selling and marketing expenses are mainly consist of costs incurred on delivery and marketing of products and allowance for doubtful debts. All other expenses except cost of sales are allocated on a consistent basis to general and administrative expenses in accordance with allocation factors determined as appropriate by the management.

## Operating leases

Leases in which the lessor retains all of the risks and rewards of ownership of the asset are classified as operating leases. Payments under operating leases are charged to the consolidated statement of income on a straight line basis over the lease term.

## Foreign currencies Transactions

Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are translated into Saudi Riyals at the rate of exchange prevailing at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All differences are taken to the consolidated statement of income.

## Forward foreign exchange contracts

Forward foreign exchange contracts that are entered in order to hedge a foreign currency asset/liability are recorded at the spot rate at the inception of the contract. Any discounts or premiums are amortised to income over the term of the contract.

## Foreign currency translations

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rate for each year for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Exchange differences arising from such translation, if material, are included under "cumulative translation adjustment account" within equity in the consolidated balance sheet.

## Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

# Notes to the Consolidated Financial Statements

## 4. Bank Balances and Cash

	2016	2015
Cash and cash equivalent	346,703,072	328,778,324
Restricted cash at bank	23,025,545	18,797,089
	<b>369,728,617</b>	347,575,413

## 5. Trade Receivables, Net

	2016	2015
Trade receivables	485,075,223	592,434,389
Less: allowance for doubtful debts	(104,514,933)	(119,615,752)
	<b>380,560,290</b>	472,818,637

Movement of allowance for doubtful debts was as follows:

	2016	2015
At the beginning of the year	119,615,752	103,353,745
Provided during the year (note 22)	22,004,046	10,265,363
Transferred to discontinued operations (note 15)	(36,875,583)	7,003,746
Written off during the year	(229,282)	(1,007,102)
At the end of the year	<b>104,514,933</b>	119,615,752

## 6. Inventories

	2016	2015
Raw and packaging materials	142,112,143	172,572,248
Work in progress and finished goods	53,278,799	47,536,376
Spare parts	22,057,050	23,265,245
Books	-	69,731,366
Goods in transit	4,455,864	3,243,513
	<b>221,903,856</b>	316,348,748
Less: provision for slow moving inventories	(19,363,240)	(68,368,745)
	<b>202,540,616</b>	247,980,003

Movement of allowance for slow inventory movement was as follows:

	2016	2015
At the beginning of the year	68,368,745	46,829,839
(Reversed) provided during the year, net	(432,908)	21,538,906
Transferred to discontinued operations (note 15)	(48,572,597)	-
At the end of the year	<b>19,363,240</b>	68,368,745

## 7. Prepayments and Other Receivables

	2016	2015
Prepaid expenses	88,563,940	22,695,160
Advances to suppliers	13,832,536	17,727,241
Employees receivable	8,885,791	9,693,730
Refundable deposits	8,277,723	6,482,932
Prepaid financial charges	2,390,576	2,774,391
Other	4,295,647	7,705,830
	<b>126,246,213</b>	67,079,284

## 8. Related Parties Transactions

Related parties represents the main shareholders of the Company, managers, top level management employees and entities controlled or significantly influenced by such parties.

Following is the summary of related parties transactions during the year ended 31 December:

	2016	2015
Executive Board of Directors salaries and compensations	14,563,130	4,901,333
Allowances paid to Board of Directors	717,350	619,440

## 9. Property, Machinery and Equipment

	Land	Buildings	Leasehold improvements	Machinery and tools	Computers	Furniture and fixtures	Vehicles	Work in Progress	Total 2016	Total 2015
<b>Cost</b>										
At the beginning of the year	203,819,402	374,305,325	39,719,867	900,152,330	83,178,093	80,207,590	51,441,259	37,930,424	1,770,754,290	1,897,229,684
Additions	-	98,725	9,704,497	1,186,350	7,082,788	1,517,997	67,079	59,890,799	79,548,235	75,857,077
Disposals	-	(365,597)	(15,688,925)	(8,235,252)	(3,007,692)	(514,040)	(3,749,648)	(36,964)	(31,598,118)	(188,868,051)
Transferred to investment properties	(17,359,761)	-	-	-	-	-	-	(2,565,365)	(19,925,126)	5,218,062
Transferred to discontinued operations	-	-	(1,518,688)	-	(1,832,290)	(1,595,525)	(1,345,181)	-	(6,291,684)	-
Transfers	(19,774)	8,368,317	(1,448,874)	66,749,412	-	2,729,195	1,467,787	(81,161,192)	-	-
Reversal of (losses) Impairment*	-	-	-	1,944,426	3,315,129	-	-	-	1,944,426	(12,850,402)
Foreign currency translation adjustment	(37,459)	(58,231)	(4,036,722)	(170,505)	(1,090,163)	(98,418)	(81,388)	(17,838)	(5,590,724)	(5,832,080)
	<b>186,402,408</b>	<b>382,348,539</b>	<b>26,731,155</b>	<b>961,626,761</b>	<b>87,645,865</b>	<b>82,246,799</b>	<b>47,799,908</b>	<b>14,039,864</b>	<b>1,788,841,299</b>	<b>1,770,754,290</b>
<b>Depreciation and provisions:</b>										
At the beginning of the year	-	88,634,342	37,441,916	352,611,647	66,911,312	64,698,366	42,403,584	-	652,701,167	692,635,673
Charge of the year	-	13,620,459	1,662,012	57,389,802	5,745,698	4,004,807	3,646,119	-	86,068,897	85,670,284
Disposals	-	(365,597)	(15,688,927)	(5,582,087)	(2,735,033)	(430,371)	(3,724,053)	-	(28,526,068)	(121,290,207)
Transferred to investment properties	-	(12,245)	-	-	-	-	-	-	(12,245)	-
Transferred to discontinued operations	-	-	(1,132,687)	-	(1,531,867)	(1,076,440)	(1,333,861)	-	(5,074,855)	-
Transfers	-	-	(1,252,987)	-	1,170,657	82,330	-	-	-	-
Reversal of Impairment *	-	-	-	596,282	-	-	-	-	596,282	-
Foreign currency translation adjustment	-	(6,882)	(3,235,408)	(59,071)	(901,995)	(40,346)	(10,129)	-	(4,253,831)	(4,314,583)
	-	101,870,077	17,793,919	404,956,573	68,658,772	67,238,346	40,981,660	-	701,499,347	652,701,167
<b>Net book values:</b>										
At 31 December 2016	<b>186,402,408</b>	<b>280,478,462</b>	<b>8,937,236</b>	<b>556,670,188</b>	<b>18,987,093</b>	<b>15,008,453</b>	<b>6,818,248</b>	<b>14,039,864</b>	<b>1,087,341,952</b>	<b>-</b>
At 31 December 2015	<b>203,819,402</b>	<b>285,670,983</b>	<b>2,277,951</b>	<b>547,540,683</b>	<b>16,266,781</b>	<b>15,509,224</b>	<b>9,037,675</b>	<b>37,930,424</b>	<b>-</b>	<b>1,118,053,123</b>

(\*) In accordance with generally accepted accounting standards in Saudi Arabia, non-current assets should be assessed when there are indications that the recoverable value is impaired. Accordingly, the Group's management found indication of impairment, other than temporarily, in the recoverable value of certain non-current assets and has recognised impairment losses in prior years. During 2016, the Group has reversed the impairment losses due to the appreciation of the recoverable value as compared to the carrying value of these assets.

# Notes to the Consolidated Financial Statements

## 10. Intangible Assets

Intangible assets comprise of the following as at 31 December:

	2016	2015
Goodwill – Saudi Printing and Packaging Company (A)	390,230,436	390,230,436
Mastheads (B)	319,426,350	350,000,000
Goodwill – Numu Holding Group (C)	-	48,020,179
Other	1,555,603	4,646,425
	711,212,389	792,897,040

### Goodwill – Saudi Printing and Packaging Company:

During the year ended 31 December, 2012, Saudi Printing and Packaging Company (a subsidiary) acquired 100% equity interest in Emirates National Factory for Plastic Industries LLC (“Emirates Factory”), a limited liability company registered in the Emirate of Sharjah, United Arab Emirates, for a net consideration amounted to approximately SR 642 million, including a deferred consideration estimated to approximately SR 172 million to be paid to one of the previous owners. According to the sale and purchase of shares agreement (the “agreement”) all parties agreed to transfer all rights and obligations related to the ownership as of 1 July 2012 considering it the control transferring date (“acquisition date”). The acquisition transaction resulted in a goodwill amounted to approximately SR 353.8 million representing the excess of the consideration paid over the fair value of net assets acquired at the acquisition date amounting to approximately SR 288.2 million. The Emirates Factory is engaged in manufacturing and distribution of packaging and plastic products. Also has various companies in UAE and three companies in the Kingdom of Saudi Arabia. The financial statements of the Emirates Factory have been consolidated starting 1 July 2012.

The deferred consideration of approximately SR 172 million was computed in accordance with sale and purchase of shares agreement and its amendments on the following basis:

The first portion of the deferred consideration was computed by using the average net income for the years 2012 up to 2013 multiplied by 11.5%, less the amount paid to one of the previous owners on the date of paying the cash consideration amounted to SR 61.3 million, which was estimated based on the targeted results as agreed in the above agreement. This portion of the consideration was estimated to approximate by SR 151.4 million.

The second portion (Earn-out) of the deferred consideration was computed by using the targeted results as agreed in the agreement multiplied by 10% in accordance with the above mentioned agreement. This portion of the consideration was estimated to approximate by SR 20.6 million.

Other income for the year ended 31 December 2015 included an amount of SR 14.7 million, which represents the difference between the final settlement of the deferred consideration and the deferred consideration balance recognised in the records based on the agreement’s terms (note 25).

Management reviewed the goodwill for impairment during the fourth quarter of the financial year. It has determined that the carrying value of goodwill was less than its recoverable amount for the year ended 31 December 2016. Recoverable amount was determined on the basis of value-in-use calculation. This calculation uses cash flow projections for five years based on financial budgets approved by management. The estimated growth rate of Emirates National Plastic Industries Company, Flexible Packaging Company, Hala Printing Company and Future Plus Plastic Company has been applied on the cash flows beyond the budget period.

In management’s opinion, the growth rate assumption does not exceed the long-term average growth rate for business in which the companies operate.

## 2008

- SSPC Acquired 51% of University Bookshop Companies.

## 2009

- SSPC Acquired 49% of University Bookshop Companies.
- SSPC launched Madame Figaro Arabia, Domus Arabia and Parents Arabia Magazines.

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

	Emirates Factory Company %	Flexible Packaging Company %	Hala Printing Company %	Future Plus Plastic Company %
Discount rate	11.5	11.5	11.5	11.5
Budgeted gross margin	26.1	19.2	29.2	26.1
Average annual growth rate for sales	8.5	6.8	7.2	6.1
Terminal growth rate	3.2	3.2	3.2	3.2

### Mastheads

During the fourth quarter of the financial year ended 31 December 2016, the management tested the mastheads to determine whether impairment exists or not. The management determined that the carrying value of the mastheads was higher than its recoverable amount by SR 30.6 million for the period ended 31 December 2016. The recoverable value was determined on the basis of value-in-use calculation. This calculation uses cash flow projections for five years based on financial budgets approved by management. In management’s opinion, the growth rate assumption does not exceed the long-term average growth rate for the mastheads’ activity.

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

	Percentage %
Discount rate	13.8
Budgeted gross margin	7.5
Average annual growth rate for sales	0.4
Terminal growth rate	2.67

### Goodwill – Numu Holding Group:

Based on the impairment test of goodwill, which was made by the management at the Group level as at 31 December 2015, an impairment of SR 44 million in the goodwill of Numu Holding Group has been recognised and included in the results of investment in a discontinued subsidiary in the consolidated statement of income (note 15).

During first quarter of the current year, the group management decided to stop Numu Elmiah Company’s operation (subsidiary) (note 15). Hence, investment values on the basis of value-in-use calculation. Investment balance, as of 31 December 2015, includes goodwill amounted to SR 48 million, hence, full goodwill amount recorded as impairment loss since this amount uncollectable as company’s operation was discontinued.

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

	Percentage %
Discount rate	13
Budgeted gross margin	2.6 – 5.2
Average annual growth rate for sales	7.7
Terminal growth rate	3.6

The discount rate used is pre-zakat and reflects specific risks relating to the Company. Management has determined the budgeted gross margins based on past performance and its expectations for the market development.

### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, any adverse changes in a key assumption would result in further impairment loss. The key assumptions, where reasonably possible changes could result in further impairment, are the terminal growth rate and the discount rate used.

## 10. Intangible Assets

	Goodwill	Mastheads	Publishing rights and books development projects	Media content project and websites	Computer softwares	Other	Total 2016	Total 2015
<b>Cost</b>								
At the beginning of the year	438,250,615	350,000,000	7,238,318	15,079,724	2,582,332	2,782,638	<b>815,933,627</b>	858,982,479
Additions	-	-	-	853,252	36,329	-	<b>889,581</b>	951,148
Impairment losses	(48,020,179)	(30,573,650)	-	-	-	-	<b>(78,593,829)</b>	(44,000,000)
Transferred to discontinued operations (note 15)	-	-	(7,238,318)	-	-	-	<b>(7,238,318)</b>	-
At the end of the year	390,230,436	319,426,350	-	15,932,976	2,618,661	2,782,638	<b>730,991,061</b>	815,933,627
<b>Amortization</b>								
At the beginning of the year	-	-	4,450,429	13,952,146	1,851,374	2,782,638	<b>23,036,587</b>	20,413,663
Additions	-	-	-	918,198	274,316	-	<b>1,192,514</b>	2,622,924
Transferred to discontinued operations (note 15)	-	-	(4,450,429)	-	-	-	<b>(4,450,429)</b>	-
At the end of the year	-	-	-	14,870,344	2,125,690	2,782,638	<b>19,778,672</b>	23,036,587
<b>Net book values</b>								
At 31 December 2016	<b>390,230,436</b>	<b>319,426,350</b>	-	<b>1,062,632</b>	<b>492,971</b>	-	<b>711,212,389</b>	-
At 31 December 2015	438,250,615	350,000,000	2,787,889	1,127,578	730,958	-	-	792,897,040

## 11. Investments in Properties

Investment properties as at 31 December consist of a land on which a building is constructed and leased out to third parties and a plot of land held for leasing purpose.

Movement in investment properties is summarized as follows:

	2016	2015
At the beginning of the year	<b>13,030,238</b>	17,565,782
Transferred from property, (*) machinery and equipment	<b>19,925,126</b>	-
Transferred to property, machinery and equipment	-	(5,218,062)
Impairment loss reversal	-	858,018
Depreciation	<b>(531,858)</b>	(169,613)
Foreign currency translation adjustment	<b>(3,070)</b>	(5,887)
At the end of the year	<b>32,420,436</b>	13,030,238

(\*) the amount transferred during 2016 represents the value of a land owned by Al-Madina Al-Monawwara Printing and Publishing Company (a subsidiary of Saudi Printing and Packaging Company), which has been transferred from property, machinery and equipment to investment properties as the land is currently held for lease or sale.

## 12. Investment Available for Sale

Available for sale investment represents the Group's 7% equity in the capital of Al Watania Distribution Company, which has been acquired during the current year against SR 1,000,000 by the assigning the receivable balances from Al Watania Distribution Company.

The Group has carried the investment in Al Watania Distribution Company at cost as its fair value is not available.

## 13. Accrued Expenses and Other Liabilities

	2016	2015
Accrued expenses	<b>141,335,572</b>	127,283,142
Deferred revenue	<b>102,674,982</b>	6,634,033
Advances from customers	<b>10,774,942</b>	7,843,574
Net changes in fair value of cash flow hedges	<b>120,935</b>	4,342,430
Accrued expenses against building (*) sale cancellation	-	171,801,132
Other	<b>16,664,068</b>	13,577,825
	<b>271,570,499</b>	331,482,136

(\*) During the fourth quarter of 2015, the Group's management has signed a sale agreement for one of its properties represented in a building owned by one of its subsidiaries in the United Kingdom. Subsequently and after the signing of the agreement, the management has decided to keep the ownership of the building thorough cancellation of the sale transaction. Accordingly, these capital gains have not been recognised. It was expected that the cancellation may result in incurring additional costs for which the Group had provided a provision within accrued expenses as at 31 December 2015. This item represents the provision for the additional costs of the building cancellation transaction and the amount of the brought forward capital gains.

Subsequently, during 2016, the management did not reach to a final agreement with the buyer regarding the cancellation transaction. Accordingly, the Group completed the sale and recognised the gain from the sale and reversed the provision made previously for the additional costs incurred on cancellation of the building sale.

## 14. Bank Facilities

The Group has bank facilities with various local and foreign banks in the form of loans, Murabaha financing, letters of credit and letters of guarantee with a ceiling of approximately SR 1.77 billion (2015: SR 2.27 billion). The utilised balance of loans and Murabaha financing amounted to approximately SR 1.12 billion as of 31 December 2016 (2015: SR 1.11 billion). The purpose of such facilities is to finance the working capital and investments, and to be used in importing of raw materials and equipment related to the Group's activities and capital expenditures. Such facilities carry agreed upon finance charges.

## 15. Investment Deficit in a Discontinued Subsidiary

The Group's management has decided to discontinue the operation of Numu Elmiah Company (a subsidiary company), and it is in process of studying the available alternatives to the Company's future. Accordingly, effective from the first quarter of 2016, the Group has not include this subsidiary within its consolidated financial statements. This investment was classified as "investment deficit in a discontinued subsidiary" under current liabilities in the current period due to the accumulated losses, which include the results of evaluating the investment at the realisable value, which resulted in an impairment loss on the remaining carrying value of this investment amounting to SR 48,020,179. The results of its operations for the current period as well as the comparative period have been also classified within discontinued operations in the consolidated statement of income.

The table below represents the summarised financial information of Numu Elmiah Company:

	2016	2015
Current assets	18,761,323	69,869,956
Non-current assets	1,047,706	4,004,756
Current liabilities	(26,989,059)	(34,382,239)
Non-current liabilities	(1,206,395)	(1,554,958)
Investment (deficit) balance	(8,386,425)	37,937,515

	2016	2015
Revenue	6,457,468	54,361,271
Loss for the year	(42,578,630)	(28,500,939)

## 16. Zakat and Income Tax

Zakat and income tax consist of the following:

	2016	2015
Zakat	30,202,185	31,761,627
Income tax	382,862	80,343
	<b>30,585,047</b>	31,841,970

Movement in provision during the year:

The movement in the zakat provision during the year was as follows:

	2016	2015
At the beginning of the year	31,761,627	30,563,129
Provided during the year	8,473,407	9,539,860
Paid during the year	(9,359,029)	(8,341,362)
Transferred to discontinued operations (note 15)	(673,820)	-
At the end of the year	<b>30,202,185</b>	31,761,627

As well, the movement in the tax provision during the year was as follows:

	2016	2015
At the beginning of the year	80,343	490,370
Provided during the year	1,623,872	1,500,421
Paid during the year	(1,321,353)	(1,910,448)
At the end of the year	<b>382,862</b>	80,343

Zakat charges has been calculated based on the individual zakat base of the Group and its directly or indirectly wholly owned subsidiaries and Saudi Printing and Packaging Company (subsidiary).

## Status of assessments

The Company and its subsidiaries have filed their Zakat returns individually up to 2006. The company has finalized its individual zakat status for the years from 2001 up to 2006.

During 2007, the Company had obtained the approval of General Authority of Zakat and Tax ("GAZT") on filing a consolidated zakat return for the Group. The Group has filed its zakat returns to GAZT for the years from 2007 to 2015 and received zakat assessments for the years 2005 and 2006, which resulted in differences of SR 2.7 million, and the Company appealed against them. During the current period, zakat assessments have been received for the years from 2007 to 2010 and resulted in differences of SR 23 million, which the Company has also appealed against. The Group's management and its zakat advisor believe that the final outcome of the appeals will be in its favor. According to management estimates, an adequate provision has been provided against such appealed items.

For Saudi Printing and Packaging Company:

(a) The company filed its zakat returns for the years ended 31 December 2005 to 2008 and obtained zakat certificates for these years. The GAZT issued zakat assessments for these years and claiming the company to settle zakat differences of SR 6,582,634. The company filed an appeal against the said additional assessment to the preliminary appeal committee, which is still under review by GAZT. The company management believes that the final outcome of the appeal will be in its favor.

(b) The company filed its zakat returns for the years ended 31 December 2009 to 2015 and obtained restricted zakat certificates up to 2013 and unrestricted zakat certificates for the years 2014 and 2015. The zakat assessments for these years have not been issued yet by GAZT.

## 17. Employees' Terminal Benefits

	2016	2015
At 1 January	120,843,326	115,752,252
Provided during the year	22,300,513	22,692,713
Transferred to discontinued operations	(1,554,959)	-
Paid during the year	(17,175,579)	(17,601,639)
At 31 December	<b>124,413,301</b>	120,843,326

## 18. Share Capital

The Company's share capital amounting to SR 800 million as at 31 December 2016 and 2015 is divided into 80 million shares of SR 10 each.

## 19. Statutory Reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its net income in each year (after covering accumulated losses) to the statutory reserve. The Company may resolve to discontinue such transfers when it builds up a reserve equals one half of the capital. This reserve is not available for distribution.

## 20. Contractual Reserve

According to the Company's By-laws, the Company should transfer 5% of the net income for the year to the consensual reserve until it equals 25% of the share capital. Such reserve may be used for the purposes which determined by the board of directors.

## 21. Restricted Governmental Grant

During 2008, Dubai Government has granted Saudi Researches and Publishing Company (a subsidiary of the Group) a land in Dubai with an area of 29,809 square feet as a restricted grant. The land had been evaluated at SR 8.4 million. Such grant has been included separately within shareholders' equity and the asset has been included within property, machinery and equipment. The conditions of the grant stipulate that construction of buildings should start within 3 years effective from the grant date. The grace period has expired and the Company has renewed it for another 3 years which also has expired in 2014. Accordingly, the Group has applied for another extension. The legal formalities in respect of the extension have not been completed as of these consolidated financial statements date.

## 22. Selling and Marketing Expenses

	2016	2015
Salaries and related benefits	38,063,048	39,511,324
Allowance for doubtful debts (note5)	22,004,046	10,265,363
Transporting and shipping	16,181,256	21,698,989
Marketing and advertising	13,311,517	8,201,998
Rents	6,920,569	4,016,842
Depreciation	743,439	887,451
Other	8,002,131	4,426,984
	<b>105,226,006</b>	89,008,951

## 23. General and Administrative Expenses

Minority interest represents the results and net assets of the subsidiaries that belong to shares that are not owned, directly or indirectly, by the Parent Company. Movement in minority interest in subsidiaries is summarized as follows:

	2016	2015
Salaries and related benefits	145,401,378	130,243,911
Professional fees	67,089,452	18,681,084
Rent	17,820,437	12,202,794
Salaries, remunerations and allowance of Board of Directors (note 8)	15,280,480	5,520,773
Depreciation	14,910,399	19,296,880
Travel	8,551,789	2,696,180
Telephone and fax	8,293,297	6,754,194
Insurance	6,474,480	5,209,667
Legal provision	5,000,000	-
Repair and maintenance	3,959,470	3,688,819
Other receivable provisions	3,208,436	3,246,008
Utilities	2,777,897	2,397,634
Governmental expenses	2,679,021	2,895,915
Computer	2,072,718	2,773,482
Stationary	904,187	1,070,671
Other	18,765,313	12,693,041
	<b>323,188,754</b>	<b>229,371,053</b>

## 24. Gain Form Building Sale

During the year, the Company has completed the sale of building as set out in note 13, and recognised the gain arising from such sale and reversed the previously provided provision for the additional costs incurred in cancellation of the sale with amount of SR 94 million (equivalent to GBP 25,75 million) and SR 67 million (equivalent to GBP 12,75 million), respectively.

## 25. Other Income, Net

	2016	2015
Insurance compensations (*)	5,699,026	16,125,480
Reversal of provision	3,175,000	898,347
Rent income	2,429,077	2,297,577
Scrap and returns sales	538,615	836,636
Gains from sale of property, machinery and equipment	263,898	13,916,804
Deferred consideration settlement (10 a)	-	14,661,630
Al-Sharga Electricity and Water Authority (the "Authority") claim (**)	1,553,595	(9,185,400)
Other	3,822,228	4,008,646
	<b>17,481,439</b>	<b>43,559,720</b>

(\*) This represents insurance compensations related to a fire broke out in a warehouse of a subsidiary located in the United Arab Emirates during the fourth quarter of 2015. Such fire caused losses and damages to the subsidiary's assets as noted in (note 26) to the consolidated financial statements.

(\*\*) During the year 2015, Emirates National Plastic Industries Company (a wholly-owned subsidiary of Saudi Printing and packaging Company) received an electricity bill from Al-Sharga Electricity and Water Authority amounting to SR 11.7 million, that represents claims against differences in invoiced amounts related to prior years and which have not been included in the previously issued paid bills. The management has assigned an independent consultant to evaluate the accuracy of the invoiced amounts. Furthermore, the management has requested the details of the calculations from the Authority and no response has been delivered as of the consolidated financial statement approval date. According to the legal consultant opinion and management estimates, a provision has been provided against such invoice.

During the year 2016, it has been agreed with the Al-Sharga Electricity and Water Authority on settlement of these claims. This settlement did not result in any further losses.

## 26. Extraordinary Losses

On 26 March 2015, a fire broke out in one of the production lines in Flexible Packaging Company (a subsidiary Company of Saudi Printing and packaging Company) in Jeddah. This accident resulted in partial damaging of machinery, part of inventory and the Company's building. The book value of the damaged assets amounted to SR 26.5 million. The Group's management has sought the technical opinion of the Group's engineering team regarding the damages, and based on the best estimates, the damages resulted from the fire at SR 3.1 million out of which SR 2.7 million allocated to property, machinery and equipment and SR 0.4 million allocated to inventory. Such losses have been charged to the consolidated statement of income. The Company's assets are covered by an insurance policy issued by one of the insurance companies in the Kingdom of Saudi Arabia. The Company is currently completing the necessary formalities related to the insurance claims against damages and losses as (note 25).

## 27. Loss Per Share

Loss per share is calculated by dividing loss from main operations and net loss for the year by the number of outstanding shares amounting to 80 million shares.

## 28. Commitments and Contingent Liabilities

As at 31 December, the Group has the following contingent liabilities:

	2016	2015
Letters of credit	25,577,933	31,379,989
Letters of guarantee	16,015,103	8,220,172
Capital commitments	7,989,103	2,182,188

Certain Subsidiaries of the Group are involved in Legal litigation matters in the ordinary course of its business, which are being defended. The ultimate results of these matters cannot be determined with certainty. The management believe that the results of these matters will not have a significant impact on the Group's consolidated financial statements as at 31 December 2016.

## 29. Segmental Information

Segmental information relate to the Group's activities and business as approved by the management to be used as a basis for the financial reporting and being consistent with the internal reporting process. Transactions between the business segments are conducted on an arm length basis.

The segmental results and assets include items that are directly attributable to a certain segment and items that can reasonably be allocated to different segments. Items which could not be allocated to any of the segments are reported under "Other".

The Group is organised into the following main business segments:

1. Publishing: comprises the local and international publishing works, researches, and marketing the products of the Group and third parties.
2. Specialized publishing: comprises the publishing of specialized publications for third parties, issuance licensed international publications, translation services and selling electronic and visual content.
3. Distribution: comprises the local and international distribution of newspapers, magazines, publications, books and the publications of the Group and others.
4. Advertising: comprises the local and international advertising, production, representation and marketing audio visual and readable advertising media, and advertising panels.
5. Printing and packaging: comprises printing works on paper and plastic, commercial posters, in addition to manufacturing of plastic products for the Group and others.
6. Education: comprises the wholesale and retail trading of school supplies, office furniture, installation and maintenance of laboratories, and providing technical, training and educational courses and services.
7. Other: comprises the local and international public relation services, studies, researches and marketing and media events.

	Publishing	Specialized Publishing	Distribution	Advertising	Printing and Packaging	Education	Public Relations	Other	Total	Consolidation Eliminations	Total
<b>As at and for the year ended 31 December 2016</b>											
Revenue	499,471,434	19,385,238	36,424,902	225,594,048	1,005,393,823	-	174,375,000	374,745	1,961,019,190	(514,558,019)	1,446,461,171
Gross profit	135,062,955	4,116,155	2,439,787	26,103,679	187,795,555	-	8,841,738	53,185	364,413,054	(4,531,652)	359,881,402
Net income (Loss)	180,695,680	(4,234,264)	(22,860,394)	(17,072,769)	(34,891,915)	(90,626,991)	(20,972,018)	(55,764,919)	(65,727,590)	7,483,378	(58,244,212)
Property, machinery and equipment, net	66,642,748	128,194	11,153,796	10,611,710	980,564,841	-	181,591	18,059,072	1,087,341,952	-	1,087,341,952
Intangible assets, net	691,397	-	-	-	390,230,436	-	-	320,290,556	711,212,389	-	711,212,389
Total assets	523,034,996	13,302,320	54,258,904	96,406,572	2,065,812,756	-	297,652,225	1,256,997,321	4,307,465,094	(1,396,414,581)	2,911,050,513
Total liabilities	139,084,264	28,284,854	136,841,051	93,371,406	1,166,664,978	-	318,624,243	440,679,259	2,323,550,055	(582,936,892)	1,740,613,163
<b>As at and for the year ended 31 December 2015</b>											
Revenue	494,918,675	24,902,388	43,640,593	323,191,667	1,107,755,393	-	-	251,733	1,994,660,449	(509,248,247)	1,485,412,202
Gross profit	78,826,748	8,495,052	2,249,706	25,984,094	232,838,984	-	-	68,311	348,462,895	(4,650,542)	343,812,353
Net income (Loss)	(83,758,168)	2,029,493	(15,043,071)	2,090,946	21,649,616	(72,500,939)	-	(2,855,214)	(148,387,337)	(7,464,098)	(155,851,435)
Property, plant and equipment, net	54,380,533	171,160	12,545,257	11,183,648	1,020,889,326	1,332,924	-	17,550,275	1,118,053,123	-	1,118,053,123
Intangible assets, net	1,855,309	-	-	-	390,230,436	50,808,068	-	350,003,227	792,897,040	-	792,897,040
Total assets	507,605,212	14,545,967	68,216,517	112,685,441	2,186,294,041	153,815,227	-	1,446,277,734	4,489,440,139	(1,430,006,401)	3,059,433,738
Total liabilities	288,247,249	25,277,484	126,438,651	85,521,713	1,252,700,082	152,237,000	-	330,404,639	2,260,826,818	(447,102,322)	1,813,724,496

The Group's operating assets are principally located at the Kingdom of Saudi Arabia and Arab United Emirates. The Management believes that is not practically possible to disclose the information of each geographic area.

# Notes to the Consolidated Financial Statements

## 30. Risk Management

### Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including time deposits, term Murabaha financing and loans. The group manages commission rate risk by regularly mentoring of changes in commission rate.

### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other the Saudi Riyals, US Dollars, Sterling Pound and United Arab Emirates Dirham during the year. The management monitors the fluctuation in currency exchange rates and believes that currency risk doesn't have significant impact on the Group during the year.

### Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the credit party to incur a financial loss. It is the Group's policy that all customers who want to deal on the forward basis are subject to verify their creditworthiness. Financial instruments that are subject to concentrations of credit risk consist mainly of bank balances and accounts receivable. The Group deposits its cash balances with a number of financial institutions have good credit rating, and the Group has a policy to set limits on its balances deposited with each financial institution. The Group does not believe that there are significant risks to non-performance of these institutions. The Group does not consider itself exposed to concentrations of credit risk with respect to receivables due to the diversity of its customers base working in various industries and present in multiple regions.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid in cash on the delivery of goods or on credit basis. Trade accounts payables are normally settled within 90 days of the date of purchase.

## 31. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The financial assets of the Group consist of bank balances, trade receivables and prepaid expenses and other receivables, while its financial liabilities consist of murabaha loans, trade payables and accrued expenses and other liabilities. The fair value of financial assets approximates their carrying value at the date of financial statements.

## 32. Approval of Consolidated Financial Statements

The consolidated financial statements have been approved by the board of directors on 16 Jumad Thani 1438H (Corresponding to 15 March 2017).

## 33. Comparative Figures

Certain comparative figures of the prior year have been reclassified to conform with the presentation in the current year.