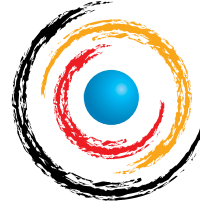


Annual Report

Table of Contents

Chairman's Message	4
Board Members	6
Board of Directors Report for 2013	9
Significant Measures of Financial Performance for 2013	51
Consolidated Financial Statements and Independent Auditors' Report for the Year Ended December 31, 2013	59



الشركة السعودية للطباعة والتغليف
Saudi Printing & Packaging Co

Chairman's Message

Dear Shareholders,

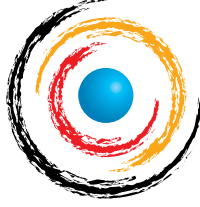
The Saudi Printing & Packaging Company

Assalamu Alaikum Warahmatullahi Wabarakatuhu

I would like along with my colleagues members of the Board of Directors to welcome you to the ordinary meeting of the General Assembly for the year 2013 of the Saudi Printing & Packaging Company (The Company) extending our gratitude for all shareholders for their support and confidence and asking God-the Great and Almighty- for more development and success and to be always and ever up to the level the shareholders are yearning for.

It also gives me a great pleasure to present to you the 2013 Annual Report, which contains a general presentation for the performance of the Company and its activities and the most important achievements during the fiscal year ended on December 31, 2013, where revenues reached 1.141.8 million Saudi riyals in 2013 compared to 765.9 million Saudi riyals in 2012, an increase of 49%, and an operating profit that reached 96.5 million Saudi riyals in 2013 compared to 67.2 million Saudi riyals in 2012, representing a rise of 44%.

The year 2013 witnessed the completion of phase two of the main headquarters' expansion for the Al Madina Al-Munawara for Printing & Publishing Company –one of the one of the Company's subsidiaries- and includes main warehouses and buildings for the Press web (Roller) of commercial publications, school textbooks and workers housing with a total area of around (16,000) square meters, in addition to buying some printing machines that are being installed to be ready in 2014, in order to increase production capacity to meet the demands and needs of the Company's valued customers.



الشركة السعودية للطباعة والتغليف
Saudi Printing & Packaging Co

Regarding new investments, the Company expanded its production capacity for the Emirates National Plastic Industries Factory Company by adding new production lines, also a contractor was appointed to begin expansion operations of Abu Dhabi's Factory Co., part of Emirates National Factory for Plastic Industries during the year 2014. The Company continued to implement plans of integration between Saudi Printing and Packaging Company and Emirates National Factory for Plastic Industries during the year 2013. And it will be completed during the year 2014 according to plans drawn by the Board of Directors.

At the end, I extend on behalf of colleagues on the Board of Directors and on behalf of myself our sincere gratitude and appreciation to the shareholders for their confidence in the Company's performance, and to the executive management and all employees of the Company for their efforts and contributions, and we call on them to continue their efforts and excellence in the coming years. As well as we thank our valued customers for their confidence in the Company's products and their continuous support, hoping that the Company's businesses will maximize the interests of shareholders, and move forward towards more development and success.

Assalamu Alaikum



Eng. Sulaiman Ibrahim Al Hudaithi
Chairman of the Board of Directors

Board Members



**Dr. Azzam Mohammed
Al-Dakhil**
Board Member



**Eng. Abdullah Abdullatif
Al-Saif**
Board Member



**Mr. Abdulaziz Abdullah
Al Duailej**
Board Member



**Eng. Abdullah Abdulrahman
Almoammar**
Board Member



**Dr. Mohammad Amin Dawood
Kashgari**
Board Member



**Eng. Saad Bin Saleh
Al Azwari**
Board Member



**Mr. Amin Sami
Ghorayeb**
Board Member



**Mr. Saleh Hussain
Al Dowais**
Board Member



Board of Directors Report for 2013

**Dear shareholders,
Saudi Printing & Packaging Co,**

Assalamu Alaikum Warahmatullahi Wabarakatuhu

It is the pleasure of the Board of Directors of Saudi Printing & Packaging Company to present to you the annual report of the fiscal year ended December 31, 2013, along with the audited financial statements. The report contains a general description of the Company's performance and activities during the said year, the milestones and the most important achievements in 2013, analysis of the financial performance, the Company's trends and future plans, the Company's financial results, disclosure of loans-related data, as well as other subjects per the requirements of corporate governance and the Capital Market Authority.

The Board of Directors also extends their thanks and appreciations to the Company's employees, clients, shareholders, and all public and private sectors dealing with the Company for their sincere and ongoing support to the Company to achieve its desired objectives.

About the Company and its Subsidiaries **First: Saudi Printing & Packaging Company**

The Saudi Printing & Packaging Company was established in 1963 under the name of "Madina Printing and Publishing Company", which was renamed as the Saudi Printing & Packaging Company in 2007. 30% of the Company's shares were offered in the initial public offering during that year, noting that the Saudi Research and Marketing Group and its subsidiaries own 70% of the Saudi Printing & Packaging Company's shares. The Company is characterized by its advanced printing houses in Riyadh, Jeddah, Dammam, and Madina, which print some of the important newspapers such as the Asharq Al-Awsat, Al-Eqtessadiah, Arriyadi, Arab News, Al Sharq, Al Watan.. etc, in addition to periodic commercial publications.

The Saudi Printing & Packaging Company prints, through its subsidiaries, a large number of magazines for the Saudi Research and Publishing Group, the Saudi Specialized Publishing Company as well as many other publishers, in addition to the governmental sector, such as the Ministry of Education, Ministry of Islamic Affairs and Ministry of Interior. The Saudi Printing & Packaging Company is one of the largest printing houses in the Middle East; given its wide array of integrated printing services, production capacity and distinctive subsidiaries, namely; Al Madina Printing and Publication Company, Hala Printing Company, Taiba Printing and Publishing Company, Flexible Packaging Company Ltd., Future Industrial Investment Company and the Emirates National Factory for Plastic Industries Company, as well as its subsidiaries registered in the United Arab Emirates and acquired during 2012, of which companies and factories are widespread in Dubai, Abu Dhabi, Sharjah and

Riyadh. The Company relies on the accumulated expertise of its employees, the best and most sophisticated machinery and the highest standards of quality control which led to further strengthened position and strong customer base. In order to demonstrate its commitment to the international standards, the Company has been keen to maintain ISO certification (ISO 9001:2000).

Al Madina Al Munawara for Printing & Publication Company.,

During 2012, the Saudi Printing & Packaging Company changed the legal status of its branch which was registered under commercial registration No. 4030004369 in Jeddah – Ostaz District in the name of (Al Madina Printing & Publication Company– a branch of the Saudi Printing and Packaging Company) to a limited liability company under the same name. The Saudi Printing & Packaging Company holds 95% of the new company's capital, while Hala Printing Company entered as a new partner by 5%. The Company also transferred its other three branches to the new company.

In 2010, most printing activities of Al Madina Printing & Publication Company located in Jeddah were transferred to the main printing center in North Obhur on an area of 125 thousand square meters owned by the Company in order to have an integrated company for the printing companies and their warehouses. The Company attempts to avoid duplicity in business and machinery by concluding agreements among its subsidiaries, so that each subsidiary carries out the activities of the sister company, when necessary, at a standard operational price which would maximize the Company's competitiveness.

Hala Printing Company

Hala Printing Company was established in 1984 and is located in Riyadh. It is one of the largest commercial printing centers in the Kingdom of Saudi Arabia. It always employs the latest printing technologies to provide the highest standards of quality. Hala Printing Company is characterized by its comprehensive services, where all printing stages take place in one location under the supervision of experienced technicians. From the very beginning of its establishment, Hala Printing Company positioned itself on the rapid development track, upgrading this industry to the highest international standards. It also provides its clients with the best printing arts and spares no effort to follow the proper printing principles applicable at the most famous international printing houses.

After joining the Saudi Printing & Packaging Company in 2006, Hala Printing Company has become the strong arm of commercial activities in the Company and started a new stage of development under the slogan of innovation, high technical quality, credibility and modern technology. In a continuous endeavor to develop the printing industry, the Company increased its production capacity in 2008 at the level of pre-print, print and post-print activities. These investments aimed to increase its market share, uphold highest quality of final product and maintain customer satisfaction. In order to demonstrate its commitment to the international standards, the Company has been keen to maintain ISO 9001:2000 certificate.

All these investments evidently emphasize the keenness of the Saudi Printing & Packaging Company to upgrade the printing industry in the Kingdom of Saudi Arabia and provide its clients with the optimum printing services.

Flexible Packaging Company

Flexible Packaging Company started under the name Al Aoun Factory for Commercial Labels and Flexible Packaging in Jeddah in 1988 as a sole proprietorship. The Company provides high quality specialized services in the field of printing on flexible plastic and commercial labels. It also produces commercial labels, printed carton containers, plastic covers coated with aluminum, printing covers of aluminum foil, polyethylene, polypropylene and polystyrene rolls. The Company manages a very wide network of key customers, especially in the fields of foodstuff, dairy, juices and soft drinks.

As a part of its continuous successes and due to the high quality of its products, the Company obtained the ISO 9001:2000 as well as BRC certificate in one of the Company's development stages to meet the increasing demands of clients and to keep abreast with the technical advancement in this field. In a step to upgrade the machinery, the Company enhanced its capabilities in 2005 by importing modern machinery and equipment with high efficiency and optimum speed, which positively reflected on the Company's performance and improved its growth rates.

After its transformation into a limited liability company, the Flexible Packaging Company was completely acquired by the Saudi Printing & Packaging Company in 2008, which in turn looks forward to achieving more progress in all its businesses and diversifying its income sources.

The Flexible Packaging Company maintains a robust customer base with consumer-oriented activities. The increased consumption of foodstuff and other products positively affects the growth of the Company's business. This adds further value to the Saudi Printing & Packaging Company in that its activity is associated, through the Flexible Packaging Company, with the individual consumption behaviors, in addition to its activity in the field of printing through Al-Madina Printing and Publishing Company and Hala Printing Company.

Taiba Printing and Publishing Company

Taiba Printing and Publishing Company is one of the Saudi Printing & Packaging Company's subsidiaries. Taiba construction works were completed in 2009 and it commenced operations in Madina in the same year. It was established in an endeavor of the Saudi Printing & Packaging Company to geographically outreach all areas of the Kingdom and other regional areas in the future. The establishment of Taiba printing houses in Madina is considered the starting point given its spiritual and economic standing.

Future Industrial Investment Company

In 2012, the Saudi Printing & Packaging Company established the Future Industrial Investment Company. The latter Company holds 99% of Emirates National Factory for Plastic Industries Company (which was acquired in 2012), and the Flexible Packaging Company holds the remaining 1%. It also acquired 19.5% of Future Plus, a closed shareholding company in Riyadh, which is a subsidiary of Emirates National Factory for Plastic Industries Company. Thus, the Future Industrial Investment Company holds 70.5% of Future Plus Company directly and indirectly through Emirates National Factory for Plastic Industries Company holding 51%. The Saudi Printing & Packaging Company established this company as the parent company of all affiliated packaging companies, including Emirates National Factory for Plastic Industries Company.

The Emirates National Factory for Plastic Industries Company

In 2012, the Saudi Printing & Packaging Company acquired Emirates National Factory for Plastic Industries Company, a limited liability company, which was established in Sharjah- UAE in 1995 through its two subsidiaries (the Future Industrial Investment Company and the Flexible Packaging Company). Emirates National Factory for Plastic Industries Company manufactures and distributes most types of plastic and packaging materials. It has many advanced factories and subsidiaries spreading in Abu Dhabi, Dubai and Sharjah in the United Arab Emirates, as well as a company in Riyadh in the Kingdom of Saudi Arabia. Emirates National Factory for Plastic Industries Company is one of the largest groups in the field of plastic manufacturing and integrated packaging materials in the Gulf region. It is distinguished by its high production capacity as well as the latest technologies of plastic and packaging materials manufacturing, supported by more than 14 years of expertise. The Company is also distinguished by manufacturing full range of plastic products and packaging materials, placing it ahead of competitors in the field of plastic and packaging materials manufacturing. Below are the details of its subsidiaries:

	Subsidiary	Country of incorporation	Ownership %
1	Al Madina for Packaging LLC	UAE	100%
2	Future Pack Factory LLC	UAE	100%
3	Future Plus - Closed Joint Stock Company	Saudi Arabia	51%
4	United International Clear Packaging LLC	UAE	100%
5	United Security LLC	UAE	100%
6	United Techno Graphic LLC	UAE	100%
7	Future Plast Industrial LLC	UAE	100%

Strategic Objectives and Future Plans

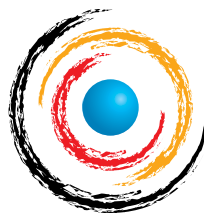
The Company continuously seeks to develop clear strategic objectives and proper mechanisms by drawing up future plans in order to achieve the growth strategies in a manner that enhances the shareholders' confidence in the Company's position and strength as a leading company in the field of printing and packaging. The acquisition of the Flexible Packaging Company in 2008 and Emirates National Factory for Plastic Industries Company in 2012 are the most strategic achievements of the Company in enhancing its capabilities in the field of packaging and plastic manufacturing.

The Company always looks for investment opportunities and strategic expansions by conducting feasibility studies with a view to achieving its strategic objectives represented in generating considerable returns and diversifying the income sources.

In 2008, the Company transferred its ownership in its subsidiaries (Hala Printing Company and Taiba Printing and Publishing Company) to be 100% owned by the Saudi Printing & Packaging Company both directly and indirectly. In 2012, it also established Future Industrial Investment Company as the parent company of the packaging sector, through which Emirates National Factory for Plastic Industries Company was acquired in 2012. To maintain its trend towards achieving future plans and goals, the Company aims to be a holding company that practices all its activities through subsidiaries wholly owned by the Saudi Printing & Packaging Company in order to:

1. Maximize competitiveness.
2. Achieve more specialization.
3. Optimum utilization of available resources
4. Clarify the feasibility of each independent activity.

Below are the subsidiaries of the Saudi Printing & Packaging Company:



الشركة السعودية للطباعة والتغليف
Saudi Printing & Packaging Co


Future Industrial Investment Co.®
شركة المستقبل للاستثمار الصناعي

Riyadh

 **ENPI GROUP**
Emirates National Factory for
Plastic Industries Company
UAE
▼
Abu Dhabi Branch - UAE
▼
Dubai Branch - UAE
▼
Sharjah Branch - UAE
▼
Riyadh - Saudi Arabia


شركة التغليف المرين
Flexpack Co.
Jeddah


شركة طيبة للطباعة والنشر
Taibh Printing & Publication Co.
Al Madinah Al Munawarah


شركة مطابع هلا
Hala Printing Co.
Riyadh


شركة المدينة المنورة للطباعة والنشر
Almadina Printing & Publishing Co.
▼
North Abhur – Jeddah
▼
Faisaliyeh Branch
▼
Riyadh Branch
▼
Dammam Branch

Significant Events and Achievements of 2013:

The significant events and achievements during 2013 include many challenges which the company diligently endeavored to overcome. The company and its subsidiaries achieved numerous achievements as shown below:

First: Completion of the second stage of expanding the headquarters of Madina Printing and Publishing Company

The expansion was perfectly completed. Such expansion included central warehouses, buildings for web prints (roll) for the commercial publications and school textbooks, labors housing at an area of approximately (16,000) square meters. Some printing machines were purchased and are being installed to be ready during 2014 in order to be put into operation and increase the production capacity to meet the customer demands in Jeddah and other areas.

Second: Expand the production capacity of Emirates National Factory for Plastic Industries Company (ENPI)

ENPI added the following production lines:

- Printing line in Future Plast Industrial LLC.
- Plastic bottles line in Future Plast Industrial LLC.
- New printing lines in Future Pack Factory LLC.
- Paper cups, leds, and packaging lines in Future Pack Factory LLC.
- PVC Cling Film packaging line in United International Clear Packaging LLC.

Despite the late arrival of these machines in 2013, the Company managed to achieve a record growth compared to 2012. In addition, these machines will contribute to the growth in revenues for 2014.

Third: The Expansion of Abu Dhabi Factory, subsidiary of ENPI

The land adjacent to Future Plast Factory in Abu Dhabi was acquired in the fourth quarter of 2012. This area was used for storage purposes in the last year. It is worth mentioning that a contractor was appointed to commence the expansion works in 2014.

Fourth: "INFOR" Resource Planning System in ENPI

The INFOR Resource Planning System was applied in all fields of ENPI, as extension of the INFOR system applied in the Saudi Printing & Packaging Company. The system was first applied in October 2013 in Emirates National Factory for Plastic Industries Company, and at the beginning of 2014 in Future Plast Industrial, United International Clear Packaging and Future Plus.

Fifth: The integration plan between the Saudi Printing & Packaging Company and ENPI

An external consultant was appointed to complete the integration plans between the Saudi Printing & Packaging Company and ENPI.

Sixth: Financial Results for 2013

Below is an overview of the Company's performance in the main fields:

- The revenues amounted to SR 1,141.8 million in 2013 compared to SR 765.9 million in 2012, representing an increase of 49%.
- The gross profit amounted to SR 234.8 million in 2013 compared to SR 150.8 million in 2012, representing an increase of 56%.
- The operating profit amounted to SR 96.5 million in 2013 compared to SR 67.2 million in 2012, representing an increase of 44%.
- The net profit amounted to SR 51.9 million in 2013 compared to SR 124.6 million in 2012, representing a decrease of 58%.
- The earnings per share amounted to SR 0.87 in 2013 compared to SR 2.08 in 2012.

The main reason for the decreased net profit is attributed to the decrease in revenues of the printing sector, the increase of certain costs as well as administrative and selling expenses and the increase of financial expenditures due to the charges resulted from the acquisition of ENPI. Furthermore, there are capital gains which resulted from the sale of a part of the company's land in Dhaban district in Jeddah that amounted to SR 77 million and stated in other income for the year 2013. There is also an increase in the packaging sector due to the increase in sales and including the current results of ENPI for the year 2013 against the results of the third and fourth quarters only of the previous year as the acquisition of ENPI was carried out as of July 1, 2012.

Consolidated Income Statement:

The table below shows the Company's income statement for the last five years:

(Thousand Saudi Riyal)

Description	2013	2012	2011	2010 adjusted	2009
Sales	1,141,766	765,895	400,978	402,397	357,318
Cost of sales	(906,933)	(615,121)	(325,365)	(327,437)	(289,285)
Gross profit	234,833	150,774	75,613	74,960	68,033
Operating Expenses					
Decrease in inventory prices	-	-	-	-	(20,887)
Selling and marketing expenses	(51,630)	(29,761)	(9,980)	(12,085)	(12,675)
General and administrative expenses	(86,693)	(53,793)	(26,694)	(30,675)	(28,757)
Profit from operations	96,510	67,220	38,939	32,200	5,714
Gains from sales and leaseback	-	-	-	-	84,332
Other revenues (expenses), net	6,502	83,462	5,964	12,075	72
Restructuring expenses	-	-	-	-	(10,250)
Financial expenses	(46,197)	(20,964)	(5,270)	(5,534)	(10,537)
Profit before Zakat and minority equity	56,815	129,718	39,633	38,741	69,331
Zakat	(4,320)	(4,370)	(3,632)	(3,540)	(4,291)
Net profit before minority equity	52,495	125,348	36,001	35,201	65,040
Minority equity in subsidiary's net profit	(592)	(793)	-	-	-
Net profit for the year	51,903	124,555	36,001	35,201	65,040
Earnings per share					
Income from main operations	1.61	1.12	0.65	0.54	0.09
Net income for the year	0.87	2.08	0.60	0.59	1.08

Consolidated Statement of Financial Position:

The table below shows the Company's statement of financial position for the last five years:

(Thousand Saudi Riyal)

Description	2013	2012	2011	2010 adjusted	2009
Current assets	824.146	931.467	402.764	314.396	340.129
Non-current assets	1.468.439	1.425.947	653.112	655.408	680.546
Total assets	2.292.585	2.357.414	1.055.876	969.804	1.020.675
Current liabilities	695.642	681.152	283.479	202.680	221.658
Non-current liabilities	719.601	810.542	17.738	17.366	33.902
Total liabilities	1.415.243	1.491.694	301.217	220.046	255.560
Shareholders' Equity	866.219	847.568	754.659	749.758	765.115
Minority Equity	11.123	18.152	-	-	-
Total liabilities and Equity	2.292.585	2.357.414	1.055.876	969.804	1.020.675

Sectoral Information:

The Company consists of the following main business sectors:

Printing;

It includes printing on all types of paper and carton, including:

- Printing daily and weekly newspapers.
- Printing magazines.
- Printing books and school textbooks.
- Various commercial printing.
- Carton paper printing and packaging.

Packaging:

It includes printing on plastic, commercial labels, in addition to plastic products and packaging materials manufacturing, as well as manufacturing of paper and plastic cups.

Other:

It includes the headquarter, the general administration activities, investment activities....etc..



The assets, liabilities and the business results as at the two years ended December 31, 2013 and 2012 for the said operating sectors consist of the following:

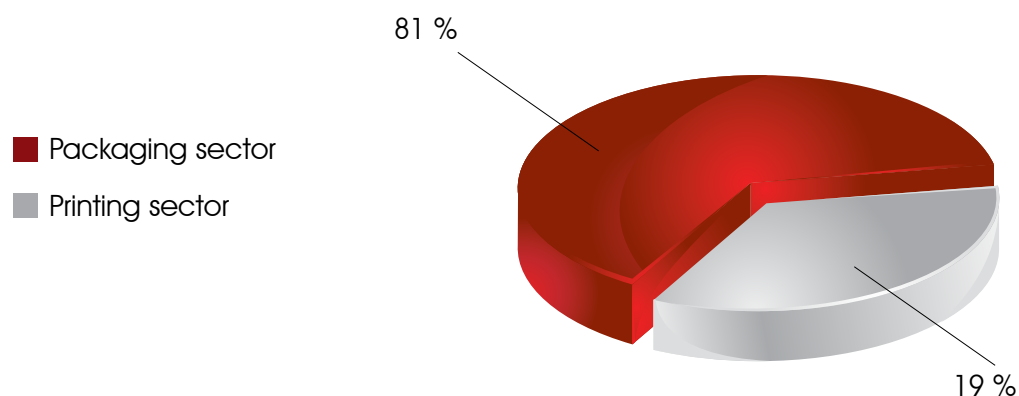
(Thousand Saudi Riyal)

	Description	Printing sector	Packaging sector	Others and investment activities	Total
2013	Sales	217.898	923.868	-	1.141.766
	Net profit	4.218	59.929	(12.244)	51.903
	Financial expenditures	(7.037)	(38.984)	(176)	(46.197)
	Depreciation	(25.685)	(38.860)	(273)	(64.818)
	Property, plant, and equipment, net	453.746	603.131	5.004	1.061.881
	Total assets	722.522	1.152.117	417.946	2.292.585

(Thousand Saudi Riyal)

	Description	Printing sector	Packaging sector	Others and investment activities	Total
2012	Sales	283.019	482.876	-	765.895
	Net profit	22.157	43.377	59.021	124.555
	Financial expenditures	(8.013)	(12.950)	-	(20.964)
	Depreciation	(24.631)	(20.614)	(132)	(45.377)
	Property, plant, and equipment, net	397.231	563.594	52.300	1.013.125
	Total assets	705.209	1.013.521	638.684	2.357.414

A graph showing the contributions of the main sectors and activities of the Company to the consolidated sales in 2013:



	Kingdom of Saudi Arabia		United Arab Emirates		Total	
	2013	2012	2013	2012	2013	2012
Sales	234.090	409.817	807.676	356.078	1.141.766	765.895
Net (loss) profit	(14.626)	94.434	66.529	30.121	51.903	124.555
Financial expenses	(26.240)	(9.241)	(19.957)	(11.723)	(46.197)	(20.964)
Depreciations	(30.733)	(29.311)	(34.085)	(16.066)	(64.818)	(45.377)
Property, plant, and equipment, net	535.498	525.416	526.383	487.709	1.061.881	1.013.125
Total assets	1.295.903	1.489.185	996.682	868.229	2.292.585	2.357.414

The operating assets, marketing activities and the Company's main markets are limited to the Kingdom of Saudi Arabia and the United Arab Emirates, where our subsidiaries are spreading as follows:

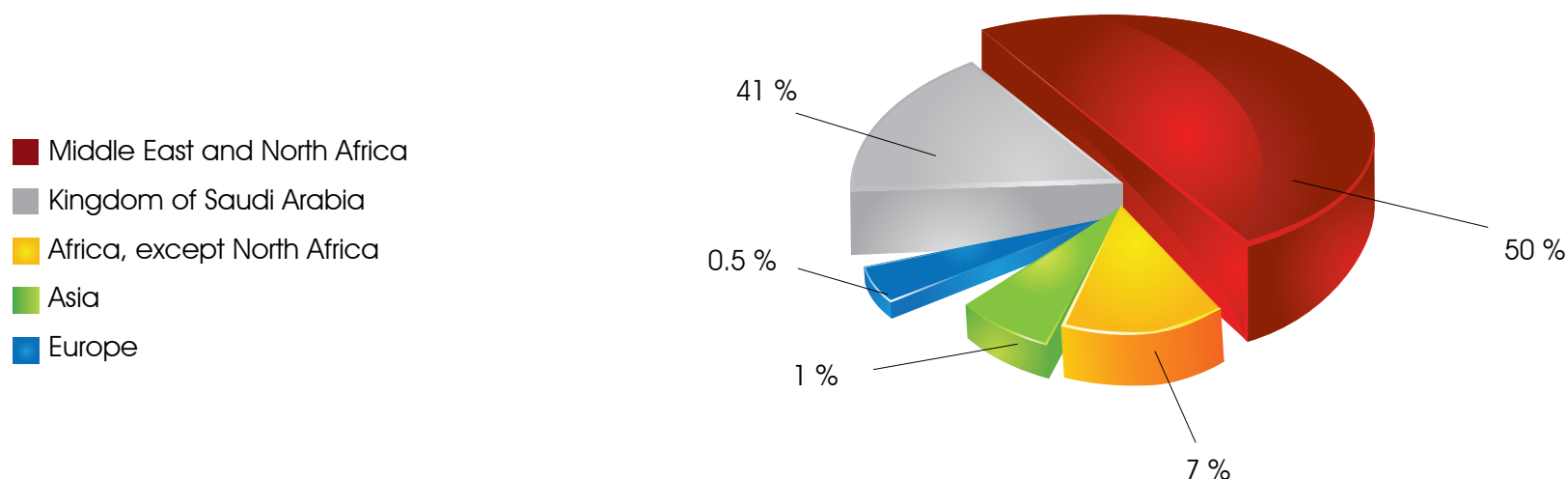
Company	Position
Madina Printing and Publishing Company	Jeddah, Riyadh, Dammam
Hala Printing Company	Riyadh
Taiba Printing and Publishing Company	Madina
Flexible Packaging Company	Jeddah
Future Industrial Investment Company	Riyadh
Emirates National Factory for Plastic Industries Company	Abu Dhabi, Dubai, Sharjah, Riyadh

The table below shows the Company's sectoral information by the geographical areas:

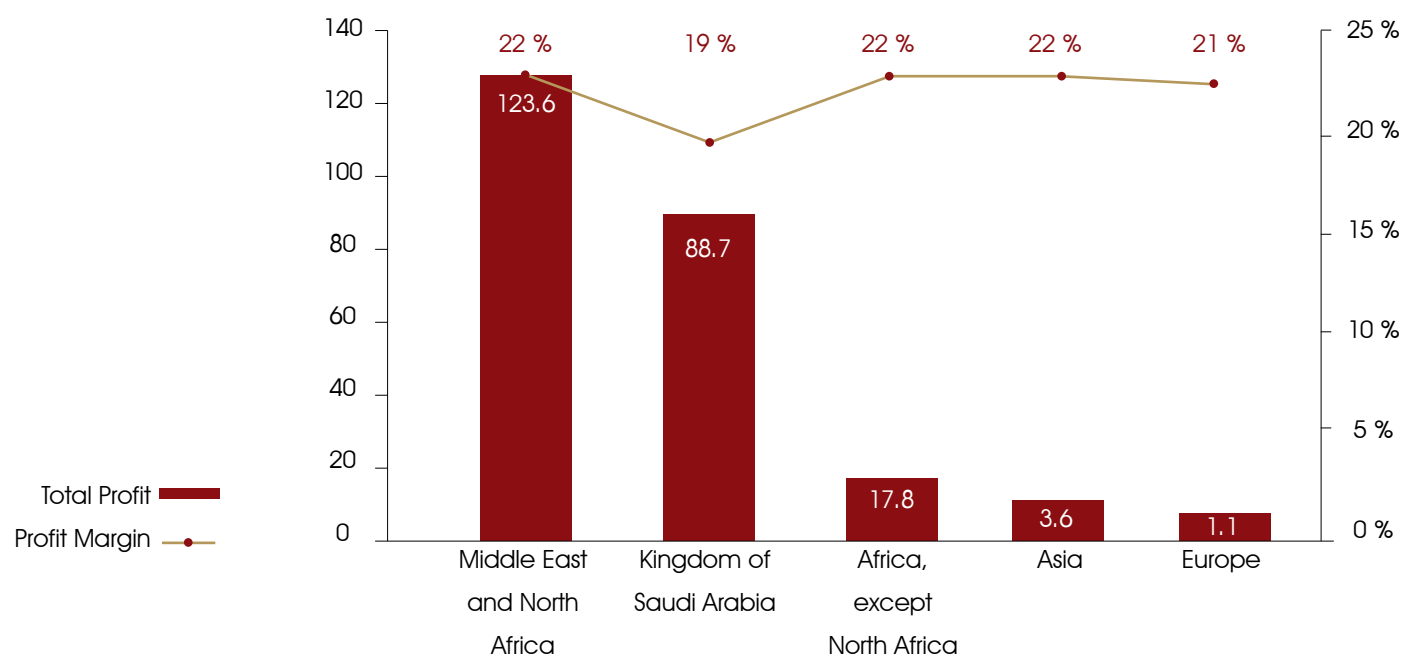
(Thousand Saudi Riyal)

		Saudi Arabia	Middle East and North Africa	Africa, except North Africa	Asia	Europe	USA	Total
2013	Gross sales	469.374	569.104	81.645	16.424	5.219	0.0	1.141.766
	Gross profit	88.686	123.638	17.793	3.579	1.137	0.0	234.833
2012	Gross sales	474.281	248.687	27.897	8.579	6.413	38	765.895
	Gross profit	88.142	53.595	5.873	1.806	1.350	8	150.774

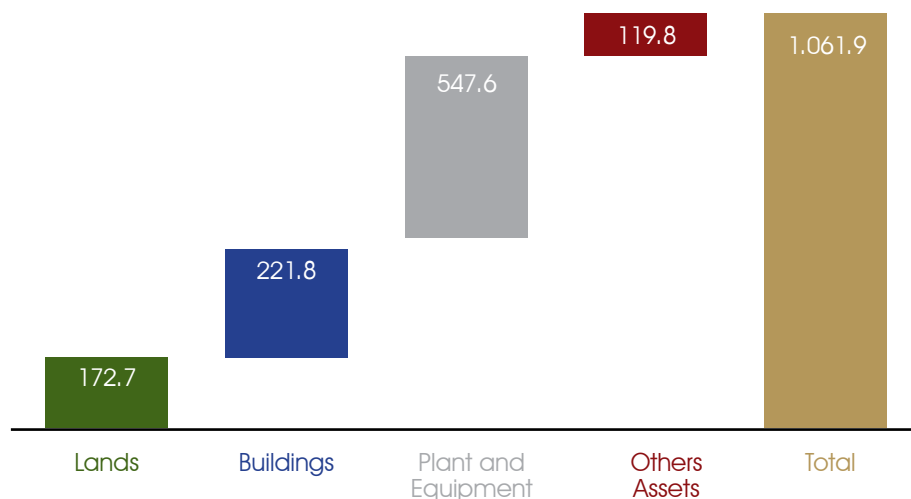
Analysis of the consolidated sales achieved in the Kingdom of Saudi Arabia and other geographical areas of the world for 2013:



Analysis of the consolidated gross profit realized in the Kingdom of Saudi Arabia and other geographical areas of the world for 2013:



Fixed Assets as at December 31, 2013:



Zakat, Statutory Payments and Others

The Company and its subsidiaries are subject to the regulations of the Zakat and Income Tax in Saudi Arabia. The Zakat advisor reviews the calculation of the Zakat base in order to create the Zakat provision accordingly. The advisor also submits the Zakat return to the Zakat Department, answers their enquiries and settle the outstanding payments. Therefore, the Company pays the established Zakat according to the Zakat return and pays the differences after settling the final outstanding payments.

The following table shows the statutory payments during 2013 and 2012:

(Thousand Saudi Riyal)

Description	2013	2012
Customs duties	4.644	3.650
Paid Zakat	4.837	4.617
Social security	2.216	1.670
Visas and passports	2.904	1.457
Penalties*	219	-
Other**	1.464	75
Total	16.284	11.469

* SR 200 thousand representing a penalty imposed by the Ministry of Information on Hala Printing Company (a subsidiary) due to printing the Holy Quran without permission, in addition to SR 19 thousand imposed by the General Directorate of Civil Defense on the Saudi Printing & Packaging Company in North Obhur, Jeddah, due to the lack of the civil defense license as well as some observations on fire extinguishers, storage, emergency exits and lighting.

** The other statutory payments above include the fees of the Ministry of Information, the Chambers of Commerce and the Ministry of Commerce and Industry. There are no other material statutory payments.

Ownership of Subsidiaries:

The Company's actual ownership of subsidiaries is as follows:

Company	Ownership	Principal activity
Madina Printing and Publishing Company	95% Saudi Printing & Packaging Company 5% Hala Printing Company	Printing, publication and retail and wholesale trading in publications, paperetc.
Hala Printing Company	95% Saudi Printing & Packaging Company 5% Taiba Printing and Publishing Company	Retail and wholesale trading in paper publications and accessories
Taiba Printing and Publishing Company	50% Saudi Printing & Packaging Company 50% Hala Printing Company	Printing, publication and retail and wholesale trading in publications and paper
Flexible Packaging Company	95% Saudi Printing & Packaging Company 5% Hala Printing Company	Printing commercial labels, carton containers, and plastic covers
Future Industrial Investment Company	95% Saudi Printing & Packaging Company 5% Hala Printing Company	Printing, packaging, establishment of factories and industrial centers; establishment, management, and maintenance of printing and packaging projects... etc.
Emirates National Factory for Plastic Industries Company	99% Future Industrial Investment Company 1% Flexible Packaging Company	Manufacturing and trading of bags, pipes, boards, plastic cards, packaging materials, and plastic.

The Company's direct and indirect ownership in subsidiaries in addition to the capital of each company are as follows:

Company	Country of Incorporation & Principal Activity	Direct & Indirect Percentage of Ownership	Capital (SR)
Madina Printing and Publishing Company	Kingdom of Saudi Arabia	100 %	1.000.000
Hala Printing Company	Kingdom of Saudi Arabia	100 %	1.000.000
Taliba Printing and Publishing Company	Kingdom of Saudi Arabia	100 %	1.000.000
Flexible Packaging Company	Kingdom of Saudi Arabia	100 %	28.500.000
Future Industrial Investment Company	Kingdom of Saudi Arabia	100 %	100.000
Emirates National Factory for Plastic Industries Company	United Arab Emirates	100 %	30.592.500

Human Resources:

The Company recognizes the importance of developing the performance of all its employees and officials, as it attracted highly qualified employees with professional and scientific expertise. It also held many inbound and outbound training courses, and developed training plans to enhance the technical and administrative competencies of employees. During the last years, the Company fruitfully cooperated with the Human Resources Development Fund to train and qualify the Saudi youths to work in the printing and packaging sector. Those youths are recruited in the Saudi Printing & Packaging Company upon completion of the training. In addition, a number of trainees were recruited in the subsidiaries of the Saudi Printing & Packaging Company in 2013 after they completed their training. The Company will continue upgrading its training and development policies to retain talented and experienced employees and develop their competencies and capabilities, and qualifying the next generation of the Company's staff to be able to take on the responsibility in the future.

Social Responsibility:

As part of its social responsibility towards the society, the Company adopted a positive and effective approach to supporting the humanitarian and charitable efforts in the Saudi society. To this end, the Group has continued during 2013 to support many charitable organizations through printing works, in addition to the participations in and sponsorships of many conferences and exhibitions.

Policy of Dividends Distribution

The Company's Board of Directors adopts the best practices to maximize the shareholders' interests. Based on the Company's financial position, capital requirements, cash on hand, general economic conditions and other factors, the Board of Directors determines on annual basis the proper amount to be distributed or not to be distributed to the shareholders from the net profit by a recommendation made to the General Assembly for approval. The Company's Articles of Association provides for distributing the net annual profit after deducting all general expenses and other costs as follows:

1. (10%) ten percent of the net profit is allocated to form a statutory reserve. The ordinary General Assembly may suspend such allocation once the reserve reaches half of the capital.
2. Upon the suggestion of the Board of Directors, the ordinary General Assembly may allocate no more than (20%) of the net profit to form a consensual reserve and allocate it for other purpose or purposes.
3. A first payment equivalent to at least 5% of the paid capital is subsequently distributed to shareholders out of the remaining amount.
4. A bonus is subsequently allocated to the Board members, provided that it does not exceed the prescribed limit pursuant to the Cabinet Resolution No. 202 dated 13/8/1404 H. The remaining amount is distributed to shareholders as an additional share of dividends.

Ownership of Board Members:

The Company is run by a Board of Directors comprised of nine members. The following table shows the ownership of present Board members or the ownership of those representing the Board during 2013:

Name	Remarks	Number of shares at the year-beginning	Percentage of Ownership at year-beginning	Net change in number of shares during the year	Percentage of change during the year	Number of shares at year-end	Percentage of Ownership at year-end
Saudi Research and Marketing Group, represented by Dr. Azzam Mohammed Al-Dakhil	Shares of the company	25,200,000	42.00%	-	-	25,200,000	42.00%
	His shares	-	-	-	-	-	-
Intellectual Holding Company for Advertising and Publicity Represented by Mr. Amin Sami Ghorayeb	Shares if the company	6,300,000	10.50%	-	-	6,300,000	10.50%
	His shares	-	-	-	-	-	-
Saudi Research and Publishing Company Represented by Mr. Saleh Hussain Al Dowais	Shares of the company	4,200,000	7.00%	-	-	4,200,000	7.00%
	His shares	-	-	-	-	-	-
Scientific Items Holding Company Represented by Eng. Sulaiman Ibrahim Al Hudaithi	Shares of the company	4,200,000	7.00%	-	-	4,200,000	7.00%
	His shares	35	-	-	-	35	-
NUMU Media Holding Company Represented by Eng. Abdullah Abdullatif Al-Saif	Shares of the company	2,100,000	3.50%	-	-	2,100,000	3.50%
	His shares	-	-	-	-	-	-
Eng. Saad Bin Saleh Al Azwari	His shares	1,068	0.002%	-	-	1,068	0.002%
Eng. Abdullah Abdulrahman Almoammar	His shares	1,000	0.002%	-	-	1,000	0.002%
Mr. Abdulaziz Abdullah Al Duailej	His shares	1,000	0.002%	-	-	1,000	0.002%
Dr. Mohammad Amin Dawood Kashgari	His shares	1,000	0.002%	-	-	1,000	0.002%

The spouses and minor children of the Board members and senior executives hold no ownership, nor they or the Board members have options or subscription rights in the Company's shares.

Information on Loans and Murabaha:

(Thousand Saudi Riyal)

Description	Date of loan	2013	2012	Repaid loans	Loan term	Grantor
Loan 1	12/09/2012		27.000	27.000	5.37 months	SAMBA
Loan 2	19/09/2012		13.000	13.000	5.6 months	SAMBA
Loan 3	17/10/2012		7.000	7.000	6 months	SAMBA
Loan 4	12/11/2012		6.000	6.000	6 months	SAMBA
Loan 5	14/11/2012		5.000	5.000	6 months	SAMBA
Loan 6	24/11/2012		2.000	2.000	6 months	SAMBA
Loan 7	11/12/2012		3.000	3.000	6 months	SAMBA
Loan 8	19/12/2012		20.000	20.000	6 months	SAMBA
Loan 9	09/10/2013	7.000			6 months	SAMBA
Loan 10	04/11/2013	6.000			6 months	SAMBA
Loan 11	06/11/2013	5.000			6 months	SAMBA
Loan 12	17/11/2013	2.000			6 months	SAMBA
Loan 13	04/12/2013	3.000			6 months	SAMBA
Loan 14	12/12/2013	20.000			6 months	SAMBA
Loan 15	15/12/2013	10.000			3 months	SAMBA
Loan 16	22/12/2013	8.000			6 months	SAMBA
Loan 17	23/12/2013	3.000			6 months	SAMBA
Loan 18	02/10/2013	15.000			6 months	SAMBA
Loan 19	22/12/2013	6.000			6 months	SAMBA
Loan 20	21/11/2013	10.000			6 months	SAMBA
Loan 21	16/12/2012	7.021	34.319	27.298	1.25 year	Riyadh Bank
Loan 22	17/11/2012		16.000	16.000	6 months	Riyadh Bank
Loan 23	21/11/2012		28.000	28.000	6 months	Riyadh Bank

Loan 24	16/09/2012		7.500	7.500	6 months	Riyadh Bank
Loan 25	16/12/2012		7.500	7.500	6 months	Riyadh Bank
Loan 26	11/11/2013	16.000			6 months	Riyadh Bank
Loan 27	18/11/2013	28.000			6 months	Riyadh Bank
Loan 28	11/12/2013	7.500			6 months	Riyadh Bank
Loan 29	17/09/2013	7.500			6 months	Riyadh Bank
Loan 30	15/12/2013	8.000			6 months	Riyadh Bank
Loan 31	23/12/2013	3.000			6 months	Riyadh Bank
Loan 32	23/10/2013	17.000			6 months	Riyadh Bank
Loan 33	22/09/2013	13.000			6 months	Riyadh Bank
Loan 34	17/10/2012		38.000	38.000	6 months	Saudi Hollandi Bank
Loan 35	22/10/2012		21.000	21.000	6 months	Saudi Hollandi Bank
Loan 36	09/10/2013	38.000			6 months	Saudi Hollandi Bank
Loan 37	15/09/2013	21.000			6 months	Saudi Hollandi Bank
Loan 38	03/10/2013	6.000			6 months	Saudi Hollandi Bank
Loan 39	02/12/2012		7.432	7.432	3 months	Saudi British Bank
Loan 40	09/12/2012		3.543	3.543	3 months	Saudi British Bank
Loan 41	18/11/2013	2.691			3 months	Saudi British Bank
Loan 42	21/11/2013	10.000			3 months	Saudi British Bank
Loan 43	09/12/2013	5.300			1 month	Saudi British Bank
Loan 44	19/12/2013	1.270			3 months	Saudi British Bank
Loan 45	26/12/2013	1.305			3 months	Saudi British Bank
Loan 46	26/12/2013	1.296			3 months	Saudi British Bank
Loan 47	26/12/2013	1.837			2 months	Saudi British Bank

Loan 48	05/12/2013	3.122			1 month	Arab National Bank
Loan 49	16/12/2013	4.285			1 month	Arab National Bank
Loan 50	17/12/2013	7.500			1 month	Arab National Bank
Loan 51	17/12/2013	2.775			1 month	Arab National Bank
Loan 52	18/12/2013	2.448			1 month	Arab National Bank
Loan 53	22/12/2013	5.117			1 month	Arab National Bank
Loan 54	23/12/2013	7.000			1 month	Arab National Bank
Loan 55	26/12/2013	11.900			3 months	Arab National Bank
Loan 56	27/05/2012		3.795	3.795	1 year	Arab National Bank, Jeddah
Loan 57	23/12/2012	283.000	480.000	197.000	7.5 year	Alinma Bank
Loan 58	11/01/2011		184.358	184.358	2.19 years	Abu Dhabi Islamic Bank
Loan 59	21/03/2013	276.500		29.650	5 years	Abu Dhabi Islamic Bank
Loan 60	12/01/2011		59.069	59.069	2.7 months	Abu Dhabi Islamic Bank
Loan 61	31/01/2011		596	596	2.17 months	Abu Dhabi Islamic Bank
Loan 62	30/01/2011		5.529	5.529	2.17 months	Abu Dhabi Islamic Bank
Loan 63	15/10/2012	19.060	12.016	12.016	3 months	Abu Dhabi Islamic Bank
Loan 64	15/11/2012	8.304	13.409	13.409	3 months	Abu Dhabi Islamic Bank
Loan 65	15/12/2012	15.915	13.774	13.774	3 months	Abu Dhabi Islamic Bank
Loan 66	14/05/2011	107	274	167	3.17 years	Dubai Islamic Bank
Loan 67	16/06/2011	58	136	87	3.17 years	Dubai Islamic Bank
Loan 68	16/06/2011	73	171	98	3.19 years	Dubai Islamic Bank
Loan 69	30/09/2011		458	458	1.47 years	Dubai Islamic Bank
Loan 70	30/09/2011		2.018	2.018	1.91 years	Dubai Islamic Bank
Loan 71	05/09/2012		252	252	11.13 months	Dubai Islamic Bank
Loan 72	08/07/2012	1.847	4.060	2.214	2.25 years	Dubai Islamic Bank

Loan 73	30/04/2013	736	0	19	3.76 years	Dubai Islamic Bank
Loan 74	30/03/2013	2,393	0	198	3.71 years	Dubai Islamic Bank
Loan 75	09/09/2013	2,816	0	2,157	3.50 years	Dubai Islamic Bank
Loan 76	30/09/2011		38	38	1.36 years	Dubai Islamic Bank
Loan 77	15/10/2012		136	136	3 months	Dubai Islamic Bank
Loan 78	15/11/2012		141	141	3 months	Dubai Islamic Bank
Loan 79	15/12/2012		342	234	3 months	Dubai Islamic Bank
Loan 80	15/08/2013	333			8 months	Dubai Islamic Bank
Loan 81	15/09/2013	1,616			8 months	Dubai Islamic Bank
Loan 82	15/10/2013	591			8 months	Dubai Islamic Bank
Loan 83	15/11/2013	2,211			8 months	Dubai Islamic Bank
Loan 84	15/12/2013	3,533			8 months	Dubai Islamic Bank
Loan 85	05/03/2012	4,742	5,215	488	3.75 years	Abu Dhabi Commercial Bank
Loan 86	15/07/2012		5,864	5,864	8 months	Abu Dhabi Commercial Bank
Loan 87	15/08/2012		1,414	1,414	8 months	Abu Dhabi Commercial Bank
Loan 88	15/09/2012		317	317	8 months	Abu Dhabi Commercial Bank
Loan 89	15/10/2012		657	657	8 months	Abu Dhabi Commercial Bank
Loan 90	15/11/2012		3,211	3,211	8 months	Abu Dhabi Commercial Bank
Loan 91	15/12/2012		1,493	1,493	8 months	Abu Dhabi Commercial Bank
Loan 92	01/12/2012		13,625	13,625	8 months	Standards Chartered
Loan 93	15/10/2013	3,535			0.25 year	Standards Chartered
Loan 94	15/11/2013	10,107			0.25 year	Standards Chartered
Loan 95	15/12/2013	2,143			0.25 year	Standards Chartered
		974,488	1,058,662	793,845		

The Company's loans and Murabaha, used for operating and investing activities, are summarized as follows:

(Thousand Saudi Riyal)

	Description	2013	2012
	Beginning year balance	1,058,662	218,606
Add	Balance of the acquired company (Emirates National Factory for Plastic Industries Company) as at 1/7/2012	-	354,611
Add	Received during the year	709,671	1,060,367
less	Paid during the year	(793,845)	(574,922)
	End year balance	974,488	1,058,662

The total loans and Murabaha are summarized as follows:

(Thousand Saudi Riyal)

Description	2013	2012
Overdraft facilities	5,006	14,162
Murabaha to finance the working capital	397,623	83,932
Loans and Murabaha financing	571,859	960,568
Total	974,488	1,058,662
Current part	(446,515)	(441,413)
Non-current part	527,973	617,249

Loans Maturity

(Thousand Saudi Riyal)

Description	2013	2012
Less than one year	446.515	441.413
From one year to two years	88.009	121.233
From two years to five years	355.064	16.016
More than five years	84.900	480.000
Total	974.488	1.058.662

Shares and Debt Instruments:

The Saudi Printing & Packaging Company own through its subsidiaries (Emirates National Factory for Plastic Industries Company and Future Industrial Investment Company) 70.5% of the shares of Future Plus Plastic Company (a closed shareholding company). It also holds a total of 3.750.000 shares, with a total capital of SR 37.500.000 million. In addition, there are no debt instruments issued by the Company and its subsidiaries.

Board Meetings:

The Board of Directors was elected in the General Assembly meeting on 4/3/2012. It comprises the following members:

	Board of Director	Description	Representing
1	Eng. Sulaiman Ibrahim Al Hudaiti	Chairman	Scientific Items Holding Company
2	Dr. Azzam Mohammed Al-Dakhil	Member	Saudi Research and Marketing Group
3	Eng. Abdullah Abdullatif Al-Saif	Member	NUMU Media Holding Company
4	Mr. Abdulaziz Abdullah Al Duailj	Member	
5	Eng. Abdullah Abdulrahman Almoammar	Member	
6	Dr. Mohammad Amin Dawood Kashgari	Member	
7	Eng. Saad Bin Saleh Al Azwari	Member	
8	Mr. Amin Sami Ghorayeb	Member	Intellectual Holding Company for Advertising and Publicity
9	Mr. Saleh Hussain Al Dowais	Member	Saudi Research and Publishing Company

Attendance Record:

The Board of Directors held seven meetings during the fiscal year 2013 as follows:

		1	2	3	4	5	6	7	
	Description	9 Jan.	31 Jan.	9 Feb.	19 May	23 July	26 Oct.	15 Dec.	Number of attendances
	Members								
1	Eng. Sulaiman Ibrahim Al Hudaiti	✓	✓	✓	✓	✓	✓	✓	7
2	Dr. Azzam Mohammed Al-Dakhil	✓	✗	✗	✓	✓	✓	✓	5
3	Eng. Abdullah Abdullatif Al-Saif	✓	✓	✓	✓	✓	✓	✓	7
4	Mr. Abdulaziz Abdullah Al Duailej	✓	✓	✓	✓	✓	✓	✓	7
5	Eng. Abdullah Abdulrahman Almoammar	✓	✗	✓	✗	✓	✓	✗	4
6	Dr. Mohammad Amin Dawood Kashgari	✓	✓	✓	✓	✓	✓	✓	7
7	Eng. Saad Bin Saleh Al Azwari	✓	✓	✓	✓	✓	✓	✓	7
8	Mr. Amin Sami Ghorayeb	✓	✓	✓	✓	✓	✓	✓	7
9	Mr. Saleh Hussain Al Dowais	✓	✓	✓	✓	✗	✓	✓	6

Board of Directors Composition::

The following table shows the classification of the present Board members:

	Name of Board Member	Executive	Non-executive	Independent
1	Eng. Sulaiman Ibrahim Al Hudaithi	√		
2	Dr. Azzam Mohammed Al-Dakhil		√	
3	Eng. Abdullah Abdullatif Al-Saif			√
4	Mr. Abdulaziz Abdullah Al Duailej		√	
5	Eng. Abdullah Abdulrahman Almoammar			√
6	Dr. Mohammad Amin Dawood Kashgari			√
7	Eng. Saad Bin Saleh Al Azwari*	√		
8	Mr. Amin Sami Ghorayeb		√	
9	Mr. Saleh Hussain Al Dowais		√	
	Total	2	4	3

* He resigned from his office as an executive chairman as of 31/7/2013.

Board Membership in Other Shareholding Companies:

The following table shows the membership of the Board members of the Saudi Printing & Packaging Company in the Board of Directors of other shareholding companies as of December 31, 2013

	Name of Board Member	Listed	Unlisted
1	Eng. Sulaiman Ibrahim Al Hudaiti	Board member of Saudi Research and Marketing Group Board member of Assir Company	Chairman of Saudi Specialized Laboratories Company Board member of Venture Capital Investment Company Board member of AIMadaen Star Group Board member of Venture Capital Bank (Bahrain)
2	Dr. Azzam Mohammed Al-Dakhil	Board member of Saudi Research and Marketing Group Board member of Assir Company Board member of Saudi Real Estate Company Board member of Saudi Automotive Services Company (SASCO)	Board Chairman of NUMU Media Holding Company
3	Eng. Abdullah Abdullatif Al-Saif	Board member of Qassim Cement Company Board member of Herfy Food Services Company	Board member of Saudi Specialized Laboratories Company
4	Mr. Abdulaziz Abdullah Al Duailej	Board member of Saudi Advance Industries Company Board member of Arabian Pipes Company	Board member of RAFAL Real Estate Development Company
5	Eng. Abdullah Abdulrahman Almoammar		Board member of Middle East Paper Company
6	Dr. Mohammad Amin Dawood Kashgari		Vice-chairman of Sukoon International Company
7	Eng. Saad Bin Saleh Al Azwari	Board member of Middle East Specialized Cables Company (MESC)	Chairman of Tran-Future Plastic Company
8	Mr. Amin Sami Ghorayeb		Board member of NUMU Media Holding Company
9	Mr. Saleh Hussain Al Dowais		Board member of NUMU Media Holding Company

Bonuses and Remunerations:

The Company pays the expenses and remunerations of attending the meetings to the members of the Board and the committees formed under the decisions of the Board of Directors. It also pays the salaries and remunerations to the senior executives per the contracts concluded therewith. Below are the details of the expenses, remunerations, and salaries of the Board members as well as five of the senior executives, including the CEO and the Financial Director for 2013:

(Thousand Saudi Riyal)

Description	Board members		Five executives who received the highest bonuses and remunerations, including the CEO and the Financial Director	Total
	Executive	Non-executive / independent		
Salaries and remunerations	-	-	2,439	2,439
Allowances and business assignments	56	129	313	498
Periodic and annual bonuses	2,600	2,000	6,432	11,032
Total	2,656	2,129	9,184	13,969

Related party transactions:

The Company and its subsidiaries deal during the ordinary course of business with the Saudi Research and Marketing Group as well as its subsidiaries and sister companies. The table below shows the substantive transactions with related parties:

(Thousand Saudi Riyal)

Description	2013	2012
Sales	78,059	109,101
Rents	251	249
Remunerations of executive Board members	2,600	773
Allowances paid to the Board members	185	304
Management fees	-	5,406

There is no contract that the company is a party to, or in which any Board member, the CEO, the Financial Director or any related person has or had a material interest.

Related party balances:

The balances due from related parties as of 31 December are as follows:

(Thousand Saudi Riyal)

Description	2013	2012
Saudi Research and Publishing Company	21.435	31.013
Future Card Industries Company	18.918	14.481
Saudi Specialized Publishing Company	16.536	9.822
Saudi Research and Marketing Group	3.655	3.552
AL-KHALEEJIAH Advertising & Public Relations Company	220	418
Saudi Distribution Company	663	269
Numu Alelmia Company	96	96
Arab Media Company	5	18
Numu Visual Media Company	18	16
NUMU Media Holding Company	470	12
Saudi Business Company	-	6
Emirates Printing, Publication, and Distribution Company	167	-
Total	62.183	59.3703

Less: non-current portion due from related parties

Future Card Industries Company	-	(7.240)
Current portion due from related parties	62.183	52.463

Due to related parties:

Saudi Business Company	880.9	-
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Board of Directors Committees:

The Board of Directors formed three committees to supervise the main business areas of the Company in accordance with its Articles of Association as follows:

A - Executive Committee:

The executive committee comprises four members of the Board of Directors. Its main tasks are to review the general operating performance, and submit suggestions to the Board of Directors regarding the appointment of the executive management members and the strategic plans of the Company. The Executive Committee held two meetings during 2013.

The table below shows the members of the present Executive Committee:

	Name of Member	Description
1	Eng. Sulaiman Ibrahim Al Hudaithi	Head of Committee
2	Dr. Azzam Mohammed Al-Dakhil	Committee member
3	Eng. Saad Bin Saleh Al Azwari	Committee member
4	Eng. Abdullah Abdullatif Al-Saif	Committee member

In addition, the Executive Committee was re-formed on December 15, 2013 to consist of the following members:

	Name of Member	Description
1	Eng. Sulaiman Ibrahim Al Hudaithi	Head of Committee
2	Dr. Azzam Mohammed Al-Dakhil	Committee member
3	Mr. Abdulaziz Abdullah Al Duailej	Committee member

B -Audit Committee:

The Audit Committee comprises four members, including two non-executive Board members, and two members from outside the Board specialized in financial and accounting matters. The Committee held six meetings during 2013.

The tasks of this Committee include examining the internal control system, supervising the internal audit department in the Company in order to verify its effectiveness in implementing the actions and tasks prescribed by the Board and examining the internal audit reports to follow up on the implementation of corrective actions and remedies.

In addition, The Committee's responsibilities include making recommendations to the Board of Directors regarding the appointment, dismissal or remuneration of certified accountants, ensuring their independence and following up their performance, examining and reviewing the audit plan with the certified accountant, analyzing his comments on the quarterly and annual financial statements prior to submitting them to the Board of Directors as well as expressing opinion and making recommendation on the same.

The Committee also examines the applicable accounting and financial policies, and makes relevant recommendation thereon to the Board of Directors. It also evaluates the effectiveness of the Company's risk assessment along with the steps taken by the Company's management to control and respond to these risks.

The following table shows the names of the members of the present Audit Committee:

	Name of Member	Description
1	Mr. Abdulaziz Abdullah Al Duailej	Head of Committee
2	Dr. Abdulrahman Bin Ibrahim Al Humayed	Committee member
3	Mr. Amin Sami Ghorayeb	Committee member
4	Mr. Waleed Qassem Anzawi	Committee member

In addition, the Audit Committee was re-formed on December 15, 2013 to consist of the following members:

	Name of Member	Description
1	Eng. Abdullah Abdullatif Al-Saif	Head of Committee
2	Dr. Abdulrahman Bin Ibrahim Al Humayed	Committee member
3	Mr. Amin Sami Ghorayeb	Committee member
4	Mr. Waheed Bin Mohammad Nababteh	Committee member

C. Nomination and Remuneration Committee:

This Committee comprises three members. Its tasks include recommending nomination to the Board of Directors as per the approved standards, conducting an annual review of the skills requirements for the Board membership, reviewing the Board's structure, making recommendations on the changes to be made, identifying and addressing strengths and weaknesses in the Board as well as ensuring the independence of independent members on an annual basis. The Committee's responsibilities also include developing clear policies for the remuneration and bonuses of Board members and senior executives. The Committee held one meeting during 2013.

	Name of Member	Description
1	Eng. Abdullah Abdulrahman Almoammar	Head of Committee
2	Dr. Mohammad Amin Dawood Kashgari	Committee member
3	Mr. Saleh Hussain Al Dowais	Committee member

Representations of the Board Members:

The Board of Directors acknowledges the following:

- The Company's accounting records were properly prepared.
- The internal control system was properly developed and effectively implemented.
- There is no uncertainty about the Company's ability to continue its activities.

Results of the Annual Review of the Effectiveness of Internal Control Procedures

Upon the directions of the Audit Committee, the Company's Internal Control Department has thoroughly followed up all financial, operating and administrative audit reports for the last three years to ensure consistent compliance with all recommendations by the Company's management and its subsidiaries. The results of such follow-up were satisfactory where the effectiveness of the internal control procedures was verified in the Company and its subsidiaries. However, there are some remarks for which relevant actions were taken to address while the other remarks are being addressed.

Furthermore and in line with the internal control systems at the company, a specialized consulting office was appointed upon the recommendations of the audit committee, in order to conduct comprehensive analysis and assessment of the financial, operating and administrative risks in the recently acquired companies in the United Arab Emirates. This project is considered the basis to develop the internal control environment which will provide an inclusive framework for risk management as well as a risk-based plan for internal auditing in the next years.

The Audit Committee recommended appointing an external auditor to the Company for 2014.

Quality Policy

The Company obtained ISO 9001 certification regarding Hala Printing Company and Al Madina Printing and Publication Company. This certification establishes compliance with the local and international quality standards, the development of employee performance as well as their increased competence and effectiveness at work, the ongoing development and improvement of production lines and meeting the client needs. Such certification serves the Company's purposes by increasing its marketing and selling share, upgrading the quality of the Company's publications and providing them on a timely basis and promoting the name of the Company at the local and international levels.

Corporate Governance:

Due to the transformation of the Saudi Printing & Packaging Company into a public shareholding company and in line with the governance regulations, the Company's management has been keen to apply the governance rules and principles, as it seeks to select the best practices to enhance the interests of shareholders and protect their rights as well as the rights of related parties. In 2009, the General Assembly approved the Company's governance regulations, and the regulations of the committees affiliated with the Board of Directors as follows:

- Executive Committee regulations.
- Audit Committee regulations.
- Nomination and Remuneration Committee regulations.

The Company is considered in compliance with the governance requirements stipulated in the Corporate Governance Regulations issued by Capital Market Authority, except for paragraph (B) of Article (6) regarding the use of the cumulative voting in the selection of Board members in the General Assembly. The Company did not practically adopt the cumulative voting method due to the availability of the established number of independent members in the Board of Directors. In addition, the Board members are keen to protect all rights of shareholders, including the Minority interests.

Risk Management

The Company's management seeks to overcome any potential challenges and risks that may affect its activities and financial position through its extensive expertise in the publishing industry and its ability to identify associated risks and other market-related risks. The Company's management believes that the most important risks include:

Credit risk

It is the inability of a party to fulfill its obligations causing financial losses to the other party. The Company does not have a material concentration of credit risks, other than the accounts receivable of related parties and government entities. The cash is deposited with local banks with high credit rating. The accounts receivable are reflected after deducting the provision for doubtful debts.

The Company's sales and accounts receivable concentrate with related parties and government entities and their risk of collection is very limited. The table below shows the details of these transactions and balances for the two years ended December 31, 2012 and 2013:

(Thousand Saudi Riyal)

Description	2013	2012
Sales to related parties	78.059	109.101
Ratio of sales to related parties to the total sales	7%	14.2%
Sales to government entities	8.245	53.017
Ratio of sales to government entities to the total sales	1%	6.9%
Accounts receivable of government entities	16.930	42.131
Ratio of government accounts receivable to total accounts receivable	2%	13.4%

• Currency risk

It is the exposure to numerous risks related to the effect of changes in foreign exchange rates on the Company's financial position and cash flows.

The Company monitors the foreign exchange rates and coordinates and continuously follows up with the treasury departments at banks with which it deals in order to obtain the best prices pursuant to the Sharia Law. The Company believes that the effect of currency risk is immaterial.

• Foreign Exchange Risk

It is the risk of changes in the value of financial instruments due to the changes in foreign exchange rates. The Company's main transactions are in the Saudi Riyal, the US Dollar and the Euro.

The Company monitors the fluctuations of foreign exchange rates and believes that the foreign exchange risk is immaterial.

• Liquidity risk

The risk that a company is unable to finance its liabilities, particularly the loan liabilities. The Company has sufficient finance to discharge these liabilities when they fall due. It also manages the liquidity risk by maintaining sufficient balances of cash and cash equivalent.

- **Revenue Concentration Risk**

The Company continuously endeavors to diversify its revenue base so it is not limited to newspapers only. It expanded to include school textbooks, commercial printing and packaging in 2008 by acquiring Flexible Packaging Company, and in 2012 by acquiring the ENPI and its subsidiaries.

- **Raw Materials Prices Fluctuation Risk**

The end of 2008 witnessed a decrease in the raw material prices. Such decrease included the paper prices at different rates. However, the paper prices increased in the subsequent years. In this regard, the Company effectively identifies and manages its paper stock to minimize the risks of prices fluctuation.

- **Profits Transfer**

The Company achieved a net profit of SR 51.9 million according to the audited consolidated financial statements for the fiscal year ended December 31, 2013. The Board of Directors recommended transferring the profits as follows:

Description	Thousand Saudi Riyal
Net profit for the fiscal year ended December 31, 2013	51.9
Transferred to the statutory reserve at 10%	(5.2)
Balance transferred to retained earnings	46.7

Board of Directors Recommendations:

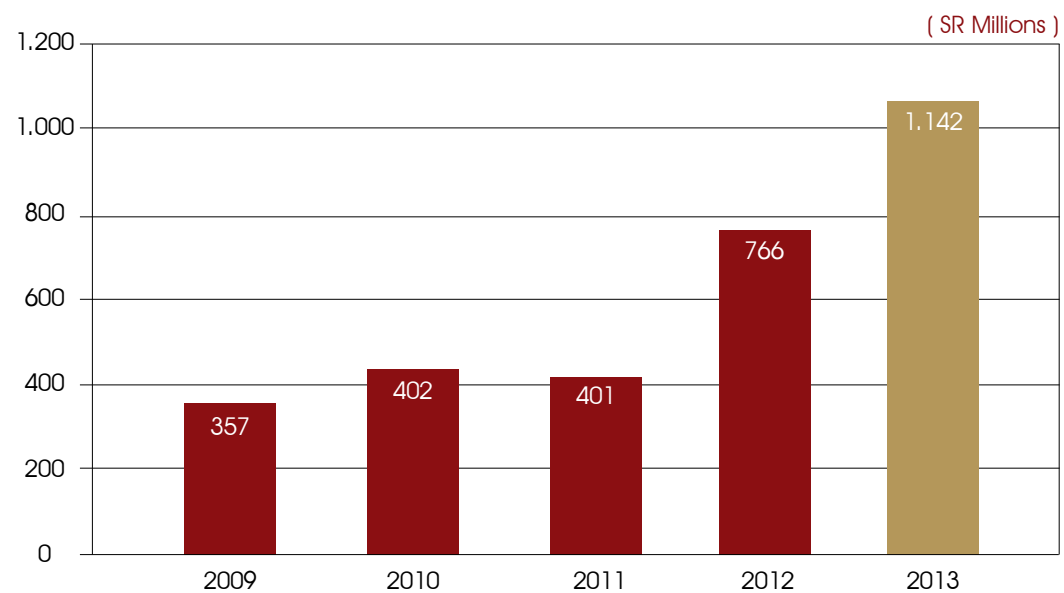
The Board of Directors of the Saudi Printing & Packaging Company recommends the following to the ordinary General Assembly:

1. Approve the Board of Directors report for 2013.
2. Approve the report of the auditors and the Company's consolidated financial statements for the year ended December 31, 2013.
3. Approve the non-distribution of cash dividends for 2013 and carry over the year profits to the retained earnings.
4. Discharge the Board members regarding their activities during the fiscal year ended December 31, 2013.
5. Approve the appointment of an auditor from the candidates nominated by the Audit Committee in order to audit and examine the Company's financial statements for 2014, and define his remunerations.

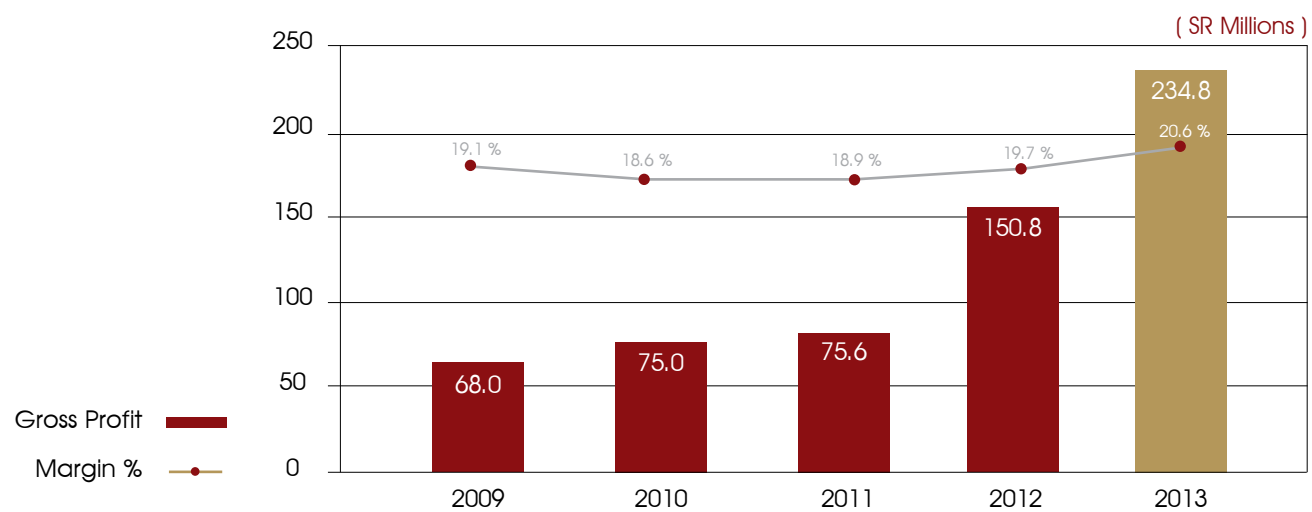
Board of Directors



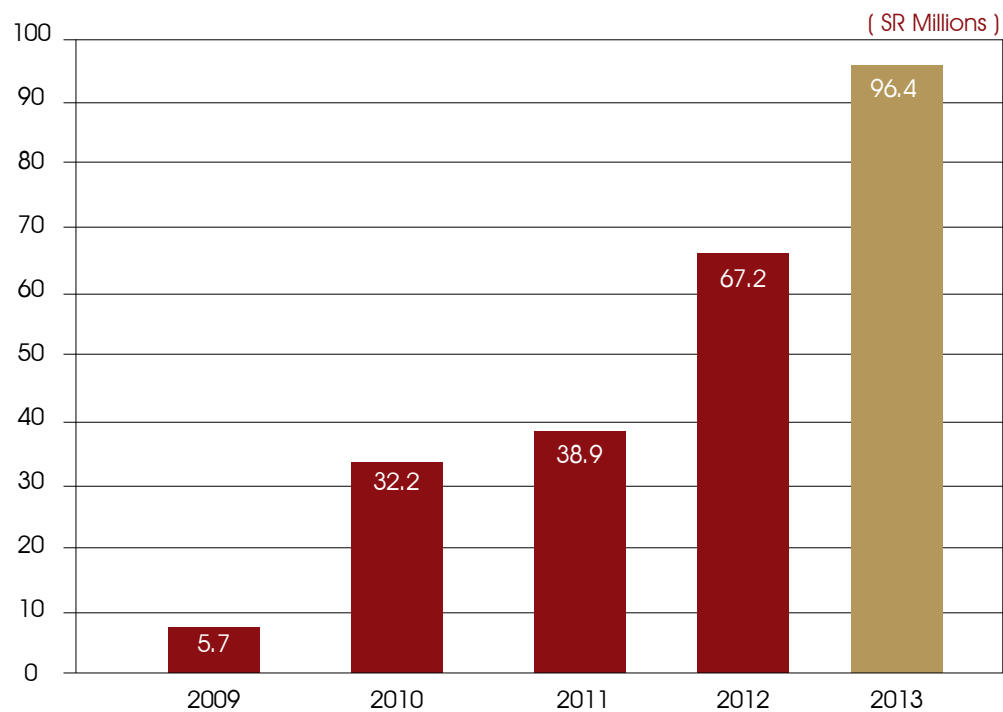
Gross sales



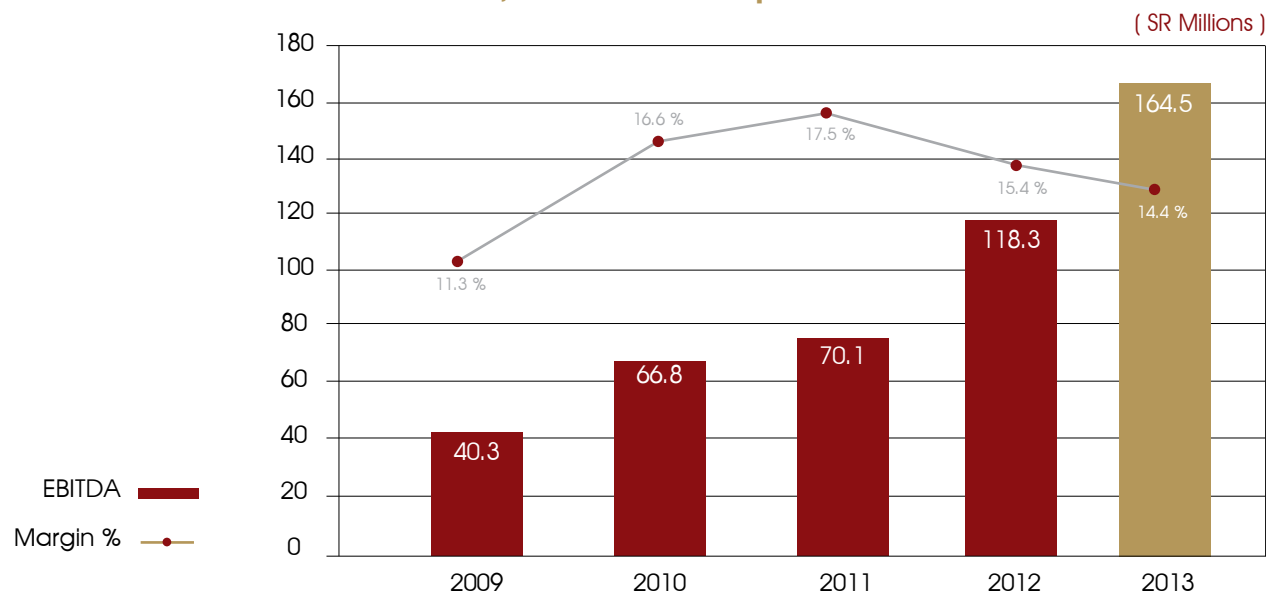
Gross profits



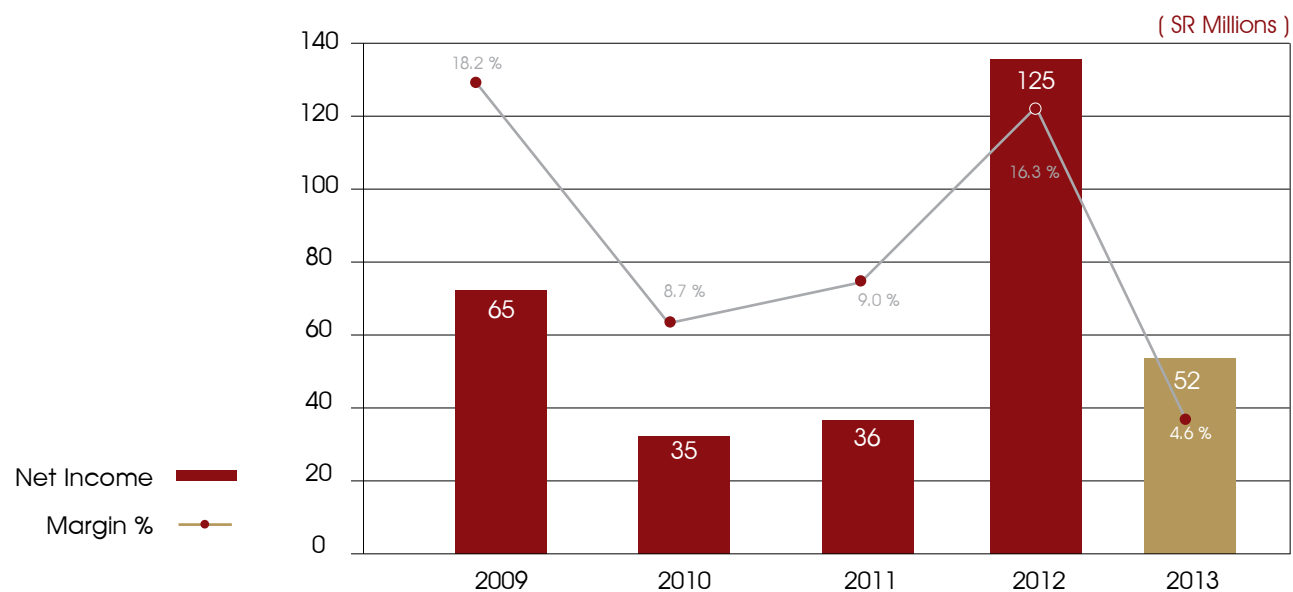
Profits from Operations



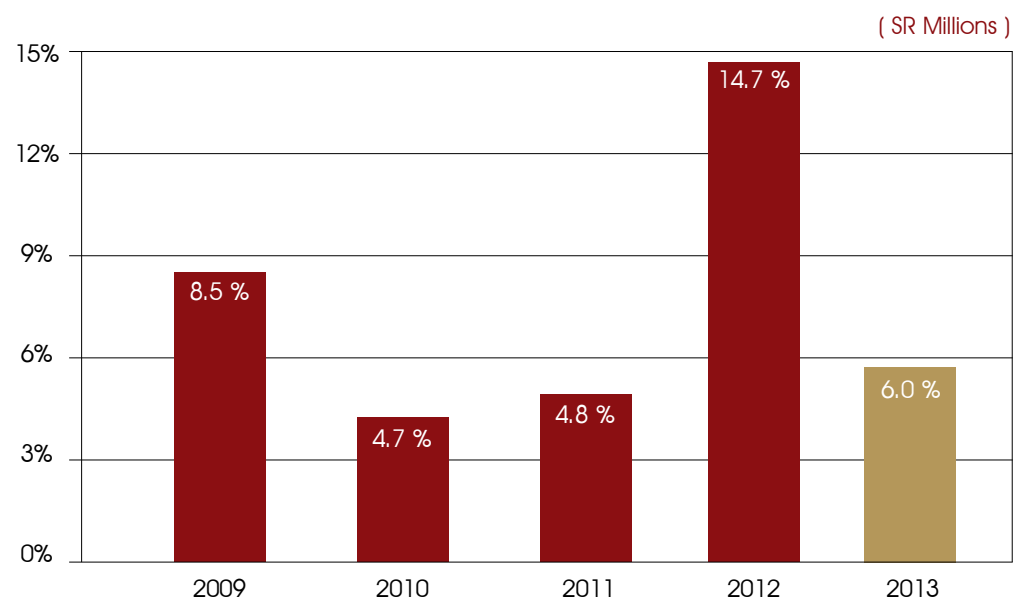
Profits before Interest, Zakat and Depreciation



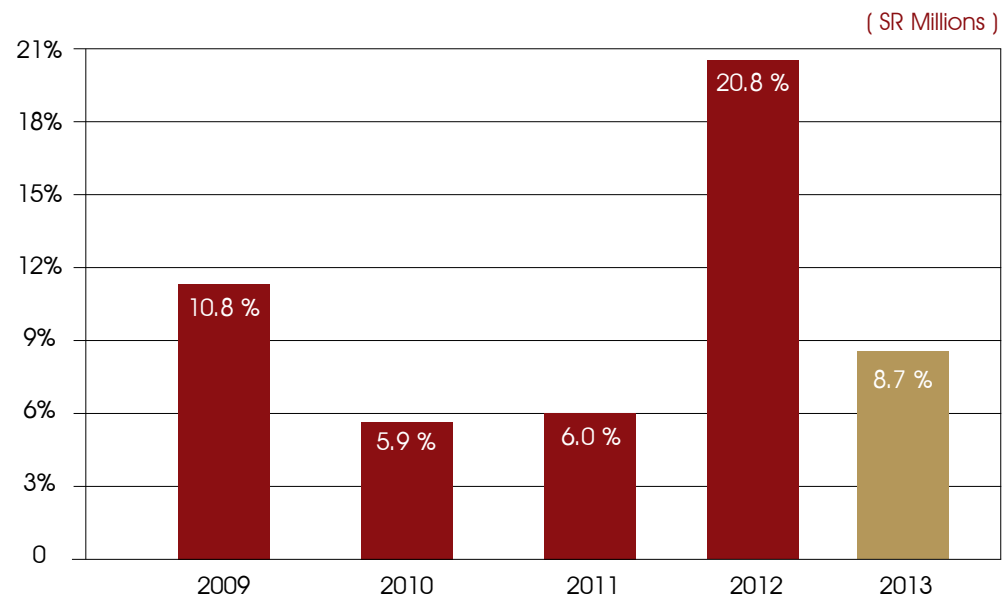
Net Profit



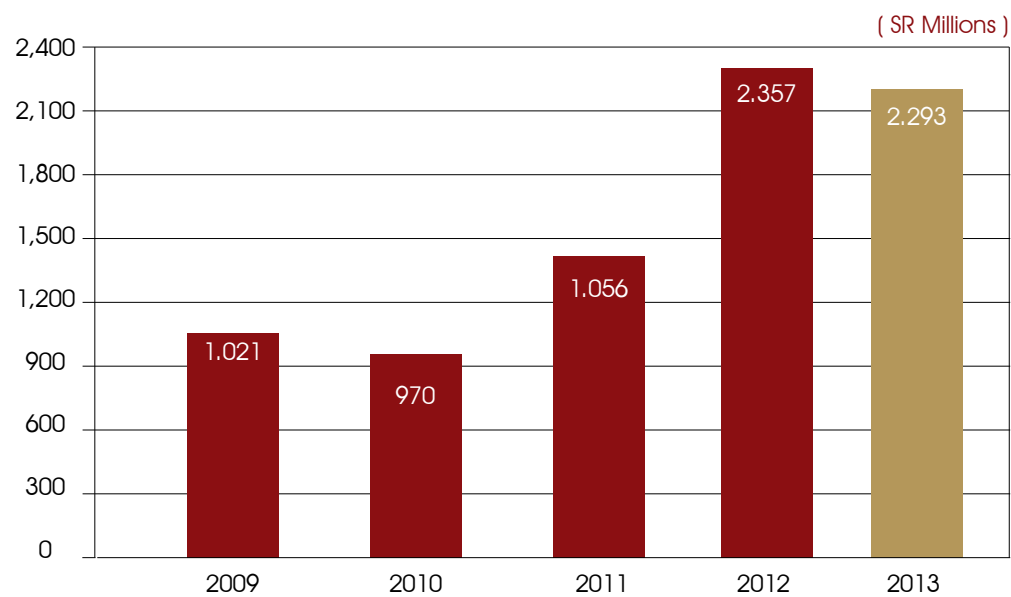
Return on Shareholders' Equity



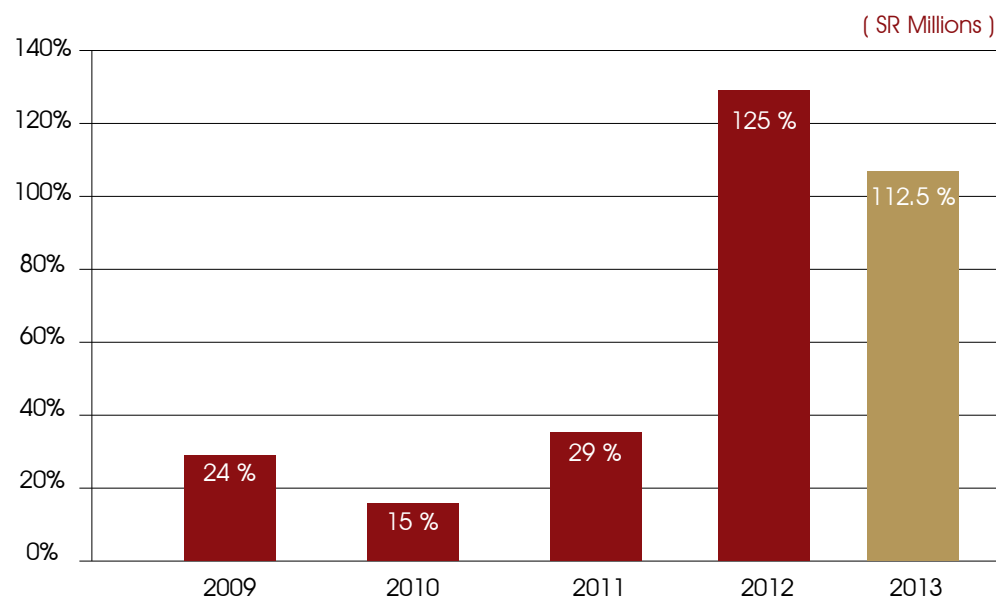
Return on Capital



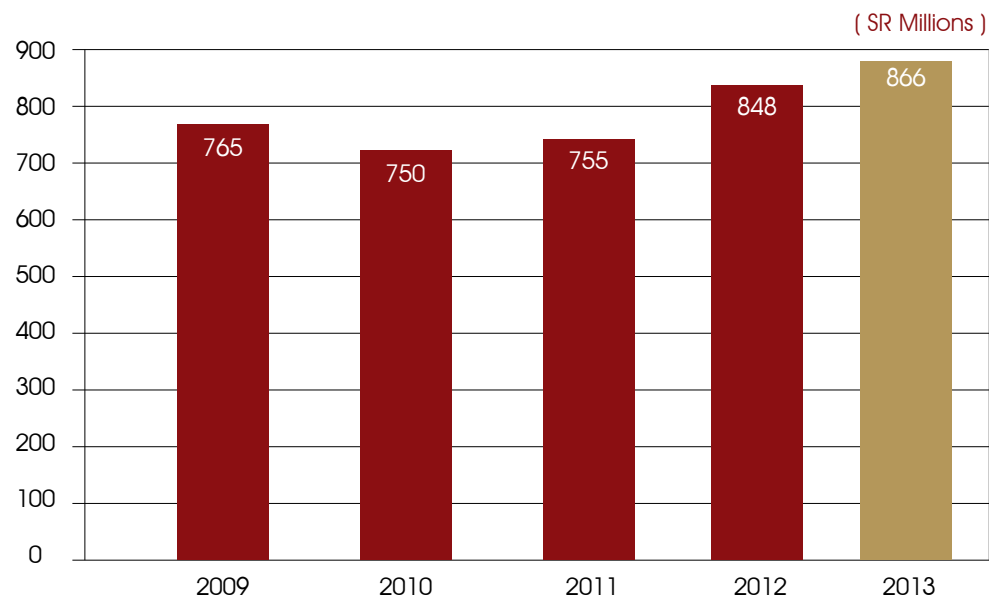
Total Assets



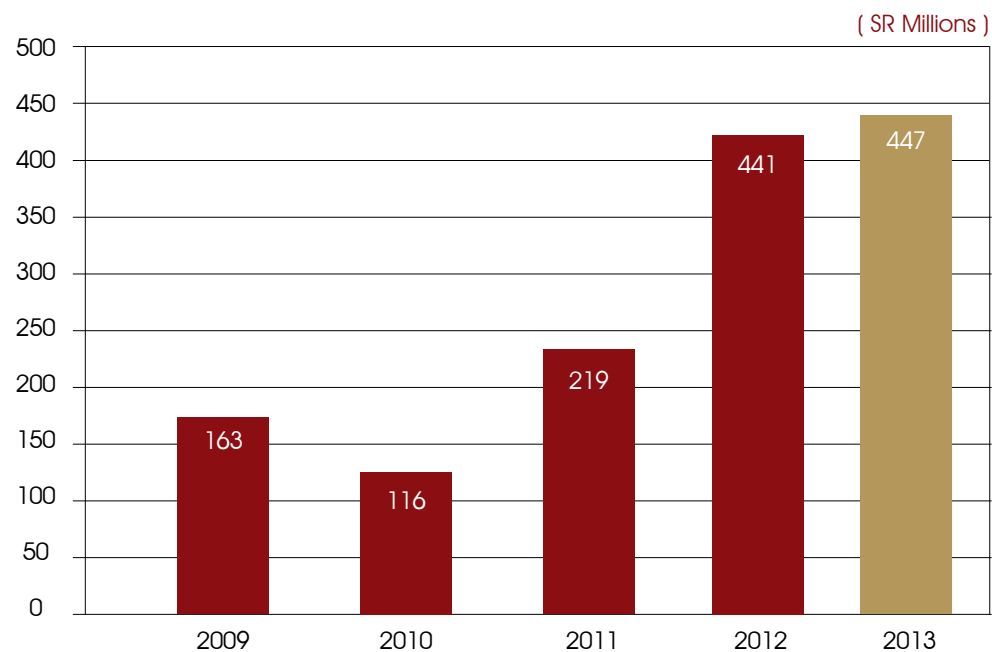
Debts to Shareholders' Equity



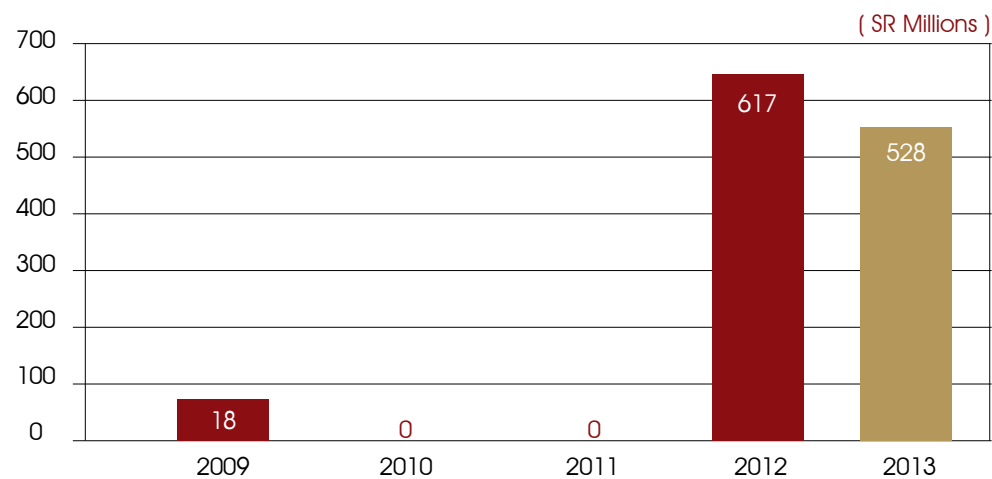
Total Shareholders' Equity



Short Term Loans



Long Term Loans









February 20, 2014

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Saudi Printing and Packaging Company
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Printing and Packaging Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (27) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. 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 Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By:

Omar M. Al Sagga
License Number 369



Assets		As of December 31	
Current assets	Notes	2013	2012
Cash in hand and at banks	4	65,207,151	66,804,778
Accounts receivable, net	5	344,240,283	313,292,493
Receivable from sale of a land	9	19,500,065	195,500,000
Inventories, net	7	307,190,480	278,315,078
Prepayments and other assets	6	25,824,812	25,091,626
Due from related parties	15	62,183,837	52,462,905
		824,146,628	931,466,880
Non-current assets			
Property, plant and equipment, net	9	1,061,881,455	1,013,125,430
Investment properties	10	18,421,719	18,405,475
Goodwill	11	387,928,401	386,742,865
Pre-operating expenses	8	207,169	433,172
Due from a related party	15	-	7,240,225
		1,468,438,744	1,425,947,167
Total assets		2,292,585,372	2,357,414,047
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of borrowings and murabaha financing	12	446,515,661	441,412,713
Notes payables		2,838,080	7,946,860
Accounts payable		193,554,465	186,285,197
Accruals and other liabilities	13	45,053,762	38,277,658
Zakat provision	16	5,511,713	5,932,961
Dividends payable		1,287,323	1,296,097
Due to a related party	15	880,900	-
		695,641,904	681,151,486

Non-current liabilities	Notes	As of December 31	
		2013	2012
Long-term borrowings and murabaha financing	12	527,972,723	617,249,521
Employees' termination benefits	14	30,979,426	25,494,351
Other payables	1	160,649,310	167,798,554
		719,601,459	810,542,426
Total Liabilities		1,415,243,363	1,491,693,912

Equity			
Shareholders' equity:			
Share capital	1	600,000,000	600,000,000
Statutory reserve	17	71,936,553	66,746,249
Consensual reserve	18	30,105,326	30,105,326
Retained earnings	27	165,718,816	150,806,081
Foreign currency translation adjustments related to investments in a foreign subsidiary		279,521	(89,731)
Net change in fair value of cash flow hedges	20	(1,820,777)	-
Total shareholders' equity		866,219,439	847,567,925
Minority interest	24	11,122,570	18,152,210
Total equity		877,342,009	865,720,135
Total liabilities and equity		2,292,585,372	2,357,414,047
Commitments and contingencies	25		

The accompanying notes form an integral part of these consolidated financial statements

	Notes	Year Ended December 31	
		2013	2012
Sales		1,141,765,520	765,895,353
Cost of sales		(906,932,457)	(615,121,592)
Gross profit		234,833,063	150,773,761
Operating expenses			
Selling and marketing	21	(51,629,978)	(29,760,948)
General and administrative	22	(86,692,683)	(53,793,215)
Income from main operations		96,510,402	67,219,598
Other income and expenses, net	23	6,501,861	83,461,900
Financial charges, net		(46,197,038)	(20,963,501)
Income before Zakat and minority interest		56,815,225	129,717,997
Zakat	16	(4,320,656)	(4,369,673)
Income for the year before minority interest		52,494,569	125,348,324
Minority interest in net income of a subsidiary	24	(591,530)	(793,105)
Net income for the year		51,903,039	124,555,219
Earnings per share:			
Income from main operations	19	1.61	1.12
Net income for the year	19	0.87	2.08

The accompanying notes form an integral part of these consolidated financial statements

		Year Ended December 31	
	Notes	2013	2012
Cash flow from operating activities:			
Net income for the year		51,903,039	124,555,219
Adjustments for non-cash items:			
Depreciation		64,817,931	45,377,124
Amortization		226,003	226,003
Gain from sale of property, plant and equipment		(2,951,125)	(77,139,143)
Provision for doubtful debts		6,427,398	6,202,600
Provision for slow-moving inventories		5,268,591	3,165,459
Employees' termination benefits		8,012,036	2,885,548
Zakat provision		4,320,656	4,369,673
Impairment losses in capital work-in progress		1,515,266	-
Changes in working capital:			
Accounts receivable		(37,436,229)	(8,896,189)
Due from/ to related parties		(1,599,807)	17,222,821
Inventories		(34,143,993)	(21,859,831)
Prepayments and other current assets		(672,145)	11,427,877
Notes payable		(5,108,780)	(2,805,210)
Accounts payable		7,269,268	9,395,507
Accruals and other current liabilities		(2,193,917)	(22,177,309)
Employees' termination benefits paid		(2,526,961)	(2,673,799)
Zakat paid		(4,741,904)	(4,617,157)
Net cash generated from operating activities		58,385,327	84,659,193

		Year Ended December 31	
	Notes	2013	2012
Cash flow from investing activities:			
Additions to property, plant and equipment		(115,875,421)	(95,440,038)
Investment properties		(16,244)	15,522
Acquisition of a subsidiary		-	(484,432,807)
Proceeds from sale of property, plant and equipment		4,172,437	21,173,757
Proceeds from sale of land		175,999,935	-
Goowill		(1,185,536)	-
Foreign currency translation adjustments related to property, plant and equipment		(435,113)	-
Net cash generated from (utilized in) investing activities		62,660,058	(558,683,566)
Cash flow from financing activities:			
Changes in short-term and long-term borrowings and murabaha financing		(84,173,850)	499,319,524
Foreign currency translation adjustments related to investments in a foreign subsidiary		369,252	(89,731)
Dividends paid		(30,008,774)	(29,958,578)
Change in minority interest		(7,029,640)	793,105
BoD remunerations paid		(1,800,000)	(1,556,666)
Net cash (utilized in) generated from financing activities		(122,643,012)	468,507,654
Net change in cash and cash equivalents		(1,597,627)	(5,516,719)
Cash and cash equivalents at beginning of year		58,761,602	26,771,821
Cash and cash equivalents acquired during the year		-	37,506,500
Change in restricted cash		(2,700,334)	-
Cash and cash equivalents at end of year	4	54,463,641	58,761,602
Supplemental non-cash information:			
Changes in fair value of cash flow hedges	20	(1,820,777)	-
Provision for doubtful debts written-off	5	1,130,460	1,326,240
Provision for slow-moving inventories written-off	7	1,395,183	2,820,265
Unpaid portion of acquisition value of a subsidiary, net		-	157,521,860

The accompanying notes form an integral part of these consolidated financial statements

	Notes	Share capital	Statutory reserve	Consensual reserve	Retained earnings	Foreign currency translation adjustments related to investments in a foreign subsidiary	Net changes in fair value of cash flow hedges	Total
2013								
January 1, 2013		600,000,000	66,746,249	30,105,326	150,806,081	(89,731)	-	847,567,925
Dividends	27	-	-	-	(30,000,000)	-	-	(30,000,000)
BOD remunerations	27	-	-	-	(1,800,000)	-	-	(1,800,000)
Net income for the year		-	-	-	51,903,039	-	-	51,903,039
Transferred to statutory reserve	17	-	5,190,304	-	(5,190,304)	-	-	-
Foreign currency translation adjustments		-	-	-	-	369,252	-	369,252
Net changes in fair value of cash flow hedges	20	-	-	-	-	-	(1,820,777)	(1,820,777)
December 31, 2013		600,000,000	71,936,553	30,105,326	165,718,816	279,521	(1,820,777)	866,219,439
2012								
January 1, 2012		600,000,000	54,290,727	30,105,326	70,263,050	-	-	754,659,103
Dividends		-	-	-	(30,000,000)	-	-	(30,000,000)
BOD remunerations		-	-	-	(1,556,666)	-	-	(1,556,666)
Net income for the year		-	-	-	124,555,219	-	-	124,555,219
Transferred to statutory reserve	17	-	12,455,522	-	(12,455,522)	-	-	
Foreign currency translation adjustments		-	-	-	-	(89,731)	-	(89,731)
December 31, 2012		600,000,000	66,746,249	30,105,326	150,806,081	(89,731)	-	847,567,925

The accompanying notes form an integral part of these consolidated financial statements

1. General Information

Saudi Printing and Packaging Company ("the Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010219709 dated May 28, 2006 issued by the Ministry of Commerce and Industry under License No. 104/Q dated May 7, 2007.

The principal activity of the Company is printing under the Ministry of Information license number 21050 dated 24 Dhu Al-Hijjah 1412 (Corresponding to June 25, 1992) and the maintenance of printing projects, development of factories related to printing, the whole sale and retails of printing materials and machinery, tools, ink, paper and raw materials.

The share capital of the Company amounting to SR 600 million is divided into 60 million shares of SR 10 each.

During the year ended December 31, 2012, the Company acquired 100% share of Emirates National Factory for Plastic Industries LLC ("ENPI" or "Emirates Factory"), a limited liability company registered in the Emirate of Sharjah, United Arab Emirates, for a net consideration amounting to approximately SR 642 million (including a deferred consideration estimated to approximately SR 172 million to be paid to one of the selling parties, and currently reflected under liabilities in the accompanying consolidated balance sheet). In accordance with the Sale and Purchase Agreement (the "Agreement"), all parties agreed to transfer the ownership, rights and obligations related to the acquired interest to the buyer effective July 1, 2012, being the date of transferring the control to the buyer (the acquisition date). The acquisition transaction resulted in a goodwill amounting to approximately SR 353.8 million representing the excess of the consideration over the fair value of net assets acquired at the acquisition date amounting to approximately SR 288.2 million. ENPI is engaged in manufacturing and distribution of packaging and plastic products through its various subsidiaries in UAE and one subsidiary in Saudi Arabia. The financial statements of ENPI were consolidated into these financial statements effective July 1, 2012.

The deferred consideration of approximately SR 172 million was computed in accordance with terms and conditions of the Agreement and its amendments on the following basis:

- a. The first tranche of the deferred consideration was computed by using the average net income for the years 2012 through 2014 multiplied by 11.5% and the resulting amount is reduced by the amount paid to one of the selling parties on the date of paying the cash consideration amounted SR 61.3 million, which was estimated based on the targeted results as agreed in the Agreement. Such amount of consideration was estimated to approximate

SR 151.4 million and to be settled after the issuance of 2014 audited financial statements of ENPI;

- b. The second tranche as an earn-out to be computed by using the targeted results of ENPI as agreed in the Agreement multiplied by a factor of 10%. This tranche was estimated to SR 20.6 million which will be paid annually after the issuance of the audited financial statements of ENPI for the years 2012, 2013, and 2014.

The current portion of the deferred consideration amounting to SR 7.1 million was reported under current liabilities and the non-current portion amounting to SR 160.7 million was reported under non-current liabilities in the accompanying consolidated financial statements.

The consolidated financial statements include the accounts of the Company and its following subsidiaries operating under individual commercial registrations.

Subsidiary	Country of incorporation	Ownership % at December 31,		Principal activity
		2013	2012	
Hala Printing Company Ltd. (*)	Saudi Arabia	100%	100%	Wholesale/retail trade in printing papers and related accessories.
Taiba Printing and Publishing Company. (**)	Saudi Arabia	100%	100%	Printing, publishing and wholesale/ retail trade in printings and papers.
Flexible Packaging Company (*)	Saudi Arabia	100%	100%	Printing commercial labels, carton packages and flexible packaging.
Al Madina Al Munawara Printing & Publication Company (*) (a)	Saudi Arabia	100%	100%	Printing, publishing and wholesale/retailers in printing papers and others.
Future Industrial Investment Company (*) (b)	Saudi Arabia	100%	100%	Printing, publishing and wholesale/retailers in printing papers and others.
Emirates National Factory for Plastic Industries LLC (***) (c)	UAE	100%	100%	Manufacturing and trading of plastic bags, pipes, sheets, cards, other related plastic and packaging materials.

- (*) The Company owns 95% directly and 5% indirectly in this subsidiary.
(**) The Company owns 50% directly and 50% indirectly in this subsidiary.
(***) The Company owns 100% directly in this subsidiary.

- a. During 2012, the Company changed the legal status of its branch which was registered under commercial registration No. 4030004369 in Jeddah - Ostaz district (Al Madina Al Munawara for Printing & Publication Company, branch of Saudi Printing and Packaging Company) to a limited liability company under the same name with a share capital amounted SR 1 million, and by adding Hala Printing Company Ltd. as a shareholder in the new company. The Company also transferred its other three branches to the new company.
- b. During 2012, the Company established a new company under the name of Future Industrial Investment Company with a share capital of SR 100,000. The new company owns 99% interest in Emirates National Factory for Plastic Industries, and the remaining 1% is owned by Flexible Packaging Company Ltd.

During the second quarter of 2013, Future Industrial Investment Company acquired interest of a shareholder in Future Plus (closed joint stock company register in Riyadh) amounting to 731,250 shares which represents 19.5% of the share capital by SR 8.4 million, and resulted a goodwill of approximately SR 1.2 million. Noting that 51% of Future Plus Company is owned by ENPI.

- c. ENPI owns the following subsidiaries:

Companies	Country of incorporation	Ownership %
Al Madina for Packaging LLC	UAE	100%
Future Pack Factory LLC	UAE	100%
Future Plus – Closed joint stock company	Saudi Arabia	51%
United International Clear Packaging LLC	UAE	100%
United Security LLC	UAE	100%
United Techno Graphic LLC	UAE	100%
Future Plast Industrial LLC	UAE	100%

The accompanying consolidated financial statements have been approved by the Board of Directors on February 17, 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared according to the applicable financial reporting framework in the Kingdom of Saudi Arabia which is issued by the Saudi Organization of Certified Public Accountants ("SOCPA"). The significant accounting policies followed by the Company are as follows:

The accompanying consolidated financial statements have been prepared under the historical cost except for the financial derivatives which are stated at fair value.

2.2 Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries in which the Company has effective equity of 50% or more and/or controls more than half of the voting rights or has the ability to lead its financial and operational policies. Inter-company accounts and balances are eliminated upon consolidation.

2.3 Critical accounting estimates and judgments in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of certain critical 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future, the actual results may differ from such estimates.

2.4 Revenue recognition

Revenues are recognized upon delivering goods or issuing invoices for services rendered to customers, net of discount and intercompany revenues.

Revenue on long-term contracts is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion of costs incurred to date bear to the estimated total costs of a contract. Revenue recognized to date represents the percentage of completion

multiplied by the total contract value. When the current estimate of total contract costs and revenues indicates a loss, provision is made for the entire loss on contract irrespective of the amount of work done. The periodic payments of contracts and payments received in advance from customers, if any, are reduced from the contract amount. Revenue that exceeds of the invoices issued to customers is recorded as unbilled revenue under accounts receivable and current assets. Received amount that exceeds revenue is recorded as extra invoice issued within liabilities.

2.5 Selling, marketing and general and administrative expenses

Selling and marketing expenses comprised mainly of costs incurred for selling and marketing the products of the Company. Other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of the costs of revenues as required under generally accepted accounting principles. Allocations between general and administrative expenses and costs of revenues, when required, are made on a consistent basis.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank and other short-term highly liquid investments with maturities of three months or less from the purchase date, if any.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement. When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited to the consolidated income statement.

2.8 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined for work in process on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of indirect overheads. A provision is formed for obsolete and slow-moving items. The net realizable value represents the selling price in the normal course of business minus the costs to complete and costs to sell.

2.9 Business combination and goodwill

Business combination is accounted for using the acquisition method of accounting. Cost of acquisition is measured as fair value of total consideration at the acquisition date, in addition to the value of any minority interest in the acquired company. In each business combination, the acquirer measures the minority interest in the acquired company either at fair value or at the proportionate share in the acquired company's value of net assets that can be determined.

When the Company acquires another entity, it assesses the appropriateness of the classification of the acquired financial assets and liabilities in accordance with the contractual terms, economic conditions and other related factors at the acquisition date.

Goodwill is initially measured at cost which represents the excess of the consideration value over the fair value of the net assets and liabilities acquired and identifiable by itself. If the consideration value is less than the fair value of the net assets acquired, difference is included directly in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purpose of assessing impairment, goodwill resulted from business combination, from the acquisition date, is allocated to each cash-generating unit or groups of cash generating units which are expected to benefit from the business combinations, irrespective of the allocation of other assets or liabilities of the Group to those units or group of units.

When goodwill forms part of a cash-generating unit and part of operations will be disposed within that unit, goodwill associated with disposed operations is included in the carrying amount of the disposed operations when determining the gain or loss resulting from disposal of operations. Disposed goodwill is measured in this case on the basis of the relative value of the disposed operations and remaining part of the cash-generating unit. When subsidiary is disposed, difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated income statement.

2.10 Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment loss, except capital work-in progress and land which are carried at cost and are not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Percentage
Buildings and installations	2% - 5%
Machinery and equipment	5 % - 10%
Furniture and fixtures	10%
Vehicles	25%
Computers	12.5% - 25%
Tools	20%

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement, as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.11 Investment properties

Investment properties (land or building and/or part of a building) are properties held to earn rentals or for capital appreciation rather than for use in production, supply of goods or services, for administrative purposes, for sale in the ordinary course of business, and/or for undetermined use. Investment properties are carried at cost less accumulated depreciation except for land which is carried at cost. Depreciation is charged to consolidated income statement, using straight-line method to allocate the costs of the related assets to their residual values over their estimated useful lives.

Gains and losses from sales are determined by comparing proceeds with carrying amounts and are included in income statement.

2.12 Pre-operating expenses

Pre-operating expenses, include expenses incurred for the establishment of Taiba Printing and Publishing Co. Ltd. prior to commencing its commercial activities. These expenses are amortized over five years using the straight line method from the date the commercial activities were commenced.

2.13 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at year end. 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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.14 Borrowings and murabaha financing

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

2.15 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.16 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.17 Zakat and income tax

The Company and its subsidiaries are subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia, zakat charge is computed on the zakat base prepared based on the consolidated financial statements of the Company and its directly and indirectly fully owned subsidiaries. Zakat provision is then allocated between the Company and its subsidiaries. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. Foreign subsidiaries provide for income tax liabilities, if any,

in accordance with the regulations of the countries in which they operate. Zakat and income tax provision is charged to the consolidated income statement.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.18 Employees' termination benefits

Employees' termination benefits required by Saudi Labor Law are accrued by the Company and its subsidiaries and charged to the consolidated income statement. The liability is calculated; at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

2.19 Foreign currency translation

(a) Reporting currency

These consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(c) Group companies

The results and financial position of foreign subsidiaries having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- ii. Income and expenses for each consolidated income statement are translated at average exchange rates; and

- iii. Components of the equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries into Saudi Riyals, if material, are reported as a separate component of equity.

Dividends received from an associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

When an investment in a foreign subsidiary is partially disposed-off or sold, currency translation differences that were recorded in equity are recognized in consolidated income statement as part of the gain or loss on disposal or sale.

2.20 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- i. Engaged in revenue producing activities;
- ii. Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- iii. Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.21 Derivative financial instruments

Derivative financial instruments are recognized at fair value and classified as assets at fair value when the fair value is positive and as liabilities when the fair value is negative.

Fair values of derivative financial instruments are being obtained with reference to current market prices. If such market prices are not available, fair values are determined at other forecast bases, as appropriate.

When using derivative financial instruments to hedge risks of cash flows related to any obligations or expected transactions. The effective portion of gains or losses arising from the derivative

financial instruments is directly recognized in shareholders' equity. The ineffective portion of gains or losses is recognized in consolidated income statement. Any gains or losses that may arise after the recognition of the financial instrument value, are recorded.

If the hedging instrument has expired and hedged transactions are still probable to occur, gains and losses are retained in the shareholder's equity, and recognized in accordance with the above policy when the covered hedging transaction occurs. If such transaction is not probable, accumulated gains or losses, which are already recognized in shareholders' equity, are directly recognized in consolidated income statement.

2.22 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement over the period of the respective lease. Rental revenues are recognized using accrued basis as per the contract terms.

2.23 Dividends

Dividends are recorded in the consolidated financial statements in the year in which they are approved.

2.24 Reclassification

Certain comparative amounts have been reclassified to conform with 2013 presentation.

3. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risk and risk of prices fluctuation of raw materials), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risks are, currency risk, fair value and cash flow interest rate risk, risk of prices fluctuation of raw material, credit risk, liquidity risk and fair value risks.

Financial instruments carried on the consolidated balance sheet include cash in hand and at banks, accounts receivable, receivable from sale of a land, inventories, prepayments and other current assets, due from/ to related parties, borrowings and murabaha financing, notes payable, accounts payable and accruals and other liabilities, and dividends payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability are offset and net amount reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals, UAE Dirhams, US Dollars and Euro. The Company's management monitors such exposures and believes that those exposures are not significant. There are no forward exchange contracts outstanding at December 31, 2013.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Group's interest rate risks arise mainly from bank borrowings, which are at floating rates and are subject to re-pricing on a regular basis. The Company uses hedge instruments to cover such risks.

3.3 Price risk and raw materials price fluctuation

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to the risk of price fluctuations of raw materials during the normal course of its activities, this includes the decline in the paper prices and plastic labels and other raw materials. The Company monitors the prices of raw materials periodically to determine the level of inventory and manage it efficiently to minimize risks.

3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

3.6 Fair value

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. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

4. Cash and cash equivalents

	2013	2012
Cash in hand	698,881	1,300,477
Cash at banks	53,764,760	57,461,125
Restricted cash at banks	10,743,510	8,043,176
	65,207,151	66,804,778

For the purpose of consolidated cash flow statement, cash and cash equivalents as of December 31 comprise the following;

	2013	2012
Cash in hand and at banks	65,207,151	66,804,778
Restricted cash at banks	(10,743,510)	(8,043,176)
	54,463,641	58,761,602

5. Accounts receivable, net

	2013	2012
Accounts receivable	369,480,497	333,235,769
Less: provision for doubtful debts	(25,240,214)	(19,943,276)
	344,240,283	313,292,493

Movement in provision for doubtful debts is summarized as follows:

	2013	2012
Balance as of January 1	19,943,276	9,024,577
Balance acquired during the year	-	6,038,939
Additions during the year	6,427,398	6,206,000
Write-offs during the year	(1,130,460)	(1,326,240)
Balance as of December 31	25,240,214	19,943,276

6. Prepayments and other current assets

	2013	2012
Advances to suppliers	6,784,246	6,589,258
Refundable deposits	4,930,183	4,106,716
Prepaid financial charges	3,316,569	3,589,333
Advances to employees	2,620,896	3,042,625
Prepaid expenses	2,837,829	3,993,962
Human Resources Development Fund	-	957,708
Other receivables	2,530,864	127,009
Prepaid rent	2,121,749	530,969
Other	682,476	2,154,046
	25,824,812	25,091,626

7. Inventories, net

	2013	2012
Raw materials	253,634,969	225,555,809
Work in progress and finished goods	47,713,075	38,216,576
Spare parts	22,561,824	22,392,636
Goods in transit	1,964,393	6,960,430
	325,874,261	293,125,451
Provision for slow moving items	(18,683,781)	(14,810,373)
	307,190,480	278,315,078

Movement in provision for slow-moving items is summarized as follows:

	2013	2012
Balance as of January 1	14,810,373	9,076,036
Balance acquired during the year	-	5,389,143
Additions during the year	5,268,591	3,165,459
Write-offs during the year	(1,395,183)	(2,820,265)
Balance as of December 31	18,683,781	14,810,373

The spare parts inventory primarily relates to the machinery and equipment of the Company.

8. Pre-operating expenses

	2013	2012
Balance as of January 1	433,172	659,175
Amortization	(226,003)	(226,003)
Balance as of December 31	207,169	433,172

9. Property, plant and equipment, net

	Land	Buildings and installation	Machinery and equipment	Furniture and fixtures	Vehicles	Computers	Tools	Capital work-in progress	Total
Cost									
January 1, 2013	173,153,949	287,853,490	822,701,864	25,504,833	14,797,376	6,579,096	1,971,515	85,297,296	1,417,859,419
Additions	-	1,499,982	35,091,340	1,245,596	2,104,542	1,000,891	1,295,488	73,637,582	115,875,421
Disposals	(574,875)	(313,223)	-	(610,264)	(2,355,020)	(196,279)	-	(1,790)	(4,051,451)
Transfers	-	1,782,649	55,761,432	1,050,541	125,400	2,817,977	(341,221)	(61,196,778)	-
Foreign currency adjustments	92,935	129,431	279,994	10,155	6,846	-	-	15,541	534,902
December 31, 2013	172,672,009	290,952,329	913,834,630	27,200,861	14,679,144	10,201,685	2,925,782	97,751,851	1,530,218,291
Accumulated depreciation									
January 1, 2013	-	57,330,823	317,977,000	12,898,642	11,141,558	4,055,281	1,330,685	-	404,733,989
Charge for the year	-	12,148,307	46,978,451	2,980,365	1,605,402	901,887	203,519	-	64,817,931
Disposals	-	(283,504)	-	(356,973)	(2,138,018)	(51,644)	-	-	(2,830,139)
Transfers	-	(83,913)	1,185,649	(122,977)	26,037	(450,966)	(553,830)	-	-
Foreign currency adjustments	-	14,665	76,501	4,349	4,274	-	-	-	99,789
Impairment losses	-	-	-	-	-	-	-	1,515,266	1,515,266
December 31, 2013	-	69,126,378	366,217,601	15,403,406	10,639,253	4,454,558	980,374	1,515,266	468,336,836
Net book value									
December 31, 2013	172,672,009	221,825,951	547,617,029	11,797,455	4,039,891	5,747,127	1,945,408	96,236,585	1,061,881,455
December 31, 2012	173,153,949	230,522,667	504,724,864	12,606,191	3,655,818	2,523,815	640,830	85,297,296	1,013,125,430

Some of subsidiaries' buildings (Hala Printing Company and Flexible Packaging Company) having net book values of SR 11,095,300 and SR 14,488,430, respectively, are built on leased land with nominal annual rent charges for 25 years ending in 1437 H and 1436 H, respectively. Such lease contracts are renewable upon mutual consent.

During December 2012, the Company sold a land for SR 215.5 million and realized a gain of approximately SR 77 million. The carrying value of the sold land was SR 138.5 million. Such gain resulted in an increase in earnings per share by SR 1.28 for the year ended December 31, 2012.

10. Investment properties

Investment properties at December 31, 2013 consist of a land and it's building leased out to third parties.

11. Goodwill

	2013	2012
Hala Printing Company (*)	10,216,885	10,216,885
Emirates National Factory for Plastic Industries LLC (Note 1)	353,810,217	353,810,217
Flexible Packaging Company (**)	22,715,763	22,715,763
Future Industrial Investment Company (Note 1)	1,185,536	-
	387,928,401	386,742,865

(*) During 2006, The Company acquired the assets and liabilities of Hala Printing from the owner and kept the same commercial name and established a limited liability company under the name of Hala Printing Company with a share capital of Saudi Riyals 1,000,000 comprised of 1,000 shares of Saudi Riyals 1,000 shares each, of which the Company owns 95%. Assets and liabilities acquired were transferred to the new company. Goodwill balance of SR 10,216,885 represents the excess of the consideration paid over the fair value of the net assets acquired at the acquisition date.

During 2008, Taiba Printing and Publishing Company (a subsidiary) acquired the remaining 5% interest in Hala Printing Company. Accordingly, Hala Printing Company is wholly owned, directly and indirectly, by the Company.

(**) During 2008, The Company acquired 95% interest in Flexible Packaging Company with the remaining 5% interest is owned by Hala Printing Company (a subsidiary). Accordingly, Flexible Packaging Company is wholly owned, directly and indirectly, by the Company. As per the acquisition agreement, all operations including revenues, expenses as well as the assets and liabilities were transferred to the Company effective from January 1, 2008. Goodwill of Saudi Riyals 22,715,763 represents the excess of the consideration paid over the fair value of the net assets acquired at the acquisition date.

12. Borrowings and murabaha financing

Borrowings and murabaha financing as at December 31, comprise the following:

	2013	2012
Overdraft facilities	5,006,194	14,162,116
Murabaha to finance the working capital	397,622,950	83,931,944
Borrowings and murabaha financing	571,859,240	960,568,174
	974,488,384	1,058,662,234
Less: current portion	(446,515,661)	(441,412,713)
Non-current portion	527,972,723	617,249,521

The Company and its subsidiaries have bank facility agreements with various local and foreign banks in the form of borrowings, murabaha financing, letters of credits and letters of guarantee with a total ceiling of SR 1.84 billion (2012: SR 1.3 billion). The utilized amount at December 31, 2013 amounted to approximately SR 1.06 billion (2012: SR 1.1 billion) to finance the investments and import of raw materials and equipment relating to the Company's activities and capital expenditure. These facilities bear financial charges as per the relevant agreements, and they are repayable on varying periods for each facility.

During June 2013, the Company made an early settlement of the Inma Bank loan by SR 197 million out of the total long-term financing of SR 480 million, which led to a reduction in the finance charges by SR 45.5 million during the financing period of 7.5 years, with average of approximately SR 6.1 million per annum.

Borrowings and murabaha financing include a syndicated loan with nominal amount of approximately SR 307.5 million repayable over a period of 5 years and a descending plan that had commenced in April 2013. Such loan was obtained by Emirates Factory for the purpose of restructuring the debt chart of Emirates Factory and its subsidiaries that was related to the acquisition of Emirates Factory in July 2012. This loan bears commission equal to LIBOR for one month plus 3.75% per annum, subject to renewal. The balance of such loan as of December 31, 2013 is approximately SR 276.5 million. During 2013, the Company withdrawn an amount of SR 304 million from the syndicated loan which was used to settle the previous syndicated loan and to acquire plant and equipment for future expansions.

The facilities granted to the Company are guaranteed by promissory notes in addition to a mortgage a land in Dhahban district in Jeddah to Inma Bank, while the facilities granted to the subsidiary, ENPI, are guaranteed by the following:

- Mortgage of inventory and property, machinery and equipment of ENPI and assignment of the right to use the land in the Industrial City of Abu Dhabi.
- Assignment of inventory and machinery insurance policy to banks by the share of each bank.
- Mutual guarantees by the ENPI and its subsidiaries; and
- Letter of commitment from Saudi Printing and Packaging Company.

Most of the borrowings and murabaha financing are in Saudi Riyals except for an amount equivalent to SR 64.3 million in UAE Dirhams and an amount equivalent to SR 292.3 million in U.S. dollars as of December 31, 2013 (2012: SR 210.5 million in UAE Dirhams and SR 118.1 million in U.S. dollars).

13. Accruals and other current liabilities

	2013	2012
Accrued expenses	25,055,629	14,385,258
Accrued employees' tickets and vacations	4,642,471	4,820,167
Advances from customers	6,258,531	4,390,186
Accrued acquisition expenses	18,056	9,330,974
Net changes in fair value of cash flow hedges	1,820,777	-
Other	7,258,298	5,351,073
	45,053,762	38,277,658

14. Employees' termination benefits

Movement in employees' termination benefits is summarized as follows:

	2013	2012
Balance as of January 1	25,494,351	17,737,793
Balance acquired during the year	-	7,544,809
Additions for the year	8,012,036	2,885,548
Payments during the year	(2,526,961)	(2,673,799)
Balance as of December 31	30,979,426	25,494,351

15. Related party transactions

The Company has, in the normal course of business, transactions with Saudi Research and Marketing Group, the Parent Company, and its subsidiaries and affiliates.

Significant transactions with related parties are summarized below:

	2013	2012
Sales	78,058,505	109,100,636
Rental income	251,497	248,597
Executive board members remunerations	2,600,000	773,333
Allowances paid to BOD members	185,000	304,227
Management fees	-	5,405,921

See also Note 27.

The prices and conditions of related party transactions are approved by the Company's management.

Due from related parties at December 31 are as follows:

	2013	2012
Saudi Research and Marketing Group (the Parent Company)	3,655,223	3,551,911
Saudi Research and Publishing Company	21,434,866	31,013,200
Saudi Specialized Publishing Company	16,535,792	9,821,842
Future Card Industrial Company Ltd.	18,918,610	14,480,450
AlKhaleejiah Advertising and Public Relation Company	220,602	418,279
Saudi Distribution Company	662,751	268,888
Numu Al-Elmia Company	95,735	95,735
Arab Media Company	4,970	18,400
Saudi Commercial Company	-	5,940
Numu Multimedia Company	18,685	16,075
Numu Media Holding Company	469,696	12,410
Emirates Printing, Publishing & Distribution Company	166,907	-
	62,183,837	59,703,130
Non-current portion of due from related parties:		
Future Card Industrial Company Ltd.	-	(7,240,225)
Current portion of due from related parties	62,183,837	52,462,905

Due to a related party at December 31 is as follows:

	2013	2012
Saudi Commercial Company	880,900	-

Other liabilities include an amount of SR 12.1 million due to a related party for consulting services in connection with the acquisition of Emirates Factory (see Note 1).

16. Zakat

Main components of zakat base consist of:

	2013	2012
Non-current assets	1,468,438,744	1,425,947,167
Non-current liabilities	719,601,459	810,542,426
Shareholders' equity - opening balance	847,567,925	754,659,103
Income before zakat	56,815,225	129,717,997

Some above amounts have been adjusted to reach the zakat base.

Movement of zakat provision during the years ended December 31 is summarized as follows:

	2013	2012
Balance as of January 1	5,932,961	6,115,818
Balance acquired during the year	-	64,627
Provided during the year	4,320,656	4,369,673
Paid during the year	(4,741,904)	(4,617,157)
Balance as of December 31	5,511,713	5,932,961

Zakat status

- The Company filed its zakat returns for the years 2001 through 2004 and for the year ended December 31, 2005 and obtained final zakat certificates. The DZIT issued zakat assessments for the said years with additional zakat amounts of SR 3,349,822 and SR 1,298,409 for the years 2001 through 2004 and 2005, respectively. The Company settled the differences relating to the years 2001 through 2004 and provided the DZIT with a bank guarantee for the zakat differences for the year 2005 to obtain final zakat certificates for the years through 2005 and appealed the zakat assessments at the preliminary appeal committee Committee which resolved that SR 1,002,000 was overpaid for the years 2001 through 2005 which was taken into consideration when settling the zakat due in the zakat return for the year 2012. The DZIT issued additional zakat assessment on undeclared contracts for the years 2001 through 2005 and undeclared foreign purchases for the year 2005 and claimed zakat differences of SR 1,241,841. The Company filed an objection against the said additional assessment, which is still under review by DZIT.

- b. The Company filed its zakat returns for 2006 and 2007 and obtained restricted zakat certificates. The DZIT issued the zakat assessments for the said years and claimed additional zakat of SR 8,269,367. The Company filed an appeal against the additional DZIT assessments, which is still under review by the DZIT.
- c. The consolidated zakat returns for the years ended December 31, 2008 through 2012 were filed with the DZIT and the restricted zakat certificate for these years were obtained. The DZIT did not issue the final assessments for the years ended December 31, 2009 through 2012 till to date. While the DZIT issued its final assessment for the year ended December 31, 2008 and claimed zakat differences of SR 453,172 after deducting the overpaid amount of SR 1,002,000 for the years ended December 31, 2001 through 2005. The Company filed an objection against this assessment during 2013.

17. Statutory reserve

In accordance with the Regulations for Companies in Saudi Arabia, the Company is required to establish a statutory reserve by the appropriation of 10% of net income until such reserve equals 50% of the share capital. Such reserve is not available for dividend distribution.

18. Consensual reserve

In accordance with the Company's By-Laws, the General Assembly on recommendation from the board can appropriate an amount not to exceed 20% of the net income to be transferred to a consensual reserve. The Shareholders' General Assembly in its annual meeting held on 27 Rabie I, 1430 (March 24, 2009) approved to appropriate 20% of 2008 net income as a consensual reserve.

19. Earnings per share

Earnings per share were calculated by dividing income from main operations and net income for the year over the weighted average number of shares outstanding during the year of 60 million shares.

20. Net changes in fair value of cash flow hedges

As at December 31, 2013, one of the subsidiaries had commission rate SWAP agreement with a nominal value of SR 287 million to cover commission rate cash flow exposure resulting from its operational activities.

The negative fair value of such swap agreement recorded under the shareholders' equity as at December 31, 2013 amounted to SR 1,820,777.

21. Selling and marketing expenses

	2013	2012
Salaries and related benefits	21,377,181	12,899,998
Commissions and incentives	7,396,010	3,594,087
Provision for doubtful debts	6,427,398	6,202,600
Shipping and distribution	9,945,672	5,328,851
Promotion and advertising expenses	2,124,070	473,984
Rent	1,126,934	999,053
Maintenance	68,604	73,349
Other	3,164,109	189,026
	51,629,978	29,760,948

22. General and administrative expenses

	2013	2012
Salaries and related benefits	57,277,302	35,847,453
Depreciation	8,621,859	4,032,084
Utilities	4,865,655	3,814,689
Professional fees	3,337,290	2,429,565
Cars expenses	2,153,796	1,097,333
Business travel	1,344,160	509,880
Executive board members' remunerations (Note 15)	2,600,000	773,333
Rents	1,169,170	298,556
Tadawul subscription fees	400,000	400,000
Amortization	226,003	609,135
Allowances paid to BOD members	185,000	304,227
Insurance	21,739	205,530
Other	4,490,709	3,471,430
	86,692,683	53,793,215

23. Other income and expenses, net

	2013	2012
Insurance refunds	1,188,914	-
Rental income	828,260	248,597
Gain from sale of property, plant and equipment (Note 9)	2,951,125	77,139,143
Management fees	-	5,405,921
Other	1,533,562	668,239
	6,501,861	83,461,900

24. Minority interest

Minority interest represents a part of net income and net assets for one of the subsidiaries of ENPI that belong to shares that are not owned, directly or indirectly, by the Company in the subsidiary.

25. Commitments and contingencies

As of December 31, the Group had the following commitments and contingences:

	2013	2012
Letters of credit	65,957,953	59,039,856
Letters of guarantee	11,580,457	7,747,486

The subsidiary, ENPI, has capital commitments amounting to approximately SR 23.4 million for the purchase of machineries through issuing letters of credits by the same amount.

26. Segment information

The Company operates mainly in the following segments:

- **Printing segment:** includes the printing works and the related tools and the required raw materials.
- **Packaging segment:** comprises of printing works on plastic and commercial labels in addition to the plastic products.
- **Other segments and investing activities:** include the head office, management's operations, investing activities and others.

Following is a summary for selected financial information as of and for the years ended December 31, 2013 and 2012 of the operating segments mentioned above.

2013	Printing	Packaging	Other segments and investing activities	Total
Sales	217,897,861	923,867,659	-	1,141,765,520
Net income/ (loss)	4,218,334	59,929,194	(12,244,489)	51,903,039
Financial charges	(7,037,493)	(38,984,019)	(175,526)	(46,197,038)
Depreciation	(25,684,824)	(38,859,597)	(273,510)	(64,817,931)
Property, plant and equipment, net	453,745,953	603,131,352	5,004,150	1,061,881,455
Total assets	722,522,321	1,152,117,516	417,945,535	2,292,585,372

2012	Printing	Packaging	Other segments and investing activities	Total
Sales	283,019,143	482,876,210	-	765,895,353
Net income	22,156,669	43,377,126	59,021,424	124,555,219
Financial charges	(8,013,160)	(12,950,341)	-	(20,963,501)
Depreciation	(24,630,697)	(20,613,837)	(132,590)	(45,377,124)
Property, plant and equipment - net	397,231,772	563,593,923	52,299,735	1,013,125,430
Total assets	705,209,121	1,013,520,586	638,684,340	2,357,414,047

The activities of the Company and its subsidiaries are primarily conducted in Saudi Arabia and United Arab Emirates. Following is a summary of the geographical allocation for certain financial information:

	Kingdom of Saudi Arabia		United Arab Emirates		Total	
	2013	2012	2013	2012	2013	2012
Sales	334,089,443	409,816,861	807,676,077	356,078,492	1,141,765,520	765,895,353
Net (loss) income	(14,626,371)	94,434,118	66,529,410	30,121,101	51,903,039	124,555,219
Financial charges	(26,240,109)	(9,240,252)	(19,956,929)	(11,723,249)	(46,197,038)	(20,963,501)
Depreciation	(30,732,935)	(29,310,570)	(34,084,996)	(16,066,554)	(64,817,931)	(45,377,124)
Property, plant and equipment, net	535,498,403	525,415,927	526,383,052	487,709,503	1,061,881,455	1,013,125,430
Total assets	1,295,903,570	1,489,184,901	996,681,802	868,229,146	2,292,585,372	2,357,414,047

27. Dividends and BOD remunerations

The General Assembly approved in its annual meeting on 4 Jumada I 1434H (corresponding to March 16, 2013) approved dividends amounting to SR 30 million at SR 0.5 per share, as well as, approved BOD remunerations amounting to SR 1,800,000.

