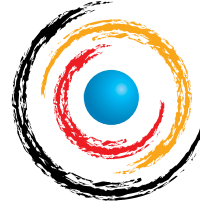


2014

التقرير السنوي Annual Report

# Table of Contents

Chairman's Message	4
Board Members	6
Board of Directors Report for 2014	9
Significant Measures of Financial Performance for 2014	47
Consolidated Financial Statements and Independent Auditors' Report for the Year Ended December 31, 2014	55



الشركة السعودية للطباعة والتغليف  
**Saudi Printing & Packaging Co**

## Chairman's Message

Dear Shareholders,

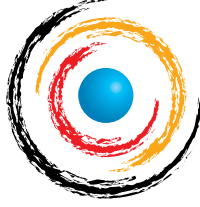
The Saudi Printing & Packaging Company

Greetings,

I would like along with my colleagues to members of the Board of Directors to welcome you to the ordinary meeting of the General Assembly for the year 2014 of the Saudi Printing & Packaging Company (The Company) extending our gratitude to 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 of shareholders' expectation.

It also gives me great pleasure to present to you the 2014 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, 2014, where revenues reached 1,232.3 million Saudi Riyal in 2014 compared to 1,141.8 million Saudi Riyal in 2013 achieving an increase of 8%, and an operating profit that reached 68.4 million Saudi Riyal in 2014 compared to 96.5 million Saudi Riyal in 2013, representing a fall of 29%.

The year 2014 witnessed the completion of the merger project between Saudi Printing & Packaging Company and Emirates National factory for Plastic Industries Company (ENPI), whereas Emirates Factory is the exclusive and legal owner of all packaging activities owned and managed by Saudi Printing & Packaging Company. Therefore, managements, efforts and manufacturing and sales techniques were consolidated under a sole organizational structure aiming to achieve more development via integrating efficiencies and achieving savings in volume and complete coverage of regional market. In addition, Taibh Printing and Publication Company were merged into ENPI after submitting an application for changing its activity from printing and publication to packaging as it will be one of the platforms from which expansion plans of packaging sector in Kingdom of Saudi Arabia will start out.



الشركة السعودية للطباعة والتغليف  
**Saudi Printing & Packaging Co**

During 2014, Saudi Printing & Packaging Company restructured its debts amounting to 992 million Saudi Riyal on 31/12/2014 to be 325 million Saudi Riyal as short-term debts and 667 million Saudi Riyal as long-term debts. The short-term debts were 447 million Saudi Riyal and long-term debts were 528 million Saudi Riyal at the end of 2013 with a total of 975 million Saudi Riyal. This restructuring process improved the ability of the company to serve the debt in the short term and also improved the financial ratios and the financial position of the company on 31/12/2014.

The positive results of the merger project included declaration of Saudi Printing & Packaging Company's appointment of Abu Dhabi Islamic Bank as a financial advisor to study placement of some shares of Emirates National factory for Plastic Industries Company for public or private subscription.

In conclusion, I give sincere gratitude and appreciation on behalf of my colleagues in the Board of Directors to the shareholders for their valuable 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. We also would like to 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 so that the company continues moving forward towards more development and success.

With Best Regards,



**Eng. Sulaiman Ibrahim Al Hudaihi**  
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 Director's Report (2014) The year then ended on 31/12/2014

### Dear Shareholders, Saudi Printing & Packaging Company

Peace, mercy and blessings of God,

Saudi Printing & Packaging Company board of directors is pleased to submit to you the annual report of the fiscal year then ended in 31/12/2014 accompanied by the audited financial statements. The report contains an overview of the company's performance and its activities during the year, major issues and achievements for the year and events of 2014, analysis of financial performance, presentation of company trends and future plans, delineation of company's financial results, and the disclosure of information relating to loans and other issues pursuant to corporate governance and the Capital Market Authority requirements.

The board of directors extends its special thanks and gratitude to company staff, clients, shareholders, and all public and private sectors that deal with the company due to their dedication and continuous support to the company to realize its intended objectives.

### Company and affiliates Overview: Saudi Printing & Packaging Company

The Saudi Printing & Packaging Company was incorporated under the name "Almadina Printing & Publishing Co. in 1963 and its name was changed in 2007 to" Saudi Printing & Packaging Company" in which 30% of its share capital was offered for public underwriting during this year. The Saudi group for researches and marketing including its affiliate owns 70% of Saudi Printing & Packaging Company shares. The company has unique newspaper printing centers in Riyadh City, Jeddah City and Dammam that prints several of the major newspapers such as Middle East, Aleqtisadia, Alriadia, Arab News, Alsharq, Alwatan and others. In addition, the company provides commercial periodicals.

The activity of Saudi Printing & Packaging Company is divided into two sections: the first is printing in which the company is deemed one of the most biggest printing companies in Kingdom of Saudi Arabia and Middle East and North Africa due to the wide spectrum of rendered integrated printing services and production capacity and through its group of unique affiliates which are: Almadina Printing & Publishing Co. and Hala Printing Company. Printing activity rely basically in printing newspapers and magazines which target different sectors in the Arab World in addition to commercial publications, bounded books and packaging with different methods and languages. Furthermore, the company, through its affiliates, prints several magazines for Saudi Company for Researches and Publishing, Saudi Company for Specialized Publishing, other publishers and government sector e.g. Ministry of Education, Ministry of Islamic Affairs, and Ministry of Interior.

Second: Packaging sector represented in Emirate Plastic Industries National Factory and its affiliates (Taibh Company, Resilient Packaging, Medina Packaging company, Future Packaging Factory, Pan Future Plastic Company, Global Union Transparent Packaging Company, United Security Company, United Trade Corporation for Packaging, Future Plastic Industries Company). Emirate Plastic Industries National Factory (LLC) is one of major integrated plastic and packaging material industries groups in the Arabian Gulf featuring high production capacity and top niche plastic and packaging material industries technologies supported with historical experience that extends to more than 20 years. Moreover, the company features complete fabrication of plastic products and packaging material spectrum which puts it at the forefront of its competitors in the field of plastics industry and multi-packaging materials. Saudi Printing & Packaging Company relied on its accumulated experiences of its resources beside state of art machineries and highest levels of quality control which enhanced its rating standing and allowed rigorous database of clients. Underscoring the company's commitment to comply with international standards, the company was keen to maintain the ISO accreditation ISO 9001:2000.

### **Almadina Printing & Publishing Co.:**

Saudi Printing & Packaging Company, during 2012, converged its branch enrolled in trade registrar No 4030004369 in Jeddah City, Alostaz District in 23 Rajab 1383H (corresponding to 9 December 1963) pursuant to the license issued from Ministry of Information No 510 dated Dualhija 1413 (corresponding to 14 June 1993) to the name (Medina Printing and Publishing – Branch of Saudi Printing & Packaging Company) to limited liability company of the same name in which it owns 95% of the capital through engagement of Hala Printing Co. as new partner by 5%. Similarly, the company converted its other new three companies.

In 2010, the company established expansion plan to transfer specific printing activities of Medina Company in Jeddah to Main Printing Center north Ubhor on an area of 125.000 m2 approximately of the lands owned by Saudi Printing & Packaging Company to provide integrated activities for printing companies and its warehouses. The company endeavor to elimination repetition of works and equipment through agreements between affiliates that enable each company fulfill the activities of affiliate when needed based on standard operational price which leverage the company competitive edge.

Moreover, Almadina Printing & Publishing Co. implemented phase-wise expansion plan (from 2010 to 2014) in the productions galleries, main warehouses to accommodate relocated equipment from company previous office in Faisalia and accommodate procured equipment in 2013 invested to increase production capacity for printing academic books and trade bushiness. Moreover, the company has central raw warehouses of the company equipped with the optimal storage and safety equipment.

The Saudi Printing & Packaging Company declared that plot of lands upon which the company previous press was constructed and owned b Almadina Printing & Publishing Co. which is one of its affiliates was sold in 08/03/1436H corresponding to 30/12/2014 in Faisalia district, Jeddah City. The plot's total area is 11.782 m2 against aggregate value of SR 61.860.00. The company realized capital profit of SR 29.802.538 which is included on other earnings in the income statement for the fourth quarter of 2014.

## Hala Printing Co.:

Hala Printing Co. is located in Riyadh City and was founded in 1984. The company is deemed one of the biggest commercial printing centers in Kingdom of Saudi Arabia. The company is always among the first to employ the latest printing technology in order to provide the highest quality, and is characterized by comprehensiveness of services where all printing stages are completed in one place and under the supervision of a group of unique technicians and several unique national cadres. Hala Printing Co. was founded to put itself at the outset on the road to rapid development, to leverage this industry to highest international standards, and render its customers who put their trust in them from the beginning finest printing arts, and to make every effort and endeavor in establishing sound principle printing as applicable in international printing entities.

Hala Printing Co. joined Saudi Printing & Packaging Company in 2006 to represent the robust arm of trade business in the company and commence new phase of development under slogan "innovation, high technical quality, credibility and technology abreast". In its quest to develop printing industry, the company had in 2008 increased its production capacity at the pre-printing, printing and post printing business levels. The company, in 2014, increased its production capacity in cartoon printing sector (industrial printing) and undertook several investments that enhance and enrich the added value of each commercial and industrial printing product. Such investment aims to increase the market share and preserve the final product uniqueness and continuity of clients' satisfactions. Underscoring the company's commitment to comply with international standards, the company was keen to maintain the ISO accreditation ISO 9001:2000.

Such investments confirmed the Saudi Printing & Packaging Company solicitation to leverage printing industry in Kingdom of Saudi Arabia and rendering optimal printing services to its clients.

## Future Industrial Investment Company:

Saudi Printing & Packaging Company, during 2012, founded Future Industrial Investment Company. This company owns 99% of Emirate Plastic Industries National Factory (acquired during 2012) and Resilient Packaging Company Limited own the remaining percentage which is 1% up to 30 June 2014 and the share was transferred to Saudi Printing & Packaging Company and in 01 July 2014 and acquired 19.5% of Pan Future Company shares which is Saudi closed stock company in Riyadh City one of Emirate Plastic Industries National Factory companies. In turn Future Industrial Investment Company owns 70.5% of Pan Future Company shares indirectly and directly (through Emirate Plastic Industries National Factory which own 51%). The Future Industrial Investment Company sold its owned share (19.5%) in Pan Future Plastic Company to the following companies which are affiliate of Emirate Plastic Industries National Factory:

- Taibh Printing and Publication Co., 15.5%
- Future Packaging Factory company LLC, 1%
- Future Blast Packaging Company, LLC 1%
- International union transparent packaging company LLC 1%

Future industrial investment company, in 1 June, purchased all Typa printing and publishing company shares in Hala Printing Co. the belongs to Saudi Printing & Packaging Company of 50.000 Saudi Riyals representing 5% of the company share capital. The Saudi Printing & Packaging Company founded this company as parent company for all packaging companies of the company including Emirate Plastic Industries National Factory.

### Emirates National Factory for Plastic Industries Company (ENPI):

The Saudi Printing & Packaging Company, during 2012, acquired Emirates National Factory for Plastic Industries Company (ENPI), limited liability company founded in 1995 in Sharja Emirate, United Arab Emirate and also through the two affiliates (Future Industrial Investment Company and Resilient Packaging Company). ENPI is active in fabrication and distribution most of plastic types and packaging martial and has several advanced factories and affiliates dispersed all over Abou Dabi, Sharja, United Arab Emirates and one company in Riyadh Kingdom of Saudi Arabia. Emirates National Factory for Plastic Industries Company one of the major integrated groups of plastic industry and packaging material in Arabian Gulf featuring high production capacity and top niche plastic and packaging material industries technologies supported with historical experience that extends to more than 20 years. Moreover, the company features complete fabrication of plastic products and packaging material spectrum which puts it at the forefront of its competitors in the field of plastics industry and multi-packaging materials. Emirate Plastic Industries National Factory Limited, in 1 July 2014 purchased 95% of the shares of Taibh Printing and Publication Co. shares in Saudi Printing & Packaging Company and Hala Print Press Company and purchased 95% of the shares of resilient packaging company owned by Saudi Printing & Packaging Company. Emirates National Factory for Plastic Industries Company purchased the remaining shares of 5% of Resilient Packaging Company and Hala Printing Press. The following is description of affiliates' details:

Item	Company Name	Country of Incorporation	Property Percentage
1	Al Medina Packaging Company LLC	UAE	100%
2	Future Pack Factory LLC	UAE	100%
3	Future Plus - Closed Joint Stock Company	KSA	100%
4	International Union Transparent Packaging Company LLC	UAE	100%
5	United Security LLC	UAE	100%
7	Future Blast Industries Company LLC	UAE	100%
8	Taibh Printing and Publication Co.	KSA	100%
9	Flexible Packaging Company	KSA	100%
10	United Packaging Trade Establishment	UAE	100%

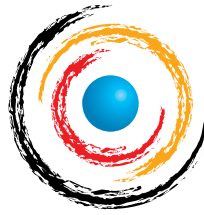
### Strategic Objectives and Future Plans:

The company endeavor to draw strategic objectives clearly and establish suitable procedures thereto through meaningful future plans to achieve growth strategies of the company which enhance the confidence of shareholders of the company status and strength as leading company in printing and packaging sector. The company's acquisition of resilient packaging company, in 2008, and ENPI in 2012 was one of the most important strategic steps to enhance its capability in plastic industry and packaging sector.

The company is constantly looking for investment opportunities and strategic expansion through feasibility study which achieve its strategic objectives represented in achieve good profit returns, and continue to diversify sources of income. The company, during 2008, transferred its ownership to one of its affiliates (Hala Printing Co. and Taibh Printing and Publication Co.) and in turn became fully owned by 100% by Saudi Printing & Packaging Company directly and indirectly. Moreover, the company, during 2012, founded Future industrial investment company as parent company of packaging sector through which it acquired ENPI in 2012. In continuation of the company's approach to achieving its future plans and objectives, the company aims to be a holding company that exercise all of its activities through affiliates and fully owned by Saudi Printing & Packaging Company in order to:

1. Leverage competitive edge
2. More specialist
3. Optimization of available resources
4. Delineate the feasibility of each activity independently.

The following is Saudi Printing & Packaging Company affiliates:



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 - UAE

Dubai - UAE

Sharjah - UAE

Riyadh - KSA

Jeddah - KSA

Almadina - KSA



شركة مطابع هالا  
Hala Printing Co.  
Riyadh



شركة المدينة المنورة للطباعة والنشر  
Almadina Printing & Publishing Co.

Northern Abhor

Faisaliah Branch - Jeddah

Riyadh Branch

Dammam Branch

## Fundamental events and most important achievements of 2014

Fundamental events and most important achievements of 2014 include several challenges which the company south to accommodate and realized specific achievements in the company and its affiliates business which shall be presented in our report as follows:

**First:** The completion of merger project between Saudi Printing & Packaging Company and Emirates National Factory for Plastic Industries Company (ENPI):

- a. ENPI became the exclusive and legal owner of all packaging activities managed and owned by Saudi Printing & Packaging Company. In turn all departments, efforts and technologies of manufacturing and sales were unified under one organizational structure which aims to archive the targeted objective through integrating competencies, realizing savings and ensure proper coverage of regional markets

In addition, Taibh Printing & Publishing Company merged under ENPI after having submitted request to change its activities from printing and publishing to packaging and in turn it will be the platform upon which packaging sector expansion plans will launch in Kingdom of Saudi Arabia.

- b. Reorganization of short term loans to long term loans: Saudi Printing & Packaging Company, during 2014 reorganized its debts amounting to 992 million Saudi Riyals dated 1/12/2014 to 325 million Saudi Riyals and short term debts and 667 million Saudi Riyal long term debts. The short term debts were 447 million Saudi Riyals and long term debts 528 million Saudi Riyals by end of 2013 of total amount 975 million Saudi Riyals. This reorganization enhanced the company capability to serve the debit on the short term and enhanced the financial ratios and correctness of financial center of the company in 31/12/2014.
- c. One of the positive results of the merger project is Saudi Printing & Packaging Company declaration to appoint Abo Dabi Islamic Bank as financial consultant to study offering the shares of Emirates Plastic Industry National Factory Company for private or public underwriting in United Arab Emirates.

## Second: Financial Results of 2014:

The following is presentation of the company performance in the main sectors:

- Earnings reached 1.232.3 million Saudi Riyals in 2014 against 1.418 million Saudi Riyals in 2013 representing increase of 8%
- Total profit amounted to 244.4 million Saudi Riyals in 2014 against 234.8 million Saudi Riyals in 2013 representing increase of 4%
- The operational profit amounted to 68.4 million Saudi Riyals in 2014 against 96.5 million Saudi Riyals in 2013 representing decrease of 29%
- The net profit was 45.4 million Saudi Riyals in 2014 against 51.9 million Saudi Riyals in 2012 representing decrease of 13%
- The share profitability was 0.75 SR in 2014 against 0.87 SR in 2013



The main reason for the decrease in the net profit compared to the same period of last year to an exceptional event, wherein a fire gutted one of the company's warehouses in the United Arab Emirates resulting in damage to the assets' carrying value. The loss amounted to 22.7 million Saudi Riyals, which was resorted in the consolidated income statement for the year ended December 31, 2014. it's worth noting that the group is currently completing the official procedures to finalize the insurance claim.

### Consolidated Income Statement

The below table presents the company income statement for the past five years

(Thousands Saudi Riyals)

Description	2014	2013	2012	2011	2010 (modified)
Sales	1,232,328	1,141,766	765,895	400,978	402,397
Cost of sales	(987,882)	(906,933)	(615,121)	(325,365)	(327,437)
Gross Profit	244,446	234,833	150,774	75,613	74,960
Sales and marketing expenses	(77,338)	(51,630)	(29,761)	(9,980)	(12,085)
Overhead and administration expenses	(98,739)	(86,693)	(53,793)	(26,694)	(30,675)
Profit of operations	68,369	96,510	67,220	38,939	32,200
Other revenues (expenses)	54,028	6,502	83,462	5,964	12,075
Financial expense	(48,125)	(46,197)	(20,964)	(5,270)	(5,534)
Profit before Zakat, monitory rights, and exceptional losses	74,272	56,815	129,718	39,633	38,741
Exceptional Losses	(22,700)	-	-	-	-
Profit before Zakat and Minority Rights	51,572	56,815	129,718	39,633	38,741
Zakat	(6,193)	(4,320)	(4,370)	(3,632)	(3,540)
Net Profit before Minority rights	45,379	52,495	125,348	36,001	35,201
Minority rights in affiliate profit	-	(592)	(793)	-	-
<b>Net Profit of Year</b>	<b>45,379</b>	<b>51,903</b>	<b>124,555</b>	<b>36,001</b>	<b>35,201</b>
<b>Share Profitability:</b>					
Share Profitability of main operations	1.12	1.61	1.12	0.65	0.54
Share Profitability of net profit	0.76	0.87	2.08	0.60	0.59

### Consolidated Financial Statements:

The following table outlines the financial center statement of the company for the past five years:

(Thousands Saudi Riyals)

Description	2014	2013	2012	2011	2010 (modified)
Current Assets	847,121	824,146	931,467	402,764	314,396
Non Current assets	1,435,335	1,468,439	1,425,947	653,112	655,408
<b>Total assets</b>	<b>2,282,456</b>	<b>2,292,585</b>	<b>2,357,414</b>	<b>1,055,876</b>	<b>969,804</b>
Current Liabilities	572,378	695,642	681,152	283,479	202,680
Non Current Liabilities	798,343	719,601	810,542	17,738	17,366
<b>Total Liabilities</b>	<b>1,370,721</b>	<b>1,415,243</b>	<b>1,491,694</b>	<b>301,217</b>	<b>220,046</b>
Equity	911,735	866,219	847,586	754,659	749,758
Minority Rights	-	11,123	18,134	-	-
<b>Total liabilities and equities</b>	<b>2,282,456</b>	<b>2,292,585</b>	<b>2,357,414</b>	<b>1,055,876</b>	<b>969,804</b>

### Sectorial Information:

The company consists of the following main business sectors:

**Printing: which includes printing on paper of all types and cartoons that encompass:**

- Printing of daily and weekly newspaper
- Printing of magazines
- Printing of books and curriculum books
- Commercial various printing
- Packaging and cartoon paper printing
- Packaging, which include
- Plastic and commercial poster printing

### Packaging material and plastic products manufacturing

- Plastic and paper cup manufacturing
- Bottles and plastic covers manufacturing
- Others: Includes main office, head office administration activities, investment activities etc

**Assets and liabilities includes business results as at the two years ended in 31 December 2014 and 2013 for operation sectors as defined below:**

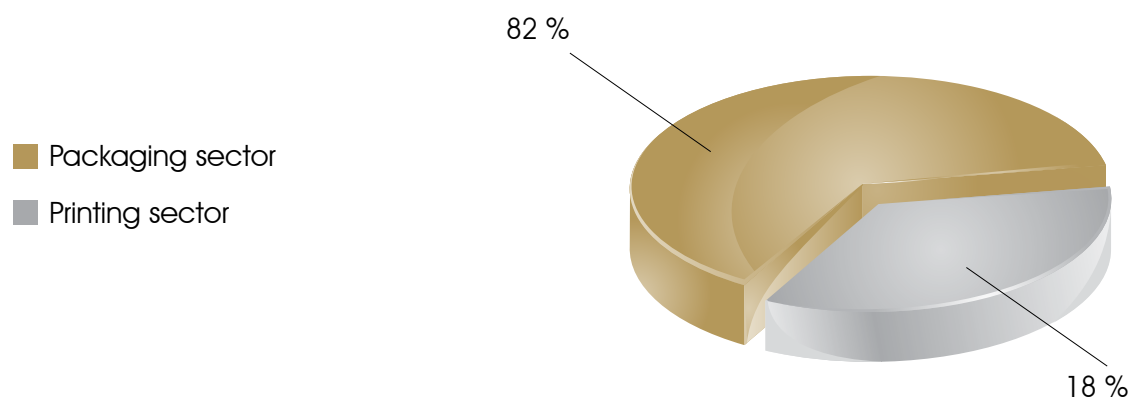
(Thousands Saudi Riyals)

2014	Printing Sector	Packaging Sector	Others and investment activities	Total
Sales	220,474	1,011,854	-	1,232,328
Net Profit	12,355	55,757	(22,733)	45,379
Financial expenses	(7,922)	(40,095)	(108)	(48,125)
Depreciation	(26,732)	(46,508)	(430)	(73,670)
Properties, equipment and machineries, net	398,011	631,421	2,601	1,032,033
<b>Total assets</b>	<b>701,749</b>	<b>1,554,943</b>	<b>25,764</b>	<b>2,282,456</b>

(Thousands Saudi Riyals)

2013	Printing Sector	Packaging Sector	Others and investment activities	Total
Sales	217,898	923,868	-	1,141,766
Net profit	4,218	59,929	(12,244)	51,903
Financial expenses	(7,037)	(38,984)	(176)	(46,197)
Depreciations	(25,685)	(38,860)	(273)	(64,818)
Properties, equipment and machineries, net	453,746	603,131	5,004	1,061,881
<b>Total assets</b>	<b>722,522</b>	<b>1,152,117</b>	<b>417,946</b>	<b>2,292,585</b>

Diagram that present the participation of sectors and main activities of the company in unified sales for 2014:



	Kingdom of Saudi Arabia		United Arab Emirates		Total	
	2014	2013	2014	2013	2014	2013
<b>Sales</b>	405,547	234,090	826,781	807,676	1,232,328	1,141,766
<b>Net Profit (losses)</b>	11,410	(14,626)	33,969	66,529	45,379	51,903
<b>Financial expense</b>	(30,256)	(26,240)	(17,869)	(19,957)	(48,125)	(46,197)
<b>Depreciation</b>	(35,811)	(30,733)	(37,859)	(34,085)	(73,670)	(64,818)
<b>Property, Plant and equipment, net</b>	514,158	535,498	517,876	526,383	1,032,033	1,061,881
<b>Total assets</b>	625,906	1,295,903	1,656,550	996,682	2,282,456	2,292,585

Moreover, the operational assets, marketing activities and main markets of the company is limited to Kingdom of Saudi Arabia and United Arab Emirate where out companies in KSA and UAE extends as follows:

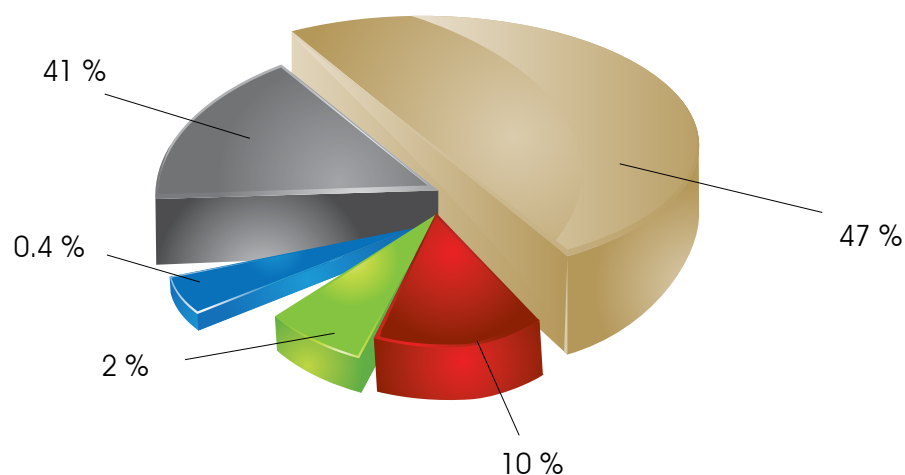
Company	Location
Al Madina Printing and Publishing Company	Jeddah, Riyadh and Dammam
Hala Printing Company	Riyadh
Future Industrial Investment Company	Riyadh
Emirates National Factory for Plastic Industries Company	Abou Dabi, Dubai, Sharja, Riyadh, Jeddah and Medina

The below table outline sectorial information of company sales based on geographical area:

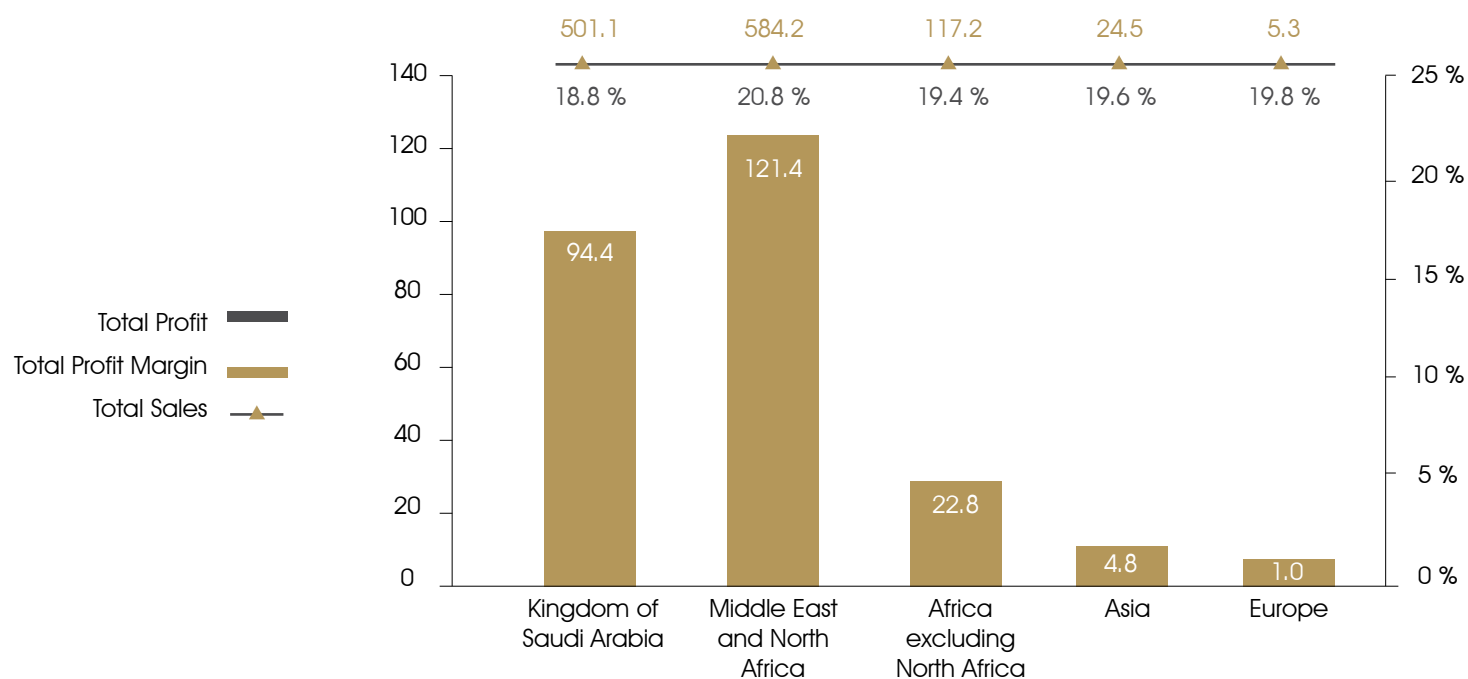
		(Thousands Saudi Riyals)						
		KSA	MENA	Africa Except North Africa	Asia	Europe	USA	Total
2014	Total Sales	501,075	584,210	117,230	24,520	5,293	-	1,232,328
	Gross Profits	94,362	121,433	22,801	4,802	1,048	-	244,446
2013	Total Sales	469,374	569,104	81,645	16,424	5,219	-	1,141,766
	Gross Profit	88,686	123,638	17,793	3,579	1,137	-	234,833

## Consolidated sales breakdown realized in KSA and other world geographical areas (2014)

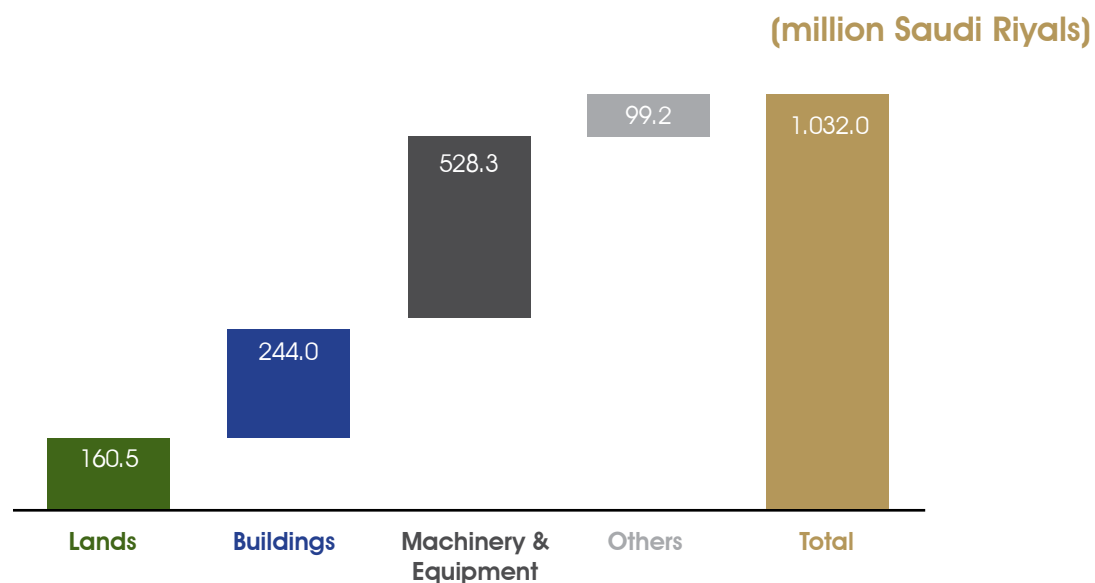
- Middle East and North Africa
- Kingdom of Saudi Arabia
- Africa, except North Africa
- Asia
- Europe



## Consolidated profit total breakdown realized in KSA and other world geographical areas (2014):



### Fixed Assets as at 31 December 2014:



### Zakat and other regulatory Payments

The company and other affiliate are subject to the regulation of Zakat and Income Tax in Kingdom of Saudi Arabia. The Zakat consultant audit Zakat allocations' calculation and in turn set aside the Zakat provisions accordingly. Moreover, the consultants provide Zakat statement to Zakat authority and respond to their inquiries and settle any issues. In turn, the company pays the stipulated Zakat in accordance with Zakat statement and pays the differences after settlement of final unpaid amounts.



The following is a table that explain the regulatory payments paid in 2013 and 2014:

(Thousands Saudi Riyals)

Description	2014	2013
Customs charges	1,880	4,644
Paid Zakat	4,523	4,837
Social Insurance	3,307	2,216
Visas and Passports	2,799	2,904
Penalties *	17	219
Others **	151	1,464
<b>Total</b>	<b>12,677</b>	<b>16,284</b>

\* SR 1000 represent penalty imposed by Industrial Cities Authority on Future Plus Company (a subsidiary) for storage of steel cages outside the company fences and SR 6.000 penalty delay renewal of residence permits of Pan Future Company.

\*\* The other regulatory payments stated above include charges for ministry of information, chamber of commerce, ministry of commerce and industry. No other essential regulatory payments.

### Affiliate Companies Ownership

The actual ownership of the affiliate companies can be summarized as follows:

Company	Ownership	Main Activity
Almadina Printing & Publishing Co.	95% Saudi Printing & Packaging Company 5% Hala Printing Co.	Printing, publishing, wholesale and retail of publications, papers etc.
Hala Printing Co.	%95 Saudi Printing & Packaging Company % 5 Future Industrial Investment Company	Wholesale and retail of publications, papers etc.
Future Industrial Investment Company	95% Saudi Printing & Packaging Company 5% Hala Printing Co.	Printing, packaging, construction of industrial factories and centers, management and maintenance of printing and packaging projects etc
Emirates National Factory for Plastic Industries Company	99% Future Industrial Investment Company 1% Saudi Printing & Packaging Company	Manufacturing and trade of sacks, pipes, sheets, plastic cards, packaging material and related plastics

The direct and indirect affiliate companies' property beside the capital of each can be summarized as follows:

Company	Country of Incorporation	Main Activity	Direct and Indirect property %	Capital (SR)
Almadina Printing & Publishing Co.	KSA	Jeddah, Dammam and Riyadh	100%	1,000,000
Hala Printing Co.	KSA	Riyadh	100%	1,000,000
Future Industrial Investment Company	KSA	Riyadh	100%	100,000
Emirates National Factory for Plastic Industries Company	UAE	Abou Dabi, Dubai, Sharqa, Riyadh, Jeddah	100%	30,592,500

## Human Resources:

The company management is aware of the significance to leverage the levels of performance of all workers and officers in the company. The company sought to recruit employees having credentials, professional and scientific experience and arranged internal and external training courses and established training plans and leverages their technical and administrative efficiencies. The company during the past years coordinated with human resources development fund to provide training and qualification of Saudi youth for operation in printing and packaging sectors. They were recruited to work in the Saudi Printing & Packaging affiliates after completing the training. Trainees who completed training in Saudi Printing & Packaging were recruited during 2014. The company shall continue development of its training and development policies to retain qualified and experienced resources and develop their capabilities and qualify the second row of the company recruited to shoulder the responsibility in future.

## Social Responsibility

Believing in the role of the company's commitment to the community, the company has taken positive and active attitude towards supporting humanitarian and charitable efforts in Saudi society. In this context, the company has contributed during 2014 through supporting several charities through printing business, in addition to engagement and sponsorships of many conferences and exhibitions of interest to the entire spectrum of society.

## Dividends Policy:

The Board of Directors adopts best practices to maximize the interests of shareholders. The Board of Directors, each year, according to the company's financial center, capital requirements, available cash, economic conditions and other factors determine the appropriate dividends to the shareholders of the net profit or not as recommendation to the general assembly for approval. The articles of association of the company stipulate the distribution of net company profits after deduction of all overhead and other expenses as follows:

1. Set aside 10% of net profits to establish the regulatory reserves. However, the general assembly has the right to cease this setting aside when the stated reserves reach half of the capital.
2. The general assembly, pursuant to board of directors suggestion may set aside 20% maximum of net profit to establish the agreed reserves and designate it to specific purpose (s)
3. Thereafter, initial payment will be distributed to shareholders from the remaining that equal 5% of paid capital.
4. Allocate, after the implementation of aforesaid, bonus to board of directors' members provided always that it shall not exceed the limits defined by the Ministerial council No 202 dated 13/08/1404H. The remaining shall be distributed to shareholders as additional stock of profit.

## Board of Directors' Members Ownership

The company is managed by board of directors consist of nine members. The below table outlines the current board of directors' members' ownership or the ownership of whom they represent during 2014:

Name	Remarks	Shares # Beginning of Year	Ownership % Beginning of Year	Net Change in shares during the year	Change # During the Year	Shares # End of Year	Property % End of Year
Saudi Research and Marketing Group, represented by Dr. Azzam Mohammed Al-Dakhil	Company Shares	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	Company Shares	6,300,000	%10.50	-	-	6,300,000	%10.50
	His Shares	-	-	-	-	-	-
Saudi Research and Publishing Company Represented by Mr. Saleh Hussain Al Dowais	Company Shares	4,200,000	%7.00	-	-	4,200,000	%7.00
	His Shares	-	-	-	-	-	-
Scientific Items Holding Company Represented by Eng. Sulaiman Ibrahim Al Hudaithi	Company Shares	4,200,000	7.00%	-	-	4,200,000	7.00%
	His Shares	500	-	-	-	35	-
NUMU Media Holding Company Represented by Eng. Abdullah Abdullatif Al-Saif	Company Shares	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%

There is not property for spouses or underage children of board of director members and senior executives and they do not nor board of director members any option or underwriting rights in the company shares.

## Information related to Murabha and Loans

(thousands Saudi Riyals)

### Abo Dabi Commercial Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	05-03-12	2.005	4.742	1.740	3.75 years
Loan	2	15-09-14	2.833			4 months
<b>Total</b>			<b>5,838</b>	<b>4,742</b>	<b>1,740</b>	

### Abu Dabi Islamic Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	21-03-13		276,500	276,500	5 years
Loan	2	15-10-12		19,060	19,060	3 Months
Loan	3	15-11-12		8,304	8,304	3 Months
Loan	4	15-12-12		15,915	15,915	3 Months
Loan	5	02-10-14	444,276		3,643	6 Years
Loan	6	15-09-14	5,217			4 Months
Loan	7	15-10-14	787			3 Months
Loan	8	15-11-14	522			2 Months
Loan	9	15-12-14	522			1 month
Loan	10	15-10-14	10,200			3 Months
Loan	11	15-11-14	522			2 Months
Loan	12	15-12-14	522			1 month
Loan	13	15-11-14	3,222			3 Months
Loan	14	15-12-14	4,643			2 Months
Loan	15	15-12-14	5,760			4 Months
Loan	16	15-10-14	820			3 Months
<b>Total</b>			<b>477,072</b>	<b>319,779</b>	<b>323,422</b>	

### Arab Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	15-09-14	5,041			4 Months
Loan	2	15-09-14	3,387			6 Months
Loan	3	15-10-14	1,827			6 Months
Loan	4	15-11-14	1,530			5 Months
Loan	5	15-11-14	2,906			6 Months
Loan	6	15-12-14	1,177			6 Months
<b>Total</b>			<b>15,868</b>			

### Saudi Hollandi

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	09-10-13		38.000	38.000	6 Months
Loan	2	15-09-13		21.000	21.000	6 Months
Loan	3	03-10-13		6.000	6.000	6 Months
<b>Total</b>			<b>0</b>	<b>65.000</b>	<b>65.000</b>	

### Islamic Emirates

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	18-12-14	2,971			4 years
<b>Total</b>			<b>2,971</b>			

### Alinma Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	23-12-12	283,000	283,000		7.5 Years
<b>Total</b>			<b>283,000</b>	<b>283,000</b>		

### Samba

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	09-10-13		7,000	7,000	6 Months
Loan	2	04-11-13		6,000	6,000	6 Months
Loan	3	06-11-13		5,000	5,000	6 Months
Loan	4	17-11-13		2,000	2,000	6 Months
Loan	5	04-12-13		3,000	3,000	6 Months
Loan	6	12-12-13		20,000	20,000	6 Months
Loan	7	15-12-13		10,000	10,000	3 Months
Loan	8	22-12-13		8,000	8,000	6 Months
Loan	9	23-12-13		3,000	3,000	6 Months
Loan	10	02-10-13		15,000	15,000	6 Months
Loan	11	22-12-13		6,000	6,000	6 Months
Loan	12	21-11-13		10,000	10,000	6 Months
Loan	13	30-12-14	15,000			22 Days
Loan	14	11-09-14	10,000			6 Months
Loan	15	30-12-14	3,000			22 Days
Loan	16	30-12-14	2,000			22 Days
<b>Total</b>			<b>30,000</b>	<b>95,000</b>	<b>95,000</b>	

### Standard Charter

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	15-10-13		3,535	3,535	0.25 Years
Loan	2	15-11-13		10,107	10,107	0.25 Years
Loan	3	15-12-13		2,143	2,143	0.25 Years
Loan	4	15-12-14	12,617			3 Months
Loan	5	15-10-14	9,342			2 Months
<b>Total</b>			<b>21,960</b>	<b>15,785</b>	<b>15,785</b>	



### Dubai Islamic

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	15-08-14	3,043			5 months
Loan	2	15-06-14	254			8 months
Loan	3	15-09-14	1,887			6 Months
Loan	4	15-10-14	2,080			6 Months
Loan	5	15-11-14	157			6 Months
Loan	6	15-08-14	184			10 Months
Loan	7	15-12-14	133			6 Months
Loan	8	14-05-11		107	107	3.17 Years
Loan	9	16-06-11		58	58	3.17 Years
Loan	10	16-06-11		73	73	3.19 Years
Loan	11	08-07-12		1,847	1,847	2.25 Years
Loan	12	30-04-13	510	736	226	3.76 Years
Loan	13	30-03-13	1,597	2,393	796	3.71 Years
Loan	14	09-09-13	1,951	2,816	865	3.50 Years
Loan	15	15-08-13		333	333	8 months
Loan	16	15-09-13		1,616	1,616	8 months
Loan	17	15-10-13		591	591	8 months
Loan	18	15-11-13		2,211	2,211	8 months
Loan	19	15-12-13		3,533	3,533	8 months
<b>Total</b>			<b>11,795</b>	<b>16,314</b>	<b>12,257</b>	

### MASHRIQ Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	15-07-14	1,784			6 months
Loan	2	15-08-14	3,205			6 months
Loan	3	15-09-14	434			6 months

Loan	4	15-11-14	1,816			7 months
Loan	5	15-12-14	684			5 months
Loan	6	15-12-14	701			6 months
<b>Total</b>			<b>8,624</b>			

### Riyadh Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	16-12-12		7,021	7,021	1.25 Years
Loan	2	11-11-13		16,000	16,000	6 Months
Loan	3	18-11-13		28,000	28,000	6 Months
Loan	4	11-12-13		7,500	7,500	6 Months
Loan	5	17-09-13		7,500	7,500	6 Months
Loan	6	15-12-13		8,000	8,000	6 Months
Loan	7	23-12-13		3,000	3,000	6 Months
Loan	8	23-10-13		17,000	17,000	6 Months
Loan	9	22-09-13		13,000	13,000	6 Months
Loan	10	06-11-14	16,000			6 Months
Loan	11	16-11-14	28,000			6 Months
Loan	12	08-12-14	7,500			3 Months
Loan	13	11-09-14	7,500			6 Months
Loan	14	09-12-14	8,000			3 Months
Loan	15	21-12-14	3,000			3 Months
Loan	16	19-10-14	17,000			6 Months
Loan	17	16-09-14	13,000			6 Months
Loan	18	19-10-14	2,000			6 Months
<b>Total</b>			<b>102,000</b>	<b>107,021</b>	<b>107,021</b>	

### Arab National Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	05-12-13		3,122	3,122	1 Month
Loan	2	16-12-13		4,285	4,285	1 Month
Loan	3	17-12-13		7,500	7,500	1 Month
Loan	4	17-12-13		2,775	2,775	1 Month
Loan	5	18-12-13		2,448	2,448	1 Month
Loan	6	22-12-13		5,117	5,117	1 Month
Loan	7	23-12-13		7,000	7,000	1 Month
Loan	8	26-12-13		11,900	11,900	3 Months
<b>Total</b>				<b>44,147</b>	<b>44,147</b>	

### Saudi British Bank

Description	Item	Loan Date	2014	2013	Paid Loan	Loan Term
Loan	1	19-10-14	2,948			3 months
Loan	2	27-10-14	1,735			3 months
Loan	3	02-11-14	717			3 months
Loan	4	04-11-14	1,784			3 months
Loan	5	19-11-14	10,000			3 months
Loan	6	25-11-14	429			3 months
Loan	7	17-11-14	1,472			4 months
Loan	8	21-12-14	8,000			3 months
Loan	9	20-05-14	1,982			5 Years
Loan	10	13-07-14	2,134			5 Years
Loan	11	17-11-14	1,494			5 Years
Loan	12	18-11-13		2,691	2,691	3 months
Loan	13	21-11-13		10,000	10,000	3 months
Loan	14	09-12-13		5,300	5,300	1 month

Loan	15	19-12-13		1,270	1,270	3 months
Loan	16	26-12-13		1,305	1,305	3 months
Loan	17	26-12-13		1,296	1,296	3 months
Loan	18	26-12-13		1,837	1,837	2 Months
<b>Total</b>			<b>32,695</b>	<b>23,699</b>	<b>23,699</b>	

### Total Loans

	2014	2013	Paid Loan
<b>Total Loans</b>	991,823	974,488	688,070

The Murabha and company loans used for operational and investment purposes can be summarized as follows:

(thousands Saudi Riyals)

Description	2014	2013
Beginning of year balance	974,488	1,058,662
+		
Received during the year	705,404	957,611
-		
Paid during the year	(688,070)	(1,041,784)
End of Year Balance	991,823	974,488

The total Murabha and Loans can be summarized as follows:

(thousands Saudi Riyals)

Short Term Loans	248,904	446,516
<b>Murabha</b>		
Long term loans / investment finance	742,919	527,973
<b>Total</b>	<b>991,823</b>	<b>974,488</b>

### Loan maturities:

(thousands Saudi Riyals)

Description	2014	2013
Less than one year	325,076	446,502
From 1 to 2 years	115,060	88,002
From 2 to years	441,814	355,084
More than 5 years	109,873	84,900
<b>Total</b>	<b>991,823</b>	<b>974,488</b>

### Shares and debt instruments:

The company and its affiliates do not have any debt instruments issued by them.

### Board of Directors Meeting

The board of directors was nominated in the shareholders general assembly dated 04/03/2013 and include the below named:

Board of Director's Member	Description	Representative
Eng. Sulaiman Ibrahim Al Hudaithi	Chairman	Scientific Items Holding Company
Dr. Azzam Mohammed Al-Dakhil	Member	Saudi Research and Marketing Group
Eng. Abdullah Abdullatif Al-Saif	Member	NUMU Media Holding Company
Mr. Abdulaziz Abdullah Al Duailej	Member	
Eng. Abdullah Abdulrahman Almoammar	Member	
Dr. Mohammad Amin Dawood Kashgari	Member	
Eng. Saad Bin Saleh Al Azwari	Member	
Mr. Amin Sami Ghorayeb	Member	Intellectual Holding Company for Advertising and Publicity
Mr. Saleh Hussain Al Dowais	Member	Saudi Research and Publishing Company

## Attendance Record

The board convened six meetings during 2014 as follows:

	Description	1	2	3	4	5	6	Attendance
		17 Feb	13 April	29 May	15 July	26 Oct	22 Dec.	
	Members							
1	Eng. Sulaiman Ibrahim Al Hudaithi	√	√	√	√	√	√	6
2	Dr. Azzam Mohammed Al-Dakhil	√	×	×	×	×	×	1
3	Eng. Abdullah Abdullatif Al-Saif	√	√	√	×	√	√	5
4	Mr. Abdulaziz Abdullah Al Duailej	√	√	√	√	√	√	6
5	Eng. Abdullah Abdulrahman Almoammar	√	√	√	×	×	×	3
6	Dr. Mohammad Amin Dawood Kashgari	√	√	√	√	√	√	6
7	Eng. Saad Bin Saleh Al Azwari	√	√	√	×	√	√	5
8	Mr. Amin Sami Ghorayeb	√	×	×	×	×	×	1
9	Mr. Saleh Hussain Al Dowais	√	√	√	√	√	×	5

## Board of Directors Organization:

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

	Board of Directors member' name	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

### Board of directors' membership in other joint stock company board of directors

The below table outline the membership of Saudi Printing & Packaging company board of directors members in other joint stock companies board of directors as at 31 December 2014:

	Board of Directors member' name	List	Unlisted
1	Eng. Sulaiman Ibrahim Al Hudaithi	<ul style="list-style-type: none"> <li>Board of directors member, Saudi Group for research and marketing</li> <li>Board of directors member, Asir Company</li> </ul>	<ul style="list-style-type: none"> <li>Head board of directors of Saudi Company for specialized Laboratories</li> <li>Board of directors member, Saudi Venture Capital Investment company</li> <li>Board of directors member, Najmat Almaden</li> <li>Board of directors member, Venture Capital Bank (Bahrain)</li> </ul>
2	Dr. Azzam Mohammed Al-Dakhil	<ul style="list-style-type: none"> <li>Board of directors member, Saudi Group for research and marketing</li> <li>Board of directors member, Asir Company</li> <li>Board of directors member, Saudi Real Estate Company</li> <li>Board of directors member, Saudi Vehicle Services Company (SASCO)</li> </ul>	<ul style="list-style-type: none"> <li>Head Board of Directors of Nemow Media Holding Company</li> </ul>
3	Eng. Abdullah Abdullatif Al-Saif	<ul style="list-style-type: none"> <li>Head Board of Directors, Qassim Cement Company</li> <li>Board of directors member, Herfy Foods Company</li> </ul>	<ul style="list-style-type: none"> <li>Board of directors member, Saudi Company for specific laboratories</li> </ul>
4	Mr. Abdulaziz Abdullah Al Duailej	<ul style="list-style-type: none"> <li>Board of directors member, Saudi Advanced Industries Company</li> <li>Board of directors member, Arabian Pipes Company</li> <li>Saudi Group for Research and Marketing</li> </ul>	<ul style="list-style-type: none"> <li>Board of directors member, Rafal Real Estate Development Company</li> </ul>
5	Eng. Abdullah Abdulrahman Almoammar		
6	Dr. Mohammad Amin Dawood Kashgari		<ul style="list-style-type: none"> <li>Deputy president, head board of director, SKOON International Company</li> </ul>
7	Eng. Saad Bin Saleh Al Azwari	<ul style="list-style-type: none"> <li>Board of directors member, Middle East Specialized Company (MISK)</li> </ul>	
8	Mr. Amin Sami Ghorayeb		<ul style="list-style-type: none"> <li>Board of directors member, Nemow Media Holding Company</li> </ul>
9	Mr. Saleh Hussain Al Dowais		<ul style="list-style-type: none"> <li>Board of directors member, Nemow Media Holding Company</li> </ul>



## Rewards and Remunerations

The company pays the expenses and rewards for attending the sessions to board of directors' member, and derived committees members pursuant to board of directors' resolutions. Moreover, the company pays salaries, rewards and compensations of senior executives in accordance with signed contracts. The following is the details of expenses, rewards, and salaries paid to board of directors' members and five of the senior executives including chief executive officer of Saudi Printing & Packaging Company and Chief Executive Officer Emirates National Factory for Plastic Industries Company for 2014.

(thousands Saudi Riyals)

Description	Board Members		Five executives receives rewards and remuneration including CEO and Finance Director	Total
	Executives	Non-Executive / independent		
Salaries and remunerations	-	-	11,448	11,448
Allowances and travel related expenses	85	187	28	301
Annual and periodic rewards	1,300	225	2,839	4,364
<b>Total</b>	<b>1,385</b>	<b>412</b>	<b>14,315</b>	<b>16,112</b>

## Transactions with related parties:

The company and its affiliates deal, during regular business courses, with Saudi Group for researches and marketing and its affiliates and subsidiaries. The following statement presents the essential transactions with related parties:

(thousands Saudi Riyals)

Description	2014	2013
Sales	71,839	78,059
Lease Earnings	196	251
Executive board members rewards	1,300	2,600
Allowances paid to board members	160	185

There is no contract in which the company is a party or has or had essential interest to any of the board of directors' members, chief executive officer, finance director or any individual relate to any of them.

### Related Parties Balances:

Balances due from related parties as at 31 December 2014 consist of the following:

(thousands Saudi Riyals)

Description	2014	2013
Saudi Research and Publishing Company	19,300	21,435
Future Card Industries Company	3,192	18,918
Saudi Specialized Publishing Company	12,123	16,536
Saudi Research and Marketing Group	2,789	3,655
AL-KHALEEJAH Advertising & Public Relations Company	213	220
Saudi Distribution Company	932	663
Nemow Scientific Company	562	96
Arab Media Company	5	5
Numu Visual Media Company	19	19
NUMU Media Holding Company	12	470
Saudi Business Company	-	-
Emirates Printing, Publication, and Distribution Company	363	167
Others	20	-
<b>Total</b>	<b>39,530</b>	<b>62,184</b>

Moreover, the due balances of related parties as at 31 December 2014 consist of the following:

Saudi Company for Trade Business	821.3	880.9
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### Board of Directors Committees

The board of directors constituted three committees to supervise the main business fields of the company in accordance with company's articles of association as follows:

### a. Executive Committee

The executive committee consists of three board members the missions of this committee: audit the general operational performance, and render suggestions to board of directors regarding employment of executive board members and company strategic planning. The executive committee convened four meetings during 2014. The following table presents the current executive committee members:

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

### b. Audit Committee

The audit committee consists of four members one of them is non-executive member from board of director and three of them from outside the board specializing in finance, accountancy and internal auditing. The committee convened eight meetings during 2014.

The missions of the committee include verification of internal auditing, supervise the internal auditing process in the company to ensure its efficiency in terms of business progress and missions defined by board of directors as well as examination of internal audit reports and follow up implementation of correct procedures in accordance with the noted suggestions.

Moreover, the committee' missions include recommendation submitted to board of directors in relation the periodic general assembly for recruitment, dismissal, identification of charges, independency follow up of chartered accountants performance and examination and review of audit plans with chartered accountant as well as examination of chartered accountant notices regarding initial and annual financial statement before presentation to board of directors and provide opinion and recommendation thereto.

Moreover, the committee examines applicable financial and accountancy policies and provides opinion and recommendation to board of directors in this regard and verify the efficiency of the company in terms of evaluation of essential risk and adapted steps by the company management to control and mitigate such risks.

The below table present the names of audit committee members before modification in 15 July 2014:

	Member's Name	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. Wahid Bin Mohammed Nababtah	Committee' Member

The audit committee was reorganized starting from 15 July 2014 to include three members as follows:

	Member's Name	Description
1	Eng. Abdullah Abdullatif Al-Saif	Head of Committee
2	Dr. Abdulrahman Bin Ibrahim Al Humayed	Committee's Member
3	Mr. Tharwat Amir	Committee's Member
4	Mr. Wahid Bin Mohammed Nababtah	Committee's Member

### c. Nomination and Remuneration Committee:

The nomination and rewards committee consist of three members of board of directors and their missions are: recommend membership nomination in the board in accordance with approved standards and annual audit of required requirements e.g. skills of board member, audit board organization and submit recommendation regarding applicable changes. Moreover, the committee identifies the weak and strength aspects in the committee and suggesting rectification and verifies annually the independence of independent member. Moreover, the committee missions encompass creating clear policies for remuneration and rewards of board members and senior executives of the company. The committee convened three meetings during 2014. The below table present the names of nomination and rewards committee members:

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

### **Board Members Representations:**

The board of directors represents the following:

1. Accountancy records were properly prepared
2. The internal auditing was established based on sound principles and adapted effectively
3. There is no doubt in the source capacity to continue its activity

### **Results of annual audit of internal control procedure efficiency:**

The audit committee superintended the company internal audit department and studied internal audit reports to verify the results of its activities and verify its compliance with all company and company's affiliate's recommendation. In addition, during 2014, the recently acquired UAE Company's administrative, operational and financial risks comprehensive assessment and analysis project was completed pursuant to the concluded contract with one of the specialized consultancy offices based on recommendations from audit committee. This project is the foundation to develop the internal audit environment which provided comprehensive frame for risk management and internal audit plan based on risks of 2015 and thereafter.

Based on the results of audit mission executed by internal audit during 2014, at the company and company's affiliates' level, there was no essential default in internal control procedures that require disclosure. It was agreed with the company and company's affiliate to implement the recommendation included in internal audit report within specific timeframe to enhance the internal audit procedures.

Moreover, the committee recommended the board to request the general assembly to employ company and company's affiliate's external auditor for the fiscal year ended in 31 December 2015.

### **Quality Policy:**

The company obtained ISO 9001 accreditation for: Hala Printing Co., Almadina Printing & Publishing Co.. This certificate indicate to the compliance of local and international quality standards, development of resources performance and leverage their competence and efficiency, development and continuous enhancement of product lines and fulfilling company's clients requirements which best serve the company purposes through increase the company share of the markets and sales and leverage the quality of company printings and delivery in due time. Moreover, this accreditation enhances the company's name locally and internationally.

## Company Governance

Due to the conversion of Saudi Printing & Packaging Company to public stock company and in accordance with the governance regulation, the company management sought to adapt the governance rules and regulation aiming to select the optimal practices which enhance and optimize the interests of its shareholders and protect their rights as well as the rights or related parties. The general assembly approved during 2009 the company governance regulation as well as the regulation of board of directors' derived committees as follows:

- Executive Committee Rules
- Audit Committee Rules
- Nomination and rewards committee Rules

The company is considered liable to comply with the governance requirements as included in the company governance regulation promulgated by capital market authority except clause No (b) of article No (6) related to accumulated votes rights to vote for selecting board members in the general assembly due to the fact that it did not apply the accumulated voting method practically due to availability of stipulated number of independent members in the board of directors. Moreover, the board of directors' members is keen to protect the interests of shareholders in whole and minority rights.

The company adapted the governance requirements on Emirate Plastic Industries National Factory since acquisition through establishing company' board of director belonging to Saudi Printing & Packaging Company board of directors.

## Risk Management:

The company's management endeavor to encounter any challenges and potential risks which might affect its activity and financial center including mitigation thereof through its studies and wide experience in printing and packaging industry and ability to identify related risks and market related risks. The company's management believes that the major risks relate to the following:

### a. Credit Risks

The credit risks is the inability of a party to fulfill his obligations which makes the other party incur financial losses. The company do not have emphasize in credit risks. The cash is deposited in highly credit classified bank. The accounts receivable are recognized after deduction of doubted debts.

The sales and account receivables of the company are limited to specific parties and government entities and the risks of collection are very limited. The following table present outlines the details of these transactions and balances as at the two years ended in 31 December 2013 and 2014:

(thousands Saudi Riyals)

Description	2014	2013
Related parties sales	71,839	78,059
Sales to relate parties percentage to total sales	6%	%7
Sales to government entities	18,192	8,245
Sales percentage to government entities to total sales	1%	%1
Government account receivables	16,272	16,930
Government receivables percentage to total receivables	4%	%2

#### b. Foreign Currency Exchange Rate Risks

Currency risks are risks of changing in the value of financial instruments due to changes in the foreign currency exchange rates. The basic transactions of the company will be made through Saudi Riyals, USD and Euro. The management will control the changes of currency exchange rates and believe that currency risks are not material.

#### c. Liquidity Risks

The liquidity risks are risks that the company is unable to finance its requirements namely loans obligation. The company has sufficient finance to meet such obligations when due and seek to manage liquidity risks through keeping sufficient balances of cash and cash equivalent. The reorganization of short term into long term reduced liquidity risks of the company.

#### d. Risks Due to solidarity of revenues:

The company endeavor to vary its revenue bases and avoid limitation to newspaper. In turn the company expanded this bases to include academic books, and commercial printing and then extended further to include packaging in 2008 through acquisition of Resilient packaging company and in 2012 through acquisition of ENPI and its affiliates.

#### e. Raw Material Price Fluctuation Risks:

2014 witnessed fluctuation of raw material in different patterns and such fluctuation covered different percentage paper, petrochemical, and plastic prices. The company reduced the quantity of inventory to meet the production volume and contracts with clients where the average inventory value is closer to current prices which protect the company against exposure to price fluctuation risks in international market.

## Board of Directors Recommendations:

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

1. Accept board of director's report for 2014
2. Approve the business and contracts concluded between the company and Saudi Company for Researches and Marketing and its board of directors membership include Mr. Suliman Bin Ibraheem Al-Hudaithi, the head board of directors and Dr. Azam Bin Mohammed Aldakhil, member of the board of directors and other affiliates (related third parties) and permit such business and contracts to end of fiscal year ended in 31/12/2014 with due regard that such business were agreed since years and natural extension of continuous relation started before the current year 2014. Such transactions include printing contracts and leases in accordance with the following:
  - Saudi Company for Research and Marketing, and such transactions are printing contracts of aggregate total amount SR 371.140 during the current year and its receivables amounted to SR 2.789.474 as at 31 December 2014.
  - Saudi Publishing and Researches Company owned by Saudi Company for Research and Marketing and such transactions are printing contracts of aggregate total amount SR 64.326.988 during the current year and lease earnings amounted to SR 160.000 and its receivables amounted to SR 19.299.703 as at 31 December 2014
  - Saudi Company for Specialized Publishing owned by Saudi Company for Researches and Marketing and such transactions are printing contracts of aggregate total amount SR 5.774.629 during the current year and its receivables amounted to SR 12.122.842 as at 31 December 2014
  - Gulf Company for publicity and public relations owned by Saudi Company for Researches and Marketing and such transactions are printing contracts of aggregate total amount SR 872.331 during the current year and its receivables amounted to SR 213.325 as at 31 December 2014
  - Saudi Company for Distribution owned by Saudi Company for Researches and Marketing and such transactions are printing contracts of aggregate total amount SR 75.720 during the current year and lease earnings amounted to SR 36.250 and its receivables amounted to SR 931.817 as at 31 December 2014
  - Nemow Scientific Company owned by Saudi Company for Researches and Marketing and its receivables SR 562.006 as at 31 December 2014
  - Arabian Company for Media owned by Saudi Company for Researches and Marketing and its receivables SR 4.970 as at 31 December 2014
  - NEMOW Visual Media Company owned by Saudi Company for Researches and Marketing and its receivables SR 18.685 as at 31 December 2014



- Nemow Media Holding Company owned by Saudi Company for Researches and Marketing and its receivables SR 11.825 as at 31 December 2014
  - Emirate Printing and Publishing Company, owned by Saudi Company for Researches and Marketing and its receivables SR 363.412 as at 31 December 2014 represented receivable from one of their clients and reserved for the company.
  - Saudi Company for Trade Business owned by Saudi Company for Researches and Marketing and its receivables SR 821.325 when Saudi Printing & Packaging Company deducted this amount from one of the vendors who is a client to the Saudi company for commercial business.
3. Approve the auditor's report and consolidated financial statements for the year ended as at 31 December 2014
  4. Approval of the non-cash dividend for 2014 and carry forward the profit for the year to the item retained earnings
  5. Clear the members of Board of Directors in terms of their actions during the fiscal year ended in 31 December 2014
  6. Approve the appointment of auditor from among the candidates by audit committee to review and examine the company's financial statements for 2015, and determine their remunerations.
  7. Elect board of directors' member to the third session which start from 7 May 2015 to 6 May 2018 among the applicant candidates

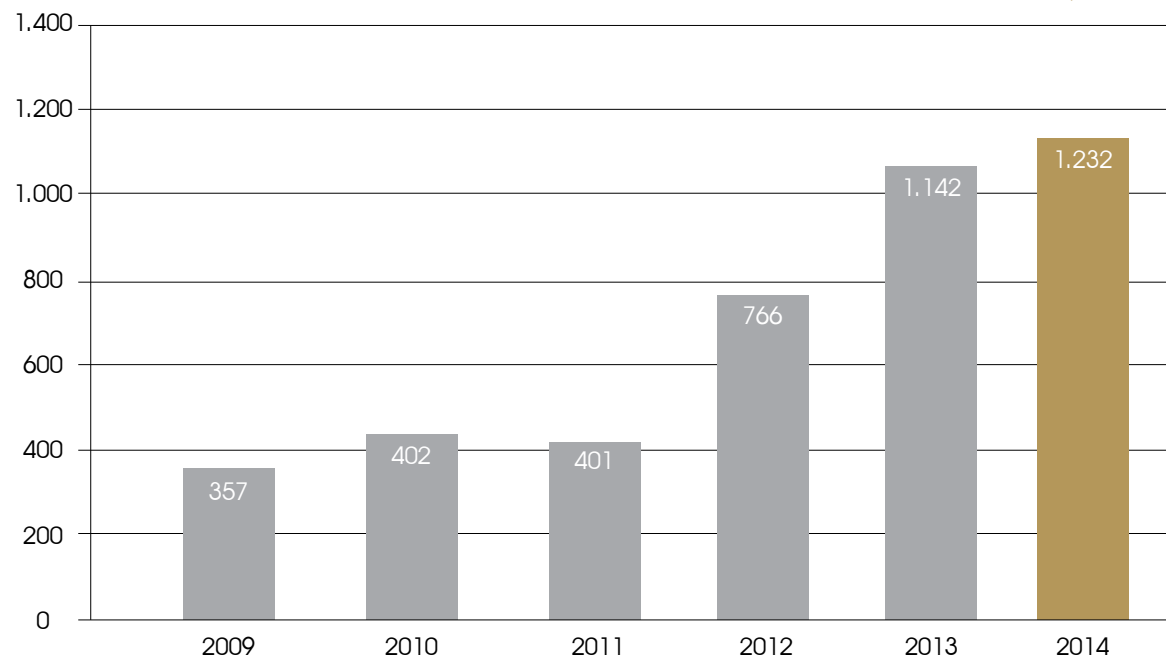
We ask Allah to help us all to the good

**Board of Directors**

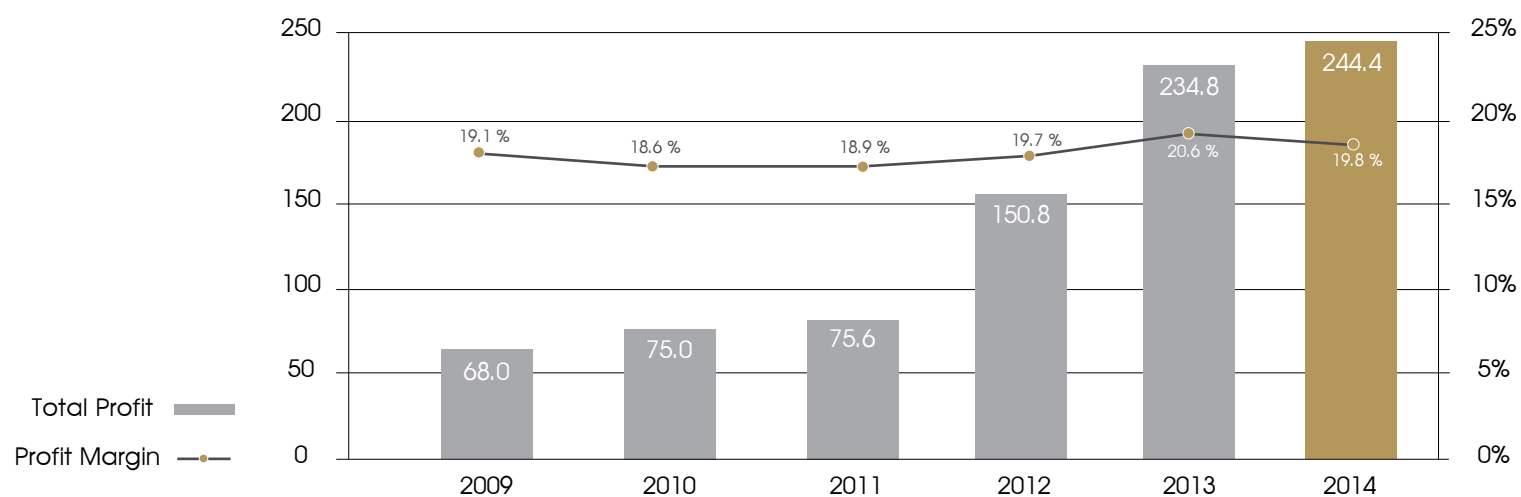


## Total Sales

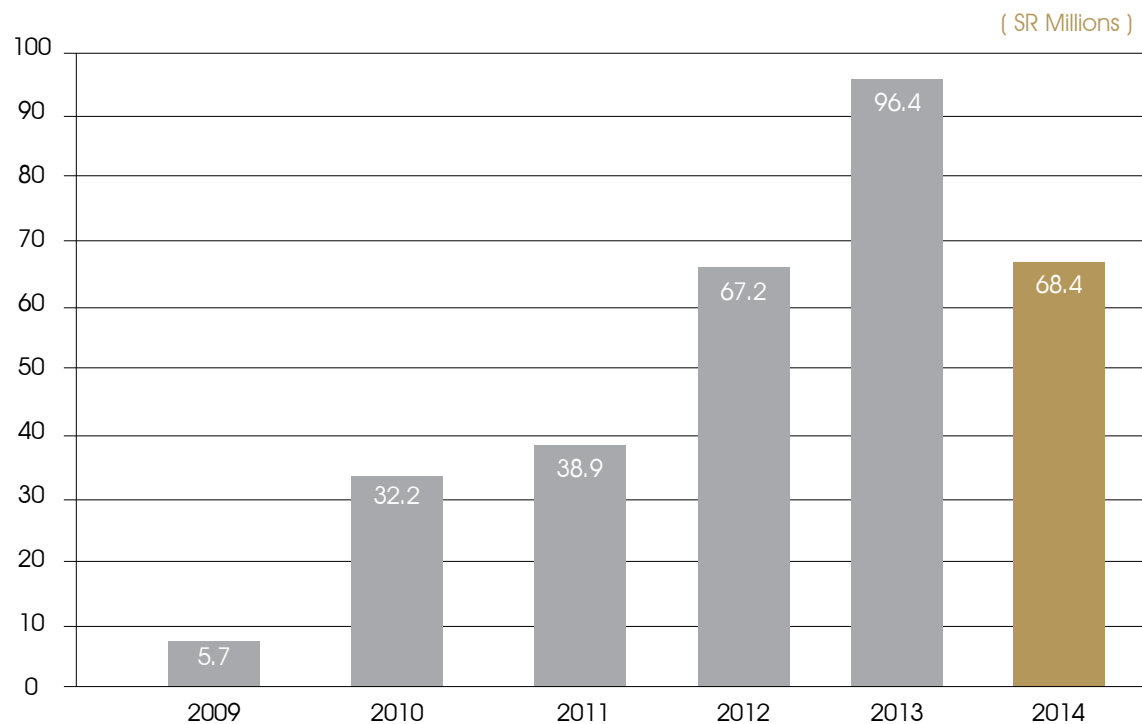
( SR Millions )



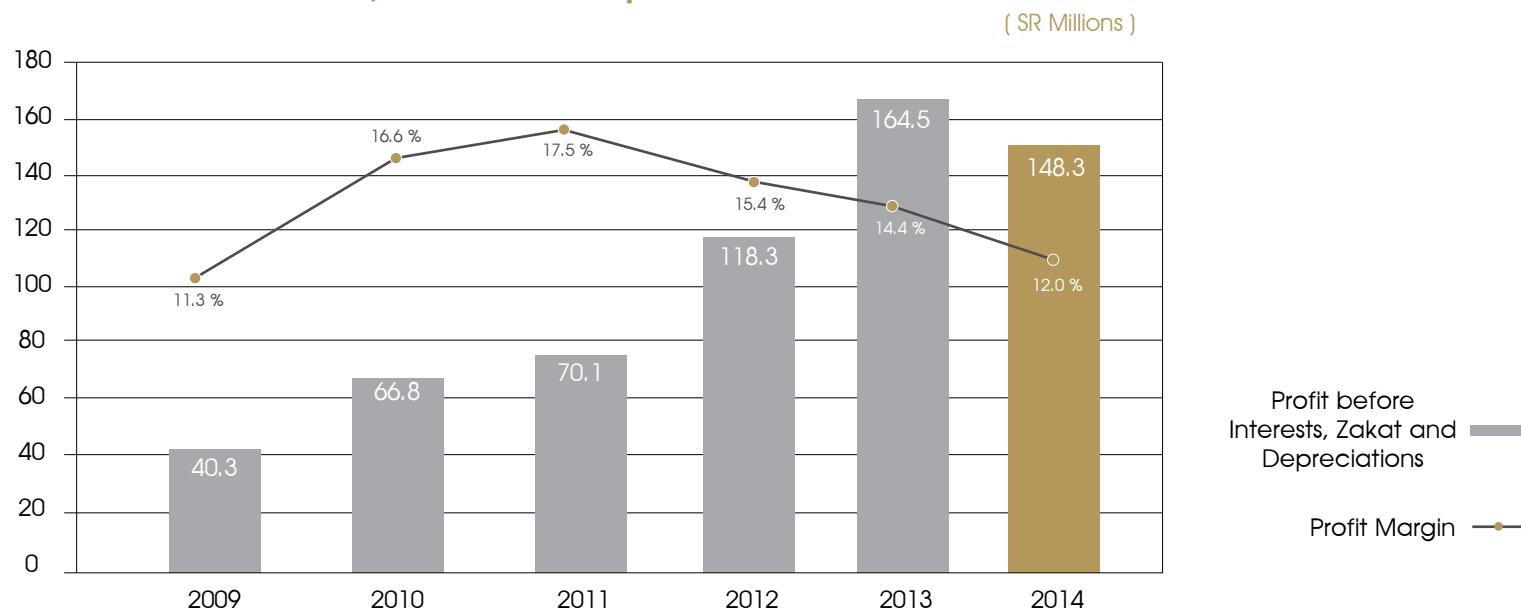
## Gross profits



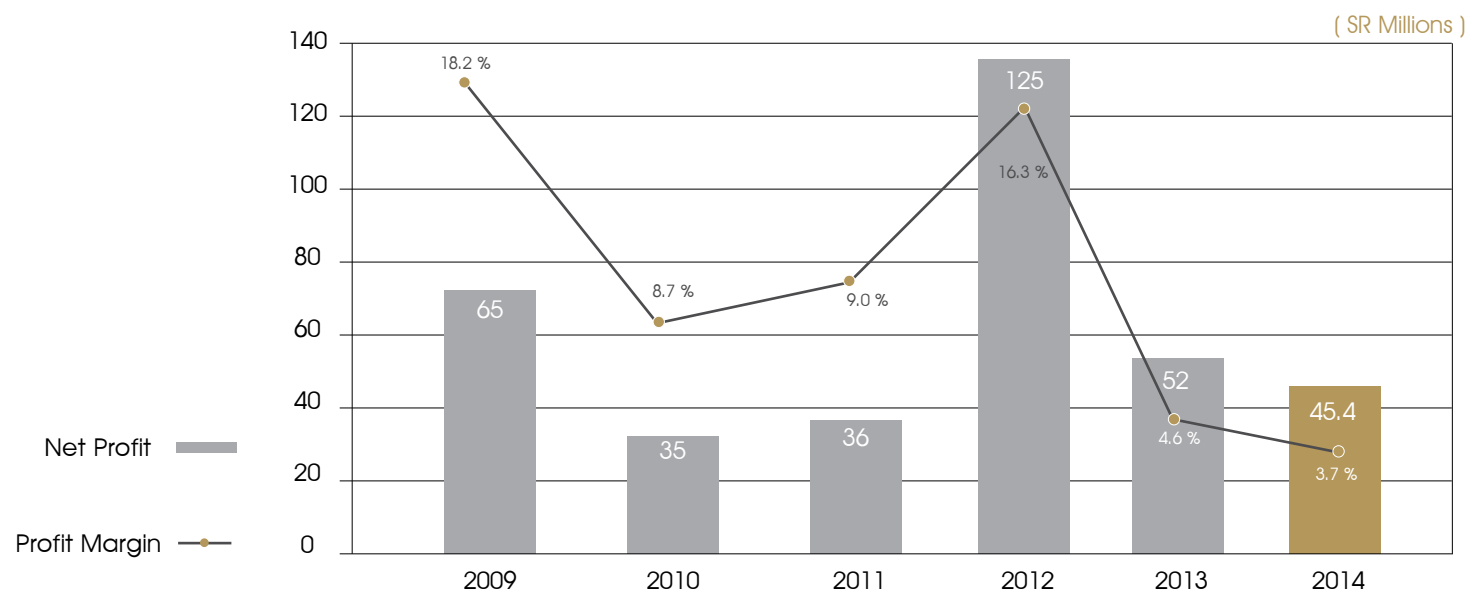
## Profits from Operations



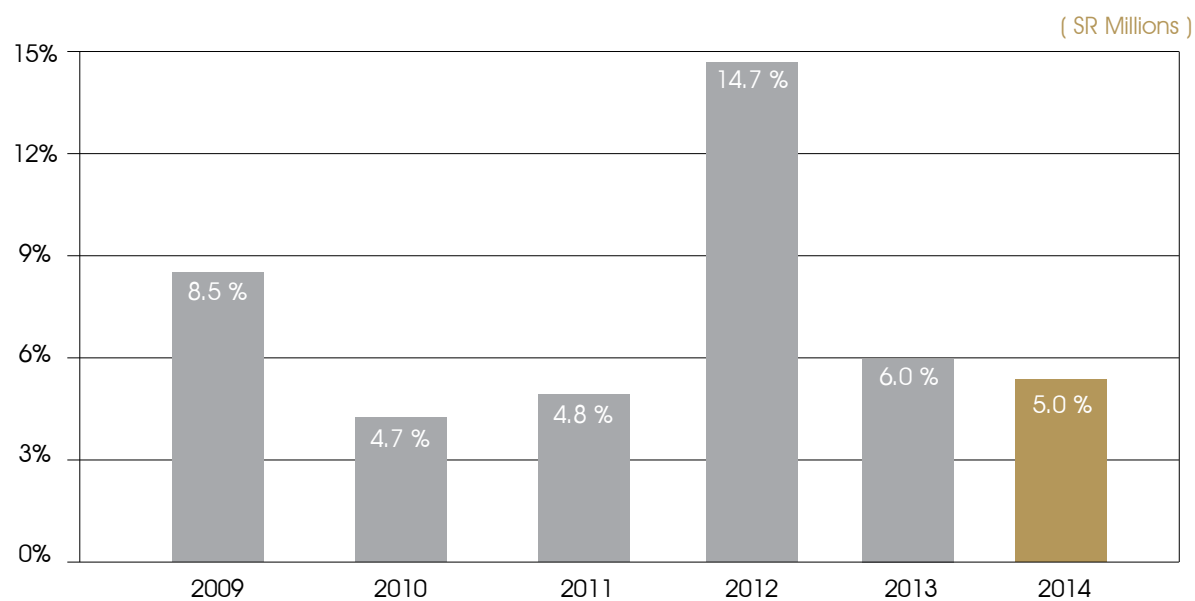
## Profit before Interests, Zakat and Depreciations



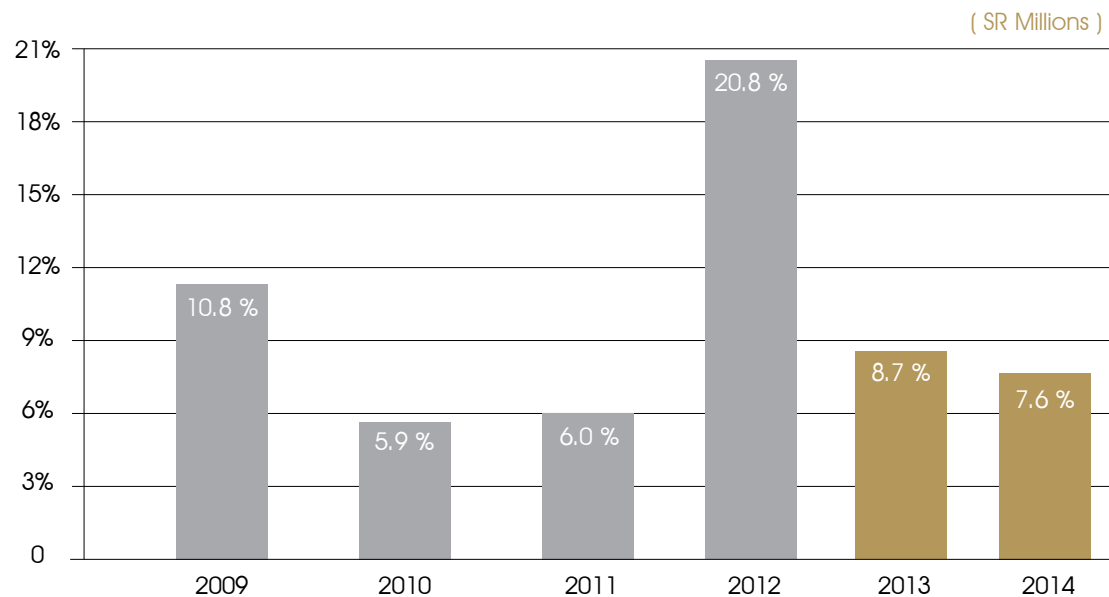
## Net Profit



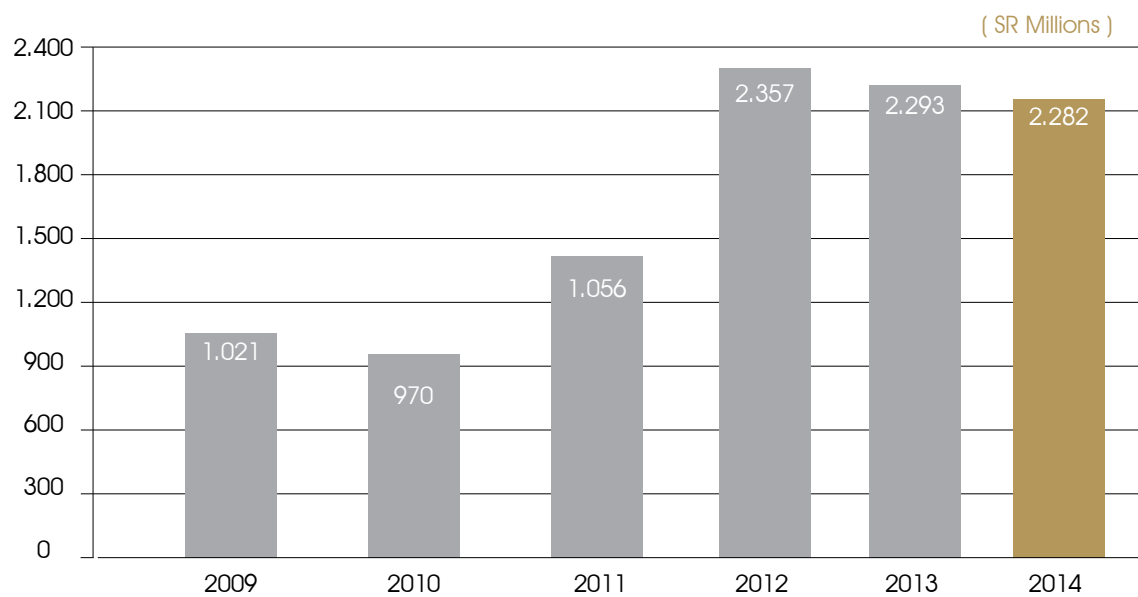
## Return on Shareholders' Equity



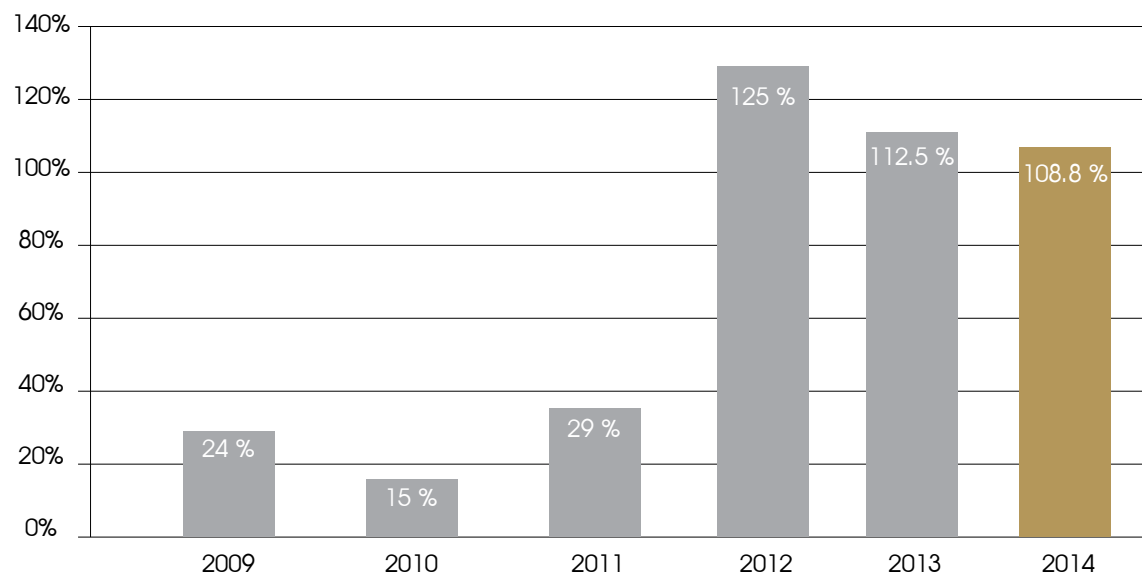
## Return on Capital



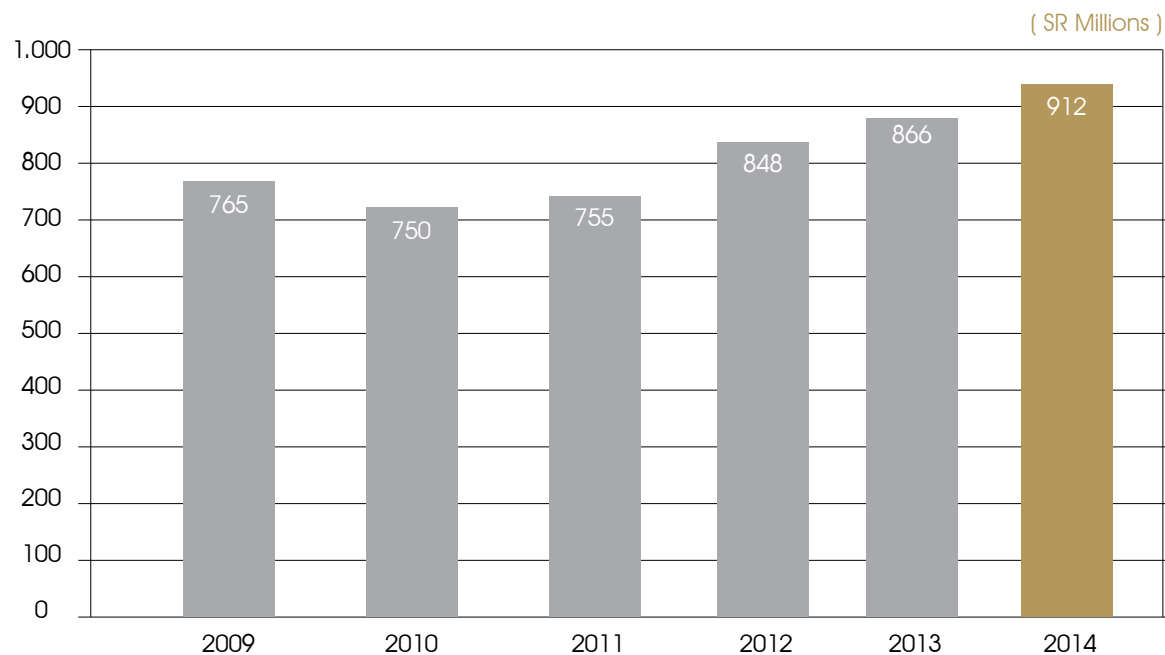
## Total Assets



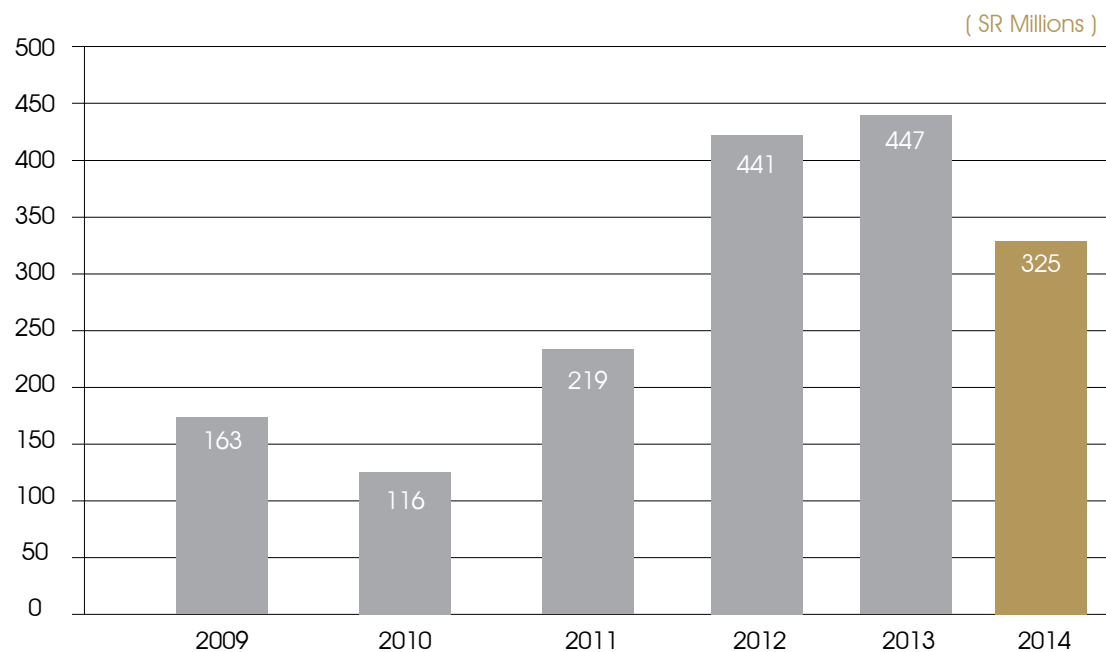
### Debts to Shareholders' Equity



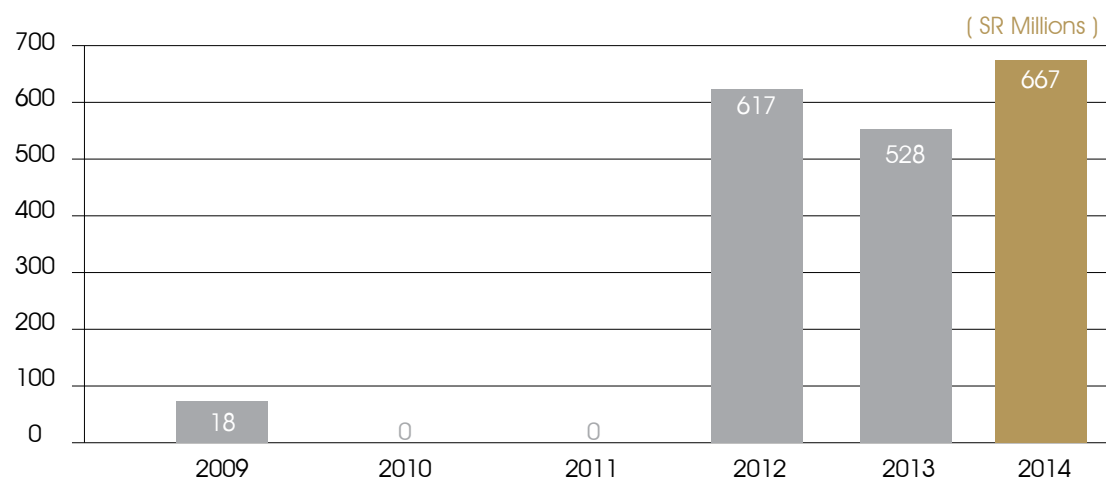
### Total Shareholders' Equity



## Short Term Loans



## Long Term Loans











February 24, 2015

## 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, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (28) 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, 2014 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:

Mohammed Abdulaziz Al Obaidi  
License Number 367



		As of December 31,	
Assets	Notes	2014	2013
<b>Current assets</b>			
Cash in hand and at banks	4	127,121,654	65,207,151
Accounts receivable, net	5	370,165,101	344,240,283
Receivable from sale of a land	9	19,500,065	19,500,065
Inventories, net	7	254,414,194	307,190,480
Prepayments and other assets	6	36,389,992	25,824,812
Due from related parties	15	39,529,997	62,183,837
		<b>847,121,003</b>	<b>824,146,628</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	9	1,032,033,294	1,061,881,455
Investment properties	10	13,071,055	18,421,719
Goodwill	11	390,230,436	387,928,401
Pre-operating expenses	8	-	207,169
		<b>1,435,334,785</b>	<b>1,468,438,744</b>
<b>Total assets</b>		<b>2,282,455,788</b>	<b>2,292,585,372</b>

<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current portion of borrowings and murabaha financing	12	325,075,489	446,515,661
Notes payables		-	2,838,080
Accounts payable		181,713,784	193,554,465
Accruals and other liabilities	13	43,793,868	45,053,762
Zakat provision	16	7,057,017	5,511,713
Dividends payable		1,286,273	1,287,323
Due to a related party	15	821,325	880,900
Other payables	1, 23	12,630,414	-
		<b>572,378,170</b>	<b>695,641,904</b>

Non-current liabilities	Notes	As of December 31,	
		2014	2013
Long-term borrowings and murabaha financing	12	666,747,041	527,972,723
Employees' termination benefits	14	36,395,644	30,979,426
Other payables	1, 23	95,199,877	160,649,310
		<b>798,342,562</b>	<b>719,601,459</b>
<b>Total liabilities</b>		<b>1,370,720,732</b>	<b>1,415,243,363</b>

<b>Equity</b>			
<b>Shareholders' equity:</b>			
Share capital	1	600,000,000	600,000,000
Statutory reserve	17	76,474,423	71,936,553
Consensual reserve	18	30,105,326	30,105,326
Retained earnings		206,559,644	165,718,816
Foreign currency translation adjustments related to investments in a foreign subsidiary		213,935	279,521
Net change in fair value of cash flow hedges	20	(1,618,272)	(1,820,777)
<b>Total shareholders' equity</b>		<b>911,735,056</b>	<b>866,219,439</b>
Minority interest	1	-	11,122,570
<b>Total equity</b>		<b>911,735,056</b>	<b>877,342,009</b>
<b>Total liabilities and equity</b>		<b>2,282,455,788</b>	<b>2,292,585,372</b>
Commitments and contingencies	25		

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

	Notes	Year ended December 31,	
		2014	2013
Sales		1,232,328,247	1,141,765,520
Cost of sales		(987,882,125)	(906,932,457)
<b>Gross profit</b>		<b>244,446,122</b>	<b>234,833,063</b>
<b>Operating expenses</b>			
Selling and marketing	21	(77,337,897)	(51,629,978)
General and administrative	22	(98,739,281)	(86,692,683)
<b>Income from main operations</b>		<b>68,368,944</b>	<b>96,510,402</b>
Other income and expenses, net	23	54,028,178	6,501,861
Financial charges		(48,124,717)	(46,197,038)
<b>Income before zakat, minority interest and extraordinary loss</b>		<b>74,272,405</b>	<b>56,815,225</b>
Extraordinary loss - fire	26	(22,700,485)	-
<b>Income before zakat and minority interest</b>		<b>51,571,920</b>	<b>56,815,225</b>
Zakat	16	(6,193,222)	(4,320,656)
<b>Income for the year before minority interest</b>		<b>45,378,698</b>	<b>52,494,569</b>
Minority interest in net income of a subsidiary		-	(591,530)
<b>Net income for the year</b>		<b>45,378,698</b>	<b>51,903,039</b>
<b>Earnings per share:</b>			
Income from main operations	19	1.14	1.61
Net income for the year	19	0.76	0.87

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

		Year ended December 31,	
	Notes	2014	2013
<b>Cash flow from operating activities:</b>			
Net income for the year		45,378,698	51,903,039
<b>Adjustments for non-cash items:</b>			
Depreciation		73,669,675	64,817,931
Amortization		207,169	226,003
Gain on changes in the fair value of cash flow hedges		(869,258)	-
Gain from sale of property, plant and equipment		(25,286,315)	(2,951,125)
Gain on revaluation of other payables (deferred consideration)		(28,822,061)	-
Provision for doubtful debts		9,671,787	6,427,398
Provision for slow-moving inventories		3,293,402	5,268,591
Employees' termination benefits		9,720,180	8,012,036
Zakat provision		6,193,222	4,320,656
Property, plant and equipment loss due to fire		10,747,094	-
Inventory loss due to fire		11,873,501	-
Impairment losses in capital work-in progress		1,001,244	1,515,266
Impairment loss in investment properties		5,359,492	-
<b>Changes in working capital:</b>			
Accounts receivable		(35,596,605)	(37,436,229)
Due from/ to related parties		22,594,265	(1,599,807)
Inventories		37,609,383	(34,143,993)
Prepayments and other current assets		(10,565,180)	(672,145)
Notes payable		(2,838,080)	(5,108,780)
Accounts payable		(11,840,681)	7,269,268
Accruals and other current liabilities		(188,131)	(2,193,917)
Other payables (deferred consideration) paid		(23,996,958)	-
Employees' termination benefits paid		(4,303,962)	(2,526,961)
Zakat paid		(4,647,918)	(4,741,904)
<b>Net cash generated from operating activities</b>		<b>88,363,963</b>	<b>58,385,327</b>

<b>Cash flow from investing activities:</b>			
Additions to property, plant and equipment		(97,934,109)	(115,875,421)
Foreign currency translation adjustments related to investment properties		(8,828)	(16,244)
Proceeds from sale of property, plant and equipment		68,016,362	4,172,437
Proceeds from sale of land		-	175,999,935
Goodwill		(2,302,035)	(1,185,536)
Foreign currency translation adjustments related to property, plant and equipment		(365,790)	(435,113)
<b>Net cash generated from (utilized in) investing activities</b>		<b>(32,594,400)</b>	<b>62,660,058</b>

<b>Cash flow from financing activities:</b>			
Changes in short-term and long-term borrowings and murabaha financing		17,334,146	(84,173,850)
Foreign currency translation adjustments related to investments in a foreign subsidiary		(65,586)	369,252
Dividends paid		(1,050)	(30,008,774)
Change in minority interest		(11,122,570)	(7,029,640)
Board of Director's remunerations paid		-	(1,800,000)
<b>Net cash (utilized in) generated from financing activities</b>		<b>6,144,940</b>	<b>(122,643,012)</b>

<b>Net change in cash and cash equivalents</b>		<b>61,914,503</b>	<b>(1,597,627)</b>
Cash and cash equivalents at beginning of year		54,463,641	58,761,602
Change in restricted cash		(4,139,334)	(2,700,334)
<b>Cash and cash equivalents at end of year</b>	<b>4</b>	<b>112,238,810</b>	<b>54,463,641</b>

<b>Supplemental non-cash information:</b>			
Changes in fair value of cash flow hedges	20	202,505	(1,820,777)
Provision for doubtful debts written-off	5	3,259,003	1,130,460
Provision for slow-moving inventories written-off	7	5,189,574	1,395,183

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
<b>2014</b>								
January 1, 2014		600,000,000	71,936,553	30,105,326	165,718,816	279,521	(1,820,777)	866,219,439
Net income for the year		-	-	-	45,378,698	-	-	45,378,698
Transferred to statutory reserve	17	-	4,537,870	-	(4,537,870)	-	-	-
Foreign currency translation adjustments		-	-	-	-	(65,586)	-	(65,586)
Net changes in fair value of cash flow hedges	20	-	-	-	-	-	202,505	202,505
<b>December 31, 2014</b>		<b>600,000,000</b>	<b>76,474,423</b>	<b>30,105,326</b>	<b>206,559,644</b>	<b>213,935</b>	<b>(1,618,272)</b>	<b>911,735,056</b>
<b>2013</b>								
January 1, 2013		600,000,000	66,746,249	30,105,326	150,806,081	(89,731)	-	847,567,925
Dividends		-	-	-	(30,000,000)	-	-	(30,000,000)
Board of Director's remunerations		-	-	-	(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)
<b>December 31, 2013</b>		<b>600,000,000</b>	<b>71,936,553</b>	<b>30,105,326</b>	<b>165,718,816</b>	<b>279,521</b>	<b>(1,820,777)</b>	<b>866,219,439</b>

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. 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 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 determined factor in accordance with the aforementioned Agreement.

The deferred consideration has been revaluated as of December 31, 2014 which resulted in a revaluation income amounting to SR 28.8 million representing the change in fair value of the deferred consideration.

The deferred consideration amounted to SR 107.8 million as of December 31, 2014 (2013: SR 160.6 million). The current portion of the deferred consideration amounting to SR 12.6 million (2013: Zero) was reported under current liabilities and the non-current portion amounting to SR 95.2 million (2013: SR 160.6 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
		2014	2013	
Hala Printing Company (*)	Saudi Arabia	100%	100%	Wholesale/retail trade in printing papers and related accessories.
Taiba Printing and Publishing Company Ltd.	Saudi Arabia	100%	100%	Printing, publishing and wholesale/ retail trade in printings and papers.
Flexible Packaging Company Ltd.	Saudi Arabia	100%	100%	Printing commercial labels, carton packages and flexible packaging.
Al Madina Al Munawara Printing & Publishing 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.

- 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 an interest in Future Plus (a Saudi closed joint stock company) amounting to 731,250 shares representing 19.5% of the share capital by SR 8.4 million, and recognized a goodwill of approximately SR 1.2 million.

During the second quarter of 2014, Taiba Printing & Publishing Company acquired an interest in Future Plus (a Saudi closed joint stock company) amounting to 375,000 shares representing 10% of the share capital by SR 4.7 million. Considering that 51% of Future Plus Company is owned by ENPI. Hence, the Company's share in Future Plus became 80.5%.

During the third quarter of 2014, Taiba Printing & Publishing Company acquired the remainder of interests in Future Plus (a Saudi closed joint stock company) amounting to 731,250 shares representing 19.5% of the share capital by SR 9.1 million. Hence, the Company's share in Future Plus became 100%.

During the fourth quarter of 2014, Flexible Packaging Company waived its interest in ENPI representing 1% of the share capital of Emirates National Factory for Plastic Industries LLC to the Saudi Printing & Packaging Company in the context of the restructuring of the Group's Companies.

c. ENPI owns the following subsidiaries:

	Country of incorporation	Ownership %	
		2014	2013
Al Madina for Packaging LLC	UAE	100%	100%
Future Pack Factory LLC	UAE	100%	100%
Future Plus - A closed joint stock company	Saudi Arabia	100%	51%
United International Clear Packaging LLC	UAE	100%	100%
United Security LLC	UAE	100%	100%
Future Plast Industrial LLC	UAE	100%	100%
United Techno Graphics LLC	UAE	-	100%

In addition to that, during the third quarter of 2014 the Group made restructuring to its Companies which resulted in that the Emirates National Factory for Plastic Industries LLC owns the following Companies:

	Country of incorporation	Ownership %	
		2014	2013
Taiba Printing and Publishing Company Ltd	Saudi Arabia	100%	-
Flexible Packaging Company Ltd.	Saudi Arabia	100%	-

During 2014, ENPI transferred its beneficial ownership rights in United Techno Graphics LLC to one of the previous shareholders at a nominal consideration of US dollar one only in accordance with the terms and conditions of the acquisition agreement of ENPI.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

## 2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention and according to the accrual basis of accounting and in compliance with standards promulgated by Saudi Organization for Certified Public Accountants 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.

Costs incurred for assets under construction are classified as capital work-in-progress.

## 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 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 the consolidated income statement. Any gains or losses that may arise after the recognition of the financial instrument value are being recognized.

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 hedging transaction occurs. If such transaction is not probable, accumulated gains or losses, which are already recognized in shareholders' equity, are directly recognized in the 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 to 2014 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.

#### 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 primarily through committed bank 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

	2014	2013
Cash in hand	1,143,618	698,881
Cash at banks	111,095,192	53,764,760
Restricted cash at banks	14,882,844	10,743,510
	<b>127,121,654</b>	<b>65,207,151</b>

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

	2014	2013
Cash in hand and at banks	127,121,654	65,207,151
Restricted cash at banks	(14,882,844)	(10,743,510)
	<b>112,238,810</b>	<b>54,463,641</b>

#### 5. Accounts receivable, net

	2014	2013
Accounts receivable	401,818,099	369,480,497
Less: provision for doubtful debts	(31,652,998)	(25,240,214)
	<b>370,165,101</b>	<b>344,240,283</b>



Movement in provision for doubtful debts is summarized as follows:

	2014	2013
Balance as of January 1	25,240,214	19,943,276
Additions during the year	9,671,787	6,427,398
Write-offs during the year	(3,259,003)	(1,130,460)
<b>Balance as of December 31</b>	<b>31,652,998</b>	<b>25,240,214</b>

## 6. Prepayments and other current assets

	2014	2013
Advances to suppliers	12,283,499	6,784,246
Advances to employees	7,112,894	2,620,896
Prepaid expenses	7,057,402	2,837,829
Refundable deposits	4,258,670	4,930,183
Prepaid financial charges	2,634,775	3,316,569
Other receivables	1,659,781	2,530,864
Prepaid rent	240,821	2,121,749
Human Resources Development Fund	100,000	-
Other	1,042,150	682,476
	<b>36,389,992</b>	<b>25,824,812</b>

## 7. Inventories, net

	2014	2013
Raw materials	206,840,399	253,634,969
Work in progress and finished goods	44,181,835	47,713,075
Spare parts	13,646,979	22,561,824
Goods in transit	6,532,590	1,964,393
	<b>271,201,803</b>	<b>325,874,261</b>
Provision for slow moving items	(16,787,609)	(18,683,781)
	<b>254,414,194</b>	<b>307,190,480</b>

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

	2014	2013
Balance as of January 1	18,683,781	14,810,373
Additions during the year	3,293,402	5,268,591
Write-offs during the year	(5,189,574)	(1,395,183)
<b>Balance as of December 31</b>	<b>16,787,609</b>	<b>18,683,781</b>

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

## 8. Pre-operating expenses

	2014	2013
Balance as of January 1	207,169	433,172
Amortization	(207,169)	(226,003)
<b>Balance as of December 31</b>	<b>-</b>	<b>207,169</b>

## 9. Property, plant and equipment, net

	Land	Buildings and installation	Machinery and equipment	Furniture and fixtures	Vehicles	Computers	Tools	Capital work-in progress	Total
<b>Cost</b>									
January 1, 2014	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
Additions	-	1,645,781	10,314,857	2,348,700	1,923,804	1,378,499	309,801	80,012,667	97,934,109
Disposals	(12,225,000)	(37,974,246)	(114,517,320)	(4,366,022)	(2,259,350)	(1,740,764)	(31,019)	-	(173,113,721)
Transfers	-	55,002,157	43,291,053	135,115	337,825	4,274,719	-	(103,040,869)	-
Loss due to fire (Note No. 26)	-	(9,709,189)	(5,833,971)	(643,417)	(200,826)	-	-	-	(16,387,403)
Foreign currency adjustments	64,022	101,399	275,561	9,232	5,467	2,665	1,093	20,632	480,071
<b>December 31, 2014</b>	<b>160,511,031</b>	<b>300,018,231</b>	<b>847,364,810</b>	<b>24,684,469</b>	<b>14,486,064</b>	<b>14,116,804</b>		<b>74,744,281</b>	<b>1,439,131,347</b>
<b>Accumulated depreciation</b>									
January 1, 2014	-	69,126,378	366,217,601	15,403,406	10,639,253	4,454,558	980,374	1,515,266	468,336,836
Charge for the year	-	12,930,301	53,076,725	3,725,357	1,508,382	2,192,642	236,268	-	73,669,675
Disposals	-	(22,783,598)	(99,517,007)	(4,246,837)	(2,079,916)	(1,725,318)	(30,998)	-	(130,383,674)
Transfers	-	-	(286,639)	287,067	(428)	-	-	-	-
Loss due to fire (Note No. 26)	-	(3,636,927)	(1,427,832)	(422,252)	(153,298)	-	-	-	(5,640,309)
Foreign currency adjustments	-	18,995	85,185	5,442	3,013	497	229	920	114,281
Impairment losses	-	-	391,164	610,080	-	-	-	-	1,001,244
<b>December 31, 2014</b>	<b>-</b>	<b>55,655,149</b>	<b>318,539,197</b>	<b>15,362,263</b>	<b>9,917,006</b>	<b>4,922,379</b>	<b>1,185,873</b>	<b>1,516,186</b>	<b>407,098,053</b>
<b>Net book value December 31, 2014</b>	<b>160,511,031</b>	<b>244,363,082</b>	<b>528,825,613</b>	<b>9,322,206</b>	<b>4,569,058</b>	<b>9,194,425</b>	<b>2,019,784</b>	<b>73,228,095</b>	<b>1,032,033,294</b>
<b>December 31, 2013</b>	<b>172,672,009</b>	<b>221,825,951</b>	<b>547,617,029</b>	<b>11,797,455</b>	<b>4,039,891</b>	<b>5,747,127</b>	<b>1,945,408</b>	<b>96,236,585</b>	<b>1,061,881,455</b>

The disposals include an amount of SR 25,059,085 representing the carrying amount of property, plant and equipment which have been reclassified during the third quarter of 2014 as assets held for sale. These assets have been disposed of during the fourth quarter of 2014.

## 10. Investment properties

Investment properties at December 31, 2014 consist of a land and it's building leased out to third parties. Movement in investment properties is summarized as follows:

	2014	2013
Balance as of January 1	18,421,719	18,405,475
Impairment loss	(5,359,492)	-
Foreign currency translation adjustments	8,828	16,244
<b>Balance as of December 31</b>	<b>13,071,055</b>	<b>18,421,719</b>

## 11. Goodwill

	2014	2013
Emirates National Factory for Plastic Industries LLC (Note 1)	353,810,217	353,810,217
Flexible Packaging Company (**)	22,715,763	22,715,763
Hala Printing Company (*)	10,216,885	10,216,885
Future Industrial Investment Company (Note 1)	3,487,571	1,185,536
	<b>390,230,436</b>	<b>387,928,401</b>

(\*) 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, considering the fact that during the third quarter of 2014 and in the context of the restructuring process of the Group Companies, Taiba Printing & Packaging Company waived its interest which is represented by 5% of Hala Printing Company share capital to Future Industrial Investment 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. Considering the fact that during the third quarter of 2014 as illustrated in note No (1) and in the context of the restructuring process of the Group Companies, Flexible Packaging Company has been 100% acquired by Emirates National Factory for Plastic Industries LLC.

## 12. Borrowings and muarabaha financing

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

	2014	2013
Overdraft facilities	-	5,006,194
Murabaha to finance the working capital	248,903,826	397,622,950
Borrowings and murabaha financing	742,918,704	571,859,240
	<b>991,822,530</b>	<b>974,488,384</b>
Less: current portion	(325,075,489)	(446,515,661)
Non-current portion	666,747,041	527,972,723

The Company and its subsidiaries have bank facility agreements with several local and foreign banks in the form of borrowings and murabaha financing, letters of credits and letters of guarantee with a total ceiling of SR 1.996 billion (2012: SR 1.84 billion). The utilized amount at December 31, 2014 amounted to approximately SR 1.085 billion (2013: SR 1.06 billion) to finance the investments and import of raw materials and equipment relating to the Company's activities and capital expenditures. These facilities bear financial charges as per the relevant agreements, and they are repayable on varying periods for each facility. The currencies of the borrowings and muarabaha financing are Saudi Riyal, Emirati Dirham and Us Dollar. The borrowings and muarabaha financing are repayable on maturities range from 2015 to 2020.

### 13. Accruals and other current liabilities

	2014	2013
Accrued expenses	28,474,779	25,055,629
Advances from customers	6,612,676	6,258,531
Accrued employees' tickets and vacations	4,472,999	4,642,471
Net changes in fair value of cash flow hedges	4,171,581	1,820,777
Other	61,833	7,276,354
	<b>43,793,868</b>	<b>45,053,762</b>

### 14. Employees' termination benefits

Movement in employees' termination benefits is summarized as follows:

	2014	2013
Balance as of January 1	30,979,426	25,494,351
Additions for the year	9,720,180	8,012,036
Payments during the year	(4,303,962)	(2,526,961)
<b>Balance as of December 31</b>	<b>36,395,644</b>	<b>30,979,426</b>

### 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:

	2014	2013
Sales	71,838,957	78,058,505
Rental income	196,250	251,497
Executive board members remunerations	1,300,00	2,600,000
Allowances paid to BOD members	160,000	185,000
Management fees		-

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:

	2014	2013
Saudi Research and Marketing Group (the Parent Company)	2,789,474	3,655,223
Saudi Research and Publishing Company	19,299,703	21,434,866
Saudi Specialized Publishing Company	12,122,842	16,535,792
Future Card Industrial Company Ltd.	3,191,776	18,918,610
Saudi Distribution Company	931,817	662,751
Numu Al-Elmia Company	562,006	95,735
Emirates Printing, Publishing & Distribution Company	363,412	166,907
AlKhaleejiah Advertising and Public Relation Company	213,325	220,602
Numu Multimedia Company	18,685	18,685
Numu Media Holding Company	11,825	469,696
Arab Media Company	4,970	4,970
Others	20,162	-
	<b>39,529,997</b>	<b>62,183,837</b>

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

	2014	2013
Saudi Commercial Company	821,325	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:

	2014	2013
Non-current assets	1,435,334,785	1,468,438,744
Non-current liabilities	798,342,562	719,601,459
Shareholders' equity - opening balance	866,219,439	847,567,925
Income before zakat	50,571,920	56,815,225

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:

	2014	2013
Balance as of January 1	5,511,713	5,932,961
Provided during the year	6,193,222	4,320,656
Paid during the year	(4,647,918)	(4,741,904)
<b>Balance as of December 31</b>	<b>7,057,017</b>	<b>5,511,713</b>

### 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 which prevailed the DZIT assessments. The Company raised a further appeal at the Supreme Appeal 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 2013 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. The Company filed an appeal against the additional DZIT assessments, which is still under review by the DZIT.

## 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, 2014, one of the subsidiaries had commission rate SWAP agreement with a nominal value of SR 375.15 million (2013: 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, 2014 amounted to SR 4.2 million (2013: SR 1.8 million).

## 21. Selling and marketing expenses

	2014	2013
Salaries and related benefits	25,383,514	21,377,181
Shipping and distribution	21,994,902	9,945,672
Commissions and incentives	11,588,118	7,396,010
Provision for doubtful debts	9,671,787	6,427,398
Maintenance	1,859,818	68,604
Promotion and advertising expenses	1,834,017	2,124,070
Rent	1,125,732	1,126,934
Other	3,880,009	3,164,109
	<b>77,337,897</b>	<b>51,629,978</b>

## 22. General and administrative expenses

	2014	2013
Salaries and related benefits	65,200,313	57,277,302
Depreciation	7,570,279	8,621,859
Professional fees	5,745,623	3,337,290
Utilities	4,059,442	4,865,655
Business travel	3,750,408	1,344,160
Rents	2,290,046	1,169,170
Executive board members' remunerations (Note 15)	1,300,000	2,600,000
Cars expenses	928,829	2,153,796
Tadawul subscription fees	400,000	400,000
Amortization	207,169	226,003
Allowances paid to BOD members	160,000	185,000
Insurance	64,636	21,739
Other	7,062,536	4,490,709
	<b>98,739,281</b>	<b>86,692,683</b>

## 23. Other income and expenses, net

	2014	2013
Gain from sale of property, plant and equipment (Note No. 9)	25,286,315	2,951,125
Revaluation gain of other payables (deferred consideration)	28,822,061	-
Insurance refunds	3,062,460	1,188,914
Rental income	1,482,903	828,260
Impairment loss in investment properties (Note No. 10)	(5,359,492)	-
Impairment loss in Property, plant and equipment (Note No. 9)	(1,001,244)	-
Other	1,735,175	1,533,562
	<b>54,028,178</b>	<b>6,501,861</b>

## 24. Commitments and contingencies

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

	2014	2013
Letters of credit	80,050,371	65,957,953
Letters of guarantee	12,978,401	11,580,457

The subsidiary, ENPI, has capital commitments amounting to approximately SR 23.4 million (2013: SR 23.4 million) for the purchase of machineries through issuing letters of credits by the same amount.

## 25. 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, 2014 and 2013 of the operating segments mentioned above.

	Printing	Packaging	Other segments and investing activities	Total
<b>2014</b>				
Sales	220,473,794	1,011,854,453	-	1,232,328,247
Net income/ (loss)	12,354,529	55,756,994	(22,732,825)	45,378,698
Financial charges	(7,921,853)	(40,095,315)	(107,549)	(48,124,717)
Depreciation	(26,731,934)	(46,507,564)	(430,177)	(73,669,675)
Property, plant and equipment, net	398,010,925	631,421,374	2,600,995	1,032,033,294
Total assets	701,749,323	1,554,942,588	25,763,877	2,282,455,788
<b>Total liabilities</b>	<b>(76,962,277)</b>	<b>(1,165,362,053)</b>	<b>(128,396,402)</b>	<b>(1,370,720,732)</b>
<b>2013</b>				
Sales	217,897,861	923,867,659	-	1,141,765,520
Net income	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
<b>Total liabilities</b>	<b>(53,521,703)</b>	<b>(737,435,833)</b>	<b>(624,285,827)</b>	<b>(1,415,243,363)</b>

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	
	2014	2013	2014	2013	2014	2013
Sales	405,547,473	385,825,480	826,780,774	755,940,040	1,232,328,247	1,141,765,520
Net income (loss)	11,409,911	(12,523,296)	33,968,787	64,426,335	45,378,698	51,903,039
Financial charges	(30,255,762)	(26,568,334)	(17,868,955)	(19,628,704)	(48,124,717)	(46,197,038)
Depreciation	(35,810,683)	(33,088,287)	(37,858,992)	(31,729,644)	(73,669,675)	(64,817,931)
Property, plant and equipment, net	514,157,535	565,886,814	517,875,759	495,994,641	1,032,033,294	1,061,881,455
<b>Total assets</b>	<b>625,906,093</b>	<b>1,360,128,275</b>	<b>1,656,549,695</b>	<b>932,457,097</b>	<b>2,282,455,788</b>	<b>2,292,585,372</b>
<b>Total liabilities</b>	<b>(859,333,017)</b>	<b>(872,947,664)</b>	<b>(511,387,715)</b>	<b>(542,295,699)</b>	<b>(1,370,720,732)</b>	<b>(1,415,243,363)</b>

## 26. Extraordinary loss

During the fourth quarter of 2014, a fire incident occurred that burnt the assets in the factory and warehouse of one of the Group subsidiaries in the United Arab Emirates which resulted in damages to the assets of which carrying amounts are SR 22.7 million, the losses incurred have been recognized in the consolidated income statement for the year ended December 31, 2014. Considering the fact that the Group's management is in the process of completing the legal procedures and reclaiming the insurance refunds related to these damages and losses

## 27. Subsequent events

During January 2015, the Group has sold plots of land located in Jeddah with some old warehouses built on it by an amount of SR 15.6 million which resulted in a capital gain amounting to SR 14.2 million approximately.

## 28. Approval of the consolidated financial statements

The accompanying consolidated financial statements have been approved by the Company's board of directors on 3 Jumadah I 1436H (Corresponding to February 22, 2015)

