

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
AND INDEPENDENT AUDITORS' REPORT

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

February 20, 2014

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

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Printing and Packaging Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (27) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

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

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SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As of December 31,	
		2013	2012
Assets			
Current assets			
Cash in hand and at banks	4	65,207,151	66,804,778
Accounts receivable, net	5	344,240,283	313,292,493
Receivable from sale of a land	9	19,500,065	195,500,000
Inventories, net	7	307,190,480	278,315,078
Prepayments and other assets	6	25,824,812	25,091,626
Due from related parties	15	62,183,837	52,462,905
		824,146,628	931,466,880
Non-current assets			
Property, plant and equipment, net	9	1,061,881,455	1,013,125,430
Investment properties	10	18,421,719	18,405,475
Goodwill	11	387,928,401	386,742,865
Pre-operating expenses	8	207,169	433,172
Due from a related party	15	-	7,240,225
		1,468,438,744	1,425,947,167
Total assets		2,292,585,372	2,357,414,047
Liabilities and equity			
Liabilities			
Current liabilities			
Current portion of borrowings and murabaha financing	12	446,515,661	441,412,713
Notes payables		2,838,080	7,946,860
Accounts payable		193,554,465	186,285,197
Accruals and other liabilities	13	45,053,762	38,277,658
Zakat provision	16	5,511,713	5,932,961
Dividends payable		1,287,323	1,296,097
Due to a related party	15	880,900	-
		695,641,904	681,151,486
Non-current liabilities			
Long-term borrowings and murabaha financing	12	527,972,723	617,249,521
Employees' termination benefits	14	30,979,426	25,494,351
Other payables	1	160,649,310	167,798,554
		719,601,459	810,542,426
Total liabilities		1,415,243,363	1,491,693,912
Equity			
Shareholders' equity:			
Share capital	1	600,000,000	600,000,000
Statutory reserve	17	71,936,553	66,746,249
Consensual reserve	18	30,105,326	30,105,326
Retained earnings	27	165,718,816	150,806,081
Foreign currency translation adjustments related to investments in a foreign subsidiary		279,521	(89,731)
Net change in fair value of cash flow hedges	20	(1,820,777)	-
Total shareholders' equity		866,219,439	847,567,925
Minority interest	24	11,122,570	18,152,210
Total equity		877,342,009	865,720,135
Total liabilities and equity		2,292,585,372	2,357,414,047
Commitments and contingencies	25		

The accompanying notes on pages 6 to 21 form an integral part of these consolidated financial statements.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

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

The accompanying notes on pages 6 to 21 form an integral part of these consolidated financial statements.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31,	
		2013	2012
Cash flow from operating activities:			
Net income for the year		51,903,039	124,555,219
Adjustments for non-cash items:			
Depreciation		64,817,931	45,377,124
Amortization		226,003	226,003
Gain from sale of property, plant and equipment		(2,951,125)	(77,139,143)
Provision for doubtful debts		6,427,398	6,202,600
Provision for slow-moving inventories		5,268,591	3,165,459
Employees' termination benefits		8,012,036	2,885,548
Zakat provision		4,320,656	4,369,673
Impairment losses in capital work-in progress		1,515,266	-
Changes in working capital:			
Accounts receivable		(37,436,229)	(8,896,189)
Due from/ to related parties		(1,599,807)	17,222,821
Inventories		(34,143,993)	(21,859,831)
Prepayments and other current assets		(672,145)	11,427,877
Notes payable		(5,108,780)	(2,805,210)
Accounts payable		7,269,268	9,395,507
Accruals and other current liabilities		(2,193,917)	(22,177,309)
Employees' termination benefits paid		(2,526,961)	(2,673,799)
Zakat paid		(4,741,904)	(4,617,157)
Net cash generated from operating activities		58,385,327	84,659,193
Cash flow from investing activities:			
Additions to property, plant and equipment		(115,875,421)	(95,440,038)
Investment properties		(16,244)	15,522
Acquisition of a subsidiary		-	(484,432,807)
Proceeds from sale of property, plant and equipment		4,172,437	21,173,757
Proceeds from sale of land		175,999,935	-
Goowill		(1,185,536)	-
Foreign currency translation adjustments related to property, plant and equipment		(435,113)	-
Net cash generated from (utilized in) investing activities		62,660,058	(558,683,566)
Cash flow from financing activities:			
Changes in short-term and long-term borrowings and murabaha financing		(84,173,850)	499,319,524
Foreign currency translation adjustments related to investments in a foreign subsidiary		369,252	(89,731)
Dividends paid		(30,008,774)	(29,958,578)
Change in minority interest		(7,029,640)	793,105
Board of Director's remunerations paid		(1,800,000)	(1,556,666)
Net cash (utilized in) generated from financing activities		(122,643,012)	468,507,654
Net change in cash and cash equivalents		(1,597,627)	(5,516,719)
Cash and cash equivalents at beginning of year		58,761,602	26,771,821
Cash and cash equivalents acquired during the year		-	37,506,500
Change in restricted cash		(2,700,334)	-
Cash and cash equivalents at end of year	4	54,463,641	58,761,602
Supplemental non-cash information:			
Changes in fair value of cash flow hedges	20	(1,820,777)	-
Provision for doubtful debts written-off	5	1,130,460	1,326,240
Provision for slow-moving inventories written-off	7	1,395,183	2,820,265
Unpaid portion of acquisition value of a subsidiary, net		-	157,521,860

The accompanying notes on pages 6 to 21 form an integral part of these consolidated financial statements.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

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

The accompanying notes on pages 6 to 21 form an integral part of these consolidated financial statements.

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

1. General Information

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

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

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

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

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

- a) The first tranche of the deferred consideration was computed by using the average net income for the years 2012 through 2014 multiplied by 11.5% and the resulting amount is reduced by the amount paid to one of the selling parties on the date of paying the cash consideration amounted SR 61.3 million, which was estimated based on the targeted results as agreed in the Agreement. Such amount of consideration was estimated to approximate SR 151.4 million and to be settled after the issuance of 2014 audited financial statements of ENPI;
- b) The second tranche as an earn-out to be computed by using the targeted results of ENPI as agreed in the Agreement multiplied by a factor of 10%. This tranche was estimated to SR 20.6 million which will be paid annually after the issuance of the audited financial statements of ENPI for the years 2012, 2013, and 2014.

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

SAUDI PRINTING AND PACKAGING COMPANY

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(All amounts in Saudi Riyals unless otherwise stated)

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

Subsidiary	Country of incorporation	Ownership % at December 31,		Principal activity
		2013	2012	
Hala Printing Company (*)	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.

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

(**) The Company owns 50% directly and 50% indirectly in this subsidiary.

(***) The Company owns 100% indirectly in this subsidiary.

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

During the second quarter of 2013, Future Industrial Investment Company acquired 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. Noting that 51% of Future Plus Company is owned by ENPI.

- c) ENPI owns the following subsidiaries:

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

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

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

2.2 Basis of consolidation

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

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

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future, the actual results may differ from such estimates.

2.4 Revenue recognition

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

Revenue on long-term contracts is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion of costs incurred to date bear to the estimated total costs of a contract. Revenue recognized to date represents the percentage of completion multiplied by the total contract value. When the current estimate of total contract costs and revenues indicates a loss, provision is made for the entire loss on contract irrespective of the amount of work done. The periodic payments of contracts and payments received in advance from customers, if any, are reduced from the contract amount. Revenue that exceeds of the invoices issued to customers is recorded as unbilled revenue under accounts receivable and current assets. Received amount that exceeds revenue is recorded as extra invoice issued within liabilities.

2.5 Selling, marketing and general and administrative expenses

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

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

2.6 Cash and cash equivalents

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

2.7 Accounts receivable

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

SAUDI PRINTING AND PACKAGING COMPANY

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Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

2.8 Inventories

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

2.9 Business combination and goodwill

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

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

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

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

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

2.10 Property, plant and equipment

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

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

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

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

2.11 Investment properties

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

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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.

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

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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 with 2013 presentation.

3. Financial instruments and risk management

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

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

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

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

3.1 Currency risk

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

3.2 Fair value and cash flow interest rate risks

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

3.3 Price risk and raw materials price fluctuation

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

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

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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

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

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

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

5. Accounts receivable, net

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

Movement in provision for doubtful debts is summarized as follows:

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

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6. Prepayments and other current assets

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

7. Inventories, net

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

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

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

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

8. Pre-operating expenses

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

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9. Property, plant and equipment, net

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

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

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

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10. Investment properties

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

11. Goodwill

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

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

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

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

12. Borrowings and murabaha financing

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

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

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 1.84 billion (2012: SR 1.3 billion). The utilized amount at December 31, 2013 amounted to approximately SR 1.06 billion (2012: SR 1.1 billion) to finance the investments and import of raw materials and equipment relating to the Company's activities and capital expenditures. These facilities bear financial charges as per the relevant agreements, and they are repayable on varying periods for each facility.

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

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

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

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

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

13. Accruals and other current liabilities

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

14. Employees' termination benefits

Movement in employees' termination benefits is summarized as follows:

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

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:

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

See also Note 27.

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

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Due from related parties at December 31 are as follows:

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

Non-current portion of due from related parties:

Future Card Industrial Company Ltd.	-	(7,240,225)
Current portion of due from related parties	62,183,837	52,462,905

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

	2013	2012
Saudi Commercial Company	880,900	-

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

16. Zakat

Main components of zakat base consist of:

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

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

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

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

Zakat status

- (a) 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

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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 2012 were filed with the DZIT and the restricted zakat certificate for these years were obtained. The DZIT did not issue the final assessments for the years ended December 31, 2009 through 2012 till to date. While the DZIT issued its final assessment for the year ended December 31, 2008 and claimed zakat differences of SR 453,172 after deducting the overpaid amount of SR 1,002,000 for the years ended December 31, 2001 through 2005. The Company filed an objection against this assessment during 2013.

17. Statutory reserve

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

18. Consensual reserve

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

19. Earnings per share

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

20. Net changes in fair value of cash flow hedges

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

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

21. Selling and marketing expenses

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

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22. General and administrative expenses

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

23. Other income and expenses, net

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

24. Minority interest

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

25. Commitments and contingencies

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

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

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

26. Segment information

The Company operates mainly in the following segments:

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

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

	Printing	Packaging	Other segments and investing activities	Total
2013				
Sales	217,897,861	923,867,659	-	1,141,765,520
Net income/ (loss)	4,218,334	59,929,194	(12,244,489)	51,903,039
Financial charges	(7,037,493)	(38,984,019)	(175,526)	(46,197,038)
Depreciation	(25,684,824)	(38,859,597)	(273,510)	(64,817,931)
Property, plant and equipment, net	453,745,953	603,131,352	5,004,150	1,061,881,455
Total assets	722,522,321	1,152,117,516	417,945,535	2,292,585,372
2012				
Sales	283,019,143	482,876,210	-	765,895,353
Net income	22,156,669	43,377,126	59,021,424	124,555,219
Financial charges	(8,013,160)	(12,950,341)	-	(20,963,501)
Depreciation	(24,630,697)	(20,613,837)	(132,590)	(45,377,124)
Property, plant and equipment - net	397,231,772	563,593,923	52,299,735	1,013,125,430
Total assets	705,209,121	1,013,520,586	638,684,340	2,357,414,047

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

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

27. Dividends and Board of Director's remunerations

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