



المجموعة السعودية للأبحاث والتسويق
SAUDI RESEARCH & MARKETING GROUP

2014

Annual Report



SRMG History

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



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Saudi Research and Marketing Group

Chairman's Message to Shareholders



Dears shareholders:

I am pleased to present the annual report of the Saudi research and marketing group for 2014, and after chairing the Board of Directors during this year, I would like to express my appreciation and thanks to the distinguished members of the Board of Directors for their support and confidence.

I would also like on behalf of my fellow board members to take this opportunity to extend our appreciation and gratitude to his Highness the former chairman of the board of directors, Prince Turki Bin Salman Al Saud. I also welcome the new members of the Board of Directors and the Managing Director, I am confident that their expertise will contribute to enriching the experience and knowledge of the Group.

I would also like on behalf of my fellow board members to take this opportunity to extend our appreciation and gratitude to his Highness the former chairman of the board of directors, Prince Turki Bin Salman Al Saud. I also welcome the new members of the Board of Directors and the Managing Director, I am confident that their expertise will contribute to enriching the experience and knowledge of the Group.

Finally, we ask Allah to bless our endeavors and our efforts to achieve the aspirations and objectives of the group, and I thank the shareholders and stakeholders for their support and efforts, and we didn't forget that the cornerstone of the group is the human element so I thank them for their efforts and wish them to continue those efforts for the greater good of the group.

Mr. Abdullah Bin Salem Bahamdan
Chairman of the Board

SRMG Members of the Board



Mr. Abdullah Bin Salem Bahamdan
Chairman of the Board



Eng. Sulaiman Bin Ibrahim Al Hudaithi
Board Member

CEO, Managing Director Saudi Research and Marketing Group

Chairman of the Saudi Printing and Packaging Company

Member of the Board of Directors of Asir

Member of the Board of Directors of the Najmat Al Madaen Group

Chairman of the Board of Directors of the Saudi Private Laboratories

Member of the Board of Directors of Venture Capital Investment Saudi Arabia

Member of the Board of Directors of Venture Capital Bank (Bahrain)



Mr. Mohammad Bin Omar Alesayi
Board Member



Mr. Mohyedin Bin Saleh Kamel
Board Member

Member of the Board of Directors of Jabal Omar Company

Member of the Board of Directors of Dallah Health Services

Member of the Board of Directors of Al Khozama Management



Eng. Abdul Rahman Bin Ibrahim Al Rowaitaa
Board Member

Board Member of the Aseer Trading, Tourism & Manufacturing Co.

Board Member of the Emaar The

Board Member of the Halwani Bros Co

Board Member of the Al Khozama Management Co

Board Member of the Jadwa Investment

Member of the Board of Directors of Amlak International

Member of the Board of Directors of Alessa Industries



Dr. Azzam Bin Mohammed Al Dakhil
Board Member

Board Member of the Saudi Printing & Packaging Company

Board Member of the Aseer Trading, Tourism & Manufacturing Co.

Board Member of the Saudi Automotive Services Co. (SASCO)

Board Member of the Saudi Real Estate Co.

Board Member of the Prince Mohammed bin Salman charity



Dr. Abdallah Hussain Bin Al Amoudi
Board Member



Mr. Abdul Aziz Abdullah Al Dueelij
Board Member

Board Member of Saudi Advance Company

Board Member of Anabeeb (Pipes) Company

Board Member of Saudi Printing and Packaging Company

Board Member of Rafal Real Estate

Development Company



Eng. Talal bin Ibrahim Al Meeman
Board Member

Board Member of National Industrialization Company

Board Member of Kingdom Holding Company



Mr. Ahmed Bin Aqeel Khatib
Board Member

Member of Risks Committee of the Saudi Stock Exchange Company (Tadawul)

Chairman of the Audit and Review Committee, Member of Compensation Committee of Aramco Saudi Arabia for Refining Lubricating Oil



Mr. Sulaiman Bin Jabreen Al-Jebreen
Board Member

Represents the Public Pension Agency



Mr. Mohammed Bin Ibrahim Al-Essa
Board Member

General Organization for the Social Insurance



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Board of Directors Report
on the year ended on 31 December 2014

Board of Directors Report

Honorable Shareholders,
Saudi Research & Marketing Group

Peace, Mercy and Blessings of Allah,,,,,

The Chairman and the Board members of Saudi Research & Marketing Group are delighted to welcome the shareholders of the Group, and present them the annual report of the Group which reviews the core achievements of the Group and its financial position for the year ending December 31, 2014. The report was prepared in line with the corporate governance requirement issued by Capital Market Authority, Saudi Companies Law, and the statute of the Group, hoping it will reflect the aspirations of the shareholders towards more success and progress.

First: Vision and Mission

Vision:

To boost the role and status of the Group as one of the largest media entities locally and internationally.

Mission:

To provide best media and education services and products of innovative upscale content and worthy of trust, in an attractive working environment based on reliable trade names and trademarks.

Second: Strategic Goals and Future Expectations

During the year 2014, the Group continued to strengthen its local and regional role and status by moving forward in achieving its strategic goals that are shown as follows:

- Maintaining the traditional sectors
The Group worked during the year 2014 to maintain its traditional sectors in the fields of publishing and printing, which work together within an integrated system to provide qualitative and sophisticated services, enrich the publications of the Group with knowledge and culture locally and internationally using the latest methods, means and competencies, and follow the strategy of business development through the best ways to growth and sustainable development. The Group is also keen to attract the largest share of the market for the publishing and printing industry and establish new partnerships with major organizations and companies to create industry knowledge tributaries far from arbitrary interpretations and experiences lacking the expertise and specialized talent and visions.

- Enhance the strategic relations and partnerships
The Group achieves the desired successes through many tools available to it, in particular, the development of the education

sector, development of the education content, enhance existing partnerships and build new ones to achieve its strategic growth. NUMU holding Company, one of the Group's investment arms, managed to enhance partnerships with local and international strategic partners.

At the education projects level, NAMU won contracts for implementing some educational projects at King Saud University, University of Dammam, University of Prince Salman in Al-Kharj, Qassim University, Jazan University, and Faculty of Farabi, in addition to some medical centers and cities in the Kingdom such as the King Abdulaziz Medical City of the National Guard and the Military Hospital in Riyadh and Al-Kharj.

- Expansion and future vision
During 2014, the Group sought to maintain the strategic growth by diversifying sources of income and to enter into new investment markets related to sectors such as education, packaging and paperless printing so as to establish the principle of risk distribution of revenues generated from a single source. Thus, the Group diversifies the investment opportunities in the fields of education, content, and new media. As part of our continuous efforts to achieve our strategic goals, the Group spares no effort to develop the digital content of newspapers and magazines, and the educational digital content, and provision of best services.

Confirming the keenness of the Group to achieve the strategic growth with future vision of the future of local and global markets, the group has continued during 2014 to achieve tangible gains in

its investments in the packaging sector by increasing its market share in those areas locally and regionally. The Group also expects that this diversification would contribute to opening new investment horizons to reach the desired goals and achieve the aspirations of shareholders and maximize their returns.

Third: Overall Performance of the Group

The year 2014 was marked by practical developments at all levels. A new executive management was appointed to the Group. This management reviewed all activities of the Group and restructured the companies and administrative sections inside and outside the Kingdom. This step is expected to result in positive results to the subsequent financial periods, God willing.

In addition, the management developed new internal control systems to enhance the control role, reduce risks, maintain and exploit the Group's companies' assets. In addition to the practical steps taken by the management to activate the business sectors of the Group, the period witnessed a study of the advertising and distribution activities, find rapid solutions, and achieve tangible growth. Advertising and distribution sectors are expected to witness positive results in 2015, and such results to gradually improve during the subsequent periods.

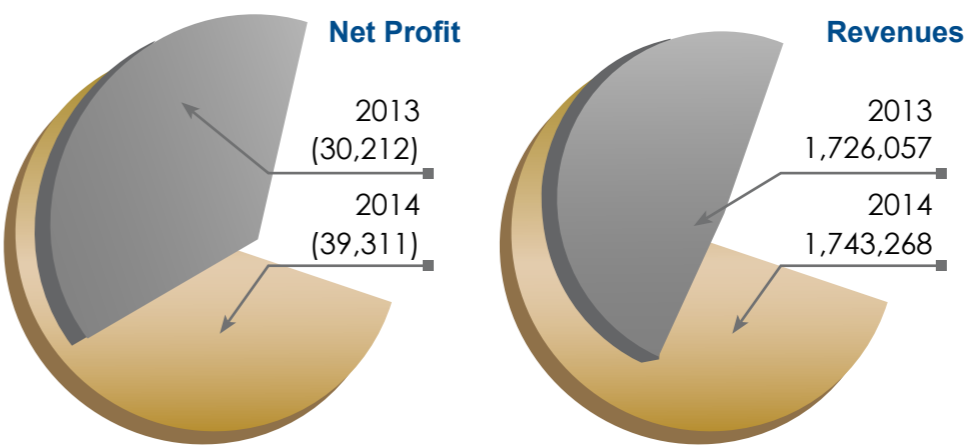
On the other hand, the management diversified modern educational products provided by NAMU in the field of textbooks, paper and digital journals, offering comprehensive scientific solutions in the field of E- education and digital libraries, in addition to the significant growth in the sales of school textbooks and books of higher education. The Company also continued to strengthen its

relationships with leading international publishing and education companies specialized in scientific research, journals, e-content, and development of education systems and e-libraries. The Company also sat up libraries and scientific laboratories at the universities.

At the printing and packing level, the period was marked by a significant development in the packing sector through Emirates National Factory for Plastic Industries whose revenues increased by 10% in 2014 compared to the previous year. Emirates National Factory for Plastic Industries has the most modern techniques for manufacturing plastic and packing materials.

The businesses of the said sectors were affected by many factors in 2014. The Group incurred about 56.8 million Riyal during the period as exceptional non-recurring expenses, provisions for bad debts and slow moving stock. In addition to the provision of registering the Emirates National Factory for Plastic Industries, the affiliate of Saudi Printing & Packaging Company in a sum of 22.7 million Riyals to cover the losses of the burning of one of its warehouses in the United Arab Emirates.

Board of Directors Report



Fourth: The Financial Results and Variances Justifications

The following table shows the income statement, variances and their ratios for 2014 compared to 2013:

Income Statement
(Thousands of Saudi Riyals)

Description	2014	2013	Change	Percentage
Revenues	1,743,268	1,726,057	17,211	1,0%
Cost of Revenues	(1,347,132)	(1,292,842)	(41,208)	3,2%
Gross Profit	396,136	420,133	(23,997)	-5,7%
Selling and marketing expenses	(116,321)	(82,843)	(33,478)	40,4%
General and administration expenses	(266,963)	(273,992)	7,029	-2,6%
Reversal of impairment loss of assets	(6,361)	-	(6,361)	-
Income from Main Operations	6,491	63,298	(56,807)	-89,7%
Other income, net	58,607	(12,316)	70,923	-575,8%
Financial charges, net	(54,984)	(50,686)	(4,298)	8,5%
Income before Zakat and Income Tax and Minority Interest	10,114	296	9,818	3316,8%
Exceptional losses, Fire	(22,700)	-	(22,700)	-
Income before Zakat and Income Tax and Minority Interest	(12,586)	296	(12,882)	-7,1%
Zakat and Income Tax	(13,403)	(14,422)	1,019	-
Income before Minority Interest	(25,989)	(14,126)	(11,864)	84,0%
Minority interest in net income and losses of subsidiaries	(13,322)	(16,086)	2,764	-17,2%
Net Income for the Year	(39,311)	(30,212)	(9,100)	30,1%

- 1 - On the revenue front, the Group witnessed a growth rate of (10%) for the year ended 31/12/2014, achieving a total revenues of SR. 1,743 million compared to SR. 1,726 million for the same period of 2013. This is mainly due to the increasing revenues of the Saudi Printing and Packaging Company.
- 2 - The Group also achieved an operating profit (income from main operations) totaling to SR (6,5) million for the year ended 31/12/2014 compared to 63,3 million for the year 2013, a decrease of (89,7%) as a result of the provisions hedged to face losses expected from accounts receivable, in addition to the provisions for slow-moving inventory in the education sector due to the reevaluation of the inventory policy in the Group in order to strengthen the financial position of the Company and face any potential risks in the future.
- 3- The Group also achieved a gross profit of SR. (396,1) million for the year ended 31/12/2014 compared to SR. (420,1) million in 2013, a decrease of (5,7%) as a result of the increased revenues costs.
- 4 - Minority interests for the year 2014 included an amount of SR. 13,6 million representing the minority share in the net profit amounting to 30% of the Saudi Printing and Packaging Company.
- 5 - The Company incurred a net loss of SR. 39,3 million in 2014 compared to SR. 30,2 million in 2013, i.e., a decrease of 30,1% as a result of the decrease in the share profit by 28,9% which reached SR. (- 0,49) for each share.
- 6 - The following table shows the income statement for the past five years, noting that some comparative figures have been reclassified to conform to the presentation in the current year.

1963

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

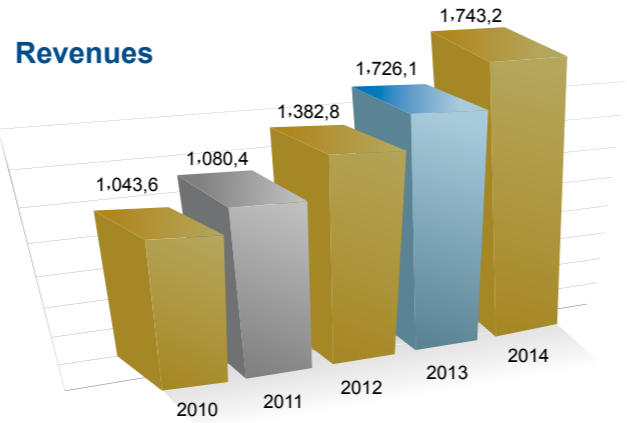
Board of Directors Report

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Income Statement (Thousands of Saudi Riyals)

Description	2014	2013	2012 (Restated)	2011	2010 (Restated)
Revenues	1,743,268	1,726,057	1,382,397	1,080,396	1,043,553
Direct Cost	(1,347,132)	(1,305,924)	(1,000,141)	(730,444)	(708,109)
Gross Profit	396,136	420,133	382,256	349,952	335,444
Equity income of associated companies	-	-	-	-	-
Selling and marketing expenses	(116,321)	(82,843)	(63,407)	(45,747)	(43,560)
General and administration expenses	(228,029)	(232,434)	(192,937)	(165,360)	(165,756)
Professional and consulting fees	(12,133)	(15,874)	(9,794)	(9,874)	(12,435)
Depreciation	(26,801)	(25,684)	(27,306)	(25,701)	(25,569)
Reversal of impairment loss of assets	(6,361)	-	-	1,786	12,376
Decline in inventory prices	-	-	-	-	-
Income from main operations	6,491	63,298	88,812	105,056	100,500
Gain from sale of investment in associated companies	-	-	-	13,478	-
Other income, net	58,607	(12,316)	92,220	11,295	11,932
Financial charges, net	(54,984)	(50,686)	(24,859)	(10,008)	(10,956)
Non-recurring expenses	(22,700)	-	-	-	-
Income before zakat and income tax and minority interest	(12,586)	296	156,173	119,821	101,476
Zakat and Income Tax	(13,403)	(14,399)	(13,562)	(8,790)	(6,659)
Income before Minority Interest	(25,989)	(14,126)	142,611	111,031	94,817
Minority interest	(13,322)	(16,086)	(38,021)	(10,718)	(10,397)
Net Income for the Year	(39,311)	(30,212)	104,590	100,313	84,420

The financial results of the Group for 2014 show the extent of improvement in profitability indicators and financial performance measures. This was due to interest in the current activities on one hand and entering into new promising investments on the other hand. The Group continues implementing its strategies and searching for viable investment opportunities to achieve the desired growth in the upcoming period.

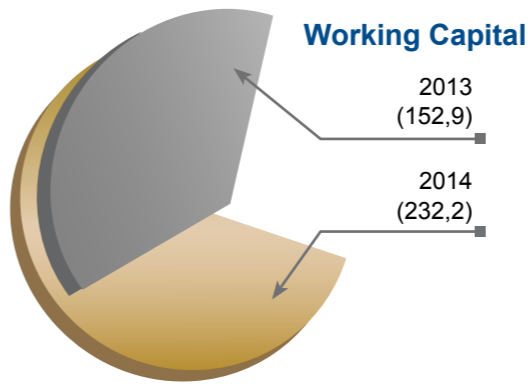


7 - The following table shows the financial position of the Group for the past five years:

Financial Position (Thousands of Saudi Riyals)

Description	2014	2013	2012 (Restated)	2011	2010 (Restated)
Current Assets	1,131,464	1,210,509	1,337,302	892,904	656,722
Non-current assets	2,061,121	2,107,947	2,083,803	1,328,175	1,428,168
Total Assets	3,192,585	3,318,455	3,421,105	2,221,079	2,084,890
Current liabilities	899,223	1,057,628	954,529	588,184	461,518
Non-current liabilities	897,419	820,129	906,559	122,485	132,729
Total liabilities	1,796,642	1,877,756	1,861,088	710,669	594,247
Shareholders equity	1,123,117	1,170,113	1,287,893	1,284,199	1,265,820
Minority interest	272,826	270,586	272,124	226,211	224,823
Total liabilities and Equity	3,192,585	3,318,455	3,421,105	2,221,079	2,084,890

1- The value of the working capital on December 31, 2014 amounted to SR 232,2 million, compared to SR 152,9 million for 2013. Since the working capital represents the increase in current assets over current liabilities, then it is a strong indication of the efficiency of the Group in providing a surplus of liquidity that allows the Group to settle its obligations.



2 - Current ratio (current assets/ current liabilities) on December 31, 2014 was 1.3 (times), where it still reflects the financial position strength of the Group and its ability to meet short-term needs.

1972

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

1975

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

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Fifth: Group Sectors Activities

The Group exercises its activities in several geographical areas, which increases its ability to expand and engage in a variety of markets. The Group has centers for publication, printing and distribution in seven major countries. The Group operates through a number of subsidiaries. At the same time, the key activities of the Group are spread in different parts of the Kingdom, which is a well-established and supportive environment for economic growth. Since the Group is characterized by the integration of activities between its companies, it is mainly active in three main sectors, as follows:

A • NASHER Sector

• Publishing

One of the main pillars of the Group is the publishing sector, represented by the Saudi Research and Publishing Company, which includes 15 publications, and publishes more than 20 supplements including daily, weekly, and monthly publications. The Company issues publications in five languages: Arabic, English, Urdu, Malayalam and Tagalog. In addition, the Company strengthens its presence in the publishing sector through the different social media and the interaction applications of the smart devices and websites.

• Advertising

Al-Khaleejiah Advertising and Public Relations is one of the largest advertising companies in the Arab Gulf, which has the exclusive advertising right for the publications and websites of the Saudi Research and Publishing Company. The Company continues with its effective follow up to the market demands through its continued support of media research. Al-Khaleejiah continues to expand its advertising activity by establishing close ties to Arab markets, developing the media message for advertisers in the region, expanding sales of advertising and media services, and providing creative design services and public relations. It also seeks to increase its share of the Gulf and Arab markets, taking into account the advertising industry in the region and the diversity of its sources of income. Al-Khaleejiah is proud to work with more than 3,000 advertising partners (advertising agencies/ clients) around the world, and provides them, in addition to advertising space, with consulting and marketing services. It is expected that the few coming years will witness a boom in this area of specialization.

• Distribution

The Saudi Distribution Company, one of the Saudi Research & Marketing Group affiliates, is the focal point between the Group publications and the clients, and the largest distribution company in the Kingdom in terms of the geographical coverage. The Company has an integrated fleet of more than 1000 vehicles and more than (1300) qualified employees. It also enjoys accumulative experience in the field of distribution and marketing to supervise its 26 branches spreading all over the Kingdom to cover more than 562 cities and villages. The Company also has big warehouses distributed over these branches to serve its activities. The main activity of the Company is the distribution of the Group's publications in addition to other publications to different publishers (daily newspapers; and weekly and monthly publications, in addition to Arab and foreign seasonal publications). It is also specialized in delivering subscriptions of the publications of the Group and other publishers in all cities and areas of the Kingdom where it deals with more than 200 thousand subscriber on a daily basis. Beside its core activity, the Company distributes the promotional materials, logistic services management and shipping among the branches for different customers. It also distributes brochures, pamphlets, and catalogues

for large companies in all residential areas in the targeted places. Furthermore, the Company delivers mail parcels to the large transportation and specialized companies in all cities and areas of the Kingdom. The Saudi Distribution Company also participates, in cooperation and partnership with the Ministry of Culture and Information, in the International Book Fair and all fairs organized by exhibition companies in the Kingdom.

The Company also exercises distribution activity in a number of regional markets through subsidiaries. Moreover, it continues to exert efforts to expand and develop its distribution activity both locally and regionally aiming at providing service and support to the Group publications and other publications which the Company is responsible for distribution.

• Arab Media Company:

The Arab Media Company, which was founded in 2007, is considered one of the leading companies in the provision of marketing programs and plans that help the growth of subscriptions in the market of publications. The Company has achieved a constant annual growth rate for the publications of the Saudi Research and Publishing Company by selling subscriptions to individuals, companies, institutions, commercial sectors, banks, and hospitals, in addition to leading campaigns, annual subscriptions, and implementation in order to increase the share of the Saudi Research and Publishing Company in the domestic market. This was realized through sales and services channels (call centers, phone, email, fax, and SMS) to meet the needs of all public and private sectors in terms of local, Arab, and external publications and after-sale services by high qualified experienced staff in the field of service provision. Furthermore, the Company always seeks to lead advertising campaigns and be an exclusive agent for the largest number of publishers. This is pursued through attracting the best expertise and staff in the field of sales, together with the Company's team of specialists and expertise in its branches in Saudi Arabia, to promote the services offered by the Saudi Research & Marketing Group. Not to mention the Arab Media Company ability to manage the services of subscribers and customers dealing with the big private and public companies and institutions through (the customers' service) team of the Company.

B • NUMU Sector

• NUMU AL ELMIAH Company

NUMU AL ELMIAH Company achieved ever increasing growth in business in 2014 in the field of providing education services; selling of books and paper and digital scientific journals; establishing and equipping specialized libraries as well as language and computer laboratories; supplying educational supplies for schools, institutes, and universities; training and consultation services in cooperation with international partners to meet the needs of its customers, locally and regionally. Due to the rapid growth of the education sectors in the Kingdom,

the Company's activity expanded and diversified to include the provision of integrated services for schools and universities which resulted in a significant growth in the sales of school textbooks and books of higher education and English language teaching, as well as in the services of selling scientific journals and databases for universities and research centers, and the new services that offer comprehensive scientific solutions in the field of E-education and digital libraries.

At the level of promoting the Company's relationships with its partners from publishing companies and companies specialized in providing integrated educational solutions, NAMU continued to enhance its relationships with the largest publication companies in the field of higher and general education, where it signed an exclusive representation agreement with (Accucoms) Company which is one of the largest companies specialized in the scientific research, periodicals, scientific journals and electronic content. NAMU also enhanced new partnerships with the Finnish (Triba Learning) Company which is specialized in the field of developing education systems, and (Elsevier) Company, including Mosby's e-learning program, the biggest library of e-curriculum in nursing and health sciences education, as well as the (Sam Leering) Company, a leading company in the e-learning for all school materials for all stages which apply the British and American curriculum. In addition, the Company continued to strengthen the distinct relationships with MM Publication by being its exclusive distributor in the Kingdom. This is in addition to the partnership with McGraw Hill Company, which is known to provide educational services of high value, in addition to continuing working with all our partners to expand the scope of work in the Saudi and Gulf markets.

At the project level, NAMU Training Company signed a memorandum of understanding with King Saud University represented by Wadi Al Riyadh Company to cooperate in the field of training. The Company also won contracts for implementing some educational projects at King Saud University, University of Dammam, University of Prince Salman in Al-Kharj, Qassim University, Jazan University, and Faculty of Farabi, in addition to some medical centers and cities in the Kingdom such as the King Abdulaziz Medical City of the National Guard and the Military Hospital in Riyadh and Al-Kharj.

NUMU AL ELMIAH Company is a leading company in setting up and equipping scientific and educational laboratories. It has a leading experience in setting up technical plans and engineering drawings to set up scientific laboratories, from the establishment stage to the operational stage, providing technical staff of all specialties. Its projects include the implementation and set up of scientific laboratories at Dammam University and Northern Border University (Rafha, Turaif). NAMU is also the agent of the German – KotterMann Company, a global company specialized in the field of setting up high-quality scientific laboratories. Its activities include manufacturing work tables, scientific experiments platforms, steam suction devices, and scientific experiment devices. NAMU is also agent to many local factories specialized in the field of manufacturing laboratories requirements in accordance with international high-quality specifications.

• Specialized Publishing

The Saudi Specialized Publishing Company (SSPC), established in 2006, is based on a philosophy of a whole new professional culture. This culture

relies on hiring the expertise of outstanding journalists in the issuance of specialized media projects, according to international professional standards, which provide reference and credibility. The Company is active in the areas of specialized content industry, global publishing, and commercialization. It has issued a range of international magazines printed in Arabic and distributed in all Arab world countries such as: Parents Arabia magazine issued in November 2009, the Robb Report Arabia magazine issued for the first time in January 2010, and Better Homes and Gardens Arabia magazine which first issued in February 2013, in addition to other international publications which were published in 2007 in cooperation with big international publishing houses such as Disney, French Le Figaro Group, and Italian Editorial Domus ... etc.

The Saudi Specialized Publishing Company provide specialized content for a big number of official and private entities in the Kingdom of Saudi Arabia, including the Institute of Diplomatic Studies of the Ministry of Foreign Affairs, Saudi Airlines, Saudi Post, Public Pension Agency, King Faisal Specialist Hospital & Research Centre, Al Madinah Regional Municipality, Kingdom Centre, Etihad Etisalat Co. – Mobily – EEC, Tawuniya Insurance Company, and other public and private entities and companies.

C. Printing and packaging Sector

Saudi Printing & Packaging Company was established in 1963 under the name "Madina Printing and Publishing Company (MPPC)". It was renamed as Saudi Printing & Packaging Company in 2007. 30% of the Company's shares were offered for the public offering in the same year, noting that Saudi Research and Marketing Group and its subsidiaries own 70% of Saudi Printing & Packaging Company shares. The Company has advanced newspapers printshops in Riyadh, Jeddah, and Dammam. The Company prints many newspapers such as the Asharq Al-Awsat, Al-Iqtissadiya, Arriyadiah, Arab News, Al Watan, among others, in addition to periodical trade publications. Saudi Printing & Packaging Company (SPPC) specializes in printing and packaging. In the printing sector, SPPC is considered one of the largest printing houses in Saudi Arabia, Middle East and North Africa. It provides a wide range of integrated printing services and production capacity through multiple distinctive subsidiaries, represented by Al Madina Printing and Publishing Company (MPPC), and Hala Printing Company. The Company's main activity is printing newspapers and magazines which target different sectors of the Arab World. In addition to the books, commercial publications, and packaging in different languages and methods, the Company prints through its subsidiaries many specialized magazines of the Saudi Research and Publishing Company, Saudi Specialized Publishing Company, and many other publishers, in addition to the public sector such as the Ministry of Education, Ministry of Haj and the Ministry of Interior.

The packaging is performed through the Emirates National Factory for Plastic Industries and its subsidiaries (Taiba Printing and Publishing Company, Flexible Packaging Company, Al Madina Packaging Company, Future Packaging Factory, United International Clear Packaging Company, United Security Company, Commercial United Packaging Company, and Future Plast Industries. It is characterized by its high production capacity and state of the art technologies in the field of manufacturing plastic and packaging products, with an experience of more than 20 years. The Company also manufactures all range of plastic products and packaging materials putting it atop its competitors in the field of manufacturing plastic and packaging products.

The Company relies on its employees' accumulated experience and the best and most up-to-date machinery, in addition to the highest standards of quality control which lead to further strengthen its position and created a strong customers' base. In order to demonstrate its commitment to international standards, the Company has been keen to maintain the ISO certification (ISO 9001:2000).

Board of Directors Report

Sixth: Segmental Information

The following table illustrates the Group's segmental information by sector:

Segmental Information
(Thousands of Saudi Riyals)

As of December 31, 2014

Item	Nasher sector			NUMU Sector		Printing sector	Others	Total	Elimination	Consolidation
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging				
Net Revenues	566,996	47,538	369,365	71,049	24,939	1,232,328	207	2,312,422	(569,154)	1,743,268
Gross profit	95,556	4,787	40,775	12,162	5,161	244,446	207	403,095	(6,959)	396,136
Net loss	(70)	(21,669)	4,570	(34,277)	(7,451)	45,379	(39,227)	(52,746)	13,434	(39,311)
Net book value of property	126,949	15,045	16,184	1,405	266	1,032,033	17,599	1,209,481	-	1,209,481
Intangible assets	3,541	-	-	2,765	92,020	390,230	350,012	838,569	-	838,569
Total assets	415,224	77,070	148,592	187,770	71,622	2,282,456	1,389,679	4,572,413	(1,379,827)	3,192,585
Total liabilities	108,744	120,089	124,489	139,538	56,286	1,370,721	273,734	2,193,601	(396,959)	1,796,642

1978

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

1990

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

The operating assets of the Group are mainly concentrated in the Kingdom of Saudi Arabia. The main markets for the Group's activities are the Middle East, Europe and North Africa. The following table shows the income of the Group and its subsidiaries within the Kingdom of Saudi Arabia and abroad.

Description	Thousands of SR	Percentage
Revenues inside Saudi Arabia	856,619	49,1%
Revenues outside Saudi Arabia		
United Arab Emirates	552,906	31,7%
Oman	60,360	3,5%
Ethiopia	37,283	2,1%
Sudan	34,705	2,0%
Tunisia	24,234	1,4%
Qatar	19,572	1,1%
Yemen	16,863	1,0%
Iraq	14,169	0,8%
Europe	12,765	0,7%
South Africa	10,407	0,6%
Senegal	8,874	0,5%
Jordan	8,906	0,5%
Afghanistan	7,618	0,4%
Morocco	7,896	0,5%
Others	70,091	4,0%
Total	886,649	50,9%
Total Revenues inside and outside KSA	1,743,268	100%

Board of Directors Report

Seventh: Group Companies

The Group owns the following percentages of shares in the companies mentioned in the table below, which operates in the same area:

Subsidiaries	Principal activities of company	Country of Principal Activity	Capital/ Million	% of ownership	Country of incorporation
Intellectual Holding Company for Advertisement and Publicity – L.L.C	Investment in subsidiaries	Saudi Arabia	SR300	100%	Saudi Arabia
Scientific Works Holding Company – L.L.C.	Investment in subsidiaries	Saudi Arabia	SR300	100%	Saudi Arabia

NASHER sector

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

NUMU sector

Subsidiaries	Principal activities of company	Country of Principal Activity	Capital/ Million	% of ownership	Country of incorporation
NUMU Media Holding Company	Electronic audio and video production and distribution	Saudi Arabia	SR100	100%	Saudi Arabia
NUMU Multimedia	Advertising and publicity	Saudi Arabia	SR0,2	100%	Saudi Arabia
NUMU Al Elmiah (previously known as Al Elmiah bookstore)	Development of educational means and books trading	Saudi Arabia	SR0,5	100%	Saudi Arabia
Saudi Specialized Publishing Company	Specialized Publishing	Saudi Arabia	SR0,5	100%	Saudi Arabia
Saudi Commercial Company	Trading printing supplies	Saudi Arabia	SR2,0	100%	Saudi Arabia
Ofoq Information Systems and Communication Company	Trading in communication equipment and developing of software	Saudi Arabia	SR3,5	100%	Saudi Arabia
Education Concept Company for Educational and Technical Solutions	Publishing and distribution	Saudi Arabia	SR0,1	100%	Saudi Arabia
NUMU Consulting	Training and Consulting	Saudi Arabia	SR0,1	100%	Saudi Arabia
NUMU Advertising	Multimedia, reading, and Advertising services	Saudi Arabia	SR0,05	100%	Saudi Arabia
NUMU Publishing	Publishing and Distribution	Saudi Arabia	SR0,05	100%	Saudi Arabia
NUMU Media for researching	Researches and support	Saudi Arabia	SR0,05	100%	Saudi Arabia
Content Specialized Media	Specialized Publishing	United Arab Emirates	AED 0,2	100%	United Arab Emirates
University Book Shop Company	Publishing and distribution	United Arab Emirates	AED 3,0	100%	United Arab Emirates
Smart Super Store Company	Publishing and distribution	United Arab Emirates	AED 3,0	100%	United Arab Emirates
Book Depot for Publishing and Distribution (Ethra'a)	Publishing and distribution	Jordan	JD 0,1	100%	Jordan

Printing and Packaging Sector:

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

Subsidiaries	Principal activities of company	Country of Principal Activity	Capital/ Million	% of ownership	Country of incorporation
Saudi Printing and Packaging Company	Printing	Saudi Arabia	SR 600	70%	Saudi Arabia
Al Madinah Al Munawarah Printing and Packaging Company	Printing and Publishing	Saudi Arabia	SR 1.0	70%	Saudi Arabia
Hala Printing Company	Printing	Saudi Arabia	SR 1.0	70%	Saudi Arabia
Emirates National Factory for Plastic Industries	Packaging and plastic industries	United Arab Emirates	AED 167	70%	United Arab Emirates
Future Company for Industrial Investment	Printing and packaging	Saudi Arabia	SR 1.0	70%	Saudi Arabia

Other Companies:

Subsidiaries	Principal activities of company	Country of Principal Activity	Capital/ Million	% of ownership	Country of incorporation
Media Investment Limited	Leasing services	United Kingdom	GBP 0.5	100%	United Kingdom
Arab Net Technology Limited	Internet provider	United Kingdom	GBP 0.5	100%	United Kingdom
Sayidaty Products Company	Commercial business	Greenzee Islands	GBP 0.5	100%	Greenzee Islands
IBM Limited	Registration, maintenance, and acquisition of intellectual properties for the Group	Greenzee Islands	GBP 0.5	100%	Greenzee Islands
Gulf British Company	Advertising and publicity	United Kingdom	GBP 0.1	100%	United Kingdom
Satellite Graphics Company	Commercial business	United Kingdom	GBP 0.4	100%	United Kingdom
Syaidaty Limited Company	Commercial business	United Kingdom	GBP 0.000002	100%	United Kingdom
Majallah Company	Commercial business	United Kingdom	GBP 0.000002	100%	United Kingdom
Arab Media Company	Commercial business	United Kingdom	GBP 0.000002	100%	United Kingdom

Board of Directors Report

Eighth: Zakat and Statutory Payments

The Company and its subsidiaries are subject to the regulations of the Zakat and Income Tax in Saudi Arabia. The Group pays Zakat after the completion of the settlement of all accruals and inquiries from the Zakat and Income Tax Department. As for the subsidiaries abroad, a provision is set aside for tax liabilities, if any. The Group pays all its other statutory obligations according to the regulations in force in the Kingdom of Saudi Arabia. The following table shows the statutory payments during 2014.

Description	Paid during 2014 (Thousands of Saudi Riyals)
Zakat	7,687
Tax	775
Withholding Tax	112
General Organization of Social Insurance (GOSI)	12,423
Other statutory payments	7,955
Total	28,952

Ninth: Shares and Debt Instruments in the Group and its Subsidiaries

The Group and its subsidiaries own 70% of the shares of the Saudi Printing and Packaging Company, which has a capital of SR 600 million. The number of shares owned by the Group and its subsidiaries in the said Company amounts to 42 million shares. The Group and its subsidiaries also own 100% of the shares of NUMU Holding Company (Closed Joint Stock Company) which has a capital amounting to SR 100 million. The shares owned by the Group and its subsidiaries are 10 million. In addition, there are no debt instruments issued by the Group and its subsidiaries.

Tenth: Human Resources

The Group recognizes that its current and future success depends primarily on the skills of its human resources. The Group spares no effort in the development of productive and creative capabilities in order to optimize its investment in them ideally. Through the development of these vital capabilities, the Group consolidates its assets in such a way to provide the resources and capabilities necessary to meet the growing challenges in highly competitive markets. To achieve the maximum possible benefits from creative talents, the Group continues to motivate its employees through many programs that include career development, continuing education, development of administrative knowledge and work culture, in addition to other aspects that enhance performance, and help to attract talented employees, keep them on top of the work, and motivate them to be more giving.

Eleventh: The Contingency Fund for Employees

The Group established the Contingency Fund in 2007 for employees who face any emergency conditions and circumstances in order to consolidate the relationship with its employees and increase their loyalty to the Group. The fund had helped, since its establishment, in solving certain emerging circumstances and problems. This had a positive impact on staff performance and distinctiveness in their work. The statute of the Fund identified the requirements and standards required to offer the assistance. The Fund's activities during 2014 were as follows:

Contingency Fund for Employees	Saudi Riyals
Opening balance	438,115
Additions during the year	250,000
Paid during the year	81,000
Ending balance	607,115

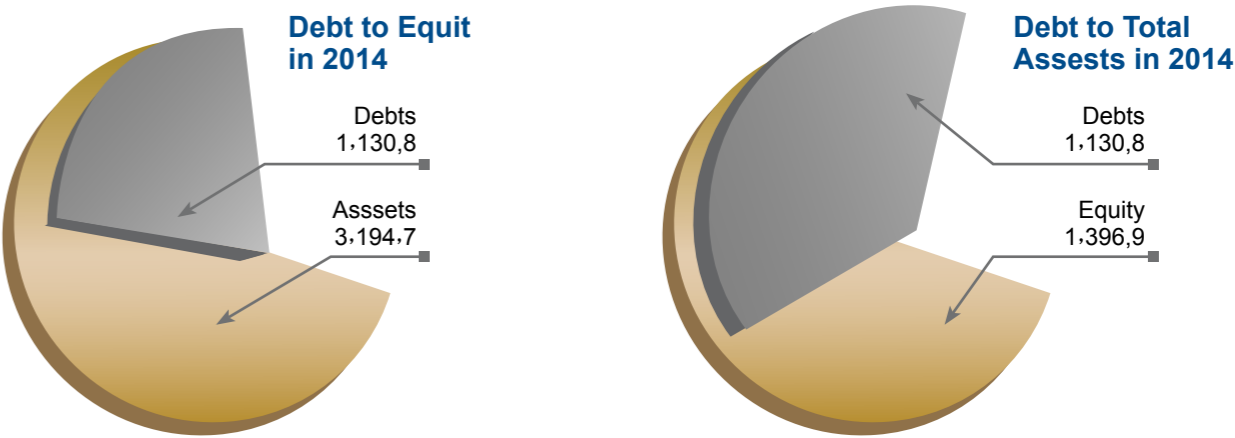
Twelfth: Social Responsibility

As part of its continuous role in supporting humanitarian and charitable efforts in the Saudi society, and out of its eagerness to fulfill its obligations towards the nation and society, the Group has played a positive and active role in support of these efforts to benefit large segments of society. To this end, the Group has continued during 2014 to support many charitable organizations, including:

- * Prince Ahmed bin Salman Applied Media Academy
- * The Saudi Charity for Schizophrenics.
- * National Commission for Wildlife Conservation and Development (Al Wadihi Magazine)
- * Saudi Center for Organ Transplantation
- * Handicapped Children's Association
- * Prince Fahd bin Salman Charity Association for Renal Failure
- * Saudi Alzheimers Charity Society
- * Sanad Children's Cancer Support Society
- * Insan Charitable Society for the Care of Orphans
- * Prince Sultan bin Abdul Aziz Al-Saud Foundation 2013
- * Prince Mohammad bin Salman MiSK Foundation
- * Prince Salman Center for Disability Research
- * Prince Salman Science Oasis
- * The Voice of Down Syndrome Society
- * The Centennial Fund
- * Cancer Children Patients

This comes in addition to its participation in, and sponsorships of, many social and economic forums and many conferences and seminars of interest to all segments of society. It should be noted that the Group supported the launch of Prince Ahmed bin Salman Applied Media Institute in order to cater for the emerging training needs in media organizations. The Institute is considered a bridge, where professionals in various fields of media receive advanced training focusing on quality through training programs offered by the Institute in collaboration with global institutes in the areas of training and program design.

The Group was keen to have all its dealings and those of its subsidiaries in accordance with the Islamic Sharia, and that their loans to be subject to the system of Islamic transactions. The Group benefits from such loans to finance its investments and meet the needs of its subsidiaries, with the exception of the Saudi Printing and Packaging Company, in order to create working opportunities capable of achieving high rates of profitability and ensure cash flows that will fulfill the liabilities of the Group and achieve a positive cash position. It should be noted that the Group continues to enjoy a strong financial position in light of its various income-generating assets and sources as the ratio of loans to equity amounted to 81.0% in 2014



Board of Directors Report

The following tables show the detailed description of the utilized loans during 2014:

(1) Group loans (excluding Saudi Printing and Packaging Company)

Thousands of Saudi Riyals

Description	Date of loan	2014	2013	Paid Loans	Loan duration	Provider
Loan (1)	21-Jul-13	-	10,000	10,000	179	Saudi Fransi (BSF)
Loan (2)	8-Oct-13	-	40,000	40,000	168	Saudi Fransi (BSF)
Loan (3)	8-Oct-13	-	20,000	20,000	168	Saudi Hollandi
Loan (4)	6-Nov-13	-	3,600	3,600	104	Saudi Hollandi
Loan (5)	11-Nov-13	-	3,000	3,000	134	Saudi Fransi (BSF)
Loan (6)	27-Nov-13	-	4,750	4,750	167	Saudi Fransi (BSF)
Loan (7)	4-Dec-13	-	21,000	21,000	160	Saudi Fransi (BSF)
Loan (8)	5-Dec-13	-	25,000	25,000	104	Saudi Hollandi
Loan (9)	5-Dec-13	-	4,400	4,400	159	Saudi Fransi (BSF)
Loan (10)	11-Dec-13	-	4,000	4,000	98	Saudi Hollandi
Loan (11)	12-Dec-13	-	40,000	40,000	159	Saudi Fransi (BSF)
Loan (12)	22-Dec-13	-	7,500	7,500	149	Saudi Fransi (BSF)
Loan (13)	18-Jun-14	25,000	-	-	336	Saudi Hollandi
Loan (14)	20-Jul-14	11,500	-	-	324	Saudi Hollandi
Loan (15)	25-Sep-14	48,000	-	-	161	Saudi Fransi (BSF)
Loan (16)	21-Oct-14	22,000	-	-	169	Saudi Fransi (BSF)
Loan (17)	17-Nov-14	20,000	-	-	331	Samba
Loan (18)	29-Dec-14	12,500	-	-	233	Samba
Total		139,000	183,250	183,250		

Compared to 80.4% in 2013, as well as the ratio of loans to total assets which amounted to 35.4% in 2014 compared to 34.9% in 2013.

(2) Loans of Saudi Printing and Packaging Company (excluding the Saudi Research & Marketing Group).

Abu Dhabi Commercial Bank

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (1)	05-03-12	3,005	4,742	1,740	3,75 years
Loan (2)	15-09-14	2,833	-	-	4 months
Total		5.838	4.742	1.740	

Abu Dhabi Islamic Bank

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (1)	21-03-13	-	276,500	276,500	5 years
Loan (2)	15-10-12	-	19,060	19,090	3 months
Loan (3)	15-11-12	-	8,304	8,304	4 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 moths
Loan (7)	15-10-14	787	-	-	3 months
Loan (8)	15-11-14	552	-	-	2 months
Loan (9)	15-12-14	522	-	-	1 month
Loan (10)	15-10-14	10,200	-	-	3 months
Loan (11)	15-11-14	552	-	-	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
Total		477,072	319,779	323,422	

Arab Bank

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
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
Total		15.868			

Saudi Hollandi Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (1)	09-10-13		38,000	38,000	4 months
Loan (2)	15-09-13		21,000	21,000	6 months
Loan (3)	03-10-13		6,000	6,000	6 months
Total		0	65,000	65,000	

Board of Directors Report

Emirates Islamic Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (54)	18-12-14	2,971			4 Years
Total		2,971			

Alinma Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (1)	23-12-12	283,000	283,000		7,5 years
Total		283,000	283,000		

Samba Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
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
Total		30,000	95,000	95,000	

Standard Chartered:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (1)	15-10-13		3,535	3,535	0,25 year
Loan (2)	15-11-13		10,107	10,107	0,25 year
Loan (3)	15-12-13		2,143	2,143	0,25 year
Loan (4)	15-12-14	12,617			3 months
Loan (5)	15-10-14	9,342			2 months
Total		21,960	15,785	15,785	

Dubai Islamic Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
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 year
Loan (9)	16-06-11		58	58	3,17 year
Loan (10)	16-06-11		73	73	3,19 year
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
Total		11,795	16,314	12,257	

Mashreq Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (1)	15-07-14	1,784		3,535	6 months
Loan (2)	15-08-14	3,205		10,107	6 months
Loan (3)	15-09-14	434		2,143	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
Total		8,624		15,785	

Board of Directors Report

Dubai Islamic Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
Loan (55)	16-12-12		7,021	7,021	1.25 year
Loan (56)	11-11-13		16,000	16,000	6 months
Loan (57)	18-11-13		28,000	28,000	6 months
Loan (58)	11-12-13		7,500	7,500	6 months
Loan (59)	17-09-13		7,500	7,500	6 months
Loan (60)	15-12-13		8,000	8,000	6 months
Loan (61)	23-12-13		3,000	3,000	6 months
Loan (62)	23-10-13		17,000	17,000	6 months
Loan (63)	22-09-13		13,000	13,000	6 months
Loan (64)	06-11-14	16,000			6 months
Loan (65)	16-11-14	28,000			6 months
Loan (66)	08-12-14	7,500			3 months
Loan (67)	11-09-14	7,500			6 months
Loan (68)	09-12-14	8,000			3 months
Loan (69)	21-12-14	3,000			3 months
Loan (70)	19-10-14	17,000			6 months
Loan (71)	16-09-14	13,000			6 months
Loan (72)	19-10-14	2,000			6 months
Total		102,000	107,021	107,021	

Arab National Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
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
Total			44,147	44,147	

Saudi British Bank:

Description	Date of loan	2014	2013	Paid Loans	Loan Duration
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	1,952			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
Total		32,695	23,699	23,699	
		2014	2013	Paid Loans	
Total loans		991,823	974,487	688,070	

(3) Loans due (excluding the Saudi Printing and Packaging Company)
(Thousands of Saudi Riyals)

Description	2014	2013
Less than 1 year	139,000	183,250
From 1 to 2 years		
From 2 to 5 years		
More than 5 years		
Total	139,000	183,250

Board of Directors Report

Information on Murabaha and Loans (The Saudi Printing and Packaging Company)
The Murabaha movements and Company loans, which were used for the purposes of operational and investment activities, are shown as follows:
(Thousands of Saudi Riyals)

Description	2014	2013
Balance as of January 1	974,488	1,058,662
Add		
Received during the year	705,404	957,611
Less		
Paid during the year	(688,070)	(1,041,784)
Balance as of December 31	991,823	974,488

The total Murabaha and loans and summarized as follows:
(Thousands of Saudi Riyals)

Loans due (Excluding the Saudi Printing and Packaging Company)
(Thousands of Saudi Riyals)

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

2007

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

Thirteenth: Information on Loans

Fourteenth: Board of Directors Current Board of Directors
The current board of directors consist of 12 members classified according to the following schedule as on 31/12/2014:

Members	Description	Executive Board Members	Non-Executive Board Members	Independent Board Members
Mr. Abdullah Salem Saeed Bahamdan	Chairman of the Board			✓
Eng. Suliman Ibrahim Al Hudaithi	Board Member	✓		
Mr. Mohammad Omar Alesayi	Board Member			✓
Mr. Mohyedin Saleh Abdullah Kamel	Board Member			✓
Eng. Abdul Rahman Ibrahim Al Rowaitaa	Board Member			✓
Dr. Azzam bin Mohammad Al Dakhil	Board Member		✓	
Dr. Abdallah Hussein Al-Amoudi	Board Member			✓
Mr. Abdul Aziz Abdullah Al Dueelij	Board Member		✓	
Eng. Talal bin Ibrahim Al Meeman	Board Member		✓	
Mr. Ahmad bin Aqeel Al Khatib	Board Member			✓
Mr. Suliman bin Jibreen Al Jibreen	Board Member			✓
Mr. Mohammad bin Ibrahim Al Essa	Board Member			✓
Total		2	2	8

Board of Directors Report

Changes in the Board of Directors in 2014

- Resignation of the Chairman HRH Prince Turki bin Salman bin Abdul Aziz on 06/04/2014.
- Resignation of the chief executive officer and the delegated member Dr. Azzam Mohammad Al Dakhil from his position on 20/03/2014. His resignation will come into force on 03/04/2014.
- Appointment of the board member Mr. Abdullah bin Salem Bahamdan as the Chairman of the board of the Group (independent member) as of 07/04/2014.
- Appointment of the board member Eng. Suliman bin Ibrahim Al Hudaithi as a delegated member and chief executive officer of the Group (executive member) as of 07/04/2014.
- Resignation of the board member Eng. Saleh bin Nasser Al Jasser (independent member) from the board of directors under the resignation letter on 22/07/2014. His resignation was approved by the board of directors under the decision dated 05/08/2014. His resignation came into force as of the date of the decision.
- Appointment of Eng. Talal Ibrahim Al Meeman (non executive member) in the Group Board of Directors under the Board's decision on 24/09/2014.
- Appointment of Mr. Abdul Aziz bin Abdullah Al Dueelij (independent member) in the Group Board of Directors under the Board's decision on 24/09/2014.

Board Meetings

The Board of Directors held five meetings during fiscal year 2014 as follows:

Date	Attendance record
17/02/2014	HRH Prince Turki bin Salman bin Abdulaziz, Mr. Abdullah Salem Bahamdan, Eng. Abdul Rahman Ibrahim Al Rowaitaa, Dr. Azzam bin Mohammad Al Dakhil, Eng. Suliman Ibrahim Al Hudaithi, Mr. Mohammad Al Essa, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi, Mr. Ahmad Al Khatib, Mr. Suliman Al Jibreen, Mr. Saleh Al Jasser
09/04/2014	Mr. Abdullah Bahamdan, Eng. Abdul Rahman Al Rowaitaa, Dr. Azzam bin Mohammad Al Dakhil, Eng. Suliman Ibrahim Al Hudaithi, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi, Mr. Mohammad Al Essa, Mr. Ahmad Al Khatib, Mr. Suliman Al Jibreen
26/06/2014	Mr. Abdullah Bahamdan, Eng. Suliman Ibrahim Al Hudaithi, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi, Mr. Saleh Al Jasser, Mr. Suliman Jibreen Al Jibreen, Mr. Mohammad Al Essa
24/09/2014	Mr. Abdullah Bahamdan, Eng. Abdul Rahman Al Rowaitaa, Eng. Suliman Ibrahim Al Hudaithi, Dr. Abdullah Al-Amoudi
15/12/2014	Mr. Abdullah Bahamdan, Eng. Abdul Rahman Ibrahim Al Rowaitaa, Eng. Suliman Ibrahim Al Hudaithi, Dr. Abdallah Al-Amoudi, Mr. Mohyedin Saleh Kamel, Mr. Mohammad Al Essa, Eng. Talal Al Meeman, Mr. Abdul Aziz Al Dueelij, Mr. Suliman Al Jibreen

Salaries and Compensations of Board Members and Senior Executives

The following table shows salaries and allowance of Board members, as well as senior executives of the Company:

(Million Saudi Riyals)

Description	Executive Board Members (3)	Non-Executive Board Members «Independent» (8)	Senior Executives (2)
Salaries and compensations	8,0	-	2,3
Allowances	4,2	-	1,7
Periodic and annual bonuses	1,6	-	-
Incentive plans	-	-	-
Any compensation or other in-kind benefits paid monthly or annually	-	-	-

Allowances and expenses of attendance, were paid to each member of the Board who attended the Board meetings or meetings of its committees in 2014, with a total amount of SR 537,3 thousand.



1994

The publishing of Al-Jamila, a weekly female beauty & health magazine,

- Launching Urdu News, 1st Urdu daily newspaper in KSA and GCC.
- Launching Malayalam News, 1st Malayalam daily newspaper in KSA and GCC.

2006

- Saudi Specialized Publishing Company was established officially.
- Acquiring Hala Printing Press (HPP)
- SRMG goes public, as the group launches IPO, the Group was the 1st media company to be public.

Board of Directors Report

4. Ownership of Board Members and Senior Executives

The following table shows the movement of ownership of Board members in 2014.
The following table shows the ownership of Board members, senior executives, their spouses and minor children, or those whom they represent in the Group and its subsidiaries during 2014:

Name	Remarks	Number of shares beginning of the year	Ownership beginning of the year	Net change in number of shares during the	Percentage change during the year	Shares at the end of the year	Ownership at the end of the year
HRH Prince Turki bin Salman bin Abdulaziz	-	15,000	% 0,02	-	-	1,000	-
Mr. mohammad bin Ibrahim Al Essa (Represents the General Organization for the Social Insurance)	Shares of GOSI	4,198,234	5,25%	2,169,183	2,54%	0	0%
	His own shares	1200	-	-	-	1200	-
Mr. Suliman bin Jibreen Al Jibreen (Represents the Public Pension Agency)	Shares of PPA	3,515,004	4,39%	-	-	3,515,004	4,39%
Mr. Mohyedin Saleh Kamel		1,015	-	-	-	1,015	-
Mr. Abdullah Salem Saeed Bahamdan		325,000	0,41%	-	-	325,000	0,41%
Mr. Mohammad Omar Alesayi		1,331,751	1,66%	-	-	1,331,751	1,66%
Mr. Ahmad bin Aqeel Al Khatib		1,000	-	-	-	1,000	-
Eng. Abdul Rahman Ibrahim Al Rowaitaa		175,000	0,22%	-	-	175,000	0,22%
Dr. Azzam bin Mohammad Al Dakhil		1,053,374	1,32%	-	-	1,053,374	1,32%
Eng. Suliman Ibrahim Al-Hudaithi (Represents Jeddah Commercial Investment Company)	Shares of the Company	1,351,751	1,69%	-	-	1,351,751	1,69%
	His own shares	500	-	-	-	500	-
Mr. Saleh Nasser Al Jasser		1,000	-	6,000	-	7,000	-
Dr. Abdallah Hussein Al-Amoudi		2,015	-	-	-	2,015	-
Eng. Talal bin Ibrahim Al Meeman		-	-	-	-	550	-
Mr. Abdulaziz Abdullah Al Dueelij	-	-	-	-	-	-	-

Membership of the Board of Directors Members in Other Corporate Companies as of 31/12/2014:

Serial	Name	Listed	Unlisted
1	Dr. Azzam Mohammad Al Dakhil	<ul style="list-style-type: none">- Board Member of the Saudi Printing & Packaging Company.- Board Member of the Aseer Company- Board Member of the Saudi Real Estate Company- Board Member of the Saudi Automotive Services Co- (SASCO)	<ul style="list-style-type: none">- Board Member of Prince Mohammad bin Salman Foundation (Misk)
2	Eng. Suliman Ibrahim Al Hudaithi	<ul style="list-style-type: none">- Chairman of the Board of the Saudi Printing & Packaging Company- Board Member of Aseer Company	<ul style="list-style-type: none">- Board Member of the Madaen Star Group- Chairman of the Board of Directors of Saudi Specialized Laboratories Company.- Board Member of Saudi Venture Capital Investment Company- Board Member of Venture Capital Bank (Bahrain)
3	Eng. Abdul Rahman Al Rowaitaa	<ul style="list-style-type: none">- Board Member of Aseer Company- Board Member of Emaar the Economic City- Board Member of Halwani Bros Company	<ul style="list-style-type: none">- Board Member of Al Khozama Management Company- Board Member of Jadwa Investment Company- Board Member of Amlak International Company- Board Member of Al Essa Industries Company
4	Mr. Mohyedin Saleh Kamel	<ul style="list-style-type: none">- Board Member of Dallah Health Company- Board Member of Jabal Omar Company	<ul style="list-style-type: none">- Board Member of Al Khozama Management Company
5	Eng. Talal bin Ibrahim Al Meeman	<ul style="list-style-type: none">- Board Member of National Industrialization Company- Board Member of Kingdom Holding Company	
6	Mr. Abdul Aziz Abdullah Al Dueelij	<ul style="list-style-type: none">- Board Member of Saudi Advance Company- Board Member of Anabeeb (Pipes) Company- Board Member of Saudi Printing and Packaging Company	

Board of Directors Report

Transactions and Contracts with Related Parties

The Saudi Printing and Packaging Company, a subsidiary of Saudi Research and Marketing Group, concluded SR. 5,398,000 contract with Alesayi Motors, the best offer of three motor companies.

The Board member Mr. Mohammad Omar Alesayi has shares in Alesayi Motors. To clarify this relation, and as a commitment of the Group to transparency and disclosure, we explain below the transaction with Alesayi Motors to be presented to the next ordinary General Assembly meeting.

Member's name and title	Mr. Mohammad Omar Alesayi, Board member of Saudi Research and Marketing Group (independent member), and partner in Alesayi Motors.
Nature of transaction	A contract to buy cars to the Saudi Distribution Company, a subsidiary of Saudi Research and Marketing Group
Number of cars	Seventy one
Transaction amount	SR. 5,398,000

Board Committees

The Board of Directors consists of three committees, as follows:

A - Executive Committee:

The current executive committee consists of four members of the Board of Directors. As part of its scope of executive responsibilities entrusted by the Board, the Executive Committee is responsible for overseeing the implementation of the overall strategy of the Group, and developing of its budgets. It is also responsible for monitoring the operational and financial performance of the Group, and submitting reports to the Board on financial, strategic and related matters.

The Executive Committee held five meetings in fiscal year 2014. The following table shows the names of members of the Executive Committee:

Serial	Name	Description
1	HRH Prince Turki bin Salman bin Abdulaziz	Chairman of the committee
2	Eng. Abdul Rahman bin Ibrahim Al Rowaitaa	Committee member
3	Dr. Azzam bin Mohammad Al Dakhil	Committee member
4	Eng. Ahmad bin Aqeel Al Khatib	Committee member

The Executive Committee was reformed as of 9 April 2014 to consist of the following members:

Serial	Name	Description
1	Mr. Abdullah Salem Bahamdan	Chairman of the committee
2	Eng. Suliman bin Ibrahim Al Hudaithi	Committee member
3	Eng. Abdul Rahman bin Ibrahim Al Rowaitaa	Committee member
4	Eng. Ahmad bin Aqeel Al Khatib	Committee member

Audit Committee:

The Board of Directors of the Group, which began its term of office on May 1, 2006, formed the Audit Committee in its 22nd meeting held on May 22, 2006. The Audit Committee consists of three members, including two non-executive Board members, and a third non-Board member specialized in financial and accounting matters. The functions and responsibilities of this Committee include assessing the internal control system, supervising the Internal Audit Department of the Group to verify its effectiveness in the implementation of actions and tasks approved by the Board of Directors, studying the internal audit reports, and following up on the implementation of corrective action plans of the observations and recommendations contained therein.

The responsibilities of the Audit Committee also include making recommendations to the Board of Directors to appoint or terminate external auditors, determine their remunerations, ensure their independence, and follow up on their performance, in addition to studying and reviewing the audit plan with the public accountant, as well as analyzing his comments on the consolidated financial statements of the Group, following up on the actions taken thereto, reviewing of quarterly and annual financial statements prior to submission to the Board of Directors, and giving opinion and necessary recommendations.

Furthermore, the Committee studies and recommends the adopted accounting policies to the Board of Directors, and evaluates the effectiveness of the Group's risk management assessment along with the steps taken by the Group management to monitor and respond to these risks.

The Committee held nine meetings during 2014. The table below shows the names of the Audit Committee members:

Serial	Name	Description
1	Eng. Suliman bin Ibrahim Al Hudaithi	Chairman of committee
2	Mr. Suliman bin Jibreen Al Jibreen	Committee member
3	Dr. Sa'ad bin Saleh Al Rowaitaa	Committee member

The Audit Committee was reformed as of 9 April 2014 to consist of the following members:

Serial	Name	Description
1	Dr. Sa'ad bin Saleh Al Rowaitaa	Chairman of committee
2	Mr. Suliman bin Jibreen Al Jibreen	Committee member
3	Mr. Mohammad bin Ibrahim bin Essa Al Essa	Committee member

Board of Directors Report

Nomination and Remuneration Committee:

This Committee consists of three members of the Board of Directors. The responsibilities and duties of this Committee are to recommend to the Board of Directors nominations to the Board in accordance with approved policies and standards, in addition to an annual review of the needs of required skills for membership of the Board of Directors, and preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including the set time a Board member needs to allocate to his duties. The Committee also reviews the restructuring and composition of the Board of Directors, makes recommendations regarding changes that can be made, identifies weaknesses and strengths of the Board of Directors, proposes remedies in line with the company's interest, and ensures on an annual basis the independence of the independent members, and the absence of any conflict of interests if the member serves on the Board of Directors of another company.

The responsibilities of the Nomination and Remuneration Committee also include developing clear policies for the compensations and remunerations of Board members and senior executives, following up on the implementation of the recommendations of the Committee after being presented to, and approved by, the Board of Directors, and the preparation and submission of annual and periodic reports on the work of the Committee to the Board of Directors according to the system.

The following table shows the names of the members of the Nomination and Remuneration Committee, which held three meetings during 2014:

Serial	Name	Description
1	Mr. Abdullah Salem Bahamdan	Chairman of committee
2	Eng. Abdul Rahman bin Ibrahim Al Rowaitaa	Committee member
3	Mr. Mohammad bin Ibrahim Al Essa	Committee member

1992

The publishing Al-Eqtisadiyah, A daily business newspaper,
• Launching Arrajol, a monthly male lifestyle elite magazine,
• Launching Hia, a monthly female lifestyle elite magazine.

The Nomination and Remuneration Committee was reformed as of 9 April 2014 to consist of the following members:

Serial	Name	Description
1	Dr. Abdul Rahman Al Rowaitaa	Chairman of committee
2	Mr. Saleh bin Nasser Al Jasser	Committee member
3	Dr. Abdallah Hussein Al-Amoudi	Committee member

7) Representation of the Board of Directors Members:

- The Board of Directors acknowledges that:
- The accounting records were set up properly.
- Internal control system was prepared on a sound basis and carried out effectively.
- The Group will, without doubt, be able to continue its activities.

8) Penalties and Punishments

The Capital Market Authority (CMA) issued a resolution to impose a financial penalty of SR. 10.000 on the Saudi Research and Marketing Group due to its violation of clause (B) of Article (40) of the Listing Rules. The Group was late to inform the public of inviting its shareholders to attend the General Assembly ordinary meeting, justifying that the announcement was made to CMA (Tadawul) only less than two hours before the trading on 30/03/2014.

Fifteenth: Results of the Annual Review of the Effectiveness of Internal Control Procedures in 2014:

During 2014, the Audit Committee in the Group followed up on the implementation of internal audit work plan approved in the same year, taking into account audit priorities in accordance with the results of comprehensive analysis and assessment of the risks in the Group and its subsidiaries. This was executed by a specialized consulting office during 2009. It is noteworthy that this assessment is annually reviewed based on the latest updates and developments relating to the managements and companies of the Group.

The Committee also followed up during 2014 on the implementation of the financial and administrative procedures and policies of the Group and its subsidiaries, along with the financial and administrative authorities' matrix, which were adopted and activated during 2011 after the submission of recommendations by the Committee in this regard during the same year.

The Audit Committee also made recommendations to the Board of Directors in the Group to appoint an external auditor for the Group and its subsidiaries for the year ended on December 31, 2015. Based on the results of the audit carried out by the Internal Audit Department during 2014 at the level of the Group and its subsidiaries, the results of the audit, the internal control procedures were reviewed and it was agreed with the executive management of the Group and its subsidiaries to implement the recommendations included in internal audit reports within a specified timeframe in order to improve and strengthen internal control procedures.

Board of Directors Report

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Sixteenth: Risk Management

The Group's Management seeks to defy any potential challenges and risks that may affect its activities and financial position and capacity, through the study of and extensive experience in the publishing industry, and the ability to identify its risks and the market risks. The Group believes that the most important risks to which they relate include:

• Economic Conditions

Advertising income is an essential component of the total Group's revenue. The quality level of this revenue in terms of quantity and quality is subject to known economic cycles in the region and is affected by related political risks.

• Leadership Stability

The Management of the Group relies on elite of best-qualified Saudi and Arab personnel in its editorial, administrative and financial sectors. The stability of these leaderships is one of the most important factors in the development of the Group's performance.

• Expansion Strategy

The Group has started planning for several expansion projects that are consistent and compatible with its general implementation strategies. These projects are subject to risks of delay and non-implementation.

• Industry Risks

The media and publishing industry is subject to challenges where elements of data consumption and use turn from traditional media platforms to new media platforms. The Group is aware of and appreciates this transformation, and seeks to be compatible with all alternative and competitive platforms and to compete to deliver and consume its services within specific economic frameworks.

• Increase in paper price

Papers are considered to be the most important raw materials used by the Group, in terms of costs and supply sources. The Group uses the presses of Saudi Printing and Packaging Company (a Saudi joint stock company – subsidiary) in order to print its publications in the Kingdom. The Group receives papers through supply agreements signed with a main supplier, and obtains fewer quantities from different suppliers periodically. The Group limits the fluctuations in paper prices printing press machines by determining its paper stock and managing it in an efficient manner.

• Stability of Operations after Acquisitions

The instability of operations after the acquisition of new companies is one of the risks that the Group may encounter. In order to avoid such risk, the Group takes all measures necessary to stabilize its operations.

Seventeenth: Corporate Governance

The Group is always keen on implementing all its business and investment operations in accordance with all rules and regulations applicable in the Kingdom of Saudi Arabia. In this aspect, the Group is committed to the best standards of transparency and disclosure according to the requirements of a wise management, and regulations of corporate governance applied in the Kingdom. This also includes the provision of basic information for shareholders and investors at set times in line with regulations and instructions of the Capital Market Authority (CMA) and Corporate Governance regulations applicable in the Group.

The Board of Directors of the Group and its sub-committees (Executive Committee, Audit Committee, and Remuneration and Nomination Committee) support means and methods of governance on an ongoing basis. The regulations of governance of the Company are reviewed from time to time to ensure suitability of their purposes, and to accommodate for developments and renewable statutory requirements of the CMA and Corporate Governance.

In general, it can be said that the Company is committed to the requirements of corporate governance issued by CMA, except for the following provisions:

A - Accumulative Voting in Selecting Members of the Board of Directors:

The company does not adopt the accumulative voting system currently in its practice due to the fact that there is a sufficient number of independent members of the Board of Directors (five members out of twelve), and the board members protect the rights of minority shareholders.

B - The Number of Board Members:

Although regulations of Corporate Governance state that the number of Board members should range from 3 to 11 members, the statute of the company still states that the Board of Directors should have 12 members; that is one additional member to the maximum number specified in the regulations.

In line with the Group's determination to comply with regulations of Corporate Governance, it held an extraordinary general assembly on April 25, 2010 to amend the statute of the Group to comply with the regulation of Corporate Governance, including the number of Board members. It also added new regulations related to the committees of the Board. However, these amendments did not obtain the required percentage of shareholders' votes for approval. However, the Group will continue to seek compliance with the regulations of corporate governance noting that clause (A) and clause (B) above are of the guiding points provide for by the corporate governance regulations issued CMA.

Eighteenth: Dividends Policy

The Company's policy is to pay dividends to its shareholders on an annual basis based on the income of the Company, financial position, market conditions, general economic conditions and other factors, including the existence of investment opportunities, needs of re-investment, cash and financial reserves, business capabilities, in addition to other organizational considerations. Dividends will be distributed in Saudi Riyals.

As stipulated in the statute of the Group, the net annual profit is to be distributed after deducting all general expenses and other costs as follows: (10%) ten percent of the net profits is allocated to form a statutory reserve. General Assembly may resolve to discontinue such transfers when the reserve totals half of the capital.

(5%) five percent of net profits is allocated to form a contractual reserve that may be used for any purpose authorized by the Board of Directors. It can be discontinued once it reaches quarter of the capital.

The rest is distributed later as a first payment to shareholders equivalent to (5%) five percent of the paid-up capital.

Remunerations are allocated afterwards to the Board of Directors, as long as they do not exceed a certain limit, in line with the Cabinet Resolution No. 202 dated 13/8/1404 H. The rest is distributed to shareholders as an additional share in profits.

Nineteenth: Proposed Dividends for the year 2014

In light of the 2014 financial results, the Group resolved in its meeting of 24/02/2015 not to distribute dividends for the year 2014.

Twentieth: Board of Directors Recommendations

- The Board of Directors of the Saudi Research and Marketing Group recommends the following to the Ordinary General Assembly:
- Approve the Board report for 2014.
- Approve the report of the Company's auditors and the consolidated financial statements for the year ended on December 31, 2014.
- Clearance of members of the Board of Directors for their work during the fiscal year ended on December 31, 2014.
- Approve the appointment of an external auditor from among the candidates of the Internal Audit Committee to review the financial statements of the Company in 2015, and quarterly financial statements, in addition to determining his fees.
- Approve the appointment of Eng. Talal Al Meeman as Board of Directors member for the remaining term of the Board which expires on 30th April 2015.
- Approve non-distribution of dividends for the fiscal year 2014.
- Approve the appointment of Mr. Abdul Aziz bin Abdullah Al Dueelij as Board of Directors member of the Group for the remaining term of the Board which expires on 30th April 2015.
- Appoint the Board of Directors members for a new statutory period for three years as of 01/05/2015.
- Approve buying cars for Saudi Distribution Company (Subsidiary) from Alesayi Motors, a related party, in which the Board of Directors member Mr. Mohammad Omar Alesayi holds shares.

We ask Allah, the Almighty, to help us all.

The Board of Directors

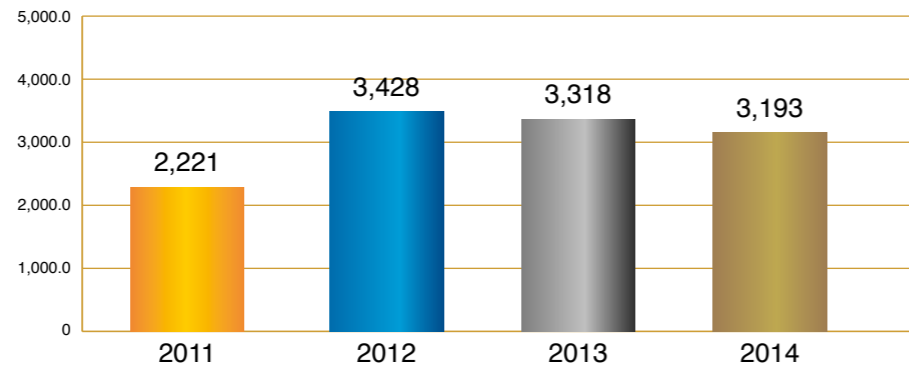


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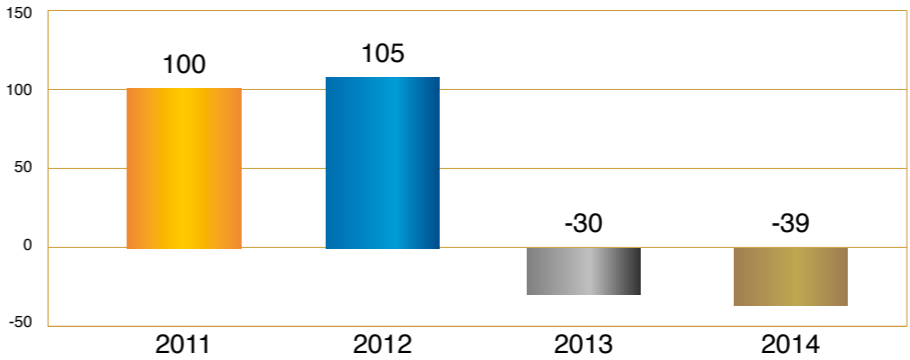
Year End Financial
Performance Measurements

Year End Financial Performance Measurements

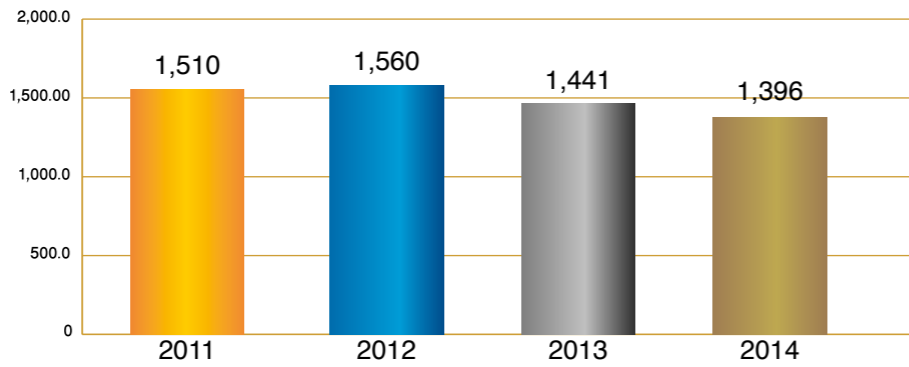
Total Assets (Million SAR)



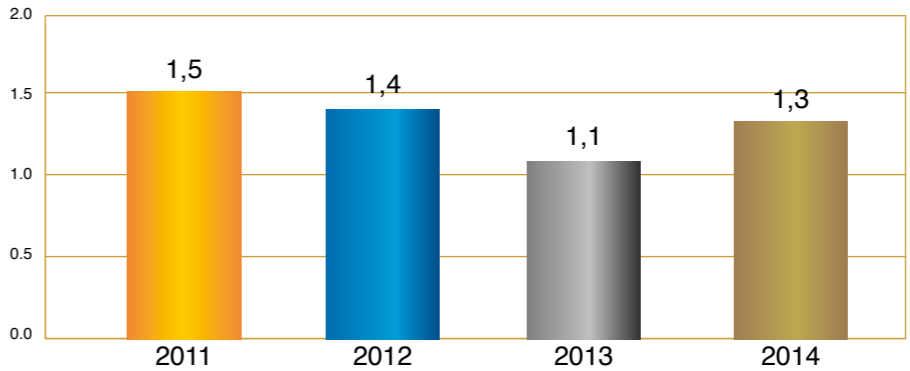
Net Income (Million SAR)



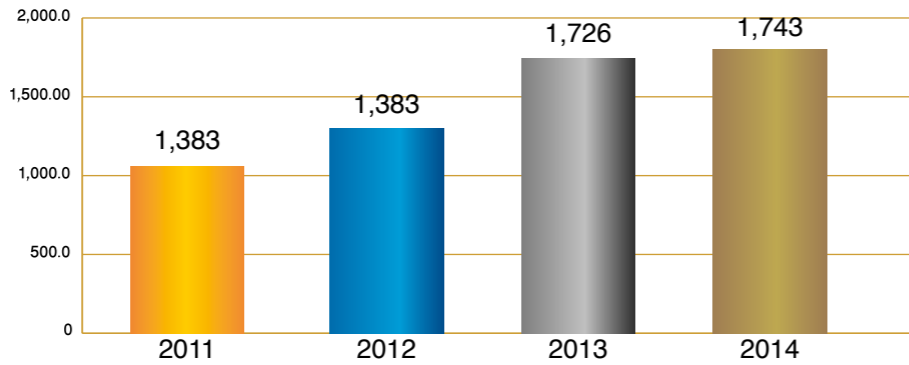
Total Equity (Million SAR)



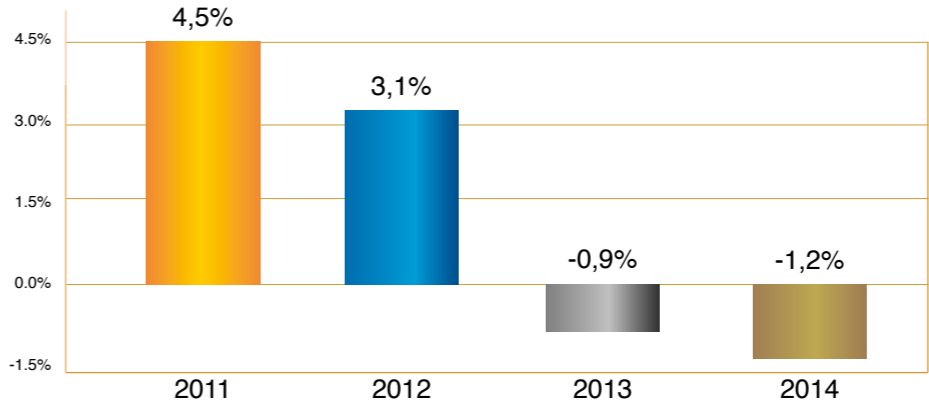
Current Ratio



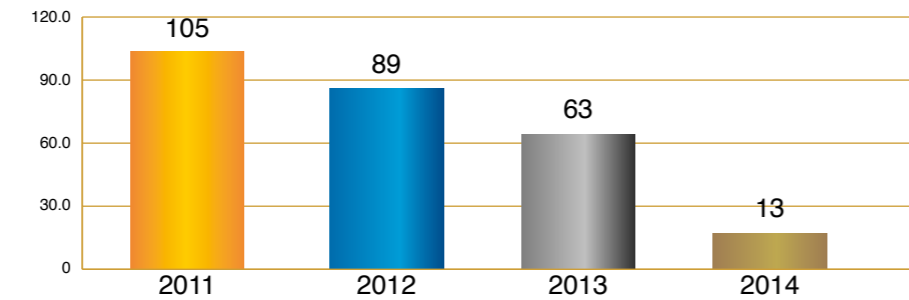
Total Revenue (Million SAR)



Return on Assets

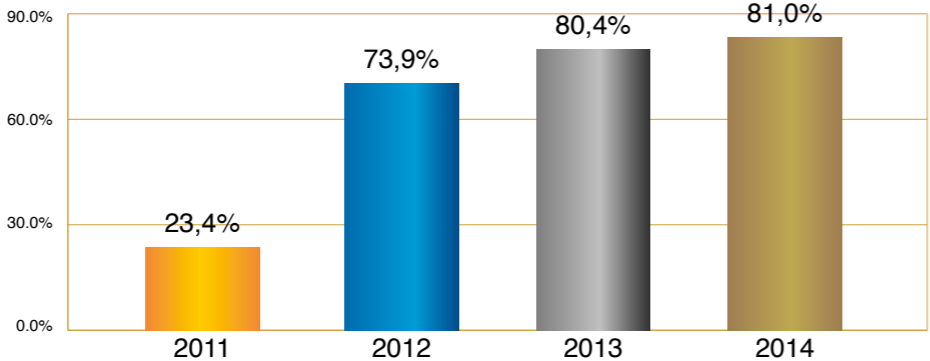


Operating Income (Million SAR)

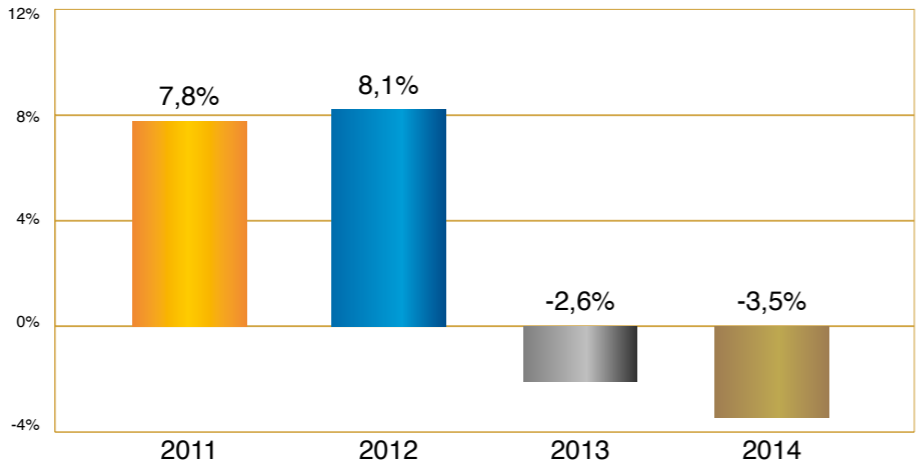


Year End Financial Performance Measurements

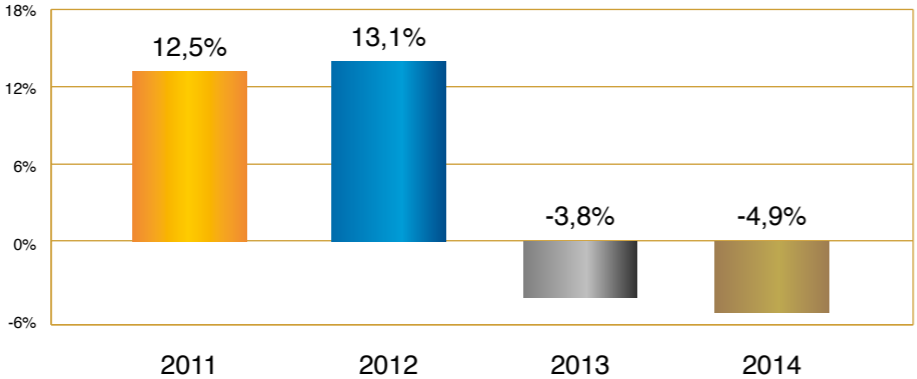
Leverage Ratio



Return on Shareholder's Equity



Return on Capital





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Independent
Auditors' Report

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

February 25, 2015

To the Shareholders of Saudi Research and Marketing Group
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Research and Marketing Group (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (31) which form an integral part of the 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting 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 Group; 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: 
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Consolidated Balance Sheet

Consolidated Income Statement

Consolidated Cash Flow Statement

Consolidated Statement Of Changes In Shareholders' Equity

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

(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	2014	2013
Current Assets			
Cash on hand and at banks	3	179,618,178	139,320,054
Accounts receivable, net	4	569,238,251	598,908,709
Receivable from sale of a land	8	19,500,065	19,500,065
Due from related parties	21	4,933,758	20,302,358
Inventory, net	5	285,313,468	350,448,815
Prepayments and other assets	6	72,863,346	82,028,560
Total of Current Assets		1,131,467,066	1,210,508,561

Non-Current Assets			
Investment properties	7	13,071,055	18,421,719
Property, machinery and equipment, net	8	1,209,481,125	1,250,863,089
Intangible assets, net	9	838,568,816	838,661,767
Total of Non Current Assets		2,061,120,996	2,107,946,575
TOTAL ASSETS		3,192,588,062	3,318,455,136

LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Current portion of borrowings and murabaha financing	10	464,075,489	629,765,661
Deferred revenue	11	6,932,112	7,613,107
Trade payables and other liabilities	12	396,812,809	393,636,122
Accrued zakat and income tax	13	31,553,499	26,613,051
Total Current Liabilities		899,373,909	1,057,627,941

To be Continued

Independent Auditors' Report

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

Consolidated Balance Sheet

Consolidated Income Statement

Consolidated Cash Flow Statement

(All amounts in Saudi Riyals unless otherwise stated)

Consolidated Statement Of Changes In Shareholders' Equity

	Note	2014	2013
Non-current liabilities			
Long-term borrowings and murabaha financing	10	666,747,041	527,972,723
Customers' deposits	14	17,338,282	18,471,219
Other payables	1	97,581,004	160,649,310
Employees' termination benefits	15	115,752,252	113,035,274
Total Non-Current Liabilities		897,418,579	820,128,526
TOTAL LIABILITIES		1,796,792,488	1,877,756,467

EQUITY			
Shareholders' Equity			
Share capital	1	800,000,000	800,000,000
Statutory reserve	16	203,777,609	203,777,609
Contractual reserve	17	67,547,177	67,547,177
Restricted governmental grant	8	8,361,425	8,361,425
Foreign currency translation adjustments related to investments in foreign subsidiaries	18	(6,035,243)	(4,483,263)
Net changes in fair value of cash flow hedges	19	(7,554,821)	(1,274,544)
Retained earnings	20	56,872,936	96,184,115
Total shareholders' equity		1,122,969,083	1,170,112,519
Minority interest	21	272,826,491	270,586,150
Total equity		1,395,795,574	1,440,698,669
TOTAL LIABILITIES AND EQUITY		3,192,588,062	3,318,455,136

The accompanying notes on pages 6 to 23 form an integral part of these consolidated financial statements.

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(A Saudi Joint Stock Company)
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	Note	2014	2013
Revenues		1,743,267,619	1,726,056,576
Cost of revenues		(1,347,131,840)	(1,305,923,703)
GROSS PROFIT		396,135,779	420,132,873
Operating expenses			
Selling and marketing	23	(116,321,017)	(82,843,243)
General and administration	24	(266,962,933)	(273,991,587)
Income From Main Operations		12,851,829	296,268

Other income and expenses, net	25	52,245,856	(12,316,209)
Financial charges, net		(54,983,682)	(24,859,290)
Income Before Zakat And Income Tax And Minority Interest		10,114,003	156,172,591

Zakat and income tax	13	(13,402,862)	(14,422,088)
(Loss) Income before minority interest		(12,586,482)	296,268

Minority interest in net income and losses of subsidiaries	20	(13,321,835)	(16,085,856)
Net (Loss) income for the year		(39,311,179)	(30,211,676)

Earnings (Loss) per share			
Income from main operations	25	0,16	0,79
Net (Loss) income for the year	25	(0,49)	(0,38)

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	Notes	2014	2013
Cash flow from operating activities			
(Loss) income before zakat, income tax and minority interest		(12,586,482)	296,268
Adjustments for non-cash items:		-	-
Depreciation of property, machinery and equipment		88,750,055	82,819,822
Amortization of intangible assets		4,488,364	4,047,961
Gain from sale of property, machinery and equipment		(25,479,899)	(2,812,387)
Impairment loss in property, machinery and equipment		1,001,244	1,515,266
Allowance for doubtful account		36,294,046	23,065,348
Provision for slow-moving item		13,370,152	19,343,573
Reversal of customers' deposits		(939,209)	(312,174)
Employees' termination benefits		21,934,708	22,367,748
Impairment loss in investment properties		5,359,492	-
Property, machinery, and equipment losses due to fire		10,747,094	-
Inventory losses due to fire		11,873,501	-
Changes in working capital:			
Trade accounts receivable		(6,623,588)	(36,805,438)
Inventory		39,891,694	(34,245,547)
Prepayments and other current assets		9,165,214	(3,209,518)
Deferred revenues		(680,995)	(1,212,079)
Trade payables and other current liabilities		(66,171,896)	(9,087,599)

The accompanying notes on pages 6 to 23 form an integral part of these consolidated financial statements.

To be Continued

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	Notes	2014	2013
Cash flow from operating activities			
Customers' deposits		(193,728)	(320,674)
Due from/to related parties		15,368,600	766,014
Employees' termination benefits paid		(19,217,730)	(11,739,237)
Zakat and income tax paid		(8,462,414)	(11,642,771)
Net cash generated from operating activities		117,888,223	42,834,576
Cash flow from investing activities:			
Additions to property, machinery and equipment		(105,683,612)	(120,152,171)
Proceeds from sale of property, machinery and equipment		70,838,088	7,464,836
Investment properties		(8,828)	(16,244)
Proceeds from sale of land		-	175,999,935
Foreign currency translation adjustments related to property, machinery and equipment, net		1,208,994	(879,414)
Additions to intangible assets		(4,395,413)	(3,371,248)
Net cash (utilized in) generated from investing activities		(38,040,771)	59,045,694
Cash flow from financing activities:			
Change in long-term and short-term borrowings and murabaha financing		(26,915,854)	4,576,150
Foreign currency translation adjustments related to investments in foreign subsidiaries		(1,551,980)	(437,844)
Board of Directors' remunerations		-	(4,460,000)
Dividends paid		-	(79,947,862)
Change in minority interest		(11,081,494)	(17,623,546)

The accompanying notes on pages 6 to 23 form an integral part of these consolidated financial statements.

To be Continued

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SAUDI RESEARCH AND MARKETING GROUP
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(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2014	2013
Shareholders' equity:			
Share capital	1	800,000,000	800,000,000
Statutory reserve	16	203,777,609	203,777,609
Contractual reserve	17	67,547,177	67,547,177
Restricted governmental grant	8	8,361,425	8,361,425

The accompanying notes on pages 6 to 23 form an integral part of these consolidated financial statements.

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	Note	Share capital	Statutory reserve	Contractual reserve	Restricted governmental grant	Foreign currency translation adjustments related to investments in foreign subsidiaries	Net changes in fair value of cash flow hedges	Retained earnings	Total
2014									
January 1, 2014		800,000,000	203,777,609	67,547,177	8,361,425	(4,483,263)	(1,274,544)	96,184,115	1,170,112,519
Net loss for the year		-	-	-	-	-	-	(39,311,179)	(39,311,179)
Foreign currency translation adjustments, net	18	-	-	-	-	(1,551,980)	-	-	(1,551,980)
Net changes in fair value of cash flow hedges	19	-	-	-	-	-	(6,280,277)	-	(6,280,277)
December 31, 2013		800,000,000	203,777,609	67,547,177	8,361,425	(6,035,243)	(7,554,821)	56,872,936	1,122,969,083

2012									
January 1, 2013 (Restated)		800,000,000	203,777,609	67,547,177	8,361,425	(4,045,419)	1,124,373	210,855,791	1,287,620,956
Net income for the year		-	-	-	-	-	-	(30,211,676)	(30,211,676)
Foreign currency translation adjustments, net	18	-	-	-	-	(437,844)	-	-	(437,844)
Net changes in fair value of cash flow hedges	19	-	-	-	-	-	(2,398,917)	-	(2,398,917)
Dividends and board Directors remuneration		-	-	-	-	-	-	(84,460,000)	(84,460,000)
December 31, 2012 (Restated)		800,000,000	203,777,609	67,547,177	8,361,425	(4,483,263)	(1,274,544)	96,184,115	1,170,112,519

The accompanying notes on pages 6 to 23 form an integral part of these consolidated financial statements.

Notes To The Consolidated Financial Statements

1. General Information

Saudi Research and Marketing Group (the “Company”) is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010087772 issued in Riyadh on Rabi Al Awal 29, 1421H (corresponding to July 1, 2000) and has a branch in Jeddah with a sub-commercial registration number 1010087772/001. The registered address of the Company is P.O Box 53108, AlMoutamarat District, Makkah Road, Riyadh 11583, Kingdom of Saudi Arabia. The share capital of the Company amounting to SR 800 million is divided into 80 million shares of SR 10 each.

Saudi Research and Marketing Group and its subsidiaries (collectively the “Group”) consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is engaged in trading, marketing, advertising, distribution, printing and publishing activities. The Group operates mainly in the Middle-East, Europe and North Africa. The accompanying consolidated financial statements include the accounts of the Company and its following subsidiaries, operating under individual commercial registrations:

Subsidiary	Commercial Registration Number	Country of Incorporation	Direct and indirect shareholding as of December 31, 2014 2013	
Intellectual Holding Company for Advertisement and Publicity - L.L.C.	1010119045	Saudi Arabia	100%	100%
Scientific Works Holding Company - L.L.C.	1010119043	Saudi Arabia	100%	100%
Saudi Printing and Packaging Company, Joint Stock Company (3)	1010219709	Saudi Arabia	70%	70%
NUMU Media Holding Company	1010218981	Saudi Arabia	60%	60%
Book Depot Company for publishing & Distribution.	13577	Jordan	49%	49%

The following subsidiaries are jointly owned by Intellectual Holding Company for Advertisement and Publicity and by Scientific Works Holding Company:

Subsidiaries	Principal Activity of the Company	Country of Incorporation
Saudi Research and Publishing Company and its subsidiaries (1)	Publishing	Saudi Arabia
Saudi Distribution Company and its subsidiaries (2)	Distribution	Saudi Arabia
Arab Media Company Limited	Media, papers advertising, promotional and selling services	Saudi Arabia
Al Khaleejiah Advertising and Public Relation Company	Media and paper advertising and promotional services	Saudi Arabia
Ofoq Information System and Communication Company	Trading in communication, equipments and development of software	Saudi Arabia
Moutamarat Company for Exhibitions and Conferences	Organizing conferences and exhibition	Saudi Arabia

This Company owns 100% of the Kuwait Group for Distributing and Publishing Company Ltd., a registered company in Kuwait and 90% of Emirate Printing, Publishing and Distribution Company Ltd., a registered company in United Arab Emirates. The financial statements of the Kuwaiti Group for Distributing and Publishing Company have not been consolidated since an administrative dispute led to lack of information required to consolidation. In the last quarter of the year 2010, the Group was able to end this dispute and assigned a financial advisor to review the financial operations during the period of the administrative dispute. Up to the date of preparation of these consolidated financial statements, this review was not yet completed. Therefore, the financial statements have not been consolidated up to date. Noting that it does not have any significant financial impact on the consolidated financial statements. This company owns Tiba Printing and Publishing Company Ltd., Hala Printing Company Ltd. and Flexible Packaging Company Ltd., Al Madina Al Mounawara Printing and Publishing Company Ltd., Future Company for Industrial Investment and Emirates National Factory for Plastic industrial L.L.C.

During the year ended December 31, 2012, a subsidiary; namely Saudi Printing and Packaging Company (“SPPC”), acquired 100% share of Emirates National Factory for Plastic Industries LLC (“ENPI” or “Emirates Factory”), a limited liability company registered in the Emirate of Sharja, United Arab Emirates, for a net consideration amounting to approximately SR 642 million (including a deferred consideration estimated to approximately SR 172 million at that time 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 paid 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 as agreed in the Agreement multiplied by a determined multiplier according to the above mentioned agreement.

As at December 31, 2014, the deferred consideration was revaluated and resulted a gain with amount of SR 28.8 million representing the changing of the fair value of the deferred consideration.

As at December 31, 2014 the balance of the deferred consideration was SR 107.8 million (2013: SR 160,6 million), the current portion of the deferred consideration amounting to SR 12.6 million was reported under current liabilities as of December 31, 2014 (2013: nil). The non-current portion amounting to SR 95.2 million was reported under non-current liabilities (2013: SR 160.6 million).

During the second quarter of 2013, Future Industrial Investment Company (a subsidiary), bought a share from one of the shareholders of Through the Future for Plastic Company, a closed joint stock company registered in Riyadh, amounting to 731,250 shares, which represents 19.5% of the Company’s share capital with an amount of SR 8.4 million, and resulting in a goodwill of approximately SR 1.2 million.

Also, During the second quarter of 2014, Taibah Printing and Publishing Co., Ltd. (a subsidiary) bought a share from one of the shareholders of Through the Future for Plastic Company, a closed joint stock company registered in Riyadh, amounting to 375,000 shares, which represent 10% of the Company’s share capital with an amount of SR 4.7 million, knowing that the Through the Future for Plastic Company is owned by Emirates factory with 51%. Thus, the actual ownership of Through the Future for Plastic Company became 80.5%.

During the third quarter of 2014, Taibah Printing and Publishing Co., Ltd. (a subsidiary) bought the remaining shares amounting to 731,250 shares in Through the Future for Plastic Company, a closed joint stock company registered in Riyadh, which represents 19.5% of the company's capital amounting to SR 9.1 million, accordingly, the effective ownership of the Company in Through the Future for Plastic Company became 100%.

2. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in compliance with accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). The principal accounting policies applied by the Company are set below:

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting except for derivatives financial instruments which are recognized at fair value.

2.2 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.

2.3 Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries in which the Group 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.

2.4 Revenues

Revenues are recognized upon delivering goods or issuing invoices for services rendered to customers, net of discount, while subscription revenues are recognized over the period of subscriptions.

Revenues on long-term contracts are 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 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. Paper, printing materials, spare parts and other inventories are valued on a weighted average cost basis. A provision is made for slow-moving and obsolete items.

2.8 Business combination and Goodwill

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

When the Company acquires another entity, it specifies the appropriateness of the classification of the financial assets and liabilities acquired in accordance with the contractual terms, economic conditions and related conditions 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.

2.9 Property, machinery and equipment

Property, machinery and equipment are carried at cost, less accumulated depreciation and impairment loss, except capital work-in progress which is carried at cost. Land is 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:

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.

2.10 Investment properties

Investment property (land or building and/or part of a building) is property held to earn rentals or for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and/or for undetermined use. Investment property is 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 the following estimated useful lives.

	Number of Years
Buildings	33 - 50
Leasehold improvements	4 - 10 or lease period, whichever is lesser
Printing machinery and equipments	10 - 20
Computer and equipments	4 - 10
Furniture and fixtures	4 - 13,3
Vehicles	2 - 6,67

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2.11 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.

2.12 Intangible assets

Mastheads:

Mastheads represent the recorded value of the mastheads of the newspapers and magazines published by the Group. The Group, at each balance sheet date, tests the mastheads for impairment using fair value method. If any such indication exists, the recoverable amount of the asset is estimated in order to determine that the book value of masthead is entirely recoverable. Impairment losses of mastheads are recognized as an expense in the consolidated statement of income once its book value exceeds its recoverable amount.

Impairment loss shall not be reversed subsequently, unless such loss originally occurred as a result of special external events of an exceptional nature that not expected to be repeated, and the recoverable amount clearly related to such events.

Goodwill:

Goodwill recognized upon acquisition of investments, representing the excess of the acquisition price over the fair value of net assets acquired is assessed at the end of each reporting period and stated in the consolidated financial statements at cost, reduced for impairment in value, if any.

Publishing rights and books development projects:

Publishing rights include all necessary costs incurred in acquiring the publishing rights, and are amortized over the contractual life using the straight-line method or upon the number of books contacted to be published. Amortization starts from releasing the first copy of the book.

Media content project, websites and computer programs:

Media content project, websites and computer programs are amortized on a straight-line method on the period from two to five years since start of work on these projects.

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 goodwill 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 goodwill are not reversible.

2.14 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 and associates having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet; Income and expenses for each consolidated income statement are translated at average exchange rates; and 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 and associates 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 or an associate 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.

2.15 Segment reporting

(a) Business segment

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

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

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.

2.16 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 consolidated 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.

2.17 Borrowings and murabaha financing

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

2.18 Accounts payable and accruals

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

2.19 Zakat and income taxes

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 Saudi Research and Marketing Group 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.

Notes To The Consolidated Financial Statements

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2.20 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.

2.21 Restricted governmental grant

Restricted governmental grant has been measured based on the fair market value of the asset at the time obtained, subject to adherence to the restrictions related to the grant. The restricted governmental grant is classified as a separate line item in equity, while the granted asset is included in property, machinery and equipment.

2.22 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 certain obligations or expected transactions. The effective gains or losses arising from financial instruments qualify for hedging is directly taken to shareholders' equity. The ineffective portion of an effective hedge is taken to the consolidated income statement and any gains or losses generated after recognition of financial instrument values, are being recognized. If the hedging instrument expires and hedged transactions are still probable to occur, accumulated gains and losses are retained in the shareholder's equity, and recognized in accordance with the policy above, if such transaction is not probable, accumulated gains or losses, which are already recognized in shareholders' equity, are taken to the consolidated income statement.

2.23 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.

2.24 Dividends

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

2.25 Reclassification Certain comparative amounts have been reclassified to conform to current year presentation.

3. Cash and cash equivalents

	2014	2013
Cash on Hand	1,963,051	1,653,790
Cash at bank	162,772,283	126,922,754
Restricted cash at banks	14,882,844	10,743,510
	179,618,178	139,320,054

For the purpose of the consolidated cash flow statement, Cash and cash equivalents as of December 31, are summarized as follows:

	2014	2013
Cash on hand and at banks	179,618,178	139,320,054
Restricted cash at banks	(14,882,844)	(10,743,510)
	164,735,334	128,576,544

4. Accounts receivable, net

	2014	2013
Trade receivable	665,855,615	661,452,184
Accrued revenues	8,939,413	9,978,259
	674,795,028	671,430,443
Provision for doubtful debts	(105,556,777)	(72,521,734)
	569,238,251	598,908,709

2008

- SSPc Acquired 51% of University Bookshop Companies.

2009

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

Movement of provision for doubtful debts is summarized as follows:

	2014	2013
Balance, January 1	72,521,734	51,491,425
Provision for the year	36,294,046	23,065,348
Write-offs	(3,259,003)	(2,035,039)
Balance, December 31	105,556,777	72,521,734

5. Inventory, net

	2014	2013
Raw materials and packaging materials	206,840,399	253,634,969
Books	60,762,934	64,875,744
Spare parts	13,646,979	22,561,824
Work in process and finished goods	44,181,835	47,713,075
Goods in transit	6,532,590	1,964,393
Other	195,014	195,174
	332,159,751	390,945,179
Provision for slow moving items	(46,846,283)	(40,496,364)
	285,313,468	350,448,815

Movement of provision for slow moving items is summarized as follows

	2014	2013
Balance, January 1	40,496,364	22,547,975
Provision for the year	13,370,152	19,343,573
Write-offs	(7,020,233)	(1,395,184)
Balance, December 31	46,846,283	40,496,364

During 2014, Inventory was written off amounting to SR 11.8 million as a result of a fire in one of the subsidiaries.

6. Prepaid expenses and other current assets

	2014	2013
Prepaid expenses	23,718,855	37,796,818
Advances to suppliers and publishers	20,796,030	17,139,869
Refundable deposits	5,644,590	5,765,075
Other receivables	22,703,871	21,326,798
	72,863,346	82,028,560

Notes To The Consolidated Financial Statements

7. Investment properties

Investment properties at December 31, 2014 and 2013 consist of a land with building leased out to third parties. Impairment losses has been recorded in investment in properties during 2014 amounting to SR 5.3 million.

	Land	Buildings	Leasehold improvements	Printing machinery and equipments	Computers and equipment	Furniture and fixtures	vehicles	Capital work-in progress	Total
Cost									
January 1, 2014	229,820,433	573,554,197	43,624,587	916,760,412	114,623,752	91,153,807	54,176,473	99,934,107	2,123,647,768
Foreign currency adjustment	64,022	(1,773,002)	(1,324,202)	276,654	(2,559,060)	(675,466)	5,467	2,276	(5,983,311)
Additions	-	1,645,781	179,847	10,624,658	3,008,336	2,841,633	7,356,704	80,026,653	105,683,612
Disposals	(12,225,000)	(37,974,248)	(1,979,184)	(114,157,175)	(3,969,292)	(4,619,606)	(6,974,982)	(1,858,761)	(183,758,248)
Transfers	-	55,002,157	11,750	43,291,053	5,007,395	(597,561)	337,825	(103,052,619)	-
Extraordinary losses-fire	-	(9,709,189)	-	(5,833,971)	-	(643,417)	(200,826)	-	(16,387,403)
December 31, 2013	217,659,455	580,745,696	40,512,798	850,961,631	116,111,131	87,459,390	54,700,661	75,051,656	2,023,202,418
Impairment of assets									
January 1, 2014	(13,177,830)	(99,881,339)	-	-	-	-	-	(1,515,266)	(114,574,435)
Impairment losses	-	-	-	(391,164)	-	(610,080)	-	-	(1,001,244)
December 31, 2014	(13,177,830)	(99,881,339)	-	(391,164)	(610,080)	-	(1,515,266)	(115,575,679)	(114,574,435)
Accumulated depreciation									
January 1, 2014	-	133,200,620	38,229,873	367,197,975	98,811,727	74,639,260	46,130,789	-	758,210,244
Foreign currency adjustment	-	(689,008)	(1,226,454)	85,414	(2,444,542)	(503,660)	3,013	920	(4,774,317)
Charge for the year	-	16,752,775	2,841,749	53,312,993	7,218,277	4,547,060	4,077,201	-	88,750,055
Disposals	-	(22,783,598)	(1,588,807)	(99,156,841)	(3,715,671)	(4,422,517)	(6,732,625)	-	(138,400,059)
Transfers	-	-	-	(286,639)	705,381	(418,314)	(428)	-	-
Extraordinary losses-fire	-	(3,636,927)	-	(1,427,832)	-	(422,252)	(153,298)	-	(5,640,309)
December 31, 2014	-	122,843,862	38,256,361	319,725,070	100,575,172	73,419,577	43,324,652	920	698,145,614
Net book value									
December 31, 2014	204,481,625	358,020,495	2,256,437	530,845,397	15,535,959	13,429,733	11,376,009	73,535,470	1,209,481,125
December 31, 2013	216,642,603	340,472,238	5,394,714	549,562,437	15,812,025	16,514,547	8,045,684	98,418,841	1,250,863,089

Disposals include an amount of SR 25,059,085 which represents the net book value of property, machinery and equipment was reclassified during the third quarter of 2014 as available for sale assets under current assets. Such assets was disposed during the fourth quarter of 2014.

8. Intangible assets, net

During 2008, the Government of Dubai granted Saudi Research and Publishing Company (a subsidiary) a parcel of land of 29,809 square feet in Dubai as a restricted grant. The land was evaluated at SR 8.4 million, and is classified as a separate line item under shareholders’ equity, while the granted asset is included in property, .machinery, and equipment

	Mastheads	Goodwill	Publishing rights and books development projects	Media content project and websites	Computer softwares	Pre-operating expenses	Total
Cost							
January 1, 2014	350,000,000	480,155,748	5,120,222	14,281,913	2,246,545	2,782,638	854,587,066
Additions	-	2,302,035	1,288,961	573,796	346,785	230,621	4,395,413
December 31, 2014	350,000,000	482,457,783	6,409,183	14,855,709	2,477,166	2,782,638	858,982,479
Accumulated amortization							
January 1, 2014	-	-	2,852,606	9,220,047	1,277,177	2,575,469	15,925,299
Charge for the year	-	-	791,209	3,224,071	265,915	207,169	4,488,364
December 31, 2014	-	-	3,643,815	12,444,118	1,543,092	2,782,638	20,413,663
Net book value							
December 31, 2014	350,000,000	480,155,748	2,267,616	5,061,866	969,368	207,169	838,661,767
December 31, 2013	350,000,000	480,155,748	2,267,616	5,061,866	969,368	207,169	838,661,767

Notes To The Consolidated Financial Statements

During 2008, Numu Media Holding Company, a subsidiary, acquired 51% interest in three companies in Saudi Arabia, United Arab Emirates, and Jordan. In addition, Saudi Printing and Packaging Company and Hala Printing Company (one of the group's companies) acquired a company in Saudi Arabia. As a result, goodwill was recognized by approximately SR 82 million.

During 2009, Numu Media Holding Company increased its interest in these subsidiaries to be fully owned by the Group and resulted goodwill of SR 33 million. The financial statements of such subsidiaries have been consolidated since that date.

9. Borrowings and muarabaha financing

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

	2014	2013
Overdraft facilities	-	5,006,194
Murabaha financing for working capital	248,903,826	397,622,950
Borrowings and murabaha financing	881,918,704	755,109,240
	1,130,822,530	1,157,738,384
Less: current portion	(464,075,489)	(629,765,661)
Non-current portion	666,747,041	527,972,723

The Group and its subsidiaries have bank facilities agreements with several local and foreign banks in the form of borrowings and murabaha financing, letters of credit and letters of guarantee with a total ceiling of SR 2.27 billion (2013: SR 2.3 billion) of which approximately SR 1.23 billion was used at year end (2013: SR 1.3 billion). The purpose of such facilities is to finance the working capital, investments and finance import of raw materials and equipment related to the Group's activities and capital expenditures. These facilities bear an agreed financing charges and accrued on different periods for each separately. The currency of the borrowings and Murabaha finance is the Saudi riyal and the UAE dirham and US dollar. Such borrowings and Murabaha financing are accrued on periods ranging between 2015 and 2020.

10. Deferred revenues

Deferred revenues represent subscriptions received in advance. Such balance will be subsequently recognized as revenue over the period of the related subscriptions.

11. Trade payables and other current liabilities

	2014	2013
Trade and notes payable	222,079,032	239,385,232
Accrued expenses	149,363,696	130,825,575
Dividends payable	3,399,697	2,114,744
Other payables	21,970,384	21,310,571
	396,812,809	393,636,122

12. Zakat and income tax

	2014	2013
Zakat	30,563,129	26,245,282
Income tax	990,370	367,769
	31,553,499	26,613,051

Movement in zakat provision during the year is summarized as follows:

	2014	2013
Balance, January 1	26,245,282	23,059,026
Provision for the year	12,005,253	13,424,978
Payments during the year	(7,687,406)	(10,238,722)
Balance, December 31	30,563,129	26,245,282

The Company and its subsidiaries filed individual zakat returns through 2006. Management believes that zakat provision is adequate to meet any liabilities to the Department of Zakat and Income Tax ("DZIT") resulting from the zakat assessments.

Saudi Research and Marketing Group finalized its individual zakat assessments for the years 2001 through 2006.

During 2007, the Company obtained the DZIT approval to submit zakat return on a consolidation basis for the Company and its fully owned subsidiaries. The Company filed its zakat returns for the years 2007 through 2013 which are still under review by the DZIT.

13. Customers' deposits

These represent amounts received from the distribution outlets as deposits for selling newspapers and other publications.

14. Employees' termination benefits

Movement in employees' termination benefits is summarized as follows:

	2014	2013
Balance, January 1	113,035,274	102,406,763
Provision for the year	21,934,708	22,367,748
Payments during the year	(19,217,730)	(11,739,237)
Balance, December 31	115,752,252	113,035,274

15. Statutory reserves

In accordance with the Regulations for Companies in Saudi Arabia and the Company's by-laws, 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 the statutory reserve from the Company. Such reserve is not available for dividend distribution.

16. Contractual reserves

In accordance with the Company's By-laws, the Company must set aside 5% of its net income for the year to the contractual reserve until it has built up a reserve equals to 25% of the share capital. The contractual reserve may be used for any purpose authorized by the Board of Directors.

17. Foreign currency translation adjustments on investments in foreign subsidiaries

The translation adjustments comprise all foreign exchange differences arising from translation of the financial statements of foreign operations, as well as, from the translation of liabilities that hedge the Group's net investments in foreign subsidiaries.

18. Net changes in fair value of cash flow hedges

As at December 31, 2014, the Company had a forward currency agreement to cover foreign currency cash flow exposure resulting from its operational activities outside the Kingdom of Saudi Arabia to exchange GBP for USD for the period from June 20, 2014 to June 23, 2016, for a total contractual amount of GBP 26 million. The currencies are settled at pre-determined dates and pricing is calculated based on the difference between the exchange rate between USD and GBP at that date and contractual currency exchange rates as per the agreement.

As at December 31, 2014, one of the subsidiaries had commission rate SWAP agreement with a nominal value of SR 375.15 million to cover commission rate cash flow exposure resulting from its operational activities.

The fair value of such agreements recorded under the shareholders' equity as at December 31, 2014 amounted to SR 7,554,821 (2013: SR 1,274,544).

Notes To The Consolidated Financial Statements

19. Minority interest

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

	Emirates Printing, Publishing and Distribution Company Ltd.	Saudi Printing and Packaging Company	Emirates National Factory for Plastic Industrial LLC	2014	2013
Balances, beginning of year	(402,254)	259,865,832	11,122,572	270,586,150	272,123,840
Additions	-	-	(11,122,572)	(11,122,572)	(7,621,169)
Share in subsidiaries' net income (losses)	(291,774)	13,613,609	-	13,321,835	16,085,856
Settlements and payments during the year	(694,028)	273,520,519	-	41,078	(10,002,377)
Balances, end of year					

20. Related party transactions

The Group had the following transactions with related parties during the year:

	2014	2013
BOD executive members' salaries and remunerations	17,703,520	14,646,150
Board of directors' expenses and allowances	537,300	809,254

Due from related parties as at December 31 comprise the following:

	2014	2013
The Kuwait Group for Publishing and Distribution Company	1,604,068	1,249,636
Satellite graphics Co.	137,914	134,112
Future Cards Industries L.L.C.	3,191,776	18,918,610
	4,933,758	20,302,358

21. Selling and marketing

	2014	2013
Salaries, wages and other benefits	41,644,942	32,955,910
Advertising, promotions, campaigns and seminars	2,554,154	3,255,080
Provision for doubtful debts	36,294,046	23,065,348
Shipping and clearance	23,255,779	12,355,501
Other	12,572,096	11,211,404
	116,321,017	82,843,243

22. General and administrative expenses

	2014	2013
Salaries, wages and other benefits	150,511,152	156,155,840
Depreciation and amortization	26,801,642	29,731,127
Professional fees	12,133,299	15,874,398
Rent (note 29)	14,280,489	12,064,760
Public relations	1,290,184	1,549,254
Postal, telephone and fax	7,221,728	8,271,993
Insurance	3,446,312	2,832,241
Travel expenses	5,242,921	3,121,708
Maintenance	4,629,401	5,235,274
Stationery	1,103,077	1,393,039
Electricity and water	2,968,450	3,234,561
Computer services	2,138,984	2,202,879
Shipping, packing and customs	456,618	415,479
Government expenses	2,744,692	3,091,504
Board of directors expenses	1,997,331	3,594,254
Other	29,996,653	25,223,276
	266,962,933	273,991,587

Notes To The Consolidated Financial Statements

23. Other income and expenses, net

	2014	2013
Gain from sale of property, machinery and equipment	25,479,899	2,812,387
Rental income	1,647,895	2,483,744
Exceptional non-recurring expenses*	-	(20,500,000)
Foreign currency exchange losses	(2,975,175)	(153,764)
Change in fair value of the deferred consideration	28,822,061	-
Impairment in plant, property and equipment	(1,001,244)	-
Impairment in property investment	(5,359,492)	-
Miscellaneous, net	5,631,912	3,041,424
	52,245,856	(12,316,209)

The exceptional non-recurring expenses represent expenses approved by the Group during the first quarter of 2013 as a part of the Group's re organize plan for certain segments within the Group which the Group works to complete.

24. Earnings (loss) per share

Earnings per share have been calculated by dividing income from main operations and net loss for the year by the weighted average number of shares outstanding during the year of 80 million shares.

25. Segment information

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

The segment results and assets comprise items that are directly attributable to certain segment and items that can reasonably be allocated between various business segments. Unallocated items are included under "other".

The Group is organized into the following main business segments:

- a. Publishing:** comprises the local and international publishing works, researches and marketing of the Group products and third party products.
- b. Specialized Publishing:** comprises of publishing of specialized publications of third parties, publishing licensed international titles, translation services, and selling electronic and visual content.
- c. Distribution:** comprises distribution of newspapers, magazines, publications and books locally and internationally of the Group products and others.
- d. Advertising:** comprises local and international advertising, production, representation and marketing audio visual and readable advertising media, and outdoor advertising locally and internationally.
- e. Printing and packaging:** comprises printing works on papers, plastic and commercial stickers in addition to the plastic production to the group and others.
- f. Education:** comprises of wholesale and retail trading in school materials, office furniture, laboratory installation and maintenance, and educational tools, services, training and technical programs.
- g. Other:** comprises head office, general management, investing activities and other.

26. Segment information - Continued

	Publishing	Specialized Publishing	Distribution	Advertising	Printing and Packaging	Education	Other	Total	Elimination	Consolidation
As of and for the year ended December 31, 2014										
Revenue	566,995,719	24,938,597	47,537,786	369,365,418	1,232,328,247	71,048,887	207,248	2,312,421,902	(569,154,283)	1,743,267,619
Gross profit	95,556,141	7,223,098	4,786,834	40,775,219	244,446,122	10,099,926	207,248	403,094,588	(6,958,809)	396,135,779
Net income (Loss)	1,536,580	(7,810,567)	(19,718,614)	8,734,413	45,378,698	(36,338,657)	(15,608,492)	(23,826,639)	(15,484,540)	(39,311,179)
Property, machinery and equipment, net	126,949,402	265,500	15,045,119	16,183,850	1,032,033,294	1,405,203	17,598,757	1,209,481,125	-	1,209,481,125
Intangible assets	3,541,078	92,020,179	-	-	390,230,436	2,765,369	350,011,754	838,568,816	-	838,568,816
Total assets	416,820,562	72,142,291	79,020,594	152,755,810	2,282,455,788	185,708,255	1,414,707,857	4,603,611,157	(1,411,023,095)	3,192,588,062
Total liabilities	108,744,363	56,336,659	120,089,188	124,488,778	1,370,720,732	139,537,954	273,734,447	2,193,652,121	(396,859,633)	1,796,792,488
As of and for the year ended December 31, 2013										
Revenue	616,074,580	40,767,322	49,333,627	388,579,207	1,141,765,520	116,779,046	504,231	2,353,803,533	(627,746,957)	1,726,056,576
Gross profit	118,078,294	17,043,466	4,609,219	28,700,233	234,833,063	21,561,336	504,231	425,329,842	(5,196,969)	420,132,873
Net income (Loss)	2,501,592	(4,448,789)	(26,329,133)	(1,130,510)	51,903,039	(9,036,382)	(29,643,471)	(16,183,654)	(14,028,022)	(30,211,676)
Property, machinery and equipment, net	137,881,842	1,168,577	12,204,441	18,286,700	1,061,881,455	1,422,566	18,017,508	1,250,863,089	-	1,250,863,089
Intangible assets	6,238,401	92,020,179	-	-	388,135,570	2,267,617	350,000,000	838,661,767	-	838,661,767
Total assets	424,378,435	81,216,297	76,645,053	169,662,854	2,292,585,372	256,825,425	1,494,879,182	4,796,192,618	(1,477,737,482)	3,318,455,136
Total liabilities	114,262,881	92,723,425	95,791,106	145,447,840	1,415,243,362	137,227,289	285,261,337	2,285,957,240	(408,200,773)	1,877,756,467

Substantially, all the Group's operating assets are located in the Kingdom of Saudi Arabia and United Arab Emirates. Principal markets for the Group's products are the Middle East, Europe and North Africa. It is not practicable to disclose financial information relating to individual geographic areas.

Notes To The Consolidated Financial Statements

27. Contingencies and commitments

A) The Group has the following contingent liabilities and commitments as of December 31:

	2014	2013
Letter of credits	80,050,371	65,928,708
Letter of guarantees	20,957,555	20,713,698

- B) A subsidiary has capital commitments amounting to approximately SR 23.4 million for the purchase of machineries through issuing letter of credits by the same amount.
- C) Certain subsidiaries of the Group are involved in various litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, management does not expect that they will have a material adverse effect on the consolidated financial statements of the Group.

28. Operating leases

The Group has operating lease contracts related to the Company's offices, facilities and its branches. Rent expenses for the current year amounted to SR 14,280,489 (2013: SR 12,064,760) which was reflected in the consolidated income statement.

29. Extraordinary losses

During the fourth quarter of 2014, one of the warehouses in a subsidiary of a subsidiary in the United Arab Emirates companies had been on fire, resulting in losses and damage in assets with a carrying value of SR 22.7 million, which was recorded as a loss in the consolidated income statement for the year ended December 31, 2014. The Group is in process to complete the legal formalities and to claim insurance compensations relating to those damages and losses.

30. Subsequent events

During the month of January 2015, one of the subsidiaries sold plots of land in Jeddah city, on which some of the old warehouses were constructed an amount of SR 15.6 million and resulted a capital gains of approximately SR 14.2 million.

31. Financial instruments and risk management

Interest rate risk

The Group has no significant interest bearing long term assets, but has interest bearing liabilities at December 31, 2014. The Group manages its interest rate risk by keeping floating rate long term credit facilities at an acceptable level.

Increase in paper prices

Papers are considered to be the most important raw materials used by the Group, in the terms of costs and supply sources. The Group uses the presses of Saudi Printing and Packaging Company (a Saudi joint stock company – subsidiary) in order to print its publications in the Kingdom. The Group receives papers through supply agreements signed with a main supplier, and obtaining fewer quantities from different suppliers periodically. The Group minimizes the fluctuations in paper prices by limiting the stock of paper and managing it in an efficient manner.

Credit risk

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Investments are allowed only in liquid securities with counterparties that have a sound credit rating. At the balance sheet date, no significant concentration of credit risk was assessed.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments, primarily loans. Liquidity risk is managed by monitoring that sufficient funds are available to meet any future commitments, primarily through bank borrowings.

Currency risk

Exposure currency risk arises in the normal course of the Group's business. Derivative financial instruments are used to reduce exposure to fluctuations in foreign currency exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group is exposed to foreign currency risk on expenses that are denominated in a currency other than Saudi Riyal. GBP is considered the principal currency that raises such risks.

The Group hedges the estimated foreign currency exposure in respect of forecasted expenses in the foreseeable future. The Group uses hedging instruments to hedge its foreign currency risks.

In respect of other monetary assets and liabilities held in currencies other than Saudi Riyals, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rate where necessary.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets, financial liabilities and hedging instruments.

The Group's financial assets consist of cash and cash equivalents, accounts receivable and receivables from sale of associated company. Financial liabilities consist of murabaha financing and trade payables. Hedging instruments consist of convertible forward currency agreement. The fair values of financial instruments are not materially different from their carrying values.