



المجموعة السعودية للأبحاث والتسويق
SAUDI RESEARCH & MARKETING GROUP

2013

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.



Contents

The Message of the Chairman	4
SRMG Current Board Members	6
Board of Directors Report	9
Year End Financial Performance Measurements 2013	39
Independent Auditors' Report	45
Notes To The Consolidated Financial Statements 2013	53

Saudi Research and Marketing Group

Chairman's Message to Shareholders

HRH Prince
Turki bin Salman bin Abdulaziz Al Saud
Chairman of the Board of Directors
SRMG



Dear SRMG Shareholders,

The Group's board of directors submits to you the annual report of Saudi Research & Marketing Group for the financial year ended December 31, 2013

The year 2013 was full of challenges as it was necessary to address issues related to previous years. Although the consequences of these issues affected the group's results with the continuous market pressures and technological acceleration in the filed of media, the Group realized growth of 24.8% in revenues and a 13.3% in gross profit by its policy of revenue sources diversification.

No doubt the Board of Directors fully recognizes the challenges facing the Group. You all know the significance of growth and expansion strategy and the cost accompanying it; as well as the necessary steps taken by the Group to build and develop an electronic media entity presented to readers and to reach a quality standard which reflects the Group position in the field of media. In addition to that, education sector is still continuing development of its educational projects and building a new structure suitable to its future plans.

Finally, I would like to express my thanks and appreciation to your support and efforts and I wish all success to you in realizing the overall interest of the Group, its shareholders and all interested parties. Also we cannot forget human capital element as the corner stone of our Group, and I would like to thank them so much for their efforts and affiliation hoping that they will continue these efforts to realize benefit for the dear shareholders.

Best regards

SRMG Current Board Members



HRH, Prince Turki bin
Salman bin Abdulaziz
Chairman of the Board



Mr. Abdullah Bin Salem
Bahamdan
Board Member



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 Alesia
Industries



Dr. Abdallah Hussain
Bin Al Amoudi
Board Member



Eng. Sulaiman Bin
Ibrahim Al Hudaithi
Board Member

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. Saleh Bin
Nasser Al Jasser
Board Member

Board member of
the Bupa Arabia for
Cooperative Insurance

Member of the Board
of Directors of Union
Communications (Mobily)

Member of the Board of
Directors of Abdul Aziz
small Holding



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



Mr. Mohammed Bin
Ibrahim Al-Essa
Board Member



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.

Chairman of the Board
of Directors of NUMU
Holding Group



Board of Directors Report
on the year ended on 31 December 2013

Annual Report



Dear Shareholders
Saudi Research and Marketing Group Company

Chairman and members of the Board of Saudi Research and Marketing Group have the pleasure in providing shareholders with this annual report. The report is to shed light on the Group's significant achievements and its financial position for the year ended on 31 December, 2013. This report, developed in consistence with requirements of Corporate Governance Regulations of the Capital Market Authority, Saudi Corporate Regulations, and the Group's Rules of Procedure, is expected to reflect shareholder's inspiration for further progression.

First: Vision & Mission

(A) Vision

To boost the role and status of the Group as one of the largest media entities to reach out to local and global readers.

(B) Mission

To provide high quality media and education services and products of upscale content, trust worthy, and based innovation within an attractive work environment and reliable trademarks.

Second: Strategic Goals and Future Expectations

During the year 2013, the Group continued to strengthen its local and regional role and status by moving forward achievement of its strategic goals that include:

1. Maintaining the traditional sectors

The Group worked during the year 2013 to maintain its traditional sectors in the fields of publishing and printing, which work together within an integrated system to provide qualitative and stat of the art services, enrich the Group's publications by incorporating knowledge and culture locally and internationally using the most advanced methods, means and competencies. The Group also adopted the business development strategy in exploring the best ways to growth and sustainable development. The Group was also keen to attract the largest share in the publishing and printing industry market and to establish new partnerships with major businesses to create industry knowledge tributaries far from uninformed interpretations and experiences that lack specialized expertise, talent, and visions.

2. Strategic growth and future visions:

The Group works on realizing the desired successes through several available means for investment diversity as well as through developing the educational sector, education content, strengthen former partnerships and establishing new ones in view to achieving strategic growth. To sustain the Group's leadership in the area of media and publication at the local and international levels, we have to keep making sure of our internal structure capacities to be up to the challenge of the coming years. Based on that, the Group has strengthened investments in the area of digital media to concord with media sectors transformation from paper- based media into digital media. The Group keenness on strategic growth by setting a future vision of local and global markets during 2013 was emphasized through increasing investments in the packaging sector as there are expectations of growth in that particular sector. In the contest of achieving the targeted strategic growth, the Group interred into a contract with Boston Consultants Group, a global business leader with extensive experience in finance and management consultations. The contract is part of the Group efforts to peruse development fo the growth strategy in view of realizing the highest performance rates as a media group through providing strategies, studies and best practices in governance and management in way of promoting the Group's competence.

3. Expansion and diversification

During 2013, the Group sought to diversify sources of income and to enter into new investment markets related to sectors such as education, packaging and paperless printing to establish the principle of risk distribution of revenues generated from a single source. Hence, the Group diversifies the opportunities offered by products and tools of new media in order to keep aligned with rapid developments in the media and publishing market. In the framework of the ongoing peruse of realizing the strategic objectives, the Group keeps developing the digital content of newspapers and magazines as well as providing quality services. Moreover, the Group works to diversify and develop packaging, education and paperless printing sectors by strengthening the customer base and 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, achieve aspirations of shareholders, and maximize their returns.

Third: Overall performance

In the course of translating the strategic policy adopted by the Group throughout the last few years to diversify investments and enrich the Group's income revenues, the Group achieved returns growth of 24.8%, growth in total gross profit 13.3% comparing to 2012. But profitability level has decreased in 2013 comparing to 2012 due to the fact that profits of the current interim included exceptional non-recurring expenditures of 20.5 million Riyals that was approved during the year for structuring some sectors of the Group. That in addition to the increase in financing charges as a result of the acquisition on Emirates National Factory Company that was concluded through Saudi Printing and Packaging Company, where the Group has 70% of its ownership. Marketing and Administrative costs in the current term included costs of the financial and administrative consultations and Emirates National Factory Company costs the first semester of the current year without having any numbers to compare with because of unifying the Factory results as of the second term of the previous year. The Group has also strengthened its financial status by reviewing the stock policy in the sectors of education and printing. As a result, extra allocations were obtained in the interim, and hedge against doubtful debts, which had an impact on level of profitability for 2013.



Fourth: Financial results and variances justifications

The following table shows the income statement, variances and their ratio for 2013 compared to 2012:

Income Statement
(Thousands of Saudi Riyals)

Description	2013	2012 (Amended)	Change	Percentage
Revenues	1,726,057	1,382,753	343,304	%24.8
Cost of Revenues	(1,292,842)	(1,000,497)	(292,345)	%29.2
Gross Profit	433,215	382,256	50,959	%13.3
Selling and marketing expenses	(95,925)	(63,407)	(32,518)	%51.3
General and administration expenses	(273,992)	(230,037)	(43,955)	%19.1
Income from Main Operations	63,298	88,812	(25,514)	(%28.7)
Other income, net	(12,316)	92,220	(104,536)	(%113.3)
Financial charges, net	(50,686)	(24,859)	(25,827)	%103.8
Income before Zakat and Income Tax and Minority Interest	296	156,173	(155,877)	(%96.8)
Zakat and Income Tax	(14,422)	(13,562)	(860)	%6.3
Income before Minority Interest	(14,126)	142,611	(156,737)	(%109.9)
Minority interest in net income and losses of subsidiaries	(16,086)	(38,021)	21,935	(%57.7)
Net Income for the Year	(30,212)	104,590	(134,802)	(%128.9)

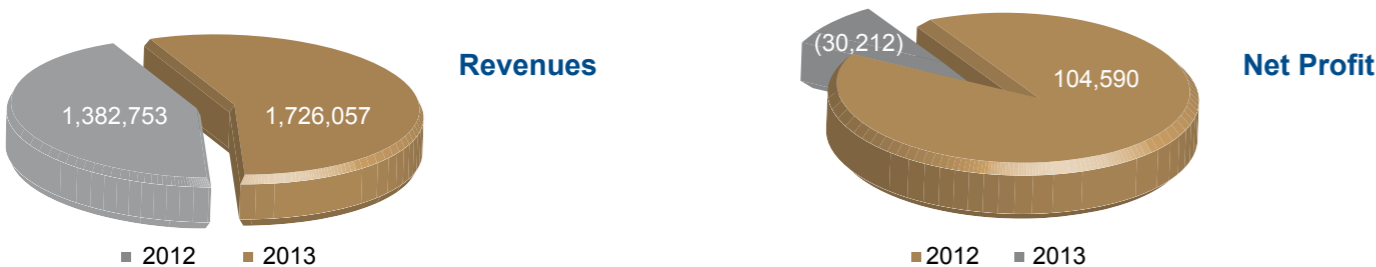
- 1 - Revenues: the Group achieved a growth by 24,8% for the year ended on 31 December, 2013 and gross revenues (1,726) Million Riyals compared to (1,383) Million Riyals for same interim of 2012. That is mainly because revenues of 2013 included revenues of Emirates National Plastics Factory Company for the whole year of 2013 compared to profits of the last six months of 2012 according to the date when the acquisition agreement was signed based on Saudi accounting principles. The acquisition was by Saudi Printing and Packaging Company- one of the Group subsidiaries.
- 2 - The Group has also achieved (63.3) Million Riyals of operation profits (income for main operations) in the year ended on 31 December, 2013 compared with (88.8) Million Riyals in 2012 recording a decline by 28.7%. The decline was due to allocations that were hedged against losses expected through default in payables of Al-Mustaqbal and Shams newspapers as well as against losses expected in the Kuwaiti Group for Publication and Distribution. That in addition to the allocations for goods of slow movement of in education and printing sectors due to the review of the Group's stock policy in view to strengthening the company financial status and defy any potential risks in the future.
- 3- The Group has also achieved a growth by 13.3% the gross profits for in the year ended on 31 December, 2013 as the growth was (433,2) Million Riyals compared with (382.3) Million Riyals for 2012.
- 4 - Minorities rights for 2013 include 15,6 Million Riyals representing the share of minorities rights in net profits of Saudi Printing and Packaging Company, which is 30%.
- 5 - The company recorded net loss by 30,2 Million Riyals compared to net profit of 104,6 Million Riyals in 2012 with a decline of 128.9%. That resulted a decline in share profitability of 129% as it reached (0,38) Riyals per share in minus value.

1963

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

1972

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



Board of Directors Report

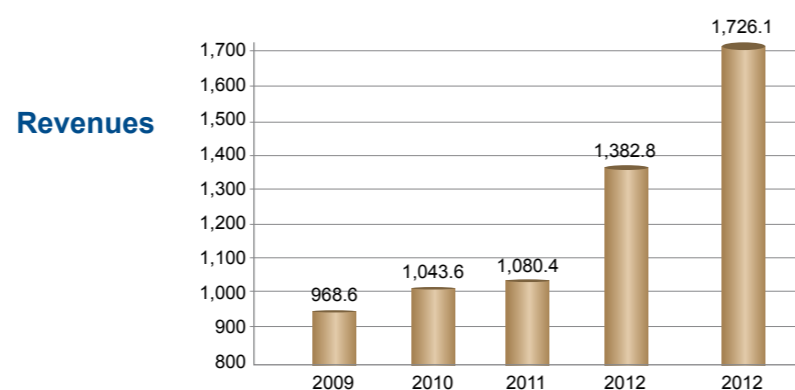
2013
Annual Report

6 - The following table shows income statement for the previous five years. Noting that some comparative figures were reclassified to conform with the presentation in the current year:

Income Statement
(Thousands of Saudi Riyals)

Description	2013	2012 (amended)	2011	2010 (amended)	2009
Revenues	1,726,057	1,382,753	1,080,396	1,043,553	968,533
Direct Cost	(1,292,842)	(1,000,497)	(730,444)	(708,109)	(675,323)
Gross Profit	433,215	382,256	349,952	335,444	293,210
Equity income of associated companies	-	-	-	-	-
Selling and marketing expenses	(95,925)	(63,407)	(45,747)	(43,560)	(37,537)
General and administration expenses	(228,387)	(192,937)	(165,360)	(165,756)	(172,179)
Professional and consulting fees	(15,874)	(9,794)	(9,874)	(12,435)	(11,344)
Depreciation	(29,731)	(27,306)	(25,701)	(25,569)	(21,277)
Reversal of impairment loss of assets	-	-	1,786	12,376	-
Decline in inventory prices	-	-	-	-	(20,886)
Income from main operations	63,298	88,812	105,056	100,500	29,987
Gain from sale of investment in associated company	-	-	13,478	-	-
Other income, net	(12,316)	92,220	11,295	11,932	89,867
Financial charges, net	(50,686)	(24,859)	(10,008)	(10,956)	(16,888)
Non-recurring expenses and revenues	-	-	-	-	27,630
Income before zakat and income tax and minority interest	296	156,173	119,821	(101,476)	75,336
Zakat and Income Tax	(14,422)	(13,562)	(8,790)	(6,659)	(11,134)
Income before Minority Interest	(14,126)	142,611	111,031	94,817	64,202
Minority interest in net income and losses of subsidiaries	(16,086)	38,021	(10,718)	(10,397)	(18,847)
Net Income for the Year	(30,212)	104,590	100,313	84,420	45,355

Financial results of the Group in 2013 shows the improvement in revenues and gross profit, which was due to consideration of the current activities from one side, and entry into new markets and investments that hold a promising future from another side. However, the Group continues implementation of its strategy and exploring worthy investment opportunities in order to achieving the desired growth throughout the coming interim.

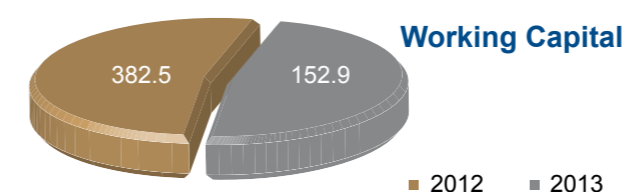


7 - The following table shows consolidated balance sheet of the group for the last five years:

Balance Sheet
(Thousands of Saudi Riyals)

Description	2013	2012 (amended)	2011	2010 (amended)	2009
Current Assets	1,210,509	1,344,196	892,904	656,722	680,508
Non-current assets	2,107,946	2,083,803	1,328,175	1,428,168	1,469,529
Total Assets	3,318,455	3,427,999	2,221,079	2,084,890	2,150,037
Current liabilities	1,057,628	961,695	588,184	461,518	465,814
Non-current liabilities	820,129	906,559	122,485	132,729	191,037
Total liabilities	1,877,756	1,868,254	710,669	594,247	656,851
Shareholders equity	1,170,113	1,287,621	1,284,199	1,265,820	1,263,593
Minority interest	270,586	272,124	226,211	224,823	229,593
Total liabilities and Equity	3,318,455	3,427,999	2,221,079	2,084,890	2,150,037

1- Working capital as of in 31 December 2013 was 152.9 Million Riyals compared to 382.5 Million Riyals in 2012. As the working capital represents the increase in current assets of current liabilities, its therefore, considered a strong indicator on the Group competence in saving excess of liquidity to meet the Group obligations.



2 - Exchange rate (current assets/ current liabilities) as in 31 December 2013 was 1,1 (times), where the exchange rate still represents the Group financial efficiency and its ability to meet short term needs.

1975
Arab News, the 1st Saudi English daily newspaper was launched.

1978
Asharq Al-Awsat, a daily newspaper founded in London-UK by SRPC.

Fifth: Segments Activities

The Group is characterized by operating in different geographic 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. While operates through a number of subsidiaries, key activities of the Group spread in different parts of the Kingdom, which is a well-established and supportive environment for economic growth. Since the Group is also characterized by the integration of activities between subsidiaries, it is mainly active in three key sectors, as follows:

A • NASHER Sector

- **Publishing**
Publishing sector is one of the main pillars of the Group, represented by the Saudi Research and Publishing Company, which includes 17 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. By having a strong base of subscribers and readers, the Company is able to achieve excellence at all levels: local and regional. The Company derives its excellence from its human resources, which include a team of highly experienced editors who has a distinguished status that made them widely known among readers.
- **Advertising**
Al-Khaleejiah Advertising and Public Relations, which has the exclusive advertising right for publications of the Saudi Research and Publishing Company, is one of the largest advertising companies in the Arab Gulf. The Company effectively follows up on market demands through its continued support of media research. Al-Khaleejiah keeps expanding its advertising activity by establishing close relationships with Arab markets, developing message of the media 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. The few coming years are expected to witness a boom in this industry.
- **Distribution**
Saudi Distribution Company is one of the Saudi Research and Marketing Group, and represents the liaison between publications and clients. It is also considered as the largest distribution company in the Kingdom in terms of geographical coverage. The Company owns an integrated fleet of 1000 vehicle and more than 1300 employee of high accumulative experience in advertisement and marketing who supervise the Company 26 branches covering 563 city and village in different parts of the Kingdom. In addition, the Company has huge, well-equipped storages distributed amongst those branches in order to serve their activities. Distribution is the main activity of the Company. That includes distribution of the Group publications, in addition to publications of other different publishers (daily newspapers, weekly and monthly publications, and Arab and foreign quarterly publications). The Company is specialized in distribution

of publications all around the Kingdom for subscribers in the Group publications as well those of other publishers. This functionality allows the Company to reach out daily to 200 thousands of subscribers. In addition to that, the Company handles distribution of promotional materials and logistic services management, as well as cargo services for different subscribers among different branches. Moreover, it handles distribution of brochures, leaflets, and catalogs for major businesses around all residential areas within their targeted zones. In cooperation with Ministry of Culture and Media in contributing to the International Book Fair and all other exhibitions that are organized by other exhibitions organization 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:**
Arab Media Company, established in 2007, is one of the leading companies in the provision of marketing programs and plans that assist in the growth of subscriptions in the publications market. 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 local market. This was realized through private 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 foreign publications and offer after-sale services through a team with extensive experience providing clients with the best services. Furthermore, the Company provides services to a large number of publishers to lead subscription campaigns of their publications as well as be an exclusive agent in the Saudi market of advertisements in their publications. To support that, the Company, within its branches network, has a specialized sales team with the best expertise that promotes the services offered by the Saudi Research & Marketing Group, as well as Arab Media capacity to manage services offered to subscribers and clients of major private businesses and public sector's segments through the (Customer Care) team of the Company.

B • NUMU Sector

- **NUMU AL ELMIAH Company**
In 2013, NUMU AL ELMIAH Company achieved an increasing growth in providing specialized education content development, education curriculum, strategic and consultation studies for the development of education curriculum in the public and private sector. The Company also provided creative solutions for e-learning, establishment and development of specialized libraries by providing books, paper and electronic journals, digital indexing, curriculum development for smart classes, languages laboratories, computer labs, providing educational supplies for schools and colleges, and universities of all types and sectors. Moreover, it provided technical training and consultation through qualified national expertise as well as expertize of our specialized international partners taking into account applying standards of high

quality to realize our clients objectives and requirements. Due to the systematic and informed work, NUMU took rapid and successful steps in implementing objectives of the strategic plan that is based on providing a set of distinguished education and training services in a high administrative and financial efficiency. Those services included providing integrated solutions and implement them using international standards in cooperation with international partners with sufficient expertise to realize client's requirements locally and regionally. Consequent to the rapid growth in education services in the Kingdom, diversity of required services in digital technologies particularly, the Company activities expanded to include providing an integrated set of services to schools, universities, and all academic institutions. Therefore, NUMU kept developing relationships with major businesses in the area of publication in higher and school publications. Relationships were developed with Wiley, and Elsevier particularly in its program (Mosby's eLearning), which is the biggest library for e-Curriculum in continuing education of nursing and health sciences. New partnerships were established with companies like Accucom, which has more than 13 scientific journals and academic data bases. Another accomplishment was an exclusive representation of SAM Learning, a leading company in e learning for school curriculum of all education levels that apply British and American curriculum. The Company expanded diversity in education curriculum to include partners like Sadlier, which became a strategic partner along with what we already have of excellent relationships with many of the prominent global publishers like McGraw-Hill, Collins, Oxford and others. As to projects, and in the course of strengthening the strategic trend of the Company to expand in implementing education projects of the public and private sector, the Company succeeded in working with Ministry of Labor and Ministry of Education on expanding the scope of English language curriculum development for the third year and for all school levels. In addition, the Company won new contacts with Dammam University, Al-Qasim University, Al-Farabi College, Al-Hikma College, Hayel University, some centers and medical cities in the Kingdom like King Adel Aziz Medical City of the Royal Guards, many distinguished schools in the Kingdom like Al-Riyadh, Al-Saad, Thamer and Al-Kawn schools. The Company went a long way in developing its capacities to provide human resources administrative, professional, and technical training and development using the best-advanced methods. That, in addition providing specialized courses in English and other languages like Chinese and French as well as develop teacher's skills as the Company was able to attract companies with extensive experience in this area like IC3, Certipoint, which is equivalent to the elite tests in computer science just like those offered by Cambridge. NUMU vows to maintain its status as a leading company in serving our Arab community by providing a distinguished service in our home country and to be committed to quality

and excellence in its performance while maintaining values of Islam in its transactions.

- **Specialized Publishing**
The Saudi Specialized Publishing Company, established in 2006, is based on a philosophy of a completely new professional culture in the industry of specialized content. This culture relies on hiring the expertise of outstanding journalists in publishing 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 commercial publishing. It has issued a range of international magazines in its Arabic or English prints that are distributed in all Arab countries such as: Parents Arabia magazine issued in November 2009, and the Robb Report Arabia magazine issued for the first time in January 2010, and Better Home & Gardens Arabia magazine issued for first time in February 2013.

C. Printing and packaging Sector

Saudi Printing and Packaging Company was established in 1963 under the name Al Madina Al Monawara Printing and Packaging Company. During 2007, the name was changed into Saudi Printing and Packaging Company, where 30% of its shares were offered for public offering. Saudi Research and Marketing Group owns 70% of the Company shares. The Company has advanced centers of printing newspapers in Riyadh, Jeddah, Dammam and Madinah. Those centers are responsible for printing the most prominent newspapers like (Asharq Al-Awasat, Al-Iqtasadiyyah, Arriyadi, Arab Newe, Al Sharq, Al- Watan, and other periodical commercial publications. Moreover, the Company, through one of the subsidiaries, prints a huge amount of magazines of the Saudi Research and Publishing Company and Saudi Specialized Publishing Company, and many other publishers. The Company also provides services to the public sector, including the Ministry of Education, the Ministry of Islamic Affairs and the Ministry of Interior. The company is also one of the largest printing houses in the Middle East because of providing a wide range of integrated printing services and because of its production capacity through multiple distinctive subsidiaries, which are Al-Madinah for Printing and Publishing, Hala Printing Company, Taiba Printing and Publishing Company, Flexible Packaging Company, Future Company for Industrial Investment. That in addition to the Emirates National Factory for Plastic Industries and its subsidiaries that are registered in the United Arab Emirates, which were acquired during 2012, and distributed in Dubai, Abu Dhabi, Sharjah and Riyadh. 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 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).

1990

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

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.

Sixth: Segmental Information

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

Segmental Information
(Thousands of Saudi Riyals)

As of December 31, 2013

Item	Nasher sector			NUMU Sector		Printing sector	Others	Total	Elimination	Consolidation
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging				
Net Revenues	616,075	49,334	388,579	116,779	40,767	1,141,766	5041	2,353,804	(627,747)	1,726,057
Gross profit	118,078	4,609	41,782	21,562	17,043	234,833	504	438,411	(5,196)	433,215
Net book value of property	137,882	12,204	18,287	1,423	1,169	1,061,881	18,017	1,250,863	-	1,250,863
Total assets	424,378	76,645	169,663	256,825	81,216	2,292,585	1,494,881	4,796,193	(1,477,738)	3,318,455
Total liabilities	114,263	95,791	145,448	137,227	92,723	1,415,243	285,261	2,285,956	(408,200)	1,877,756

As of December 31,2012

Item	Nasher sector			NUMU Sector		Printing sector	Others	Total	Elimination	Consolidation
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging				
Net Revenues	674,231	62,219	417,374	126,408	41,164	765,895	366	2,097,657	(714,904)	1,382,753
Gross profit	126,335	13,844	42,335	38,243	16,216	150,774	366	388,114	(5,858)	382,256
Net book value of property	148,090	16,039	20,594	1,215	1,285	1,013,125	18,472	1,218,819	-	1,218,819
Total assets	450,354	89,168	170,883	71,523	276,582	2,357,414	1,403,129	4,819,053	(1,391,054)	3,427,999
Total liabilities	115,311	83,640	149,839	100,933	118,728	1,491,693	218,903	2,279,047	(410,793)	1,868,254

Operational assets of the Group are mainly concentrated in Saudi Arabia. Main markets of the Group business activities are the Middle East, Europe and North Africa. The Following table illustrates returns of the Group and its subsidiaries within and outside Saudi Arabia.

Description	Thousands of SR	Percentage
Revenues inside KSA	1,574,295	%90,14
Revenues outside KSA		
UAE	125,449	% 8.35
Europe	17,480	% 1.0
Qatar	1,047	% 0.06
Jordan	411	% 0.02
Kuwait	1,846	% 0.11
Oman	631	% 0.04
Morocco	1,132	% 0.06
Tunisia	446	% 0.03
Lebanon	939	% 0.05
Bahrain	1,052	% 0.06
Egypt	699	% 0.04
Sudan	148	% 0.01
Libya	248	% 0.01
Others	234	% 0.01
Total	151,762	% 9.86
Total Revenues inside and outside KSA	1,726,057	%100

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	Specialized Publishing	Saudi Arabia	SR100	100%	Saudi Arabia
NUMU Multimedia (known previously as Multimedia company)	Specialized Publishing	Saudi Arabia	SR0.2	100%	Saudi Arabia
NUMU Al Elmiah (known previously as Al Elmiah bookstore)	Specialized Publishing	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	SR0.5	100%	Saudi Arabia
NUMU Publishing	Publishing and Distribution	Saudi Arabia	SR0.5	100%	Saudi Arabia
NUMU Media for researching	Researching	Saudi Arabia	SR0.5	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	Principal activities of company	Country of Principal Activity	Capital Million	% of ownership	Country of incorporation
Saudi Printing and Packaging Company	Printing	Saudi Arabia	SR600	70%	Saudi Arabia
Hala Printing Company	Printing	Saudi Arabia	SR1.0	70%	Saudi Arabia
Al-Aoun Factory for Commercial Labels and Flexible Packaging Company Ltd. (Flex Pack)	Packaging	Saudi Arabia	SR28.5	70%	Saudi Arabia
Taiba Printing and Publishing Company	Printing	Saudi Arabia	SR1.0	70%	Saudi Arabia
Satellite Graphics Company	Printing	United Kingdom	GBP 0.4	100%	United Kingdom
Emirates National Factory for Plastic Industries	Packaging and plastic industries	UAE	AED 167	70%	UAE
Future Company for Industrial Investment	Printing and packaging	Saudi Arabia	SR0.1	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

Eighth: Zakat and statutory payments

The Company and its subsidiaries are subject to the regulations of Zakat and Income Tax in Saudi Arabia. The Group pays Zakat after settlement of all accruals and reply to all inquiries made by Zakat and Income 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 effect in Saudi Arabia. The following table shows the statutory payments during 2013.

Description	Paid during 2013 (Thousands of Saudi Riyals)
Zakat	10,329
Tax	973
Withholding Tax	431
Social Insurances Corporation	11,129
Other statutory payments	11,389
Total	34,161

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

The Group and its subsidiaries own 70% of shares in 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 shares in NUMU Holding Company (Closed Joint Stock Company) which has a capital of SR 100 Million. Shares of NUMU Holding Company that are 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 2013 were as follows:

Description	Saudi Riyals
Balance at the beginning of the year	273,119
Added during the year	249,996
Disbursed during the year	85,000
Balance at the end of year	115,438

Twelfth: Social Responsibility

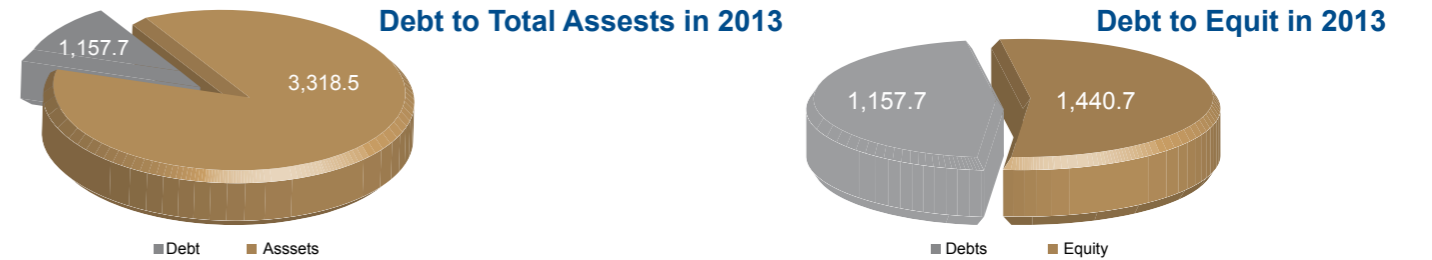
As part of its continuous role in supporting humanitarian and charitable efforts in the Saudi society, and out of its eagerness to fulfill its obligations towards the nation and society, the Group has played a positive and active role in support of these efforts to benefit large segments of society. To this end, the Group has continued to support many charitable organizations during 2013, including:

- Prince Ahmad bin Salman Academy for Applied Media
- Saudi Charity Association for Schizophrenia Patients
- National Commission for Wild Life Protection (Al-Wdaihi Magazine)
- Saudi Center for Organs Transplantation
- Disabled Children Association
- Prince Fahd bin Salman Charity Association for Renal Failure.
- Saudi Alzheimers Charity Society
- Sanad Association for the Support of Children with Cancer
- Insan Charitable Society for the Care of Orphans
- Prince Sultan bin Abdul Aziz Al-Saud Foundation, 2013
- Prince Mohammad bin Salman Charity Institution (Misk)
- Prince Salman Center for Disability Research
- Prince Salman Science Oasis

This comes in addition to its participations and media sponsorships of many social and economic forums as well as many conferences and seminars of interest to all segments of the community. It should be noted that the Group supported the launch of Prince Ahmed bin Salman Applied Media Institute in order to meet 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.

Thirteenth: Information on Loans

The Group was keen to have all its dealings and those of its subsidiaries in accordance with the Islamic Shariah, and that their loans to be subject to the system of Islamic transactions. The Group benefits from such loans to finance its investments as well as meet the needs of its subsidiaries, except 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 significant increase in the loan balance was due to expansions in the Group's investments, such as the recent acquisition of the Emirates National Factory for Plastic Industries in 2012. However and in spite of the increase in the balance of loans outstanding, the Group continues to enjoy a strong financial position in light of the investments that have been acquired. In this context, loans ratio to equity amounted to 80% in 2013 compared to 73.9% in 2012, as well as the ratio of loans to total assets, which amounted to 34.8% in 2013 compared to 33.6% in 2012.



The following tables show the detailed description of the utilized loans during 2013:
(1) Group loans (excluding Saudi Printing and Packaging Company)

Thousands of Saudi Riyals						
Description	Date of loan	2013	2012	Paid Loans	Loan Period	Lending Party
Loan (1)	July 2012	-	10,000	10,000	6 months	Samba
Loan (2)	August 2012	-	10,000	10,000	6 months	Hollandi
Loan (3)	August 2012	-	12,000	12,000	6 months	Hollandi
Loan (4)	September 2012	-	12,000	12,000	6 months	Hollandi
Loan (5)	December 2012	-	10,000	10,000	1 month	Hollandi
Loan (6)	December 2012	-	25,000	25,000	1 month	Hollandi
Loan (7)	December 2012	-	9,500	9,500	6 months	Arab Bank
Loan (8)	December 2012	-	6,000	6,000	1 month	Hollandi
Loan (9)	July 2013	10,000	-	-	6 months	Fransi
Loan (10)	October 2013	40,000	-	-	6 months	Fransi
Loan (11)	October 2013	20,000	-	-	6 months	Hollandi
Loan (12)	November 2013	3,600	-	-	3 month	Hollandi
Loan (13)	November 2013	3,000	-	-	4 month	Fransi
Loan (14)	November 2013	4,750	-	-	6 month	Fransi
Loan (15)	December 2013	21,000	-	-	5 month	Fransi
Loan (16)	December 2013	25,000	-	-	3 month	Hollandi
Loan (17)	December 2013	4,400	-	-	5 month	Fransi
Loan (18)	December 2013	4,000	-	-	3 month	Hollandi
Loan (19)	December 2013	40,000	-	-	5 month	Fransi
Loan (20)	December 2013	7,500	-	-	5 month	Fransi
Total		183,250	94,500	94,500		

(2) Saudi Printing and Packaging Company (excluding Saudi Research and Marketing Group)

Description	Date of loan	2013	2012	Paid Loans	Loan Period	Lending Party
Loan (1)	09/10/2013	7,000	-	27,000	6 months	Samba
Loan (2)	04/11/2013	6,000	-	13,000	6 months	Samba
Loan (3)	06/11/2013	5,000	-	7,000	6 months	Samba
Loan (4)	17/11/2013	2,000	-	6,000	6 months	Samba
Loan (5)	04/12/2013	3,000	-	5,000	6 months	Samba
Loan (6)	12/12/2013	20,000	-	2,000	6 months	Samba
Loan (7)	15/12/2013	10,000	-	3,000	6 months	Samba
Loan (8)	22/12/2013	8,000	-	20,000	6 months	Samba
Loan (9)	23/12/2013	3,000	-	-	6 months	Samba
Loan (10)	02/10/2013	15,000	-	-	3 months	Samba
Loan (11)	22/12/2013	6,000	-	-	6 months	Samba
Loan (12)	21/11/2013	10,000	-	-	6 months	Samba
Loan (13)	16/12/2012	7,021	-	-	6 months	Samba
Loan (14)	17/11/2012	-	-	-	6 months	Samba
Loan (15)	21/11/2012	-	-	-	6 months	Samba
Loan (16)	16/09/2012	-	-	-	1.25 Year	AL Riyadh
Loan (17)	16/12/2012	-	-	-	6 months	AL Riyadh
Loan (18)	11/11/2013	16,000	-	-	6 months	AL Riyadh
Loan (19)	18/11/2013	28,000	-	-	6 months	AL Riyadh
Loan (20)	11/12/2013	7,500	34,319	27,298	6 months	AL Riyadh
Loan (21)	17/09/2013	7,500	16,000	16,000	6 months	AL Riyadh
Loan (22)	15/12/2013	8,000	28,000	28,000	6 months	AL Riyadh
Loan (23)	09/10/2013	7,000	7,500	7,500	6 months	AL Riyadh
Loan (24)	04/11/2013	6,000	7,500	7,500	6 months	AL Riyadh
Loan (25)	06/11/2013	5,000	-	-	6 months	AL Riyadh
Loan (26)	17/11/2013	2,000	-	-	6 months	Samba
Loan (27)	04/12/2013	3,000	-	-	6 months	Samba
Loan (28)	12/12/2013	20,000	-	-	6 months	Samba
Loan (29)	15/12/2013	10,000	-	-	6 months	Samba
Loan (30)	22/12/2013	8,000	-	-	6 months	Samba
Loan (31)	22/10/2012	3,000	-	-	6 months	Samba
Loan (32)	09/10/2013	17,000	-	-	6 months	Samba
Loan (33)	15/09/2013	13,000	-	-	6 months	Samba
Loan (34)	03/10/2013	-	38,000	38,000	6 months	Hollandi
Loan (35)	02/12/2012	-	21,000	21,000	6 months	Hollandi

Description	Date of loan	2013	2012	Paid Loans	Loan Period	Lending Party
Loan (36)	09/12/2012	38,000	-	-	6 months	Hollandi
Loan (37)	18/11/2013	21,000	-	-	6 months	Hollandi
Loan (38)	21/11/2013	6,000	-	-	6 months	Hollandi
Loan (39)	09/12/2013	-	7,432	7,432	3 months	Saudi British
Loan (40)	19/12/2013	-	3,543	3,543	3 months	Saudi British
Loan (41)	26/12/2013	2,691	-	-	3 months	Saudi British
Loan (42)	26/12/2013	10,000	-	-	3 months	Saudi British
Loan (43)	26/12/2013	5,300	-	-	1 month	Saudi British
Loan (44)	05/12/2013	1,270	-	-	3 months	Saudi British
Loan (45)	16/12/2013	1,305	-	-	3 months	Saudi British
Loan (46)	17/12/2013	1,296	-	-	3 months	Saudi British
Loan (47)	17/12/2013	1,837	-	-	2 months	Saudi British
Loan (48)	18/12/2013	3,122	-	-	1 month	Arabi national
Loan (49)	22/12/2013	4,285	-	-	1 month	Arabi national
Loan (50)	23/12/2013	7,500	-	-	1 month	Arabi national
Loan (51)	26/12/2013	2,775	-	-	1 month	Arabi national
Loan (52)	27/05/2012	2,448	-	-	1 month	Arabi national
Loan (53)	22/12/2012	5,117	-	-	1 month	Arabi national
Loan (54)	11/01/2011	7,000	-	-	1 month	Arabi national
Loan (55)	21/03/2013	11,900	-	-	3 month	Arabi national
Loan (56)	12/01/2011	-	3,795	3,795	-	Arabi national - Jeddah
Loan (57)	22/10/2012	283,000	480,000	197,000	7.5 Year	Enmaa bank
Loan (58)	09/10/2013	-	184,358	184,358	2.19 Year	Abu Dhabi Islamic
Loan (59)	15/09/2013	276,500	-	29,650	5 Year	Abu Dhabi Islamic
Loan (60)	03/10/2013	-	50,069	59,069	-	Abu Dhabi Islamic
Loan (61)	31/01/2011	-	596	596	-	Abu Dhabi Islamic
Loan (62)	30/01/2011	-	5,529	5,529	-	Abu Dhabi Islamic
Loan (63)	15/10/2012	19,060	12,016	12,016	3 month	Abu Dhabi Islamic
Loan (64)	15/11/2012	8,304	13,409	13,409	3 month	Abu Dhabi Islamic
Loan (65)	15/12/2012	15,915	13,774	13,774	3 month	Dubai Islamic
Loan (66)	14/05/2011	107	274	167	3.17 year	Dubai Islamic
Loan (67)	16/06/2011	58	136	78	3.17 year	Dubai Islamic
Loan (68)	16/06/2011	73	171	98	3.19 year	Dubai Islamic
Loan (69)	30/09/2011	-	458	458	-	Dubai Islamic
Loan (70)	30/09/2011	-	2,018	2,018	-	Dubai Islamic

Board of Directors Report

Description	Date of loan	2013	2012	Paid Loans	Loan Period	Lending Party
Loan (71)	05/09/2012	-	252	252	-	Dubai Islamic
Loan (72)	08/07/2012	1,847	4,060	2,214	2.25 year	Dubai Islamic
Loan (73)	03/04/2013	736	-	19	3.76 year	Dubai Islamic
Loan (74)	30/03/2013	2,393	-	198	3.71 year	Dubai Islamic
Loan (75)	09/09/2013	2,816	-	2,157	3.50 year	Dubai Islamic
Loan (76)	30/09/2011	-	38	38	-	Dubai Islamic
Loan (77)	15/10/2012	-	136	136	-	Dubai Islamic
Loan (78)	15/11/2012	-	141	141	-	Dubai Islamic
Loan (79)	15/12/2012	-	342	342	-	Dubai Islamic
Loan (80)	15/08/2013	333	-	-	8 month	Dubai Islamic
Loan (81)	15/09/2013	1,616	-	-	8 month	Dubai Islamic
Loan (82)	15/10/2013	591	-	-	8 month	Dubai Islamic
Loan (83)	15/11/2013	2,211	-	-	8 month	Dubai Islamic
Loan (84)	15/12/2013	3,533	-	-	3.75 year	Abu Dhabi Commercial
Loan (85)	05/03/2012	4,742	5,215	477	-	Abu Dhabi Commercial
Loan (86)	15/07/2012	-	5,864	5,864	-	Abu Dhabi Commercial
Loan (87)	15/08/2012	-	1,414	1,414	-	Abu Dhabi Commercial
Loan (88)	15/09/2012	-	317	317	-	Abu Dhabi Commercial
Loan (89)	15/10/2012	-	657	657	-	Abu Dhabi Commercial
Loan (90)	15/11/2012	-	3,211	3,211	-	Abu Dhabi Commercial
Loan (91)	15/12/2012	-	1,493	1,493	-	Abu Dhabi Commercial
Loan (92)	01/12/2012	-	13,625	13,625	-	Standard Chartered
Loan (93)	15/10/2013	3,535	-	-	0.25 year	Standard Chartered
Loan (94)	15/11/2013	10,107	-	-	0.25 year	Standard Chartered
Loan (95)	15/12/2013	2,143	-	-	0.25 year	Standard Chartered
Total		974,489	1,058,662	793,845		

Loans due (excluding the Saudi Printing and Packaging Company).

Thousands of Saudi Riyals

Description	2013	2012
Less than one year	183,250	94,500
Between one to two years	-	-
Between two to five years	-	-
More than five years	-	-
Total	183,250	94,500

Information on Loans and Murabaha (Saudi Printing and Packaging Company)

The Murabaha movements and Company loans, which were used for purposes of operational and investment activities, are summarized as follows:

Thousands of Saudi Riyals

Description	2013	2012
Begining Balance	1,058,662	218,606
Adding		
Balance on 1/7/2012 of the acquired company (Emirates National Plastics Factory)	-	354,611
Received during the year	957,610	1,060,367
Subtracting		
Paid during the year	(1,041,784)	(574,922)
Balance at the end of year	974,488	1,058,662

Following is a summary of Total loans and Murabaha:

Thousands of Saudi Riyals

Description	2013	2012
Short-term loans	446,515	325,638
Murabaha	-	76,551
Long-term loans/ investment finance	527,973	656,473
Total	974,488	1,058,662

Loans due (Saudi Printing and Packaging Company)

Thousands of Saudi Riyals

Description	2013	2012
Less than one year	446,502	441,413
Between one to two years	88,002	121,233
Between two to five years	355,084	16,016
More than five years	84,900	480,000
Total	974,488	1,058,662

Fourteenth : Board of Directors

1. The current Board of Directors

The current Board of Directors has twelve members classified as in the following table:

Members	Description	Executive Board Members	Non-Executive Board Members	Independent Board Members
HRH Prince Turki bin Salman bin Abdul Aziz	Chairman of the Board	✓		
Mr. Abdullah Saeed Salem Bahamdan	Board Member			✓
Mr. Mohammad Omar Alesayi	Board Member			✓
Mr. Mohyedin Saleh Abdullah Kamel	Board Member			✓
Mr. Abdul Rahman Ibrahim Ruwiti	Board Member			✓
Dr. Azzam bin Mohammed Al-Dakhil	Board Member	✓		
Dr. Abdallah Hussein Al Amoudi	Board Member			✓
Eng. Sulaiman Ibrahim Al-Hudaiithi	Board Member		✓	
Mr. Saleh bin Nasser Al-Jasser	Board Member			✓
Mr. Ahmad bin Aqeel Khatib	Board Member			✓
Mr. Sulaiman bin Jabreen Al-Jebreen	Board Member			✓
Mr. Mohammed bin Ibrahim Al-Essa	Board Member		✓	
Total		2	2	8

2. Changes in the Board of Directors during 2013:

- Resignation of chairman HRH Prince Faisal bin Salman bin Abdulaziz on 7/2/2013 (executive member). Appointment of HRH Prince Turki bin Salman bin Abdulaziz as Chairman of the Board on 7/2/2013.
- Conclusion of H. E. Mr. Sulaiman bin Saad Al- Hamid (non-executive member) representation of the Social Insurance Corporation at the Board on 7/2/2013.
- Appointment of Mr. Ibrahim Al-Essa (non-executive member) as representative of the Social Insurance Corporation on 29/4/2013.
- Conclusion of H. E. Mr. Mohammad Abdullah Al-Khrashi (independent member) representation of the Pensions Corporation on 17/3/2013, and appointment of Mr. Sulaiman Jabreen Al-Jebreen as representative of the Pensions Corporation on 18/3/2013.
- Resignation of Mr. Mohammad Abdullah Abu Nyan (independent member) on 7/5/2013 and appointment of Mr. Ahmad bin Aqeel Al-Khatib (independent member) on 7/5/2013.

Board Meetings

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

Date	Attendance record
07/02/2013	HRH Prince Faisal bin Salman bin Abdul Aziz, HE Mr. / Mohammed Bin Abdullah Al Kharashi, Engineer / Abdul Rahman Ruwiti, Dr. Azzam bin Mohammed Al-Dakhil, Engineer Sulaiman Ibrahim Al-Hudaiithi, Mr. Mohammed bin Omer Alesayi, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi.
10/02/2013	HRH Prince Turki bin Salman bin Abdul Aziz, HE Mr. Mohammed bin Abdullah Al Kharashi, Engineer Abdul Rahman Ruwiti, Dr. Azzam bin Mohammed Al-Dakhil, Engineer Sulaiman Ibrahim Al-Hudaiithi, Mr. Saleh Al-Jasser, Mr. Mohyedin Kamel, Dr. Abdallah Al-Amoudi
21/05/2013	HRH Prince Turki bin Salman bin Abdul Aziz, Engineer Abdul Rahman Ibrahim Ruwiti, Dr. Azzam bin Mohammad Al-Dakhil, Engineer. Sulaiman Ibrahim Al-Hudaiithi, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi, Mr. Saleh Al-Jasser, Mr. Sulaiman Jabreen Al-Jebreen, MR. Ahmad bin Aqeel Khatib
27/10/2013	HRH Prince Turki bin Salman bin Abdul Aziz, Engineer Abdul Rahman Ibrahim Ruwiti, Dr. Azzam bin Mohammed Al-Dakhil, Engineer Sulaiman Ibrahim Sabri, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi, Mr. Abdullah Saeed Salem Bahamdan, Mr. Saleh Jasser, Mr. Sulaiman Jabreen Al-Jebreen, Mr. Mohammed Al-Essa
16/12/2013	HRH Prince Turki bin Salman bin Abdul Aziz, Engineer Abdul Rahman Ruwaiti, Dr. Azzam bin Mohammed Al-Dakhil, Engineer Sulaiman Ibrahim Al-Hudaiithi, Mr. Mohyedin Saleh Kamel, Dr. Abdallah Al-Amoudi, Mr. Abdullah Saeed Salem Bahamdan , Mr. Saleh Al-Jasser, Mr. Sulaiman Jabreen, Mr. Mohammed al-Essa, Mr. Ahmad bin Aqeel Khatib

3. Salaries and Compensations of Board Members and Senior Executives

The following table shows salaries and allowances of the Board members, as well as senior executives in the Company: (Million Saudi Riyals)

Description	Executive Board Members (2)	Non-Executive Board Members «Independent»(10)	Senior Executives (1)
Salaries and compensations	9.6	-	1.2
Allowances	2.0	-	0.8
Periodic and annual bonuses	1.6	2.0	-
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 2013, with a total amount of SR 809.1 thousands.

4. Interests of Board Members and Senior Executives

The following table shows the movement in ownership of Board members, senior executives, their spouses and minor children, or those whom they represent in the Group and its subsidiaries during 2013:

Name	Notes	Number of shares beginning of the year	Ownership beginning of the year	Net change in number of shares during the year	Percentage change during the year	Shares at the end of the year	Ownership at the end of the year
HRH Prince Turki bin Salman bin Abdul Aziz	-	15,000	% 0.02	-	-	1,000	-
Mr. Mohammed bin Ibrahim Al-Essa (representing the Social Insurance Corporation)	The Corporation shares	4,198,234	%5.25	-	-	4,198,234	%5.25
Mr. Sulaiman bin Jabreen al-Jebreen (Pensions Corporation (representative)	The Corporation shares	3,515,804	%4.39	-	-	3,515.804	%4.39
Mr. Mohyedin Saleh Kamel	-	1,015	-	-	-	1,015	-
Mr. Abdullah Bin Salem Bahamdan	-	325,000	%0.41	-	-	325,000	%0.41
Mr. Mohammad Omar Alesayi	-	1,331,751	%1.66	-	-	1,331,751	%1.66
Ahmad bin Aqeel Khatib	-	1,000	-	-	-	1,000	-
Eng. Abdul Rahman Ibrahim Ruwiti	-	175,000	%0.22	-	-	175,000	%0.22
Dr. Azzam bin Mohammed Al-Dakhil	-	1,053,374	%1.32	-	-	1,053,374	%1.32
Engineer Sulaiman Ibrahim Sabri (representing Jeddah Commercial Investment)	The Corporation shares	1,351,751	%1.69	-	-	1,351,751	%1.69
	His own shares	500	-	-	-	500	-
Mr. Saleh bin Nasser Al-Jasser	-	1,000	-	6,000	-	7,000	-
Dr. Abdallah Hussain Al Amoudi	-	2,015	-	-	-	2,015	-



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.

5. Membership of the Board of Directors in Other Corporate Companies as of 31/12/2013

Serial	Name	Listed	Unlisted
1	Dr. Azzam Mohammed Al-Dakhil	<div>- Member of the Board of Directors of Saudi Printing and Packaging</div> <div>- Member of the Board of Directors of Asir Company</div> <div>- Member of the Board of Directors of Saudi Real Estate</div> <div>- Member of the Board of Directors of Saudi Cars Services (SASCO)</div>	<div>- Chairman of the Board of Directors of NUMU Holding</div>
2	Mr. Saleh Nasser Al-Jasser	<div>- Board member of the Bupa Arabia for Cooperative Insurance</div> <div>- Member of the Board of Directors of Union Communications (Mobily)</div>	<div>- Member of the Board of Directors of Abdul Aziz Al-Sagheir Holding</div>
3	Eng. Sulaiman Ibrahim Al-Hudaithi	<div>- Chairman of the Saudi for Printing and Packaging Company</div> <div>- Member of the Board of Directors of Asir Company</div>	<div>- Member of the Board of Directors of the Najmat Al Madaen Group</div> <div>- Chairman of the Board of Directors of the Saudi Private Laboratories</div> <div>- Member of the Board of Directors of Venture Capital Investment Saudi Arabia</div> <div>- Member of the Board of Directors of Venture Capital Bank (Bahrain)</div>
4	Engineer. Abdul Rahman Ruwiti	<div>- Board Member of the Aseer Trading, Tourism & Manufacturing Co.</div> <div>- Board Member of the Emaar The Economic City</div> <div>- Board Member of the Halwani Bros Co</div>	<div>- Board Member of the Al Khozama Management Co</div> <div>- Board Member of the Jadwa Investment</div> <div>- Member of the Board of Directors of Amlak International</div> <div>- Member of the Board of Directors of Alessa Industries</div>
5	Mr. Ahmed bin Aqeel Khatib	<div>- Member of Risks Committee of the Saudi Stock Exchange Company (Tadawul)</div> <div>- Chairman of the Audit and Review Committee, Member of Compensation Committee of Aramco Saudi Arabia for Refining Lubricating Oil</div>	
6	Mr. Mohiuddin Saleh Kamel	<div>- Member of the Board of Directors of Jabal Omar Company</div> <div>- Member of the Board of Directors of Dallah Health Services</div>	<div>- Member of the Board of Directors of Al Khozama Management</div>

6. Related Parties Transaction

During 2013, the Group did not made any transaction or entered into contract with a related party, nor made any transaction or entered into contract that include an interest of a Board member, the Chief Executive Director, or any one related to them.

7. 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 six meetings in the fiscal year 2013. The following table shows the members of the Executive Committee:

Serial	Name	Description
1	HRH Prince Turki bin Salman bin Abdulaziz	Chairman
2	Engr. Abdulrahman bin Ibrahim al-Ruwaiti	Member
3	Engr. Ahmad bin Aqeel Al-Khatib	Member
4	Dr. Azzam Mohammed Al-Dakhil	Member

- HRH Prince Turki bin Salman bin Abdulaziz was appointed as Chair of the Executive Committee on 6/4/2013 upon resignation of HRH Prince Faisal bin Salman from the Board on 7/2/2013.
- Mr. Ahmad bin Aqeel Al-KHatib was appointed as member in the Executive Committee on 7/5/2013 after resignation of Engr. Sulaiman Al-Hudaithi from the Committee on 6/4/2013.

B -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 nonexecutive board members, and a third from outside of the board members who is specialized in financial and accounting matters. Functions and responsibilities of this committee include assessing the internal control system, and supervising the internal audit department in the Group in order to verify its effectiveness in the implementation of actions and tasks approved by the Board of Directors. The Committee functions also include study of the internal audit reports as well as manage the internal audit to verify its effectiveness in carrying out the tasks and duties that were adopted by the Board and follow up on the implementation of corrective measures of the observations and recommendations contained therein.

Responsibilities of the Audit Committee also include making recommendations to the Board of Directors to appoint or terminate external auditors, agree on their fees, ensure their independence, and follow up on their performance. That, in addition to studying and reviewing the audit plan with the external auditor, as well as analyzing their comments on the consolidated financial statements of the Group, and following up on them with the review of quarterly and annual financial statements prior to submission to the Board, and make necessary recommendations to the Board of Directors.

Furthermore, the Committee studies the adopted accounting policies and make relevant recommendations to the Board. It also evaluates the effectiveness of the Group's risk management assessment along with the steps taken by the Group management to monitor and respond to those risks.

The Committee held eight meetings during 2013. The following table shows its membership:

Serial	Name	Description
1	Eng. Sulaiman bin Ibrahim Al-Hudaithi	Chairman
2	Mr. Sulaiman bin Jabreen Al-Jebreen	Member
3	Dr. Saad bin Saleh Al-Ruwiti	Member

Eng. Sulaiman bin Ibrahim Al-Hudaithi was appointed Chairman of the Audit Committee on 6/4/2013.

Mr. Sulaiman bin Jabreen Al-Jebreen was appointed as member of the Audit Committee on 6/4/2013 upon conclusion of H. E. Mr. Mohammad bin Abdullah Al-Kharashi representation of the Pensions Corporation at the Board, which was due to his resignation from the Board that was considered by the Board on 18/3/2013.

C - Nomination and Remuneration Committee:

Nomination and Remuneration Committee consists of three members of the Board of Directors. Responsibilities and duties of this Committee include making recommendations to the Board with nominations to the Board membership in accordance with approved policies and standards. The Committee also makes an annual review of the needs of required skills for membership of the Board, and prepare description of the capacities and qualifications required for membership in the Board, including the set time a Board member needs to allocate to his duties.

The committee also reviews the restructuring and composition of the Board, makes recommendations regarding changes that can be made, identifies weaknesses and strengths in the Board. It also proposes reformation 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 interest if the member serves on the Board of Directors of another company.

Responsibilities of the Nomination and Remuneration Committee also include developing clear policies for the compensation and remuneration of Board members and senior executives. As well as following up on the implementation of the recommendations of the Committee after being presented to, and approved by, the Board, and preparation and submission of due annual and periodic reports on the work of the Committee to the Board.

The following table shows members of the Nomination and Remuneration Committee, which held two meetings in 2013:

Serial	Name	Description
1	Mr. Abdullah Bin Salem Bahamdan	Chairman
2	Eng. Abdulrahman bin Ibrahim Al-Ruwaiti	Member
3	Mr. Mohammad bin Ibrahim Al-Essa	Member

- Mr. Abdullah Salem Bahamdan was appointed as Chairman of the Nomination and Remuneration Committee on 29/4/2013.
- Mr. Mohammad bin Ibrahim Al-Essa was appointed as member of the Nomination and Remuneration Committee on 29/4/2013 upon conclusion of H. E. Mr. Sulaiman bin Saad Al-Hamid representation of the Social Insurance Corporation at the Board, which was due to his resignation from the Board that was approved by the Board on 7/2/2013.

8 - Acknowledgments of the members of the Board of Directors

- The Board of Directors acknowledges that:
- The accounting records were set up properly.
 - Internal control system was prepared on a sound basis and was carried out effectively.
 - The Group, without doubt, be able to continue its activities.
 - None of the board members has any interest in contracts.

Fifteenth: Results of the Annual Review of the Effectiveness of Internal Control Procedures in 2013

During 2013, the Audit Committee 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 goes through annual review based on the latest updates and developments relating to the managements and companies of the Group. The Committee also followed up during 2013 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 to appoint an external auditor for the Group and its subsidiaries for the year ended on December 31, 2014. Based on the results of the audit carried out by the Internal Audit Department during 2012 at the level of the Group and its subsidiaries, results of the audit did not show that there was a major lack in the internal control procedures required to be disclosed. It should be taken in consideration that it has been agreed with the executive management of the Group and its subsidiaries on the implementation of the recommendations included in internal audit reports within a specified timeframe in order to improve and strengthen internal control procedures.

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

Management of the group relies on some of the 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

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**

Paper is the most important raw material 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 for purposes of Good 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, those 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

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 Roles of Procedure of the Group, the net annual profit is to be distributed after deducting all general expenses and other costs as follows:

- 1 – Ten percent (10%) 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.
- 2 - Five percent (5%) 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.
- 3 - The rest is distributed later as a first payment to shareholders equivalent to (5%) five percent of the paid-up capital.
- 4 - Remunerations are allocated afterwards to the Board of Directors, as long as remunerations do not exceed the defined 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 2013

In the meeting on 17 February 2014, and in light of the financial results of 2013, the Group decided not to make any dividends for 2013.

Twentieth: Recommendations of the Board of Directors

The Board of Directors of the Saudi Research and Marketing Group recommends the following to the Ordinary General Assembly:

- 1. Approve the Board report for 2013.
- 2. Approve the audit report and the company's consolidated financial statements for the year ended on December 31, 2013.
- 3. Clearance of members of the Board of Directors for their work during the fiscal year ended on December 31, 2013.
- 4. Approve the appointment of Mr. Sulaiman bin Jabreen Al-Jebreen as representative of Pensions Corporation at the Board for the remaining period of the current term of the Board, which elapses on 30 April 2015.
- 5. Approve the appointment of Mr. Mohammad bin Ibrahim Al-Essa as representative of Social Security Corporation at the Board for the remaining period of the current term of the Board, which elapses on 30 April 2015.
- 6. Approve the appointment of Mr. Ahmad bin Aqeel as member of the Board of Directors for the remaining period of the current term of the Board, which elapses on 30 April 2015.
- 7. Approve not to make any dividends of the fiscal year 2013.
- 8. 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 2014, and quarterly financial statements, in addition to determining his fees.

Board of Directors

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).

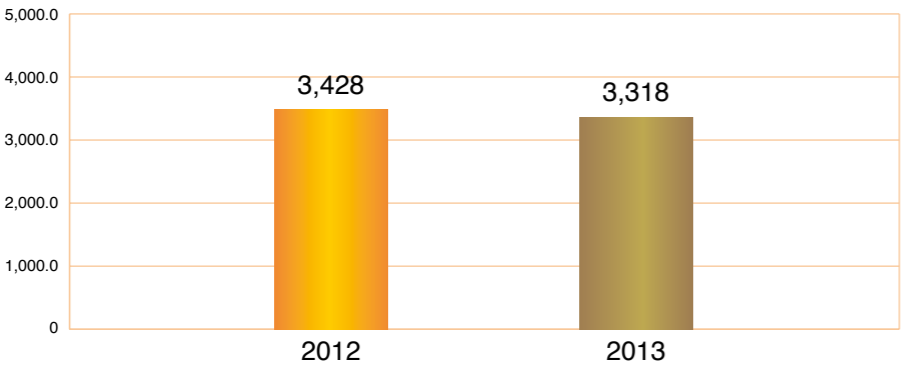


**Year End Financial
Performance Measurements**

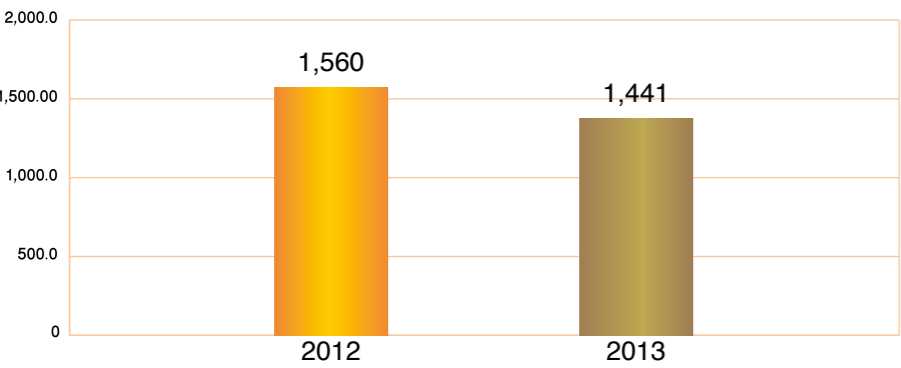
Annual Report



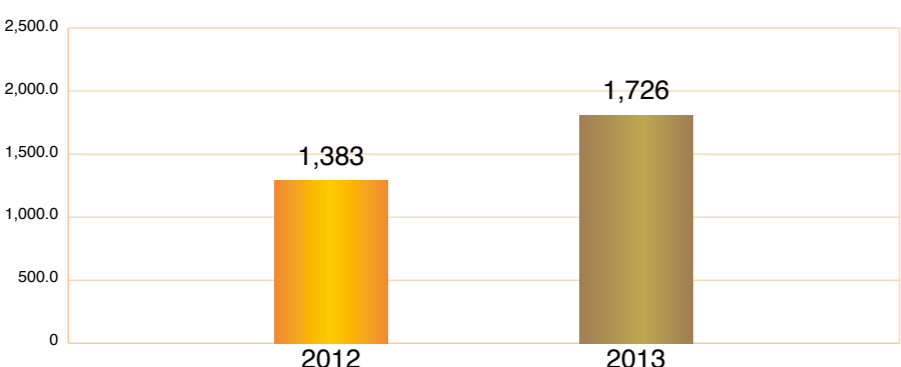
Year End Financial Performance Measurements



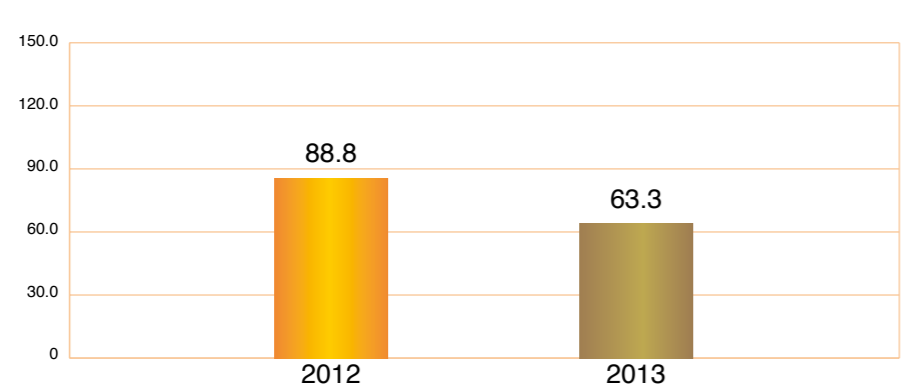
Total Assets (Million SAR)



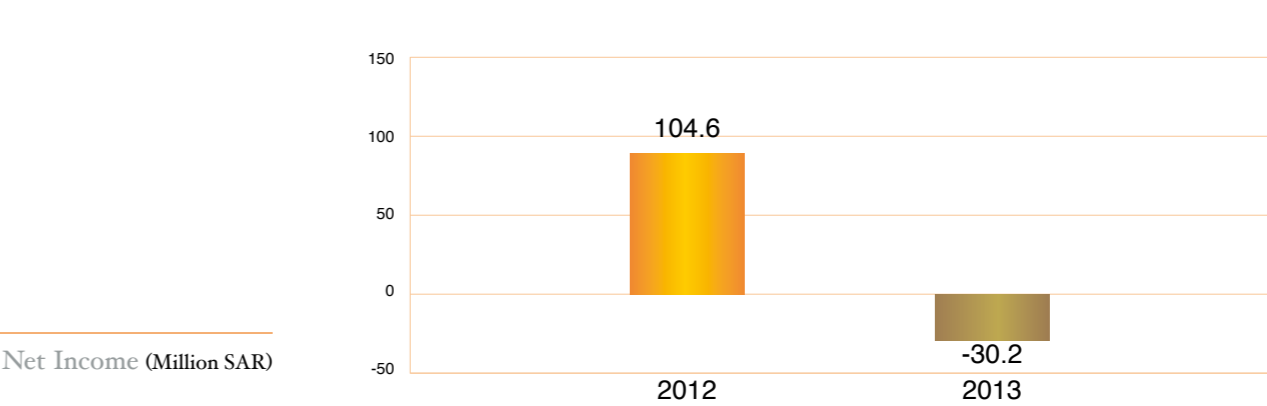
Total Equity (Million SAR)



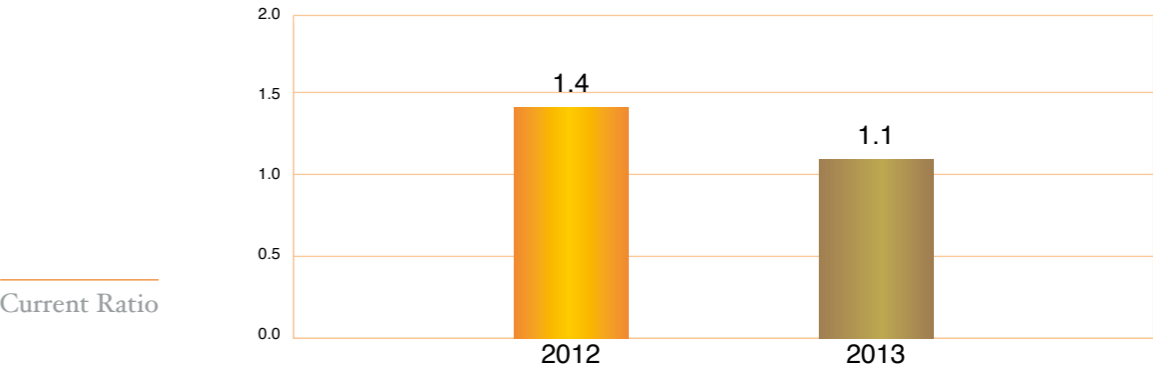
Total Revenue (Million SAR)



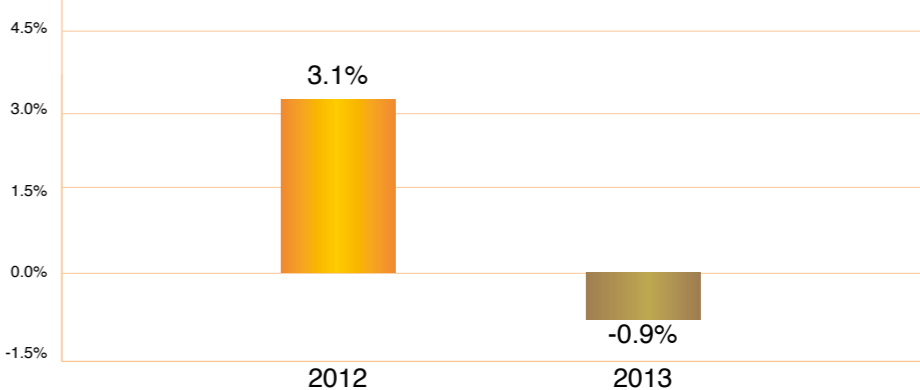
Income from main Operations (Million SAR)



Net Income (Million SAR)

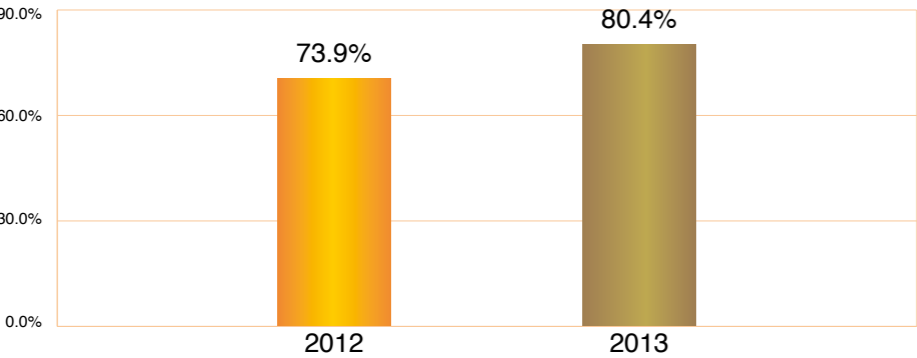


Current Ratio

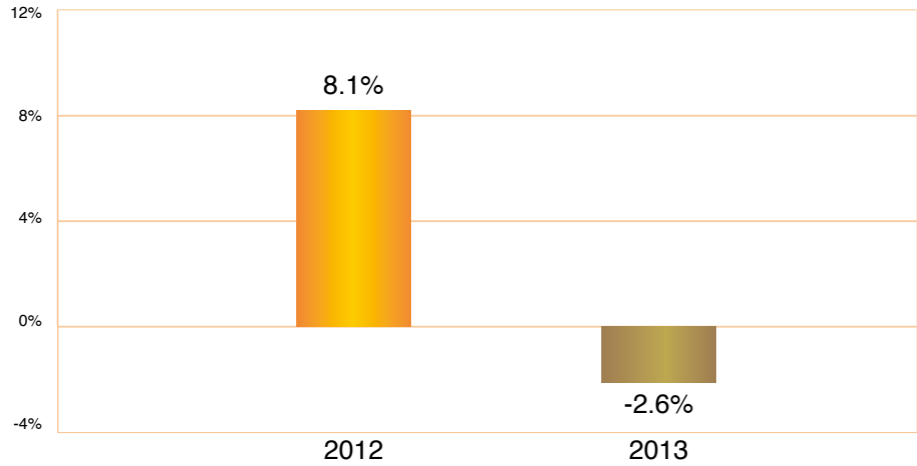


Return on Assets

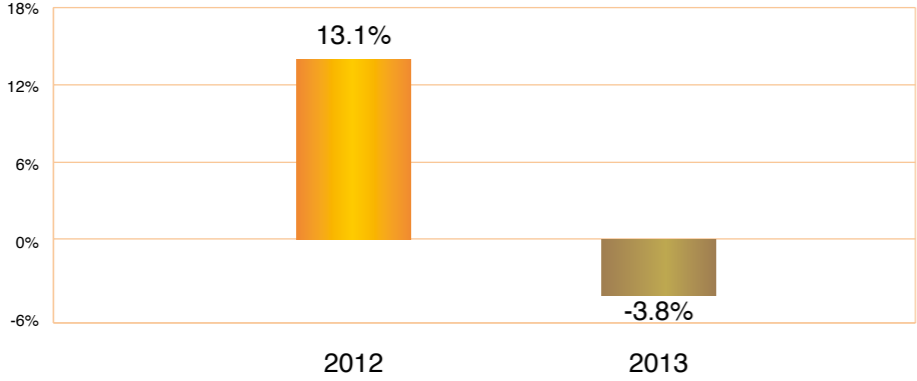
Year End Financial Performance Measurements



Leverage Ratio



Return on Shareholder's Equity



Return on Capital





Independent Auditors' Report

Annual Report





INDEPENDENT AUDITORS' REPORT

February 20, 2014

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, 2013 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, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the 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: 
Omar M. Al Sagga
License Number 369

PricewaterhouseCoopers, Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 465-4240, F: +966 (11) 465-1663, www.pwc.com/middle-east

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

Consolidated Balance Sheet

Consolidated Income Statement

Consolidated Cash Flow Statement

Consolidated Statement Of Changes In Shareholders' Equity

(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	2013	2012 (Restated)
Current Assets			
Cash on hand and at banks	3	139,320,054	135,332,886
Accounts receivable, net	4	598,908,709	585,168,619
Receivable from sale of a land	8	19,500,065	195,500,000
Due from related parties	22	20,302,358	13,828,147
Inventory, net	5	350,448,815	335,546,841
Prepayments and other assets	6	82,028,560	78,819,042
Total of Current Assets		1,210,508,561	1,344,195,535

Non-Current Assets			
Due from a related party	22	-	7,240,225
Investment properties	7	18,421,719	18,405,475
Property, machinery and equipment, net	8	1,250,863,089	1,218,819,041
Intangible assets, net	9	838,661,767	839,338,480
Total of Non Current Assets		2,107,946,575	2,083,803,221
TOTAL ASSETS		3,318,455,136	3,427,998,756

LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Current portion of borrowings and murabaha financing	10	629,765,661	535,912,713
Deferred revenue	11	7,613,107	8,825,186
Trade payables and other liabilities	12	393,636,122	393,123,422
Accrued zakat and income tax	13	26,613,051	23,833,734
Total Current Liabilities		1,057,627,941	961,695,055

To be Continued

Independent Auditors' Report

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

(All amounts in Saudi Riyals unless otherwise stated)

Consolidated Balance Sheet
Consolidated Income Statement
Consolidated Cash Flow Statement
Consolidated Statement Of Changes In Shareholders' Equity

	Note	2013	2012 (Restated)
Non-current liabilities			
Long-term borrowings and murabaha financing	10	527,972,723	617,249,521
Customers' deposits	14	18,471,219	19,104,067
Other payables	1	160,649,310	167,798,554
Employees' termination benefits	15	113,035,274	102,406,763
Total Non-Current Liabilities		820,128,526	906,558,905
TOTAL LIABILITIES		1,877,756,467	1,868,253,960

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	(4,483,263)	(4,045,419)
Net changes in fair value of cash flow hedges	19	(1,274,544)	1,124,373
Retained earnings	20	96,184,115	210,855,791
Total shareholders' equity		1,170,112,519	1,287,620,956
Minority interest	21	270,586,150	272,123,840
Total equity		1,440,698,669	1,559,744,796
TOTAL LIABILITIES AND EQUITY		3,318,455,136	3,427,998,756
Total liabilities and equity	28	-	-

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

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

(All amounts in Saudi Riyals unless otherwise stated)

Consolidated Balance Sheet
Consolidated Income Statement
Consolidated Cash Flow Statement
Consolidated Statement Of Changes In Shareholders' Equity

	Note	2013	2012 (Restated)
Revenues		1,726,056,576	1,382,752,907
Cost of revenues		(1,292,841,749)	(1,000,497,151)
GROSS PROFIT		433,214,827	382,255,756
Operating expenses			
Selling and marketing	23	(95,925,197)	(63,406,831)
General and administration	24	(273,991,587)	(230,037,318)
Income From Main Operations		63,298,043	88,811,607
Other income and expenses, net	25	(12,316,209)	92,220,274
Financial charges, net		(50,685,566)	(24,859,290)
Income Before Zakat And Income Tax And Minority Interest		296,268	156,172,591
Zakat and income tax	13	(14,422,088)	(13,561,500)
(Loss) Income before minority interest		(14,125,820)	142,611,091
Minority interest in net income and losses of subsidiaries	21	(16,085,856)	(38,020,600)
Net (Loss) income for the year		(30,211,676)	104,590,491
Earnings (Loss) per share			
Income from main operations	26	0.79	1.11
Net (Loss) income for the year	26	(0.38)	1.31

Independent Auditors' Report

2013
Annual 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

Consolidated Statement Of Changes In Shareholders' Equity

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2013	2012 (Restated)
Cash flow from operating activities			
Income before zakat, income tax and minority interest		296,268	156,172,591
Adjustments for non-cash items:			
Depreciation		82,819,822	65,801,808
Amortization		4,047,961	3,724,310
Gains from sale of property, machinery and equipment		(2,812,387)	(77,142,797)
Impairment loss in capital work-in progress		1,515,266	-
Reversal of customers' deposits		(312,174)	(6,297,263)
Employees' end of services provision		22,367,748	14,865,049
Changes in working capital:			
Trade accounts receivable		(13,740,090)	9,981,220
Inventory		(14,901,974)	(35,255,704)
Prepayments and other current assets		(3,209,518)	4,569,068
Deferred revenues		(1,212,079)	(1,544,532)
Trade payables and other current liabilities		(9,087,599)	1,542,570
Customers' deposits		(320,674)	(1,630,390)
Due from/to related parties		766,014	(3,016,012)
Employees' termination benefits paid		(11,739,237)	(15,456,852)
Zakat and income tax paid		(11,642,771)	(11,437,147)
Net cash generated from operating activities		42,834,576	104,875,919

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

To be Continued

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

Consolidated Balance Sheet
Consolidated Income Statement
Consolidated Cash Flow Statement

Consolidated Statement Of Changes In Shareholders' Equity

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2013	2012 (Restated)
Cash flow from investing activities			
Additions to property, machinery and equipment		(120,152,171)	(101,411,099)
Proceeds from sale of property, machinery and equipment		7,464,836	22,653,669
Collection of receivable from sale of investment in associated company		-	90,000,000
Acquisition of a subsidiary		-	(484,432,807)
Investment properties		(16,244)	15,522
Collection of receivable from sale of land		175,999,935	-
Foreign currency translation adjustments related to property, machinery and equipment, net		(879,414)	(1,132,897)
Additions to intangible assets		(3,371,248)	(1,088,113)
Net cash generated from (utilized in) investing activities		59,045,694	(475,395,725)
Cash flow from financing activities			
Change in long-term and short-term loans and murabaha financing		4,576,150	458,819,524
Foreign currency translation adjustments related to investments in foreign subsidiaries		(437,844)	1,809,276
Board of Directors' remunerations		(4,460,000)	(4,015,580)
Dividends paid		(79,947,862)	(79,833,316)
Change in minority interest		(17,623,546)	(9,467,000)
Net cash (utilized in) generated from financing activities		(97,893,102)	367,312,904
Net change in cash and cash equivalents		3,987,168	(3,206,902)
Cash and cash equivalents at beginning of year		127,289,710	92,990,112
Change in restricted cash at banks		(2,700,334)	-
Cash and cash equivalents acquired during the year	1	-	37,506,500
Cash and cash equivalents at end of year	3	128,576,544	127,289,710
Supplemental non-cash information:			
Changes in fair value of cash flow hedges		2,398,917	1,507,415
Receivable from sale of a land	8	-	195,500,000
Provision for doubtful debts written-off	4	(2,035,039)	1,326,240
Provision for slow-moving items written-off	5	(1,395,184)	2,820,265
Reversal of customers' deposits		(312,174)	(6,297,263)
Unpaid portion of acquisition value of a subsidiary, net		-	157,521,860

Independent Auditors' Report

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

Consolidated Balance Sheet
Consolidated Income Statement
Consolidated Flow Statement

(All amounts in Saudi Riyals unless otherwise stated)

Consolidated Statement Of Changes In Shareholders' Equity

	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
2013									
January 1, 2013		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 loss 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 of Directors' remunerations	20	-	-	-	-	-	-	(84,460,000)	(84,460,000)
December 31, 2013		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

2012									
January 1, 2012 (Restated)		800,000,000	193,318,560	62,317,652	8,361,425	(5,854,695)	(383,042)	205,969, 454	1,263,729,354
Net income for the year		-	-	-	-	-	-	104,590,491	104,590,491
Transfer to statutory reserve	16	-	10,459,049	-	-	-	-	(10,459,049)	-
Transfer to contractual reserve	17	-	-	5,229,525	-	-	-	(5,229,525)	-
Foreign currency translation adjustments, net	18	-	-	-	-	1,809,276	-	-	1,809,276
Net changes in fair value of cash flow hedges	19	-	-	-	-	-	1,507,415	-	1,507,415
Dividends and board Directors remuneration		-	-	-	-	-	-	(84,015,580)	(84,015,580)
December 31, 2012 (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

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

Notes To The Consolidated
Financial Statements

Annual Report



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, 2013-2012
Intellectual Holding Company for Advertisement and Publicity - L.L.C.	1010119045	Saudi Arabia	100%
Scientific Works Holding Company - L.L.C.	1010119043	Saudi Arabia	100%
Saudi Printing and Packaging Company, Joint Stock Company (3)	1010219709	Saudi Arabia	70%

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 Relations Company	Media, papers advertising and promotional services	Saudi Arabia
Saudi Commercial Company Limited	Trading in cosmetics, household instruments and printing supplies	Saudi Arabia
Ofoq Information System and Communication Company	Trading in communication equipment and development of software	Saudi Arabia
Nmou Media Holding and its subsidiaries	Specialized Publishing	Saudi Arabia
Moutamarat Company for Exhibitions and Conferences	Organizing conferences and exhibitions	Saudi Arabia

- (1) This Company owns 100% of subsidiaries registered outside the Kingdom of Saudi Arabia.
- (2) 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.
- (3) 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 to be paid to one of the selling parties, and currently reflected under liabilities in the accompanying consolidated balance sheet). In accordance with the Sale and Purchase Agreement (the "Agreement"), all parties agreed to the transfer the ownership, rights and obligations related to the acquired interest to be assumed by the buyer effective July 1, 2012, being the date of transferring the control to the buyer (the acquisition date). The acquisition transaction resulted in a goodwill amounting to approximately SR 353.8 million representing the excess of the consideration paid and the fair value of net assets acquired at the acquisition date amounting to approximately SR 288.2 million. ENPI is engaged in manufacturing and distribution of packaging and plastic products through its various subsidiaries in UAE and one subsidiary in Saudi Arabia. The financial statements of ENPI were consolidated into the accounts of SPPC effective July 1, 2012.

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

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

The current portion of the deferred consideration amounting to SR 7.1 million was reported under current liabilities as of December 31, 2013. The non-current portion amounting to SR 160.7 million was reported under non-current liabilities in the accompanying consolidated financial statements.

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 investments in associated companies which are measured using the equity method and 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 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:

	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

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.

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

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 intangible assets that suffered impairment are reviewed for possible reversal of impairment at year end. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

2.14 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.

(B) Geographical segment

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

2.16 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.

Notes To The Consolidated Financial Statements

2013
Annual Report

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.

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 and hedging

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

	2013	2012
Cash on Hand	1,653,790	2,153,228
Cash at bank	126,922,754	125,136,482
Restricted cash at banks	10,743,510	8,043,176
	139,320,054	135,332,886

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

	2013	2012
Cash and cash equivalents	139,320,054	135,332,886
Restricted cash at banks	(10,743,510)	(8,043,176)
	128,576,544	127,289,710

4. Accounts receivable, net

	2013	2012 (Restated)
Trade receivable	659,845,488	625,971,029
Accrued revenues	9,978,259	9,082,319
	669,823,747	635,053,348
Provision for doubtful debts	(70,915,038)	(49,884,729)
	598,908,709	585,168,619

Movement of provision for doubtful debts during the year is summarized as follows:

	2013	2012
Balance, January 1	49,884,729	34,087,077
Provision for the year	23,065,348	11,084,953
Balance acquired during the year	-	6,038,939
Write-offs	(2,035,039)	(1,326,240)
Balance, December 31	70,915,038	49,884,729

5. Inventory, net

	2013	2012
Raw materials and packaging materials	253,634,969	225,555,809
Books	64,875,744	60,165,017
Spare parts	22,561,824	22,392,636
Work in process and finished goods	47,713,075	38,216,576
Goods in transit	1,964,393	10,699,004
Other	195,174	1,065,774
	390,945,179	358,094,816
Provision for slow moving items	(40,496,364)	(22,547,975)
	350,448,815	335,546,841

Movement of provision for slow moving items is summarized as follows:

	2013	2012
Balance, January 1	22,547,975	16,262,292
Balance acquired during the year	-	5,389,143
Provision for the year	19,343,573	3,716,805
Write-offs	(1,395,184)	(2,820,265)
Balance, December 31	40,496,364	22,547,975

The spare parts inventory primarily relates to the property, machinery and equipment of one of the subsidiaries.

6. Prepaid expenses and other current assets

	2013	2012
Prepaid expenses	37,796,818	36,331,790
Advances to suppliers and publishers	17,139,869	15,010,021
Refundable deposits	5,765,075	5,242,067
Other receivables	21,326,798	22,235,164
	82,028,560	78,819,042

7. Investment properties

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

Notes To The Consolidated Financial Statements

2013
Annual Report

SAUDI RESEARCH AND MARKETING GROUP (A Saudi Joint Stock Company)

8. Property, machinery and equipment, net

Notes to the consolidated financial statements for the year ended December 31, 2013
(All amounts in Saudi Riyals unless otherwise stated)

	Land	Buildings	Leasehold improvements	Printing machinery and equipments	Computers and equipment	Furniture and fixtures	vehicles	Capital work-in progress	Total
Cost									
January 1, 2013	230,302,374	569,836,855	42,615,078	824,673,379	107,613,385	89,045,872	58,327,386	90,156,032	2,012,570,361
Foreign currency adjustment	92,934	747,934	423,309	279,994	819,088	228,828	6,846	21,408	2,620,341
Additions	-	1,499,982	1,121,518	36,386,828	3,638,399	1,493,389	2,295,042	73,717,013	120,152,171
Disposals	(574,875)	(313,223)	(535,318)	-	(292,062)	(637,858)	(6,578,201)	(2,763,568)	(11,695,105)
Transfers	-	1,782,649	-	55,420,211	2,844,942	1,023,576	125,400	(61,196,778)	-
December 31, 2013	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
Impairment of assets									
January 1, 2013	(13,177,830)	(99,881,339)	-	-	-	-	-	-	(113,059,169)
Impairment losses	-	-	-	-	-	-	-	(1,515,266)	(1,515,266)
December 31, 2013	(13,177,830)	(99,881,339)	-	-	-	-	-	(1,515,266)	(114,574,435)
Accumulated depreciation									
January 1, 2013	-	117,352,944	34,366,204	319,307,685	91,602,386	70,814,428	47,248,504	-	680,692,151
Foreign currency adjustment	-	253,080	435,860	76,501	802,957	168,255	4,274	-	1,740,927
Charge for the year	-	15,962,014	3,583,001	47,181,970	6,997,834	4,114,273	4,980,730	-	82,819,822
Disposals	-	(283,504)	(155,192)	-	(94,683)	(380,521)	(6,128,756)	-	(7,042,656)
Transfers	-	(83,914)	-	631,819	(496,767)	(77,175)	26,037	-	-
December 31, 2013	-	133,200,620	38,229,873	367,197,975	98,811,727	74,639,260	46,130,789	-	758,210,244
Net book value									
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
December 31, 2012	217,124,544	352,602,572	8,248,874	505,365,694	16,010,999	18,231,444	11,078,882	90,156,032	1,218,819,041

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

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.

During December 2012, a subsidiary sold a land for SR 215.5 million and realized gain of approximately SR 77 million. The carrying value of the sold land was SR 138.5 million. SR 20 million of the sale value was received in cash during 2012 and the balance amounting to SR 195.5 million was reported under current assets in the consolidated balance sheet (see note 25).

9. Intangible assets, net

	Mastheads	Goodwill	Publishing rights and books development projects	Media content project and websites	Computer softwares	Pre-operating expenses	Total
Cost							
January 1, 2013	350,000,000	478,763,043	5,050,242	12,720,135	1,899,760	2,782,638	851,215,818
Additions	-	1,392,705	69,980	1,561,778	346,785	-	3,371,248
December 31, 2013	350,000,000	480,155,748	5,120,222	14,281,913	2,246,545	2,782,638	854,587,066
Accumulated amortization							
January 1, 2013	-	-	2,428,974	6,423,411	675,487	2,349,466	11,877,338
Charge for the year	-	-	423,632	2,796,636	601,690	226,003	4,047,961
December 31, 2013	-	-	2,852,606	9,220,047	1,277,177	2,575,469	15,925,299
Net book value							
December 31, 2013	350,000,000	480,155,748	2,267,616	5,061,866	969,368	207,169	838,661,767
December 31, 2012	350,000,000	478,763,043	2,621,268	6,296,724	1,224,273	433,172	839,338,480

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. Also, see note (1).

Notes To The Consolidated Financial Statements

2013
Annual Report

10. Borrowings and muarabaha financing

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

	2013	2012
Overdraft facilities	5,006,194	14,162,116
Borrowings and murabaha financing	1,152,732,190	1,139,000,118
	1,157,738,384	1,153,162,234
Less: current portion	(629,765,661)	(535,912,713)
Non-current portion	527,972,723	617,249,521

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 2.3 billion (2012: SR 2.2 billion) of which approximately SR 1.3 billion was used at year end (2012: SR 1.2 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. Such facilities bear financing charges as per the relevant agreements.

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

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

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

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

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

11. Deferred revenues

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

12. Trade payables and other liabilities

	2013	2012
Accrued expenses	130,825,575	114,667,418
Trade and notes payable	239,385,232	262,372,861
Dividends payable	2,114,744	2,062,606
Other payables	21,310,571	14,020,537
	393,636,122	393,123,422

13. Zakat and income tax

	2013	2012
Zakat	26,245,282	23,059,026
Income tax	367,769	774,708
	26,613,051	23,833,734

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

	2013	2012
Balance, January 1	23,059,026	20,975,970
Provision for the year	13,424,978	12,153,016
Balance acquired during the year	-	64,627
Payments during the year	(10,238,722)	(10,134,587)
Balance, December 31	26,245,282	23,059,026

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 2012 which are still under review by the DZIT.

14. Customers' deposits

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

15. Employees' termination benefits

Movement in employees' termination benefits is summarized as follows:

	2013	2012
Balance, January 1	102,406,763	95,453,757
Provision for the year	22,367,748	14,865,049
Balance acquired during the year	-	7,544,809
Payments during the year	(11,739,237)	(15,456,852)
Balance, December 31	113,035,274	102,406,763

16. Statutory reserves

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

Notes To The Consolidated Financial Statements

2013
Annual Report

17. 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.

18. 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.

19. Net changes in fair value of cash flow hedges

As at December 31, 2012, 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 November 13, 2012 to November 1, 2013, for a total contractual amount of GBP 12 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. The positive fair value of such forward currency agreement recorded under the shareholders' equity as at December 31, 2012 amounted to SR 1,124,373.

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

The negative fair value of such swap agreement recorded under the shareholders' equity as at December 31, 2013 amounted to SR 1,274,544.

20. Dividends and Board of Directors' remunerations

The general assembly, in its meeting held on 5 Jumada I 1434 H (corresponding to March 17, 2013) approved cash dividends of SR 80 million at SR 1 per share, as well as, SR 2.4 million as remunerations for the members of the Board of Directors. In addition, the general assembly of certain subsidiaries approved board of directors' remunerations of which the Company's share is approximately SR 2.06 million.

21. 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	Saudi Printing and Packaging Company	Emirates National Factory for Plastic Industrial LLC	2013	2012
Balances, beginning of year	(325,667)	254,297,297	18,152,210	272,123,840	226,211,134
Additions	-	-	(7,621,169)	(7,621,169)	17,359,106
Share in subsidiaries' net income (losses)	(76,587)	15,570,912	591,531	16,085,856	38,020,600
Settlements and payments during the year	-	(10,002,377)	-	(10,002,377)	(9,467,000)
Balances, end of year	(402,254)	259,865,832	11,122,572	270,586,150	272,123,840

22. Related party transactions

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

	2013	2012
BOD executive members' salaries and remunerations	13,255,000	13,600,000
Board of directors' expenses and allowances	809,254	462,100
Management fees revenues (Note 25)	-	5,405,921
Insurance expenses	-	8,119,452

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

	2013	2012
The Kuwait Group for Publishing and Distribution Company	1,249,636	6,470,821
Satellite graphics Co.	134,112	117,101
Future Cards Industries L.L.C.	18,918,610	14,480,450
	20,302,358	21,068,372
Non-current portion of due from related parties:		
Future Cards Industries L.L.C.	-	(7,240,225)
	20,302,358	13,828,147

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

Notes To The Consolidated Financial Statements

2013
Annual Report

23. Selling and marketing expenses

	2013	2012
Salaries, wages and other benefits	46,037,864	36,690,121
Advertising, promotions, campaigns and seminars	3,255,080	1,758,705
Provision for doubtful debts	23,065,347	11,084,953
Shipping and clearance	12,355,501	8,091,554
Other	11,211,405	5,781,498
	95,925,197	63,406,831

24. General and administrative expenses

	2013	2012
Salaries, wages and other benefits	156,155,840	127,068,435
Depreciation and amortization	29,731,127	27,306,317
Professional fees	15,874,398	9,793,793
Rent	12,064,760	10,765,124
Public relations	1,549,254	4,355,001
Postal, telephone and fax	8,271,993	7,440,671
Insurance	2,832,241	3,381,099
Travel expenses	3,121,708	2,273,989
Maintenance	5,235,274	4,860,543
Electricity and water	3,234,561	3,436,098
Stationery	1,393,039	1,918,345
Computer services	2,202,879	2,751,598
Shipping, packing and customs	415,479	693,854
Government expenses	3,091,504	1,655,860
Board of directors expenses	3,594,254	1,975,215
Provision for doubtful accounts	8,000,000	-
Other	17,223,276	20,361,376
	273,991,587	230,037,318

25. Other income and expenses, net

	2013	2012
Gains from sale of property, machinery and equipment	2,812,387	77,142,797
Rental income	2,483,744	1,813,599
Exceptional non-recurring expenses*	(20,500,000)	-
Foreign currency exchange losses	(153,764)	(208,891)
Management fees revenues	-	5,405,921
Miscellaneous, net	3,041,424	8,066,848
	(12,316,209)	92,220,274

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.

26. Earnings per share

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

27. 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.

Notes To The Consolidated Financial Statements

2013
Annual Report

27. 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, 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	41,782,187	234,833,063	21,561,336	504,231	438,411,796	(5,196,969)	433,214,827
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
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
As of and for the year ended December 31, 2012										
Revenue	684,230,827	41,164,166	62,219,389	417,374,251	765,895,353	126,407,995	365,529	2,097,657,510	(714,904,603)	1,382,752,907
Gross profit	126,335,298	16,217,165	13,844,214	42,334,745	150,773,761	38,243,339	365,529	388,114,051	(5,858,295)	382,255,756
Property, machinery and equipment, net	148,089,657	1,284,530	16,039,299	20,593,654	1,013,125,430	1,215,230	18,471,241	1,218,819,041	-	1,218,819,041
Total assets	450,353,576	276,582,442	89,167,727	170,883,054	2,357,414,047	71,522,501	1,403,129,341	4,819,052,688	(1,391,053,932)	3,427,998,756
Total liabilities	115,311,230	118,727,669	83,640,018	149,838,769	1,491,693,912	100,933,155	218,902,893	2,279,047,646	(410,793,686)	1,868,253,960

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.

28. Contingencies and commitments

a. The Group has the following contingent liabilities and commitments as of December 31:

	2013	2012
Letters of credits	65,928,708	59,039,856
Letters of guarantees	20,713,698	14,173,117

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.

29. 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 12,064,760 (2012: SR 10,765,124) which was reflected in the consolidated income statement.

30. 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, 2013. 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.

Notes To The Consolidated Financial Statements

2013
Annual Report

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.

31. Restatement of prior years

During the year ended December 31, 2013, the Group restated certain prior years' amounts to correct the balances of certain customers at December 31, 2012 and revenues and cost of revenues for the years ended December 31, 2012, 2011 and 2010. Accordingly, the net income for the years ended December 31, 2012, 2011 and 2010 declined by SR 13.7 million and SR 11.4 million and SR 9.0 million, respectively. Other related amounts and balances in the consolidated financial statements as of and for the year ended December 31, 2012 were also restated as follows:

	Balance as previously reported January 1, 2012	Balance after restatement January 1, 2012
Consolidated statement of changes in shareholders' equity:		
Retained earnings	223,368,509	205,969,454
Statutory reserve	195,365,507	193,318,560
Contractual reserve	63,341,126	62,317,652

	Balance as previously reported December 31, 2012	Balance after restatement December 31, 2012
Consolidated balance sheet:		
Accounts receivable, net	619,288,546	585,168,619
Retained earnings	239,857,730	210,855,791
Statutory reserve	207,189,601	203,777,609
Contractual reserve	69,253,173	67,547,177

	Amounts as previously reported December 31, 2012	Amounts after restatement December 31, 2012
Consolidated income statement:		
Revenues	1,401,199,102	1,382,752,907
Cost of revenues	(1,005,292,894)	(1,000,497,151)
Gross profit	395,906,208	382,255,756
Income from main operations	102,462,059	88,811,607
Income before zakat, income tax and minority interest	169,823,043	156,172,591
Net income for the year	118,240,942	104,590,491

	Amounts as previously reported December 31, 2012	Amounts after restatement December 31, 2012
Earnings per share:		
Income from main operations	1,28	1,11
Net income for the year	1,48	1,31