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INDEPENDENT AUDITORS' REPORT

To the shareholders
Saudi Research and Marketing Group
(a Saudi joint stock company)
Riyadh, Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of Saudi Research and Marketing Group (a Saudi joint stock company) as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes 1 to 33 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company'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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2008, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

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License No. 101

Safar 20, 1430
February 15, 2009

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	Note	2008 SR	2007 SR
Current Assets			
Cash and cash equivalents	3	**140,705,169**	460,550,955
Trade receivable		**415,337,072**	318,500,011
Prepaid expenses and other debit balances	4	**84,390,428**	65,487,869
Inventories	5	**341,742,198**	224,406,445
Total current assets		**982,174,867**	1,068,945,280
Non-Current Assets			
Investment in associated company	7	**-**	89,387,671
Property, plant and equipment	6	**832,521,164**	666,397,852
Intangible assets	8	**444,660,450**	362,597,838
Total non-current assets		**1,277,181,614**	1,118,383,361
TOTAL ASSETS		**2,259,356,481**	2,187,328,641
LIABILITIES AND EQUITY			
Current liabilities			
Murabaha and loans	9	**173,475,081**	63,333,333
Deferred revenue	10	**11,146,334**	17,929,352
Obligations under capital lease - current portion	11	**7,000,000**	37,374,092
Deferred gains on sale and leaseback transactions - current portion	11	**3,207,511**	48,048,463
Trade payables and other credit balances	12	**253,726,102**	252,726,577
Zakat and income tax	13	**24,789,851**	27,053,854
Total current liabilities		**473,344,879**	446,465,671

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

'08 ANNUAL REPORT

Consolidated Balance Sheet

Consolidated Statement Of Income

Consolidated Statement Of Changes In Shareholders' Equity

Consolidated Statement Of Cash Flow

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.

	Note	2008 SR	2007 SR
Non-current liabilities			
Long term murabaha	9	**25,970,000**	6,666,668
Customers› deposits	14	**26,777,878**	26,391,925
Trade payables	15	**11,150,236**	6,232,439
Obligations under capital lease - non current portion	11	**-**	7,000,000
Deferred gains on a sale and leaseback transactions - non current portion	11	**-**	3,207,511
End-of-service indemnities	16	**86,868,761**	79,850,169
Total non-current liabilities		**150,766,875**	129,348,712
TOTAL LIABILITIES		**624,111,754**	575,814,383
EQUITY			
Shareholders› Equity			
Share capital	1	**800,000,000**	800,000,000
Statutory reserve	17	**172,084,254**	149,638,800
Contractual reserve	17	**51,700,502**	40,477,775
Foreign currency translation adjustments on investments in overseas subsidiaries	18	**(6,056,341)**	9,812,810
Restricted governmental grant	7	**8,361,425**	-
Retained earnings		**350,162,546**	401,176,191
Total shareholders› equity		**1,376,252,386**	1,401,105,576
Minority interest	19	**258,992,341**	210,408,682
Total equity		**1,635,244,727**	1,611,514,258
TOTAL LIABILITIES AND EQUITY		**2,259,356,481**	2,187,328,641

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

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

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

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	Note	2008 SR	2007 SR
Revenues		**1,342,225,011**	1,113,298,211
Costs of revenues		**(832,704,181)**	(653,049,518)
GROSS PROFIT		**509,520,830**	460,248,693
Equity income of associated company		**4,351,299**	4,977,482
Selling and marketing expenses	21	**(48,776,258)**	(38,622,636)
General and administration expenses	22	**(189,706,571)**	(155,424,565)
Professional and consulting fees		**(15,395,163)**	(15,775,141)
Amortization of intangible assets		**(2,631,428)**	(2,380,952)
Depreciation		**(22,866,318)**	(22,264,790)
Recoverable value of assets' impairment	6	**11,292,362**	-
INCOME FROM MAIN OPERATIONS		**245,788,753**	230,758,091
Financial charges, net		**(4,935,403)**	(884,580)
Other income, net	23	**36,407,185**	52,988,706
INCOME FROM CONTINUING OPERATIONS		**277,260,535**	282,862,217
Non recurring income and expenses, net	24	**16,590,164**	134,777,673
INCOME BEFORE MINORITY INTEREST AND ZAKAT AND INCOME TAX		**293,850,699**	417,639,890
Minority interest in net income or loss of subsidiaries	19	**(52,386,534)**	(25,146,211)
INCOME BEFORE ZAKAT AND INCOME TAX		**241,464,165**	392,493,679
Zakat and income tax	13	**(17,009,629)**	(25,956,399)
NET INCOME		**224,454,536**	366,537,280
Earnings per share			
From main operations	27	**3.07**	2.88
From income before minority interest	27	**3.67**	5.22
From net income for the year	27	**2.81**	4.58

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

	Note	Share capital SR	Statutory reserve SR	Contractual reserve SR	Restricted governmental grant SR	Foreign currency translation adjustments on investments in overseas subsidiaries SR	Retained earnings SR	Total SR
January 1, 2007		800,000,000	112,985,072	22,150,911	-	8,283,032	251,419,503	1,194,838,518
Net income for 2007		-	-	-	-	-	366,537,280	366,537,280
Transfer to statutory reserve	17	-	36,653,728	-	-	-	(36,653,728)	-
Transfer to contractual reserve	17	-	-	18,326,864	-	-	(18,326,864)	-
Dividends distribution and Board of Directors' remuneration		-	-	-	-	-	(161,800,000)	(161,800,000)
Foreign currency translation adjustments, net	18	-	-	-	-	1,529,778	-	1,529,778
December 31, 2007		800,000,000	149,638,800	40,477,775	-	9,812,810	401,176,191	1,401,105,576
Net income for 2008		**-**	**-**	**-**	**-**	**-**	**224,454,536**	**224,454,536**
Transfer to statutory reserve	17	**-**	**22,445,454**	**-**	**-**	**-**	**(22,445,454)**	**-**
Transfer to contractual reserve	17	**-**	**-**	**11,222,727**	**-**	**-**	**(11,222,727)**	**-**
Dividends distribution and Board of Directors' remuneration	28	**-**	**-**	**-**	**-**	**-**	**(241,800,000)**	**(241,800,000)**
Restricted governmental grant	6	**-**	**-**	**-**	**8,361,425**	**-**	**-**	**8,361,425**
Foreign currency translation adjustments, net	18	**-**	**-**	**-**	**-**	**(15,869,151)**	**-**	**(15,869,151)**
December 31, 2008		**800,000,000**	**172,084,254**	**51,700,502**	**8,361,425**	**(6,056,341)**	**350,162,546**	**1,376,252,386**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

1980
Al-Majalla weekly political magazine was launched.

1981
Sayidaty, a weekly family magazine was launched.

	2008 SR	2007 SR
OPERATING ACTIVITIES		
Income before zakat and income tax	**241,464,165**	392,493,679
Adjustments for:		
Depreciation and amortization	**47,657,112**	40,306,781
Recoverable value of assets' impairment	**(11,292,362)**	-
Employees' end-of-service indemnities	**16,831,008**	14,445,877
(Gain) Loss from sale of property, plant, & equipment	**(1,336,146)**	95,866
Gain from sale of investment in subsidiary	**-**	(161,281,911)
Gain from sale of investment in an associated company	**(19,786,280)**	-
Equity income of associated company	**(4,351,299)**	(4,977,482)
Minority interest in income of subsidiaries	**52,386,534**	25,146,211
Changes in operating assets and liabilities:		
Receivables, prepayments and other debit balances	**(53,681,404)**	(12,716,180)
Inventories	**(83,148,804)**	(92,114,559)
Trade payables and other credit balances	**(32,292,485)**	38,805,511
Deferred revenue	**(6,783,018)**	3,564,426
Customers' deposits	**385,953**	303,004
End-of-service indemnities paid for employees	**(10,949,271)**	(8,450,231)
Zakat and income tax paid	**(19,273,632)**	(13,020,581)
Net cash from operating activities	**115,830,071**	222,600,411
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	**(137,145,081)**	(48,284,935)
Proceeds from sale of property, plant and equipment	**1,995,179**	248,153

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

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1983
The establishment of Saudi Distribution Co. (SDC). A leading distribution company in Saudi Arabia.

	2008 SR	2007 SR
Foreign currency adjustment on property, plant and equipment, net	**13,896,561**	(1,467,576)
Proceeds from sale of investment in subsidiary	**113,525,250**	346,491,341
Investments in associated companies	**-**	(1,254,112)
Investment in new subsidiaries	**(175,474,671)**	-
Intangible assets	**(2,138,192)**	-
Net cash (used in) from investing activities	**(185,340,954)**	295,732,871
FINANCING ACTIVITIES		
Murabaha and loans	**100,147,209**	26,666,668
Minority interests	**(3,802,875)**	-
Foreign currency translation adjustments on investments in overseas subsidiaries	**(15,869,151)**	1,529,778
Deferred gains on sale and lease back transactions	**(48,048,463)**	(60,578,546)
Obligations under capital lease	**(37,374,092)**	(46,800,000)
Board of Directors' remuneration	**(1,800,000)**	(1,800,000)
Dividends paid	**(243,587,531)**	(155,361,478)
Net cash used in financing activities	**(250,334,903)**	(236,343,578)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(319,845,786)**	281,989,704
Cash and cash equivalents on January 1	**460,550,955**	178,561,251
CASH AND CASH EQUIVALENTS ON DECEMBER 31	**140,705,169**	460,550,955
Non-cash transactions:		
Restricted governmental grant	**8,361,425**	-
Minority interest share from sale of investment in a subsidiary	**-**	185,209,430

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements


DATA 1
DATA 2
DATA 3
DATA 4
DATA 5

Marketing Group

1987
Establishing the Saudi Research & Marketing Group (SRMG),

- Arriyadiah, a daily sports newspaper was launched.
- Launching Basim, a weekly magazine for kids and teens.

1. ORGANIZATION AND ACTIVITIES

Saudi Research and Marketing Group (the Company) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010087772 dated Rabi Al Awal 29, 1421 H (corresponding to July 1, 2000) with a branch in Jeddah with sub commercial registration number 1010087772/001.

The share capital of the Company amounting to SR 800 million is divided into 80 million shares of SR 10 each.

The Company is engaged in trading, marketing, advertising, distribution, printing and publishing.

The Company operates mainly in the Middle East, Europe and North Africa.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for investments in associates are accounted using the equity method.

Use of estimates

The preparation of consolidated financial statements by management requires the use of estimates and assumptions that affect the consolidated financial position and the results of operations and actual results ultimately may differ from those estimates.

Basis of consolidation

These consolidated financial statements include assets, liabilities and the results of the operations of Saudi Research and Marketing Group and its subsidiaries after eliminating all inter-company balances and transactions for the purpose of consolidation. Investment in investee company is classified as "a subsidiary" based on the level of control exercised by the Company compared to other owners from the actual date of exercising control.

Following are the details of consolidated subsidiaries:
The company effectively owns the following subsidiaries which are engaged in the same activities.

Subsidiary companies	Commercial Registration number	Country of incorporation	Direct and indirect shareholding
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 (Note 24-A)	1010219709	Saudi Arabia	**70%**

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

Subsidiary companies	Principal field of activities	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 and papers advertising and promotional and selling services	Saudi Arabia
Al Khaleejiah Advertising and Public Relations Company	Media and papers advertising and promotional services	Saudi Arabia
Saudi Commercial Company Limited	Trading in cosmetics, household instruments and printing supplies	Saudi Arabia
Ofoq Information Systems and Communication Company (in liquidation)	Trading in communication equipment and developing of software	Saudi Arabia
Saudi Specialized Publishing Company and its subsidiaries (3)	Specialized Publishing	Saudi Arabia

(1) This company owns 100% of subsidiaries registered outside the Kingdom of Saudi Arabia.

(2) This company owns subsidiaries registered in Kuwait and United Arab Emirates at 100% and 90% respectively.

(3) This company owns 100% of a subsidiary registered in the United Arab Emirates. During the year, the Company acquired 51% of 3 companies registered in United Arab Emirates, Saudi Arabia, & Jordan.

During the year, the Group established Moutamarat Company for Exhibitions and Conferences with a capital of SR 1,000,000. The company's main activity is to organize conferences and exhibitions, and to provide marketing services to others. The company's fiscal year commences on 18 February 2008 (Date of Commercial Registration) and ends on 31 December 2008. The Company is jointly owned by Saudi Research and Publishing Company, Saudi Specialized Publishing Company, and Arab Media Company Ltd.

During 2008, Saudi Research and Publishing Company transferred its 5% share in Hala Printing Company, and 50% share in Teabah Printing and Publishing Company to Saudi Printing and Packaging Company.

In addition, during 2008 Saudi Printing and Packaging Company acquired 100% of Al-Aoun Factory Commercial Labels & Flexible Packaging Company Ltd.

According to the acquisition agreements signed during the year, all operating activities including revenues, expenses, assets, and liabilities are transferred to the company starting from 1 January 2008. The balances of new companies as of 1 January 2008 were as follows:

	SR
Assets	
Cash and cash equivalents	6,099,421
Receivables and prepayments	62,058,216
Inventory	34,186,949
Property, Plant, & Equipment	68,905,722
Intangible Assets	251,387
Total Assets	171,501,695
Liabilities	
Loans from banks and industrial development fund	29,297,871
Trade payables and other accrued expenses	41,797,338
End of Service indemnities	1,136,855
Total Liabilities	72,232,064
Value of net assets acquired	99,269,631
Less: Cash and cash equivalents	6,099,421
	93,170,210
Goodwill	82,304,461
Amount paid for acquisition	175,474,671

Revenues

Revenues are recognized upon issuance of invoices for services delivered to customers and is stated net of trade or quantity discounts, while subscription revenues are recognized over the period of subscriptions.

Expenses

Selling and marketing expenses principally comprise of costs incurred to sell and market the Company's products. All other expenses are classified as general and administration expenses.
General and administration expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for work in progress, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. Paper, printing materials, spare parts and other inventories are valued on a weighted average cost basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

The estimated depreciation rates of the principal classes of assets are as follows:

	%
Buildings	2 – 3
Leasehold improvements	10 – 25
Printing machinery and equipments	5 – 10
Computer and equipments	10 – 25
Furniture and fixtures	7.5 – 25
Vehicles	15 – 50

Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease using the straight-line method.

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 under owners' equity, while the granted asset is included in property, plant, and equipment.

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

Goodwill:

The goodwill represents the excess of the investment cost over the Company's share in the fair value of the net assets of the subsidiary at the date of acquisition. The carrying amount of the goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the goodwill is reduced to the estimated recoverable amount.

Distribution, advertising, and publishing rights:

Capitalized distribution and advertising rights, being treated as intangible assets, are amortized over the estimated period of benefit, which is five years. While publishing rights are amortized over the term of the contract.

Impairment of non-financial assets

The carrying amounts of tangible and intangible assets are reviewed periodically to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the consolidated statement of income immediately.

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 so that the increased carrying amount does 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 statement of income.

Investment in companies equity

Investments in companies which are at least 20% owned and in which the Company exercises significant influence are accounted for using the equity method of accounting. The Company's share in the associated companies' net income/losses for the year is included in the consolidated statement of income. Equity method of accounting is stopped if the investment balance for the investee company becomes nil due to continuing losses of such companies (unless the Group has guaranteed the obligations of such a company or is obliged to provide additional financial support).

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as currency options to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at cost on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Recognition of profit and loss resulted from this transaction depends on the nature of the hedged items.

The fair value of currency options is calculated by reference to quoted market prices. If market prices are not readily available, fair value determined by using other estimated basis, as appropriate.

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially under shareholders' equity. However, when the forecast transaction that is hedged results in the recognition of an asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The ineffective portion, if any, is recognized in the interim consolidated statement of income.

Hedges of a net investment in foreign operations resulting in translation adjustment from translating obligations to Saudi Riyals are recognized directly in equity.

Hedge accounting is discontinued when the hedging instrument is expired or sold. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized is retained in shareholders' equity until the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the interim consolidated statement of income.

Operating leases

Leases are classified as a capital lease when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Any excess of the selling price over the carrying amount is deferred and amortized on a straight line basis over the lease term.
The sale and leaseback transaction is capitalized at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Zakat and income tax

The Company and its subsidiaries are subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. Overseas 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 statement of income.

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

For consolidation purposes, the financial statements operations are translated into Saudi Riyals using the exchange rate at the balance sheet date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity, if significant.

End-of-service indemnities

End-of-service indemnities are provided in the financial statements based on the Company's internal policy and Saudi Arabia labor law and applicable laws for employees working with subsidiaries outside Saudi Arabia.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash on hand and time deposits with original maturities of three months or less.

Dividends

Profit distributions are recorded in the year in which the General Assembly approves such distributions.

3. CASH AND CASH EQUIVALENTS

	2008 SR	2007 SR
Cash and bank balances	**78,099,798**	95,271,208
Time deposits	**62,605,371**	365,279,747
	140,705,169	460,550,955

4. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2008 SR	2007 SR
Prepaid expenses	**42,331,420**	43,505,974
Advances to vendors	**11,200,621**	1,013,957
Other receivables	**30,858,387**	20,967,938
	84,390,428	65,487,869

5. INVENTORIES

	2008 SR	2007 SR
Printing papers and packaging materials	**249,815,927**	152,034,783
Goods in transit	**23,018,707**	16,171,156
Work in progress	**36,210,184**	47,991,554
Spare parts	**11,901,210**	10,326,952
Books	**33,486,586**	-
Others	**976,728**	-
	355,409,342	226,524,445
Provision for slow moving items	**(13,667,144)**	**(2,118,000)**
	341,742,198	**224,406,445**

The spare parts inventory primarily relates to plant and machineries, accordingly this inventory is expected to be utilized over a period exceeding one year.

1990
Establishhing of Al-Khaleejiah for Advertising & Public Relations Company, an advertising & public relations arm as a subsidiary company for the SRMG.

6. **PROPERTY, PLANT AND EQUIPMENT**

	Land SR	Buildings SR	Leasehold improvements SR	Printing machinery and equipments SR	Computers and equipment SR	Furniture and fixtures SR	Motor vehicles SR	Capital projects SR	Total SR
Cost									
January 1, 2008	179,117,463	388,425,733	41,557,113	396,895,117	176,899,331	92,168,308	58,433,561	27,690,882	1,361,187,508
Foreign currency adjustment, net	**-**	**(10,623,656)**	**(6,187,905)**	**-**	**(12,332,846)**	**(3,791,091)**	**(98,396)**	**-**	**(33,033,894)**
Additions	**8,361,425**	**17,595,890**	**1,047,643**	**96,802,705**	**11,324,479**	**3,740,885**	**20,393,562**	**73,780,067**	**233,046,656**
Disposals/ Transfers	**-**	**-**	**(1,549,816)**	**(7,729,260)**	**(755,163)**	**(2,368,041)**	**(4,986,486)**	**(18,264,816)**	**(35,653,582)**
December 31, 2008	**187,478,888**	**395,397,967**	**34,867,035**	**485,968,562**	**175,135,801**	**89,750,061**	**73,742,241**	**83,206,133**	**1,525,546,688**
Depreciation and impairment losses									
January 1, 2008	23,797,100	185,928,097	20,414,439	194,277,437	158,527,412	79,649,633	32,195,538	-	694,789,656
Foreign currency adjustment, net	**-**	**(2,703,472)**	**(2,169,149)**	**-**	**(11,495,020)**	**(2,695,056)**	**(74,636)**	**-**	**(19,137,333)**
Charge for the year	**-**	**7,133,821**	**2,796,894**	**15,075,477**	**7,875,297**	**2,953,144**	**9,191,051**	**-**	**45,025,684**
Recoverable value of assets' impairment	**(4,609,900)**	**(6,682,462)**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,292,362)**
Disposals	**-**	**(1,107,610)**	**(360,463)**	**(7,729,260)**	**(564,034)**	**(2,332,164)**	**(4,266,590)**	**-**	**(16,360,121)**
December 31, 2008	**19,187,200**	**182,568,374**	**20,681,721**	**201,623,654**	**154,343,655**	**77,575,557**	**37,045,363**	**-**	**693,025,524**
Net book value									
December 31, 2008	**168,291,688**	**212,829,593**	**14,185,314**	**284,344,908**	**20,792,146**	**12,174,504**	**36,696,878**	**83,206,133**	**832,521,164**
December 31, 2007	155,320,363	202,497,636	21,142,674	202,617,680	18,371,919	12,518,675	26,238,023	27,690,882	666,397,852

Property, plant and equipments includes assets sold and leased back, which have cost and net book value amounting to SR 130 million and SR 129 million respectively as of December 31, 2008 (Note 11).

1992
The publishing Al-Eqtisadiah, A daily business newspaper,
- Launching Arrajol, a monthly male lifestyle elite magazine,
- Launching Hia, a monthly female lifestyle elite magazine.

During the year, the company has evaluated its land and buildings, which resulted in an increase in the book value of these assets of SR 11.3 million. This increase is recorded in the consolidated statement of income as "Recoverable value of assets' impairment". The value of these assets was decreased previously by impairment losses realized in previous years.

During the year, the Government of Dubai has granted Saudi Research and Publishing Company (a subsidiary) a parcel of land of 29,908-square-feet in Dubai as a restricted grant. The land has been 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, plant, and equipment.

7. INVESTMENT IN COMPANIES EQUITY

On July 29, 2008 Saudi Printing and Packaging Company (a subsidiary) sold its share in United Printing and publishing company "UPP". The total value of the sale amounted to SR 117.3 Million and resulted in a net gain of SR 19.8 Million.

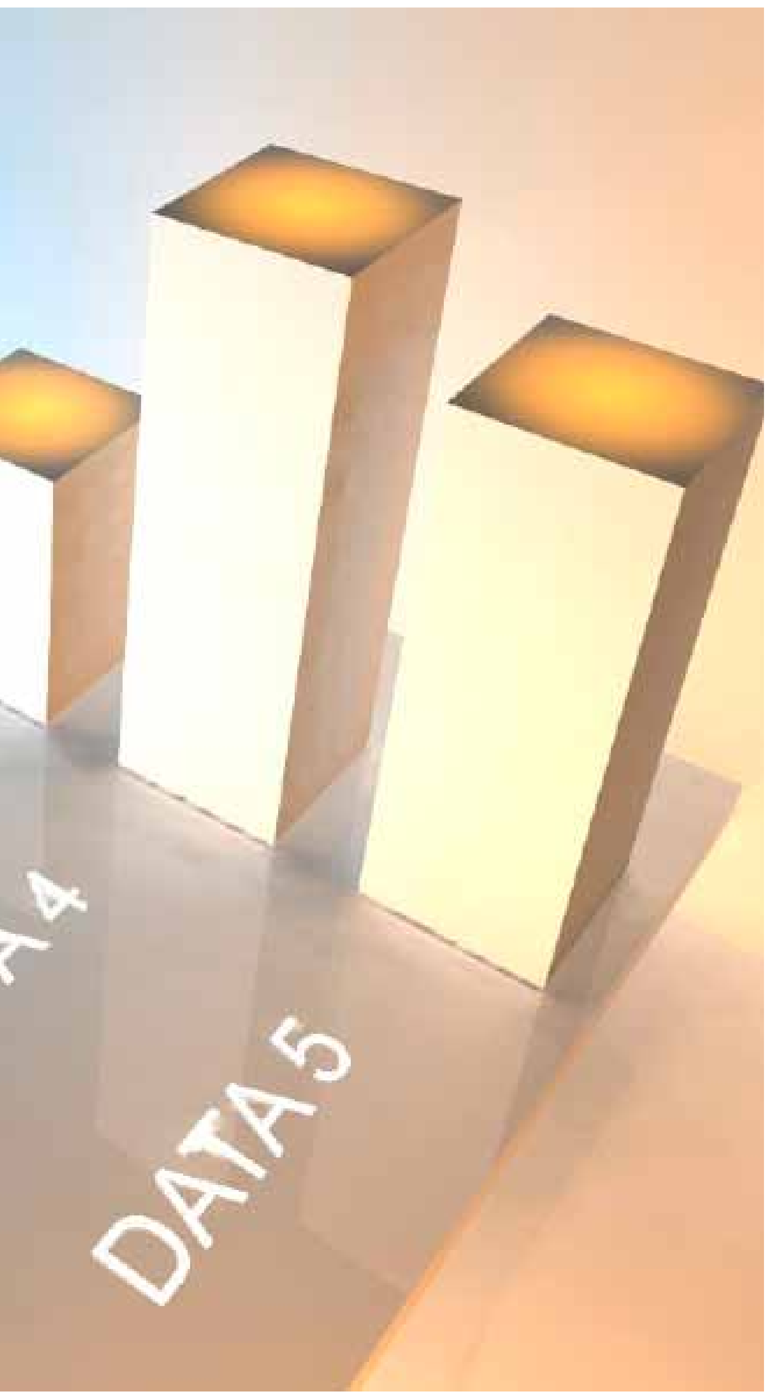
The share in net income of "UPP" is calculated based on the financial statements prepared by "UPP" management for the six months ended on June 30, 2008, which showed net income of SR 4.4 Million.

8. INTANGIBLE ASSETS

	2008 SR	2007 SR
Mastheads	**350,000,000**	350,000,000
Goodwill	**92,521,345**	10,216,884
Intangible assets "Projects"	**1,199,283**	-
Publishing rights	**939,822**	-
Distribution rights	**-**	2,380,954
	444,660,450	362,597,838

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.



During the year, Saudi Specialized Publishing Company "a subsidiary" acquired 51% of the net assets of 3 companies in Saudi Arabia, United Arab Emirates, and Jordan. In addition, Saudi Printing and Packaging Company and Hala Printing Press (group companies) acquired a company in Saudi Arabia. These acquisitions resulted in a total goodwill of SR 82 Million (Note 2).

9. MURABAHA AND BANK LOANS

Saudi Research and Marketing Group (the Company) and Saudi Printing and Packaging Company (a subsidiary) both have Treasury Departments to which most of the subsidiaries remit their receipts as and when necessary. The Treasury Departments obtain credit facilities on behalf of subsidiaries under a master bank facility with local banks. The Murabaha balance represents credit facilities outstanding and used by the Group companies.

	2008 SR	2007 SR
Murabaha (A)	**167,581,833**	70,000,001
Saudi Industrial development fund	**2,910,000**	-
Short term loans	**28,953,248**	-
Total Murabaha and loans	**199,445,081**	70,000,001
Less: Current portion	**173,475,081**	63,333,333
Non-current portion	**25,970,000**	6,666,668

(A) During the year, one of the subsidiaries obtained bank facilities in form of short and long-term Murabaha from local banks to finance import of materials and equipments related to the operations of the company, of which SR 165 Million is utilized. These facilities are covered by a promissory note and have Murabaha commission that is equal to SIBOR+1%. These Murabaha due over a period ranging from 6-24 months.

One of the subsidiaries acquired during the year has facilities from various banks in the form of short-term loans and Letters of guarantee. The ceiling for these granted facilities approximates SR 65 Million, with interest varies between (SIBOR+1%) to (SIBOR +2%). All facilities are secured by promissory notes covering the total amount of credit facility granted.

10. DEFERRED REVENUE

Deferred revenue represents subscriptions received in advance. This amount will be subsequently recognized as revenue over the period of subscriptions.

11. OBLIGATIONS UNDER CAPITAL LEASE

During 2006, one of the Group's subsidiaries sold its land and building to a local bank for SR 130 million through sale-leaseback agreement with the option-to-buy at the end of the lease period, which resulted in a deferred gain of SR 96,219,760.
Minimum lease payments under capital leases are as follows:

	2008 SR	2007 SR
2008	-	39,360,143
2009	7,120,575	7,120,575
Net minimum lease payments under capital lease	7,120,575	46,480,718
Less: Financial charges	(120,575)	(2,106,626)
Present value of net minimum lease payments	7,000,000	44,374,092
Less: Current portion	(7,000,000)	(37,374,092)
	-	7,000,000

The deferred gains on the sale and leaseback transactions represent unrecognized gains on land and building for one of the Group's subsidiaries, which is recognized on a straight line basis.

	2008 SR	2007 SR
Total deferred gains on the sale and leaseback transactions	51,255,974	111,834,520
Gains recognized during the year (Note 23)	(48,048,463)	(60,578,546)
	3,207,511	51,255,974
Less: Current portion	(3,207,511)	(48,048,463)
	-	3,207,511

1998
Establishing of Arab Media Company (AMC) as a new subsidiary of the Group.

1999
Launching Urdu Magazine, a weekly magazine in Urdu language.

12. TRADE PAYABLES AND OTHER CREDIT BALANCES

	2008 SR	2007 SR
Trade and notes payable (Note 15)	**89,245,289**	75,259,996
Accrued expenses	**126,127,387**	141,910,046
Other payables	**37,302,435**	30,918,013
Dividends payable	**1,050,991**	4,638,522
	253,726,102	252,726,577

13. ZAKAT AND INCOME TAX

	2008 SR	2007 SR
Zakat	**23,033,401**	24,411,799
Income tax	**1,756,450**	2,642,055
	24,789,851	27,053,854

The consolidated zakat liability of the Group for the year represents the zakat calculated based on the unconsolidated Financial Statements of Saudi Research and Marketing Group, in addition to the Group's share in the zakat liabilities of its subsidiaries.

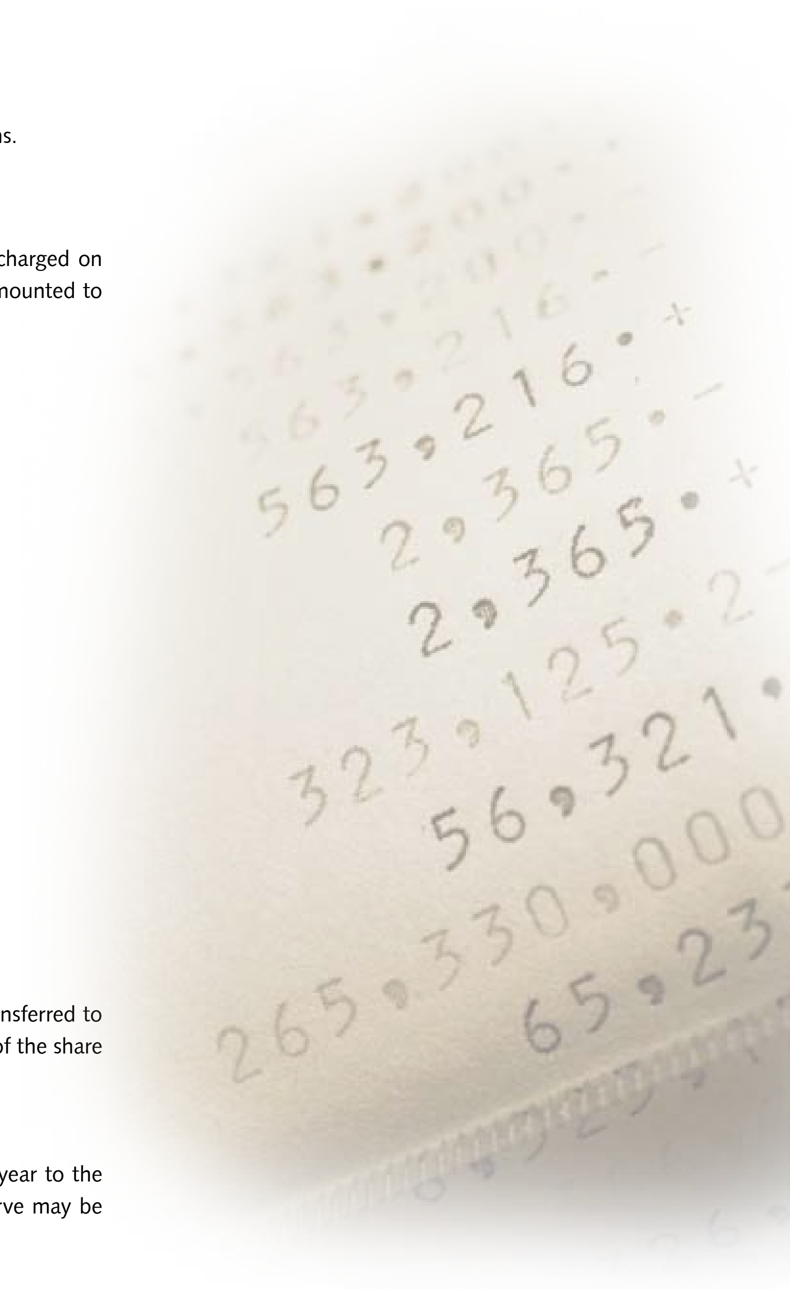
The movement in the zakat provision during the year is as follows:

	2008 SR	2007 SR
January 1	**24,411,799**	12,597,029
Provision for the year	**15,405,754**	23,877,310
Payments during the year	**(16,784,152)**	(12,062,540)
December 31	**23,033,401**	24,411,799

During 2008, the Company received the modified zakat assessment for the years 1989 till 2000 which shows decrease in the additional claims from SR 24 million to SR 1.9 Million. The company has paid the amounts due and received the final settlement for these years.

The Company and its subsidiaries have filed the zakat returns up to year 2007. Management believes that adequate provisions has been made against potential liabilities to the department of Zakat and Income Tax (DZIT) that may arise upon the final settlement, based on the final zakat assessments.

2005
SRMG achieved over one Billion Saudi Riyals in revenues.



14. CUSTOMERS' DEPOSITS

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

15. TRADE PAYABLES

These represent amounts relate to equipments and vehicles purchased on installment. No commission is charged on these amounts. The balance is payable on monthly installments that vary. The installments due in 2009 amounted to SR 9.2 Million, are included as part of trade payables and other credit balances (Note 12).

16. END-OF-SERVICE INDEMNITIES

The movement in the provision during the year is as follows:

	2008 SR	2007 SR
January 1	**79,850,169**	73,854,523
Provision for the year	**17,967,863**	14,445,877
Payments during the year	**(10,949,271)**	(8,450,231)
December 31	**86,868,761**	79,850,169

17. RESERVES

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies, 10% of net income for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The statutory reserve is not available for distribution.

Contractual reserve
In accordance with the Articles of Association, 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 OVERSEAS 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. MINORITY INTEREST

Minority interest represents the part of the net results of operations and of net assets of the subsidiaries attributable to interests, which are not owned, directly or indirectly through subsidiaries, by the parent company.

The minority share in subsidiaries is as follows:

	Emirates Printing, Publishing and Distribution Company SR	Saudi Printing and Packaging Company SR	University Bookshop Group SR	**2008 SR**	2007 SR
At the beginning of the year	4,061	210,404,621	-	**210,408,682**	53,041
Offering 30% of the Company's share to the public	-	-	-	**-**	185,209,430
Investments acquired during the year	-	-	14,197,125	**14,197,125**	-
Share in subsidiaries' net income	43,618	45,157,990	7,184,926	**52,386,534**	25,146,211
Settlements and payments during the year	-	(18,000,000)	-	**(18,000,000)**	
	47,679	237,562,611	21,382,051	**258,992,341**	210,408,682

20. RELATED PARTY TRANSACTIONS

The Group during the year has made the following transactions with related parties:

	2008 SR	2007 SR
Purchase of property and equipment (Note 15)	**17,338,302**	10,738,300
B.O.D. executive members' salaries and remunerations	**9,765,000**	9,753,000
Board of directors' expenses and allowances	**496,337**	290,720

21. SELLING AND MARKETING EXPENSES

	2008 SR	2007 SR
Salaries, wages and benefits	**24,743,806**	23,638,099
Publicity, advertising, promotions, and seminars	**12,380,277**	10,179,204
Provision for doubtful debts	**6,983,501**	1,617,816
Other	**4,668,674**	3,187,517
	48,776,258	38,622,636

22. GENERAL AND ADMINISTRATION EXPENSES

	2008 SR	2007 SR
Salaries, wages and benefits	**121,662,013**	106,294,698
Rent	**12,236,253**	9,088,579
Maintenance	**4,722,626**	6,358,835
Postal, telephone and fax	**5,022,954**	4,833,414
Insurance	**4,549,721**	3,920,504
Travel expenses	**5,160,416**	4,982,690
Electricity and water	**3,499,523**	2,878,577
Stationery	**2,131,294**	2,537,622
Computer services	**3,315,449**	3,204,861
Public relations	**2,208,868**	1,146,685
Shipping, packing and customs	**3,295,349**	1,330,804
Provision of contingencies	**5,491,984**	1,250,000
Provision for slow moving inventories	**6,200,000**	-
Other	**10,210,121**	7,597,296
	189,706,571	155,424,565

23. OTHER INCOME - NET

	2008 SR	2007 SR
Gain on a sale and leaseback transactions (Note 11)	**48,048,463**	60,578,546
Rental income	**357,289**	241,044
Gain (loss) on disposal of property, plant and equipment	**1,336,146**	(95,866)
Loss on foreign currency translation	**(868,949)**	(164,935)
Miscellaneous – net	**(12,465,764)**	(7,570,083)
	36,407,185	52,988,706

24. NON-RECURRING INCOME AND EXPENSES, NET

Non-recurring income and expenses are as follows:

	2008 SR	2007 SR
Gain on sale of the Company's share in Saudi Printing and Packaging Company (A)	-	161,281,911
Gain on sale of the Company's share in United Printing & Publishing Co. (Note 7)	**19,786,280**	-
Loss from discontinued operations (B)	**(3,196,116)**	(22,851,738)
Non-recurring expenses	**-**	(3,652,500)
Total	**16,590,164**	134,777,673

(A) Gain on sale of subsidiary shares:
On June 19, 2007, Capital Market Authority approved the sale of 18 million shares (SR 22 per share; total of SR 396 million) to public which represents 30% of Saudi Printing and Packaging Company shares (one of the Group's subsidiaries), during the period from June 30, 2007 till July 4, 2007. The realized net profit from the public offering amounted to SR 161.3 million, net of investment cost and related expenses.

(B) Loss from discontinued operations:
For the purpose of restructuring the subscription activity in the group, the management has decided to transfer the activity of selling and marketing subscriptions from one of its subsidiaries to another. This resulted in a loss from discontinued operations in the amount of SR 3.2 Millions.

25. SEGMENT INFORMATION

These are attributable 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:

Publishing comprises the local and international publishing works, researches and marketing the Group products and third party products.

Specialized Publishing comprises publishing of specialized publications for third parties, publishing licensed international titles, publishing of school and university books, translation services, and selling electronic and visual content.

Distribution comprises distribution of newspapers, magazines, publications and books locally and internationally and to the Group and others.

Advertising includes local and international advertising, production, representation and marketing of the audio visual and machine readable advertising media, and outdoor advertising locally and internationally.

Printing comprises printing works to the Group and to others.

Other comprises head office, general management, investing activities and others.

	Publishing SR	Specialized Publishing SR	Distribution SR	Advertising SR	Printing SR	Other SR	Total SR	Elimination SR	Consolidation SR
As of December 31, 2008									
Revenue	**941,921,106**	**115,887,077**	**195,681,021**	**213,798,986**	**468,251,216**	**952,169**	**1,936,491,575**	**(594,266,564)**	**1,342,225,011**
Gross profit	**157,734,535**	**43,152,727**	**44,473,322**	**129,698,692**	**140,803,664**	**952,169**	**516,815,109**	**(7,294.279)**	**509,520,830**
Net book value of property, plant and equipment	**178,986,034**	**3,285,754**	**43,422,358**	**33,243,508**	**557,269,278**	**16,314,232**	**832,521,164**	**-**	**832,521,164**
Total assets	**402,050,114**	**188,134,007**	**155,553,783**	**279,704,902**	**1,069,803,283**	**1,449,243,512**	**3,544,489,601**	**(1,285,133,120)**	**2,259,356,481**
Total liabilities	**136,868,275**	**135,445,548**	**128,957,615**	**185,594,754**	**276,828,383**	**94,585,892**	**958,280,467**	**(334,168,713)**	**624,111,754**
As of December 31, 2007									
Revenue	917,544,981	28,686,666	165,366,465	203,332,180	370,036,983	821,984	1,685,789,259	(572,491,048)	1,113,298,211
Gross profit	161,815,662	8,687,371	43,901,930	119,048,022	134,076,080	821,984	468,351,049	(8,102,356)	460,248,693
Net book value of property, plant and equipment	179,574,549	509,934	33,508,263	26,160,631	411,892,104	14,752,371	666,397,852	-	666,397,852
Total assets	423,268,084	40,631,057	153,342,446	281,457,236	864,435,982	1,615,832,229	3,378,967,034	(1,191,638,393)	2,187,328,641
Total liabilities	143,295,926	22,962,618	124,357,447	178,988,084	160,376,036	210,748,815	840,728,926	(264,914,543)	575,814,383

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

26. CONTINGENT LIABILITIES

Certain of the Group's subsidiaries 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.

The Group's bankers have issued on its behalf, bank guarantees with a maximum of SR 31.8 million (2007: SR 35.8 million) and letters of credit amounting to SR 35.1 Million (2007: SR 52.8 Million) in the normal course of business.

The Company has engaged in a foreign currency hedge with a local bank amounting to GBP 12 million effective January 1, 2009 to cover the risk of foreign currency cash flow from its operational activities outside the Kingdom of Saudi Arabia.

27. EARNINGS PER SHARE

Earnings per share from main operations is calculated by dividing the income from main operations for the year by the weighted average number of shares outstanding for the year ended December 31, 2008 of 80 million shares.

Earnings per share before minority interest is calculated by dividing the income before minority interest for the year by the weighted average number of shares outstanding for the year ended December 31, 2008 of 80 million shares.

Earnings per share from net income is calculated by dividing the net income for the year by the weighted average number of shares outstanding for the year ended December 31, 2008 of 80 million shares.

28. DIVIDENDS PAID

The General Assembly, in its annual meeting held on 18 Rabi Al Awal 1429 H (corresponding to March 26, 2008) approved the distribution of dividends amounted to SR 240 million (SR 3 per share) from the balance of retained earnings as at December 31, 2007.

29. OPERATING LEASES

Commitment for minimum lease payments under non cancelable operating leases and lease contracts of advertising sign boards location are:

	2008 SR	2007 SR
Less than one year	**25,845,388**	25,732,926
Between one and five years	**57,661,740**	92,048,626
More than five years	**3,512,666**	5,746,133
	87,019,794	123,527,685

During the current year, SR 24,860,048 (2007: SR 15,987,102) was recognized as an expense in the consolidated statement of income in respect of operating leases.

30. RISK MANAGEMENT

Interest rate risk

The Group has no significant interest bearing long term assets, but has interest bearing liabilities at December 31, 2008. The Group manages its interest rate risk by keeping floating rate long term loans at an acceptable level.

Credit risk

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

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available.

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 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. The currency giving rise to this risk is primarily Pounds Sterling.

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.

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).

At any point in time the Group hedges all of its estimated foreign currency exposure in respect of forecasted expenses over the following months. The Group uses currency options to hedge its foreign currency risk. Most of the currency options contracts have expiration dates of less than one year.

The Group classifies its currency options as cash flow hedges and states them at fair value. The fair value of currency option at the balance sheet date was nil as the contract expired before year-end.

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.

31. 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 derivatives.

The Group's financial assets consist of cash and cash equivalents and receivables. Its financial liabilities consist of bank overdrafts, term loans, payables, accrued expenses and obligations under capital lease. Its derivatives consist of currency options and commission rate swaps.

The fair values of financial instruments are not materially different from their carrying values.

32. APPROVAL OF FINANCIAL STATEMENTS AND APPROPRIATION OF NET INCOME

The Board of Directors, in its meeting held on 20 Safar 1430 H (corresponding to February, 15, 2009), approved the consolidated financial statements. The Board also proposed in its meeting dated 1 Muharram 1430 H (corresponding to December 29, 2008) distribution of dividends of SR 160 million (SR 2 per share).

The above are subject to the approval of the shareholders at the Annual General Meeting.

33. COMPARATIVE FIGURES

Certain figures for 2007 have been reclassified to conform to the presentation in the current year.