



المجموعة السعودية للأبحاث والتسويق  
SAUDI RESEARCH & MARKETING GROUP

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# 2015

Annual Report



## SRMG History

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



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# Saudi Research and Marketing Group

# Chairman's Message to Shareholders



Dear Shareholders,

Saudi Research & Marketing Group

Greetings,

Whereas, I assumed the presidency of the Board of Directors at the end of last year, I am pleased to show my appreciation and thanks to the esteemed members of the Board of Directors for their support and trust, and it is a pleasure to introduce to your esteemed assembly, the annual report of the Saudi Research and Marketing Group for 2015, which reviews the performance of the company and the most important financial indicators.

Saudi Research & Marketing Group occupies a leading position in the field of media at the regional and global levels and we will make sure that it continues its pioneering according to the strategy of strengthening existing capacities, and through ongoing development at all levels and sectors of investment, in spite of emergent challenges in the field of media and the circumstances in the market. However, the Group is a media entity that is able to overcome the challenges, with its experience and capabilities that make us confident of the ability of the group to reach the desired goals

In conclusion, I am pleased to extend my thanks and appreciation - on behalf of the esteemed board of directors - to the esteemed shareholders of the Group for their support and confidence during the year, and I thank all employees of the Group for their efforts and affiliation and look forward to more achievement and excellence during the year 2016.

With Best Regards,

Prince Bader bin Abdullah bin Mohammed bin Farhan Al Saud  
Chairman of the Board

# SRMG Members of the Board

Prince Bader bin Abdullah bin Mohammed bin Farhan Al Saud  
Chairman of the Board



Prince  
Badr bin Abdullah bin  
Mohammed bin Farhan  
Al Saud  
Chairman of the Board



His Excellency  
Dr. Azzam bin  
Mohammed Al Dakhil  
The Managing Director  
Board Member



His Excellency  
Mr. Ahmed bin Aqeel  
Al Khatib  
Board Member



Mr. Mohyedin bin  
Saleh Kamel  
Board Member

Board member of  
Dallah Health  
Board member of  
Jabal Omar  
Board member of  
Al Khozama Management  
Company



Mr. Abdulrahman bin  
Hamad Al-Rashed  
Board Member



Dr. Abdul Aziz bin  
Hamad Al Fahad  
Board Member



Mr. Adel bin Marzouq  
Al Nasser

Board Member

Chairman of  
Saudi Printing & Packaging  
Co.

Board member of  
Al-Ittefaq Steel

Board member of  
Absal Steel



Dr. Turki bin Omar Saleh  
Buqshan

Board Member

Board member of  
Saudi Printing & Packaging  
Co.



Mr. Majed Abdulrahman  
Al Leisa

Board Member

Board member of  
Saudi Printing & Packaging  
Co.

Board member of  
AL YUSR leasing & Financing

Board member of  
Bee'ah Co.

Board member of  
Ashmore Bank



Dr. Abdallah bin Hussein  
Al Amoudi

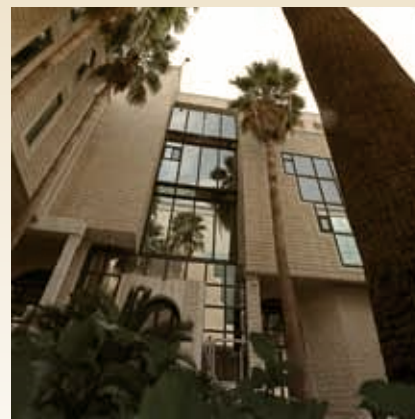
Board Member



Mr. Saleh Abdulaziz  
Almarzouq

Board Member





# 2015

Annual Report

## **Board of Directors Report**

for the year ended as of 31 December 2015

# Board of Directors Report

## Dear Shareholders of Saudi Research& Marketing Group

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

Chairman and members of the Saudi Research& Marketing Group's Board of Directors are pleased to provide the shareholders of the group with the annual report that highlights the significant accomplishments of the group and its financial situation for the year ended as of 31/12/2015. This report was prepared in accordance with the requirements of the corporate governance regulation issued by Capital Market Authority, Saudi Companies regulations and Group Statute. We wish this report reflects the expectations of the shareholders toward further progress.

### First: Vision and Mission

#### Vision:

To maximize the role and status of the group to be one of the major media entities ranked as the best to reach to the reader both locally and globally.

#### Mission:

To provide the best media, educational services and products, with a classy content and a trustworthy high quality based on innovation within an attractive business environment which relies upon trusted trade names and trademarks

### Second: Strategic Objectives and Future Expectations

During 2015, the group continued to enhance its role and position locally and regionally in order to achieve its strategic objectives which we highlight as follows:

#### • Continuation of Key Sectors:

During 2015, the group persisted in maintaining its key sectors represented in publishing and printing which work together within an integrated system to provide a sophisticated and outstanding services and enrich the publications of the group with knowledge and culture locally and globally using the latest methods, means and competencies and following the business development strategy through searching for the best ways in order to achieve the growth and sustainable development with the group's keenness to acquire the largest share of publishing and printing industry market in order to create a knowledge sources detached from the non-studied independent opinions, experiments with lack of experience, talent and specialized visions.

#### • Enhance the Strategic Relations and Partnerships

The group works on achieving the desired successes through several owned tools, especially what achieve the strategic growth. Numu holding company, one of the investment arms of the group, has continued to strengthen the partnership with the strategic partners locally and globally.

On the level of the educational projects, Numu Holding Co. has managed to conclude execution contracts of some educational projects in King Saud University, Dammam University, King Salman University in Al-Kharj, Al-Qassim University, Jazan University, Al-Farabi College, some medical centers and cities in Saudi Arabia such as King Abdulaziz Medical City affiliated to National Guards and Military Hospital in Riyadh and Al-Kharj.

#### • Growth&Future Vision

During 2015, the group was keen to continue the strategic growth through the diversification of its income sources and targeting new investment markets related to the sectors of education, packaging and paperless printing in order to consolidate the principle of risks scoping distribution of revenues generated from a single source, as the group diversifies the investment opportunities in the areas of education, content and new media. As a part of our quest to achieve our strategic objectives, the group continues the development of newspapers and magazines digital content, educational digital content and working to provide the best services.

As an emphasis on the group's keenness to the strategic growth with a future vision for local and global markets, the group continued, during 2015, to achieve tangible gains in its investments in the packaging sector. It is expected to continue its growth in coming years by seeking to increase the market share in this area both locally and regionally. The group also expects that this growth would contribute to open new investment horizons to reach the desired objectives, fulfill the aspirations of the shareholders and maximize their revenues.



### Third: Entire Performance of the Group

In its hard quest to develop and maintain its leading role in the publishing & media field, the group has worked on reviewing all its activities including the companies and the administrative departments inside and outside Saudi Arabia. In addition, the group sought to update and review the internal control systems in order to enhance the supervisory role, reduce the risks and maintain the assets of the group subsidiaries and exploit them perfectly.

With regard to the education sector, this sector has continued its relations with the publishing companies in Higher education, the digital and paper periodicals, provide comprehensive practical solutions in the digital educational areas, as well as developing the sales of school and university books and digital libraries, the group also worked on the development of libraries' furnishing field and scientific laboratories' outfitting in universities.

As for the printing and publishing sector which is represented by the Saudi Printing & Packaging Co., a subsidiary of the group, there is a decline in the gross profit due to the decline of sales value as a result of fire accident in two subsidiaries by the end of 2014 and beginning of 2015. In addition to instability of foreign markets of some countries with which the company deals and also the lower prices resulting from decline in the raw materials prices which are directly associated with fall in the international oil prices.

The decline in the financial results of the group is also due to existence of exceptional expenses and costs around 84 million which are summarized in the provisions of troubled receivables, slow moving stock and losses of re-evaluation of fixed assets in some subsidiaries. This is in addition to provisions which have been recorded against the expected costs to restore a building belongs to a subsidiary of the group in the United Kingdom, i.e., Media Investment CO. Ltd, which previously announced that the group has entered into negotiations to restore it.

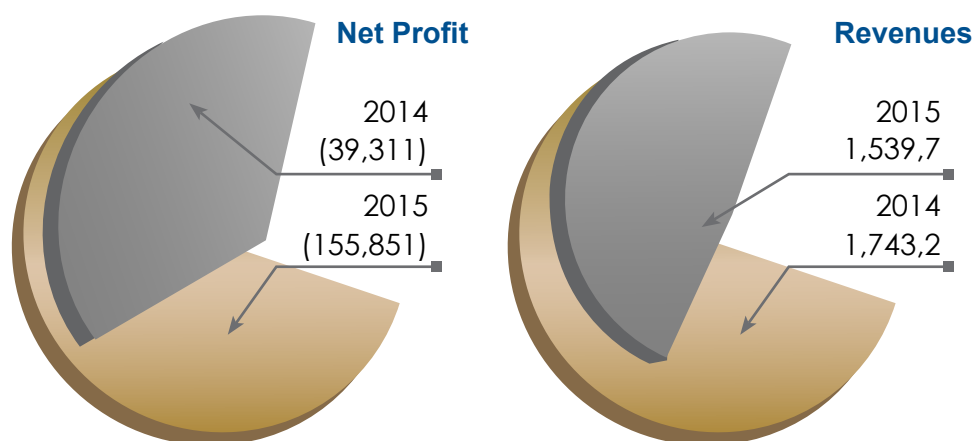
# Board of Directors Report

## Fourth: Financial Results and Reasons for Changes

The following table shows income statement, values of the changes and their proportions for 2015 compared to 2014:

### Income Statement (Thousands of Saudi Riyals)

Statement	2015	2014	Change	Change %
Revenues	1,539,773	1,743,268	(203,495)	-11.6%
Cost of Revenues	(1,198,840)	(1,349,825)	(150,985)	-11.2%
<b>Gross Profit</b>	<b>340,933</b>	<b>393,442</b>	<b>(52,509)</b>	<b>-13.3%</b>
Marketing and Selling Expenses	(98,900)	(116,321)	(17,421)	-15%
General and Administrative Expenses	(244,584)	(265,010)	(20,426)	-7.7%
Losses of Decline in the Value of Properties, Machines and Equipment.	(12,850)	(1,001)	11,849	1183%
Losses of Decline in the Value of Goodwill	(44,000)	-	(44,000)	-
<b>(Loss) Income from Main Operations</b>	<b>(59,401)</b>	<b>11,109</b>	<b>(70,510)</b>	<b>-634.7%</b>
Other Income (net)	43,626	53,908	(10,282)	-19.1%
Building Sale Process Cancellation Expenses	(70,654)	-	(70,654)	-
Financial Expenses (net)	(48,955)	(54,984)	6,029	-11%
<b>(loss) Income before the Exceptional Losses, Zakat, Income Tax and Minority Interests</b>	<b>(135,384)</b>	<b>10,034</b>	<b>(145,418)</b>	<b>-1449.3%</b>
Exceptional losses (Fire)	(3,121)	(22,621)	19,500	86.2%
<b>Loss before Zakat, income tax and minority interests</b>	<b>(138,505)</b>	<b>(12,586)</b>	<b>(125,919)</b>	<b>1000.5%</b>
Zakat and Income Tax	(11,040)	(13,403)	2,363	-17.6%
<b>Income before Minority Interests</b>	<b>(149,545)</b>	<b>(25,989)</b>	<b>(123,556)</b>	<b>-475.4%</b>
Minority Interest in Net Profits and Losses of Subsidiaries	(6,306)	(13,322)	7,016	-52.7%
<b>Net Income for the Year</b>	<b>(155,851)</b>	<b>(39,311)</b>	<b>(116,540)</b>	<b>-296.5%</b>



- 1 - At the level of revenues, the group suffered from a decline at rate of (11.6) % for the year ended as of 31/12/2015, achieving gross revenues amounted to (1.540) million Saudi Riyal compared to an amount of (1.743) million Saudi Riyal for the same period of year 2014.
- 2 - The group also made an operating loss (income from main operations) amounted to (59.4) million Saudi Riyals for the year ended in 31/12/2015 compared to an operating profit amounted to (11.1) million Saudi Riyals for 2014, at a decrease in percentage of (634.7)% as a result of provisions that have been hedged out to meet the losses expected from troubled receivables, in addition to the provision of a slow moving stock in the education sector due to the re-evaluation of the inventory policy in the group in order to enhance the financial position of the company and confront any potential risks in future, the re-evaluation of the goodwill of certain subsidiaries of the group has led to the decline in the goodwill value which affected the operating losses.
- 3- The group made a gross profit for the year ended in 31/12/2015, as it reached (340.9) million Saudi Riyals compared to (393.4) million Saudi Riyals for the year 2014, in a decrease of (13.3%) as a result of the high cost of revenues.
- 4 - The minority interests for 2015 include an amount of 6.3 million Saudi Riyals representing the share of the minority interests in the net profits of Saudi Printing & Packaging Company which amounted to 30%.
- 5 - The company made net losses for 2015 amounted to 155.9 million Saudi Riyals compared to net losses amounted to 39.3 million Saudi Riyals in year 2014, at decline percentage of 296.5% and this is resulted in a decline in the share earnings by 297.9% which reached (1.95) Saudi Riyal per share in minus.

## 1963

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

# Board of Directors Report

The following table shows the income statement for the past five years, noting that it has re-classified certain comparative figures in order to conform with the current year:

## Income Statement (Thousands of Saudi Riyals)

Description	2015	2014	2013	2012 (Amended)	2011
Revenues	1,539,773	1,743,268	1,726,057	1,382,397	1,080,396
Direct Costs	(1,198,840)	(1,349,825)	(1,305,924)	(1,000,141)	(730,444)
<b>Gross Profit</b>	<b>340,933</b>	<b>393,442</b>	<b>420.133</b>	<b>382,256</b>	<b>349,952</b>
Marketing and selling expenses	(98,900)	(116,321)	(82,843)	(63,407)	(45,747)
General and administrative expenses	(204,448)	(228,028)	(232,434)	(192,937)	(165,360)
Professional and consulting fees	(19,583)	(12,133)	(15,874)	(9,794)	(9,874)
Depreciation	(20,553)	(24,849)	(25,684)	(27,306)	(25,701)
Losses of decline in the value of properties, machines and equipment.	(12,850)	(1,001)	-	-	-
Losses of decline in the value of goodwill	(44,000)	-	-	-	-
<b>(Loss) Income from Main Operations</b>	<b>(59,401)</b>	<b>11,109</b>	<b>63.298</b>	<b>88,812</b>	<b>103.270</b>
Investment sale profits in associate company	-	-	-	-	13,478
Other Income (net)	43,626	53,908	(12,316)	92,220	13,081
Building sale process cancellation expenses	(70,654)	-	-	-	-
Financial burdens(net)	(48,955)	(54,984)	(50,686)	(24,859)	(10,008)
non-recurrent revenues and expenses	(3,121)	(22,621)	-	-	-
<b>Income before Zakat, income tax and minority interests</b>	<b>(138,505)</b>	<b>(12,586)</b>	<b>296</b>	<b>156,173</b>	<b>119,821</b>
Zakat& income tax	(11,040)	(13,403)	(14,399)	(13,562)	(8,790)
<b>Income before minority interests</b>	<b>(149,545)</b>	<b>(25,989)</b>	<b>(14,126)</b>	<b>142,611</b>	<b>111,031</b>
Minority Interests	(6,306)	(13,322)	(16,086)	(38,021)	(10,718)
<b>Net income for the year</b>	<b>(155,851)</b>	<b>(39,311)</b>	<b>(30,212)</b>	<b>104,590</b>	<b>100,313</b>

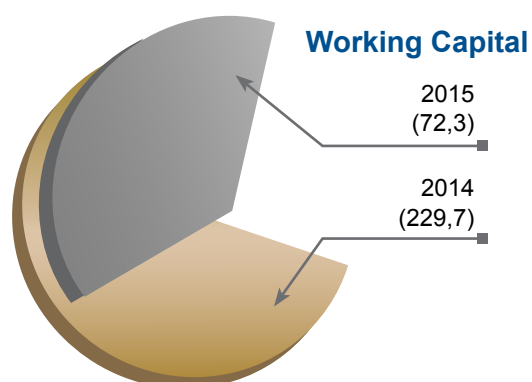
7 - The following table shows statement of financial position of the group for past five years:

## Statement of Financial Position

(Thousands of Saudi Riyals)

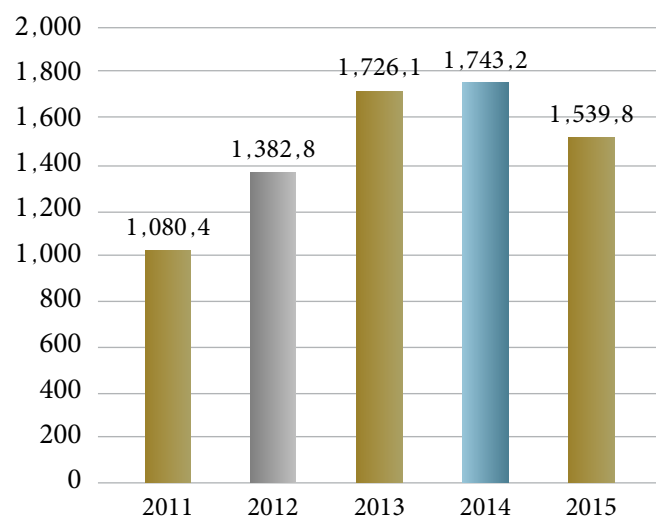
Description	2015	2014	2013	2012 (Amended)	2011
Current Assets	1,135,185	1,131,467	1,210,509	1,337,302	892,904
Non-current assets	1,924,542	2,061,121	2,107,947	2,083,803	1,328,175
<b>Total Assets</b>	<b>3,059,727</b>	<b>3,192,588</b>	<b>3,318,455</b>	<b>3,421,105</b>	<b>2,221,079</b>
Current liabilities	1,062,877	901,755	1,057,628	954,529	588,184
Non-current liabilities	751,141	895,037	820,129	906,559	122,485
<b>Total liabilities</b>	<b>1,814,018</b>	<b>1,796,792</b>	<b>1,877,756</b>	<b>1,861,088</b>	<b>710,669</b>
Shareholders' interests	966,513	1,122,968	1,170,113	1,287,893	1,284,199
Minority interest	279,196	272,825	270,586	272,124	226,211
<b>Total liabilities and Equity</b>	<b>3,059,727</b>	<b>3,192,585</b>	<b>3,318,455</b>	<b>3,421,105</b>	<b>2,221,079</b>

- 1- Working capital value as of 31/12/2015 amounted to 72.3 million Saudi riyals, compared to 229.7 million Saudi riyals for 2014. As the working capital represents the increase in the current assets of the current liabilities, this is considered a strong indicator to the efficiency of the group in saving a surplus of liquidity that would enable the company to meet its obligations.



- 2- The trading ratio (current assets/ current liabilities) as in 31/12/2015, 1.06 (Time), where the ratio of trading still reflects the financial position of the group and its ability to meet short-term needs.

## Revenues



# Board of Directors Report

## Fifth: Group's Sectors Activity

The group is characterized by practicing of its activities in several geographic areas, which means the increase in its ability to expand and invade a variety of markets, as the group has centers for publishing, printing and distribution in seven key countries. The group works through a number of subsidiaries. At the same time, the main activities of the group spread across Saudi Arabia which is considered as a solid and supportive for the economic growth.

As the group is characterized by the activities integration among its subsidiaries, the group is active mainly in three main sectors, which are as follows:

### A • Publishing Sector

- **Publishing:**

Publishing sector is considered one of the basic mediums on which it depends, this is through the Saudi Research and Publishing Company which comprises 15 varied publications among daily, weekly, monthly and quarterly. More than 20 different supplements are generated through these publications, the company's publications are generated in five language: Arabic, English, Urdu, Malayalam and TaJalo.

In addition, the company supports its existence in the publishing sector through various means of social communication, as well as interactive applications for smart devices and websites.

- **Advertising**

Al-Khaleejiah Advertising & Public Relations Co. Ltd. is considered one of the major advertising companies in Arab Gulf region. The company has the exclusive advertising franchise for the publications and websites of the Saudi Research and Publishing Company. The company carries out a constant and effective follow-up of the market needs through providing the continuous support for media researches. The company continues its expansion in the advertising activity through establishing close relations with the Arabian markets, expanding its media and advertising sales and its creative design services and public relations. The company also seeks to increase its share in the Gulf and Arab markets, taking into consideration the advertising industry in the region, the diversity of its advertising income sources. Al-Khaleejiah is proud of working with more than (3,000) advertising partner (advertising agencies/ clients) around the world. The company provides them consulting and marketing services beside the advertising spaces. It is expected that there will be major development the next few years.

- **Distribution**

Saudi Distribution Co., founded in 1983, is one of the subsidiaries of the Saudi Research and Marketing Company that represents the linking point between the publications and the client. It owns a fleet of more than 520 cars equipped with qualified human cadres exceed than (700 employees). It has a high cumulative experience in the area of distribution and supervision on the branches of the company across Saudi Arabia. The company also has warehouses customized for the receipt and delivery of publications, the returns and books maintaining distributed between these branches in order to serve its activities. The group's publications distribution is the main activity of the company in addition to other publications for various

publishers (daily newspapers, weekly and monthly publications beside the Arabian and foreign quarterly publications). The company is specialized in the delivery of subscriptions and distribution to the sales outlets of the group publications and the other publishers in all cities and regions of Saudi Arabia in order to communicate with tens of thousands of subscribers and outlets daily. Beside the main activity, the company takes over the distribution of the promotional materials, logistic services management and shipping among the branches for different customers. It is also responsible for the distribution of brochures, packages and catalogs for major companies in all residential neighborhoods scattered in the targeted locations. It also participates in the international book exhibition and all the specialized exhibitions compatible with the company's activities.

The company practices the distribution activity in a number of the regional markets through its subsidiaries or its authorized distributors. It seeks always to exert efforts to expand the company's activities especially in the transportation of packages and postal consignments and developing this field in order to achieve better revenues accruing the permanent profits to the company.

- **Arab Media Company**

The Arab Media Company, founded in 2007, is one of the leading companies in providing the marketing programs and plans that help in subscriptions growth in the publications market. The company has achieved a constant annual growth rate of the publications of Saudi Research and Publishing Company through the sale of the subscriptions of the Saudi Research and Publishing Company's publications for individuals, companies, establishments, commercial sectors, banks and hospitals. It also leads the annual campaigns and subscriptions as well as implementing them in order to increase the share of Saudi Research and Publishing Company in the local market and leads subscriptions campaigns of local publications of local press institutions. All of this achieved through what the company owns including tools and channels related to sales and services (call center, telephone, email, fax, SMS messages and specialized representatives) in addition to securing the needs of local, Arab and foreign publications to all the government and private sectors and provide after-sale services through a highly experienced team in providing the best services to the customers.

### B • NUMU Sector

- **Numu Educational Co.**

During 2015, Numu Educational Co. achieved an increased growth in the provision of the educational services, publishing and distribution of books, paper and digital educational journals, establishing the specialized libraries, languages and computers laboratories, supply of the educational supplies for schools, institutes and universities, training and consulting services in cooperation with the international partners in order to achieve the needs of our customers locally and regionally.

As a result of the growth acceleration in the education sectors in Saudi Arabia, the company's activity has been developed to include the provision of an integrated system of services to schools and universities, which led to a significant growth in the sales of school and higher education books, English language learning books, as

well as the services of selling the scientific journals and databases for universities and research services in order to provide comprehensive scientific solutions in the field of digital education and digital libraries.

In terms of enhancing the company's relations with its partners, Numu Educational Co. continued to closer its relations with the major publishing companies in the higher and general education such as Accustoms, which is considered one of the major specialized companies in the scientific researches, scientific journals and magazines and electronic content, with which an exclusive representation agreement was concluded. Enhance new partnerships with Pearson Education Co., which deals in the postgraduate studies and Elsevier Co., including the marketing of Mosby's e-learning Program which is the largest library of electronic curriculums in continuing education in nursing and health sciences, the exclusive representation of Sam Learning, a leading company in the e-learning for all school subjects and all stages that follow the British curriculum and American curriculum.

On the level of the projects, the company has implemented some educational projects in King Saud University, Dammam University, King Salman University in Al-Kharj, Al-Qassim University, Jazan University, Al-Farabi College, some medical centers and cities in Saudi Arabia such as King Abdulaziz Medical City affiliated to National Guards and Military Hospital in Riyadh and Al-Kharj.

Numu Educational Co. is considered one of the leading companies in the field of furnishing and processing the scientific and educational laboratories, the company has a pioneer experience in the field of developing the technical plans and engineering schemes for the stages of furnishing the scientific laboratories from the construction phase to the operating phase, securing the technical cadres in all specialties, among its projects, the implementation and processing of the scientific laboratories in Dammam university, northern borders university and King Abdulaziz university in Jeddah.

#### • Saudi Specialized Publishing Company

Saudi Specialized Publishing Company, which was founded in 2006, established on a new professional culture entirely in the specialized content industry, this industry depends on the employment of outstanding journalistic work experiences in the production of the specialized media projects according to the international standards that provide reference, credibility and trust in its content and accuracy. The company is active in the areas of specialized content industry, global publishing and commercial publishing.

Set of the global magazines was generated by the company in its Arabic or English edition which distributed in all the Arab countries, including the magazine Parents Arabia in November 2009, the magazine Robb Report Arabiawhich the first edition issued in January 2010, the magazine Better Homes and Gardens Arabiawhich the first edition issued in February 2013. This is in addition to another group of the global publications had begun to be released since 2007 in cooperation with the major international publishers such as Disney, French Figaro Group and Italian Editoriale Domous and others.

Saudi Specialized Publishing Company provides the specialized content of wide range of the public and private entities in Kingdom of Saudi Arabia including the Diplomatic Studies Institute affiliated to Ministry of Foreign Affairs, Saudi Arabian Airlines, Saudi Post, Public Pension Agency, King Faisal Specialist Hospital and Research Center, Kingdom Center, Etihad Etisalat Mobily, Tawuniya Insurance Co. and other authorities and major companies in both the public and private sectors.

#### C. Printing & Packaging Sector

Saudi Printing & Packaging Company was established in 1963, the company was named as Medina Printing & Publishing Co., during the year 2007, its name has been changed to Saudi printing & Packaging Company, 30% of its shares was brought out to the public offering during this year, knowing that the Saudi Research & Marketing Group and its subsidiaries hold 70% of Saudi printing & Packaging Company's shares. The company features sophisticated newspapers printing centers in Riyadh, Jeddah and Dammam. The company prints a number of major newspapers such as Asharq Al-Awsat, Al-Eqtisadiyah, Al-Riyadiyah, Arab News, Al-Sharq, Al-Watan and others, in addition to serial commercial publications. The activity of the Saudi Printing & Packaging Company divided into two sections:

First: Printing Sector, Saudi Printing & Packaging Company is considered one of the largest printing companies in Kingdom of Saudi Arabia, Middle East and North Africa; due to its excellence in providing a wide range of integrated printing services, its production capacity and through its outstanding subsidiaries namely Medina Printing & Publishing Co. and Hala Printing Co., the printing activity depends mainly in the printing of newspapers and magazines targeted to various sectors in Arab world, in addition to the hardcover books, commercial publications and packaging in different languages and styles.

The company also, through its subsidiaries, prints a large number of magazines related to the Saudi Research & Marketing Co., Saudi Specialized Publishing Company and many other publishers, in addition to the public sector such as Ministry of Education, Ministry of Islamic Affairs and Ministry of Interior.

Second: Packaging Sector: This sector represents in Emirates National Factory for Plastic Industries and its subsidiaries (Tiba Packaging Co., Flexible Packaging Co., Medina Packaging Co. "City Pack", Future Pack Factory L.L.C., Abr Al Mustakbal Plastic Co., Etihad Global Packaging Co. Ltd., United Security Co., COMMERCIAL UNITED PACKAGING CO. (LLC) "CUPCO" and Future Plast Industries LLC) Emirates National Factory for Plastic Industries LLC one of the major plastics industry groups and integrated packaging materials in Arab gulf region, as it characterizes with its high production capacity and acquisition of the latest techniques in plastic industry and packaging materials backed by the prestigious experience extended over 20 years.

The company also has the distinction of being the manufacturer of full range of plastic products and packaging materials placing it at the forefront of its competitors in the field of plastic and multi-packaging materials industry.

Saudi Printing & Packaging Company is based on the accumulated experiences of its employees, with best and latest machines and the highest degrees of quality control which boosted its position with a strong customers base. Emphasizing on the company's commitment in line with the international, the company has been keen to maintain ISO certification (ISO 9001: 2000).

# Board of Directors Report

## Sixth: Segmental Information

The following table shows the sectorial information of the group as per each sector:

### Segmental Information (Thousands of Saudi Riyals)

As of December 31, 2015

Statement	Publishing sector			NUMU Sector		Printing sector	Others	Total	Exceptions <sup>1</sup>	Unification
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging				
Net Revenues	494,919	43,641	323,192	54,574	24,902	1,107,755	39	2,049,022	(509,249)	1,539,773
Gross profit	78,827	2,250	25,984	(2,850)	8,495	232,839	39	345,584	(4,651)	340,933
Net loss	(83,758)	(15,043)	2,091	(72,569 )	2,029	21,650	(2,787)	(148,387)	(7,464)	(155,851)
Net book value of property	54,943	12,545	15,509	1,333	171	1,020,889	17,550	1,122,940	-	1,122,940
Intangible assets	1,855	-	-	50,808	-	390,231	350,003	792,897	-	792,897
Total assets	508,167	68,217	112,417	153,815	14,546	2,186,294	1,446,278	4,489,734	(1,430,007)	3,059,727
Total liabilities	288,809	126,439	85,253	152,237	25,277	1,252,700	330,405	2,261,120	(447,102)	1,814,018

As of December 31, 2014

Statement	Publishing sector			NUMU Sector		Printing sector	Others	Total	Exceptions <sup>1</sup>	Unification
	Publishing	Distribution	Advertising	Education	Specialized Publishing	Printing & packaging				
Net Revenues	566,966	47,538	369,365	71,302	24,686	1,232,328	207	2,312,422	(569,154)	1,743,268
Gross profit	95,556	2,094	40,775	10,367	6,956	244,446	207	400,401	(6,959)	393,442
Net loss	1,537	(19,719)	8,734	(37,965)	(6184)	45,379	(15,608)	(23,827)	(15,485)	(39,311)
Net book value of property	126,949	15,045	16,184	1,454	217	1,032,033	17,599	1,209,481	-	1,209,481
Intangible assets	3,541	-	-	94,786	-	390,230	350,012	838,569	-	838,569
Total assets	416,820	79,021	152,756	243,878	13,972	2,282,456	1,414,708	4,603,611	(1,411,023)	3,192,588
Total liabilities	108,745	120,089	124,489	169,141	26,733	1,370,721	273,734	2,193,652	(396,860)	1,796,792

The operating assets concentrated mainly in Kingdom of Saudi Arabia, the key markets of the group's activities are: Middle East, Europe and North Africa. The following table shows the revenue of the group and its subsidiaries inside and outside Saudi Arabia of Saudi Arabia.

Description	Thousands of Saudi Riyals	Ratio
Revenues inside KSA	674,642	43.8%
Revenues outside KSA		
The United Arab Emirates	493,054	32.0%
Ethiopia	68,545	4.5%
Amman	48,809	3.2%
Sudan	27,944	1.8%
Europe	21,109	1.4%
Tunisia	19,442	1.3%
South Africa	19,133	1.2%
Senegal	16,315	1.1%
Qatar	16,254	1.1%
Yemen	13,575	0.9%
Angola	12,513	0.8%
Ghana	11,652	0.8%
Iraq	11,413	0.7%
Jordan	7,052	0.5%
Other	78,323	5.1%
<b>Total</b>	<b>865,132</b>	<b>56.2%</b>
<b>Total revenues subsidiaries inside and outside Saudi Arabia of Saudi Arabia.</b>	<b>1,539,773</b>	<b>100%</b>

# Board of Directors Report

## Seventh: Subsidiaries

The group holds the following ratios in below mentioned subsidiaries which work in the same field, whether directly or indirectly.

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% ownership	Country of incorporation
Intellectual Holding Company for Advertisement and Publicity – L.L.C	Investment in subsidiaries	KSA	SR300	100%	KSA
Scientific Works Holding Company – L.L.C.	Investment in subsidiaries	KSA	SR300	100%	KSA

## Publishing Sector

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% of ownership	Country of incorporation
Saudi Research and Publishing Company	Publishing	KSA	SR6,5	100%	KSA
Al-Sharq Al-Awsat Limited	Publishing and printing	United Kingdom	GBP0.09	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	KSA	SR5,5	100%	KSA
Arab Media Company Limited	Media, papers, advertising and promotional services	KSA	SR1,0	100%	KSA
Saudi Distribution Company	Distribution	KSA	SR8,6	100%	KSA
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	KSA	SR1,0	100%	KSA

## NUMU sector

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

## Printing and Packaging Sector:

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

Subsidiaries	Company's Main Activity	Country of Main Activity	Capital/ Million	% ownership	Country of incorporation
Saudi Printing and Packaging Company	Printing	KSA	SR 600	70%	KSA
Al Madinah Al Munawarah Printing and Packaging Company	Printing and Publishing	KSA	SR 1.0	70%	KSA
Hala Printing Company	Printing	KSA	SR 28.5	70%	KSA
Emirates National Factory for Plastic Industries	Packaging and plastic industries	United Arab Emirates	AED 167	70%	United Arab Emirates
Future Company for Industrial Investment	Printing and packaging	KSA	SR 0.1	70%	KSA

## Other Companies:

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

## Eighth: Zakat and Statutory Payments

The company and its subsidiaries are subjected to the regulations of Zakat & Income Authority in Kingdom of Saudi Arabia, as the group shall pay Zakat after finalizing the settlement of all outstanding and respond to the enquiries received from Zakat & Income Authority.

As for the subsidiaries abroad, a provision shall be set aside against the tax liabilities, if any, as well as the group pays all other regular obligations under the applicable regulations in Kingdom of Saudi Arabia. The following table shows the payments of the regular amounts during 2015.

Description	Paid during 2015 (000 SAR)
Zakat	8,341
Tax	910
Withholding Tax	123
General Organization of Social Insurance (GOSI)	12,759
Other statutory payments	10,449
<b>Total</b>	<b>32,582</b>

# 1972

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

# Board of Directors Report

## Ninth: Shares and debt instruments at the Group and its Subsidiaries

The group and its subsidiaries own 70% of the Saudi Printing& packaging Company's shares which has a capital of 600 million Saudi Riyals, where the number of the shares owned by the group and its subsidiaries are 42 million shares in the Saudi Printing& Packaging Company.

The group and its subsidiaries own 100% of Numu Holding Company's shares (Closed joint stock company) which has a capital of 100 million Saudi Riyals, where the number of the shares owned by the group and its subsidiaries are 10 million shares in the Numu Holding Company and there is no any debt instruments issued by the group and its subsidiaries.

## Tenth: Human Resources

The group is aware that its success, currently and in future, depends mainly on the skills of its human wealth, in which the group does not save any efforts in the development of its productive and creative capabilities in order to invest them optimally.

Through the development of these vital capabilities, the group enhances its assets in a manner providing the resources and energies necessary to meet the increasing challenges in markets that has an increasing competition. In order to achieve the maximum benefit from the talented group, the group motivates their employees through many of the programs that include career development, continuous education, development of the management culture and the culture of work and other aspects that enhance the performance, help on attracting the talented employees and keep them in the work and motivate them to make more efforts.

## Eleventh: contingency fund for employees

In 2007, the group established an contingency fund for employees who face some contingency circumstances and problems through its keenness to strengthen the relationships with its employees and increasing their belongingness to the group. The fund has contributed in helping solve some circumstances and problems reflects positively on the performance of employees and their distinction in work. The fund regulations identify the necessary conditions and standards to provide the assistance, thus, the movement of the fund during 2015 were as follows:

Contingency fund for employees	Saudi Riyals
Balance at the beginning of the year	607,115
Added during the year	9,167
Disbursed during the year	114,805
Balance at the end of the year	501,477

# 1975

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

## arab news

# 1978

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

## الشرق الأوسط

ASHARQ AL-AWSAT  
جريدة الشرق الأوسط

## Twelfth: Social Responsibility

In the course of the group's endeavors to support the humanitarian and charitable efforts in Saudi society and out of its keenness to fulfill its obligations towards the country and the society, the group has taken its leading, positive and effective role toward the support of these efforts in a way achieving the benefit to large segments of society. In this regard in particular, the contributions of the group continued during 2015 in supporting several charities including:

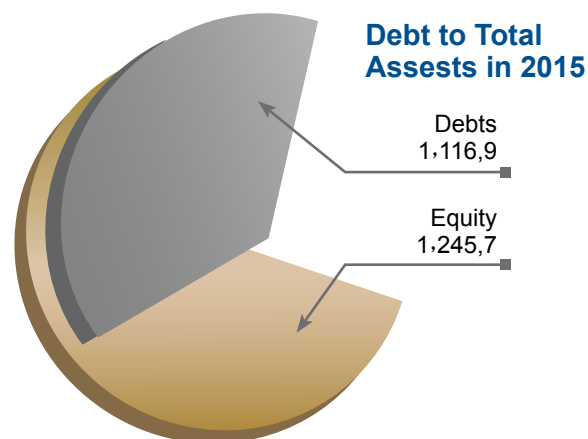
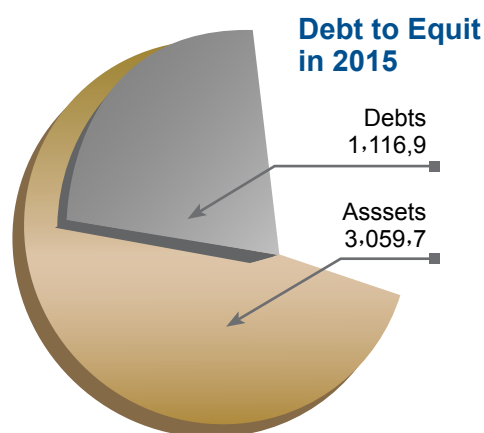
* Prince Ahmed bin Salman Applied Media Academy	* Charity Committee for Orphans Care (Insan)
* Saudi Schizophrenia Charity Association	* Prince Sultan bin Abdul Aziz Charitable Foundation
* Saudi Wildlife Authority (Al Wedaihi magazine)	* Mohammed bin Salman bin Abdulaziz
* Saudi Center for Organ Transplantation	charitable Foundation (MISK)
* Disabled Children's Association	* King Salman Center for Disability Research
* Prince Fahd bin Salman Charitable Society	* Prince Salman Science Oasis
for the Care of Kidney Patients	* The Voice of Down Syndrome Society
* Saudi Alzheimer organization	* The Centennial Fund
* Sanad Charity for Supporting Children with Cancer	* Children with Cancer

In addition, there are many of the participations and media care for many economic and social forums, several conferences and seminars that have concerns to all spectrums of society. What's worth noting, in this regard, is that the group has supported the establishment of Prince Ahmed bin Salman Applied Media Institute in order to meet the updated training needs in the media institutions. The institute is considered as a bridge where professionals from all the media specialties are receiving the highest level of training which focuses on the quality and quantity through training programs offered by the institute in collaboration with international facilities in the fields of training and programs design.

## Thirteenth: Information Related to Loans

The group and its subsidiaries within Saudi Arabia of Saudi Arabia were keen that all their transactions in accordance with the Islamic Shari'a and that the loans obtained by them are in accordance with the Islamic transactions regulation. As the group is benefiting from these loans to finance its investments and meet the needs its subsidiaries, so as to ensure the cash flows that enable the group to fulfill its obligations and to achieve a positive cash position.

It should be noted that the group is still has a strong financial position in the light of its holding of assets and multiple sources of income, as the loans amounted to the equity a percentage of 89.6% for 2015 compared to 88.811.0% for 2014, as well as the loans to the total assets in percentage of 36.5% for 2015 compared to 35.0% for 2014.



# Board of Directors Report

The following tables show a detailed description of the loans used during 2015

(1) Group loans (with exception of the Saudi printing and Packaging Company)

Thousands of Saudi Riyals

Statement	Loan Date	2015	2014	Loan Paid	Loan Term	Bank
Loan (1)	18-Jun-14	-	25,000	25,000	336 Day	Saudi Hollandi
Loan (2)	20-Jul-14	-	11,500	11,500	324 Day	Saudi Hollandi
Loan (3)	25-Sep-14	-	48,000	48,000	161 Day	Saudi Fransi (BSF)
Loan (4)	21-Oct-14	-	22,000	22,000	169 Day	Saudi Fransi (BSF)
Loan (5)	17-Nov-14	-	20,000	20,000	331 Day	Samba
Loan (6)	29-Dec-14	-	12,500	12,500	233 Day	Samba
Loan (7)	4-Mar-15	8,500	-	-	350 Day	Samba
Loan (8)	19-Nov-15	24,000	-	-	55 Day	Saudi Fransi (BSF)
Loan (9)	9-Dec-15	32,500	-	-	57 Day	Saudi Fransi (BSF)
Loan (10)	21-Dec-15	25,000	-	-	62 Day	Saudi Fransi (BSF)
Loan (11)	28-Dec-15	22,500	-	-	44 Day	Saudi Fransi (BSF)
<b>Total</b>		<b>112,500</b>	<b>139,000</b>	<b>139,000</b>		

## 1990

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

الخليجية  
AL-KHALEEJIAH  
لإعلان والعلاقات العامة  
Advertising & Public Relations Co. Ltd.

## Loans of Saudi Printing& Packaging Co. (with exception of Saudi Research and Marketing Group)

### Samba Financial Group

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/12/30	-	3,000	3,000	22 days
Loan (2)	2014/12/30	-	15,000	15,000	22 days
Loan (3)	2014/12/30	-	2,000	2,000	22 days
Loan (4)	2014/09/11	-	10,000	10,000	6 months
Loan (5)	2015/11/30	4,000	-	-	3 months
Loan (6)	2015/10/07	5,750	-	-	3 months
Loan (7)	2015/12/21	7,000	-	-	3 months
Loan (8)	2015/12/21	9,500	-	-	3 months
Loan (9)	2015/12/21	10,000	-	-	3 months
Loan (10)	2015/12/21	10,500	-	-	3 months
Loan (11)	2015/12/23	3,500	-	-	32 days
<b>Total</b>		50,250	30,000	30,000	

### Saudi Fransi Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2015/11/29	40,000	-	-	2 months
Loan (2)	2015/11/19	3,000	-	-	3 months
<b>Total</b>		43,000	-	-	

# Board of Directors Report

## Riyad Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/12/08	-	7,500	7,500	3 months
Loan (2)	2014/12/09	-	8,000	8,000	3 months
Loan (3)	2014/09/11	-	7,500	7,500	6 months
Loan (4)	2014/09/16	-	13,000	13,000	6 months
Loan (5)	2014/12/21	-	3,000	3,000	3 months
Loan (6)	2014/10/19	-	17,000	17,000	6 months
Loan (7)	2014/10/19	-	2,000	2,000	6 months
Loan (8)	2014/11/06	-	16,000	16,000	6 months
Loan (9)	2014/11/16	-	28,000	28,000	6 months
Loan (10)	2015/12/01	12,500	-	-	3 months
Loan (11)	2015/11/29	28,000	-	-	3 months
Loan (12)	2015/10/29	42,000	-	-	3 months
Loan (13)	2015/12/27	11,500	-	-	15 days
<b>Total</b>		<b>94,000</b>	<b>102,000</b>	<b>102,000</b>	

## Arab National Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2015/11/19	2,760	-	-	6 months
Loan (2)	2015/11/29	6,038	-	-	6 months
<b>Total</b>		<b>8,797</b>	<b>-</b>	<b>-</b>	



## SABB bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/10/19	-	2,948	2,948	3 months
Loan (2)	2014/10/27	-	1,735	1,735	3 months
Loan (3)	2014/11/02	-	717	717	3 months
Loan (4)	2014/11/04	-	1,784	1,784	3 months
Loan (5)	2014/11/19	-	10,000	10,000	3 months
Loan (6)	2014/11/25	-	429	429	3 months
Loan (7)	2014/11/17	-	1,472	1,472	4 months
Loan (8)	2014/12/21	-	8,000	8,000	3 months
Loan (9)	2014/05/20	1734	1,982	248	5 years
Loan (10)	2014/07/13	2134	2,134	-	5 years
Loan (11)	2014/11/17	1494	1,494	-	5 years
Loan (12)	2015/11/23	4600	-	-	3 months
Loan (13)	2015/11/29	1700	-	-	3 months
Loan (14)	2015/12/13	856	-	-	30 days
Loan (15)	2015/11/17	500	-	-	3 months
Loan (16)	2015/12/20	550	-	-	30 days
Loan (17)	2015/12/28	369	-	-	3 months
Loan (18)	2015/12/28	1419	-	-	3 months
Loan (19)	2015/12/28	1366	-	-	3 months
Loan (20)	2015/12/28	1269	-	-	3 months
Loan (21)	2015/11/23	80	-	-	2 months
Loan (22)	2015/05/17	2,492	-	-	5 years
Loan (23)	2015/07/14	2,508	-	-	5 years
Loan (24)	2015/08/04	2,475	-	-	5 years
Loan (25)	2015/10/28	997	-	-	5 years
<b>Total</b>		<b>26,543</b>	<b>32,695</b>	<b>27,333</b>	

# Board of Directors Report

## Alinma Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2012/12/23	254,700	283,000	28,300	7.5 years
<b>Total</b>		254,700	283,000	28,300	

## Abu Dhabi Commercial Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2012/10/21	1,263	3,005	1,742	3.75 year
Loan (2)	2014/09/30	-	2,833	2,833	4 months
<b>Total</b>		1,263	5,838	4,575	

## Abu Dhabi Islamic Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/10/02	394,155	444,276	50,121	6 years
Loan (2)	2015/07/27	64,873	-	-	5.25 years
Loan (3)	2014/09/15	-	5,217	5,217	4 Month
Loan (4)	2014/10/15	-	11,807	11,807	6 month
Loan (5)	2014/11/15	-	552	552	2 months
Loan (6)	2014/11/15	-	552	552	3 months
Loan (7)	2014/11/15	-	3,222	3,222	4 months
Loan (8)	2014/12/15	-	522	522	2 months
Loan (9)	2014/12/15	-	522	522	3 months
Loan (10)	2014/12/15	-	4,643	4,643	4 months
Loan (11)	2014/12/15	-	5,760	5,760	5 months
Loan (12)	2015/09/15	2,595	-	-	5 months
Loan (13)	2015/10/15	9,370	-	-	5 months
Loan (14)	2015/11/15	11,291	-	-	5 months
Loan (15)	2015/12/15	6,941	-	-	5 months
<b>Total</b>		489,225	477,073	82,918	

## Arab Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/09/15	-	5,041	5,041	3 months
Loan (2)	2014/09/15	-	3,387	3,387	3 months
Loan (3)	2014/10/15	-	1,827	1,827	3 months
Loan (4)	2014/11/15	-	1,530	1,530	3 months
Loan (5)	2014/11/15	-	2,906	2,906	3 months
Loan (6)	2014/12/15	-	1,177	1,177	3 months
<b>Total</b>		-	15,868	15,868	

## Emirates Islamic Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/12/18	2,227	2,971	744	4 years
Loan (2)	2015/07/14	1,975	-	-	4 years
<b>Total</b>		4,202	2,971	744	

## Standard Chartered Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/12/15	-	12,617	12,617	3 months
Loan (2)	2014/10/15	-	9,342	9,342	3 months
<b>Total</b>		-	21,959	21,959	

## Mashreq Bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/07/15	-	1,784	1,784	6 months
Loan (2)	2014/08/15	-	3,205	3,205	6 months
Loan (3)	2014/09/15	-	434	434	6 months
Loan (4)	2014/11/15	-	1,816	1,816	7 months
Loan (5)	2014/12/15	-	684	684	5 months
Loan (6)	2014/12/15	-	701	701	6 months
Loan (7)	2015/07/23	1,199	-	-	6 months
<b>Total</b>		1,199	8,624	8,624	

# Board of Directors Report

SABB bank

Statement	Loan Date	2015	2014	Loan Paid	Loan Term
Loan (1)	2014/06/09	-	254	254	8 months
Loan (2)	2014/08/15	-	3,043	3,043	5 months
Loan (3)	2014/09/15	-	1,887	1,887	6 months
Loan (4)	2014/08/15	-	184	184	10 months
Loan (5)	2015/10/15	-	2,080	2,080	6 months
Loan (6)	2014/11/15	-	157	157	10 months
Loan (7)	2014/12/15	-	133	133	6 months
Loan (8)	2014/04/30	277	510	233	3.17 years
Loan (9)	2014/03/30	798	1,597	799	3.17 years
Loan (10)	2014/09/30	1,081	1,950	869	3.19 years
Loan (11)	2015/05/26	3,768	-	-	4 years
Loan (12)	2015/08/18	449	-	-	4 years
Loan (13)	2015/09/21	630	-	-	4 years
Loan (14)	2015/05/15	842	-	-	8 months
Loan (15)	2015/06/15	1,135	-	-	8 months
Loan (16)	2015/07/15	572	-	-	8 months
Loan (17)	2015/08/15	3,299	-	-	6 months
Loan (18)	2015/09/15	4,849	-	-	6 months
Loan (19)	2015/10/15	3,150	-	-	6 months
Loan (20)	2015/11/15	4,384	-	-	6 months
Loan (21)	2015/12/15	5,978	-	-	6 months
<b>Total</b>		<b>31,212</b>	<b>11,795</b>	<b>9,639</b>	

<b>Loans Total</b>		<b>1,004,392</b>	<b>991,823</b>	<b>331,960</b>	
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Loans Receivables (with the exception of the Saudi Printing and Packaging Company)  
(Thousands of Saudi Riyals)

Statement	2015	2014
Less than 1 year	112,500	139,000
From 1 to 2 years	-	-
From 2 to 5 years	-	-
More than 5 years	-	-
<b>Total</b>	<b>112,500</b>	<b>139,000</b>

Information Related to Murabahat & Loans (Saudi Printing and Packaging Company):  
Murabahat movement and company's loans used for the operational and investment activities are summarized as follows:  
(Thousands of Saudi Riyals)

Statement	2015	2014
Opening balance	991,823	974,488
Add		
Received during the year	344,529	705,404
Less		
Paid during the year	(331,960)	(688,070)
<b>Closing balance</b>	<b>1,004,392</b>	<b>991,823</b>

Total of Murabahat & Loans are summarized as follows  
(Thousands of Saudi Riyals)

Statement	2015	2014
Short-term loans	264,359	248,904
Murabahat	-	-
Long-term loans / investment financing	740,033	742,919
<b>Total</b>	<b>1,004,392</b>	<b>991,823</b>

Loans Dues (Saudi Printing and Packaging Company):  
(Thousands of Saudi Riyals)

Statement	2015	2014
less than one year	390,765	325,076
One to two years	139,337	115,060
From two to five years	474,290	441,814
More than five years	-	109,873
<b>Total</b>	<b>1,004,392</b>	<b>991,823</b>

# 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).

# Board of Directors Report

## Fourteenth: Board of Directors

Current Board of Directors  
 The following table shows the formation of the current board of directors as at 31/12/2015:

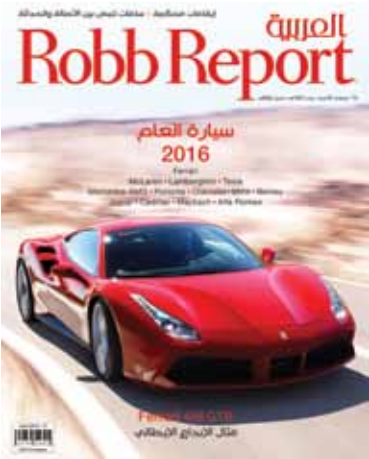
Directors	Statement	Executive Director	Non-Executive Director	Independent
Prince / Badr bin Abdullah bin Mohammed Al Saud SaudBahamdan	Chairman of the Board			✓
HE/ Dr. Azzam bin Mohammed Al Dakhil	Director	✓		
HE/ Mr.Ahmed bin Aqeel Al Khatib	Director			✓
Mr.Abdulrahman bin Hamad Al-Rashed	Director			✓
Mr.Mohiddin bin SalehKamel	Director			✓
Dr. Abdul Aziz bin Hamad Al Fahad	Director			✓
Dr.Abdallah bin Hussein Al Amoudi	Director			✓
Mr .Majed Abdulrahman ALeisa	Director			✓
Mr.Adel Ben Marzouq Al Nasser	Director			✓
Dr. Turki bin Omar Saleh Buqshan	Director			✓
Mr.Saleh Abdulaziz Almarzouq	Director			✓
Total		1		10

The changes that took place in the board of directors during 2015:

Directors	Classification
Mr. Mohammed bin Omar Al Esaei	Independent
Mr. Talal bin Ibrahim Almainan	Independent
Mr. Mohammed bin Ibrahim ALeisa	Independent

Directors whose membership was expired with the beginning of the current board's session 01/05/2015

Directors	Date of Resignation	Resignation validity date	Classification
Mr. Abdullah Salem Bahamdan	26/05/2015	27/05/2015	Independent
Mr. / Abdul Aziz bin Abdullah Al Duaileg	13/11/2015	14/11/2015	Non-executive
Mr. / Khalid Mohammed Al Hugail	13/11/2015	14/11/2015	Independent
Mr. Badr bin Mohammed Al Esaei	14/11/2015	14/11/2015	Independent
Mr. Abdullah bin Ahmed Al Mousa	14/11/2015	14/11/2015	Independent
Suleiman bin Ibrahim Al Hudaithi	12/12/2015	13/12/2015	Non-executive
Mr. Ibrahim bin Fahd Al Moeigel- Representative of Human Resources Development Fund.	13/12/2015	13/12/2015	Independent
Mr. Suleiman bin Jibreen Al Jibreen – representative of Public Pension Agency	13/12/2015	13/12/2015	Independent
Eng. Abdulrahman bin Ibrahim Al Ruwaitea	13/12/2015	13/12/2015	Independent



# Board of Directors Report

Directors submitted their resignation during 2015  
Meetings of the Board of Directors  
The board of directors convened six meetings during the fiscal year 2015 as follows:

Date	Attendance record
24/2/2015	HE Mr. Abdullah Bahmdan, Eng. Abdulrahman bin Ibrahim Al Ruwaitea, Eng. Suleiman Ibrahim Al Hudaithi, Dr. Abdullah Al Amoudi, Mr.Mohiddin bin SalehKamel, Mr. Mohammed Al Eisa, Mr. Suleiman bin Jibreen Al Jibreen, Mr. Talal Almainan, Mr. Abdulaziz Al Duaileg
4/5/2015	HE Mr. Abdullah Bahmdan, Eng. Abdulrahman bin Ibrahim Al Ruwaitea, Eng. Suleiman Ibrahim Al Hudaithi, Dr. Abdullah Al Amoudi, Mr.Mohiddin bin SalehKamel, Mr. Suleiman bin Jibreen Al Jibreen, Mr. Ibrahim bin Fahd Al Moeigel, Mr. Abdulaziz Al Duaileg, Mr. / Khalid Mohammed Al Hugail, Mr. Majed Abdulrahman ALeisa, Mr. Saleh Abdulaziz Al-Marzouq, Badr Mohammed Aleisa.
26/5/2015	HE Mr. Abdullah Bahmdan, Eng. Abdulrahman bin Ibrahim Al Ruwaitea, Eng. Suleiman Ibrahim Al Hudaithi, Dr. Abdullah Al Amoudi, Mr.Mohiddin bin SalehKamel, Mr. Suleiman bin Jibreen Al Jibreen, Mr. Abdulaziz Al Duaileg, Mr. Majed Abdulrahman ALeisa, Mr. Saleh Abdulaziz Al-Marzouq, Badr Mohammed Aleisa
14/09/2015	Eng. Suleiman Ibrahim Al Hudaithi, Abdulrahman bin Ibrahim Al Ruwaitea, Dr. Abdullah Al Amoudi, Mr.Mohiddin bin SalehKamel, Mr. Suleiman bin Jibreen Al Jibreen , Mr. Abdulaziz Al Duaileg, Mr. Ibrahim bin Fahd Al Moeigel, Mr. Majed Abdulrahman ALeisa, Mr. / Khalid Mohammed Al Hugail, Mr. Saleh Abdulaziz Al-Marzouq, Badr Mohammed Aleisa.
14/12/2015	Prince / Badr bin Abdullah bin Mohammed Al Saud, HE/ Dr. Azzam bin Mohammed Al Dakhil, HE/ Mr.Ahmed bin Aqeel Al Khatib , Mr.Mohiddin bin SalehKamel, Dr. Abdul Aziz bin Hamad Al Fahad, Mr.Abdulrahman bin Hamad Al-Rashed, Dr. Turki bin Omar Saleh Buqshan, Mr.Adel bin Marzouq Al Nasser, Dr. Abdullah Al Amoudi, Mr. Majed Abdulrahman ALeisa, Mr.Saleh Abdulaziz Almarzouq.
24/12/2015	Prince / Badr bin Abdullah bin Mohammed Al Saud, HE/ Dr. Azzam bin Mohammed Al Dakhil, Mr.Mohiddin bin SalehKamel, Mr.Abdulrahman bin Hamad Al-Rashed, Dr. Turki bin Omar Saleh Buqshan, Mr.Adel bin Marzouq Al Nasser, Dr. Abdullah Al Amoudi , Mr. Majed Abdulrahman ALeisa, Mr.Saleh Abdulaziz Almarzouq.

Salaries and compensation of the members of the board of directors and senior executives.

The following table shows the salaries and allowances of the board of directors in addition to the senior executives in the company during 2015:

The allowances and expenses of each member of the board of directors who attended the board meetings or its committees were released in total amount of 337.4 thousand Saudi Riyals for year 2015.

(Million Saudi Riyals)

Statement	Executive members (2)	Non-executive members (Independent) (22)	Executives received salaries& allowances the CFO (1)
Salaries and compensation	3.8	-	0.3
Allowances	1.4	-	0.1
Annual& Periodical Bonuses	-	-	-
Motivational plans	-	-	-
Any compensations or otherkind benefits paid monthly or yearly	-	-	-



മലയാളം ന്യൂസ്



1994

- Launching Urdu News, 1st Urdu daily newspaper in KSA and GCC.
- Launching Malayalam News, 1st Malayalam daily newspaper in KSA and GCC.
- Publishing Al-Jamila, a weekly female beauty & health magazine.

2006

- SRMG went public.
- Saudi Specialized Publishing Company was established.
- Acquiring Hala Printing Press (HPP).

# Board of Directors Report

## Interests of members of the board of directors and senior executives

The following table shows the benefits of members of the board of directors, senior executives, their spouses and their minor children or their representatives:

Name	Remarks	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	Number of shares end year	Ownership percentage at the end of the year
Benefits of members of the board of directors and senior executives as at 31/12/2015							
Prince / Badr bin Abdullah bin Mohammed Al Saud Saud	-	-	-	-	-	-	-
HE/ Dr. Azzam bin Mohammed Al Dakhil- Representative of Human Resources Development Fund.	Fund shares	922,000	%1,15	-	-	%1,15	%1,15
	His Shares	1,053,374	%1.32	1,257,904	%1.57	1,000	-
HE/ Mr.Ahmed bin Aqeel Al Khatib - representative of Public Pension Agency	Agency Shares	3,515,804	%4.39	-	-	3,515.804	%4.39
	His Shares	1,000	-	-	-	1,000	-
Mr.Abdulrahman bin Hamad Al-Rashed	-	1,000	-	-	-	1,000	-
Mr.Mohiddin bin SalehKamel	-	1,015	-	-	-	1,015	-
Dr. Abdul Aziz bin Hamad Al Fahad	-	-	-	-	-	1,000	-
Dr.Abdallah bin Hussein Al Amoudi	-	2,015	-	-	-	2,015	-
Mr .Majed Abdulrahman ALeisa	-	-	-	-	-	1,200	-
Mr.Adel bin Marzouq Al Nasser	-	-	-	-	-	1,000	-
Dr. Turki bin Omar Saleh Buqshan	-	-	-	-	-	1,000	-
Mr.Saleh Abdulaziz Almarzouq	-	-	-	-	-	1,000	-
Benefits of members of the board of directors and senior executives during 2015							
Mr. Mohammed bin Omar Al Esaei	-	1,331,751	%1.66	1,330,751	%1.66	1,000	-
Mr. Talal bin Ibrahim Almainan	-	1,000	-	-	550	550	-
Mr. Mohammed bin Ibrahim ALeisa	-	1200	-	1200	-	-	-
Eng. Suleiman bin Ibrahim Al Hudaithi	-	1,000	-	-	-	1,000	-
Mr. Abdullah Salem Bahamdan	-	325,000	%0.41	-	-	325,000	%0.41
Eng. Abdulrahman bin Ibrahim Al Ruwaitea	-	175,000	%0.22	-	-	175,000	%0.22
Mr. Suleiman bin Jibreen Al Jibreen – representative of Public Pension Agency	Agency Shares	3,515,804	%4.39	-	-	3,515.804	%4.39
Mr. / Abdul Aziz bin Abdullah Al Duaileg	-	1,000	-	-	-	1,000	-
Mr. Ibrahim bin Fahd Al Moeigel-Representative of Human Resources Development Fund.	Fund shares	922,000	%1,15	-	-	%1,15	%1,15
Mr. / Khalid Mohammed Al Hugail	-	-	-	1,000	-	1,000	-
Mr. Badr bin Mohammed Al Esaei	-	-	-	3,000	-	3,000	-
Mr. Abdullah bin Ahmed Al Mousa	-	-	-	1,000	-	-	-

## The membership of members of the board of directors in other joint stock companies

The membership of members in the board of directors in joint stock companies as at 31/12/2015G

Serial	Name of a director	included	Not included
1	Mr.Mohiddin bin SalehKamel	- Board member of Dallah Health - Board member of Jabal Omar	- Board member of Al Khozama Management Company
2	Dr. Turki bin Omar Saleh Buqshan	- Board member of Saudi Printing& Packaging Co.	-
3	Mr. Majed Abdulrahman ALeisa	- Board member of Saudi Printing& Packaging Co.	- Board member of AL YUSR leasing& Financing - Board member of Bee'ah Co. - Board member of Ashmore Bank
4	Mr. Adel bin Marzouq Al Nasser	- Chairman of Saudi Printing& Packaging Co.	- Board member of Al-Ittefaq Steel - Absal Steel Board member of
The membership of members of the board of directors in joint stock companies during 2015			
1	Mr. Talal bin Ibrahim Almainan	- Board member of National Industrialization Company - Board member of Kingdom Holding Co.	-
2	Mr. Abdullah Salem Bahamdan	-	- Board member of Aluminium Products Company (ALUPCO) - Board member of Al Farabi Petrochemical Co.
3	Mr. / Abdul Aziz bin Abdullah Al Duaileg	- Board member of Advance Co. - Board member of Anabeeb Co. - Board member of Saudi Printing& Packaging Co.	- Board member of RAFAL Real Estate Development Company
4	Mr. Ibrahim bin Fahd Al Moeigel- Representative of Human Resources Development Fund.	-	- Board member of Colleges of Excellence Co. - Board member of Saudi Skills Standards Co. - Board member of Tamkeen technologies Co. - Board member of Takamul technologies Co.
5	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	- Board member of Aseer Co. - Board member of Emaar the Economic City - Board member of Halwani Brothers Co.	- Board member of Al Khozama Management Company - Board member of Jadwa Investment Co. - Board member of Amlak International Co. - Board member of Al Essa Industries Company
6	Eng. Suleiman bin Ibrahim Al Hudaithi	- Board member of Asser Co.	- Board member of Madaen Star Group - Chairman of Saudi Specialized Laboratories Co - Board member of Saudi Venture Capital Investment Company - Board member of Venture Capital Bank (Bahrain)
7	Mr. / Khalid Mohammed Al Hugail	- Board member of Saudi Printing& Packaging Co.	-
8	Mr. Badr bin Mohammed Al Esaei	- Board member of Advance Co. - Board member of Saudi Industrial Export Company	- Board member of Deutsche Gulf Finance

# Board of Directors Report

## The membership of members of the board of directors in other joint stock

\*according to the last update submitted to Saudi Capital Market Authority until the end of 2015

## Deals and Contracts with Stakeholders

The year 2015 did not include any deals or contracts between the group and a stakeholder or in which there is a benefit for any members of the board of directors or the CEO or CFO or any person has a relation with any of them.

## Committees of the Board of Directors

The board of directors has three sub-committees

### Executive Committee:

The current executive committee consists of four board members. Within the scope of executive liabilities assigned to it by the board, the executive committee is responsible for supervising the implementation of the comprehensive strategy of the group and developing the budgets of the group. As well as it is responsible for overseeing the operational and financial performance of the group and reporting to the board of directors regarding the financial and strategic matters and related thereof. Further, the executive committee had not convened any meeting during the fiscal year 2015. The following table shows the names of the executive

### Committee's Members:

Beginning of year 2015:

Serial	Member Name	Statement
1	Mr. Abdullah Salem Bahamdan	Chairman of the CommitteeV
2	Eng. Suleiman bin Ibrahim Al Hudaithi	Committee member
3	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	Committee member
4	HE / Mr.Ahmed bin Aqeel Al Khatib	Committee member

The executive committee was reformed with the beginning of the current session of the Board on 04/05/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Mr. Abdullah Salem Bahamdan	Chairman of the Committee
2	Eng. Suleiman bin Ibrahim Al Hudaithi	Committee member
3	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	Committee member

The executive committee was reformed as in 17/11/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Eng. Suleiman bin Ibrahim Al Hudaithi	Chairman of the Committee
2	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	Committee member
3	Mr.Abdulrahman bin Hamad Al-Rashed	Committee member

The executive committee was reformed dated 14/12/2015 to be formed from the following members:

Serial	Member Name	Statement
1	HE / Dr. Azzam bin Mohammed Al Dakhil	Chairman of the Committee
2	HE / Mr. Ahmed bin Aqeel Al Khatib	Committee member
3	Dr. Turki bin Omar Saleh Buqshan	Committee member

## Auditing Committee

The board of directors, its term began in 01/05/2006, formed the auditing committee in its twenty-second meeting held dated 22/05/2006. The committee consists of three members, two of them are non-executive directors and the third is board outsider who is specialized in financial and accounting affairs.

The committee's duties and responsibilities include the study of the internal control system, and supervise the internal auditing management in the company in order to ensure its effectiveness in the implementation of actions and tasks set by the board of directors. In addition, the study of the internal auditing reports, follow-up the carry out of the corrective procedures to the notes contained therein. The committee's responsibilities also include recommendation to the board of directors regarding the appointment of the certified public accountants, their dismissal, determine their fees and ensure their independence, following-up their business, in addition to the study and review of their the audit plan with the certified public accountant, as well as the study of his notes on the preliminary financial statements before submitting them to the board of directors, express the opinion and recommendation in respect thereof.

The committee also examines the applicable financial and accounting policies, express opinion and recommendations to the board of directors in respect thereof, evaluate the effectiveness of the company's estimate of the significant risks and steps taken by the company management to monitor and address these risks.

The audit committee, during 2015, convened eight meetings and the following table shows the names of the committee's audit committee:

The beginning of 2015:

Serial	Member Name	Statement
1	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	Chairman of committee
2	Mr. Suleiman bin Jibreen Al Jibreen	Committee member
3	Mr. Mohammed bin Ibrahim ALeisa	Committee member

The audit committee was reformed dated 04/05/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	Chairman of committee
2	Mr. Suleiman bin Jibreen Al Jibreen	Committee member
3	Mr. / Khalid Mohammed Al Hugail	Committee member

The audit committee was reformed dated 17/11/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Mr. Majed Abdulrahman ALeisa	Chairman of committee
2	Mr. Suleiman bin Jibreen Al Jibreen	Committee member
3	Dr. Abdul Aziz bin Hamad Al Fahad	Committee member

# Board of Directors Report

The audit committee was reformed dated 14/12/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Mr .Majed Abdulrahman ALeisa	Chairman of committee
2	Mr.Adel Ben Marzouq Al Nasser	Committee member
3	Dr. Abdul Aziz bin Hamad Al Fahad	Committee member

الاقتصادية



1992

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

## Nominations & Remunerations Committee

The nominations and remunerations committee comprises three members of the board of directors, its tasks and responsibilities as follows: to recommend with the nominations to the membership of the board of directors in accordance with the approved standards, the annual audit of the required skills needed for the board of directors, prepare a description of the required capabilities and qualifications to the membership of the board of directors, including the determination of the term to be assigned by the member to practice the board of directors' business. As well as the committee shall review the structure of the board of directors, report recommendations regarding the changes that can be made. The committee shall also determine the aspects of strengths and weakness in the board of directors and suggest their treatment in accordance with the company's benefits, to ensure on an annual basis the independence of the independent members and non-existence of any conflict of interests if this member is in another board of directors.

The committee's tasks also includes: develop clear policies regarding the compensations and remunerations of the members of the board and senior executives, follow-up the implementation of the committee's recommendations after being submitted to the board of directors and approving thereon, prepare the periodical and annual reports regarding the committee's businesses according to the regulations and submit them to the board of directors. The following table shows the names of nominations and remunerations committee, which convened one meeting during 2015.

The beginning of 2015:

Serial	Member Name	Statement
1	Mr. Abdullah Salem Bahamdan	Chairman of committee
2	Eng. Abdulrahman bin Ibrahim Al Ruwaitea	Committee member
3	Mr. Mohammed bin Ibrahim ALeisa	Committee member

The nominations and remunerations committee was reformed with the beginning of the current session of the Board in 04/05/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Dr.Abdallah bin Hussein Al Amoudi	Chairman of committee
2	Mr. Ibrahim bin Fahd Al Moeigel	Committee member
3	Mr. / Khalid Mohammed Al Hugail	Committee member

The nominations and remunerations committee was reformed dated 17/11/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Dr. Abdallah bin Hussein Al Amoudi	Chairman of committee
2	Mr. Ibrahim bin Fahd Al Moeigel	Committee member
3	Mr. Adel bin Marzouq Al Nasser	Committee member

The nominations and remunerations committee was reformed dated 14/12/2015 to be formed from the following members:

Serial	Member Name	Statement
1	Dr. Turki bin Omar Saleh Buqshan	Chairman of committee
2	Mr. Abdulrahman bin Hamad Al-Rashed	Committee member
3	Mr. Mohiddin bin Saleh Kamel	Committee member

## Declarations of Board of Directors:

The board of directors declares that:

The accounting records were properly prepared.  
The internal control system was prepared on a sound basis and implemented efficiently.  
There is no doubt mentioned in the source's ability to continue its activity.

## Changes in Owners' Equities during year 2015:

Name	Ratio in beginning of the year	Ratio in end of the year	Ratio of Change
HRH Prince Faisal Ahmed bin Salman Al-Saud	6.85%	0.00%	6.85%
Kingdom Holding Company	29.90%	0.00%	29.90%
Mohammed Hussein Al Amoudi	5.62%	0.00%	5.62%
AL AHli Investment Fund (13)	0.00%	29.90%	29.90%
AL AHli Investment Fund (04)	0.00%	29.90%	29.90%

\* the above changes related to those whose share exceed than 5% of the generated shares.

# Board of Directors Report

## **Fifteenth: Annual Review Outcomes of the Effectiveness of Internal Control Procedures for year 2015:**

During 2015, the audit committee of the group followed up the implementation of the approved internal audit plan for the same year, taking into consideration the audit priorities in accordance with the results of a comprehensive analysis and evaluation of the risks study in the group and its subsidiaries which was implemented by means of a specialized consultancy office during 2009, knowing that this evaluation is reviewed and amended in line with the updates and developments that take place in the group management and its subsidiaries.

This follow-up has included a study of the internal audit and following-up its businesses' outcomes, reviewing the internal control outcomes and reach an agreement with the the executive management of the group and its subsidiaries to carry out the recommendations contained in the internal audit report Within a specific time frame in order to improve and strengthen those procedures.

As well as the audit committee, during 2015, followed-up the implementation of the the application mechanism of the financial and administrative procedures and policies manuals of the group and its subsidiaries, in addition to the administrative and financial matrix of powers which was approved and activated during 2015 in accordance with its recommendations reported to the board of directors during 2011.

The audit committee recommended the board of directors to appoint an external auditor for the group and its subsidiaries for the fiscal year ended in 31/12/2016.

## **Sixteenth: Risks Management**

The company management seeks to confront any challenges and potential risks that may affect its activity and financial position and absorbing them through its study and vast experience in publishing industry, the ability to determine the associated risks and the risks related to the market on the other hand. The company believes that the significant risks are related to the following:

### **Economic Conditions**

The advertising income constitutes an essential element of the group'ss total revenue, the level of quality of this revenue in terms of quantity and quality is subjected to the economic cycles known in the region, as well as the influential political risks in this context.

### **Leadership Stability**

The group is managed by an elite of the best Arab and Saudi competencies in all its editorial, administrative and financial sectors, as the stability of the leaders is of the most important actors in the development of the group performance.

### **Expansion Strategy**

The group initiated the planning of many expansion projects that are compatible and consistent with its general strategies, theses matters are subjected to the risks of delay and non-implementation.

### **Industry Risks**

The media and publishing industry face challengesin which the data and basic factors of using the data and using it from the traditional media channels are shifted to the modern media channels. The group is a ware and appreciates this shift and seeks to comply with all alternative and competitive channels in order to deliver its services and using them within a specified economic frameworks.

### **Higher paper Prices**

Paper is the most important raw materials used by the group in terms of its costs and supply resources, where the group using the presses of the Saudi Printing and Packaging Company (a subsidiary Saudi joint stock company) to print is publications inside Saudi Arabia. The group obtains paper under supply agreements with main supplier and obtain less quantity from different suppliers on a regular basis. The group reduces the fluctuation in the paper prices by identifying its paper stock and manage it efficiently.

### **Operations Stability After Acquisition**

The operations instability after the acquisition of new companies is considered one of the risks that may encountered by the group, in order to avoid these risks, the group takes all the necessary mesures to achieve the stability of its aperations.

## Seventeenth: Corporate Governance

The group is always keent to conduct all its commercial and investment operations in accordance with all systems and regulations applicable in Kingdom of Saudi Arabia. In this aspect, the group is committed to the best standards of transparency and disclosure in accordance with the requirements of the good governance and corporate governance regulations applied in Saudi Arabia including the provision of the basic information information for shareholders and investors in the specified times according to the instructions and regulations of the Saudi capital authority and governance regulation applicaple in the group.

The board of directors and its sub-committees (executive committee, audit committee and remunerations and nominations committee) support the governance means and methods on an ongoing basis, the governance rules related to the company are reviewed from time to time to ensure suitability of their purposes and to accommodate renewable and regular updates and requirements of the capital market authority and also for the purposes of good governance.

In general, it can be said that the company has complied with the requirements of the corporate governance contained in the corporate governance regulation issued by the capital market authority, except for the following provisions:

Article	Reasons for non-application
Paragraph (B) of article No. 6 related to the use of the cumulative voting on the selection of members of the board of directors at the general assembly	The company did not comply with the cumulative voting method because of the availability of a sufficient number of the independent members of the board of directors (ten members out of eleven members of the board of directors) as at 31/12/2015. As the members of the board of directors shall maintain the minority rights of the shareholders.
Paragraph (D) of article No. 6 of corporate governance regulation:  The investors of the persons with legal status who act on behalf of the others such as investment funds- shall disclose of their policies in voting and their actual voting in their annual statements and also the disclosure of the way of deal with any material conflicts that may affect the practice of the fundamental rights related to their investments.	The company believes that this commitment is addressed to the investors who act on behalf of the others which represented in the regulation by the investment funds, the company does not play this role as it does not invest the people's monies in public joint stock companies until it discloses of its policy in voting regarding these investments.  *Note that there is a regulation related to the conflict of interests applicable in the group.
Paragraph (I) of article No. 12 of corporate governance regulation: The person with legal status may not- who is entitled according to the company's articles of association to appoint representatives for him in the board of directors- vote on the selection of the other members in the board of directors.	According to the company's statute, any person with legal status has no right in the appointment of representatives for him in the board of directors but the nomination shall be open and general for all shareholders.
Paragraph (A) of Article No. 12 of corporate governance regulation that stipulates that the number of the members of the board of directors shall be from 3 to 11 members.	This is according to the company's statute where still stipulates that the number of the members of the board of directors are 12 members.

\*through the keenness of the group to apply the provisions of corporate governance regulation, the group convened an extraordinary general assembly in 25/04/2015 to amend the group's statute to be compatible with the corporate governance regulation including the item of number of the members of board of directors and add new articles related to the sub-committee of the board of directors, but these did not get the required ratio of shareholders' votes of approval. The group will seek to comply with the corporate governance regulations. Knowing that the paragraphs (A) and (B) of the indicative articles within the corporate governance regulations issued by the Saudi capital market authority.

# Board of Directors Report

## **Eighteenth: Shift Plan for the International Accounting Standards**

### **Applicable Accounting Standards:**

The financial statements of the group were prepared during the fiscal year ended in 31/12/2015 in accordance with the accounting principles generally accepted in Saudi Arabia and issued by the Saudi Organization for Certified public Accountants.

### **Accounting International Standards Application Plan:**

Based on circulation issued by the Capital Market Authority No. (2978/4) dated 25/03/2014 issued under the letter of His Excellency the Secretary General of the Saudi Organization for Certified public Accountants regarding the adoption of the international accounting standards all at once after completion of their approval from the Saudi Organization for Certified public Accountants prepared for the financial periods beginning on 01/01/2017 or after and the circulation issued by the Capital Market Authority No. (15/12231/1/P) included the need to develop a plan for the implementation of the international standards referred to and completing them before the end of the fiscal year 2015.

The board of directors in its meeting held on 24/12/2015 adopted the stages following to the implementation of the international standards of financial reports, knowing that this plan applied by the company with effect from January 2016.

### **Stages of Adopted Plan:**

#### **First Stage/ Preliminary Study:**

- Review the accounting policies applied in the company according to the Saudi standards.
- Review the influential accounting policies and supposed to be applied according to the international standards.
- Conclusion to the gap analysis and limit the effects on the financial statements, accounting systems and operations.
- Identify the steps to be followed to reflect this shift on the accounting systems, work environment and a related make decisions through a detailed road map.

#### **Second Stage/ Preliminary Shift:**

- Conduct a technical evaluation of the options available in the shift plan to the international standards.
- Adoption of accounting policies and approving thereupon by the executive management, board of directors and external auditor.

#### **Third Stage/ Application:**

- Launch the application of the international standards on the accounting policies and issuance of financial statements in accordance with the international standards parallel to those issued according to the Saudi standards during 2016.
- Completed shift to the international standards starting from the first quarter of 2017 and issuance of financial statements for the quarter in accordance with the international standards and reporting them to the shareholders and capital market authority.

## **NINETEENTH: Dividends Distribution Policy:**

The company's policy is based on paying dividends to the gross shares on an annual basis based on the the income of the company, its financial positions, market conditions, economic conditions and other factors including the availability of investment opportunities, the needs of re-investment, financial and cash reserves, business possibilities and so of other regulatory considerations and the profits shall be distributed in Saudi Riyals.

The company's statute stipulates to distribute the annual net profits of the company after deducting all the general expenses and other costs as follows:

- Allocation (10%) of the net profits to form a statutory reserve, the general assembly may suspend this allocation when the mentioned reserve reached half of the capital.
- A percentage of 5% of the net profits shall be put aside to form an agreed reserve to be allocated for the purposes determined by the board of directors and this retaining shall be postponed if it reached the quarter of the capital.
- From the remaining, a percentage equal to (5%) of the paid-up capital as a first payment shall be distributed among the shareholders.
- After the foregoing, a reward for the members of the board of directors shall be allocated provided not to exceed than the established limit under the council of ministers resolution No. (202) dates 13/08/1404H, the remaining shall be distributed afterwards to shareholders as an additional share in the profits.

## **Twentieth: non-distribution of Dividends for year 2015.**

In the light of the financial outcomes for the fiscal year 2015 and the losses contained therein, the profits can not be distributed due to the lack of its existence.

Twenty First: Recommendations of the Board of Directors:

The board of directors of Saudi Research and PublishingGroup recommends the esteemed ordinary general assembly with the following:

- To approve the board of directors' annual report for 2015.
- To approve the report of the company's accounts auditor and the consolidated financial statements for the year ended on 31/12/2015.
- Discharge the members of the board of directors for their actions during the fiscal year ended in 31/12/2015.
- Approving the appointment of an auditor among the applicants by the audit committee to review and examine the financial statements for 2016 and determining his fees.
- Approving the appointment of members in the board of directors to the rest of the board of directors' session which expires in 03/04/2018.
- Prince / Badr bin Abdullah bin Farhan Al Saud (independent member).
- Approving the appointment of HE / Dr. Azzam bin Mohammed Al Dakhil (Executive Member)
- Approving the appointment of HE / Mr.Ahmed bin Aqeel Al Khatib (Independent Member)
- Approving the appointment of Mr.Abdulrahman bin Hamad Al-Rashed(Independent Member)
- Approving the appointment of Dr. Abdul Aziz bin Hamad Al Fahad(Independent Member)
- Approving the appointment of Dr. Abdul Aziz bin Hamad Al Fahad(Independent Member)
- Approving the appointment of Dr. Turki bin Omar Saleh Buqshan (Independent Member)
- Approving the appointment of Mr.Adel Ben Marzouq Al Nasser (Independent Member)

The Board of Directors





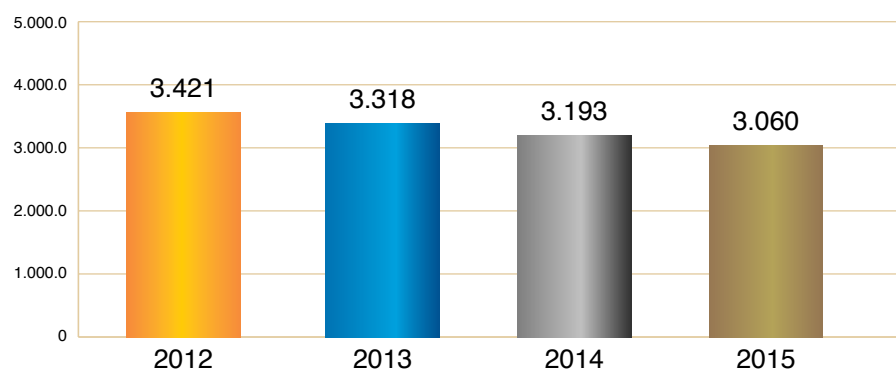
# 2015

Annual Report

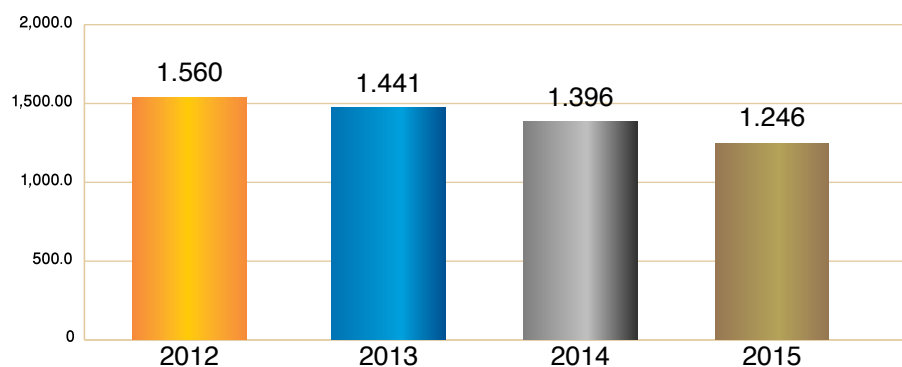
## Year End Financial Performance Measurements

# Year End Financial Performance Measurements

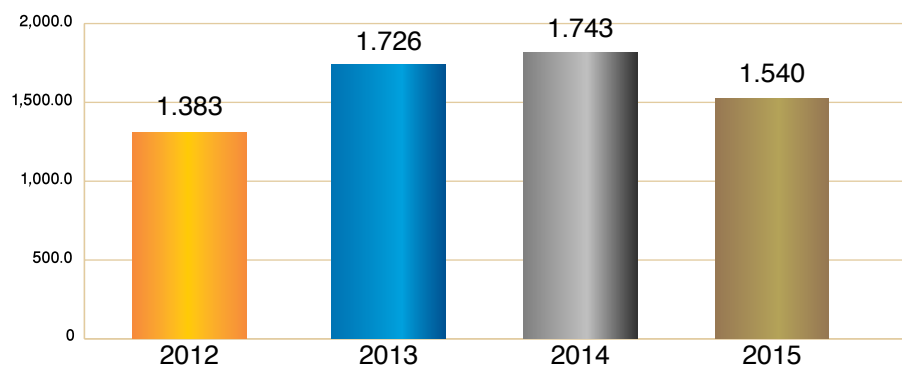
Total Assets (Million SAR)



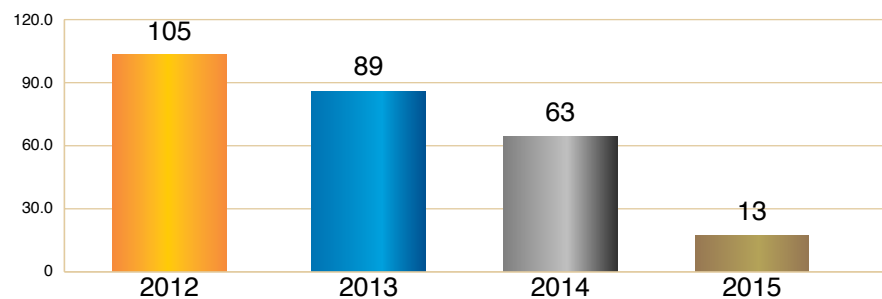
Total Equity (Million SAR)

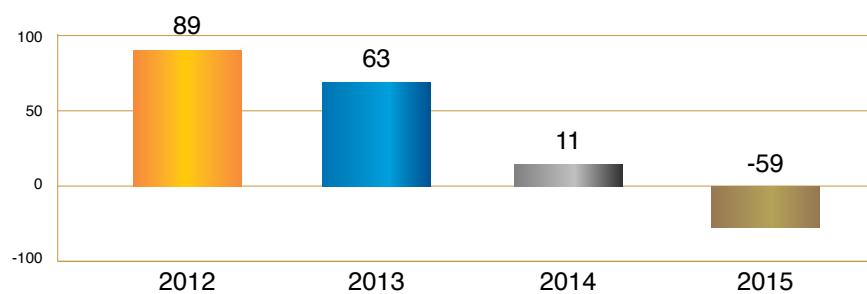


Total Revenue (Million SAR)

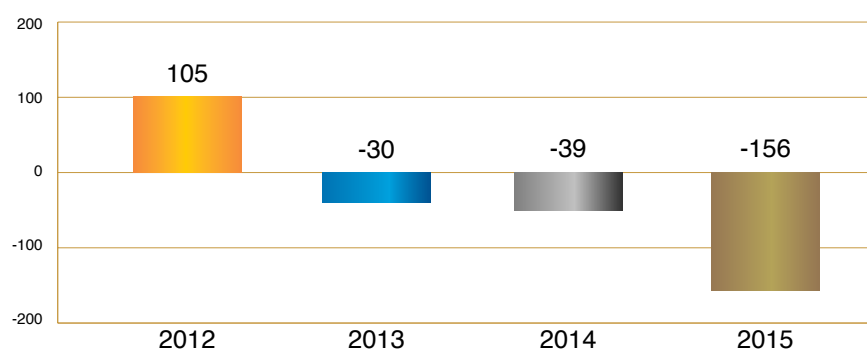


Operating Income (Million SAR)

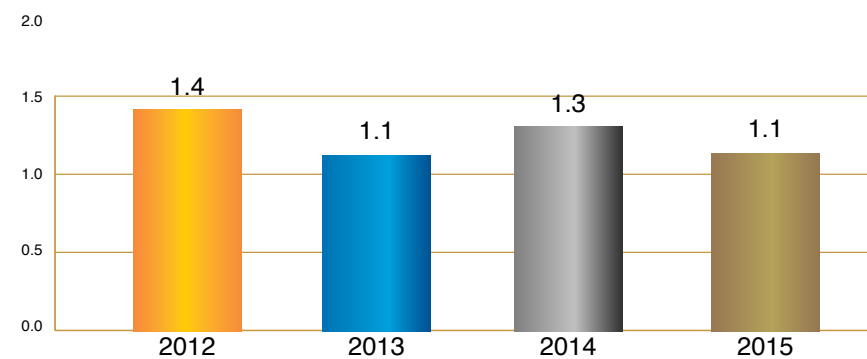




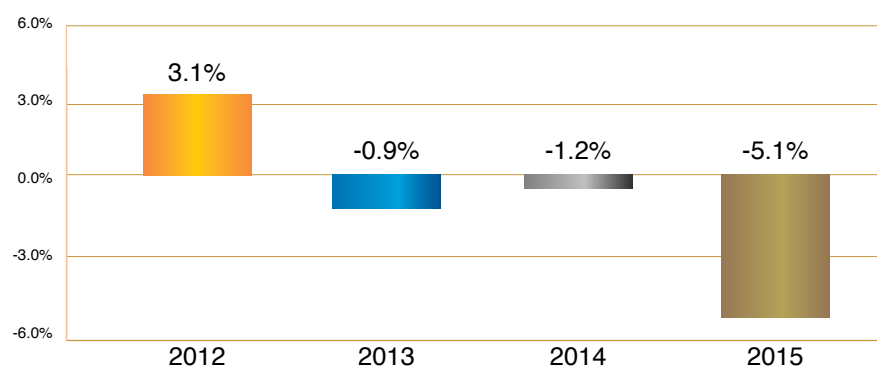
Operating Income (Million SAR)



Net Income (Million SAR)



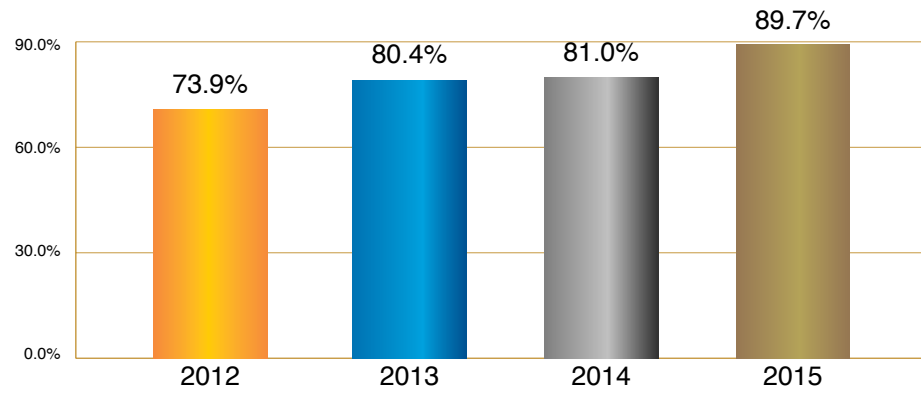
Current Ratio



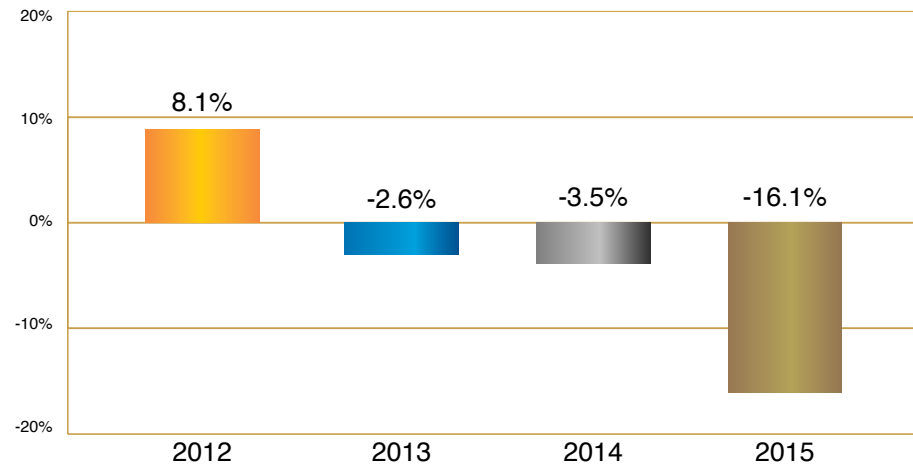
Return on Assets

# Year End Financial Performance Measurements

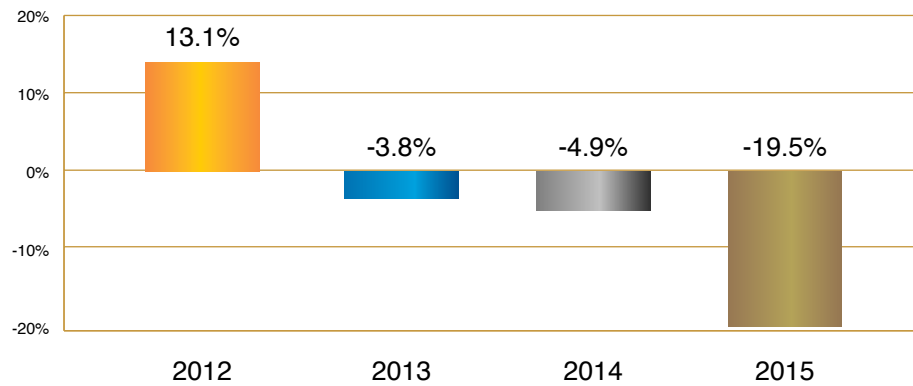
Leverage Ratio



Return on Shareholder's Equity



Return on Capital









# 2015

Annual Report

## **Consolidated Financial Statements**

**31 December 2015**

# Consolidated Financial Statements



Ernst & Young & Co. (Public Accountants)  
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## AUDIT REPORT

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 - A Saudi Joint Stock Company - (the "Company") and its subsidiaries (the "Group") as at 31 December 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. 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 the Kingdom of 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

### Unqualified Opinion

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

- i) present fairly, in all material respects, the consolidated financial position of the Group and its subsidiaries as at 31 December 2015 and its consolidated results of operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) Comply with the requirements of the Regulations for Companies and the company's By-Laws, in so far as they affect the preparation and presentation of the consolidated financial statements.

For Ernst & Young

Fahad M. Al-Toaimi  
Certified Public Accountant  
Registration No. 354



Riyadh: 13 Jumada Awal 1437H  
(22 February 2016)

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

Consolidated balance sheet

Consolidated statement of income

Consolidated statement of cash flows

Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	2015	2014
<b>Current Assets</b>			
Bank balances and cash		347,575,413	179,618,178
Trade receivables, net	4	472,387,225	571,009,871
Receivable from sale of land		-	19,500,065
Inventories	5	247,980,003	284,880,686
Prepayments and other receivables	6	67,242,143	76,458,266
<b>Total Current Assets</b>		<b>1,135,184,784</b>	<b>1,135,184,784</b>
<b>Non-Current Assets</b>			
Property, machinery and equipment	8	1,122,940,237	1,209,481,125
Intangible assets	9	792,897,040	838,568,816
Investment properties	10	8,705,124	13,071,055
<b>Total of Non Current Assets</b>		<b>1,924,542,401</b>	<b>2,061,120,996</b>
<b>TOTAL ASSETS</b>		<b>3,059,727,185</b>	<b>3,192,588,062</b>

<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and notes payable		193,704,577	222,079,032
Accrued expenses and other liabilities	11	331,950,780	169,303,178
Murabha Financing and short term loans	12	376,858,957	387,903,744
Current portion of Murabaha financing and long term loans	12	126,405,640	76,171,745
Other payables	9-A	-	12,630,414
Dividends payable		2,115,310	2,113,424
Zakat and income tax provision	13	31,841,970	31,553,499
<b>Total Current Liabilities</b>		<b>1,062,877,234</b>	<b>901,755,036</b>

To be Continued

# 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)

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	Note	2015	2014
<b>Non-current liabilities</b>			
Non-current portion of Murabaha financing and long term loans	12	613,627,352	666,747,041
Customer's deposits		16,670,031	17,338,282
Employees' terminal benefits	14	120,843,326	115,752,252
Other payables	9-A	-	95,199,877
<b>Total Non-Current Liabilities</b>		<b>751,140,709</b>	<b>895,037,452</b>
<b>TOTAL LIABILITIES</b>		<b>1,814,017,943</b>	<b>1,796,792,488</b>

<b>EQUITY</b>			
<b>Shareholders' Equity</b>			
Share capital	15	800,000,000	800,000,000
Statutory reserve	16	203,777,609	203,777,609
Contractual reserve	17	67,547,177	67,547,177
(Accumulated losses) Retained earnings		(98,978,499)	56,872,936
Restricted governmental grant	18	8,361,425	8,361,425
Foreign currency translation		(9,576,341)	(6,035,243)
Net changes in fair value of cash flow hedges		(4,617,642)	(7,554,821)
<b>Total shareholders' equity</b>		<b>966,513,729</b>	<b>1,122,969,083</b>
Minority interest		279,195,513	272,826,491
<b>Total equity</b>		<b>1,245,709,242</b>	<b>1,395,795,574</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,059,727,185</b>	<b>3,192,588,062</b>

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

(All amounts in Saudi Riyals unless otherwise stated)

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	Note	2015	2014
Revenues		1,539,773,473	1,743,267,619
Cost of revenues		(1,198,840,056)	(1,349,825,484)
<b>GROSS PROFIT</b>		<b>340,933,417</b>	<b>393,442,135</b>
<b>EXPENSES</b>			
Selling and marketing	19	(98,900,197)	(116,321,017)
General and administrative	20	(244,583,740)	(265,010,417)
Impairment losses of property, plant, and equipment	8	(12,850,402)	(1,001,244)
Impairment losses of goodwill	9	(44,000,000)	-
<b>(loss) Income from MAIN operations</b>		<b>(59,400,922)</b>	<b>11,109,457</b>
Financial charges		(48,955,197)	(54,983,682)
Building sale cancellation expenses	11	(70,654,272)	-
Other income, net	21	43,626,268	53,908,338
<b>(Loss) Income Before Extraordinary Losses, Minority Interests, Zakat And Income Tax</b>		<b>(135,384,123)</b>	<b>10,034,113</b>
Extraordinary losses	22	(3,120,795)	(22,620,595)
<b>LOSS before MINORITY interest, zakat and income tax</b>		<b>(138,504,918)</b>	<b>(12,586,482)</b>
Minority interest		(6,306,236)	(13,321,835)
<b>Loss For The Year Before Zakat And Income Tax</b>		<b>(144,811,154)</b>	<b>(25,908,317)</b>
Zakat and income tax	13	(11,040,281)	(13,402,862)
<b>Net (LOSS) For The Year</b>		<b>(155,851,435)</b>	<b>(39,311,179)</b>
<b>(Loss) Earning Per Share From:</b>	23		
(Loss) income from main operations		(0,74)	0,14
<b>Net Loss</b>		<b>(1,95)</b>	<b>(0,49)</b>

# 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)

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	Notes	2015	2014
<b>Operating Activities</b>			
loss before minority interests, zakat and income tax		(138,504,918)	(12,586,482)
Adjustments for:			
Depreciation and amortization		88,293,208	93,238,419
Gains on disposal of property, machinery and equipment		(13,916,804)	(25,479,899)
Impairment losses of property, machinery and equipment		12,850,402	1,001,244
Impairment losses of goodwill		44,000,000	-
Allowance for doubtful debts		17,269,109	36,294,046
Provision for slow moving inventories		21,635,388	13,370,152
Extraordinary losses		3,120,795	22,620,595
Impairment losses of investments		-	5,359,492
Building sale cancellation expenses		70,654,272	-
Reversal of margin deposits from customers		-	(939,209)
Reversal of impairment losses of investment properties		(858,018)	-
Provision for employees' terminal benefits		22,692,713	21,934,708
		<b>127,236,147</b>	<b>154,813,066</b>

To be Continued

**SAUDI RESEARCH AND MARKETING GROUP**  
(A Saudi Joint Stock Company)  
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	Notes	2015	2014
<b>Changes in operating assets and liabilities:</b>			
Trade receivables		81,353,537	(8,395,208)
Inventories		14,864,579	40,324,476
Prepayments and other receivables		9,216,123	36,616,162
Trade and notes payable		(28,374,455)	(17,305,200)
Accrued expenses and other liabilities		(10,398,755)	3,273,648
Margin deposits from customers		(668,251)	(193,728)
Cash from operations		193,228,925	209,133,216
Zakat and income tax paid		(9,251,389)	(8,462,414)
Employees' terminal benefits paid		(17,601,639)	(19,217,730)
Net cash from operating activities		166,375,897	181,453,072
<b>Investing Activities</b>			
Proceeds from sale of land		19,500,065	-
Additions of property, machinery and equipment		(75,857,077)	(105,683,612)
Proceeds from sale of property, machinery and equipment		22,716,712	70,837,088
Proceeds from sale of building		159,886,700	-
Currency translation differences of property, machinery and equipment		1,517,497	1,208,994
Currency translation differences related to investment properties		5,887	(8,828)
Additions of intangible assets		(951,148)	(4,395,413)
Other payables		(107,830,291)	(52,819,019)
Net cash from (used in) investing activities		18,988,345	(90,860,790)

To be Continued

# Consolidated Financial Statements

SAUDI RESEARCH AND MARKETING GROUP  
(A Saudi Joint Stock Company)  
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(All amounts in Saudi Riyals unless otherwise stated)

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	Notes	2015	2014
<b>Financing Activities</b>			
Repayment of Murabaha and loans, net		(13,930,581)	(26,915,854)
Dividends refunded (paid)		1,886	(1,320)
Minority interests		62,786	(11,081,494)
Net cash used in financing activities		(13,865,909)	(13,865,909)
InCREASE in bank balances and cash		171,498,333	52,593,614
Currency translation differences		(3,541,098)	(1,551,980)
Bank balances and cash at the beginning of the year		179,618,178	128,576,544
<b>Bank Balances And Cash At The End Of The Year</b>		<b>347,575,413</b>	<b>179,618,178</b>
<b>Significant non-cash transactions:</b>			
Transfer from investment properties to property, machinery, and equipment		5,218,062	-
Net book value of building which its sale is canceled		58,777,936	-
Write-off of Provision for doubtful debts		1,007,102	3,259,003
Changes in fair value of cash flows hedges		2,937,179	(6,280,277)

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

(All amounts in Saudi Riyals unless otherwise stated)

	Share Capital	Statutory Reserve	Ontractual Reserve	(Accumulated Losses) Retained Earnings	Restricted Governmental Grant	Foreign Currency Translation	Net Changes In Fair Value Of Cash Flow Hedges	Shareholders' Equity	Minority Interest	Total
Balance As At 31 December 2013	800,000,000	203,777,609	67,547,177	96,184,115	8,361,425	(4,483,263)	(1,274,544)	1,170,112,519	270,586,150	1,440,698,669
Net Loss For The Year	-	-	-	(39,311,179)	-	-	-	(39,311,179)	-	(39,311,179)
Currency Translation Differences,Net	-	-	-	-	(1,551,980)	-	-	(1,551,980)	-	(1,551,980)
Net Changes In Fair Value Of Cash Flows Hedges	-	-	-	-	-	(6,280,277)	-	(6,280,277)	-	(6,280,277)
Minority Interest, Net	-	-	-	-	-	-	-	-	2,240,341	2,240,341
Balance As At 31 December 2014	800,000,000	203,777,609	67,547,177	56,872,936	8,361,425	(6,035,243)	(7,554,821)	1,122,969,083	272,826,491	1,395,795,574
Net Loss For The Year	-	-	-	(155,851,435)	-	-	-	(155,851,435)	-	(155,851,435)
Currency Translation Differences,Net	-	-	-	-	-	(3,541,098)	-	(3,541,098)	-	(3,541,098)
Net Changes In Fair Value Of Cash Flows Hedges							2,937,179	2,937,179		2,937,179
Minority Interest, Net									6,369,022	6,369,022
Balance As At 31 December 2015	800,000,000	203,777,609	67,547,177	(98,978,499)	8,361,425	(9,576,341)	(4,617,642)	966,513,729	279,195,513	1,245,709,242





# 2015

Annual Report

## Notes to the Consolidated Financial Statements

# Notes to the Consolidated Financial Statements

## 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 29 Rabi Al-Awal 1421H (corresponding to 1 July 2000), and it has a branch in Jeddah registered under sub Commercial Registration number 1010087772/001. The Company’s head office address is Al-Moutamarat District, Makkah Road, P.O. Box 53180, Riyadh 11583, Kingdom of Saudi Arabia.

The Company is engaged in trading, marketing, advertising, promotions, distributing, printing and publishing, and operates mainly in Middle East, Europe and North Africa.

## 2. Basis Of Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (the “Group”), as adjusted by the elimination of all significant inter-group balances and transactions.

The financial statements of the subsidiary are prepared using accounting policies consistent with those adopted by the Company. The financial statements of the subsidiary company are consolidated from the date on which the Company is able to exercise effective management control over the subsidiary.

A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% in the voting capital and/or over which it exercise effective management control.

Minority interest in the net assets of the consolidated subsidiary are identified separately from the Company’s shareholder equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority interest’s share of changes in equity since the date of the business combination.

The following are the subsidiaries included in these consolidated financial statements:

Company	Country of Incorporation	Direct and indirect shareholding	
		2015	2014
Intellectual Holding Company for Advertisement and Publicity- LLC (a)	Saudi Arabia	100%	100%
Scientific Works Holding Company- LLC (a)	Saudi Arabia	100%	100%
Numu Media Holding Company	Saudi Arabia	100%	100%
Saudi Printing & Publishing Company- Joint Stock (b)	Saudi Arabia	70%	70%

The below listed subsidiaries are owned equally by Intellectual Holding Company for advertisement and publicity and Scientific Works Holding Company:

Company	Country of Incorporation
Saudi Research & Publishing Company and its subsidiaries	Saudi Arabia
Saudi Distribution Company and its subsidiaries (c) *	Saudi Arabia
Arab Media Company	Saudi Arabia
Al-Khalijiah Advertisement and Public Relations Company	Saudi Arabia
Al-Ofoq Management Information System and Commination Company	Saudi Arabia

(\*) Saudi Distribution Company owns 90% in the share capital of Emirates' Printing and Publishing Company LTD, which is registered in United Arab Emirates.

Saudi Printing and Packaging Company owns Taiba Printing and Publishing Company Ltd., Hala Printing Company Ltd., Al Madina Al Munawara Printing & Publishing Company, Future Industrial Investment Company, and Emirates National Factory for Plastic Industries LLC.

Saudi Distribution Company owns 100% of the share capital of Kuwait Group for Distribution and Publishing Company, a company registered in Kuwait. The financial statements of Kuwait Group for distribution and publishing have not been consolidated due to a administrative dispute that resulted in lack of necessary consolidation information. During the last quarter of 2010, the Group settled this dispute and has appointed a financial consultant to review the financial operations during the period of the administrative dispute, and at the preparation date of these consolidated financial statements, the review has not yet been completed. Therefore, the financial statements have not been consolidated. The management has provided the required provisions for any balances with the Group and the management doesn't believe that this subsidiary would have any significant financial impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

### Accounting convention

The consolidated financial statements are prepared under the modified historical cost convention to include the measurement of derivative financial instruments at fair value.

### Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of 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. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### Accounts receivable

Accounts receivable are stated at the invoice original amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

### Inventories

Inventories are valued at the lower and market value. Costs are those expenses incurred in bringing each product to its present condition and location and calculated on the following basis.

- Raw materials, consumables and spare parts
- purchase cost on a weighted average basis.
- Work in progress and Finished goods
- cost of direct materials and labour plus attributable overheads based on the normal level of activity.
- An appropriate provision is made for obsolete and slow moving inventories, if required.

### Property, machinery and equipment

Property, machinery and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost of other property, machinery and equipment is depreciated on a straight line basis over the estimated useful life of the assets.

The carrying values of property, machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the consolidated statement of income.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvements, or the term of the lease.

Expenditure for repair and maintenance are charged to the consolidated statement of income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

The estimated useful lives of the main categories of property, machinery and equipment for calculation of depreciation are as follows:

Machinery, Printing and Tools	10- 20 years	Vehicles	2 - 6.67 years
Buildings	33-50 years	Leasehold improvements	4-10 years or the term of lease, whichever is the shorter
furniture and office equipment	4-13.3 years	Computers	4 – 10 years

### Investment properties

Investment properties are properties held to earn rentals rather than for use or sale in the ordinary course of business, and/or for undetermined use.

Investment properties are carried at cost less accumulated depreciation and any impairment, if any. Freehold land is not depreciated . The cost of other proprieties is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the consolidated statement of income.

Expenditure for repair and maintenance are charged to income as incurred. Improvements that increase the value or materially extend the life of the related assets are capitalized.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any minority interests in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

# Notes to the Consolidated Financial Statements

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of cash generating units.

Where goodwill forms a part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in subsequent periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at each reporting date.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of income.

## Other intangible assets

### Mastheads :

Mastheads represent the recorded value of the mastheads of the newspapers and magazines published by the Group. The Group, periodically, assesses the recorded value of the mastheads to determine whether there is objective evidence that they have suffered any impairment loss using the fair value measurement. If such evidence exists, the recoverable amount of the asset is estimated in order to determine that the book value of the mastheads is fully recoverable. Impairment loss is recognized in the consolidated statement of income when the book value of the mastheads exceeds its recoverable amount.

## **Publishing rights and books development project:**

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 the contracted number of books to be published. Amortization is calculated upon release the first edition of the book.

## **Media content project, websites and computer programs:**

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

## **Impairment of non-current assets**

The carrying values of non-current assets whether tangible or intangible are reviewed periodically to determine whether is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset 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 Group 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 asset or cash generating unit is reduced to its recoverable amount. Impairment loss is recognized in the consolidated statement of income.

Except for goodwill, where an impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount doesn't exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the cash generating unit in prior years, A reversal of an impairment loss is immediately recognized in the consolidated statement of income.

## **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed or not by the suppliers and service providers.

## **Loans and Murabaha financing**

loans and Murabaha financing are recognised as the proceeds received, net of transaction costs incurred, if any. Loans and Murabaha financing costs that are directly attributable to the construction or production of qualifying assets, are capitalized as part of those assets. Other loans and Murabaha financing costs are charged to the consolidated statement of income.

## **Provisions**

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and may be measured reliably.

## **Zakat and income tax**

The company and its subsidiaries are subject to the regulations of the Department of Zakat and Income Tax (DZIT) in the kingdom of Saudi Arabia. Zakat provision is calculated based on the consolidated zakat base of Saudi Research and marketing Group and its directly or indirectly fully owned subsidiaries. The estimated zakat provision is allocated between the Company and its subsidiaries. Any differences between the provision and the final assessment is recorded when the final assessment is approved. For foreign subsidiaries, a provision is made for tax liabilities, if any, in accordance with the tax regulations applicable in the countries in which such companies operate. The

# Notes to the Consolidated Financial Statements

provision for zakat and income tax is charged to the consolidated statement of income. The Group withholds tax on certain transactions with non- resident parties in the Kingdom of Saudi Arabia in accordance with the Saudi Arabian Income Tax Law.

## **Employees' terminal benefits**

Provision is made in the consolidated financial statements for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service. The foreign subsidiaries provide a provision for Employees' terminal benefits in accordance with the laws applicable in the respective countries.

## **Statutory reserve**

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its income in each year to the statutory reserve. The Company may resolve to discontinue such transfer when the reserve equals to one half of the capital. This reserve is not available for distribution.

## **Governmental Grant**

Governmental grant has been measured at the fair value of the asset when obtained against commitment to the restrictions associated with the grant. The restricted governmental grant has been recorded as a separate item under equity and the granted asset has been recorded under property, machinery and equipment.

## **Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments to hedge its cash flow exposures to interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the consolidated statement of income, except for the effective portion of cash flow hedges, which is recognised in shareholders' equity.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of income for the year.

## Revenue recognition

Revenues represent the invoiced value of goods supplied and services rendered and are recognized when the significant risks and rewards of the ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on the delivery to the customer, while subscriptions' revenue is recognized on the subscriptions' period.

Other income is recognized when earned.

## Expenses

Selling and marketing expenses are mainly consist of costs incurred on delivery and marketing of products and allowance for doubtful debts. All other expenses except cost of sales are allocated on a consistent basis to general and administrative expenses in accordance with allocation factors determined as appropriate by the management. Operating leases in which the lessor retains all of the risks and rewards of ownership of the asset are classified as operating leases. Payments under operating leases are charged to the consolidated statement of income on a straight line basis over the lease term.

## Foreign currencies

### Transactions

Transactions in foreign currencies (Which are not covered by forward foreign exchange contracts) are translated into Saudi Riyals at the rate of exchange prevailing at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All differences are taken to the consolidated statement of income.

### Forward foreign exchange contracts

Forward foreign exchange contracts that are entered in order to hedge a foreign currency asset/liability are recorded at the spot rate at the inception of the contract. Any discounts or premiums are amortised to income over the term of the contract.

## Foreign currency translations

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rate for each year 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. Exchange differences arising from such translation, if material, are included under "cumulative translation adjustment account" within equity in the consolidated balance sheet.

## Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

# Notes to the Consolidated Financial Statements

## 4. Trade Receivables, Net

	2015	2014
Trade receivables	592,434,389	674,795,028
Allowance for doubtful Debts	(120,047,164)	(103,785,157)
	472,387,225	571,009,871

Movement of allowance for doubtful debts was as follows:

	2015	2014
At 1 January	103,785,157	70,750,114
Provided during the year	17,269,109	36,294,046
Written off during the year	(1,007,102)	(3,259,003)
At 31 December	120,047,164	103,785,157

## 5. Inventories

	2015	2014
Raw and packaging materials	172,572,248	206,840,399
Books	69,731,366	60,508,722
work in progress and finished goods	47,536,376	44,181,835
Spare parts	23,265,245	13,646,979
Goods in transit	3,243,513	6,532,590
	316,348,748	331,710,525
Provision for slow moving inventories	(68,368,745)	(46,829,839)
	247,980,003	284,880,686

## 6. Prepayments And Other Receivables

	2015	2014
Prepaid expenses	21,320,805	21,084,080
Advances to suppliers	19,625,429	23,768,986
Employees receivable	9,678,038	12,799,811
Refundable deposits	6,482,932	5,644,590
Prepaid financial charges	2,774,391	2,634,775
Other	7,360,548	10,526,024
	67,242,143	76,458,266

## 7. Related Parties Transactions

The following is the summary of related parties transactions during the year ended 31 December :

	2015	2014
Executive Board of Directors salaries and compensations	5,183,333	17,703,520
Allowances paid to Board of Directors	337,440	537,300

## 2008

- SSPc Acquired 51% of University Bookshop Companies.

## 2009

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

## 8. Property, Machinery and Equipment

	Land	Buildings	Leasehold improvements	Machinery and tools	Computers	Furniture and fixtures	vehicles	Plant and equipment	Total 2015	Total 2014
<b>Cost</b>										
At the beginning of the year	204,481,625	479,894,496	40,512,798	850,179,304	116,111,131	88,231,260	54,700,661	72,513,300	1,906,624,575	<b>2,008,071,169</b>
Additions	-	459,193	30,450	3,147,251	1,998,960	3,956,643	871,463	65,393,117	75,857,077	<b>105,683,612</b>
Disposals	(861,000)	(85,172,615)	(2,203,062)	(24,398,791)	(48,002,353)	(21,967,012)	(5,217,225)	(1,045,993)	(188,868,051)	<b>(183,758,248)</b>
Transfers	808,110	(2,708,698)	2,494,038	76,608,643	15,224,654	10,597,967	1,090,588	(98,897,240)	5,218,062	-
Impairment losses *	-	(7,678,219)	-	(5,172,183)	-	-	-	-	(12,850,402)	<b>(1,001,244)</b>
losses on fire	-	-	-	-	-	-	-	-	-	<b>(16,387,403)</b>
Foreign currency translation adjustment	(47,333)	(1,655,941)	(1,114,357)	211,894))	(2,154,299)	(611,268)	(4,228)	(32,760)	(5,832,080)	<b>(5,983,311)</b>
	204,381,402	383,138,216	39,719,867	900,152,330	83,178,093	80,207,590	51,441,259	37,930,424	1,780,149,181	<b>1,906,624,575</b>
<b>Depreciation and provisions:</b>										
At the beginning of the year	-	122,843,862	38,256,361	319,333,906	100,575,172	72,809,497	43,324,652	-	697,143,450	<b>757,209,080</b>
Additions	-	13,153,710	2,485,361	53,943,598	7,650,254	4,293,436	4,143,925	-	85,670,284	<b>88,750,055</b>
Disposals	-	(27,260,544)	(2,203,014)	(19,636,075)	(46,825,079)	(20,364,461)	(5,001,034)	-	(121,290,207)	<b>(138,401,059)</b>
Transfers	-	(14,964,288)	14,636	(967,204)	7,584,994	8,392,463	(60,601)	-	-	-
losses on fire	-	-	-	-	-	-	-	-	-	<b>(5,640,309)</b>
Foreign currency translation adjustment	-	(630,615)	(1,111,428)	(62,584)	(2,074,029)	(432,569)	(3,358)	-	(4,314,583)	<b>(4,774,317)</b>
	-	93,142,125	37,441,916	352,611,641	66,911,312	64,698,366	42,403,584	-	657,208,944	<b>697,143,450</b>
<b>Net book values:</b>										
<b>December 31, 2015</b>	<b>204,381,402</b>	<b>289,996,091</b>	<b>2,277,951</b>	<b>547,540,689</b>	<b>16,266,781</b>	<b>15,509,224</b>	<b>9,037,675</b>	<b>37,930,424</b>	<b>1,122,940,237</b>	<b>-</b>
December 31, 2014	204,481,625	357,050,634	2,256,437	530,845,398	15,535,959	15,421,763	11,376,009	72,513,300	-	1,209,481,125

(\*) In accordance with generally accepted accounting standards in Saudi Arabia, non-current assets should be assessed when there are indications that the recoverable amount is impaired. Accordingly, the Group's management found indication of impairment, other than temporarily, in the recoverable amount of some of the non-current assets and has recorded impairment losses.

# Notes to the Consolidated Financial Statements

## 9. Intangible Assets

Intangible assets comprise of the following as at 31 December:

	2015	2014
Goodwill – Saudi Printing and Packaging Company (A)	390,230,436	390,230,436
Mastheads	350,000,000	350,000,000
Goodwill – Numu Holding Group (B)	48,227,349	92,020,179
Other	4,439,255	6,318,201
	<b>792,897,040</b>	<b>838,568,816</b>

### Goodwill – Saudi Printing and Packaging Company:

During the year ended 31 December, 2012, Saudi Printing and Packaging Company (a subsidiary) acquired 100% equity interest in Emirates National Factory for Plastic Industries LLC (“ENPI” or “Emirates Factory”), a limited liability company registered in the Emirate of Sharjah, United Arab Emirates, for a net consideration amounting to approximately SR 642 million, including a deferred consideration estimated to approximately SR 172 million to be paid to one of the previous owners. According to the sale and purchase of shares agreement (the “agreement”) all parties agreed to transfer all rights and obligations related to the ownership as of 1 July 2012 considering it the control transferring date (“acquisition date”). The acquisition transaction resulted in a goodwill amounting to approximately SR 353.8 million representing the excess of the consideration paid over the fair value of net assets acquired at the acquisition date amounting to approximately SR 288.2 million. ENPI is engaged in manufacturing and distribution of packaging and plastic products through its various subsidiaries in UAE and three subsidiaries in Kingdom of Saudi Arabia. The financial statements of ENPI has been consolidated starting 1 July 2012.

The deferred consideration of approximately SR 172 million was computed in accordance with sale and purchase of shares agreement and its amendments on the following basis:

The first portion of the deferred consideration was computed by using the average of net income for the years 2012 up to 2013 multiplied by 11.5%, less the amount paid to one of the previous owners on the date of paying the cash consideration amounting to SR 61.3 million, which was estimated based on the targeted

results as agreed in the above Agreement. This portion of the consideration was estimated to approximate by SR 151.4 million and has been settled after the issuance of the consolidated financial statements of ENPI for 2013.

The second portion (Earn-out) of the deferred consideration was computed by using the targeted results as agreed in the Agreement multiplied by 10% in accordance with the aforementioned Agreement. This portion of the consideration was estimated to approximate by SR 20.6 million and has been settled after the issuance of the consolidated financial statements of ENPI for the years 2012, 2013 and 2014.

During the second quarter of the current year, the Group settled the deferred consideration presented under other payables, which its current and the non-current portions were amounted to SR 12.6 and SR 95.2 million, respectively as of 31 December 2014. In addition to that, the other income for the year ended 31 December 2015 included an amount of SR 14.7 million which represents the difference between the final settlement of the deferred consideration and the booked amount based on the agreement conditions (note 21).

### Goodwill – Numu Holding Group:

During the fourth quarter of the financial year, the management reviews goodwill to determine whether impairment exists or not. Accordingly, the management found that the carrying value of the goodwill was higher than its recoverable amount by SR 44 million for the year ended 31 December 2015 and recorded impairment loss in the consolidated statement of income.

Recoverable amount was determined on the basis of value-in-use calculation. This calculation uses cash flow projections for five years based on financial budgets approved by management. Cash flows beyond the budgets are extrapolated using the estimated growth rate of 3.6%. NUMU Elmiah Company (A subsidiary of NUMU Holding Company) in management’s opinion, the growth rate assumption does not exceed the long-term average growth rate for business in which the Company operates.

Key assumptions for the value-in-use calculation are set out below.

	Percentage %
Discount rate	13
Budgeted gross margin	2.6 – 5.2
Average annual growth rate for sales	7.7
Terminal growth rate	3.6

The discount rate used is pre-zakat and reflects specific risks relating to the Company. Management has determined the budgeted gross margins based on past performance and its expectations for the market development.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use for the subsidiary Company, any adverse changes in a key assumption would result in further impairment loss. The key assumptions, where reasonably possible changes could result in further impairment, are the terminal growth rate and the discount rate used.

	Goodwill	Mastheads	Publishing rights and books development projects	Media content project and websites	Computer softwares	Other	Total 2015	Total 2014
<b>Cost</b>								
At the beginning of the year	482,457,783	350,000,000	6,409,183	14,855,709	2,477,166	2,782,638	<b>858,982,479</b>	854,587,066
Additions	-	-	829,135	-	122,013	-	<b>951,148</b>	4,395,413
Impairment losses	(44,000,000)	-	-	-	-	-	<b>(44,000,000)</b>	-
	438,457,783	350,000,000	7,238,318	14,855,709	2,599,179	2,782,638	<b>815,933,627</b>	858,982,479
<b>Amortization</b>								
At the beginning of the year	-	-	3,643,815	12,444,118	1,543,092	2,782,638	<b>20,413,663</b>	15,925,299
Additions	-	-	806,614	1,508,028	308,282	-	<b>2,622,924</b>	4,488,364
	-	-	4,450,429	13,952,146	1,851,374	2,782,638	<b>23,036,587</b>	20,413,663
<b>Net book values</b>								
<b>At 31 December 2015</b>	<b>438,457,783</b>	<b>350,000,000</b>	<b>2,787,889</b>	<b>903,563</b>	<b>747,805</b>	<b>-</b>	<b>792,897,040</b>	<b>-</b>
At 31 December 2014	482,457,783	350,000,000	2,765,368	2,411,591	934,074	-	-	838,568,816

# Notes to the Consolidated Financial Statements

## 10. Investments In Properties

Investment properties at 31 December consist of a land on which a building is constructed and leased out to third parties.

Movement in investment properties is summarized as follows:

	2015	2014
At 1 January	13,071,055	18,421,719
Transferred to property, machinery and equipment	(5,218,062)	-
Impairment reversal (loss)	858,018	(5,359,492)
Foreign currency translation adjustment	(5,887)	8,828
At 31 December	8,705,124	13,071,055

## 11. Accrued Expenses And Other Liabilities

	2015	2014
	171,801,132	-
Accrued expenses against sale cancellation *	127,513,614	131,604,002
Advances from customers	7,843,574	7,166,082
Deferred revenue	6,634,033	6,932,112
Net changes in fair value of cash flow hedges	4,342,430	10,593,612
Other	13,815,997	13,007,370
	331,950,780	169,303,178

\* This balance represents the expected amount to be paid against building sale cancellation.

During the fourth quarter of the current year, the Group's management has signed a sale agreement for one of its properties represented in a building owned by one of its subsidiaries in the United kingdom which resulted in a capital gains of approximately SR 101 million. Subsequently and after the signing of the agreement, the management has decided to keep the ownership of the building through cancellation of the sale transaction. Accordingly, such capital gains haven't been recognized. As it is expected that the cancellation may result in incurring additional costs, a provision of approximately SR 70.7 million has been provided for such costs.

## 12. Bank Facilities

The Group has bank facilities with various local and foreign banks in the form of loans, Murabaha financing, letters of credit and letters of guarantee with a ceiling of approximately SR 2.27 billion ( 2014: SR 2.27 billion). The utilised balance of loans and Murabaha financing amounted to approximately SR 1.12 billion as of 31 December 2015 ( 2014: SR 1.13 billion ). The purpose of such facilities is to finance the working capital and investments, and to be used in importing of raw materials and equipment related to the Group's activities and capital expenditures. Such facilities carry agreed upon finance charges. The currencies of such facilities are Saudi Riyal, United Arab Emirates Dirham, and US dollars. These loans and Murabaha financing are due in periods ranging between 2016-2020.

## 13. Zakat And Income Tax

Zakat and income tax consist of the following:

	2015	2014
Zakat	31,761,627	30,563,129
Income tax	80,343	990,370
	31,841,970	31,553,499

Movement in provision during the year:  
The movement in the zakat provision during the year was as follows:

	2015	2014
At 1 January	30,563,129	26,245,282
Provided during the year	9,539,860	12,005,253
Paid during the year	(8,341,362)	(7,687,406)
	31,761,627	30,563,129

## Status of assessments

The Company and its subsidiaries have filed their Zakat returns individually up to 2006. The company has finalized its individual zakat status for the years from 2001 up to 2006.

During 2007, the company had obtained the approval of Department of Zakat and Income Tax ("DZIT") on filing a consolidated Zakat return for the Group. The company has filed its Zakat returns for the years from 2007 up to 2014. The assessments for such years are still under review by DZIT.

The Company and its subsidiaries have appealed against the zakat assessments for different years before DZIT and The Appeal Committee, which resulted in differences of SR 12 million. This appeal is still pending. The Group's management and its zakat advisor believe that the ultimate outcome of this appeal will be in the favor of the Group.

## 14. Employees' Terminal Benefits

Movement in employees' termination benefits is summarized as follows:

	2015	2014
At 1 January	115,752,252	113,035,274
Provided during the year	22,692,713	21,934,708
Paid during the yearx	(17,601,639)	(19,217,730)
At 31 December	120,843,326	115,752,252

## 15. Share Capital

The company's share capital amounting to SR 800 million as at 31 December 2015 and 2014 is divided into 80 million shares of SR 10 each.

## 16. Statutory Reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its net income in each year (after covering accumulated losses) to the statutory reserve. The Company may resolve to discontinue such transfers when it builds up a reserve equals one half of the capital. This reserve is not available for distribution.

## 17. Contractual Reserve

According to the company's by-laws, the Company should transfer 5% of the net income for the year to the consensual reserve until it equals 25% of the share capital. Such reserve may be used for the purposes which determined by the board of directors.

## 18. Restricted Governmental Grant

During 2008, Dubai Government has granted Saudi Researches and Publishing Company (a subsidiary of the Group) a land in Dubai with an area of 29,809 square feet as a restricted grant. The land had been evaluated at SR 8.4 million. Such grant has been included separately within shareholders' equity and the asset has been included within property, machinery and equipment. The conditions of the grant stipulate that construction of buildings should start within 3 years effective from the grant date. The grace period has expired and the Company has renewed it for another 3 years which also has expired in 2014. Accordingly, the Group has applied for another extension. The legal formalities in respect of the extension have not been completed as of these consolidated financial statements date.

## 19. Selling And Marketing Expenses

	2015	2014
Salaries and related benefits	39,905,976	41,644,942
transporting and shipping	24,065,973	23,255,779
Allowance for doubtful debts	17,269,109	36,294,046
Marketing and advertising	8,327,864	6,849,480
Other	9,321,275	8,276,770
	98,900,197	116,321,017

# Notes to the Consolidated Financial Statements

## 20. General And Administrative Expenses

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:

	2015	2014
Salaries and related benefits	138,685,566	134,267,663
Depreciation	20,552,631	24,849,126
Professional fees	19,582,832	12,133,299
Rent	14,456,042	14,280,489
Telephone and fax	7,058,955	7,221,728
Salaries, remunerations and benefits of board of directors (note 7)	5,520,773	18,240,820
Insurance	5,308,012	3,446,312
Repair and maintenance	3,766,048	4,629,401
Governmental expenses	3,441,397	2,744,692
Other receivable provisions	3,246,008	5,730,242
Travel	2,996,162	5,242,921
Computer	2,773,482	2,138,984
Utilities	2,545,598	2,968,450
Stationary	1,113,908	1,103,077
Other	13,536,326	26,013,213
	<b>244,583,740</b>	<b>265,010,417</b>

## 21. Other Income, Net

	2015	2014
Insurance compensations (A)	16,125,480	3,062,460
Deferred consideration settlement (B)	14,661,630	28,822,061
Gains from sale of property, machinery and equipment (C)	13,916,804	25,479,899
Rent income	2,297,577	1,647,895
Scrap and sales sreturns	836,636	741,128
Al-Sharga Electricity and Water Authority (the "Authority") claim (D)	(9,185,400)	-
Other	4,973,541	(5,845,105)
	<b>43,626,268</b>	<b>53,908,338</b>

This represents insurance compensations related to a fire broke out in a warehouse of a subsidiary located in the United Arab Emirates during the fourth quarter of 2014. Such fire caused losses and damages to the subsidiary's assets as noted in (note 22) to the consolidated financial statements.

- This represents the difference between the final settlement of the deferred consideration and its book value as noted in (note 9-A) to the consolidated financial statements.

During the year ended 31 December 2014, the deferred consideration had been revaluated and resulted in a gain of SR 28.8 million that represents the change in the deferred consideration fair value.

- Al-Madina Al-Monawwara Printing and Publishing Company (a subsidiary of Saudi Printing and Packaging Company) sold a land in Jeddah with amount of SR 15.6 million, which resulted in a gain of SR 13.4 million that is included in this caption as of 31 December 2015.

Additionally, the year ended 31 December 2014 included a gain amounted to SR 36.8 million resulted from the sale of land in Jeddah with constructed building on it and scrap machinery owned by Al-Madina Al-Monawwara Printing and Publishing Company (a subsidiary of Saudi Printing and Packaging Company) with net book value of SR 27.2 million. In addition, the Group had sold other machinery and equipment and resulted in losses of SR 11.3 million.

- Emirates National Plastic Industries Company (a wholly-owned subsidiary of Saudi Printing and packaging Company) has received an electricity bill from Al-Sharga Electricity and Water Authority (the "Authority") amounting to SR 11.7 million, that represents claims against differences in invoiced amounts related to prior years and which have not been included in the previously issued paid bills.

The management has assigned an independent consultant to evaluate the accuracy of the invoiced amounts. Furthermore, the management has requested the details of the calculations from the Authority and no response has been delivered as of the consolidated financial statement approval date. According to the legal consultant opinion and management estimates, a provision has been provided against such invoice.

## 22. Extraordinary Losses

During the fourth quarter of 2014, a fire broke out in a warehouse of a subsidiary located in the United Arab Emirates that resulted in losses

and damages to the subsidiary's assets net book values amounted to SR 22.6 million. Such losses had been recorded in the consolidated statement of income for the year ended 31 December 2014. The Group has received the insurance compensations related to such losses and damages during the current year as noted in (note 21) to the consolidated financial statements.

On 26 March 2015, a fire broke out in one of the production lines in Flexible Packaging Company (a subsidiary Company of Saudi Printing and packaging Company) in Jeddah. This accident resulted in partial damaging of machinery, part of inventory and the Company's building. The book value of the damaged assets amounted to SR 26.5 million. The Group's management has sought the technical opinion of the Group's engineering team regarding the damages, and based on the best estimates, the damages resulted from the fire at SR 3.1 million out of which SR 2.7 million allocated to property, machinery and equipment and SR 0.4 million allocated to inventory. Such losses have been charged to the consolidated statement of income. The Company's assets are covered by an insurance policy issued by one of the insurance companies in the Kingdom of Saudi Arabia. The Company is currently completing the necessary formalities related to the insurance claims against damages and losses.

## 23. (Loss) Earning Per Share

(Loss) Earning per share is calculated by dividing (loss) income from main operations and net loss for the year by the number of outstanding shares amounting to 80 million shares.

## 24. Commitments And Contingent Liabilities

As at 31 December, the Group has the following contingent liabilities:

	2015	2014
Letters of credit	31,379,989	80,050,371
Letters of guarantee	8,220,172	20,957,555
Capital commitments	2,182,188	24,609,839

Certain Subsidiaries of the Group are involved in Legal litigation matters in the ordinary course of its business, which are being defended. The ultimate results of these matters cannot be determined with certainty. The management believe that the results of these matters will not have a significant impact on the Group's consolidated financial statements as at 31 December 2015.

# Notes to the Consolidated Financial Statements

## 25. Segmental Information

Segmental 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 segmental results and assets include items that are directly attributable to a certain segment and items that can reasonably be allocated to different segments. Items which could not be allocated to any of the segments are reported under "Other".

The Group is organized into the following main business segments:

1. Publishing: comprises the local and international publishing works, researches, and marketing the products of the Group and third parties.
2. Specialized publishing: comprises the publishing of specialized publications for third parties, issuance licensed international publications, translation services and selling electronic and visual content.
3. Distribution: comprises the local and international distribution of newspapers, magazines, publications, books and the publications of the Group and others.
4. Advertising: comprises the local and international advertising, production, representation and marketing audio visual and readable advertising media, and advertising panels.
5. Printing and packaging: comprises printing works on paper and plastic, commercial posters, in addition to manufacturing of plastic products for the Group and others.
6. Education: comprises the wholesale and retail trading of school supplies, office furniture, installation and maintenance of laboratories, and providing technical, training and educational courses and services.
7. Other: comprises the head office, general management, investing activities and others.

## 25. Segment information - Continued

	Publishing	Specialized Publishing	Distribution	Advertising	Printing and Packaging	Education	Other	Total	Consolidation Eliminations	Total
As at and for the year ended 31 December 2015										
Revenue	494,918,675	24,902,388	43,640,593	323,191,667	1,107,755,393	54,573,521	39,483	2,049,021,720	(509,248,247)	1,539,773,473
Gross profit	78,826,748	8,495,052	2,249,706	25,984,094	232,838,984	(2,850,108)	39,483	345,583,959	(4,650,542)	340,933,417
Net income (Loss)	(83,758,168)	2,029,493	(15,043,071)	2,090,946	21,649,616	(72,569,167)	(2,786,986)	(148,387,337)	(7,464,098)	(155,851,435)
Property, machinery and equipment, net	54,942,533	171,160	12,545,257	15,508,762	1,020,889,226	1,332,924	17,550,375	1,122,940,237	-	1,122,940,237
Intangible assets, net	1,855,309	-	-	-	390,230,436	50,808,068	350,003,227	792,897,040	-	792,897,040
Total assets	508,167,212	14,545,967	68,216,517	112,416,888	2,186,294,041	153,815,227	1,446,277,734	4,489,733,586	(1,430,006,401)	3,059,727,185
Total liabilities	288,809,249	25,277,484	126,438,651	85,253,160	1,252,700,082	152,237,000	330,404,639	2,261,120,265	(447,102,322)	1,814,017,943
As at and for the year ended 31 December 2014										
Revenue	566,995,719	24,685,881	47,537,786	369,365,418	1,232,328,247	71,301,603	207,248	2,312,421,902	(569,154,283)	1,743,267,619
Gross profit	95,556,141	6,955,790	2,093,190	40,775,219	244,446,122	10,367,234	207,248	400,400,944	(6,958,809)	393,442,135
Net income (Loss)	1,536,580	(6,184,083)	(19,718,614)	8,734,413	45,378,698	(37,965,141)	(15,608,492)	(23,826,639)	(15,484,540)	(39,311,179)
Property, plant and equipment, net	126,949,402	217,198	15,045,119	16,183,850	1,032,033,294	1,453,505	17,598,757	1,209,481,125	-	1,209,481,125
Intangible assets, net	3,541,078	-	-	-	390,230,436	94,785,548	350,011,754	838,568,816	-	838,568,816
Total assets	416,820,562	13,972,210	79,020,594	152,755,810	2,282,455,788	243,878,336	1,414,707,857	4,603,611,157	(1,411,023,095)	1,796,792,488
Total liabilities	108,744,363	26,733,219	120,089,188	124,488,778	1,370,720,732	169,141,394	273,734,447	2,193,652,121	(396,859,633)	3,192,588,062

The Group's operating assets are principally located at the Kingdom of Saudi Arabia and Arab United Emirates. The Management believes that is not practically possible to disclose the information of each geographic area.

# Notes to the Consolidated Financial Statements

## 26. Risk Management

### Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including time deposits, term Murabaha financing and loans.

### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than the Saudi Riyals, US Dollars, Sterling Pound and United Arab Emirates Dirham during the year. The management monitors the fluctuation in currency exchange rates and believes that currency risk doesn't have significant impact on the Group during the year.

### Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. It is the Group's policy that all customers who want to deal on the forward basis are subject to verify their creditworthiness. Financial instruments that are subject to concentrations of credit risk consist mainly of bank balances and accounts receivable. The Group deposits its cash balances with a number of financial institutions having grade credit rating, and the Group has a policy to set limits on its balances deposited with each financial institution. The Group does not believe that there are significant risks to non-performance of these institutions. The Group does not consider itself exposed to concentrations of credit risk with respect to receivables due to the diversity of its customers base working in various industries and present in multiple regions.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid in cash on the delivery of goods or credit basis. Trade accounts payables are normally settled within 60 days of the date of purchase.

## 27. 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. The financial assets of the Group consist of bank balances and trade receivables, and its financial liabilities consist of trade payables and loans.

The fair value of bank balances, trade receivables, trade payables and other financial assets and liabilities approximates their carrying value.

## 28. Approval Of Consolidated Financial Statements

The consolidated financial statements have been approved by the board of directors on 13 Jumada Al-ula 1437H (Corresponding to 22 February 2016).

## 29. COMPARATIVE FIGURES

Certain comparative figures of the prior year have been reclassified to conform with the presentation in the current year.