

**NATIONAL METAL MANUFACTURING AND
CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND
AUDITOR'S REPORT (LIMITED REVIEW)
FOR THE THREE MONTH AND SIX
MONTH PERIODS ENDED JUNE 30, 2016**

**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND AUDITOR'S REPORT (LIMITED REVIEW)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2016**

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AUDITOR'S REPORT (LIMITED REVIEW)

To the stockholders of
National Metal Manufacturing and Casting Company
("MAADANIYAH")
Jubail Industrial City
Kingdom of Saudi Arabia

Scope of Review

We have reviewed the interim balance sheet of National Metal Manufacturing and Casting Company ("MAADANIYAH") (Saudi Joint Stock Company) as of June 30, 2016 and the related interim statement of income for the three month and six month periods then ended and the interim statement of cash flows for the six months then ended, and notes 1 to 9 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Result

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

M. A. Al-Amri

Dr. Mohamed A. Al-Amri
Certified Public Accountant
Registration No. 60



July 25, 2016-G
Shawwal 20, 1437-H

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET
AS AT JUNE 30, 2016 (UNAUDITED)

	<u>Notes</u>	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
ASSETS			
Current assets			
Cash and cash equivalents		61,766	34,653
Accounts receivable and prepaid expenses		110,187	115,108
Inventories		122,560	137,697
Total current assets		294,513	287,458
Non-current assets			
Property, plant and equipment		226,298	202,149
Goodwill		45,000	54,521
Intangible assets		392	654
Total non-current assets		271,690	257,324
TOTAL ASSETS		566,203	544,782
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Notes payable		24,851	23,610
Short term loans		-	11,000
Current portion of long term loans	3	15,000	19,200
Zakat provision		9,446	8,400
Accounts payable, accrued expenses and other liabilities		36,300	39,298
Total current liabilities		85,597	101,508
Non-current liabilities			
Long-term loans	3	46,172	27,000
End-of-service benefits		22,096	20,011
Total non-current liabilities		68,268	47,011
Stockholders' equity			
Share capital	1	281,121	281,121
Statutory reserve		24,398	21,464
Retained earnings		106,819	93,678
Total stockholders' equity		412,338	396,263
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		566,203	544,782

The accompanying notes from 1 to 9 form an integral part of these interim financial statements.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2016 (UNAUDITED)

	From April 1 to June 30		From January 1 to June 30	
	2016	2015	2016	2015
	SR'000	SR'000	SR'000	SR'000
Sales	82,074	107,798	161,175	222,564
Cost of sales	(60,464)	(86,687)	(118,097)	(180,100)
Gross profit	21,610	21,111	43,078	42,464
Selling and marketing expenses	(3,997)	(4,795)	(8,441)	(9,329)
General and administrative expenses	(3,856)	(3,422)	(7,818)	(6,688)
Operating income	13,757	12,894	26,819	26,447
Finance charges	(525)	(656)	(1,030)	(1,365)
Other charges	-	(2,205)	-	(2,205)
Other income	480	782	961	1,912
Net income for the period before zakat	13,712	10,815	26,750	24,789
Zakat	(1,760)	(1,400)	(3,280)	(2,900)
NET INCOME FOR THE PERIOD	11,952	9,415	23,470	21,889
Earnings (loss) per share – note 5 (SR)				
Attributable to net income for the period	0.43	0.34	0.83	0.78
Attributable to income from continuing main operations	0.41	0.39	0.80	0.79
Attributable to income (loss) from other operations	0.02	(0.05)	0.03	(0.01)
Weighted average number of shares	28,112,089	28,112,089	28,112,089	28,112,089

The accompanying notes from 1 to 9 form an integral part of these interim financial statements.

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (UNAUDITED)

	2016 SR'000	2015 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before zakat	26,750	24,789
Adjustments for:		
Depreciation	9,546	9,364
Amortization	131	131
Write off of property, plant and equipment	-	2,205
End-of-service benefits	1,429	1,770
Finance charges	1,030	1,365
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	739	(3,679)
Inventories	(3,920)	28,152
Notes payable	8,177	(24,458)
Accounts payable, accrued expenses and other liabilities	1,850	2,654
Net Cash-from operations	45,732	42,293
End-of-service benefits paid	(481)	(632)
Finance charges paid	(861)	(840)
Net cash from operating activities	44,390	40,821
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,296)	(5,322)
Net cash used in investing activities	(26,296)	(5,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of short term loans	(20,102)	(36,230)
Proceeds from short term loans	9,010	26,223
Repayment of long term loans	(7,800)	(4,200)
Proceeds from long term loans	18,334	-
Directors' remuneration paid	(788)	(600)
Dividends paid	(13,996)	(13,727)
Net cash used in financing activities	(15,342)	(28,534)
Net change in cash and cash equivalents	2,752	6,965
Cash and cash equivalents, January 1	59,014	27,688
CASH AND CASH EQUIVALENTS, JUNE 30	61,766	34,653

The accompanying notes from 1 to 9 form an integral part of these interim financial statements.

**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2016 (UNAUDITED)**

1. ORGANIZATION AND ACTIVITIES

National Metal Manufacturing and Casting Company (MAADANIYAH) ("the Company") was incorporated pursuant to Council of Ministerial resolution number 253 dated 13 Rabi 'I, 1411-H (October 2, 1990) and registered as a Saudi Joint Stock Company under commercial registration number 2055002251 dated 16 Jumada 'I, 1411-H (December 3, 1990) issued in Al Jubail. The Company's share capital is SR 281,120,890 divided into 28,112,089 shares of SR 10 each.

The Company has the following branches:

<u>Branch name</u>	<u>Commercial Registration Number</u>	<u>Date</u>
Axles, Foundries and Spare Parts Factory	2050016156	29/5/1406-H
Wire Drawing and related Products factory (ASLAK)	2055013867	28/8/1432-H

The Company and its branches' objectives are as follows:

- Manufacturing of drawn steel wire rod, pre-stressed concrete steel wire strand (PC strand), spring wire, mattress spring wire, strengthening wire strand for electrical power and high and low galvanized steel wire, fasteners, nails, bolts and welding wire.
- Manufacturing of metal castings of various types.
- Manufacturing of axles, various qualities of suspensions and spare parts for trucks, vehicles and equipment.
- Wholesale and retail trade in the Company's products, building materials, industrial materials, including the import and export.
- Ownership of land and property and constructing buildings thereon.
- Ownership of patents and benefiting from them to achieve industrial objectives inside and outside the Kingdom of Saudi Arabia.
- Commercial agencies and representation of local or foreign companies inside and outside the Kingdom of Saudi Arabia.
- Tenders and contracting business.
- Construction of industrial, service and commercial projects inside and outside the Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim financial statements have been prepared in accordance with the generally accepted accounting standards issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Company are summarized as follows:

**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
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Accounting convention

The interim financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of interim financial statements in conformity with generally accepted accounting Standards in the Kingdom of Saudi Arabia requires the use of estimates and the assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The significant areas of estimation uncertainty and critical adjustments in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements are as follows:

- Estimated useful lives and residual values of property, plant and equipment and intangible assets.
- Provision for doubtful debts
- Provisions and accruals
- Provision for inventories

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and highly liquid investments with original maturities of three months or less.

Accounts receivable

Accounts receivable are carried at their original amount less allowance made for doubtful accounts. An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect the debts according to the original terms of accounts receivable. Bad debts are written off when the Company is confident that the amount will no longer be collectible.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for work-in-progress and finished goods, on a weighted average cost basis and includes cost of materials, labour and an appropriate proportion of indirect overheads. All other inventories are valued on a weighted average cost basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the estimated useful life or the remaining term of the lease whichever is shorter.

The estimated useful lives of the principal classes of property, plant and equipment are as follows:

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
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	<u>Years</u>
Property	33
Plant and equipment	25 - 33
Furniture, fixtures and office equipment	5 - 10
Vehicles, forklifts and trolleys	4
Tools and others	3 - 13

When the assets are disposed of the cost and the accumulated depreciation is derecognized from the interim financial statements and the resulting gain loss is taken to interim statement of income.

Goodwill

Goodwill stated in these interim financial statements represents the excess of the acquisition cost over the fair value of the net assets of the acquired company (currently, "the branch") as of the date of acquisition. Goodwill is initially recognized as an asset at the cost and assessed for any impairment annually.

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible asset comprises enterprise resource planning (ERP) system development costs incurred to implement new system and are amortized over 5 years.

Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets are added to the cost of those assets. Other borrowing costs are recorded in the period in which they are incurred.

The loan appraisal fees relate to the loans from Saudi Industrial Development Fund ("SIDF") are amortized over the period of the loans and is being off-set against the outstanding amount of the loans.

Impairment

As of each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized as income immediately.

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Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services when risks and rewards attributable to goods are transferred to the Company or services are received, whether or not billed to the Company.

End-of-service benefits

End-of-service benefits, required by Saudi Arabian labour law, are provided in the interim financial statements based on the employees' length of service.

Zakat

The Company is subject to the regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and is charged to the interim statement of income. The zakat charge estimate is computed for the interim periods and the actual zakat charge is computed at year end and the difference is adjusted in the fourth period. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the interim balance sheet date. Gain or loss from settlement and translation of foreign currency transactions are included in the interim statement of income.

Revenue recognition

Revenue is recognized upon delivery of goods to customers and is stated net of trade or quantity discounts.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the sale and distribution of the Company's products and services. All other expenses are classified as general and administrative expenses. General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to interim statement of income on a straight-line basis over the term of the operating lease.

Segmental Reporting

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

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Statutory Reserve

In accordance with the Regulations for Companies in Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income after recovering any accumulated losses until such reserve equals 50 % of share capital. This reserve is not available for dividend distribution.

3. LONG TERM LOANS

During the period the Company utilized an additional amount of SR 18.3 million from its long term financing facilities with a commercial bank. The total utilized amount as at June 2016 is SR 31.77 million. The repayment will start from 2018.

4. DIVIDENDS

The General Assembly approved during its meeting held on 29/05/2016 G (6/8/1437 H) on the proposal of the Board of Directors to pay dividends for the year 2015 at the rate of SAR 0.5 per share, representing 5% of the nominal share value amounting to SR 14.056 million. Entitlements to the distribution were stockholders on record as at the end of Tadawul dealings on Thursday 29/5/2016G (6/8/1437H). Disbursement commenced on Monday 12/6/2016 G (7/9/1437 H).

5. EARNINGS PER SHARE

The earnings per share is calculated by dividing net income for the period by the weighted average number of outstanding shares.

Earnings per share from continuing main operations is calculated by dividing the operating income less zakat and finance charges for the period by the weighted average number of outstanding shares.

Earnings (loss) per share from other operations is calculated by dividing other income less other charges for the period by the weighted average number of outstanding shares.

6. SEGMENTAL INFORMATION

Business segments: Consistent with the Company's internal reporting process business segments have been approved by management in respect of the Company's activities. Transactions between the business segments are reported as recorded by the Company's transfer pricing system. The Company's revenues, gross profit, property, plant and equipment, total assets and total liabilities, by business segment, are as follows:

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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2016	Transformation Industries SR 000	Engineering and metal forming Industries SR 000	TOTAL SR 000
For the three months ended June 30, 2016			
Sales	64,630	17,444	82,074
Gross profit	20,654	956	21,610
For the six months ended June 30, 2016			
Sales	119,676	41,499	161,175
Gross profit	38,802	4,276	43,078
As of June 30, 2016			
Property, plant and equipment	142,781	83,517	226,298
Total assets	342,020	224,183	566,203
Total liabilities	118,399	35,466	153,865

2015	Transformation Industries SR 000	Engineering and metal forming Industries SR 000	TOTAL SR 000
For the three months ended June 30, 2015			
Sales	81,847	25,951	107,798
Gross profit	18,597	2,514	21,111
For the six months ended June 30, 2015			
Sales	166,055	56,509	222,564
Gross profit	37,091	5,373	42,464
As of June 30, 2015			
Property, plant and equipment	123,060	79,089	202,149
Total assets	305,339	239,443	544,782
Total liabilities	114,326	34,193	148,519

The sales within the Kingdom for the period ended June 30, 2016 amounted to SR 81.8 million (2015: SR 111.3 million), and export sales for the period ended June 30, 2016 amounted to SR 79.4 million (2015: SR 111.3 million).

All of the Company's operating assets are located in the Kingdom of Saudi Arabia.

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7. COMMITMENTS AND CONTINGENCIES

(a) As at June 30, 2016, the Company has outstanding capital commitments amounting to SR 6.7 million related to expansion projects and development of production lines (June 30, 2015 : SR 3.2 million).

(b) As of June 30, the Company's outstanding commitments were as follows:

	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
Letters of credit	<u>27,390</u>	<u>27,651</u>
Letters of guarantee	<u>3,424</u>	<u>2,617</u>

8. RESULTS OF INTERIM PERIOD

The results of the interim period are not an indicator of the results of full year.

9. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Company's management approved the issuance of interim financial statements on July 25, 2016 corresponding to 20 Shawwal 1437-H.
