

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

**INTERIM FINANCIAL STATEMENTS AND  
AUDITOR'S REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS AND NINE  
MONTHS PERIODS ENDED SEPTEMBER 30, 2016**

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

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FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016**

<b><u>INDEX</u></b>	<b><u>PAGES</u></b>
Auditor's report (limited review)	2
Interim balance sheet	3
Interim statement of income	4
Interim statement of cash flows	5
Notes to the interim financial statements	6 - 12



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

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.

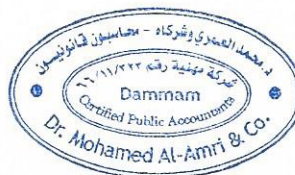
### **Review Result**

Based on our limited 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

Gihad M. Al-Amri  
Certified Public Accountant  
Registration No. 362

October 17, 2016 G  
Muharram 16, 1438 H



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

**INTERIM BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2016 (UNAUDITED)**

	<u>Notes</u>	<u>2016</u> <u>SR'000</u>	<u>2015</u> <u>SR'000</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		60,988	35,270
Accounts receivable and prepaid expenses		98,667	121,444
Inventories		150,521	127,736
<b>Total current assets</b>		<b>310,176</b>	<b>284,450</b>
<b>Non-current assets</b>			
Property, plant and equipment		227,195	203,245
Goodwill		45,000	54,521
Intangible assets		327	589
<b>Total non-current assets</b>		<b>272,522</b>	<b>258,355</b>
<b>TOTAL ASSETS</b>		<b>582,698</b>	<b>542,805</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Notes payable		38,839	22,771
Short term loans		-	12,475
Current portion of long- term loans	3	9,600	19,700
Zakat provision		5,006	4,966
Accounts payable, accrued expenses and other liabilities		43,339	35,496
<b>Total current liabilities</b>		<b>96,784</b>	<b>95,408</b>
<b>Non-current liabilities</b>			
Long-term loans	3	48,758	21,600
End-of-service benefits		22,862	20,604
<b>Total non-current liabilities</b>		<b>71,620</b>	<b>42,204</b>
<b>Stockholders' equity</b>			
Share capital	1	281,121	281,121
Statutory reserve		24,398	21,464
Retained Earnings		108,775	102,608
<b>Total stockholders' equity</b>		<b>414,294</b>	<b>405,193</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>582,698</b>	<b>542,805</b>

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 MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016 (UNAUDITED)**

	<b>From July 1 to September 30</b>		<b>From January 1 to September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
Sales	50,113	95,000	211,288	317,564
Cost of sales	(40,388)	(77,718)	(158,485)	(257,818)
<b>Gross profit</b>	<b>9,725</b>	<b>17,282</b>	<b>52,803</b>	<b>59,746</b>
Selling and marketing expenses	(3,026)	(4,192)	(11,467)	(13,521)
General and administrative expenses	(3,551)	(3,655)	(11,369)	(10,343)
<b>Operating income</b>	<b>3,148</b>	<b>9,435</b>	<b>29,967</b>	<b>35,882</b>
Finance charges	(446)	(540)	(1,476)	(1,905)
Other charges	-	-	-	(2,205)
Other income	474	1,535	1,435	3,447
<b>Net income for the period before zakat</b>	<b>3,176</b>	<b>10,430</b>	<b>29,926</b>	<b>35,219</b>
Zakat	(1,220)	(1,500)	(4,500)	(4,400)
<b>NET INCOME FOR THE PERIOD</b>	<b>1,956</b>	<b>8,930</b>	<b>25,426</b>	<b>30,819</b>
<b>Earnings per share – note 5 (SR)</b>				
Attributable to net income for the period	0.07	0.32	0.90	1.1
Attributable to income from continuing main operations	0.05	0.26	0.85	1.05
Attributable to income from other operations	0.02	0.06	0.05	0.04
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)  
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**INTERIM STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016 (UNAUDITED)**

	<b>2016 SR'000</b>	<b>2015 SR'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before zakat	<b>29,926</b>	35,219
Adjustments for:		
Depreciation	14,751	13,861
Amortization	196	196
Gain from disposal of property, plant and equipment	-	(81)
Write off of property, plant and equipment	-	2,205
End-of-service benefits	2,313	2,710
Finance charges	1,476	1,905
<b>Changes in operating assets and liabilities</b>		
Accounts receivable and prepaid expenses	12,259	(10,014)
Inventories	(31,881)	38,113
Notes payable	22,165	(25,296)
Accounts payable, accrued expenses and other liabilities	8,857	(663)
<b>Net cash-from operations</b>	<b>60,062</b>	<b>58,155</b>
End-of-service benefits paid	(600)	(979)
Zakat paid	(5,661)	(4,934)
Finance charges paid	(1,087)	(1,867)
<b>Net cash from operating activities</b>	<b>52,714</b>	<b>50,375</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(32,399)	(11,024)
Proceeds from sale of property, plant and equipment	-	190
<b>Net cash used in investing activities</b>	<b>(32,399)</b>	<b>(10,834)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short term loans	(20,102)	(47,230)
Proceeds from short term loans	9,010	38,698
Repayment of long term loans	(13,200)	(9,100)
Proceeds from long term loans	20,920	-
Directors' remuneration paid	(788)	(600)
Dividends paid	(14,181)	(13,727)
<b>Net cash used in financing activities</b>	<b>(18,341)</b>	<b>(31,959)</b>
Net change in cash and cash equivalents	1,974	7,582
Cash and cash equivalents, January 1	59,014	27,688
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>60,988</b>	<b>35,270</b>

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

**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

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**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:



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016  
(UNAUDITED)**

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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:



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016**  
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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 off, 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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**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016**  
**(UNAUDITED)**

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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 laws, are provided in the interim financial statements based on the employees' length of service.

**Zakat**

The Company is subject to the regulations of the General Authority of Zakat and Income Tax ("GAZT") 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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**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016**  
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**Statutory Reserve**

In accordance with 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 20.92 million from its long term financing facilities with a commercial bank. The total utilized amount against this financing facility as at September 30, 2016 is SR 34.36 million .The repayment will start from the year 2018.

**4. DIVIDENDS**

On the proposal of the Board of Directors, the General Assembly during its meeting held on 29/5/2016 G (11/7/1437 H), approved to pay dividends for 2015 at the rate of SR 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 Sunday 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 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:



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2016**  
**(UNAUDITED)**

	Transformation Industries SR 000	Engineering and metal forming Industries SR 000	TOTAL SR 000
<b>2016</b>			
<b>For the three months ended</b>			
<b>September 30, 2016</b>			
Sales	37,772	12,341	50,113
Gross profit	10,083	(358)	9,725
<b>For the nine months ended September 30,</b>			
<b>2016</b>			
Sales	157,448	53,840	211,288
Gross profit	48,885	3,918	52,803
<b>As of September 30, 2016</b>			
Property, plant and equipment	145,216	81,979	227,195
Total assets	358,215	224,483	582,698
Total liabilities	129,523	38,881	168,404
	Transformation Industries SR 000	Engineering and metal forming Industries SR 000	TOTAL SR 000
<b>2015</b>			
<b>For the three months ended</b>			
<b>September 30, 2015</b>			
Sales	73,968	21,032	95,000
Gross profit	17,392	(110)	17,282
<b>For the nine months ended September 30,</b>			
<b>2015</b>			
Sales	240,024	77,540	317,564
Gross profit	54,483	5,263	59,746
<b>As of September 30, 2015</b>			
Property, plant and equipment	122,299	80,946	203,245
Total assets	308,417	234,388	542,805
Total liabilities	108,714	28,898	137,612

The sales within the Kingdom for the period ended September 30, 2016 amounted to SR 103.8 million (2015: SR 159.1 million), and export sales for the period ended September 30, 2016 amounted to SR 107.5 million (2015: SR 158.4 million).

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

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

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**7. CONTINGENCIES AND COMMITMENTS**

- (a) As of September 30, the Company's outstanding contingencies and commitments were as follows:

	<b>2016</b> <b>SR'000</b>	<b>2015</b> <b>SR'000</b>
Letters of credit	<b>2,516</b>	21,636
Letters of guarantee	<b>2,747</b>	2,613

- (b) As at September 30, 2016, the Company has outstanding capital commitments amounting to SR 4.1 million related to expansion projects and development of production lines (September 30, 2015 : SR 25 million).

**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 these interim financial statements on October 17, 2016 corresponding to Muharram 16, 1438.

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