

**NATIONAL METAL MANUFACTURING AND
CASTING COMPANY (MAADANIYAH)**
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS (UNAUDITED) AND
AUDITORS' LIMITED REVIEW REPORT**

**FOR THE THREE AND SIX MONTHS PERIOD ENDED
30 JUNE 2012**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(A SAUDI JOINT STOCK COMPANY)**


Scope of limited review:

We have reviewed the accompanying interim balance sheet of National Metal Manufacturing and Casting Company (MAADANIYAH) - A Saudi Joint Stock Company (the "Company") as at 30 June 2012 and the related interim statements of income for the three months and six months period ended 30 June 2012 and the interim statements of cash flows for the six months period then ended. These interim financial statements have been prepared by the Company and submitted to us together with the 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). The limited review consists principally of applying analytical procedures to financial data and information 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.

Conclusion of limited review:

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

for Ernst & Young


Abdulaziz Saud Alshubaili
Certified Public Accountant
Registration No.339

21 Sha'ban 1433H
11 July 2012

AlKhobar



National Metal Manufacturing and Casting Company (MAADANIYAH)

(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UNAUDITED)

As At 30 June 2012

	Note	30 June 2012 SR "000"	30 June 2011 SR "000"
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		21,395	25,839
Accounts receivable and prepayments		102,774	82,401
Inventories		137,654	147,576
TOTAL CURRENT ASSETS		261,823	255,816
NON CURRENT ASSETS			
Property, plant and equipment		188,669	195,377
Goodwill		61,921	61,921
Prepaid financing costs		1,619	2,289
TOTAL NON CURRENT ASSETS		252,209	259,587
TOTAL ASSETS		514,032	515,403
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals		28,817	26,887
Notes payable		40,410	46,698
Short term loans		16,860	17,624
Current portion of term loans		17,424	13,548
Provision for zakat		4,536	4,394
TOTAL CURRENT LIABILITIES		108,047	109,151
NON CURRENT LIABILITIES			
Term loans		33,091	40,468
Employees' terminal benefits		15,272	13,652
TOTAL NON CURRENT LIABILITIES		48,363	54,120
TOTAL LIABILITIES		156,410	163,271
SHAREHOLDERS' EQUITY			
Share capital	1	281,121	255,564
Statutory reserve	1	17,731	30,072
Retained earnings	1	58,770	66,496
TOTAL SHAREHOLDERS' EQUITY		357,622	352,132
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		514,032	515,403

The accompanying notes form an integral part of these interim financial statements.

National Metal Manufacturing and Casting Company (MAADAIYAH)

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three and six months period ended 30 June 2012

	<i>For the three months period ended 30 June</i>		<i>for the six months period ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>	<i>SR "000"</i>
Sales	109,400	96,903	204,751	186,524
Cost of sales	(98,646)	(85,128)	(184,341)	(166,327)
GROSS PROFIT	10,754	11,775	20,410	20,197
EXPENSES				
Selling and distribution	(3,116)	(3,391)	(5,785)	(6,103)
General and administration	(3,545)	(3,840)	(6,753)	(7,133)
INCOME FROM MAIN OPERATIONS	4,093	4,544	7,872	6,961
Other income	564	76	1,347	578
Financial charges	(628)	(661)	(1,342)	(1,419)
INCOME BEFORE ZAKAT	4,029	3,959	7,877	6,120
Zakat	(955)	(1,551)	(1,955)	(2,501)
NET INCOME FOR THE PERIOD	3,074	2,408	5,922	3,619
EARNINGS PER SHARE (SR)				
Attributable to income from main operations	0.15	0.16	0.28	0.25
Attributable to net income for the period	0.11	0.09	0.21	0.13
Weighted average number of shares outstanding (in thousands) (note 1)	28,112	28,112	28,112	28,112

The accompanying notes form an integral part of these interim financial statements.

National Metal Manufacturing and Casting Company (MAADANIYAH)

(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2012

	<i>For the six months period ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>SR "000"</i>	<i>SR "000"</i>
OPERATING ACTIVITIES		
Income before zakat	7,877	6,120
Adjustments for:		
Depreciation of property, plant and equipment	7,813	7,845
Amortization of prepaid financing costs	335	335
Provision for employees' terminal benefits	1,232	912
Financial charges	1,342	1,419
Loss on disposal of property, plant and equipment	8	-
	<u>18,607</u>	<u>16,631</u>
Changes in operating assets and liabilities:		
Receivables	(15,879)	(21,194)
Inventories	30,755	34,265
Payables	(9,077)	9,592
	<u>24,406</u>	<u>39,294</u>
Cash from operations		
Financial charges paid	(1,342)	(1,419)
Zakat paid	(3,597)	(9,171)
Employees' terminal benefits paid	(556)	(307)
	<u>18,911</u>	<u>28,397</u>
Net cash from operating activities		
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(2,479)	(5,749)
Proceed from disposal of property, plant and equipment	24	-
	<u>(2,455)</u>	<u>(5,749)</u>
Net cash used in investing activity		
FINANCING ACTIVITIES		
Repayment of term loans	(7,957)	(6,591)
Proceeds from term loans	10,047	13,960
Proceeds from short term loans	45,775	33,617
Repayment of short term loans	(55,015)	(49,325)
	<u>(7,150)</u>	<u>(8,339)</u>
Net cash used in financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS	<u>9,306</u>	<u>14,309</u>
Cash and cash equivalents at the beginning of the period	12,089	11,530
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>21,395</u></u>	<u><u>25,839</u></u>

The accompanying notes form an integral part of these interim financial statements.

National Metal Manufacturing and Casting Company (MAADANIYAH) (A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

30 June 2012

1 ACTIVITIES

National Metal Manufacturing and Casting Company (MAADANIYAH) (the "Company") was incorporated in accordance with the Ministerial Resolution number 253 dated 13 Rabi' I, 1411H (corresponding: October 2, 1990) and registered as a Saudi Joint Stock company under commercial registration number 2055002251 dated 16 Jumada' I, 1411H (corresponding: December 3, 1990) issued in Al Jubail. The share capital of the Company was amounting to SR 255,564,450 and was divided into 25,556,445 shares of SR 10 each.

The shareholders of the Company, during their Extraordinary General Assembly meeting held on 24 April 2012, have approved the recommendation of the Board of Directors to increase the Company's Capital by capitalising a portion of retained earnings and a portion of statutory reserve amounting to SR 12,896,685 and SR 12,659,755, respectively. The capital increased by way of distributing bonus shares at 1 share for each 10 shares to the shareholders registered in the Company's shareholders' register at the close of the Extraordinary General Assembly business day. As a result, the capital increased from SR 255,564,450 to SR 281,120,890, and is divided into 28,112,089 shares of SR 10 each.

The earnings per share for the comparative figures of 2011 has been adjusted retrospectively to account for the effect of the bonus shares issued as required by the relevant accounting standards.

Certain legal formalities in respect of the corresponding increase are still in progress.

The Company has the following branch:

Branch name	Commercial registration number	Date
Axels, Foundries and Spare parts	2050016156	29/5/1406 H

The Company is engaged in the following activities:

- Manufacturing of drawn steel wire rod, pre-stressed concrete steel wire strand (PC strand), spring wire, matters spring wire, strengthening wire strand for electrical power and high and low galvanized steel wire, fasteners, nails, bolts and welding wire.
- Manufacturing of metal casting 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 abroad.
- Ownership of land and property and constructing buildings on them.
- Ownership of patents and their use to achieve industrial objectives inside and outside the Kingdom of Saudi Arabia.
- Tenders and contracting business.
- Commercial agencies of local or foreign companies inside and outside the Kingdom of Saudi Arabia.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted, which are consistent with those used in the preparation of the annual financial statements, are as follows:

Accounting convention

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

National Metal Manufacturing and Casting Company (MAADAIYAH)

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
30 June 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of interim 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 interim financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash in hand, and term deposits that are readily convertible into known amounts of cash and have original maturities period of three months or less.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the account receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value, with due allowance for obsolete or slow moving items. Cost is determined as follows:

Raw materials, consumables and spare parts	- purchase cost on a weighted average basis.
Production in progress and finished products	- cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Property, plant and equipment

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate 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.

Leasehold improvements/assets are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

Expenditure for repair and maintenance are charged to interim statement of income. Improvements that increase the value or the materially extend the useful life of the related assets are capitalised.

Prepaid financing cost

The appraisal fees for Saudi Industrial Development Fund (SIDF) which was paid in advance for obtaining the (SIDF) loan are deferred and amortised over the remaining loan period. These costs are presented in the interim balance sheet as prepaid financing cost under non-current assets.

Goodwill

Goodwill is measured at cost being the excess of the cost of the interest acquired in an entity over the entity's interest in the fair value of the net assets of the acquired entity. Following initial recognition, the goodwill is measured at cost less any impairment losses.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

Zakat

Zakat is provided for in the interim financial statements based on the period share of the estimated zakat for the whole year. Differences between the estimated zakat for the interim period and the zakat provision that is calculated based on the detailed calculation of the zakat base at year end are accounted for at that time.

Provisions

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

Employees' terminal benefits

Provision is made for amounts payable at the interim balance sheet date in accordance with the employees' contracts of employment.

Revenue recognition

Revenue is recognised when goods are delivered or services are rendered to customers, net of discounts.

Foreign currencies

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

Expenses

Selling and distribution expenses are those that specifically relate to marketing personnel, advertisements, promotions. All other expenses, other than cost of sales and financial charges, are classified as general and administration expenses.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the statement of income.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing the income from main operations for the period by the number of shares outstanding at period end.

Earnings per share attributable to net income is calculated by dividing the net income for the period by the number of shares outstanding at period end.

Segmental analysis

A segment is a distinguishable component of the Company that is either engaged 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 other segments.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each interim balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the interim statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the interim statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Fair values

The fair values of commission bearing items are estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Operating lease

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

Results of the interim period

The Company has made all necessary adjustments which are important in order to present fairly in all material respects the interim financial position and results of operations. The interim financial results may not be considered an accurate basis for the actual results for the whole year.

National Metal Manufacturing and Casting Company (MAADAIYAH)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 June 2012

3 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 sales, gross profit and net assets, by business segment, are as follows:

	<i>Transformation industries SR "000"</i>	<i>Engineering and metal forming industries SR "000"</i>	<i>Total SR "000"</i>
<u>2012:</u>			
<i>for the three months period ended 30 June 2012</i>			
Sales	78,074	31,326	109,400
Gross profit for the period	7,477	3,277	10,754
<i>for the six months period ended 30 June 2012</i>			
Sales	142,058	62,693	204,751
Gross profit for the period	13,760	6,650	20,410
<i>as of 30 June 2012</i>			
Net assets	218,523	139,099	357,622
<u>2011:</u>			
<i>for the three months period ended 30 June 2011</i>			
Sales	70,263	26,640	96,903
Gross profit for the period	9,344	2,431	11,775
<i>for the six months period ended 30 June 2011</i>			
Sales	138,223	48,301	186,524
Gross profit for the period	16,007	4,190	20,197
<i>as of 30 June 2011</i>			
Net assets	210,239	141,893	352,132

Geographical segments:

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

4 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.