SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014

WITH
INDEPENDENT AUDITOR'S REPORT

SAUDI STEEL PIPES COMAPNY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
Saudi Steel Pipes Company
A Saudi Joint Stock Company
Dammam, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Saudi Steel Pipes Company (the "Company") which comprise the consolidated balance sheet as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes (1) through (29) which form an integral part of the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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

1) present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No. 352

كي بي إم جي الفوزان والسدحان
محاسبون ومراجعون قانونيون
KPMG
C.R 323/11/46/2
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

Al Khobar, 24 February 2015G
Corresponding to: 5 Jumada Al-Awwal 1436H

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014
(Expressed in Saudi Riyals)

	Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	4, 17	**5,458,770**	37,123,138
Deposits with banks	5	**16,500,000**	16,500,000
Accounts receivable, net	6	**94,327,506**	155,653,091
Due from related parties	7	**6,902,902**	6,770,037
Inventories	8	**403,549,527**	281,499,790
Prepayments and other assets	9	**14,743,384**	21,116,799
Total current assets		**541,482,089**	518,662,855
Non-current assets			
Property, plant and equipment	10	**431,512,257**	403,128,494
Constructions under progress	11	**282,978,670**	260,365,826
Intangible assets	12	**16,181,121**	18,447,482
Prepayments and other assets	9	**11,315,970**	10,994,401
Loan to an associate	13	**26,250,000**	26,250,000
Investment in associates	14	**88,925,835**	106,097,406
Total non-current assets		**857,163,853**	825,283,609
Total assets		**1,398,645,942**	1,343,946,464
LIABILITIES			
Current liabilities			
Accounts payable		**143,176,387**	55,650,284
Accrued expenses and other liabilities	15	**17,304,784**	22,988,133
Due to related parties	7	**4,857,237**	107,130
Provision for Zakat and Income Tax	16	**16,354,582**	17,404,184
Bank overdrafts	17, 4	**210,946**	-
Short-term loan	18	**32,827,604**	30,000,000
Current portion of long-term loans	19	**78,270,244**	12,648,000
Total current liabilities		**293,001,784**	138,797,731
Non-current liabilities			
Long-term loans	19	**251,365,781**	372,703,440
Employees' end of service benefits	20	**47,705,359**	38,138,056
Total non-current liabilities		**299,071,140**	410,841,496
Total liabilities		**592,072,924**	549,639,227
SHAREHOLDERS' EQUITY			
Share capital	1	**510,000,000**	510,000,000
Share premium		**220,322,384**	220,322,384
Statutory reserve	21	**54,976,052**	52,035,706
Treasury shares (employee share ownership program)	22	**(11,842,600)**	(13,356,250)
Retained earnings		**29,605,734**	15,705,397
Equity attributable to shareholders of the Company		**803,061,570**	784,707,237
Non-controlling interest		**3,511,448**	9,600,000
Total shareholders' equity		**806,573,018**	794,307,237
Total liabilities and shareholders' equity		**1,398,645,942**	1,343,946,464

The consolidated financial statements appearing on pages (1) to (22) were approved by the Board of Directors on 24 February 2015G, corresponding to 5 Jumada Al-Awaal 1436H and have been signed on its behalf:

Riyadh Al Rabiah	**Ahmed Al Debasi**	**Abdulhamid El Shazli**
Vice-Chairman & Managing Director	Chief Executive Officer	Finance Manager

The accompanying notes 1 through 31 form an integral part of these consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Saudi Riyals)

	Note	2014	2013
Sales		**857,993,624**	839,336,193
Cost of sales		**(760,744,154)**	(708,268,657)
Gross profit		**97,249,470**	131,067,536
Selling and marketing expenses	23	**(21,473,262)**	(21,578,561)
General and administrative expenses	24	**(30,295,629)**	(26,241,272)
Operating income		**45,480,579**	83,247,703
Financial charges	25	**(5,115,622)**	(1,796,068)
Other income / (expenses) net		**121,521**	(1,046,431)
Share of net loss in investment in an associate	14	**(17,171,571)**	(957,177)
Net income for the year		**23,314,907**	79,448,027
Net income attributable to:			
Shareholders of the Company		**29,403,459**	79,448,027
Non-controlling interests		**(6,088,552)**	-
Net income for the year		**23,314,907**	79,448,027
Earnings per share from net income			
Basic	28	**0.582**	1.574
Diluted	28	**0.576**	1.558
Earnings per share from operating income:			
Basic	28	**0.900**	1.650
Diluted	28	**0.892**	1.632

The accompanying notes 1 through 31 form an integral part of these consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Saudi Riyals)

	Note	2014	2013
Cash flows from operating activities:			
Net income for the year		**23,314,907**	79,448,027
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10	**29,605,666**	23,897,899
Amortization	12	**2,690,486**	90,700
Gains from sale of property, plant and equipment		**(44,256)**	(98,298)
Employees' end of service benefits charged during the year	20	**10,740,418**	6,240,668
Company's share of associate losses	14	**17,171,571**	957,177
Share based expenses - (employee share ownership program)		**1,513,650**	2,317,200
		84,992,442	112,853,373
Changes in operating assets and liabilities:			
Accounts receivable		**61,325,585**	24,274,501
Related party balances, net		**4,617,243**	(11,886,891)
Inventories		**(122,049,737)**	(36,871,532)
Prepayments and other assets		**6,051,844**	(14,322,451)
Accounts payable		**87,526,103**	(29,662,929)
Accrued and other liabilities		**(5,683,348)**	10,531,836
Zakat and income tax paid		**(13,612,378)**	(8,312,589)
		103,167,754	46,603,318
Employees end of service benefits paid		**(1,173,115)**	(870,134)
Net cash provided by operating activities		**101,994,639**	45,733,184
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(19,706,800)**	(19,855,122)
Proceeds from sale of property, plant and equipment		**323,592**	158,508
Additions to intangible assets	12	**(424,125)**	(13,156,347)
Additions to constructions under progress	11	**(61,174,809)**	(181,818,720)
Investment in associates		**-**	(7,000,000)
Net cash used in investing activities		**(80,982,142)**	(221,671,681)
Cash flows from financing activities:			
Bank overdrafts		**210,946**	-
Proceeds from loans during the year		**118,209,780**	301,824,639
Repayments of loans during the year		**(171,097,591)**	(50,167,000)
Dividends paid		**-**	(76,500,000)
Net cash provided by financing activities		**(52,676,865)**	175,157,639
Net change in cash and cash equivalents		**(31,664,368)**	(780,858)
Cash and cash equivalents at the beginning of the year		**37,123,138**	37,903,996
Cash and cash equivalents at the end of the year	4	**5,458,770**	37,123,138

Supplemental schedule of non-cash information:

		2014	2013
Transfer of constructions under progress to property, plant and equipment		**38,561,965**	17,651,378

The accompanying notes 1 through 31 form an integral part of these consolidated financial statements.

SAUDI STEEL PIPES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Saudi Riyals)

	Share capital	Share premium	Statutory reserve	Treasury shares (Employee Share ownership program)	Retained earnings (restated)	Equity attributable to shareholders of the Company	Non-controlling interests	Total
1 January 2013 (Restated)	510,000,000	219,447,384	44,090,903	(14,798,450)	34,575,271	793,315,108	9,600,000	**802,915,108**
Net income for the year ended 31 December 2013	-	-	-	-	79,448,027	79,448,027	-	**79,448,027**
Provision for Zakat & income taxes		-	-	-	(13,873,098)	(13,873,098)	-	**(13,873,098)**
Dividends	-	-	-	-	(76,500,000)	(76,500,000)	-	**(76,500,000)**
Transfer to statutory reserve	-	-	7,944,803	-	(7,944,803)	-	-	**-**
Premium on reacquisition of shares	-	875,000	-	-	-	875,000	-	**875,000**
Shares issued to employees	-		-	2,317,200	-	2,317,200	-	**2,317,200**
Reacquired shares appropriate to employee share ownership program	-	-	-	(875,000)	-	(875,000)	-	**(875,000)**
31 December 2013	510,000,000	220,322,384	52,035,706	(13,356,250)	15,705,397	784,707,237	9,600,000	**794,307,237**
Net income for the year ended 31 December 2014	-	-	-	-	**29,403,459**	**29,403,459**	**(6,088,552)**	**23,314,907**
Provision for Zakat & income taxes	-	-	-		**(12,562,776)**	**(12,562,776)**	-	**(12,562,776)**
Transfer to statutory reserve	-	-	**2,940,346**	-	**(2,940,346)**	-	-	-
Shares issued to employees	-	-	-	**1,513,650**	-	**1,513,650**	-	**1,513,650**
31 December 2014	**510,000,000**	**220,322,384**	**54,976,052**	**(11,842,600)**	**29,605,734**	**803,061,570**	**3,511,448**	**806,573,018**

The accompanying notes 1 through 31 form an integral part of these consolidated financial statements.

(Expressed in Saudi Riyals)

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Steel Pipes Company (referred hereinafter as the "Company") is a Saudi Arabian company originally incorporated as limited liability Company registered under the Commercial Registration Number 9144 dated 27 Rajab 1400H (10 June 1980G) in the City of Dammam, Kingdom of Saudi Arabia.

In year 2008, the Company's legal status has been transformed from limited liability to closed joint stock company. The Company's subscribed capital stock has been increased from 1,200,000 shares (at SR 100 per share) to 35,000,000 shares (at SR10 per share). Such increases were taken from the Company's retained earnings and were effective from the issuance of Ministerial Resolution No. F-187 on 3 Jumada Al-Thani 1429H (7 June 2008G) and amended Commercial Registration No. 9144 dated 14 Jumada Al-Thani1429H (18 June 2008G).

The principal activities of the Company are the manufacturing of black and galvanized steel pipes, production of ERW/HFI galvanized and threaded steel pipes and seamless pipes, pipes with three layer external coating by Polyethylene and Polypropylene in different diameters, pipes with epoxy coating inside, bended pipes in different diameters, space frame, and submerged arc welded pipes.

The Company's registered office is located at the following address:

P.O.Box 11680 Dammam 31463
Kingdom of Saudi Arabia

On 27 June 2009, the Company offered to the public 16,000,000 new shares to increase its capital by 31.4% of the total share capital outstanding at that time at an initial public offering of SR 25 per share with a nominal value of SR 10 per share. The Company's authorized and issued share after the initial public offering is 51 million shares at SR 10 per share held by the following shareholders as at 31 December 2014:

Shareholders	Nationality	Number of Shares	Share Capital	Percentage Owned
Rabiah & Nassar Group	Saudi	20,403,075	204,030,750	40.01%
Hu Steel Co. Ltd.	South Korean	8,350,650	83,506,500	16.37%
Khalid Saleh Abdul Rahman Al Shathri	Saudi	3,268,141	32,681,410	6.41%
Al-Khorayef Sons Co.	Saudi	2,626,902	26,269,020	5.15%
Fahad Mohammed Saja	Saudi	1,391,775	13,917,750	2.73%
Ahmed Mubarak Al-Debasi	Saudi	321,000	3,210,000	0.63%
Employee Share Program	Saudi/Non Saudi	473,704	4,737,040	0.93%
Public Free Float	Saudi/Non Saudi	14,164,753	141,647,530	27.77%
Total		**51,000,000**	**510,000,000**	**100%**

Titanium and Steel Manufacturing Company Limited (referred hereinafter as the "Subsidiary") was formed in 2010 to produce stationary process equipment such as heat exchangers and pressure vessels. The Subsidiary's total share capital is SR 32 million of which Saudi Steel Pipes owns 70%. The remaining 30% is owned by TSM Tech Company, a South Korean company registered in Ulsan City, South Korea. The commercial production started on the first quarter of 2014.

2 BASIS OF PREPARATION

a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the relevant Saudi Laws and Regulations.

The consolidated financial statements were authorized for issue by the Board of Directors on 24 February 2015.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting and the going concern concept.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company.

d) Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although estimates and judgments are made applying the best information currently available to management, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. In particular, information about significant areas of estimated uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements are described in the following notes:

Note 10 - Estimated useful lives of property, plant and equipment
Note 16 - Provision for Zakat and Income Tax
Note 20 - Provision for employees' end of service benefits
Note 30 - Financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

3.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary set forth in Note 1. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, if any, are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases.

All balances resulted from financials transactions between the Company and its Subsidiary are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from transactions between the Company and its Subsidiary are eliminated on consolidation.

(Expressed in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, with banks and other short-term highly liquid investments with maturities of three months or less from the acquisition date, if any. The statement of Cashflow has been prepared using the indirect method.

3.3 Accounts receivable

Accounts receivable are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Company will not be able to collect any of the amounts due according to the original terms of the invoice. Such provision is charged to the consolidated statement of income and reported.When accounts receivable are uncollectible, they are written-off against the provision for doubtful accounts. Any subsequent recoveries of amounts previously written-off are credited against "other revenues" in the consolidated statement of income.

3.4 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on the weighted-average method. The cost of finished goods includes the cost of raw materials, direct labor and manufacturing overheads. Consuamble spare parts are recognized as inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

3.5 Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Company's share of income and expenses and equity movement of the equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. The Company's share of profits or losses of the investee companies is credited or charged to the consolidated Statement of Income.

3.6 Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the consolidated statement of income when incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment as follows:

Category of Asset	Number of Years
• Machineries and equipment	5 – 15
• Building and structures	25 – 33
• Vehicles	4
• Furniture and fixture	4
• Office equipment	4

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment's item being disposed and is recognized net within "other income" in the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Construction under progress

Constructions under progress represents the accumulated costs incurred by the company in relation to the construction of its building and structures, manufacturing plant and facilities. Cost incurred for the construction of property, plant and equipments are initially charged to the construction under progress then these expenses are transferred to property, plant and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

3.8 Intangible assets

Pre-operating costs includes all costs and expenses incurred during the pre-operating stage which have future economic benefits. Such costs are amortized using the straight-line method over the related economic benefit periods not exceeding five years. The pre-operating costs related to the Company's subsidiaries set forth in note (1).

3.9 Impairment of assets

Financial assets

A financial asset is assessed at each annual reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non- financial assets

The carrying amounts of non-financial assets of the Company, except inventories, assets held for sale and assets resulting from construction contracts, if any, are reviewed at the date of the financial statements to ascertain whether there is an event or changes in circumstances indicating that the carrying amount of an asset exceeds its recoverable amount.

When such indicator exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. The impairment calculated as the difference between the carrying amount and estimated recoverable amount, discounted using the effective interest rate.

A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in respect of cash- generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

Impairment losses in respect of other intangible assets in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Treasury shares (Employee share ownership program - ESOP)

The ESOP is an employee benefit plan that designates a specific number of shares in order to distribute them among the Company's employees who are in service at the time of the initial public offering of the Company's stocks. The Company purchases treasury shares to support this account. Those shares are allocated to employees in three different categories namely; free, credit and cash basis. Additionally, a portion of the designated stocks would be reserved for future employees as well as for rewarding employees with free shares against service years.

3.11 Foreign currency translation

The consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Company. Foreign currency transactions are translated into Saudi Riyals at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect their Saudi Riyals equivalents as of the balance sheet date. Exchange adjustments are charged or credited to the statement of income.

3.12 Provision for Employees' end of service benefits

Employee's end of service benefits are accrued in accordance with the labor and workman laws of Saudi Arabia, and charged to the consolidated statement of income. Regarding the consolidated entity which did not start operation yet, provision is charged to its intangible assets - pre operating expenses. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

3.13 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods received and services rendered, whether or not billed to the Group.

3.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Revenue recognition

Revenue from sales is recognized upon delivery or shipment of products to customers and it is recorded net of returns, trade discounts and volume rebates.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- There is sufficient expectation that economic benefits will flow to the company; and
- It is probable that the costs that are charged or will be charged to the company with the transaction can be accurately determined.

Other revenues are recognized according to the accrual basis.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Expenses

Selling, markting, general and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting standards. Allocations between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

3.17 Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products, 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. Because the management views the whole activities of the Company as one operating segment, reporting is provided by geographical segments only.

3.18 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

(Expressed in Saudi Riyals)

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December comprise of the following:

	2014	2013
Cash at banks	**5,066,770**	36,745,138
Cash on hand	**392,000**	378,000
	5,458,770	37,123,138

5 DEPOSITS WITH BANKS

Deposits with banks as at 31 December are as follows:

	2014	2013
Deposits with banks*	**16,500,000**	16,500,000
	16,500,000	16,500,000

* These deposits with banks represent interest free deposits which are held in local banks for the purpose of providing the Company's customers with interest free credit to buy Company products. These customers are granted the same prices charged to cash customers. The Customers are evaluated and chosen by the bank.

6 ACCOUNTS RECEIVABLE, NET

Accounts receivable, net as at 31 December are as follows:

	2014	2013
Accounts receivable	**94,479,300**	155,804,885
Less: Provision for doubtful debts	**(151,794)**	(151,794)
	94,327,506	155,653,091

7 RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its business, the Company deals with its related parties, which include sister companies and other entities. These transactions are dealt with on agreed terms, these terms and conditions of such transactions are approved by the Company's management. The significant Related parties are listed as follows:

Name of entity	Relationship
Rabiah & Nassar Group	Shareholder
Al – Khorayef Sons Co.	Shareholder
Saudi Pan Gulf – Fahad Mohammed Saja	Shareholder
Hu Steel Co., Ltd.	Shareholder
Global Pipes Company	Associate
TSM Tech. Korea	Shareholder in subsidiary

During the year ended 31 December the Company had the following significant transactions with its related parties.

Related Party	Nature of transactions	2014	2013
Rabiah & Nassar Group	Sales	**7,930,139**	5,917,100
AL-Khorayef Sons Company	Sales	**1,908,341**	1,852,758
	Purchases	**3,913,976**	1,917,279
Saudi Pan Gulf Company	Sales	**14,507,182**	9,543,800
	Purchases	**881,412**	-
Hu Steel Company, Ltd.	Purchases	-	723,543
Global Pipes Company	Subordinated loan paid	-	12,250,000
TSM Tech. Korea	Expenses and constructions	**5,784,368**	-

(Expressed in Saudi Riyals)

7 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The transactions with related parties resulted in the following balances as at 31 December:

7.1) Due from related parties

	2014	2013
Saudi Pan Gulf - Fahad Mohammed Saja	4,164,497	3,793,096
Rabiah & Nassar Group	2,047,185	2,149,182
AL-Khorayef Sons Co.	691,220	827,759
	6,902,902	6,770,037

7.2) Due to related parties

	2014	2013
TSM Tech Korea	3,855,251	-
Al Khorayef Industries Co.	887,890	-
Hu Steel Company, Ltd.	114,096	107,130
	4,857,237	107,130

8 INVENTORIES

Inventories as at 31 December comprise of the following:

	2014	2013
Raw materials	249,600,644	150,808,085
Finished goods and by-products	82,912,808	54,925,963
Spare parts and supplies	41,589,510	34,956,858
Work in-process	23,632,427	19,358,270
Materials in-transit	5,814,138	21,450,614
	403,549,527	281,499,790

9 PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets as at 31 December comprise of the following:

	2014	2013
Employee loans	18,483,418	17,290,841
Advance payments	5,507,766	12,928,425
Prepaid expenses	1,653,889	1,238,439
Others	414,281	653,495
	26,059,354	32,111,200
Presented in the balances sheet as follow:		
Current portion shown under current assets	14,743,384	21,116,799
Non-current portion shown under non-current assets	11,315,970	10,994,401
	26,059,354	32,111,200

(Expressed in Saudi Riyals)

10 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year ended 31 December 2014 comprise of the following:

	Land	Machinery and equipments	Building and structures	Vehicles	Furniture and fixtures	Office and electrical equipments	Total
Cost							
Balance at 1 January 2014	157,850,000	383,714,439	101,109,309	5,425,975	3,492,041	17,457,391	669,049,155
Additions for the year	-	**11,409,467**	**3,058,326**	**732,750**	**546,439**	**3,959,818**	**19,706,800**
Transfers from constructions under progress	-	**1,562,539**	**36,999,426**	-	-	-	**38,561,965**
Disposals for the year	-	-	-	**(1,005,300)**	-	-	**(1,005,300)**
Balance at 31 December 2014	**157,850,000**	**396,686,445**	**141,167,061**	**5,153,425**	**4,038,480**	**21,417,209**	**726,312,620**
Accumulated Depreciation							
Balance at 1 January 2014	-	**194,704,121**	**52,894,040**	**3,002,816**	**2,803,914**	**12,515,771**	**265,920,661**
Charges for the year*	-	**21,132,214**	**5,373,171**	**735,959**	**300,489**	**2,063,833**	**29,605,666**
Disposals for the year	-	-	-	**(725,964)**	-	-	**(725,964)**
Balance at 31 December 2014	-	**215,836,335**	**58,267,211**	**3,012,811**	**3,104,402**	**14,579,604**	**294,800,363**
Net Book Value							
At 31 December 2014	**157,850,000**	**180,850,110**	**82,899,850**	**2,140,613**	**934,078**	**6,837,605**	**431,512,257**
At 31 December 2013	157,850,000	189,010,318	48,215,269	2,423,159	688,128	4,940,620	403,128,494

* Depreciation charges for the year ended 31 December has been allocated as follows:

	2014	2013
Cost of sales	**26,991,545**	21,835,043
General and administrative expenses	**2,614,121**	2,062,856
	29,605,666	23,897,899

(Expressed in Saudi Riyals)

11 CONSTRUCTIONS UNDER PROGRESS

The movement in constructions under progress during the year ended 31 December 2014 comprise of the following:

	Balance at 31 December 2013	Additions	Transferred to Property, Plant & Equipment	Balance at 31 December 2014
Existing Factory				
Small Diameter	833,160	2,191,991	(696,750)	2,328,401
Medium Diameter	1,438,921	1,100,423	(1,562,539)	976,805
Induction Bending	-	499,538	-	499,538
	2,272,081	3,791,952	(2,259,289)	3,804,744
Expansions*				
8" API Tubemill	135,355,015	37,594,711	-	172,949,726
60" Induction Bending	31,795,837	4,690,476	-	36,486,313
20" OCTG Pipe Threading Line	37,589,527	7,715,193	-	45,304,720
30" External Pipe Coating	19,604,625	4,661,170	-	24,265,795
	224,345,004	54,661,550	-	279,006,554
Building and structures	33,748,741	2,721,307	(36,302,676)	167,372
Total	260,365,826	61,174,809	(38,561,965)	282,978,670

* Includes capitalized finance costs amounting to SR 2,733,572 for the year ended 31 December 2014.

12 INTANGIBLE ASSETS

The movement in intangible assets during the year ended 31 December comprise of the following:

	2014	2013
Cost		
Balance at the beginning of the year	18,447,482	5,065,831
Additions during the year	424,125	13,472,351
	18,871,607	18,538,182
Amortization during the year	(2,690,486)	(90,700)
Net book value at the end of the year	16,181,121	18,447,482

13 LOAN TO AN ASSOCIATE

The Company's Board of Directors has approved and extended an interest free loan to Global Pipe Company of SR 26.25 million, that has been provided to an associate. This loan has been granted in accordance with Global Pipe Company shareholders Memorandum of Understanding (MOU) signed on 8 May 2009 and shareholders resolution No. 3-1 signed on 22 April 2012. This is part of an arrangement to increase the equity of the associate from SR 125 million to SR 200 million. The equity of the associate following this arrangement shall be SR 200 million of which SR 125 million is injected to share capital and SR 75 million as shareholders conribution in the form of loan to increase its total equity to SR 200 million.

(Expressed in Saudi Riyals)

14 INVESTMENT IN ASSOCIATES

Investment in associates as at 31 December comprise of the following:

	2014			2013		
	GPC	**CDC**	**Total**	GPC	CDC	Total
Cost of acquisition	**45,000,000**	**67,950,000**	**112,950,000**	45,000,000	67,950,000	112,950,000
Accumulated share of loss from associates	**(16,788,307)**	**(7,235,858)**	**(24,024,165)**	-	(6,852,594)	(6,852,594)
Net Investment value	**28,211,693**	**60,714,142**	**88,925,835**	45,000,000	61,097,406	106,097,406

Global Pipe Company (GPC)
Global Pipe Company (GPC) is a limited liability company whose capital is owned by the Company, EEW Company of Germany and other Saudi shareholders. The Company is engaged in producing various types of Large Welded pipes up to 60 inches and large structural tubular pipes. The total share capital of Global Pipe Company is SR 125 million of which, 35% is attributed to Saudi Steel Pipes and EEW each and 30% for other Saudi shareholders. The commercial production of Global Pipe Company has started in the first quarter of 2014.

Chemical Development Company (CDC)
Chemical Development Company (CDC) is a holding company whose purpose is to develop strategic industrial projects. Saudi Steel Pipes owns 20% of CDC's total issued shares. Its first project is the construction of polysilicon plant in cooperation with KCC Corporation. KCC Corporation is a South - Korean company specialized in manufacturing silicones and polysilicon materials. CDC has increased its share capital during the year 2013 by SR 35 million, the Company's share is SR 7 million. The plant will be located in Jubail 2 Industrial City and will produce 12,350 tonnes (in two phases) of solar grade polysilicon, the main material used in the production of solar products and the commercial production is expected by the end of the second half of 2015.

15 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as at 31 December comprise of the following:

	2014	2013
Accrued expenses	**15,442,017**	18,601,775
Advances from customers	**1,229,054**	3,132,421
Retentions payable	**633,713**	1,253,937
	17,304,784	22,988,133

(Expressed in Saudi Riyals)

16 ZAKAT AND INCOME TAX

16 (a) The Saudi shareholders of the Company are subject to Zakat calculated according to regulations promulgated by the government authorities computed at 2.5% and the foreign shareholders are subject to Income Tax at a flat rate of 20% on the taxable income.

Under SOCPA Standard 11, the provision for Zakat of Saudi partners and income tax of foreign partner are presented as a direct charge to Retained Earnings. The corresponding liability account is presented as part of Accrued Expenses in the consolidated balance sheet.

16 (b) The Zakat and income tax computations are as follows:

	2014	2013
Adjusted net income	**51,317,937**	85,854,235
Resources	**1,207,311,411**	1,152,853,320
Deduction from resources	**(767,912,015)**	(709,611,322)
Zakat base	**490,717,333**	529,096,233
Zakat base for Saudi Shareholders	**406,823,065**	442,462,950
Provision for zakat @ 2.5%	**10,170,577**	11,061,574

	2014	2013
Share of foreign shareholders on adjusted net income - 16.37%	**11,960,997**	14,057,621
Income tax base	**11,960,997**	14,057,621
Provision for income tax @ 20%	**2,392,199**	2,811,524
Total provision	**12,562,776**	13,873,098

16 (c) The movements of provision for zakat and income tax account for the year ended 31 December comprise of the following:

	2014	2013
Balance at the beginning of the year	**17,404,184**	11,843,675
Provision for the year	**12,562,776**	13,873,098
Payments during the year	**(13,612,378)**	(8,312,589)
Balance at the end of the year	**16,354,582**	17,404,184

16 (d) The Company has filed its Zakat and Tax returns with the Department of Zakat and Income Tax (DZIT) up to year 2013. The Company has obtained its Zakat and Tax certificate which is valid up to 30 April 2015.

(Expressed in Saudi Riyals)

17 BANK OVERDRAFT

Banks overdraft represents a credit facility from one of the local banks in Saudi Arabia for the purpose of financing the company's daily operation (working capital). This facility is granted to the company on the basis of bank participation return on the company's sales. Return to the bank is calculated as a function of the company's monthly sales value and the average daily overdrafts during the month.

The company entered into this facility agreement for the purpose of reducing the high cash balances retained with banks which used for the settlement of its daily cash requirements. The company been able to pay its liabilities without effecting its activities. The financial charges can be reduced.

The overdraft balance will be settled continuosly through the company's daily deposits from sales.

18 SHORT TERM LOANS

Short term loans as at 31 December comprise of the following:

	2014	2013
Murabaha loan	**12,160,334**	30,000,000
LC purchase finance	**15,000,000**	-
Short term loan facility	**5,667,270**	-
	32,827,604	30,000,000

19 LONG TERM LOANS

Long term loans as at 31 December comprise of the following:

		2014	2013
Saudi Industrial Development Fund (SIDF), net	(a)	**164,982,659**	136,286,047
Bank loans	(b)	**164,653,366**	249,065,393
		329,636,025	385,351,440

Presented in the balance sheet as follows:

	2014	2013
Current portion shown under current liabilities	**78,270,244**	12,648,000
Non-current portion shown under non-current liabilities	**251,365,781**	372,703,440
	329,636,025	385,351,440

(a) SIDF Loan

SIDF granted the Company a long-term loan to finance the expansion projects with an amount of SR 68.65 million. The loan is secured by a mortgage on the Company's property, plant and equipment. The last installment of the loan is due on November 2016.

In 2012, the Company applied for a new loan with SIDF amounting to SR130 million that will be specifically intended to finance its various expansions projects and was approved in the same year. The Company had received an amount of SR 61 million in year 2013 and an amount of SR 41 million in year 2014. The loan is secured by a mortgage on the Company's property, plant and equipment. As per the agreement, the debt will be payable in 14 installments and the first installment is due on October 2015 and the last installment is due on March 2021.

Also there is a long term loan granted to the subsidiary by SIDF to finance the construction of a factory in the subsidiary by an amount of SR 41.7 million. At the end of the year 2014 a total amount of SR 29.5 million was received. The loan is secured by a mortgage on the subsidiary's property, plant and equipment and prorate corporate guarantee signed by Chief Operating Officer of the Company. As per the agreement, the debt will be payable in 14 installments and the first installment is due on February 2015 and the last installment is due on May 2022.

(Expressed in Saudi Riyals)

19 LONG TERM LOANS (Continued)

(b) Bank Loans

The Company has entered into a Murabaha loan agreement with local banks to finance its various expansions projects. The total approved bank loan is SR 260 million wherein the SR 130 million will be settled through bridge loan for SIDF loan. These facilities are secured by the promissory note signed by the CEO of the Company and the second mortgage on the Property, Plant and Equipment. The first installment is due on 8 July 2015 and the last installment is due on 8 July 2017.

The Subsidiary has credit facilities agreement with the Saudi Investment Bank to finance the Subsidiary's plant and the purchasing of the machinery and equipment. The total approved bank loan is SR 65.5 million wherein an amount of SR 38.7 million will be settled through a bridge loan for SIDF loan.

20 EMPLOYEES' END OF SERVICE BENEFITS

The movement in employees' end of service benefits during the year ended 31 December comprise of the following:

	2014	2013
Balance at the beginning of the year	**38,138,056**	32,451,518
Provision during the year – charged to the statement of income	**10,740,418**	6,240,668
Provision during the year - charged to pre-operating expenses (Intangible assets)	-	316,004
Payments during the year	**(1,173,115)**	(870,134)
Balance at the end of the year	**47,705,359**	38,138,056

21 STATUTORY RESERVE

In accordance with Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distributions to the shareholders. However, the statutory reserve can be used for mitigating the Company's losses or for increasing its capital, where necessary.

22 TREASURY SHARES (EMPLOYEE SHARE OWNERSHIP PROGRAM)

The Company initially acquired 700,000 shares offered to the public for the employee share program. Till the financial statements date, the company acquired an additional 35,000 shares to support the employee share program. This employee share program is divided into four types of shares, namely; free shares, credit shares, cash shares and future shares. As of 31 December 2014, the Company has issued 261,296 shares to qualified employees. The remaining 473,704 shares will be distributed to the employees gradually according to the program. The employee shares program is initially recorded in the balance sheet as a deduction from shareholders equity and will be eliminated upon issuance to employees.

(Expressed in Saudi Riyals)

23 SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the year ended 31 December comprise of the following:

	2014	2013
Local transportation	**8,707,199**	8,534,836
Salaries and wages	**4,657,840**	3,471,675
Employee benefits	**3,374,187**	2,212,807
Freight charges - export	**2,057,896**	3,766,951
Advertising	**1,313,911**	1,148,241
Rental	**463,417**	690,592
Sales commissions	**161,938**	1,289,980
Others	**736,874**	463,479
	21,473,262	21,578,561

24 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended 31 December comprise of the following:

	2014	2013
Salaries and wages	**9,083,579**	10,391,523
Employee benefits	**8,307,084**	7,907,865
Amortization of intangible assets	**2,690,486**	90,700
Depreciation	**2,614,121**	2,062,856
Directors' allowance	**1,800,000**	1,800,000
Legal and professional fee	**1,095,522**	948,478
Charitable contributions	**822,138**	882,250
Social insurance	**913,716**	860,096
Travel	**421,504**	400,489
Others	**2,547,479**	897,015
	30,295,629	26,241,272

25 FINANCIAL CHARGES

Financial charges for the year ended 31 December comprise of the following:

	2014	2013
Finance charges – SIDF	**2,847,912**	1,620,612
Finance charges – Local banks	**2,267,710**	175,456
	5,115,622	1,796,068

(Expressed in Saudi Riyals)

26 COMPENSATION TO KEY MANAGEMENT PERSONNEL

The compensation and benefits of key management personnel for the years ended 31 December are shown below:

	2014	2013
Salaries and wages	**3,391,780**	3,358,320
Directors' allowance	**1,800,000**	1,800,000
Allowances	**1,389,602**	1,193,312
Bonus	**104,352**	315,589
	6,685,734	6,667,221

27 COMMITMENTS AND CONTINGENCIES

The Company is contingently liable to open letters of credit and bank guarantees amounting to SR 183.9 million as at 31 December 2014 (2013 : SR 172.2 million).

The Company has provided corporate guarantees to SIDF and a commercial banks for the loans availed by the subsidiary and an associate amounting to SR 434.1 million as of 31 December 2014 (2013 : SR 325.6 million).

The Company has entered into contracts with various parties to construct the plant expansion. AT 31 December 2014, the Company's obligations under the non cancellable contract commitments for the construction of the expansion of the plant amounted to SR 29.6 million (2013 : SR 60.3 million) which are payable within one year from the year end.

As per the Company agreement with banks, the customers of the Compnay are eligible to purchase the Compnay's products guaranteed by the Company deposit amounting to SR 16.5 million (Note 5). In case of customers default the maximum expasrure on the compnay for credit losses is 10% of the deposit (i.e SR. 1.65 million).

28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Basic earnings per share	**31 December 2014**	31 December 2013
Operating income for the year	**45,480,579**	83,247,703
Net income for the year	**29,403,459**	79,448,027
Weighted average number of outstanding shares		
Number of issued shares	**51,000,000**	51,000,000
Less: Treasury shares - shares kept for the employee share program	**(735,000)**	(735,000)
Add: Weighted average number of shares issued to employees	**261,296**	200,750
Weighted average number of outstanding shares	**50,526,296**	50,465,750
Basic earnings per share from net income	**0.582**	1.574
Basic earnings per share from operating income	**0.900**	1.650
Diluted earnings per share		
Weighted average number of outstanding shares	**51,000,000**	51,000,000
Diluted earnings per share from net income	**0.576**	1.558
Diluted earnings per share from operating income	**0.892**	1.632

(Expressed in Saudi Riyals)

29 SEGMENTAL REPORTING

The management of the Company views the whole business activities of the Company as one operating segment for performance assessment and resources allocation.

Because the management views the whole activities of the Company as one segment, segment reporting is provided by geographical segment only. The details of the local and export sales for the year ended 31 December 2014 and 2013 are as follows:

2014	**Export sales**	**Local sales**	**Total**
Sales *	**59,718,259**	**798,275,365**	**857,993,624**
Percentage from sales	**7%**	**93%**	**100%**
Cost of sales	**(47,488,005)**	**(713,256,149)**	**(760,744,154)**
Gross profit	**12,230,254**	**85,019,216**	**97,249,470**
Gross Profit percentage of total sales	**20.5%**	**10.7%**	**11.3%**

2013	Export sale	Local sale	Total
Sales	100,045,262	739,290,931	839,336,193
Percentage from sales	12%	88%	100%
Cost of sales	(80,053,719)	(628,214,938)	(708,268,657)
Gross Profit	19,991,543	111,075,993	131,067,536
Gross profit percentage of total sales	20.0%	15.0%	15.6%

* Sales includes an amount of SR 11,960,982 received from one of the major customer relating to a settlement.

30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable, investments, trade payable, due to and due from related parties and other liabilities.

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. The Company has no significant concentration of credit risks. Cash and cash equivalents are placed with national banks with sound banking reputation. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arise mainly from short term bank deposits and bank debts and long term debts, which are at floating rates of interest.
Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to realize the values of financial assets at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyal and United States dollar. Other transactions in foreign currencies other than US Dollar are not material. Currency risk is managed on regular basis.

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. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

31 COMPARATIVE FIGURES

Certain reclassifications have been made to prior year balances to be consistent with the current year presentation.