

**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 YEAR  
ENDED DECEMBER 31, 2015**

**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 YEAR ENDED DECEMBER 31, 2015**

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**AUDITOR'S REPORT (LIMITED REVIEW)**  
**(ON INTERIM FINANCIAL STATEMENTS)**

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

**Scope of Review**

We have reviewed the interim balance sheet of National Metal Manufacturing and Casting Company ("MAADANIYAH"), a Saudi Joint Stock Company, as of December 31, 2015 and the related interim statements of income for the three months and year then ended and cash flows for the year then ended and the attached notes 1 to 8 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 prepared by them and presented to us with all the necessary information and explanations which we required.

We conducted our limited review in accordance with the standard of auditing applicable to review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, 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 to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia,

For Dr. Mohamed Al-Amri & Co.

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



January 17, 2016-G  
Rabi 'II, 7, 1437-H

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

**INTERIM BALANCE SHEET**  
**AS OF DECEMBER 31, 2015**

	Notes	<b>2015</b> <b>SR'0002</b>	<b>2014</b> <b>SR'0002</b>
		<b>(Un-audited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		59,014	27,688
Accounts receivables and prepaid expenses		110,926	111,430
Inventories		118,640	165,849
<b>Total current assets</b>		<b>288,580</b>	<b>304,967</b>
<b>Non-current assets</b>			
Property, machinery and equipment		209,547	208,396
Goodwill	3	45,000	54,521
Intangible assets		523	785
<b>Total non-current assets</b>		<b>255,070</b>	<b>263,702</b>
<b>TOTAL ASSETS</b>		<b>543,650</b>	<b>568,669</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Notes payable		16,674	48,068
Short term loans		11,092	21,008
Current portion of long term loans		18,000	15,600
Zakat provision		6,166	5,500
Accounts payable, accrued expenses and other liabilities		34,220	35,790
<b>Total current liabilities</b>		<b>86,152</b>	<b>125,966</b>
<b>Non-current liabilities</b>			
Long term loans		32,638	34,800
End-of-service indemnities		21,149	18,873
<b>Total non-current liabilities</b>		<b>53,787</b>	<b>53,673</b>
<b>TOTAL LIABILITIES</b>		<b>139,939</b>	<b>179,639</b>
<b>Stockholders' equity</b>			
Share capital	1	281,121	281,121
Statutory reserve		24,398	21,464
Retained earnings		98,192	86,445
<b>Total stockholders' equity</b>		<b>403,711</b>	<b>389,030</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS'</b>		<b>543,650</b>	<b>568,669</b>

The accompanying notes from 1 to 8 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 YEAR ENDED DECEMBER 31, 2015**

	From October 1 to December 31 2015 SR'000 (Un-audited )	2014 SR'000 (Un-audited )	From January 1 to December 31 2015 SR'000 (Un-audited )	2014 SR'000 (Audited )
Sales	89,759	98,649	407,323	413,161
Cost of sales	(71,287)	(86,534)	(329,105)	(349,495)
<b>Gross profit</b>	<b>18,472</b>	<b>12,115</b>	<b>78,218</b>	<b>63,666</b>
Selling and marketing expenses	(4,720)	(3,792)	(18,241)	(15,622)
General and administrative expenses	(4,402)	(6,034)	(14,745)	(16,030)
<b>Operating income</b>	<b>9,350</b>	<b>2,289</b>	<b>45,232</b>	<b>32,014</b>
Finance charges	(656)	(766)	(2,561)	(2,720)
Other charges	-	(496)	(2,205)	(1,796)
Goodwill impairment ( Note 3)	(9,521)	(7,400)	(9,521)	(7,400)
Other income	544	1,535	3,991	4,300
<b>Net (loss) income for the period/year before zakat</b>	<b>(283)</b>	<b>(4,838)</b>	<b>34,936</b>	<b>24,398</b>
Zakat	(1,200)	453	(5,600)	(3,647)
<b>Net (loss) /income for the period/ year</b>	<b>(1,483)</b>	<b>(4,385)</b>	<b>29,336</b>	<b>20,751</b>
<b>Earnings /(loss) per share – note 5 (SR)</b>				
Attributable to net (loss) / income for the period / year	(0.05)	(0.16)	1.04	0.74
Attributable to income from continuing main operations for the period / year	0.27	0.07	1.32	0.91
Attributable to loss from other operations for the period / year	(0.32)	(0.23)	(0.28)	(0.17)
<b>Weighted average number of shares</b>	<b>28,112,089</b>	<b>28,112,089</b>	<b>28,112,089</b>	<b>28,112,089</b>

The accompanying notes from 1 to 8 form an integral part of these interim financial statements



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

**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015 SR'000 (Un-audited)	2014 SR'000 (Audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	34,936	24,398
Adjustments for:		
Depreciation	18,833	19,277
Amortization	262	262
Loss /(gain) from disposal of property, machinery and equipment	67	(66)
End-of-service indemnities	3,455	3,299
Finance charges	2,561	2,720
Goodwill impairment	9,521	7,400
Write-off of property, machinery and equipment	2,205	1,987
Provision for slow moving inventories	-	1,700
Revisal of accounts receivable provision no longer required	-	(54)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable and prepaid expenses	504	(18,894)
Inventories	47,209	(55,260)
Notes payable	(31,394)	20,146
Accounts payable, accrued expenses other liabilities	(2,055)	3,833
<b>Net Cash from operations</b>	<b>86,104</b>	<b>10,748</b>
End-of-service indemnities paid	(1,180)	(2,714)
Zakat paid	(4,934)	(5,729)
Finance charges paid	(2,410)	(2,120)
<b>Net cash from operating activities</b>	<b>77,580</b>	<b>185</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, machinery and equipment	(22,446)	(35,907)
Proceeds from disposal of property, machinery and equipment	190	109
<b>Net cash used in investing activities</b>	<b>(22,256)</b>	<b>(35,798)</b>

The accompanying notes from 1 to 8 form an integral part of these interim financial statements

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

**INTERIM STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b> <b>SR' 000</b>	<b>2014</b> <b>SR' 000</b>
<b>FINANCING ACTIVITIES</b>	<b>(Un-audited)</b>	<b>(Audited)</b>
Repayment of short term loans	(59,705)	(34,558)
Proceeds from short term loans	49,790	48,734
Repayment of long term loans	(13,200)	(10,733)
Proceeds from long term loans	13,438	36,000
Directors' remuneration paid	(600)	-
Dividends paid	(13,721)	-
<b>Net cash (used in) from financing activities</b>	<b>(23,998)</b>	<b>39,443</b>
<b>Net change in cash and cash equivalents</b>	<b>31,326</b>	<b>3,830</b>
Cash and cash equivalents, January 1	27,688	23,858
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>59,014</b>	<b>27,688</b>
Non-cash transaction:		
Transfer of spare part from inventory to property, machinery and equipment	-	(16,381)
Amortization of SIDF loan appraisal fee	-	614

The accompanying notes from 1 to 8 form an integral part of these interim financial statements



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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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, 1411H (October 2, 1990) and registered as a Saudi Joint Stock company under commercial registration number 2055002251 dated 16 Jumada I, 1411 (December 3, 1990) issued in Al Jubail. The Company's share capital is SR 281,120,890 divided in to 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.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). Significant accounting policies followed by the Company are summarized as follows:

**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 principles in the Kingdom of Saudi Arabia 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. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**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 the cost incurred in the distribution and sale of the Company's products, all other expenses are classified as general and administrative expenses. General and administrative expenses include direct and indirect costs not specifically part 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.

**Cash and cash equivalents**

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

**Accounts receivable**

Accounts receivable are carried at original amount less allowance 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 the accounts receivable. Bad debts are written-off when the Company is confident that the amount will no longer be collectable.

**Inventories**

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

**Property, machinery and equipment**

Property, machinery and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repair is expensed, which expenditure for improvement 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 shorter of the estimated useful life or the remaining term of the lease whichever is shorter.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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

	<u>Years</u>
Buildings	33
Machinery and equipment	25 -33
Furniture, fixtures and office equipment	5 -10
Vehicles, forklifts and trolleys	4
Tools and others	3 -13

**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, but 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.

**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 cost and assessed for any impairment at the end of each fiscal year.

**Intangible asset**

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible asset comprises Enterprise Resource Planning (ERP) system development costs.

ERP system development costs represent costs incurred to implement new system and are amortized over 5 year period.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**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.

**Foreign currency translation**

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

**Accounts payable and accruals**

Liabilities are recognized 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 when services are received, whether or not billed to the Company.

**Provisions for obligations**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**End-of-service indemnities**

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

**Zakat**

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

**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.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**Statutory reserve**

In accordance with Regulations for Companies in Saudi Arabia and the articles of the Company, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

**3. GOODWILL**

During the current period the Company's management performed its annual impairment test of Goodwill. The impairment test was based on certain assumptions, estimations and outcome of future events. Based on the results of the impairment test the management has recognized a impairment loss of SR 9.5 million (2014: SR 7.4 million) in these interim financial statements.

**4. DIVIDENDS**

The Board of Directors in their meeting held on 25 Safar, 1437-H corresponding to December 7, 2015 proposed interim cash dividends of SR 0.5 per share amounting SR 14, 056,045 for the year ended December 31, 2015.

**5. EARNINGS/ (LOSS) PER SHARE**

Earnings / (loss) per share is calculated by dividing net income/ (loss) for the period/year 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/year by the weighted average number of outstanding shares.

Loss per share from other operations is calculated by dividing other income less other charges and goodwill impairment for the period/year by the weighted average number of outstanding shares.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

**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, machinery and equipment, total assets and total liabilities, by business segment, are as follows:

	Transformation industries SR' 000	Engineering and metal forming industries SR' 000	Total SR '000
<b>2015</b>			
<b>For the three months ended December 31, 2015 (Un-audited)</b>			
Sales	65,872	23,887	89,759
Gross profit	16,638	1,834	18,472
<b>For the year ended December 31, 2015 (Un-audited)</b>			
Sales	305,896	101,427	407,323
Gross profit	71,121	7,097	78,218
<b>As of December 31, 2015 (Un-audited)</b>			
Property, machinery and equipment	127,857	81,690	209,547
Total assets	321,445	222,205	543,650
Total liabilities	109,218	30,721	139,939
	Transformation industries SR 000	Engineering and metal forming industries SR 000	Total SR
<b>For the three months ended December 31, 2014 (Un-audited)</b>			
Sales	69,645	29,004	98,649
Gross profit	10,542	1,573	12,115
<b>For the year ended December 31, 2014 (Audited)</b>			
Sales	285,180	127,981	413,161
Gross profit	51,121	12,545	63,666
<b>As of December 31, 2014 (Audited)</b>			
Property, machinery and equipment	128,720	79,676	208,396
Total assets	331,344	237,325	568,669
Total liabilities	146,002	33,637	179,639



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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The sales within the Kingdom for the year ended December 31, 2015 amounted to SR 207.1 million (2014: SR 213.8 million), and export sales for the year ended December 31, 2015 amounted to SR 200.2 million (2014: SR 199.4 million).

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

**7. COMMITMENTS AND CONTINGENCIES**

(a) As at December 31, 2015, the Company has outstanding capital commitments amounting to SR 25.4 million related to expansion projects and development of production lines (December 31, 2014 : SR 1.1 million).

(b) As of December 31, the Company's outstanding contingencies and commitments were as follows:

	<b>2015</b> <b>SR'000</b>	<b>2014</b> <b>SR'000</b>
Letters of credit	<b>18,621</b>	<b>16,438</b>
Letters of guarantee	<b>2,056</b>	<b>2,056</b>

**8. RESULTS OF INTERIM PERIOD**

The results of the interim period are not an indication of the results for the full period.

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