

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(Closed Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended September 30, 2015  
with  
**INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Yamamah Steel Industries Company  
(Closed Joint Stock Company)  
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Yamamah Steel Industries Company ("the Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated balance sheet as at September 30, 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 28 which form an integral part of the consolidated financial statements.

### *Management's responsibility for the consolidated 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 Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

KPMG Al Fozan & Al Sadhan, a partnership registered in Saudi Arabia and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



### **Opinion**

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

- 1) Present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2015, 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 Group.
- 2) Comply with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of the financial statements.

### **Emphasis of Matter**

We draw attention to note (23 – A) to the consolidated financial statements which refers to the potential claim by one of the subsidiary's major service providers, that could reach an amount of approximately SR 124 million for the differences between the assigned quantities of Water and Electricity and the quantities actually consumed by the Subsidiary for the years from 2008 to 2013. In light of the uncertainty related to this issue and based on the legal opinion that supports the Subsidiary's position, in addition to the guarantees provided by the ultimate shareholders, as described in details in the note referred to above, this amount was not considered as liability on the Group as at the date of the consolidated balance sheet.

**For KPMG Al Fozan & Al Sadhan:**

Ebrahim Oboud Baeshen  
License No. 382



Jeddah, Safar 4, 1437H  
Corresponding to November 16, 2015

# AL YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

## CONSOLIDATED BALANCE SHEET

As at 30 September 2015

Expressed in Saudi Riyals

	Notes	2015	2014
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalent	4	45,646,181	28,214,910
Trade receivables	5	247,157,925	310,302,869
Inventories	6	500,864,874	511,015,955
Prepayments and other current assets	7	33,886,216	29,217,852
Total current assets		827,555,196	878,751,586
Non-current assets:			
Available for sale investments	8	62,642	62,642
Deferred costs, net	9	3,772,067	6,516,218
Property, plant and equipment	10	485,368,957	479,400,653
Total non-current assets		489,203,666	485,979,513
Total assets		1,316,758,862	1,364,731,099
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Short-term bank loans	11-A	400,068,907	462,805,294
Current portion of long-term bank loans	11-B	11,250,000	47,570,305
Trade payables		47,181,140	44,896,201
Provisions	12	7,274,222	5,482,980
Zakat provision	18	26,228,495	22,220,480
Accrued expenses and other current liabilities	13	33,436,314	29,865,031
Total current liabilities		525,439,078	612,840,291
Non-current liabilities:			
Long-term bank loans	11-B	15,150,000	23,020,000
Employees' end of service benefits	14	20,725,653	17,629,702
Total non-current liabilities		35,875,653	40,649,702
Total liabilities		561,314,731	653,489,993
<b>SHAREHOLDERS' EQUITY</b>			
Equity attributable to Company's shareholders:			
Share capital	15	508,000,000	508,000,000
Statutory reserve	16	35,474,003	19,599,960
Net changes in fair value of available for sale investments	8	36,642	36,642
Retained earnings		84,204,359	68,337,978
Total equity attributable to Company's shareholders		627,715,004	595,974,580
Non-controlling interest		127,729,127	115,266,526
Total Shareholders' equity		755,444,131	711,241,106
Total liabilities and Shareholders' equity		1,316,758,862	1,364,731,099

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

**AL YAMAMAH STEEL INDUSTRIES COMPANY****(A closed Joint Stock Company)****CONSOLIDATED STATEMENT OF INCOME****For the year ended 30 September 2015****Expressed in Saudi Riyals**

	Note	2015	2014
Net sales		2,020,241,313	2,011,739,781
Costs of sales		(1,737,850,730)	(1,766,688,169)
Gross profit		282,390,583	245,051,612
Selling and distribution expenses	20	(28,161,056)	(25,859,310)
General and administrative expenses	21	(42,430,240)	(39,524,055)
Income from operations		211,799,287	179,668,247
Other income	22	4,307,862	3,428,734
Financial charges		(15,121,558)	(17,756,137)
Net income before Zakat and non-controlling interests		200,985,591	165,340,844
Zakat	18	(14,520,065)	(11,642,624)
Net income before non-controlling interests		186,465,526	153,698,220
Non-controlling interests		(27,725,101)	(21,765,249)
Net income		158,740,425	131,932,971
Earnings per share from:	19		
Income from operations		4.17	3.54
Other income		0.08	0.07
Net income		3.12	2.60

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

	Notes	2015	2014
Operating activities			
Net income before Zakat and non-controlling interests		200,985,591	165,340,844
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation	10	35,220,417	38,346,006
Gains on sale of property, plant and equipment	22	(55,322)	(110,834)
Provision for doubtful debts – provided for during the year	5	--	2,347,784
Provision for doubtful debts – utilized during the year	5	(322,273)	(748,720)
Provision for slow moving inventory	6	--	1,500,000
Provision for slow moving inventory – utilized during the year	6	--	(767,641)
Transfer of projects under construction to expenses		--	1,040,000
Projects under construction written off		--	478,250
Amortization of deferred costs	9	2,744,150	3,809,898
Financial charges		15,121,558	17,756,137
Provisions formed during the year	12	1,791,242	5,482,980
Provision for employee's end of service benefits charge of the year	14	4,402,264	4,797,877
		259,887,627	239,272,581
Changes in operating assets and liabilities:			
Trade receivables		63,467,217	(90,005,047)
Inventories		10,151,081	35,816,736
Due from related parties		--	58,175,587
Prepayments and other current assets		(4,668,363)	4,642,995
Trade payables		2,284,939	7,937,536
Accrued expenses and other current liabilities		3,571,283	1,521,969
Zakat paid	18	(10,512,050)	(8,825,519)
Employees' end of service benefits paid	14	(1,306,313)	(899,145)
Net cash flow provided by operating activities		322,875,421	247,637,693
Investing activities			
Purchase of property, plant and equipment	10	(41,250,139)	(70,311,410)
Proceeds from sale of property, plant and equipment		116,740	120,542
Net cash flows used in investing activities		(41,133,399)	(70,190,868)

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

	Notes	2015	2014
Financing activities			
Net movement in short-term loans		(62,736,387)	(36,889,917)
Net movement in long-term loans		(44,190,305)	(55,503,435)
Financial charges paid		(15,121,558)	(17,756,137)
Dividends paid to non-controlling interests		(15,262,500)	(12,375,000)
Dividends paid to the company's shareholders	17	(127,000,001)	(67,056,000)
Net cash flows used in financing activities		(264,310,751)	(189,580,489)
Change in cash and cash equivalents		17,431,271	(12,133,664)
Cash and cash equivalents at the beginning of the year		28,214,910	40,348,574
Cash and cash equivalents at the end of the year	4	45,646,181	28,214,910

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

**AL YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

	Total equity attributable to the Company's shareholders						
	Capital	Statutory reserve	Change in fair value of available for sale investments	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
Balance at October 1, 2013	508,000,000	6,406,663	16,364	16,654,304	531,077,331	105,876,277	636,953,608
Net income for the year	--	--	--	131,932,971	131,932,971	21,765,249	153,698,220
Transferred to statutory reserve	--	13,193,297	--	(13,193,297)	--	--	--
Changes in fair value of available for sale investments	--	--	20,278	--	20,278	--	20,278
Dividends paid	--	--	--	(67,056,000)	(67,056,000)	--	(67,056,000)
Non-controlling interests' share of dividends paid by the subsidiary	--	--	--	--	--	(12,375,000)	(12,375,000)
Balance at September 30, 2014	508,000,000	19,599,960	36,642	68,337,978	595,974,580	115,266,526	711,241,106
Net income for the year	--	--	--	158,740,425	158,740,425	27,725,101	186,465,526
Transferred to statutory reserve	--	15,874,043	--	(15,874,043)	--	--	--
Dividends paid	--	--	--	(127,000,001)	(127,000,001)	--	(127,000,001)
Non-controlling interests' share of dividends paid by the subsidiary	--	--	--	--	--	(15,262,500)	(15,262,500)
<b>Balance at September 30, 2015</b>	<b>508,000,000</b>	<b>35,474,003</b>	<b>36,642</b>	<b>84,204,359</b>	<b>627,715,004</b>	<b>127,729,127</b>	<b>755,444,131</b>

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.



**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 September 2015

Expressed in Saudi Riyals

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Al Yamamah Steel Industries Company ("the Company" or "the parent company") is a closed joint stock company registered in Riyadh under Commercial Registration No. 1010070794 dated 01/06/1409H as per the Minister of Commerce Decree No. (726) dated 20/03/1427H, His Highness approval on the incorporation of the Company No (1491) dated 30/05/1427H, corresponding to 26/06/2006. The company is operating under Industrial License No. 144/X dated 22/03/1409H and the amendments pursuant to it. The Company is principally engaged in:

production of welded steel pipelines ( black/ galvanized), iron pipes, cutting iron sheets, production of bars and clips for tying, roadblocks, reinforcing steel bars from scrap, handy carts, hollowed iron sectors, structured tires, and shaped iron steel bars.

- a) Production of galvanized electric poles.
- b) Production of electric power towers.
- c) Production of special iron steel bars for metal constructions.
- d) The Company operates through its factories in the following cities in KSA and these factories operate under the following commercial registrations:

Factory	City	Commercial Registration No.	Date
Al Yamamah Steel Industries	Jeddah	4030068043	28/04/1410
Al Yamamah Electric Poles	Jeddah	4030148938	09/03/1425
Al Yamamah Steel Industries	Dammam	2050059045	07/03/1429
Al Yamamah Electric Power Towers Factory	Jeddah	4030180886	09/07/1429

These consolidated financial statements include the financial statements of the company, its branches, and the subsidiary mentioned below, which its head office is located in Riyadh and its factory is located in Yanbu, (collectively referred to as the "group").

Company's name	Country of incorporation	Ownership
Al Yamamah Company for Reinforcing Steel Bars	KSA	72.5%

The subsidiary is principally engaged in reinforcing steel bars, and wholesale and retail trading in reinforcing steel bars.

On 13/03/1435H, corresponding to January 14, 2014, the shareholders of the subsidiary resolved to convert Al Yamamah Company for Reinforcing Steel Bars from a limited liability company to closed joint stock company. The approval was obtained from the Minister of Trade on 13/03/1435H, corresponding to 14/01/2014, as per the Ministerial Decree No. (205) dated 25/08/1435H, corresponding to 23/06/2014, to change the Company from a limited liability company to a closed joint stock company.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)**

The Company's registered Office is located in:

Al Yamamah Steel Industries Company

Riyadh 11534

P.O. Box. 55303

Kingdom of Saudi Arabia

**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 the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

**(b) Basis of measurement**

The consolidated financial statements have been prepared on historical cost basis, except for the available for sale investments which is measured at fair value and using the accrual basis of accounting and the going concern concept.

**(c) Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary as at September 30 of each year as shown in note 1. The financial statements of the subsidiary was prepared for the same reporting year.

**Subsidiary**

A subsidiary is an entity controlled by the Group. Control exists when the Group 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 are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

**Non-controlling interest**

Non-controlling interest represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**2. BASIS OF PREPARATION (continued)**

**(d) Functional and presentation currency**

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and reporting currency of the Group companies.

**(e) Use of estimates and judgments**

The preparation of consolidated 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. 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

- **Impairment of accounts receivable**

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

- **Provision for slow moving inventories**

Management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

- **Useful lives of property, Plant and equipment**

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**2. BASIS OF PREPARATION (continued)**

**(e) Use of estimates and judgments (continued)**

- **Impairment of non-financial assets**

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income.

- **Impairment of available-for-sale investments**

The management exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes an other than temporary decline in the value of investments. In case of equity instruments any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for such impairment. The determination of what is 'significant' and 'prolonged' requires management's judgment. The management also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Furthermore, management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for 9 months or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment charge on investments. The previously recognized impairment loss in respect of equity investments cannot be reversed through the consolidated statement of income.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **(a) Cash and cash equivalents**

Cash and cash equivalents comprise bank balances, cash in hand, time deposits and investments in mutual funds, if any, that are readily convertible to cash and has a maturity of 3 months or less as at the original investment date, if any, which are available to the Group without any restrictions.

#### **(b) Trade receivable**

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against their related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

#### **(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value comprises estimated selling price in the ordinary course of business, less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

#### **(d) Available for sale investments**

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date. For investments where there is no active market, including investments in unquoted private equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models, otherwise the cost is considered to be the fair value for these investments.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Deferred costs**

Deferred costs represent the costs incurred by the Group related costs activities prior to the operations stages and which will have future benefit for the Group in the coming years. These costs are amortized over their estimated useful lives using the straight-line method over a maximum period of 5 years.

**(f) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

All other expenditures are recognized in the consolidated statement of income when incurred. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of the individual items of property, plant and equipment.

Repair and maintenance expenditures are charged to the consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized

Freehold land is not depreciated. The cost less estimated residual value of Property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets effective from its date of purchase or construction. Paper products factory plant and equipment related to the subsidiary are depreciated using the units of production method.

The estimated useful lives of assets for the current and comparative year are as follows:

	Years
Buildings	20-33
Machinery and equipments	10-20
Computers, softwares and electric equipment	5
Fixtures and furniture	5
Motor vehicles	5

**(g) Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
**Expressed in Saudi Riyals**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Borrowings**

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Further, upfront fees that were deducted in advance by the SIDF, is deferred and presented netting of the principle amount of the loan. Such deferred amount is amortized over the term of the loan using the straight line method which is not materially different from applying the prevailing interest rate). Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

**(i) Provisions**

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation.

**(j) Employees' end of service benefits**

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. 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.

**(k) Revenue recognition**

Revenue is recognized to the extent of the following recognition requirements:

- It is probable that the economic benefits will flow to the Group,
- It can be reliably measured, regardless of when the payment is being made
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

**Sale of goods**

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Expenses**

Selling and distribution expenses are those arising from the Group's efforts underlying the selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling and distribution and general and administrative expenses, when required, are made on consistent basis.

**(m) Zakat**

The Company and its subsidiary are subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). Zakat is accrued and charged to the statement income currently. Additional zakat liability, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

**(n) Dividends**

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Final Dividends are recorded in the year in which they are approved by the Shareholders' General Assembly.

**(o) Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

**(p) Statutory reserve**

As required by Saudi Arabian Regulations for Companies and the Company article of association, the Company is required to transfer 10% of its net income each year to the statutory reserve until the reserve reaches 50% of the capital. The limit have been achieved on the previous years.

**(q) Contingent liabilities and contingent assets**

**i. Contingent liabilities**

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each balance sheet date and disclosed in the Group's financial statements under contingent liabilities.

**ii. Contingent assets**

All possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group should be assessed at each balance sheet date and are disclosed in the financial statements under contingent assets.



**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at September 30, comprise the following:

	2015	2014
Cash at banks - current accounts	45,325,011	21,636,602
Cash on hand	321,170	6,578,308
	45,646,181	28,214,910

**5. TRADE RECEIVABLES**

Trade receivables as of September 30, comprise the following:

	Note	2015	2014
Trade customers		148,115,907	130,232,208
Trade customers - related parties	24	101,389,803	182,740,719
		249,505,710	312,972,927
Less: provision for doubtful debts	5-1	(2,347,785)	(2,670,058)
		247,157,925	310,302,869

**5-1 Movement in provision for doubtful debts during the year is analyzed as follows:**

	2015	2014
Balance at the beginning of the year	2,670,058	1,070,994
Provision formed during the year	--	2,347,784
Provision utilized during the year	(322,273)	(748,720)
Balance at the end of the year	2,347,785	2,670,058

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

## 6. INVENTORIES

Inventories as of September 30 comprise the following:

	Note	2015	2014
Raw materials		242,659,188	329,987,761
Finished goods		107,141,885	105,172,053
Spare parts		53,543,226	50,334,530
Work in progress		13,528,197	16,434,184
Goods in transit		85,492,378	10,587,427
		502,364,874	512,515,955
Less: provision for slow moving inventory	6-1	(1,500,000)	(1,500,000)
		500,864,874	511,015,955

**6-1 Movement in provision for slow moving inventory during the year was as follows:**

	2015	2014
Balance at the beginning of the year	1,500,000	767,641
Provision formed during the year	--	1,500,000
Provision utilized during the year	--	(767,641)
Balance at the end of the year	1,500,000	1,500,000

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as of September 30 comprise the following:

	2015	2014
Advances to suppliers	25,474,192	20,667,623
Prepaid medical insurance	2,280,006	2,091,321
Staff advances	2,272,418	2,123,377
Others	3,859,600	4,335,531
	33,886,216	29,217,852

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**8. AVAILABLE FOR SALE INVESTMENTS**

Available for sale investments represent the company's investment in Arabian Pipelines Company (Saudi joint stock listed company) as follows:

	Cost	Change in fair value	2015	2014
Arabian Pipelines Company	26,000	36,642	62,642	62,642

**9. DEFERRED COST**

The movement in the deferred cost during the year ended September 30 was as follows:

	Note	2015	2014
Cost:			
Cost at the beginning and end of the year		43,930,285	43,930,285
Fully amortized deferred costs		(18,569,837)	(18,569,837)
		25,360,448	25,360,448
Accumulated amortization:			
Balance at the beginning of the year		37,414,068	33,604,169
Fully amortized		(18,569,837)	(18,569,837)
		18,844,231	15,034,332
Amortization for the year	21	2,744,150	3,809,898
Balance at the end of the year		21,588,381	18,844,230
Net book value		3,772,067	6,516,218

Deferred costs represent the costs that occurred and related to the establishment of new sites and includes all costs such as consultants and expert fees, legal fees and license fees for the registration of the new branch or site.

# YAMAMAH STEEL INDUSTRIES COMPANY

(A closed Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

Expressed in Saudi Riyals

### 10. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year ended 30 September 2015 is as follows:

	Lands	Buildings	Plant & machinery	Vehicles	Furniture & office equipment	Computers & softwares & electronic equipment	Equipment & tools	Capital work in progress	Total
Cost:									
Balance at October 1, 2014	13,264,725	238,684,632	378,312,639	4,798,160	3,982,551	13,487,658	10,278,242	50,930,838	713,739,445
Additions	--	--	5,365,603	948,218	299,800	749,755	282,497	33,604,266	41,250,139
Disposals	--	--	--	(301,930)	(43,161)	(550)	(10,992)	--	(356,633)
Transferred from Capital work in progress	--	27,753,138	51,526,886	--	404,300	662,170	--	(80,346,494)	--
Balance at September 30, 2015	13,264,725	266,437,770	435,205,128	5,444,448	4,643,490	14,899,033	10,549,747	4,188,610	754,632,951
Accumulated depreciation:									
Balance at October 1, 2014	--	52,455,510	160,879,906	3,258,616	3,451,726	9,490,125	4,802,909	--	234,338,792
Depreciation charge for the year	--	9,624,872	22,002,030	659,809	239,479	2,138,764	555,463	--	35,220,417
Disposals	--	--	--	(253,962)	(33,783)	(550)	(6,920)	--	(295,215)
Balance at September 30, 2015	--	62,080,382	182,881,936	3,664,463	3,657,422	11,628,339	5,351,452	--	269,263,994
Net book value:									
At September 30, 2015	13,264,725	204,357,388	252,323,192	1,779,985	986,068	3,270,694	5,198,295	4,188,610	485,368,957
At September 30, 2014	13,264,725	186,229,121	217,432,733	1,539,544	530,825	3,997,533	5,475,334	50,930,838	479,400,653

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**10. PROPERTY, PLANT AND EQUIPMENT (continued)**

Depreciation charge for the year ended September 30 is allocated as follows:

	Note	2015	2014
Cost of sales		31,609,615	34,814,563
Selling and distribution expenses	20	120,419	174,371
General and administrative expenses	21	3,490,383	3,357,072
		35,220,417	38,346,006

- a) Property, plant and equipment includes property and equipment mortgaged to Saudi Industrial Development Fund (SIDF) related to the Company's branch, Al Yamamah Electric Poles Factory, with a NBV as at September 30, 2015 amounted to SR 65 million ( September 30, 2014: SR 59 million). Note (11 – B).
- b) The factory's buildings of the subsidiary with NBV amounted to SR 101 million as at September 30, 2015 (2014: SR 104 million) are established on a piece of land leased from the Royal Commission for Yanbu for 35 years, started on Rabie Al Thani 5, 1427H, for a nominal annual lease. The lease is renewable for a similar period with similar and other terms as agreed between the parties.
- c) The Company's buildings with NBV amounted to SR 62 million as at September 30, 2015 (2014: SR 37 million) are established on a piece of land leased from the Saudi Authority for Industrial Cities and Technical Areas (MODON) for 20 years, started on Shawal 29, 1429 H, for a nominal annual lease, The lease is renewable for a similar period with similar and other terms as agreed between the parties, except for the poles and towers factories as they are established on a land owned by the company.
- d) Capital work in progress represent the following projects:

	2015	2014
Steel blocks	2,571,968	2,571,968
Development of pipelines production factory project-Jeddah	1,197,658	14,800,170
Pipelines production factory project-Dammam	139,588	25,333,351
Administration building and workers residence project	--	3,830,722
Tower factory expansion project	--	3,504,673
Poles factory expansion project	--	889,954
Others	279,396	--
	4,188,610	50,930,838

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

## 11. BANK FACILITIES

### Bank facilities from local banks

The Group has bank facilities from some local banks with a utilized amount of SR 734 million (2014: SR 1,026 million) represented in letters of guarantee and letters of credit and short and long term bank facilities to meet and finance its working capital and capital expenditures of the Companies of the Group. All the bank facilities bear bank commissions at the commercial rates prevailing in the market, and these facilities are guaranteed by a promissory note issued by the company.

### SIDF loans

The company obtained a loan on 31 October 2013, from Saudi Industrial Development Fund "SIDF" for the expansion of Al Yamamah Electric Poles Factory with a maximum limit of SR 16.9 million, the loan is repayable over semi-annual installments commencing on 15 Shawwal 1436H corresponding to July 31, 2015 and ends on 15 Rabie' II 1442H corresponding to November 30, 2020. The loan is secured by pledging the properties and buildings established or that will be established on the land including the whole factory with its machinery, equipment and accessories and extension and every other thing that will be obtained for the project. The agreement includes some covenants that includes maintaining specific financial ratio.

### (r) Short-term bank loans

Short-term loans represents outstanding amounts of overdrafts and short term loans facilities with commercial banks to finance the working capital of the companies of the Group.

Short-term bank loans at September 30 comprise the following:

	2015	2014
Arab National Bank	311,128,124	260,820,265
Saudi Fransi Bank	83,500,000	175,717,256
Al Rajhi Bank	5,440,783	26,267,773
	400,068,907	462,805,294

### (s) Long-term bank loans

Long-term bank loans at September 30 comprise the following:

	2015	2014
Arab National Bank	10,000,000	30,000,000
Saudi Fransi Bank	--	27,070,305
The Saudi Industrial Development Fund*	16,400,000	13,520,000
	26,400,000	70,590,305

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**11. BANK FACILITIES (continued)**

Long-term bank loans were presented in the consolidated balance sheet as follows:

	2015	2014
Current portion under current liabilities	11,250,000	47,570,305
Non-current portion under non-current liabilities	15,150,000	23,020,000
	26,400,000	70,590,305

The non-current portion is due as follows:

Year	Amount
2017	1,950,000
2018	2,700,000
2019	3,500,000
2020	4,500,000
2021	2,500,000
	15,150,000

**12. PROVISIONS**

Movement in provision is as follows:

	2015	2014
Balance at the beginning of the year	5,482,980	--
Provision during the year	1,791,242	5,482,980
Balance at the end of the year	7,274,222	5,482,980

According to the claim received from the Electricity and Water Utilities Company in Yanbu and Jubail (MARAFIQ) for the differences between the quantities for consumption of the water and electricity agreed on between MARAFIQ and the subsidiary and the actual quantities consumed by the subsidiary (Note 23 – A), the subsidiary has calculated and formed a provision for the differences between the quantities of water and electricity agreed on between MARAFIQ and the subsidiary and the actual quantities consumed by the subsidiary for the period from January 1, 2015 and up to the date of the balance sheet to meet any future claims related to that period.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expense and other current liabilities comprise of the following:

	2015	2014
Accrued expenses	11,756,043	11,555,915
Accrued staff incentives	10,103,012	8,003,971
Accrued financial charges	2,870,653	2,673,991
Advances from customers	8,000,939	6,483,620
Other credit balances	705,667	1,147,534
	33,436,314	29,865,031

**14. EMPLOYEES' END OF SERVICES BENEFITS**

Movement in the employees' end of service benefits during the year was as follows:

	2015	2014
Balance at the beginning of the year	17,629,702	13,730,970
Provision formed during the year	4,402,264	4,797,877
Payments during the year	(1,306,313)	(899,145)
Balance at the end of the year	20,725,653	17,629,702

**15. SHARECAPITAL**

The subscribed and fully paid-up capital of the Company was SR 508 million (September 30, 2014: SR 508 million) divided into 50.8 million shares (September 30, 2014: 50.8 million shares) of 10 SR each (September 30, 2014: SR 10).

On 26/05/1436H, corresponding to 17/03/2015, 7,373,290 shares of the shares owned by Al Muhanna Trading Company, which is owned by Mohammed and Abdullah Al Muhanna, were sold, with all their rights and associated obligations to Abdul Aziz Bin Abdullah Bin Ibrahim Al Muhanna and Ibrahim Bin Abdullah Bin Ibrahim Al Muahnna and Muahnna Bin Abdullah Bin Ibrahim Al Muahnna.

The legal procedures to update the Article of Association of the company is still in process, where the share capital will be distributed as follows:



**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**15. SHARECAPITAL (continued)**

Shareholders	2015			2014		
	No. of shares	%	Amount	No. of shares	%	Amount
Rashid Abdel Rahman Al Rashid & Sons Company	12,288,816	24.19%	122,888,160	12,288,816	24.19%	122,888,160
Abdulqader Almuhaiedeb & Sons Company	12,288,816	24.19%	122,888,160	12,288,816	24.19%	122,888,160
Al Majel Trading & Contracting Company	8,056,002	15.86%	80,560,020	8,056,002	15.86%	80,560,020
Al Muhanna Trading Company	4,915,526	9.68%	49,155,260	12,288,816	24.19%	122,888,160
Mr. Abdul Aziz Bin Abdallah Bin Ibrahim Al Muhanna	2,457,764	4.84%	24,577,640	--	--	--
Mr. Ibrahim Bin Abdullah Bin Ibrahim Al Muhanna	2,457,763	4.84%	24,577,630	--	--	--
Mr. Muhanna Bin Abdullah Bin Ibrahim Al Muhanna	2,457,763	4.84%	24,577,630	--	--	--
Mr. Abdul Karim Hamad Abdul Karim Al Majel	4,232,815	8.33%	42,328,150	4,232,815	8.33%	42,328,150
Mr. Riad Bin Abdullah Bin Rashed Abo Nayan	1,644,735	3.24%	16,447,350	1,644,735	3.24%	16,447,350
	50,800,000	100%	508,000,000	50,800,000	100%	508,000,000

**16. STATUTORY RESERVE**

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to the statutory reserve until such reserve reaches 50% of its share capital. This reserve is not available for distribution.

**17. DIVIDENDS**

The Board of Directors proposed on their meeting number (2/3) dated Muharram 20, 1436 H correspondent to November 13, 2014 to distribute dividends for the second half of the financial year 2014 with an amount of SR 1.25 per share, representing 12.5% of the nominal value of the share with a total amount of SR 63.50 million, and the general assembly of the shareholders has approved these dividends on their meeting on Safar 24, 1436 H correspondent to December 16, 2014. Accordingly, the total dividends for the financial year 2014 amounted to approximately SR 114.2 million representing 22.5% of the share capital and SR 2.25 per share.

The board of directors proposed on their meeting number (3/4) dated Shabaan 9, 1436 H correspondent to May 27, 2015 to distribute dividends for the first half of the financial year 2015 with an amount of SR 1.25 per share, representing 12.5% of the nominal value of the share with a total amount of SR 63.50 million.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**18. ZAKAT**

**(a) Charge for the year**

The Company and its subsidiary submit their Zakat returns separately on a non-consolidated basis using the equity method. The significant components of the Zakat base for each company consists of the opening balance of equity and provisions and the adjusted net income, less the net book value of property, plant and equipment, investments and other items. In case the Zakat base was negative, no Zakat liability is due for the Company.

Zakat charge for the year ended September 30 comprises the following:

	2015	2014
For current year	14,520,065	11,642,624

**(b) Zakat provision**

The movement in the Zakat provision during the year was as follows:

	2015	2014
Balance at the beginning of the year	22,220,480	19,403,375
Add: Charge for the year	14,520,065	11,642,624
Less: Payments during the year	(10,512,050)	(8,825,519)
Balance at the end of the year	26,228,495	22,220,480

**(c) Zakat status**

**Al Yamamah Steel Industries Company**

The company filed its Zakat returns for the period from the date of inception until the year ended September 30, 2014 and paid the due zakat and obtained a certificate valid to January 30, 2016. The company has received its Zakat assessments for the years from 2008 to 2011, where DZIT claimed additional zakat differences amounting to SR 9.9 million. The Company objected against these assessments at the Preliminary Appeal Committee, and provided a letter of guarantee to the DZIT against the amount of zakat differences claimed. The preliminary committee issued its decision on 23 Shawwal 1435H corresponding to September 18, 2014, accepting only one of the items in the objection, accordingly the company appealed against this decision at the Higher appeal committee but it didn't issue its decision yet. However, the Company's management believes that the decision will be in its favor, according to the assessment of the Company's legal advisory.

**Al Yamamah Company for Reinforcing Steel Bars**

The Company finalized its zakat for the period from the date of inception until September 30, 2007. The company filed its zakat returns for the years 2008 up to 2014, but did not receive its zakat assessments for these years yet. The company obtained a valid zakat certificate for the year 2014, which is effective until June 30, 2016.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**19. EARNING PER SHARE**

Earnings per share for income from operation, other income, and net income for the year ended September 30, 2015 was calculated based on the average outstanding number of shares during the period amounting to 50.8 million shares (2014: 50.8 million shares).

**20. SELLING AND DISTRIBUTION EXPNESES**

Selling and distribution expenses for the year ended September 30 comprise the following:

	Note	2015	2014
Transportation expenses		20,030,472	18,569,573
Salaries, wages and related benefits		6,352,722	5,363,260
Advertising and marketing		1,279,956	1,402,467
Depreciation	10	120,419	174,371
Rents		50,829	50,688
Others		326,658	298,951
		28,161,056	25,859,310

**21. GENERAL AND ADMINISTRATION EXPNESES**

General and administrative expenses for the year ended September 30 comprise the following:

	Note	2015	2014
Salaries, wages and related benefits	24	30,825,845	24,534,341
Depreciation	10	3,490,383	3,357,072
Deferred costs amortization	9	2,744,150	3,809,898
Software and computer support expenses		1,552,494	1,476,575
Traveling expenses		944,401	677,981
Telephone and post		698,222	624,593
Professional and consulting fees		527,875	632,634
Rent		252,757	190,591
Stationery and printing		194,351	179,682
Repair and Maintenances		132,690	216,494
Advertising and Marketing		112,543	245,476
Provision for doubtful debts		--	2,347,784
Others		954,529	1,230,934
		42,430,240	39,524,055

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

## 22. OTHER INCOME

Other income for the year ended September 30 comprises the following:

	2015	2014
Human resources support fund	2,040,491	2,725,825
Foreign exchange differences	1,999,149	--
Gains on sale of property, plant and equipment	55,322	110,834
Others	212,900	592,075
	4,307,862	3,428,734

## 23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

- a) On July 25, 2015 the subsidiary received a claim from Water and Electricity Utilities Company in Yanbu and Jubail (MARAFIQ) with an amount of SR 146,473,084 related to the differences between the quantities of Water and Electricity agreed on between the subsidiary and MARAFIQ and the actual quantities consumed for the years from 2008 to 2014 which included the previous claim received from MARAFIQ dated January 14, 2014. The subsidiary negotiated with MARAFIQ and on October 15, 2015 they agreed to amend the terms of consumption stated in the previous agreement to be applicable starting January 1, 2014. Accordingly MARAFIQ issued an amended claim for the period from January 1, 2014 to December 31, 2014 and the subsidiary paid it in full. And in relation to the consumption differences for the period from 2008 to 2013 amounting to SR 124 million, it is still under negotiation with MARAFIQ. The subsidiary referred to what is stated in article (41) of the Electricity Services guidance issued by Electricity and Production Regulatory Authority (the Authority) which states that in case there was negligence or slackness from a service provider to collect his dues from non residential consumption, the service provider can not claim the consumer retroactively for a period more than two Georgian years, therefore the maximum result from this claim will not exceed SR 40 million, which is related to the years 2012 and 2013. The subsidiary has obtained a legal opinion supporting its position. In addition, the shareholders in the subsidiary assured that they will be personally responsible to pay in cash for any liabilities resulting from this claim in the future, each according to his share in the share capital. The shareholders in the subsidiary had also assured to be personally responsible to pay in cash any other future liabilities that could result from actual consumption differences of Water and Electricity for 2015 compared to the provision recorded for this liabilities (Note 12) each according to his share in the capital and with a maximum amount of SR 21 million.

And in turn, the shareholders of Al Yamamah Steel Industries Company confirmed on September 9, 2015 to be personally responsible to pay in cash the company's share amounting to 72.5% for any liabilities that could result from the current or future claims, each according to his share in the capital.

- b) At September 30, 2015 the capital commitments related to projects under construction amounted to SR 1.5 million (September 30, 2014: SR 35 million).

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

- c) At September 30, 2015 the contingent liabilities against the outstanding letters of credit amounted to SR 181 million (September 30, 2014: SR 379 million) that were issued in the ordinary course of business.
- d) At September 30, 2015, the contingent liabilities against the uncovered portion of the letters of guarantee issued by the local banks on behalf of the companies of the group amounted to SR 127 million (September 30, 2014: SR 115 million).

**24. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies and directors and key management personnel of the Group, Terms and conditions of these transactions are approved by the Group's management.

Related party transactions mainly represent purchases and sales of goods and services which are undertaken under mutually agreed terms with the following entities:

Party	Relationship
Al Muhanna Trading Company	Shareholder
Al Muhanna Steel Group	Shareholder
Mr. Abdul Aziz Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Ibrahim Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Mr. Muhanna Bin Abdullah Bin Ibrahim Al Muhanna	Shareholder
Al Majel Trading Company	Shareholder
Abdul Kader Al Mehedb and Sons Company	Shareholder
Mr. Riad Bin Abdullah Bin Rashed	Shareholder
Mr. Abdul Karim Bin Hamad Bin Abdul Karim Al Majel	Shareholder
Rashed Abdul Rahman Al Rashed and Sons Company	Shareholder
Al Fozan for Building Materials Company	Shareholder in the Subsidiary

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

**24. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

Related parties transactions for the year ended September 30 and balances arising-there from are as follows:

	Nature of	Amount of transaction		Closing balance	
Transactions with	transaction	during the year		Receivable	
		2015	2014	2015	2014
Under trade receivables:					
Masdar for Building Materials Company*	Sales	374,098,993	386,526,256	34,719,632	48,538,635
Al Fozan Building Materials Company**	Sales	379,651,143	355,446,726	42,719,753	70,797,151
Rashid Abdel Rahman Al Rashid and Sons Company		114,573,865	164,692,228	11,597,296	42,670,881
Al Muhanna Steel Group	Sales	41,466,349	42,553,468	6,883,643	15,458,910
Al Muhanna Trading Company	Sales	16,701,525	8,744,688	5,210,809	2,560,651
Al Majel Trading Company	Sales	1,613,196	2,707,050	258,670	2,707,050
Al Fozan for Metals Company		--	7,211,400	--	7,441
				101 389 803	182,740,719
Due to related parties:					
Masdar for Building Materials Company	Purchase of material	1,269,170	--	--	--

\*Transactions with Abdul Kader Al Mehedb and Sons Company include Masdar for Building Materials Company and Al Mehedb Contracting Company.

\*\*Transaction with Rashed Abdul Rahman and Sons Company include Saudi Company for Technical and Medical Services.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or not).

The remuneration of directors and other members of key management during the year were as follows:

Transactions with	Nature of transaction	2015	2014
Key management	Salaries, allowance and related benefits	11,524,868	9,855,161

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

## **25. RISK MANAGEMENT**

### **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities mainly bank overdraft and bank facilities. The management limits the Group's interest rate risk by monitoring changes in interest rates.

### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's financial current liabilities consist of the current portion of bank facilities, trade accounts payables and accrued expenses and other liabilities. All the financial liabilities are expected to be settled within 12 months of the balance sheet date and the Group expects to have adequate funds available to do so.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash and cash equivalents of the Group standing at the balance sheet date are placed with foreign and local banks with sound credit ratings. Trade receivables are mainly due from local customers, 79% as of December 31, 2015 (2014: 70%) of the Group's trade receivables are due from 23 main customers (2014: 23 customers). Trade receivables are stated at their estimated realizable values.

### **Currency risk**

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to fluctuations in foreign exchange rates during its ordinary course of business, since all significant transactions of the Group during the year are in Saudi Riyal and US Dollars and there is no significant risks related to balance stated at US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed.

### **Fair values of financial instruments**

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. The company's financial assets consist of cash and cash equivalent, accounts receivables and other assets, its financial liabilities consist of bank facilities, trade accounts payables, accrued expenses and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

**YAMAMAH STEEL INDUSTRIES COMPANY**  
(A closed Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 September 2015  
Expressed in Saudi Riyals

## 26. SEGMENT REPORT

The Group carries its activities in the Kingdom of Saudi Arabia through the following main segments:

- a) Steel Pipelines Production
- b) Electric Poles Factory
- c) Frames Factory
- d) Electric Power Tower Factory
- e) Al Yamamah Company for Reinforcing Steel Bars (subsidiary)
- f) Others, which represents the property of the head office and investment returns

Description	Pipelines Factory	Electric Poles Factory	Frames factory	Electric Power Towers Factory	Al Yamamah for Reinforcing Steel Bars	Others	Total
September 30, 2015							
-Property, plant and equipment	96,770,131	64,747,600	4,207,172	47,568,973	256,778,582	15,296,499	485,368,957
- Net sales	448,835,680	205,483,380	2,311,303	224,511,256	1,121,099,694	--	2,020,241,313
-Net income	6,451,641	38,727,743	4,560,781	35,906,811	73,093,449	--	158,740,425
September 30, 2014							
-Property, plant and equipment	96,967,860	60,085,427	4,632,755	36,035,564	269,316,481	12,362,566	479,400,653
- Net sales	489,935,774	187,068,735	20,674,277	192,588,251	1,121,472,744	--	2,011,739,781
-Net income	16,852,148	37,909,727	3,742,765	16,047,220	57,381,111	--	131,932,971

Some other assets and liabilities were not disclosed according to their operating segment as these information are not available on the operational level.

## 27. COMPARTIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation and summarized as follows:

Item	As at 30 September 2014 as previously reported	Reclassification	As at 30 September 2014 (after reclassification)
Zakat provision	12,277,992	9,942,488	22,220,480
Accrued expenses and other current liabilities	39,807,519	(9,942,488)	29,865,031

## 28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for issuance by the Board of Directors on Safar 4, 1437H, corresponding to November 16, 2015.