

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

**FINANCIAL STATEMENTS AND AUDITOR'S
REPORT YEAR ENDED DECEMBER 31, 2015**

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

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Scope of Audit

We have audited the balance sheet of National Metal Manufacturing and Casting Company ("MAADANIYAH") ("the Company") (a Saudi joint stock company) as of December 31, 2015, and the related statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 24 which form an integral part of these financial statements as prepared by the management of the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements taken as whole present fairly:

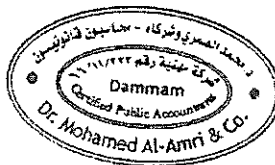
- in all material respects, the financial position of the Company as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.
- Comply with the requirements of the Regulations for Companies and the Company's articles of association in so far as they affect the preparation and presentation of the financial statements.

Other Matter

The financial statements of the Company for the year ended December 31, 2014 were audited by other auditors, who expressed unqualified opinion on those financial statements on Rabi 'II, 27, 1436-H corresponding to February 16, 2015-G.

For Dr. Mohamed Al-Amri & Co.

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



February 14, 2016-G
Jumada 'I, 5, 1437-H

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

BALANCE SHEET
AS OF DECEMBER 31, 2015

	Notes	2015 SR	2014 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	59,014,237	27,688,032
Accounts receivables and prepaid expenses	4	110,926,288	111,429,545
Inventories	5	118,639,484	165,848,656
Total current assets		288,580,009	304,966,233
Non - current assets			
Property, machinery and equipment	6	209,546,627	208,395,711
Goodwill	7	45,000,000	54,521,139
Intangible assets	8	523,220	784,820
Total non - current assets		255,069,847	263,701,670
TOTAL ASSETS		543,649,856	568,667,903
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Notes payable	9	16,674,208	48,067,740
Short term loans	9	11,091,889	21,007,568
Long term loans - current portion	9,10	18,000,000	15,600,000
Zakat provision	13	6,166,175	5,500,000
Accounts payable, accrued expenses and other liabilities	11	34,219,805	35,789,817
Total current liabilities		86,152,077	125,965,125
Non - current liabilities			
Long term loans	9,10	32,638,461	34,800,000
End-of-service indemnities	12	21,148,543	18,872,907
Total non - current liabilities		53,787,004	53,672,907
TOTAL LIABILITIES		139,939,081	179,638,032
Stockholders' equity			
Share capital	1	281,120,890	281,120,890
Statutory reserve	14	24,397,509	21,463,814
Retained earnings		98,192,376	86,445,167
Total stockholders' equity		403,710,775	389,029,871
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		543,649,856	568,667,903

The accompanying notes from 1 to 24 form an integral part of these financial statements

NATIONAL METAL MANUFACTURING AND CASTING COMPANY (1VIAADANIYAH)
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	2015 SR	2014 SR
Sales		407,322,667	413,160,618
Cost of sales		(329,105,373)	(349,494,123)
Gross profit		78,217,294	63,666,495
Selling and distribution expenses	15	(18,240,651)	(15,622,063)
General and administrative expenses	16	(14,744,807)	(15,839,357)
Income from main operations		45,231,836	32,205,075
Finance charges	9,10	(2,560,524)	(2,719,991)
Write-off of property, machinery and equipment	6	(2,205,083)	(1,986,920)
Goodwill impairment loss	7	(9,521,139)	(7,400,000)
Other income, net	17	3,991,859	4,300,250
Net income before zakat		34,936,949	24,398,414
Zakat	13	(5,600,000)	(3,647,478)
Net income		29,336,949	20,750,936
(Loss) earnings per share	21		
Earnings per share from net income		1.04	0.74
Earnings per share from continuing main operations		1.32	0.92
Loss per share from other operations		(0.28)	(0.18)
Weighted average number of shares outstanding (share)		28,112,089	28,112,089

The accompanying notes from 1 to 24 form an integral part of these financial statements

RATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)
(SAUDI JOINT STOCK COMPANY)

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

	2015 SR	2014 SR
OPERATING ACTIVITIES		
Net income before zakat	34,936,949	24,398,414
Adjustments for:		
Depreciation	18,833,216	19,277,150
Amortization	261,600	261,600
(Gain) loss from disposal of property, machinery and equipment	66,670	(66,566)
End-of-service indemnities	3,455,173	3,299,116
Finance charges	2,560,524	2,719,991
Goodwill Impairment losses	9,521,139	7,400,000
Write-off of property, machinery and equipment	2,205,083	1,986,920
Provision for slow moving inventories	-	1,699,757
Reversal of accounts receivable provision no longer required	-	(53,671)
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	503,257	(18,893,611)
Inventories	47,209,110	(55,260,188)
Notes payable	(31,393,532)	20,146,244
Accounts payable, accrued expenses other liabilities	(2,055,204)	3,832,455
Cash from operations	86,103,985	10,747,611
End-of-service indemnities paid	(1,179,537)	(2,714,275)
Zakat paid	(4,933,825)	(5,728,882)
Finance charges paid	(2,410,352)	(2,119,504)
Net cash from operating activities	77,580,271	184,950
INVESTING ACTIVITIES		
Purchase of property, machinery and equipment	(22,445,804)	(35,907,619)
Proceeds from disposal of property, machinery and equipment	189,919	109,499
Net cash used in investing activities	(22,255,885)	(35,798,120)

The accompanying notes from 1 to 24 form an integral part of these financial statements

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

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

	2015 SR	2014 SR
FINANCING CTIVITIES		
Repayment of short term loans	(59,705,402)	(34,557,640)
Proceeds from short term loans	49,789,723	48,734,039
Repayment of long term loans	(13,200,000)	(10,733,333)
Proceeds from long term loans	13,438,461	36,000,000
Directors' remuneration paid	(600,000)	
Dividends paid	(13,720,963)	
Net cash (used in) from financing activities	(23,998,181)	39,443,066
Net change in cash and cash equivalents	31,326,205	3,829,896
Cash and cash equivalents, January 1	27,688,032	23,858,136
CASH AND CASH EQUIVALENTS, DECEMBER 31	59,014,237	27,688,032
Non-cash transaction:		
Transfer of spare parts inventories to property, machinery and equipment	-	(16,381,220)
Amortization of front end fees of SIDF loan	-	614,175

The accompanying notes from 1 to 24 form an integral part of these financial statements

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

**STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January I, 2014	281,120,890	19,388,720	67,769,325	368,278,935
Net income for the year	-	-	20,750,936	20,750,936
Transferred to statutory reserve	-	2,075,094	(2,075,094)	-
December 31, 2014	281,120,890	21, 463,814	86, 445,167	389,029,871
Net income for the year			29,336,949	29,336,949
Transferred to statutory reserve		2,933,695	(2,933,695)	-
Dividends declared			(14,056,045)	(14,056,045)
			(600,000)	(600,000)
December 31, 2015	281 ,120,890	24,397,509	98,192,376	403,710,775

The accompanying notes from 1 to 24 form an integral part of these financial statements



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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

I. 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 share capital of the Company is SR 281,120,890 divided into 28,112,089 shares of SR 10 each. The Company has the following branches:

<u>Branch name</u>	<u>Commercial Registration number</u>	<u>Date</u>
Axels, Foundries and Spare Parts Factory	2050016156	29/5/1406
Wire Drawing and its Products Factory (ASLAK)	2055013867	25/8/1432

The Company and its branches' objectives are as follows:

1. 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.
2. Manufacturing of metal castings of various types.
3. Manufacturing of axles, various qualities of suspensions and spare parts for trucks, vehicles and equipment.
4. Wholesale and retail trade in the Company's products, building materials, industrial materials, including the import and export.
5. Ownership of land and property and constructing buildings thereon.
6. Ownership of patents and benefiting from them to achieve industrial objectives inside and outside the Kingdom of Saudi Arabia.
7. Commercial agencies and representation of local or foreign companies inside and outside the Kingdom of Saudi Arabia.
8. Tenders and contracting business.
9. 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 FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of estimates

The preparation of 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 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 directly part costs 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 an indication that the Company will not be able to collect all due amounts 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, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the 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 FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings	33
Machinery, equipment and spare parts	25 -33
Furniture, fixtures and office equipment	5 -10
Vehicles, forklifts and trolleys	4
Tools and others	3 -13

On disposal of assets the related cost and accumulated depreciation are derecognized from the financial statements and the resulting gain / loss is taken to statement of income

Goodwill

Goodwill stated in these 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 annually.

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise 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.

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"), which are being amortized over the period of the loans, and off set with the outstanding amounts of the loans.

Impairment

At 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 (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 (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

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 balance sheet date. Gains or losses from settlement and translation of foreign currency transactions are included in the statement of income.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

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 of services are received, whether or not billed to the Company.

Provision 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 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 statement of income. The zakat charge is computed on the higher of zakat base or adjusted net income. 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.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the operating lease period.

The Company as lessee

Rentals payable under operating leases are charged to statement of income on 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 geographic segment), which is subject to risks and rewards that are different from those of other segments.

3. CASH AND CASH EQUIVALENTS

	2015 SR	2014 SR
Cash and bank balances	15,194,356	10,470,836
Term deposits	43,819,881	17,217,196
	59,014,237	27,688,032

4. ACCOUNTS RECEIVABLES AND PREPAID EXPENSES

	2015 SR	2014 SR
Trade receivables, net	105,717,068	106,409,301
Prepaid expenses	3,241,006	2,508,864
Advances to suppliers	1,562,433	1,947,001
Other receivables	405,781	564,379
	110,926,288	111,429,545

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

5. INVENTORIES

	2015 SR	2014 SR
Raw materials	46,256,004	75,367,576
Finished goods	52,289,560	56,098,268
Goods-in-transit	9,990,156	21,070,673
Works-in-process	7,386,442	9,868,233
Consumables and other inventories	5,063,055	5,887,279
	120,985,217	168,292,029
Less: provision for slow moving inventories	(2,345,733)	(2,443,373)
	118,639,484	165,848,656

6. PROPERTY, MACHINERY AND EQUIPMENT

	Land and buildings SR	Spare parts ,machinery & equipment SR	Furniture, fixtures & office equipment SR	Vehicles, forklifts and trolleys SR	Tools & Others SR	Capital work-in- progress SR	TOTAL SR
Cost							
January 1, 2015	108,487,530	352,747,448	4,675,301	9,958,093	17,685,859	1,517,889	495,072,120
Additions	168,770	1,777,688	648,806	2,251,790	302,185	17,296,565	22,445,804
Disposals	(248,946)	-	(9,875)	(513,430)	(21,800)	-	(794,051)
Write-off	-	(44,011,909)	(117,571)	(1,332,445)	-	-	(45,461,925)
Transfers	1,080,700	1,709,124	9,700	81,900	109,188	(2,990,612)	-
December 31, 2015	109,488,054	312,222,351	5,206,361	10,445,908	18,075,432	15,823,842	471,261,948
Depreciation							
January 1, 2015	57,883,897	203,514,903	3,500,658	7,032,362	14,744,589	-	286,676,409
Charge for year	3,445,233	12,961,330	489,023	1,271,196	666,434	-	18,833,216
Disposals	(102,676)	-	(8,183)	(404,805)	(21,798)	-	(537,462)
Write off	-	(41,809,244)	(115,170)	(1,332,428)	-	-	(43,256,842)
December 31, 2015	61,226,454	174,666,989	3,866,328	6,566,325	15,389,225	-	261,715,321
Net book value							
December 31, 2015	48,261,600	137,555,362	1,340,033	3,879,583	2,686,207	15,823,842	209,546,627
December 31, 2014	50,603,633	149,232,545	1,174,643	2,925,731	2,941,270	1,517,889	208,395,711

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

Capital work-in-progress represents payments made by the Company towards machinery in transit and construction in progress for factories expansion and development of product lines.

Certain buildings of the Company's with a net book value of SR 45.22 million (2014: SR 47.36 million) are constructed on land leased from the Royal Commission for Jubail and Yanbu and Saudi Organization for Industrial Estate and Technology Zones for a nominal annual rent for periods of 10 and 23 Hijri years, starting from 1 Dhu Al Hijjah 1434 (October 6, 2013) and 23 Sha'aban 1429 (August 24, 2008) respectively. The Company has the option to renew the lease agreements.

The property, machinery and equipment with a net book value of SR 206.51million (2014: SR 205.16 million) are mortgaged to the Saudi Industrial Development Fund (SIDF) as a security against the loans (note 10).

7. GOODWILL

Goodwill represents the excess acquisition cost paid over the fair value of the net assets acquired, in 2006 , upon the acquisition of Axels, Foundries and Spare Parts Factory ("the Branch"). During the current year 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 financial statements.

8. INTANGIBLE ASSETS

	<u>SR</u>
Cost	
January 1, 2015	
December 31, 2015	<u>1,308,020</u>
	<u>1,308,020</u>
Amortization	
January 1, 2015	
Charge for year	523,200
December 31, 2015	<u>261,600</u>
	<u>784,800</u>
Net book value	
December 31, 2015	<u>523,220</u>
December 31, 2014	<u>784,820</u>

Enterprise Resource Planning (ERP) system development costs which represent costs incurred to implement new system and are amortized over 5 year period.

9. BANK FACILITIES

The Company arranged bank facilities ("the facilities") from local banks for working capital purposes in the form of overdraft, short term loans, Islamic Tawarruq, Islamic Murabaha, letters of credit and guarantees. Short term loans are payable within one year from the balance sheet date. The facilities carry interest at SIBOR plus a certain margin. The facilities are secured by demand order note and promissory notes. Restrictive covenants for the facilities include maintenance of net worth and working capital ratios. As of December 31, 2015 and 2014, the Company was in compliance with these covenants.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

10. LONG TERM LOANS

	2015 SR 000	2014 SR 000
Saudi Industrial Development Fund ("SIDF")	6,000,000	14,400,000
Less: current portion	6,000,000	8,400,000
	-	6,000,000
Long term loans from local bank	44,638,461	36,000,000
Less: current portion	(12,000,000)	(7,200,000)
	32,638,461	28,800,000
Total non-current portion	32,638,461	34,800,000

Saudi Industrial Development Fund loans

The Company obtained loans from Saudi Industrial Development Fund (SIDF) to finance a portion of the expansion project costs of the drawn wire and related products of Aslak factory at Jubail Industrial City, and another loan to the development and enhancement of Axles, Foundries and Spare Parts Factory costs at Second Industrial City in Dammam. The loans are repayable by unequal half yearly installments. These loans are guaranteed by a promissory note and a mortgage on certain fixed assets of the Company. In 2015, the loan agreements include covenants to maintain certain financial ratios during the loan period. These loans include prepaid front-end fees. As of December 31, 2015, the loan outstanding balance amounted to SR 6 million (2014: SR 14.4 million) current portion, has been classified as a current liability.

Long term loans from local bank

During 2014, the Company obtained long term loan from a local bank of SR 36 million to finance the expansion costs of Aslak factory at Jubail Industrial City. The loan is repayable in 15 quarter-annual equal installments of SR 2.4 million each. The first installment was paid on June 30, 2015. This loan carries interest at SIBOR plus a certain margin. As of December 31, 2015 the outstanding loan balance is amounted to SR 31.2 million, including the current portion of SR 12 million. This loan is secured by promissory notes.

During the current year the Company obtained loan facilities from local bank to finance the expansion projects. The loan is provided under murabaha term with a total limit of SR 50 million and is repayable in semi-annually installments over a period of five years starting from December 2017. The loan is secured by promissory notes. The utilized balances of loans as of December 31, 2015 is SR 13.4 million (2014: Nil)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

The following are the aggregate maturity amounts of the long term loans as of December 31, 2015:

	Saudi Industrial Development Fund loans SR	Long term loans from local bank SR	Total SR
2016	6,000,000	12,000,000	18,000,000
2017	-	9,600,000	9,600,000
2018	-	17,600,000	17,600,000
2019	-	5,438,461	5,438,461
Total	6,000,000	44,638,461	50,638,461

11. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2015 SR	2014 SR
Trade payable	14,929,859	20,619,978
Employees accruals	6,387,847	5,900,882
Accrued expenses	9,984,785	4,802,009
Advances from customers	1,664,990	3,490,120
Other liabilities	1,252,324	976,828
	34,219,805	35,789,817

12. END-OF-SERVICE INDEMNITIES

	2015 SR	2014 SR
January 1	18,872,907	18,288,066
Provided during the year	3,455,173	3,299,116
Utilized during the year	(1,179,537)	(2,714,275)
December 31	21,148,543	18,872,907

13. ZAKAT

The principal elements of the zakat base are as follows:

	2015 SR	2014 SR
Non-current assets	255,069,847	263,701,670
Non-current liabilities	53,787,004	53,672,907
Opening stockholders' equity	389,029,871	368,278,935
Net income before zakat	34,936,949	24,398,414

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

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The movement in zakat provision during the year is as follows:

	2015 SR	2014 SR
January 1	5,500,000	7,581,404
Provision for the year	5,600,000	3,647,478
Paid during the year	(4,933,825)	(5,728,882)
December 31	6,166,175	5,500,000

The zakat charge for the year is as follows:

	2015 SR	2014 SR
Zakat for current year	5,600,000	3,647,478
Charge in the statement of income	5,600,000	3,647,478

The Company has submitted its zakat returns up to year ended December 31, 2014 and obtained the required certificates and official receipts. Also, the Company had finalized its zakat assessments with the Department of Zakat and Income Tax (DZIT) up to 2013.

14. STATUTORY RESERVE

In accordance with Regulations for companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of net income after offsetting the entire accumulated losses until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

15. SELLING AND DISTRIBUTION EXPENSES

	2015 SR	2014 SR
Transportation and distribution	9,109,394	8,231,423
Employee related costs	5,966,456	5,339,712
Depreciation	629,310	450,467
Rental expenses	683,554	475,859
Insurance expenses	248,491	221,975
Utilities	109,301	101,944
Advertising expenses	45,076	205,893
Travel expenses	178,041	195,788
Provision for doubtful debts	710,156	(53,671)
Others	560,872	452,673
	18,240,651	15,622,063

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 SR	2014 SR
Employee related costs	9,545,977	9,193,800
Professional and services fees	911,970	1,098,313
Depreciation	1,308,053	1,144,348
Amortization	261,600	261,600
Repairs and maintenance	351,188	412,466
Travel expenses	296,596	163,357
Telephone and utilities	307,190	296,784
Insurance	129,214	109,547
Rental	305,337	272,194
Security Services fee	81,000	186,784
Slow moving items provision	-	1,699,757
Board of directors' expenses	157,800	239,440
IT expenses	164,855	183,082
Others	924,027	577,885
	<u>14,744,807</u>	<u>15,839,357</u>

17. OTHER INCOME, NET

	2015 SR	2014 SR
Scrap sales	1,972,850	1,714,945
Compensations from vendors and settlements of insurance claims	292,269	469,516
Gain (loss) from foreign exchange	1,110,249	1,428,620
Rental income	246,250	263,750
Gain (loss) on disposal of property, machinery and equipment	(66,670)	66,566
Others	436,911	356,853
	<u>3,991,859</u>	<u>4,300,250</u>

18. OPERATING LEASE ARRANGEMENTS

The Company as a lessee

	2015 SR	2014 SR
Payments for operating lease contracts recorded as an expense during the year	<u>1,335,666</u>	<u>1,162,617</u>

Operating lease payments represent rentals payable by the Company for lands, showrooms, housing and vehicles. Except for lands, leases are negotiated for an average term of one year and rentals are fixed for the lease term.

The Company has operating lease contracts for land for 10 to 23 years periods (note 6).

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The minimum lease payments under non-cancellable operating leases are represented as follows:

	2015	2014
	SR	SR
Less than one year	667,062	571,513
Second year	667,062	571,513
Third year	667,062	571,513
Fourth year	667,062	571,513
Fifth year	667,062	571,513
After five years	3,800,188	3,421,303
Net minimum lease payments	7,135,498	6,278,868

The Company as a lessor

The Company has operating leases income from a building during 2015 amounting to SR 246,250 (2014: SR 263,750). As at December 31, 2015, the cost of the building amounted to SR 6.68 million (2014: SR 6.68 million) and accumulated depreciation amounted to SR 3.74 million (2014: SR 3.54 million) (note 6).

19. CONTINGENCIES AND COMMITMENTS

- (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:

	2015	2014
	SR'000	SR'000
Letters of guarantee	2,055,750	2,055,750
Letters of credit	18,620,583	16,437,951

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20. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities. Transactions between the business segments are reported as recorded by the Company's transfer pricing system. The Company's sales, gross profit and net assets, by business segment, are as follows:

	Transformation industries <u>SR</u>	Engineering and metal forming industries <u>SR</u>	<u>T o t a l</u> <u>SR</u>
For the year ended December 31, 2015			
Sales	305,896,040	101,426,627	407,322,667
Gross profit	71,120,278	7,097,016	78,217,294
As of December 31, 2015			
Property, machinery and equipment	127,857,147	81,689,480	209,546,627
Total assets	321,444,979	222,204,877	543,649,856
Total liabilities	109,217,687	30,721,394	139,939,081

	Transformation industries <u>SR</u>	Engineering and metal forming industries <u>SR</u>	<u>T o t a l</u> <u>SR</u>
For the year ended December 31, 2014			
Sales	285,179,307	127,981,311	413,160,618
Gross profit	51,120,380	12,546,115	63,666,495
As of December 31, 2014			
Property, machinery and equipment	128,719,760	79,675,951	208,395,711
Total assets	331,343,826	237,324,077	568,667,903
Total liabilities	146,001,860	33,636,172	179,638,032

The sales within the Kingdom for the year ended December 31, 2015 amounted to SR207.1 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,

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21. (LOSS) EARNINGS PER SHARE (EPS)

The earning per share for the year is calculated by dividing the net income, by the weighted average number of outstanding shares amounting to 28,112,089 shares.

Earning per share from continuing main operations is calculated by dividing the operating profit less zakat and finance charges for the year by the weighted average number of outstanding shares.

Loss per share from other operations is calculated by dividing other income less write off property, machinery and equipment and impairment losses for the year by the weighted average number of outstanding shares.

22. DIVIDENDS

The General Assembly approved during its meeting held on 30/4/2015 G (11/7/1436 H) on the proposal of the Board of Directors to pay dividends for 2014 at the rate of SR 0.5 per share, representing 5% of the nominal share value amounting to SR 14.056 million. Entitlements to the distribution were stockholders on record as at the end of Tadawul dealings on Thursday 30/4/2015G (11/7/1436H). Disbursement commenced on Monday 25/5/2015 G (7/8/1436 H).

The board of directors proposed in its meeting on 25 Safar 1437 corresponding to December 7, 2015 cash dividends by 0.5 SR per share totaling to SR 14,056,045 for the year ended December 31, 2015.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party will fail to discharge its obligation and will cause the other party to incur a financial loss. The Company's assets that are subject to credit risks comprise of bank balances and receivables. Cash is placed with banks with high credit ratings which reduces credit risk.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Company's transactions are principally in Saudi Riyals, Euro and U.S. Dollars.

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates. The Company has no commission bearing assets and liabilities except for the loans and bank facilities at December 31, 2015.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly 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 any future commitments.

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 Company's financial instruments are compiled under the historical cost convention, differences may arise between the book values and 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.

24. COMPARATIVE FIGURES.

Certain figures for 2014 have been reclassified to conform to the presentation in the current year.