

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

INTERIM FINANCIAL STATEMENTS AND  
AUDITOR'S REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS ENDED MARCH  
31, 2016

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

**INTERIM FINANCIAL STATEMENTS AND AUDITOR'S REPORT (LIMITED REVIEW)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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

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

**Scope of Review**

We have reviewed the interim balance sheet of National Metal Manufacturing and Casting Company ("MAADANIYAH"), a Saudi Joint Stock Company, as of March 31, 2016 and the related interim statements of income and cash flows for the three months then ended and the attached notes 1 to 8 which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us with all the necessary information and explanations which we required.

We conducted our limited review in accordance with the standard of auditing applicable to review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Review Result**

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

For Dr. Mohamed Al-Amri & Co.

*M. A. Al-Amri*

Dr. Mohamed A. Al-Amri  
Certified Public Accountant  
Registration No. 60



April 18, 2016-G  
Rajab 11, 1437-H

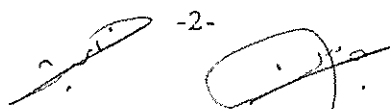
**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM BALANCE SHEET**  
**AS OF MARCH 31, 2016**

	Notes	2016 SR'000 (Un-audited)	2015 SR'000 (Un-audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		72,730	31,458
Accounts receivables and prepaid expenses		100,662	112,021
Inventories		121,771	144,832
<b>Total current assets</b>		<b>295,163</b>	<b>288,311</b>
<b>Non-current assets</b>			
Property, machinery and equipment		211,993	207,027
Goodwill	3	45,000	54,521
Intangible assets		458	720
<b>Total non-current assets</b>		<b>257,451</b>	<b>262,268</b>
<b>TOTAL ASSETS</b>		<b>552,614</b>	<b>550,579</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Notes payable		16,729	15,567
Short term loans		9,010	26,223
Current portion of long term loans		15,000	16,100
Zakat provision		7,686	7,000
Accounts payable, accrued expenses and other liabilities		33,537	33,278
<b>Total current liabilities</b>		<b>81,962</b>	<b>98,168</b>
<b>Non-current liabilities</b>			
Long term loans		33,719	31,800
End-of-service indemnities		21,705	19,107
<b>Total non-current liabilities</b>		<b>55,424</b>	<b>50,907</b>
<b>TOTAL LIABILITIES</b>		<b>137,386</b>	<b>149,075</b>
<b>Stockholders' equity</b>			
Share capital	1	281,121	281,121
Statutory reserve		24,398	21,464
Retained earnings		109,709	98,919
<b>Total stockholders' equity</b>		<b>415,228</b>	<b>401,504</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS'</b>		<b>552,614</b>	<b>550,579</b>

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

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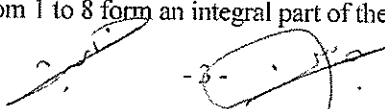


**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

	2016 SR'000 (Un-audited)	2015 SR'000 (Un-audited)
Sales	79,101	114,766
Cost of sales	(57,633)	(93,413)
<b>Gross profit</b>	<b>21,468</b>	<b>21,353</b>
Selling and marketing expenses	(4,444)	(4,535)
General and administrative expenses	(3,963)	(3,265)
<b>Operating income</b>	<b>13,061</b>	<b>13,553</b>
Finance charges	(505)	(709)
Other income	481	1,130
<b>Net income for the period before zakat</b>	<b>13,037</b>	<b>13,974</b>
 Zakat	 (1,520)	 (1,500)
<b>Net income for the period</b>	<b>11,517</b>	<b>12,474</b>
<b>Earnings per share – note 5 (SR)</b>		
Attributable to net income for the period	0.41	0.44
Attributable to income from continuing main operations for the period	0.39	0.40
Attributable to income from other operations for the period	0.02	0.04
 Weighted average number of shares	 28,112,089	 28,112,089

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



**NATIONAL METAL MANUFACTURING AND CASTING COMPANY (MAADANIYAH)**  
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**INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

	2016 SR'000 (Un-audited)	2015 SR'000 (Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income for the period before zakat	13,037	13,974
Adjustments for:		
Depreciation	4,748	4,778
Amortization	65	65
End-of-service indemnities	870	627
Finance charges	505	709
Revisal of accounts receivable provision no longer required	-	(23)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable and prepaid expenses	10,263	(568)
Inventories	(3,131)	21,017
Notes payable	55	(32,501)
Accounts payable, accrued expenses other liabilities	(652)	(2,657)
<b>Net cash from operations</b>	<b>25,760</b>	<b>5,421</b>
End-of-service indemnities paid	(314)	(393)
Finance charges paid	(535)	(564)
<b>Net cash from operating activities</b>	<b>24,911</b>	<b>4,464</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, machinery and equipment	(7,194)	(3,409)
<b>Net cash used in investing activities</b>	<b>(7,194)</b>	<b>(3,409)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of short term loans	(11,092)	(21,008)
Proceeds from short term loans	9,010	26,223
Repayment of long term loans	(5,400)	(2,500)
Proceeds from long term loans	3,481	-
<b>Net cash (used in) from financing activities</b>	<b>(4,001)</b>	<b>2,715</b>
<b>Net change in cash and cash equivalents</b>	<b>13,716</b>	<b>3,770</b>
<b>Cash and cash equivalents, January 1</b>	<b>59,014</b>	<b>27,688</b>
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<b>72,730</b>	<b>31,458</b>

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



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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**1. ORGANIZATION AND ACTIVITIES**

National Metal Manufacturing and Casting Company (MAADANIYAH) ("the Company") was incorporated pursuant to the 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 (March 3, 1990) issued in Al Jubail. The Company's share capital is SR 281,120,890 divided in to 28,112,089 shares of SR 10 each.

The Company has the following branches:

<u>Branch name</u>	<u>Commercial Registration Number</u>	<u>Date</u>
Axles, Foundries and Spare Parts Factory	2050016156	29/5/1406-H
Wire Drawing and related Products factory (ASLAK)	2055013867	28/8/1432-H

The Company and its branches objectives are as follows:

- Manufacturing of drawn steel wire rod, pre-stressed concrete steel wire strand (PC strand), spring wire, mattress spring wire, strengthening wire strand for electrical power and high and low galvanized steel wire, fasteners, nails, bolts and welding wire,
- Manufacturing of metal castings of various types,
- Manufacturing of axles, various qualities of suspensions and spare parts for trucks, vehicles and equipment,
- Wholesale and retail trade in the Company's products, building materials, industrial materials, including the import and export,
- Ownership of land and property and constructing buildings thereon,
- Ownership of patents and benefiting from them to achieve industrial objectives inside and outside the Kingdom of Saudi Arabia,
- Commercial agencies and representation of local or foreign companies inside and outside the Kingdom of Saudi Arabia,
- Tenders and contracting business,
- Construction of industrial, service and commercial projects inside and outside the Kingdom of Saudi Arabia.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Accounting convention**

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

**Use of estimates**

The preparation of interim financial statements in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

**Cash and cash equivalents**

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

**Accounts receivable**

Accounts receivable are carried at original amount less allowance for doubtful accounts. An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect the debts according to the original terms of the accounts receivable. Bad debts are written-off when the Company is confident that the amount will no longer be collectable.

**Inventories**

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

**Property, machinery and equipment**

Property, machinery and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repair is expensed, which expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease whichever is shorter.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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

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

**Impairment**

As of each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized as income immediately.

**Goodwill**

Goodwill stated in these interim financial statements represents the excess of the acquisition cost over the fair value of the net assets of the acquired company (currently, "the branch") as of the date of acquisition. Goodwill is initially recognized as an asset at cost and assessed for any impairment at the end of each fiscal year.

**Intangible asset**

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

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

**Foreign currency translation**

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

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future, for goods and services when risks and rewards attributable to goods are transferred to the Company or when services are received, whether or not billed to the Company.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

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**Provisions for obligations**

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

**End-of-service indemnities**

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

**Borrowing costs**

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets are added to the cost of those assets. Other borrowing costs are recorded in the period in which they are incurred.

The loan appraisal fees relate to the loans from Saudi Industrial Development Fund ("SIDF") are amortized over the period of the loans and is being off-set against the outstanding amount of the loans.

**Revenue recognition**

Revenue is recognized upon delivery of goods to customers and is stated net of trade or quantity discounts.

**Expenses**

Selling and distribution expenses principally comprise the cost incurred in the distribution and sale of the Company's products; all other expenses are classified as general and administrative expenses. General and administrative expenses include direct and indirect costs not specifically part cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

**Zakat**

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

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to interim statement of income on a straight line basis over the term of the operating lease.

**Segmental Reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of the other segments.

**Statutory reserve**

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

**3. 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"). In 2014 and 2015, the Company's management performed annual impairment test of Goodwill, which was based on certain assumptions, estimations and outcome of future events. Based on the results of the impairment test a impairment loss of SR 7.4 million and SR 9.5 million has been recognized in 2014 and 2015 respectively.

**4. DIVIDENDS**

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

**5. EARNINGS PER SHARE**

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

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

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

**6. SEGMENTAL INFORMATION**

**Business segments:**

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

	Transformation industries SR' 000	Engineering and metal forming industries SR' 000	Total SR '000
<b>2016</b>			
<b>For the three months ended March 31, 2016 (Un-audited)</b>			
Sales	55,046	24,055	79,101
Gross profit	18,148	3,320	21,468
<b>As of March 31, 2016 (Un-audited)</b>			
Property, machinery and equipment	128,911	83,082	211,993
Total assets	327,887	224,727	552,614
Total liabilities	103,758	33,628	137,386

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2016**

	Transformation industries SR 000	Engineering and metal forming industries SR 000	Total SR
<b>2015</b>			
<b>For the three months ended March 31, 2015 (Un-audited)</b>			
Sales	84,208	30,558	114,766
Gross profit	18,494	2,859	21,353
<b>As of March 31, 2015 (Un-audited)</b>			
Property, machinery and equipment	127,175	79,852	207,027
Total assets	311,323	239,256	550,579
Total liabilities	114,400	34,675	149,075

The sales within the Kingdom for the period ended March 31, 2016 amounted to SR 44.07 million (2015: SR 59.2 million), and export sales for the period ended March 31, 2016 amounted to SR 35.02 million (2015: SR 55.6 million).

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

**7. COMMITMENTS AND CONTINGENCIES**

- (a) As at March 31, 2016, the Company has outstanding capital commitments amounting to SR 11.4 million related to expansion projects and development of production lines (March 31, 2015 : SR 4.52 million).
- (b) As of March 31, 2016 the Company's outstanding contingencies and commitments were as follows:

	2016 SR'000 (Un-audited)	2015 SR'000 (Un-audited)
Letters of credit	32,944	30,275
Letters of guarantee	2,056	4,456

**8. RESULTS OF INTERIM PERIOD**

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