

UNITED WIRE FACTORIES COMPANY
(A Saudi Joint Stock Company)

**MANAGEMENT'S REPORT ON THE PROPOSED SHARE CAPITAL REDUCTION
AND LIMITED ASSURANCE REPORT**

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

**THE COMPANY'S MANAGEMENT REPORT ON THE PROPOSED SHARE CAPITAL
REDUCTION AND LIMITED ASSURANCE REPORT**

Contents

Page

Independent chartered accountant's limited assurance report

1-2

The Company's management report on the proposed share capital reduction

3-4

Limited Assurance Report on Share Capital Reduction

To the Shareholders

United Wire Factories Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom Saudi Arabia

We have conducted a limited assurance engagement to determine whether it has come to our attention a matter that makes us believe that what has been detailed in the below assurance Subject Matter paragraph (the "Subject") has not been reported and fairly presented, in all material respects, in accordance with the Applicable Criteria (the "Criteria"), indicated below.

Subject Matter

The subject of the limited assurance engagement relates to the attached Company's management report in connection with the reasons for the proposed reduction of share capital of United Wire Factories Company (the "Company"), recommended to the Extraordinary General Assembly by the Board of Directors and the impact of that reduction on the Company's assets. The Board of Directors has recommended in its meeting held in Rabi Al Thani 8, 1444H, (corresponding to November 2, 2022G) to decrease the Company's share capital by an amount of SR 70,200,000, from SR 351,000,000 to SR 280,800,000 by cancelling of 7,020,000 shares.

Applicable Criteria

Article (133 – 134) of the Regulations for Companies, issued by the Ministry of Commerce and Investment.

Article (76) of the second chapter (sixth section) of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA").

Article (15) of the Company's Bylaws.

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the information mentioned in the above Subject paragraph in accordance with the Relevant Regulation, also for selecting the techniques of implementing those regulations. As well as management is responsible for the application of internal control systems that are deemed necessary to prepare and present the information contained in the above Subject paragraph, free of any material misstatements, whether due to fraud or error, and to apply appropriate controls, maintain adequate records, and prepare reasonable estimates according to the relevant circumstances and events.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the above Subject based on the assurance engagement that we have performed in accordance with the International Standard on Assurance Engagements (ISAE) 3000: "Assurance Engagements other than Audits or Review of historical financial information" as endorsed in the Kingdom of Saudi Arabia, along with the terms and conditions related to this engagement, which has been agreed on by the Company's management.

Our procedures have been designed to obtain a limited level of assurance that is sufficient to provide a basis for expressing our conclusion, we have not obtained all the evidence required to provide a reasonable level of assurance. The performed procedures depend on our professional judgment, including the risk of material misstatements in the Subject, whether due to fraud or error. We also took into consideration the effectiveness of internal control systems when determining the nature and extent of our procedures, and our engagement was not designed to provide an assurance on the effectiveness of those systems.

Limited Assurance Report on the Share Capital Reduction (Continued)

Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and endorsed by the Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia.

Our Firm applies the International Standard on Quality Management (1) “Quality Management For Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, endorsed by the Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding the compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the Performed Procedures

The procedures performed in a limited assurance engagement differ in nature, timing, and are less in scope than those performed in a reasonable assurance engagement. As a result of that, the level of assurance that is obtained in the limited assurance engagement is significantly less than the assurance that would be obtained if a reasonable assurance engagement was performed.

The performed procedures included, but were not limited to, the following:

- Reviewing the Board of Directors’ resolution dated Rabi’ Al Thani 8, 1444H (corresponding to November 2, 2022G), in which the Board resolved to recommend to the Extraordinary General Assembly to reduce the share capital from SR. 351,000,000 to SR. 280,800,000, at a reduction percentage of 20%.
- Examining the accompanied information provided by the Company "Management’s Report on the Proposed Capital Reduction", which shows the rationales for reducing share capital and the impact of the reduction on the Company's obligations.
- Reviewing Articles (133 and 134) of the Regulations for Companies issued by the Ministry of Commerce and Investment, Article (76) of chapter two of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA”) and Article (15) of the Company’s Bylaws.

Limited Assurance Conclusion

Based on our limited assurance procedures performed and the evidence obtained, nothing has come to our attention that caused us to believe that what was disclosed in the above Subject paragraph and set out in the attached statement, has not been reported and fairly presented, in all material respects, in accordance with the applicable Criteria .

Restriction of Use

This report has been prepared at the Company’s management request only, for the purpose of assisting the Company to fulfil its obligations to report to the Extraordinary General Assembly under the applicable Criteria. It’s not allowed to use this report for any other purposes, or to distribute to any other party other than the Ministry of Commerce and Investment, and Capital Market Authority (“CMA”) or to quote from or to refer to it without our preapproval.

BAKER TILLY MKM & CO.
Certified Public Accountants

Majid Muneer Alnemer
License No. 381

Riyadh on Ramadan 5, 1444H
Corresponding to March 27, 2023G



UNITED WIRE FACTORIES COMPANY
(A Saudi Joint Stock Company)

THE MANAGEMENT'S REPORT ON THE PROPOSED SHARE CAPITAL REDUCTION

1- The reasons of share capital reduction, impact of the reduction on the Company's assets and the fulfillment of its liabilities:

1-1 Reasons that make the reduction is necessary:

Restructuring of the Company's share capital by an amount of SR. 70,200,000 due to the capital excess than needed. The capital reduction will have no material impact on the Company's operational and investment activities.

1-2 Impact of share capital reduction

A) The impact on the share capital, cash balance and earnings per share as of December 31, 2022 will be as follows:

	Befor reduction (SR)	After Reduction (SR)	Impact (SR)
Share Capital	351,000,000	280,800,000	(70,200,000)
Cash and balances at bank	150,285,352	80,085,352	(70,200,000)
Earning per share from net profit	1,61	2,02	0,41+

Share capital reduction will has an impact on the Company's cash accounts. In addition to that, its impact on net shareholders' equity and earnings per share from net profit.

B) Reduction impact on the current assets, current liabilities and working capital as of December 31, 2022:

	Befor reduction (SR)	%	After Reduction (SR)	%	Impact (SR)
Inventory, trade receivables and debit balances	321,296,458	56%	321,296,458	64%	
Cash on hand and at banks	150,285,352	26%	80,085,352	16%	(70,200,000)
Total current assets	471,581,810	82%	401,381,810	80%	(70,200,000)
Total assets	574,640,673	100%	504,440,673	100%	(70,200,000)
Current liabilities	114,025,925	91%	114,025,925	91%	-
Total liabilities	125,098,880	100%	125,098,880	100%	-
Working capital	357,555,885		287,355,885		(70,200,000)
Ratio of current assets to current liabilities	4,1		3,5		
Ratio of cash to current liabilities	1,3		0,70		

UNITED WIRE FACTORIES COMPANY
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THE MANAGEMENT'S REPORT ON THE PROPOSED SHARE CAPITAL REDUCTION

1- The reasons of share capital reduction, impact of the reduction on the Company's assets and the fulfillment of its liabilities (Continued):

1-2 Impact of share capital reduction (Continued):

The current assets represented 82% of the total Company's assets as of December 31, 2022. The current assets mainly consist of cash, balances at banks, inventory, and trade receivables, which represented 94% of the total current assets and 77% of the total Company's assets.

Cash and bank balances as at December 31, 2022 represented 32% of the total current assets and 26% of the total Company's assets.

Current liabilities represent 91% of the total Company's liabilities as of December 31, 2022. The current liabilities mainly consist of the zakat provision, trade payables, accrued expenses and other credit balances, which represent 99.3% of the total current liabilities and 90.6% of the total Company's liabilities.

The capital reduction will have no material impact on the Company's ability to meet its financial obligations or on its operations, or on its financial, operational or regulatory performance.

2- The Company does have sufficient working capital for a period of twelve months, immediately after the completion date of the share capital reduction process based on the estimated budget, approved by the Board of Directors, according to the management's expectations.

Excess of current assets over current liabilities as at the end of each month - after share capital reduction process (SR)																
	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023		January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	
	313,887,534	320,208,291	327,304,362	321,290,808	327,172,760	331,485,313	327,813,146									
	333,738,036	312,106,016	322,432,677	327,189,287	333,359,868	328,960,724	334,570,025									