

**UNITED WIRE FACTORIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**UNITED WIRE FACTORIES COMPANY**  
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## Independent Auditor’s Report

**To the Shareholders**  
**United Wire Factories Company**  
 (A Saudi Joint Stock Company)  
 Riyadh, Kingdom of Saudi Arabia

BAKER TILLY MKM & CO.  
 CERTIFIED PUBLIC ACCOUNTANTS  
 P O Box 300467, Riyadh 11372  
 Kingdom of Saudi Arabia  
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**Opinion**

We have audited the financial statements of United Wire Factories Company (“the Company”), which comprise the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia (“ISAs”). Our responsibilities under those standards are further described in the ‘Auditor’s Responsibilities for the Audit of the Financial Statements’ section of our report. We are independent of the Company in accordance with the International Code Conduct and Ethics for Professional Accountants that is endorsed in the Kingdom of Saudi and relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b>            Revenues resulting from the the Company’s key activities are recognized in accordance with IFRS 15 “Revenue from Contracts with Customers”:</p> <p>Considering the importance of the amount of revenues and its susceptibility to the inherent risk of overstatement, we have considered revenue recognition as a key audit matter.</p> <p>Please refer to the policy related to the revenues’ recognition stated in note 4 and the detailed note 5.</p>	<p>Audit procedures that we have performed, among other matters include the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the revenue recognition policy and its appropriateness to the requirements of IFRS. 15 - “Revenue from Contracts with Customers”.</li> <li>• Understanding the process of revenue recognition and trade receivables as well as testing the design and implementation of internal control procedures related to revenue recognition, trade receivable and their operational effectiveness.</li> <li>• Test of details for sample of sold products verify proper application of revenue recognition policy &amp; reviewing the supporting documents for revenues transactions on a sample basis to validate the accuracy of revenue recognition.</li> <li>• Executing analytical audit procedures for revenues by comparing sales quantities and prices for the current year with the prior year and determining whether there are any significant trends or fluctuations that need additional examination in light of our understanding of the current market circumstances.</li> <li>• Cut-off procedures to test recording revenues in the correct financial periods.</li> </ul>

## Independent Auditor's Report (Continued)

### To the Shareholders United Wire Factories Company

#### **Other Information**

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concerned, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

## Independent Auditor's Report (Continued)

### To the Shareholders United Wire Factories Company

#### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company's investments to express an opinion on the financial statements.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BAKER TILLY MKM & CO.**  
*Certified Public Accountants*


**Majid Muneer Alnemer**  
License No. 381


Riyadh on Ramadan 18, 1445H  
Corresponding to March 28, 2024G




**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2023**  
(Expressed in Saudi Riyals)

	Notes	2023	2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	6,5	105,044,649	98,824,566
Right of use assets	7	3,497,226	4,234,297
Investments in associates		1,654,940	-
<b>Total Non-Current Assets</b>		<b>110,196,815</b>	<b>103,058,863</b>
<b>Current assets</b>			
Inventories	8	164,942,084	192,127,759
Trade receivables	9	96,817,985	103,137,529
Prepaid expenses and other debt balances	10	45,782,648	26,031,170
Cash and cash equivalent	11	37,854,005	150,285,352
<b>Total Current Assets</b>		<b>345,396,722</b>	<b>471,581,810</b>
<b>Total Assets</b>		<b>455,593,537</b>	<b>574,640,673</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	280,800,000	351,000,000
Statutory reserve	12	79,951,194	79,951,194
Retained earnings		8,386,954	16,047,534
Actuarial gains		2,821,164	2,543,065
<b>Total Equity</b>		<b>371,959,312</b>	<b>449,541,793</b>
<b>Non-current liabilities</b>			
Employee's defined benefits obligation	13	8,132,219	7,665,799
Lease liabilities – noncurrent portion	7	2,636,817	3,407,156
<b>Total Non-Current Liabilities</b>		<b>10,769,036</b>	<b>11,072,955</b>
<b>Current liabilities</b>			
Zakat provision	14	7,277,960	10,505,940
Accounts payable and others	15	55,160,426	88,207,272
Accrued expenses and other credit balances	16	9,551,597	14,543,006
Lease liabilities	7	875,206	769,707
<b>Total Current Liabilities</b>		<b>72,865,189</b>	<b>114,025,925</b>
<b>Total liabilities</b>		<b>83,634,225</b>	<b>125,098,880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>455,593,537</b>	<b>574,640,673</b>

**Financial Director**  
  
Abdulhamied Husni Ibrahim

**Chief Executive Officer**  
  
Nabil Hasan Mohammed Al-Amir

**Chairman of Board of Directors**  
  
Khaled Saad Al-Kanhall

The accompanying notes form an integral part of these financial statements



**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed In Saudi Riyals)

	Notes	2023	2022
Sales	5	792,781,846	1,026,362,591
Cost of Sales	5 +17	(728,634,878)	(919,053,528)
<b>Gross profit</b>		<b>64,146,968</b>	<b>107,309,063</b>
Selling and distribution expenses	18	(22,048,579)	(21,027,985)
General and administrative expenses	19	(16,929,554)	(18,509,539)
Expected credit loss of trade receivables	23	(408,820)	(654,572)
Share of investment in an associate		1,372,940	-
Other income		85,480	51,715
<b>Net profit from the main operations</b>		<b>26,218,435</b>	<b>67,168,682</b>
Zakat	14	(5,799,015)	(10,493,352)
<b>Net profit after zakat for the year</b>		<b>20,419,420</b>	<b>56,675,330</b>
<b>Other Comprehensive Income (OCI)</b>			
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Re-measurements of employees' defined benefits obligation	13	278,099	1,128,105
<b>Total other comprehensive income for the year</b>		<b>278,099</b>	<b>1,128,105</b>
<b>Total comprehensive income for the year</b>		<b>20,697,519</b>	<b>57,803,435</b>
<b>Basic and diluted EPS:</b>			
Net profit from the main operations	20	0.81	1.91
Net profit for the year after zakat		0.63	1.61
Total comprehensive income for the year		0.64	1.65

**Financial Director**

Abdulhamied Husni Ibrahim

**Chief Executive Officer**

Nabil Hasan Mohammed Al-Amir

**Chairman of Board of Directors**

Khaled Saad Al-Kanhal

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**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(Expressed In Saudi Riyals)

	Notes	Capital	Statutory Reserve	Retained Earnings	Actuarial Gains	Total equity
<b>For the year ended December 31, 2022</b>						
Balance as of January 1, 2022		351,000,000	74,283,661	15,934,737	1,414,960	442,633,358
Net profit for the year		-	-	56,675,330	-	56,675,330
Other comprehensive income for the year	13	-	-	-	1,128,105	1,128,105
Transfer to statutory reserve	12	-	5,667,533	(5,667,533)	-	-
Dividends	21	-	-	(50,895,000)	-	(50,895,000)
Balance as of December 31, 2022		351,000,000	79,951,194	16,047,534	2,543,065	449,541,793
<b>For the year ended December 31, 2023</b>						
Balance as of January 1, 2023		351,000,000	79,951,194	16,047,534	2,543,065	449,541,793
Net profit for the year		-	-	20,419,420	-	20,419,420
Other comprehensive income for the year	13	-	-	-	278,099	278,099
Reduction of share capital	1	(70,200,000)	-	-	-	(70,200,000)
Dividends	21	-	-	(28,080,000)	-	(28,080,000)
Balance as of December 31, 2023		280,800,000	79,951,194	8,386,954	2,821,164	371,959,312

**Financial Director**



Abdulhamied Husni Ibrahim

**Chief Executive Officer**



Nabil Hasan Mohammed Al-Amir

**Chairman of Board of Directors**



Khaled Saad Al-Kanhal

The accompanying notes form an integral part of these financial statements





**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(Expressed In Saudi Riyals)


	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before Zakat	26,218,435	67,168,682
<b>Adjustments for:</b>		
Depreciation of property, plant, and equipment	10,320,504	11,322,518
Amortization of rights of use assets	914,701	697,248
Expected credit loss of trade receivables	408,820	654,572
Employees' defined benefits obligations	1,508,679	1,325,649
Gains on disposal of property, plant, and equipment	(21,474)	(66,217)
(Reversal) impairment of prepaid expenses and other debt balances	-	(122,750)
(Reversal) impairment of trade receivables	(134,916)	-
Share of investment in an associate	(1,372,940)	-
<b>Changes in assets and liabilities:</b>		
Inventories	27,320,591	(88,747,733)
Trade receivables	5,910,724	(12,865,903)
Prepaid expenses and other debt balances	(19,751,478)	46,059,487
Accounts payable & others	(33,046,846)	66,126,819
Accrued expenses and other credit balances	(4,991,409)	1,007,168
Lease liabilities	(842,470)	(623,064)
<b>Cash generated from operating activities</b>	<u>12,440,921</u>	<u>91,936,476</u>
Employees' defined benefits obligations paid	(764,160)	(820,254)
Zakat paid	(9,026,995)	(10,009,412)
<b>Net cash generated from operating activities</b>	<u>2,649,766</u>	<u>81,106,810</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant, and equipment	(16,540,587)	(7,792,942)
Proceed from the disposal of property, plant, and equipment	21,474	66,217
Additions to investments in associates	(282,000)	-
<b>Net cash used in investing activities</b>	<u>(16,801,113)</u>	<u>(7,726,725)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends	(28,080,000)	(50,895,000)
Reduction of share capital	(70,200,000)	-
<b>Net cash used in financing activities</b>	<u>(98,280,000)</u>	<u>(50,895,000)</u>
<b>Net changes in cash and cash equivalents</b>	<u>(112,431,347)</u>	<u>22,485,085</u>
Cash and cash equivalent on January 1	150,285,352	127,800,267
<b>CASH AND CASH EQUIVALENT ON DECEMBER 31</b>	<u>37,854,005</u>	<u>150,285,352</u>

**NON-CASH TRANSACTIONS**

Right-of-use assets / lease liabilities	<u>177,630</u>	<u>1,532,602</u>
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**Financial Director**  
  
Abdulhamied Husni Ibrahim

**Chief Executive Officer**  
  
Nabil Hasan Mohammed Al-Amir

**Chairman of Board of Directors**  
  
Khaled Saad Al-Kanhal

The accompanying notes form an integral part of these financial statement

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**1. ORGANIZATION AND ACTIVITY**

United Wire Factories Company - Saudi Joint Stock Company ("the Company") was established under Commercial Registration No. 1010079195 dated Rabi' al-Awwal 20, 1411H (corresponding to October 9, 1990). The fully paid and issued share capital of the Company as of the date of the accompanying financial statements is SR 280.8 million divided into 28,080,000 shares valued at SR 10 per share.

- Based on the recommendation of the Company's Board of Directors in its meeting held on Rabi' al Thani 8, 1444H (corresponding to November 2, 2022), to reduce the Company's share capital due to the increase in share capital beyond the need, and that the method of reducing the capital is to cancel 7,020,000 shares, at a percentage of 20% shares and compensating the shareholders with this at nominal value and the amount of SR 70,200,000, 20% of the total outstanding capital so that the new capital becomes SR 280,800,000.
- In Shawwal 19, 1444H (corresponding to May 9, 2023), the Capital Market Authority agreed to reduce the capital.
- In Muharram 15, 1445H (corresponding to August 2, 2023), the Extraordinary General Assembly agreed to reduce the capital, and it became effective for shareholders by the end of the creditors' objection period on July 1, 2023.
- In Muharram 23, 1445H (corresponding to August 10, 2023), the capital reduction was deposited in the shareholders' accounts, and the shares were sold by the Capital Market Authority (Tadawul) and deposited in the shareholders' accounts on Muharram 28, 1445H (corresponding to August 15, 2023). The amendment of the Articles of Association and the Commercial Registration of the Company have been completed.

The main activity of the Company is the production and marketing of lattice wire, metal braiding wire, reinforcing steel bars, reinforcing steel, galvanized steel wire, metal strip, wire, plastic tape, oxygen wire, rods, metal bonding, fences, barbed wire, wood, carpentry, iron, angles, rectangles, rectification, cutting, reinforcing, smelting and rolling of iron, import and export.

The Company's headquarter is located in Riyadh, PO Box 355208 Riyadh 11383.

The accompanying financial statements include the accounts of the Company and its branches. The information of the Company's branches are as follows:

<b>Branch name</b>	<b>Commercial Registration No</b>
United Wire Factories Company - Riyadh Second Branch	1010043209
United Wire Factories Company - Jeddah Branch	4030130240
United Wire Factories Company - Buraydah Branch	1131014760
United Wire Factories Company - Khamis Mushait Branch	5855025824
United Wire Factories Company - Riyadh First Branch	1010167642
United Wire Factories Company - Riyadh Third Branch	1010179732
Mass Steel – Riyadh	1010385519
Mass Steel - Al Kharj	1011024353
Mass Steel – Saihat	2062617294
Mass Steel – Jeddah	4030460297
Mass Steel – Dammam	2050155579
Mass Steel – Duba	3555102116
Mass Steel- Tabuk	3550141102

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**2. BASIS OF PREPARATION**

**Statement of compliance**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and other pronouncements adopted by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

**Measurement basis**

These financial statements have been prepared on a historical cost basis, except for defined benefits plans which are measured at the present value of future obligations using the projected credit unit method and investments in joint ventures using the equity method.

In addition, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

**Functional and presentation currency**

These financial statements are presented in Saudi Riyal (“SR”), which represents the Company's functional currency.

**Significant accounting judgments, estimates, and assumptions**

The preparation of the financial statements of the Company in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that may affect the values presented in the financial statements, as these values may differ from previous estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. The Company's significant judgments, estimates, and assumptions relating to future reasons are set out below.

**Uncertain assumptions and estimates**

Uncertain assumptions and estimates of significant risks that may cause significant changes in the carrying amounts of assets and liabilities during the year are included in the following notes:

- Note 9 – Expected credit losses on trade receivables.
- Note 13 - Measurement of employees' defined benefits obligations in addition to gains or losses on changes in actuarial assumptions.
- Note 8 Inventory – Impairment of inventories and provision for slow moving inventory.

**Judgements**

In the process of applying the Company's accounting policies, management makes the following judgments that have a material effect on the amounts included in the Company's financial statements:

**Impairment of inventories and provision for slow moving inventory**

At the reporting date, the Company's management determines whether there is any impairment in inventories or slow-moving inventory. The determination of impairment requires significant decisions to be made involving valuation factors that include the nature of the industry and market conditions.

**Expected credit loss of trade receivables**

Based on the future vision, the Company evaluates the expected credit losses associated with its debt instruments as part of its financial assets carried at amortized cost and fair value through comprehensive income.

Regarding receivables, the Company applies the simplified approach, which requires recording the expected losses based on age from the date of initial recognition of receivables. To measure expected credit losses, receivables have been grouped based on the common credit risk characteristics and the number of aging days. The expected loss rates have been inferred from the Company's historical information and adjusted to reflect the expected future outcome which also includes future information on macroeconomic factors such as inflation and GDP growth rate.

Other financial assets such as employee receivables and bank balances have low credit risk, so the effect of applying ECL is not significant.

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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

**Significant accounting judgments, estimates, and assumptions (Continued)**

**Estimates and assumptions**

The principal assumptions relating to future and other major sources of estimation uncertainty at the reporting date that have material risks may cause material adjustments to the carrying amounts of assets and liabilities during the subsequent financial period are as follows. The Company has based its assumptions and estimates on the parameter available in preparing the financial statements. However, the current circumstances and assumptions on future developments may change due to the market changes or conditions arising beyond the company's control. These changes are reflected in the assumptions when they occur.

**Useful lives of property, plant, and equipment**

The Company determines the estimated useful lives of property, plant, and equipment to calculate depreciation. This estimate is determined by calculating the expected use of the asset or the physical tear and wear factors from use. The management revises the residual value and useful lives annually and the future depreciation expense is adjusted when management considers that the useful lives differ from previous estimates.

**Impairment of property, plant, and equipment**

The Company's management assesses the impairment of property and equipment in certain events or changes in circumstances indicating that the carrying amount may not be recoverable. Factors that are significant and which may lead to review the impairment within other factors include:

- Significant changes in technology and regulatory environment.
- A manual of internal reports indicates that the economic performance of the asset is expected to be bad or will be bad.

**Uncertain Zakat positions**

The Company's current zakat payable relates to management's assessment of the zakat amount due for the year. It is possible that the final result will differ when the final assessment is issued by Zakat, Tax and Customs Authority ("ZATCA") in future periods. The status of zakat assessments has been disclosed in note (14).

**Determine control, joint control and significant influence**

With regard to the investee company, the Company's management concluded that it exercises "joint control" on it in accordance with the requirements of the International Financial Reporting Standards in the Kingdom of Saudi Arabia. joint control is defined as the power to participate in decisions about the financial and operating policies of the investee and is not "control" or "significant influence". The international standards adopted in the Kingdom of Saudi Arabia provide various indicators of "joint control", including representation on the Board of Directors and participation in decision-making, and the company's representatives are entitled to attend the general meetings of the investee company, and to participate in the formulation of operational and financial policies and decision-making. The management believes that the Company exercises significant influence over this investee ("joint venture").

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**3. CHANGES TO THE COMPANY'S ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of the financial statements for the year ended December 31, 2023, are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2022, except for the adoption of a new standard and certain amendments which became effective for annual periods starting on January 1, 2023.

The Company applies, for the first time, the following standard and amendments:

- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 Disclosure of Accounting Policies

Regarding the standards issued that are not yet effective, the Company has not early applied any other standards, interpretations, or amendments that have been issued but have not entered into force.

New and amended standards and interpretations issued, but not yet effective as of the date of issuance of the Company's financial statements are described below. The Company intends to adopt these standards and interpretations, if applicable, when they become effective. The new and amended standards and interpretations below are not expected to have a significant impact on the Company's financial statements:

- Amendments to IAS 1: Classification of financial liabilities into current and non-current.
- Amendments to IAS 1: Non-current financial liabilities with covenants.
- Amendments to IFRS 16: Sale and Leaseback Lease Obligations.
- Amendments to IAS 7 and IFRS 7: Supplier financing arrangements.
- Amendments to IAS 21: Non-Interchangeability.

These new standards and these new amendments had no material impact on the financial statements of the Company.



**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**4. MATERIAL ACCOUNTING POLICIES**

**Property, plant, and equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. The initial cost includes the purchase price and any directly attributable cost of bringing the property, plant, and equipment to the operating site and making it operational. Expenses incurred after the operation of property, plant, and equipment, such as repairs, maintenance, and full refurbishment, are included in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Where it is clearly shown that the expense has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset to a higher extent than the originally defined performance benchmark, these expenses are capitalized as an additional cost to the property, plant, and equipment.

If significant and important parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (key components) of property, plant, and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the items of property, plant and equipment. The estimated useful life of some machines and equipment is as follows:

<u>Item</u>	<u>Estimated age (years)</u>
Buildings and constructions	33,33
Machinery and equipment	2 – 16,7
Motor vehicles	4
Tools	6,66
Furniture, fixture, and office equipment	6,66

Property, plant, and equipment are written down to their recoverable amount if their carrying amount exceeds their estimated recoverable amount. The useful life, residual value, and depreciation method are reviewed periodically to ensure that the method and period of depreciation are in line with the expected economic benefit of each item of property, plant and equipment. The change in estimates is accounted for from the beginning of the financial year in which the change occurs. When the assets and equipment are sold or disposed of, their cost, accumulated depreciation, and accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss and other comprehensive income.

The Company has adopted the cost model on property, plant and equipment upon conversion to the International Financial Reporting Standards (IFRS) in accordance with the Capital Market Authority's Decision No. S/ 5 / 8074/16 dated in October 17, 2016, which requires Companies listed on the stock exchange to use the cost model option to measure property, plant and equipment when applying IFRS for a period of three years starting from the date of application of International Accounting Standards, while complying with the disclosure requirements of the International Accounting Standards adopted in Saudi Arabia that encourage disclosure of fair value in the notes to the financial statements.

Capital work under construction includes the purchase price, construction or development costs, and any costs directly attributable to the asset being constructed or acquired by the Company. Capital work under construction is measured at cost less any impairment losses recognized. Capital work under construction is depreciated only when assets can function as management deems appropriate after capitalizing them to the appropriate class of assets.

**Impairment of assets – property, plant, and equipment**

The Company assesses at each reporting date to determine whether there is any indication that an asset has been impaired. If such an indication arises, or when an impairment test is required, the Company estimates the recoverable amount of that asset (or cash-generating unit). The recoverable amount of an asset (or cash-generating unit) is the fair value of the asset (or cash-generating unit) less costs to sell or value in use, whichever is greater and is determined for each individual asset unless the asset's cash flow is substantially independent of that produced by the asset or another group of assets and the recoverable amount is then assessed as part of the cash-generating unit to which the asset belongs. When the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset is impaired and is reduced to its recoverable amount. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset (or cash-generating unit). An impairment loss must be recognized immediately in profit or loss.

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**4. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Right of use assets and leases' contracts liabilities**

The Company recognize assets and liabilities for its operating leases of various types of contracts including the Company's factories, depot facilities, and housing. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to the Statement of Profit or Loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Right-of-use assets are measured at cost which comprise the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs; and - restoration costs.
- Right-of-use assets are subsequently measured at cost less accumulated depreciation.
- Lease liabilities include (the net present value of the fixed lease payments) including in-substance fixed payments, less any lease incentives receivable; - variable lease payments that are based on an index or a rate; - amounts expected to be payable by the lessee under residual value guarantees.

The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

**Investment in Joint Ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Company's share in the results of joint ventures is included in profit or loss, and the Company's share in the other comprehensive income of joint ventures is included in the other comprehensive income of the Company. In case there are any direct changes in the equity of a joint venture, the Company recognizes its share of such changes and discloses it, if appropriate, in the statement of changes in equity. Unrealized gains or losses resulting from transactions between the Company and joint venture are eliminated to the extent of the Company's share in the joint venture.

The aggregate of the Company's share of profit or loss of joint ventures is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint ventures.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies of associates and joint ventures in line with those of the Company.

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**4. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Investment in Joint Ventures (continued)**

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in profit or loss.

**Inventories**

Inventories are stated at a lower cost or net recoverable value. The cost is determined by using the weighted average method. The raw materials are valued at a lower cost basis or net realizable value through the weighted average cost. The cost of total production and production under operation includes the cost of raw materials, direct wages, and indirect operating expenses. When necessary, a provision is made for slow-moving and obsolete inventory.

The net realizable value is the actual or estimated selling price of the inventories during the ordinary course of business, less the cost of completion of inventory production (if it needs to be completed) and all necessary expenses expected to be incurred for the sale of inventories.

Spare parts inventory is valued at cost or net realizable value. Cost is determined on a weighted average cost basis. Provision for obsolete and slow-moving items (if any) is estimated at the reporting date.

The goods in transit consist of the value of the purchases that the Company has contracted and have not yet received up to the date of the financial statements taking into consideration that the terms of shipment, receipt, returns and risks of the commodity in the possession of the Company.

**Financial instruments**

**Financial assets of low credit value**

The Company assesses at each reporting date whether the financial assets carried at amortized cost have a low credit value. A financial asset is considered to be "impaired" when one or more events have had an adverse effect on the estimated future cash flows of the financial asset.

**Presentation of impairment**

Losses' provisions for financial assets measured at amortized cost are deducted from the total carrying amount of the total assets.

**Accounts receivable**

Accounts receivable and other advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate method less any impairment in value, in accordance with IFRS 9 ("Financial Instruments"). Amortized cost is calculated by calculating any discount or premium on the acquisition, fees, or costs that are an integral part of the effective interest rate method. The amortization of the effective interest method is included in the statement of profit or loss and other comprehensive income. Impairment losses are recognized in the statement of profit or loss & other comprehensive income.

**De-recognition of financial assets**

A financial asset (or part of a financial asset or a part of a group of similar financial assets or a similar asset or what is applicable to) is derecognized when:

- A) The right to receive cash flows from the asset expires.
- B) The Company transfers the right to receive the cash flows from the asset or, in return, bears an obligation to pay the cash expenses received in full without material delay to another party under the "receipt and payment" arrangement; (a) the Company transfers all significant risks and rewards of the asset; (b) the Company has neither transferred nor retained substantially all the significant risks and rewards of the asset but has lost control over that asset.

When the Company transfers its rights to receive cash flows from the asset or has entered into the "receipt and payment" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset or has not lost control over the asset, the asset is recognized to the extent that the company continues to control the asset. In this case, the Company also records the relevant obligation. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company holds.

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**4. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Impairment of financial assets**

At each reporting date, the Company determines whether there is objective evidence that an asset or a group of financial assets other than financial assets designated at fair value through profit or loss is impaired. Impairment losses are recognized immediately in profit or loss.

A financial asset or a group of financial assets are deemed to have been impaired only if objective evidence of impairment exists as a result of one or more events occurring after the initial recognition of the asset ("event of loss incurred") and the loss event has an impact on the estimated future cash flows of the financial asset or group of assets which can be measured reliably. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulties, default or delay in the payment of principal payments or proceeds, or the possibility of bankruptcy or other financial arrangements such as restructuring of amounts owed to the company. Also, when observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes associated with arrears or changes in economic conditions associated with delays.

**Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first determines whether there is an individual impairment of individually significant financial assets or a group of financial assets that are not individually significant. If the Company has found no objective evidence of impairment for an individual financial asset, whether material or not, it includes the asset in a group of financial assets with similar credit risk that are collectively assessed for impairment. Assets that are individually assessed for impairment and that were or being recognized, are not included in the collective assessment of impairment. An impairment loss is estimated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding expected future credit losses that have not been incurred). After deducting the present value of expected future cash flows using the average effective interest rate used primarily for the financial asset.

The carrying amount of the asset is reduced through the use of the provision account and the loss is recognized in the statement of profit or loss and other comprehensive income. If a positive change occurred in the subsequent period on an impairment loss that its relation can be determined with events that occurred after the impairment losses objectively recognized, the previously recognized impairment losses are reversed through the statement of profit or loss and within the limits of carrying amount of the asset when the impairment loss is reversed and that does not exceed amortized cost if no impairment loss has previously been recorded. A financial asset is de-recognized when the Company's right to receive the cash flows from the asset expires or when the Company transfers substantially all the risks and rewards associated with its ownership of the asset to another party.

**Financial liabilities**

The Company's financial liabilities include amounts due to trade payables, accrued expenses and other credit balances. The Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

**Amounts due to trade payables**

Liabilities are recognized at amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Creditors' balances are classified as current liabilities if payments are due within one year or less (or during the normal business cycle if they are longer). If they are not, the balances of creditors are classified as non-current liabilities.

**De-recognition of financial liabilities**

A financial liability is de-recognized when the obligation associated with the liability is discharged, canceled, or expired. When an existing financial liability is replaced by another from the same creditor on significantly different terms or substantially modified the existing financial liability terms, the change or adjustment is treated as a de-recognition of the original liability. The new financial liability is recognized and the difference in the relevant carrying amount is recognized in the statement of profit or loss and other comprehensive income.

Financial liabilities are eliminated only when the obligation is discharged or expired. The difference between the carrying amount of the obligation and the consideration paid and the creditors are recognized in the statement of profit or loss and other comprehensive income.

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**4. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Offsetting**

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liabilities simultaneously. The right in force should not depend on future events and should be effective in the normal course of business and in the event that the company or counterparty is exposed to default or insolvency or bankruptcy.

**The fair value of financial instruments**

The Company measures the fair value of its financial instruments, and due to the short-term nature of traded financial instruments, the carrying amount is the same as their fair value.

**Leases**

Operating lease expenses are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. The discounts received on the lease are recognized in the statement of profit or loss and other comprehensive income as deductions from the total lease expense over the lease term.

IFRS 16 'Leases' introduces a single accounting model for lessees. A lessee recognizes a right of use asset that represents his right to use the underlying asset and a lease liability that represents his obligation to make lease payments.

There are optional exemptions for short-term leases and leases of low-value assets. Lessor's accounting method remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases.

**Employees' defined benefits obligation**

Employees' end of service benefits are payable to all the employees according to the provisions of the Saudi Labor Law and Labor Law adopted by the Company, upon the termination of their service contracts, and the employees defined benefit obligation is calculated by estimating the value of the future benefits due to the employees in the current and previous periods, and the value is deducted to reach to the present value.

The Company makes assumptions that are used when determining the major components of costs to meet these future liabilities. Assumptions are made that are used to determine normal service cost and the financing components of the liability. A qualified actuary calculates the defined benefit obligation.

The revaluation of defined benefit obligations consisting of actuarial gains and losses is recognized immediately in the statement of other comprehensive income and closed within another reserve. The Company determines the interest expense on the defined benefit obligation for the year by applying the discount rate that is used to measure the defined benefit obligation at the beginning of the fiscal year after taking into account any change in the net defined benefit obligation during the year as a result of contributions and payments for the obligations. The net interest expense and other expenses related to defined benefit obligation are recognized in the statement of profit or loss.

**Foreign currency transactions**

Transactions in foreign currencies are translated into Saudi Riyals using the exchange rates prevailing at the time the transactions occur. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the rates of exchange prevailing at the reporting date. Exchange gains or losses are recognized as an expense or revenue in the statement of profit or loss or other comprehensive income. Non-monetary items denominated in foreign currencies at fair value are retranslated at the rates of exchange ruling at the date when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies at fair value are translated to Saudi Riyals at the foreign exchange rates ruling at the date of determining the transaction. In the case of non-monetary assets whose change in fair value is recognized directly in other comprehensive income, foreign exchange differences are recognized directly in other comprehensive income. For non-monetary assets whose change in fair value is recognized directly in profit or loss and other comprehensive income, all foreign exchange differences are included in the statement of profit or loss and other comprehensive income.



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**4. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

Revenue comprises the fair value of the consideration received or expected to be received by the Company for the sale of goods or the provision of services through the Company's normal activities. Revenue is shown net of VAT, returns, rebates, and discounts.

Revenue is recognized when it can be measured reliably, and the entity will likely receive future economic benefits. Recognition requirements were met in accordance with the nature and timing of the fulfilment of the performance obligations and the significant payment terms for the sales of the Company's products, as the customers obtains the control over the products upon delivering the goods to them and acknowledging of their acceptance at their site.

Invoices are issued and revenue are recognized at that time. Credit bills are usually due within 30 to 90 days. Invoices are issued and recognized as revenue net of discounts applied to the products sold. For contracts that allow the customer to return products, in accordance with IFRS 15, revenue is recognized to the extent that it is probable that there will be no material reversal in the amount of accumulated income that is recognized. Accordingly, the amount of the income recognized is adjusted in accordance with the expected recoveries transactions, which are estimated based on the historical data.

The Company applies revenues from contracts with customers based on the five-step model as described in IFRS (15) as follows:

- 1) Identify the contract with the customer: A contract is an agreement between two or more parties that creates enforceable rights and obligations and determines the standards that shall be met.
- 2) Identify the performance obligation in the contract: A performance obligation is a promise in a contract with a customer to transfer a commodity or service to the customer.
- 3) Determine the transaction price: The transaction price is the amount of consideration which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, except for the amounts collected on behalf of third parties.
- 4) Allocate the transaction price for the performance obligation: for the contract that has more than a performance obligation, the company will allocate the transaction price for each obligation in an amount determine the value of the consideration which the company will pay, it expects to be due upon fulfilling the performance obligation.
- 5) Recognizing revenue when a performance obligation is satisfied by the Company.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to include economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Provisions for future operating loss are not calculated. In the case of several similar obligations, the probability of a resource flow for settlement is determined by considering the category of obligations as a whole. An allowance is recognized when the probability of a flow of resources in respect of any item included in the same category of liabilities is minimal. Provisions are measured at the present value of the best management's estimates of the expenditure required to settle the present obligation at the end of the financial period.

The present value is determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and the risks associated to that obligation.

**Expenses**

Selling and marketing expenses are those expenses resulting from the Company's efforts of marketing, sales and distribution departments. All other expenses, excluding the cost of sales and finance charges, are classified as general and administrative expenses. Distribution of joint expenses is made between the cost of sales and marketing expenses, and general and administrative expenses, when necessary, on a consistent basis.

**Dividends**

The interim dividends are recognized in the period in which they are approved by the Board of Directors till being approved by the shareholders' general assembly.

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**4. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition (continued)**

**Earnings per share**

**Basic earnings per share**

If no potential ordinary shares are issued by the Company, the basic earnings per share shall be equal to the diluted earnings per share. Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

**Diluted earnings per share**

Diluted earnings per share are calculated by adjusting the figures used to determine basic earnings per share, considering the weighted average number of additional ordinary shares that will be on the assumption that all potential ordinary shares are converted into existing shares.

**Contingent liabilities**

Contingent liabilities are recognized in the financial statements only when the use of economic resources to settle an existing or anticipated legal obligation as a result of past events is probable and the amount expected to be repaid can be estimated significantly. Otherwise, contingent liabilities are disclosed unless the possibility of an economic loss is remote.

Contingent assets are not recognized in the financial statements but are disclosed when economic benefits arising from past events are probable.

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**5. OPERATING SEGMENTS**

The segment is a separate and distinct segment of the Company engaged in business activities that result in the recognition of revenues or expenses. Operating segments are disclosed on the basis of internal reports reviewed by the chief operating decision-maker, who is responsible for resources allocation, performance evaluation, and strategic decision-making on operational segments. Operating segments with similar economic characteristics, products, services, and similar customer categories are aggregated and recorded where possible as sectors to be reported.

**Basis of division**

The Company has the following strategic sectors. These sectors provide different services and are managed separately because they have different economic characteristics - such as sales growth trends, rates of returns, and capital investment - and they also have different marketing strategies.

The following is a summary of the operations of each sector report:

<u>Sector reports</u>	<u>Operations</u>
Industrial sector	Includes the products manufactured at the company's factories.
Commercial sector	Includes the products that are exported from two other factories and completing the company's products for different consuming markets.

Due to the nature of the Company's business and the structure of its management, it is not practically possible to allocate the items of current assets and liabilities to the various operating segments. All the Company's assets are located inside The Kingdom of Saudi Arabia and include export revenues.

**Information on segment reporting**

Total segment profit is used to measure the performance as the management believes that these information is the most appropriate to evaluate the results of specific segments, which relate to other entities operating in the same industry, the following is the information related to each segment report.

<u>For the year ended December 31, 2023</u>	<u>Industrial Sector</u>	<u>Commercial Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	<b>448,390,930</b>	<b>344,390,916</b>	<b>792,781,846</b>
Cost of sales	<b>(391,041,562)</b>	<b>(337,593,316)</b>	<b>(728,634,878)</b>
Gross profit	<b>57,349,368</b>	<b>6,797,600</b>	<b>64,146,968</b>

<u>For the year ended December 31, 2022</u>	Industrial Sector	Commercial Sector	Total
	SR	SR	SR
Sales	666,052,617	360,309,974	1,026,362,591
Cost of sales	(580,091,907)	(338,961,621)	(919,053,528)
Gross profit	85,960,710	21,348,353	107,309,063

<u>As of December 31, 2023</u>	<u>Industrial Sector</u>	<u>Commercial Sector</u>	<u>Total</u>
	SR	SR	SR
Property, plant and equipment, net	<b>61,500,344</b>	<b>43,544,305</b>	<b>105,044,649</b>

<u>As of December 31, 2022</u>	Industrial Sector	Commercial Sector	Total
	SR	SR	SR
Property, plant and equipment, net	55,564,785	43,259,781	98,824,566

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**6. PROPERTY, PLANT, AND EQUIPMENT**

	Land		Buildings and construction*		Machinery and equipment		Motor vehicles		Tools		Furniture, Fixture & Office equipment		Capital work under construction**		Total	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
<b>Cost</b>																
Balance at January 1, 2022	43,502,583	40,364,780	186,483,845	15,238,791	1,485,892	7,541,682	1,722,417	296,339,990								
Additions	-	1,541,359	3,039,492	1,669,716	350,763	313,502	878,110	7,792,942								
Disposals	-	-	(90,750)	(825,549)	-	-	-	(916,299)								
Transfer	-	298,863	1,587,176	-	-	30,025	(1,916,064)	-								
Balance at January 1, 2023	43,502,583	42,205,002	191,019,763	16,082,958	1,836,655	7,885,209	684,463	303,216,633								
Additions	2,940,000	8,072,635	2,434,322	857,169	176,677	360,623	1,699,161	16,540,587								
Disposals	-	-	-	(66,500)	-	-	-	(66,500)								
Transfer	-	99,208	-	-	-	-	(99,208)	-								
<b>Balance at the year-end</b>	<b>46,442,583</b>	<b>50,376,845</b>	<b>193,454,085</b>	<b>16,873,627</b>	<b>2,013,332</b>	<b>8,245,832</b>	<b>2,284,416</b>	<b>319,690,720</b>								
<b>Accumulated depreciation</b>																
Balance at January 1, 2022	-	16,667,570	155,844,528	14,611,130	1,053,730	5,808,890	-	193,985,848								
Depreciation for the year	-	1,175,963	9,016,508	389,260	101,874	638,913	-	11,322,518								
Disposals	-	-	(90,750)	(825,549)	-	-	-	(916,299)								
Balance at January 1, 2023	-	17,843,533	164,770,286	14,174,841	1,155,604	6,447,803	-	204,392,067								
Depreciation for the year	-	1,348,765	7,577,559	726,230	137,565	530,385	-	10,320,504								
Disposals	-	-	-	(66,500)	-	-	-	(66,500)								
<b>Balance at the year-end</b>	<b>-</b>	<b>19,192,298</b>	<b>172,347,845</b>	<b>14,834,571</b>	<b>1,293,169</b>	<b>6,978,188</b>	<b>-</b>	<b>214,646,071</b>								
<b>Net book value</b>																
<b>December 31, 2023</b>	<b>46,442,583</b>	<b>31,184,547</b>	<b>21,106,240</b>	<b>2,039,056</b>	<b>720,163</b>	<b>1,267,644</b>	<b>2,284,416</b>	<b>105,044,649</b>								
December 31, 2022	43,502,583	24,361,469	26,249,477	1,908,117	681,051	1,437,406	684,463	98,824,566								

\* The buildings and constructions item include the value of the buildings and constructions of the Company's factories established on lands leased from government agencies for a nominal rent until 1455 H.

\*\* The capital work under construction amounting to SR. 2,284,416 represented in machines and in the rehabilitation of the Jeddah factory, and the new ERP project, the completion cost as of December 31, 2023, amounting to SR. 7,328,659 (December 31, 2022: SR. 965,537).

	Saudi Riyal	
	December 31, 2023	December 31, 2022
Cost of sales	8,988,424	10,170,791
General and administrative expenses	580,094	692,460
Selling and marketing expenses	751,986	459,267
	<b>10,320,504</b>	<b>11,322,518</b>

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**7. RIGHT OF USE ASSETS / LEASE CONTRACTS LIABILITIES**

The Company has implemented a single recognition and measurement principle for all leases in case that it is the lessee, except for the short-term leases and lease contracts that contain a low-value asset. The Company has recognized lease liabilities for lease payment and right of use assets that represent the right of use assets that the contracts contain.

The impact on the statement of profit or loss and other comprehensive income:

- Amortization expense increased by SR 914,701 related to amortization of recognized rights of use assets.
- Finance costs increased by SR 190,006 related to interest expense on lease liabilities.

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
<b>Right of use assets</b>		
Balance at the year-beginning	5,928,791	4,396,189
Additions	177,630	1,532,602
	<u>6,106,421</u>	<u>5,928,791</u>
<b>Accumulated amortization</b>		
Balance at the year-beginning	(1,694,494)	(997,246)
Amortization	(914,701)	(697,248)
	<u>(2,609,195)</u>	<u>(1,694,494)</u>
<b>Balance at the year-end</b>	<u>3,497,226</u>	<u>4,234,297</u>
<b>Lease contracts liabilities</b>		
Balance at the year-beginning	4,176,863	3,267,325
Additions	177,630	1,532,602
<b>Less:</b>		
Amortization	(842,470)	(623,064)
<b>Balance at the year end</b>	<u>3,512,023</u>	<u>4,176,863</u>
<b>Current portion</b>	<u>875,206</u>	<u>769,707</u>
<b>Non-current portion</b>	<u>2,636,817</u>	<u>3,407,156</u>

**8. INVENTORIES, NET**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Finished goods	105,603,857	121,718,142
Raw materials	39,166,467	49,575,999
Work in progress	11,347,448	14,421,736
Spare parts not for sale	8,824,312	6,546,798
	<u>164,942,084</u>	<u>192,262,675</u>
Provision of slow-moving inventory	-	(134,916)
	<u>164,942,084</u>	<u>192,127,759</u>

The movement in the provision and impairment of inventory is as follows:

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Balance at the year-beginning	134,916	134,916
Reversal of slow-moving inventory	(134,916)	-
<b>Balance at the year-end</b>	<u>-</u>	<u>134,916</u>



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**9. TRADE RECEIVABLES, NET**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Trade receivables	100,288,432	107,459,240
Trade receivables - related party (Note 26)	1,273,022	12,938
	<b>101,561,454</b>	<b>107,472,178</b>
Expected credit loss of trade receivables (Note 23)	(4,743,469)	(4,334,649)
	<b>96,817,985</b>	<b>103,137,529</b>

Credit risk, market risk, and impairment losses

The information that may expose the Company to credit and market risks and expected credit losses of trade receivables is included in note (23).

**10. PREPAID EXPENSES AND OTHER DEBT BALANCES**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Advances to suppliers	33,704,901	18,603,842
Cash margin	4,680,035	3,797,050
Prepaid expenses	3,160,426	2,725,074
Staff receivables	1,426,504	1,548,344
Letter of credit	381,222	300,742
Refundable deposits	279,848	279,848
Others	5,235,391	1,861,949
Impairment of other debit balances	(3,085,679)	(3,085,679)
	<b>45,782,648</b>	<b>26,031,170</b>

The movement in impairment of other debit balances is as follows:

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Balance at the year-beginning	(3,085,679)	3,208,429
Reversal of impairment of other debit balances	-	(122,750)
<b>Balance at the year-end</b>	<b>(3,085,679)</b>	<b>3,085,679</b>

**11. CASH AND CASH EQUIVALENT**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Bank balances - current accounts	37,852,008	150,015,822
Cash on hand	1,997	269,530
	<b>37,854,005</b>	<b>150,285,352</b>

**12. STATUTORY RESERVE**

During the previous years, the company formed a statutory reserve in accordance with the requirements of its bylaws and the Saudi companies' law. After the issuance of the new Saudi Companies Law, issued by Royal Decree No. M/132 dated 1/12/1443 AH, corresponding to June 30, 2022, the system is no longer obligatory for companies to establish a statutory reserve. Therefore, the sixteenth extraordinary general assembly, on August 2, 2023, approved amending the bylaws to comply with the new corporate system, so that the formation and cancellation of reserves now takes place according to a decision of the company's general assembly and to the extent that achieves the company's interest. The company also continued to maintain the balance of the statutory reserve formed in previous years as a general reserve.

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**13. EMPLOYEE DEFINED BENEFITS OBLIGATION**

**Movement in net defined benefit obligations**

The table below shows the opening balances with the closing balances of the employees' defined benefits obligations and their components.

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Balance of the year-beginning	7,665,799	8,288,509
<b>Included in profit or loss</b>		
Current service cost	1,133,821	1,101,859
Net interest on net defined benefit obligation	374,858	223,790
	<u>1,508,679</u>	<u>1,325,649</u>
<b>Included in other comprehensive income</b>		
Re-measurements of employees' defined benefits obligation	(278,099)	(1,128,105)
Benefits paid	(764,160)	(820,254)
<b>Balance of the year-end</b>	<u>8,132,219</u>	<u>7,665,799</u>

**Defined benefit obligations**

**a) Actuarial assumptions:**

The main actuarial assumptions are:

	December 31, 2023	December 31, 2022
Discount rate	5.03%	4.89%
Salary growth rate for the first period	1%	1%
Long-term salary growth rate	1%	1%
Employee turnover rate	Average	Average
Number of employees	640	612
Staff age average in years	37	37
Average of previous service years number	7	6,7

**b) Sensitivity analysis:**

Sensitivity analysis of employee benefits has been prepared based on the manner which evolves the impact on the defined benefits obligation as a result of reasonable changes in the key assumptions occurring at the end of the financial period. Sensitivity analyses are based on the change in the fundamental assumption, assuming all other assumptions are consistent. Sensitivity analysis may not be indicative of the actual change in the defined benefits obligation, and it is unlikely that changes in assumptions will occur in isolation.

The table below shows the quantitative impact of the sensitivity effect on significant assumptions, assuming that other assumptions are consistent, which may affect the defined benefits obligation:

	December 31, 2023	December 31, 2022
Change in discount rate (+0.5%)	7,761,042	7,311,770
Change in discount rate (-0.5%)	8,528,264	8,043,732
Change in long-term salary growth rate (+0.5%)	8,542,509	8,056,788
Change in long-term salary growth rate (-0.5%)	7,744,867	7,296,822

**14. ZAKAT PROVISION**

**Zakat base**

The Company is subject to Zakat at 2.5% of the Zakat base or adjusted net profit, whichever is higher. The principal elements of the Zakat base according to Zakat regulations are as follows:

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
<b>Zakat base:</b>		
Adjusted net profit	26,644,747	69,148,903
Total positive items	386,251,877	447,981,532
Total negative items	(129,089,936)	(109,605,661)
<b>Zakat base</b>	<u>283,806,688</u>	<u>407,524,774</u>

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**14. ZAKAT PROVISION (CONTINUED)**

**The movement in the provision for Zakat payable**

The following represents the movement of the Zakat provision:

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Balance at January 1	10,505,940	10,022,000
Zakat charged to the statement of P&L and OCI	5,799,015	10,493,352
Paid	(9,026,995)	(10,009,412)
<b>Balance at December 31</b>	<b>7,277,960</b>	<b>10,505,940</b>

**Status of certificates and final zakat assessments**

The Company finalized its Zakat status until December 31, 2014, and paid the Zakat due accordingly, obtained the final certificate, and submitted its Zakat return to the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended December 31, 2022. The final Zakat assessments were received from the Zakat, Tax and Customs Authority ("ZATCA") for the years from 2015 to 2018 with amounts of Zakat differences amounting to SR. 765,568. It was agreed to terminate the assessment with the settlement committee with an amount of SR. 191,055 and the settlements amounts were paid for the years 2015 to 2018, the Company finalized the Zakat position for the years 2019, 2020, 2021 & 2022 with no difference, thereon the Company had terminated its Zakat position until the year ending on December 31, 2022.

**15. TRADE AND OTHER PAYABLES**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Trade and other payables	43,051,335	84,554,323
Advances from customers	10,783,928	3,652,949
Trade payables – related parties (note 26)	1,325,163	-
	<b>55,160,426</b>	<b>88,207,272</b>

**16. ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Accrued salaries, benefits, and incentives	4,155,608	4,877,393
VAT payable	414,035	3,644,912
Accrued commissions & expenses	2,374,025	3,222,120
Other accruals	2,607,929	2,798,581
	<b>9,551,597</b>	<b>14,543,006</b>

**17. COST OF SALES**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Direct materials	687,234,719	878,934,747
Employees' salaries and benefits	16,873,430	16,363,907
Depreciation	8,988,424	10,170,791
Rent	398,823	464,547
Right of use assets amortization	914,701	697,248
Reversal of provision for slow-moving inventory	(134,916)	-
Other	14,359,697	12,422,288
	<b>728,634,878</b>	<b>919,053,528</b>

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**18. SELLING AND DISTRIBUTION EXPENSES**

	(Saudi Riyal)	
	December 31, 2023	December 31, 2022
Employees' salaries and benefits	7,944,079	7,669,224
Shipping and transportation expenses	7,669,067	7,536,659
Sale Commissions	1,966,724	2,090,355
Maintenance	1,287,568	1,273,104
Rent	1,060,986	935,566
Depreciation	751,986	459,267
Government expenses	242,249	183,748
Other	1,125,920	880,062
	<b>22,048,579</b>	<b>21,027,985</b>

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

	Saudi Riyal	
	December 31, 2023	December 31, 2022
Employees' salaries and benefits	12,261,712	12,997,741
Remuneration and allowances for attendance		
Board of Directors and committees' members	1,662,996	1,735,996
Fees and subscriptions	931,547	1,040,154
Professional fees	813,900	924,925
Depreciation	580,094	692,460
Bank charges	50,439	515,182
Other	628,866	603,081
	<b>16,929,554</b>	<b>18,509,539</b>

**20. BASIC AND DILUTED EARNINGS PER SHARE**

Basic/diluted earnings per share are based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. Earnings per share as of December 31, 2023, and 2022 were calculated based on the weighted average number of outstanding shares during the year. The weighted average number of shares as of December 31, 2023, is 32,349,699 shares (2022:35,100,000 shares) There are no potential diluted ordinary shares.

**21. DIVIDENDS**

- During the fourth quarter of 2023, in accordance with the Board of Directors resolution dated on Rabi Alawal 18, 1445H corresponding to November 2, 2023, the Company has declared interim cash dividends with an amount of SR 28,080,000 at SR. 1 per share, the distribution took place on February 26, 2023G.
- During the first quarter of 2022, in accordance with the Board of Directors resolution dated on Jamada Althani 28, 1443H corresponding to January 31, 2022, the Company declared interim cash dividends with an amount of SR 15,795,000 at SR 0.45. per share, the distribution took place on February 21, 2022.
- During the third quarter of 2022, in accordance with the Board of Directors resolution dated on Muharam 2, 1444H corresponding to July 31, 2022, the company has declared interim cash dividends with an amount of SR 35,100,000 at SR. 1 per share, the distribution took place on August 18, 2022.

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**22. CAPITAL MANAGEMENT**

The objectives of the Company's capital management are to ensure the Company's ability to continue as a going concern and to provide sufficient returns to shareholders by optimizing the capital structure. The Company manages capital and is subject to adjustments in light of changes in economic conditions and other variables that include risks related to the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, issue new shares or sell assets to reduce its debt.

The Company's policy is to maintain a strong capital base in order to gain investor and market confidence and to ensure future business development. The management monitors the return on capital and the level of dividends to shareholders. The Board of Directors seeks to maintain a balance between the potential large revenues obtained by increasing the levels and safety benefits that can be achieved by maintaining a strong capital position. The Company aims to achieve an appropriate return on capital. The return for the year ended December 31, 2023, was 6% (December 31, 2022: 16%) on the year level. The Company monitors capital using the ratio of "net debt " to " equity". For this purpose, net debt is defined as total liabilities less cash and bank balances. Equity consists of all equity elements, if any. The Company has sufficient funding to meet all the Company's obligations.

**23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT**

The Company's financial assets consist of bank balances, customers, and due from related parties. The company's financial obligations consist of trade payables and other financial obligations. The Company does not currently use derivatives of financial instruments to manage these risks to which it is exposed.

**General framework for risk management**

The Board of Directors is generally responsible for setting and follow-up the general framework for Company's risk management. The Company's risk management policies are established to identify and analyse the risks that the Company encounters and to set appropriate risk limits and controls as well as risk control and adherence to set limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The company through its training and management standards and procedures aims to maintain a disciplined and constructive control environment through which all employees recognize their roles and obligations.

The Company's audit committee is responsible for supervising how the management monitors the extent of compliance with the company's risk management policies and procedures, in addition to reviewing the effectiveness of the general risk management framework in respect of the risks that the Company encounters. The audit committee is assisted in performing this oversight role from one of the offices specialized in internal audit works. The aforementioned internal auditor's office conducts a periodic review and a special review for the controls and procedures of risk management and provides reports on the results of these works to the audit committee.

**Credit risk**

Credit risks are the risks that expose the company to a financial loss if the customer or the counterparty in a financial instrument fails to meet its contractual obligations, and they mainly arise from trade receivables, cash and bank balances, and due from related parties.

The fair value of the financial assets represents the maximum exposure to credit risks.



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**23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

**Trade receivables**

The Company's exposure to credit risk is mainly affected by the individual characteristics of each customer. However, management also considers factors that may have an impact on the credit risk of the Company's customer base, including the risk of default in the customer segment in which the customers operate.

The Company has established a credit policy whereby each new customer is analysed individually to verify its creditworthiness before presenting the company's standard payment terms and conditions. The company's review includes external ratings, if available, and, in certain cases, bank references. Sales limits are set for each customer and reviewed periodically.

The Company seeks to limit its exposure to credit risk from trade receivables by setting a maximum repayment period of two months for the most of clients. Noting that the company grants advances to employees guaranteed by the benefits of the employees, not exceeding 60% of the value of the benefits due to the worker.

The expected credit loss as of December 31, 2023, was estimated at SR 4,743,469 (2022: SR 4,334,649) in accordance with the Company's policy and IFRS (9) Financial Instruments, the Company also maintains collaterals for most of the trade receivables balances.

At the financial position date, trade receivables aging related to a number of customers were as follows:

<u>Trade receivables aging</u>	<u>Book value</u>	<u>Expected credit</u>	
		<u>loss</u>	<u>Balance</u>
<u>Number of days</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
From 0 to 90	86,175,897	-	86,175,897
From 91 to 180	10,393,864	(298,039)	10,095,825
From 181 to 360	671,332	(125,069)	546,263
More than 360	4,320,361	(4,320,361)	-
<b>Total as of December 31, 2023</b>	<b>101,561,454</b>	<b>(4,743,469)</b>	<b>96,817,985</b>

<u>Trade receivables aging</u>	<u>Book value</u>	<u>Expected credit</u>	
		<u>loss</u>	<u>Balance</u>
<u>Number of days</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
From 0 to 90	96,908,294	-	96,908,294
From 91 to 180	5,913,002	(243,948)	5,669,054
From 181 to 360	863,578	(303,397)	560,181
More than 360	3,787,304	(3,787,304)	-
<b>Total as of December 31, 2022</b>	<b>107,472,178</b>	<b>(4,334,649)</b>	<b>103,137,529</b>

The movement of expected credit loss of trade receivables during the year is as follows:

	<u>Saudi Riyal</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Balance at the year-beginning	4,334,649	3,680,077
Provided during the year	408,820	654,572
	<b>4,743,469</b>	<b>4,334,649</b>

**Concentrations of maximum exposure to credit risk**

Concentrations arise when a number of counterparties are engaged in similar activities or activities in the same geographical area, or when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to the developments affecting a business segment or geographical area. All Company's financial assets are located in the Kingdom of Saudi Arabia.

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**23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)**

**Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated to its financial liabilities settled by paying in cash or through other financial assets. The Company's approach of liquidity management aims to ensure that it always has sufficient liquidity, as possible, to meet its liabilities when they are due, under normal and critical conditions, without incurring unacceptable losses or jeopardizing the Company's reputation.

The company is keen that the value of cash and bank balances in highly marketable debt instruments be greater than the expected external cash flows associated with financial obligations over the next sixty days. The company also monitors the level of expected cash flows for trade receivables with the expected external cash flows for trade payables. As at December 31, 2023, the expected cash flows from trade receivables maturing within three months amounted to SAR 86.2 million (December 31, 2022: SAR 96,9 million). Cash and banks balances amounted to SAR 37.9 million as of December 31, 2023 (December 31, 2022: SAR 150.3 million). Hence the total expected cash flows from trade receivables and the total cash are sufficient to meet the expected external cash flows.

**liquidity risk exposure**

The following are remaining contractual maturities of the financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual commission payments and do not include the effect of liquidation agreements.

December 31, 2023	Book value	Contractual cash flows		
		Within 3 months or less	Within 3 to 12 months	More than a year
	SR	SR	SR	SR
<b>Liabilities</b>				
Trade payables	43,051,335	43,051,335	-	-
Other credit balances	9,551,597	9,551,597	-	-
Lease contracts liabilities	4,218,249	-	1,037,648	3,180,601
Zakat	7,277,960	-	7,277,960	-
<b>Total</b>	<b>64,099,141</b>	<b>52,602,932</b>	<b>8,315,608</b>	<b>3,180,601</b>

December 31, 2022	Book value	Contractual cash flows		
		Within 3 months or less	Within 3 to 12 months	More than a year
	SR	SR	SR	SR
<b>Liabilities</b>				
Trade payables	84,554,323	84,554,323	-	-
Other credit balances	14,543,006	14,543,006	-	-
Lease contracts liabilities	5,066,620	-	847,095	4,219,525
Zakat	10,505,940	-	10,505,940	-
<b>Total</b>	<b>114,669,889</b>	<b>99,097,329</b>	<b>11,353,035</b>	<b>4,219,525</b>

**Commodity price risk**

The Company is exposed to fluctuations in the iron price market. The Company sells certain iron products on a temporary price basis. The management monitors iron prices and changes the selling prices according to market changes under the appropriate circumstances of the Company.

**Market risk**

Market risk is the risk that the fair value of cash flows of financial instruments will fluctuate due to changes in market prices. Market risk arises from existing positions in interest rates, foreign exchange, and equity products, all of which are subject to general and specific market movements and changes in the fluctuation level of market or price rates such as cost prices and foreign exchange rates.

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**23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)\**

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to fluctuations in foreign exchange rates. The Company manages foreign currency risk based on the limits determined by the management and the continuous evaluation of the Company's existing positions and current and projected movements in foreign exchange rates.

Management believes that the Company is not exposed to significant foreign currency risk.

The reasonably probable rise (decline) in Euro and US dollar against all other currencies at the end of the period will affect the measurement of financial instruments denominated in foreign currencies as well as equity and profit or loss in the amounts shown below. This analysis assumes that all other variables remain constant, specifically commission rates, and ignores any impact on expected sales and purchases.

**Interest rate risk**

Interest rate risk arises from the fluctuation of the fair value or future cash flows of a financial instrument due to changes in market rates. The Company is not currently exposed to significant interest rate risk on its assets and liabilities.

**24. OPERATING LEASES CONTRACTS**

Lease contracts as lessee

The Company leases several warehouses and retail outlets under operating leases. The lease term is one year with the option to renew the lease after one year. Lease payments are recognized each year to reflect the prevailing market rents. Some leases provide additional rent payments based on changes in the prevailing indicators in the local market.

Lease contracts for warehouses and branches were concluded many years ago with the Saudi Authority for Industrial Cities for a period of up to 25 years, subject to renewal, representing leases for lands and buildings. The Company determines that the land and building components of warehouse and branch leases are operating leases. The rent paid to the owner is adjusted according to the prevailing market rents at regular intervals and the company has no interest in the residual value of the land and buildings. As a result, it has been determined that all the risks of land and building rents are largely with the owner.

Minimum future lease payments

At the year-end, the minimum payments for all future leases under non-cancellable leases were due as follows:

	<b>Saudi Riyal</b>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Less than one year	<b>1,123,134</b>	1,203,838
One up to five years	<b>1,521,993</b>	1,669,732
More than five years	<b>1,396,208</b>	2,575,322
Total	<b>4,041,335</b>	5,448,892
Classified as:		
Operating leases	<b>639,578</b>	382,272
Finance leases – IFRS 16	<b>3,401,757</b>	5,066,620
Total	<b>4,041,335</b>	5,448,892

Amounts recognized in profit or loss for the year ended December 31:

	<b>Saudi Riyal</b>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rental contract expenses	<b>1,459,809</b>	1,400,113

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**25. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Company's capital commitments as of December 31, 2023, represented in supply of machines, tools & spare parts for machines and amounted to SR 7,328,659 (2022: SR. 588,207). The complementary cost as of December 31, 2023.

As of December 31, 2023, the Company has letters of credit in progress with an amount of SR 29,2 million (2022: SR 27.3 million) and outstanding bank letters of guarantee with an amount of SR 93.6 million (2022: SR 75.9 million), issued through local banks to ensure the supply of raw materials from local companies, where the value of securing letters of guarantee amounted to SR 4.6 million (2022: SR 3.8 million), according to a facility contract of letters of guarantee and letter of credits with local banks with a total facilities' value of SR 150 million, with the guarantee of promissory notes issued by the company in full value of the facilities.

**26- BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

<u>Related party</u>	<u>Relationship</u>
Elegant Romoz for Trading Company	A Company, in which three shareholders from the parent own: - Mohamed Rasheed Al Rasheed - Salih Rasheed Al Rasheed - Ahmed Rasheed Al Rasheed
Arabian A1 Fens industries company	Joint venture
Board of directors' and senior management personnel	

The benefits of senior management personnel consist of the following:

	<u>Saudi Riyal</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Short-term employees' benefits	4,267,122	4,981,545
Post-employment benefits	188,898	212,502
Board of Directors' remunerations	1,350,000	1,350,000
	<u>5,806,026</u>	<u>6,544,047</u>

Benefits paid to senior management personnel in the company include salaries, non-cash benefits and contributions to the post-employment benefits plan.

Other transactions with related parties

Related parties consist of the Company's shareholders and their relatives, joint venture, affiliates, directors, and senior management personnel. The terms and conditions of these transactions are approved by the company's management. These transactions take place in the course of the company's ordinary activity and according to the same principles of dealing with third parties. The most important transactions with a related party are as follows:

<u>Nature of transactions</u>	<u>Transaction Amounts</u>	
	<u>Saudi Riyal</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Sales	13,128,154	13,350,330
Purchases	39,566,424	-

The balances with due from related party at the end of the financial year are as follows:

<u>Related party</u>	<u>Saudi Riyal</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Elegant Romoz for Trading Company (Note 9)	<u>1,273,022</u>	<u>12,938</u>

Elegant Romoz for Trading Company is dealing with United Wire Factories Company for more than fifteen years, and there is no doubt about its financial solvency as a customer, as there have never been more debts than agreed upon in the course of the ordinary activity and they have not been granted any advantages over the rest of the Company's customers.

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**26-BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

The balances with due to related party at the end of the financial year are as follows:

<b>Related party</b>	<b>Saudi Riyal</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Arabian A1 Fens industries company	<u>1,325,163</u>	<u>-</u>

**27. SIGNIFICANT EVENTS**

On Ramadan 15, 1445H (March 25, 2024G), the Board of Directors recommended to the General Assembly to transfer the company's statutory reserve to retained earnings.

**28. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on Ramadan, 15, 1445H (Corresponding to March 25, 2024G).