

United Wire Factories Company
(Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

**Interim Condensed Financial Statements (Unaudited)
and independent auditor's limited review report
for the three-month and six-month periods ended 30 June 2024**

United Wire Factories Company
(Saudi Joint Stock Company)

**Interim condensed financial statements (unaudited) and independent auditor's limited review report
For the three-month and six-month periods ended 30 June 2024**

<u>Index</u>	<u>Page</u>
Independent auditor's review report on the interim condensed financial statements	-
Interim condensed statement of financial position (unaudited)	2
Interim condensed statement of profit or loss and other comprehensive income (unaudited)	3
Interim condensed statement of changes in equity (unaudited)	4
Interim condensed statement of cash flows (unaudited)	5
Notes to Interim condensed financial statements (unaudited)	6 – 17

Independent Auditor's Report

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **United Wire Factories Company** (Saudi Joint Stock Company) (the "Company") as at 30 June 2024, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2024, and the interim condensed statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 - "Review of interim Financial Information performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2024 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The Company's interim condensed financial statements for the three-month and six-month periods ended 30 June 2023, and for the three-month period ended March 31, 2024, have been reviewed by another auditor who has expressed an unmodified conclusion on those interim condensed financial statements on 23 Muharram 1445 H (corresponding to 10 August 2023) and 7 Thul-Qi'dah 1445 H (corresponding to 15 May 2024), respectively.

The Company's financial statements for the year ended 31 December 2023 have been audited by the same other auditor who expressed an unmodified opinion on those financial statements on 18 Ramadan 1445 H (corresponding to 28 March 2024).

RSM Allied Accountants Professional Services



Mohammed Bin Farhan Bin Nader

License No. 435

Riyadh, Kingdom of Saudi Arabia

3 Safar 1446H (corresponding to 7 August 2024)



United Wire Factories Company
(Saudi Joint Stock Company)

Interim condensed statement of financial position (Unaudited)

As at 30 June 2024

(Saudi Riyals)

	Notes	30 June 2024 (unaudited)	31 December 2023 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	123,642,831	105,044,649
Right of use assets	7	3,038,314	3,497,226
Investment in a joint-venture		2,762,052	1,654,940
Total non-current assets		129,443,197	110,196,815
Current assets			
Inventory	8	146,157,821	164,942,084
Due from related parties	9	5,182,063	1,273,022
Accounts receivable	10	94,635,289	95,544,963
Prepaid expenses and other assets	11	25,243,185	45,782,648
Cash and cash equivalent		96,711,447	37,854,005
Total current assets		367,929,805	345,396,722
Total assets		497,373,002	455,593,537
Equity and liabilities			
Equity			
Share capital	1	280,800,000	280,800,000
Statutory reserve	12	-	79,951,194
Retained earnings		98,588,324	8,386,954
Re-measurement reserve for defined employees' benefits plan obligations		2,821,164	2,821,164
Net equity		382,209,488	371,959,312
Liabilities			
Non-current liabilities			
Lease liabilities - non-current portion	7	2,404,201	2,636,817
Employees' defined benefit plan obligations		8,292,031	8,132,219
Total non-current liabilities		10,696,232	10,769,036
Current liabilities			
Lease liabilities - current portion	7	676,497	875,206
Due to related party	9	-	1,325,163
Accounts payable		83,395,791	43,051,335
Accrued expenses and other liabilities	13	17,467,222	20,335,525
Zakat provision	14	2,927,772	7,277,960
Total current liabilities		104,467,282	72,865,189
Total liabilities		115,163,514	83,634,225
Total equity and liabilities		497,373,002	455,593,537



Abdulhamid Husni Ibrahim
Finance manager



Nabil Hassan Mohammed AL-Amir
Chief Executive Officer



Khaled Saad Al-Kanhil
Chairman of Board of Directors

The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements

United Wire Factories Company
(Saudi Joint Stock Company)

Interim condensed statement of profit or loss and other comprehensive income (Unaudited)
For the three-month and six-month periods ended 30 June 2024
(Saudi Riyals)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Profit or loss					
Sales	16	174,145,603	200,191,321	361,357,915	427,347,939
Cost of sales	16	(159,503,709)	(182,912,240)	(330,796,471)	(393,589,818)
Gross profit		14,641,894	17,279,081	30,561,444	33,758,121
Selling and marketing expenses		(4,898,215)	(5,286,209)	(10,283,345)	(11,223,849)
General and administrative expenses		(4,606,096)	(4,223,847)	(8,711,394)	(8,597,405)
Expected credit losses	10	145,405	(208,958)	525,510	(360,816)
Net profit from main operations		5,282,988	7,560,067	12,092,215	13,576,051
Share in the results of the joint-venture		92,220	-	1,107,112	-
Finance costs of lease liabilities	7	(39,457)	(50,057)	(81,695)	(99,458)
Other income		47,775	984	32,544	(965)
Net profit for the period before zakat		5,383,526	7,510,994	13,150,176	13,475,628
Zakat	14	(1,200,000)	(2,050,000)	(2,900,000)	(3,500,000)
Net profit for the period		4,183,526	5,460,994	10,250,176	9,975,628
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		4,183,526	5,460,994	10,250,176	9,975,628
Earning per share					
Basic earning per share of net profit from main operations for the period	15	0,19	0,21	0,43	0,39
Basic earning per share of net profit for the period		0,15	0,16	0,37	0,28
Number of shares		28,080,000	35,100,000	28,080,000	35,100,000



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United Wire Factories Company
(Saudi Joint Stock Company)

Interim condensed statement of changes in equity (Unaudited)
For the six-month period ended 30 June 2024
(Saudi riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Re-measurement reserve for defined employees' benefit plan obligations	Total
<u>For the six-month period ended 30 June 2023 (unaudited)</u>						
Balance as at 1 January 2023 (audited)		351,000,000	79,951,194	16,047,534	2,543,065	449,541,793
Net profit for the period		-	-	9,975,628	-	9,975,628
Balance as at 30 June 2023 (unaudited)		<u>351,000,000</u>	<u>79,951,194</u>	<u>26,023,162</u>	<u>2,543,065</u>	<u>459,517,421</u>
<u>For the six-month period ended 30 June 2024 (unaudited)</u>						
Balance as at 1 January 2024 (audited)		280,800,000	79,951,194	8,386,954	2,821,164	371,959,312
Net profit for the period		-	-	10,250,176	-	10,250,176
Transfer from statutory reserve	12	-	(79,951,194)	79,951,194	-	-
Balance as at 30 June 2024 (unaudited)		<u>280,800,000</u>	<u>-</u>	<u>98,588,324</u>	<u>2,821,164</u>	<u>382,209,488</u>



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The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements

United Wire Factories Company
(Saudi Joint Stock Company)

Interim condensed statement of cash flows (Unaudited)
For the six-month period ended 30 June 2024
(Saudi Riyals)

	For the six-month period ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Cash flows from operating activities		
Net profit for the period before zakat	13,150,176	13,475,628
Adjustments to reconcile net profit for the period before zakat to net cash flow		
Depreciation of property, plant and equipment	5,127,041	5,198,207
Depreciation of right of use assets	458,912	443,514
Share in the results of the joint-venture	(1,107,112)	-
Provision for obsolete and slow-moving inventory	-	314,036
Expected credit loss	(525,510)	360,816
Employees' defined benefit plan obligations	903,905	984,278
Finance costs of lease liabilities	81,695	99,458
	<u>18,089,107</u>	<u>20,875,937</u>
Changes in operating assets and liabilities		
Inventory	18,784,263	4,703,188
Net change in related parties	(5,234,204)	(1,774,713)
Accounts receivable	1,435,184	(4,028,222)
Prepaid expenses and other assets	20,539,463	(156,572)
Accounts payable	40,344,456	(24,634,635)
Accrued expenses and other liabilities	(2,868,303)	(2,885,147)
Employees' defined benefit plan obligations paid	(744,093)	(319,053)
Zakat paid	(7,250,188)	(8,837,223)
Net cash from (used in) operating activities	<u>83,095,685</u>	<u>(17,056,440)</u>
Cash flows from investing activities		
Additions to property, plant, and equipment	(23,725,223)	(9,605,321)
Net cash used in investing activities	<u>(23,725,223)</u>	<u>(9,605,321)</u>
Cash flows from financing activities		
Lease liabilities paid	(431,325)	(412,900)
Finance costs of lease liabilities paid	(81,695)	(99,458)
Net cash used in financing activities	<u>(513,020)</u>	<u>(512,358)</u>
Net change in cash and cash equivalent	<u>58,857,442</u>	<u>(27,174,119)</u>
Cash and cash equivalent, beginning of the period	<u>37,854,005</u>	<u>150,285,352</u>
Cash and cash equivalent, end of the period	<u>96,711,447</u>	<u>123,111,233</u>
<u>Non-cash transactions</u>		
Additions to the right of use assets and lease liabilities	-	177,630



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The accompanying notes from (1) to (21) form an integral part of these interim condensed financial statements.

Notes to the interim condensed financial statements (unaudited)
For the six-month period ended 30 June 2024

1 - Organization and Activities

- A- United Wire Factories Company (the “Company”) was registered as a Saudi joint stock company under Commercial Registration No. 1010079195 issued in Riyadh on 20 Rabi' al-Awwal 1411H (corresponding to 9 October 1990).

The main activity of the company and its branches within the Kingdom of Saudi Arabia is the wholesale of strips, extrusions and blocks of metal and iron, retail trade of construction, building and civil engineering machinery and equipment, petroleum and heavy equipment and their maintenance, manufacture of sheets, plates, strip coils, bars, rods, angles, wires and sections of all forms, land transportation of goods. Retail sale of gifts, and the manufacture of clothes hangers and clips, manufacture of items made of wire, including (barbed wire, fence, expanded mesh, etc.) manufacture of insulated wires and cables made of steel.

- B- The attached interim condensed financial statements represent the assets, liabilities and operations' results of the main commercial register and the following branches' registers:

CR Number	Place of issue	Date of Issue	Trade Name
3555102116	Duba	29/7/1443H	Mass Steel
2050155579	Dammam	4/8/1443H	Mass Steel
2062617294	Saihat	14/5/1440H	Mass Steel
1011024353	Al-Kharj	29/5/1438H	Mass Steel
1131014760	Buraydah	15/10/1420H	United Wire Factories Company - Buraydah Branch
5855025824	Khamis Mushait	27/12/1425H	United Wire Factories Company - Khamis Mushait Branch
1010043209	Riyadh	13/4/1402H	United Wire Factories Company - Riyadh Second Branch
1010179732	Riyadh	8/6/1423H	United Wire Factories Company - Riyadh Third Branch
1010385519	Riyadh	11/10/1434H	Mass Steel
4030130240	Jeddah	10/2/1421H	United Wire Factories Company - Jeddah Branch
3550141102	Tabuk	3/4/1443H	Mass Steel
1010167642	Riyadh	16/4/1422H	United Wire Factories Company - Riyadh First Branch

- C- As at 31 December 2023 the company's share capital amounted to SR 280,800,000 divided into 28,080,000 shares of equal value, for a nominal value of SR 10 each, and all are cash ordinary shares.

On 15 Muharram 1445H (corresponding to 2 August 2023), the Extraordinary General Assembly approved the share capital reduction by an amount of SR 70,200,000 from SR 351,000,000 to SR 280,800,000 based on the recommendation of the Company's Board of Directors, due to the excess of the share capital compared to the need. The method of reducing the share capital will be by canceling 7,020,000 shares, representing 20% of the number of shares, and compensating the shareholders for this at the nominal value, for an amount of SR 70,200,000, at a rate of 20% of the existing share capital, so that the new share capital becomes SR 280,800,000.

On 23 Muharram 1445H (corresponding to 10 August 2023), the reduction consideration was deposited in the shareholders' accounts. The fractional shares were also sold with the knowledge of the Capital Market Authority (Tadawul) and deposited in the shareholders' accounts on 28 Muharram 1445H (corresponding to 15 August 2023).

- D- The company's head office is located at the following address:
United Wire Factories Company
P.O. Box 355208
Postal Code 11383
Riyadh – Saudi Arabia.

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024

2 - Basis of preparation of the interim condensed financial statements

Applicable accounting standards

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard 34 - "Initial Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants and should be read in conjunction with the last financial statements of the Company for the year ended 31 December 2023, which include all the information required for the entire set of financial statements prepared in accordance with the International Financial Reporting Standards, but changes in accounting policies "if any" and selected explanatory notes are included to explain important events and transactions to understand the changes in the financial position and financial performance of the Company since the last annual financial statements.

Basis of measurement

The interim condensed financial statements have been prepared in accordance with the historical cost principle, going concern assumption, and the accrual basis of accounting. Another basis is used if the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants require it, as indicated in the applied accounting policies (Note 3).

Presentation and functional currency

The interim condensed financial statements are presented in Saudi Riyal ("SR"), which represents Company's functional currency, and are rounded to the nearest Saudi Riyal.

Use of assumptions and estimates

The preparation of the interim condensed financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants requires management to use estimates and assumptions that affect the recorded amounts of revenue, costs, assets, liabilities and disclosures of contingent liabilities at the date of the financial period. However, uncertainty about these provisions, assumptions and estimates may lead to results that may require material adjustments to the carrying value of assets and liabilities that are affected in the future.

The estimates and assumptions related to them are continuously reviewed, and adjustments to the estimates are recognized with future effect.

The significant assumptions and estimates set by management in applying the Company's accounting policies and significant sources of uncertainty in assumptions and estimates were similar to those set out in the company's last annual financial statements.

3 - Accounting policies

The accounting policies applicable to these interim condensed financial statements are the same as those applicable to the financial statements for the year ended 31 December 2023.

4 - Interim financial results for the period

The Company's management has prepared all the adjustments that are material in order to present the interim condensed financial statements fairly as at 30 June 2024 and the results of its interim operations for the period then ended. The interim financial results for that period may not represent an accurate indication of the financial results for the year ended 31 December 2024.

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024

5 - New standards, amendments to standards and interpretations and issued standards

Issued standards that have not yet been applied

The following is a statement of the new standards and amendments to the standards applied for the years commencing on or after 1 January 2024 with early application allowed but not applied by the Company when preparing these interim condensed financial statements. These adjustments are not expected to have a material impact on the Company's interim condensed financial statements.

• **Amendments to IFRS 16 - Lease obligations in sale and leaseback transactions**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how a company is accounted for sale and leaseback transactions after the transaction date. Sale and leaseback transactions in which some or all lease payments are considered to be variable leases payments based on the index or price that is very likely to be affected.

• **Amendments to IAS 1 - Non-current liabilities with undertakings and classification of liabilities as current or non-current**

These amendments explain how compliance with the Terms that the Company must comply with within twelve months after the reporting period affects the classification of liabilities, and these amendments are also intended to improve the information provided by the Company in relation to liabilities subject to these Terms.

• **Amendments to IAS 7 and IFRS 7 – Supplier Financing Arrangements**

Standards and amendments issued but not yet in force

The following are new and amended standards and interpretations issued and not effective as of the date of issuance of the Company's condensed interim financial statements. The Company intends to apply these new and amended standards and interpretations, if applicable, when they take effect.

Standard/Interpretation	description	Effective from periods beginning on or after the following date
Amendments to IAS (21) - Non-Exchangeability	Sale or contribution of assets between the investor and his associate company or joint ventures.	1 January 2025
Amendments to IFRS (10) and IAS (28) - Sale or Contribution of Assets between the Investor and its Associate or Joint Venture	Sale or contribution of assets between the investor and his associate company or joint ventures.	The effective date of this infringement has been postponed indefinitely
IFRS (18) "Presentation and Disclosure in Financial Statements"	New requirements for viewing within the P&L statement, including selected total and subtotal. It also requires disclosure of performance metrics set by management and includes new requirements for compiling and classifying financial information based on the "roles" defined for core financial statements and notes.	1 January 2027
IFRS (19) Non-Public Accountability Subsidiaries: Disclosures	In May 2024, the Board issued IFRS 19 - Non-Public Accountability Subsidiaries : Disclosures (IFRS 19), which allows eligible entities to choose to apply reduced disclosure requirements but apply the requirements of recognition, measurement and presentation in IFRS accounting standards. Unless otherwise indicated, eligible entities that have chosen to apply IFRS 19 will not need to apply the disclosure requirements of other IFRS-related accounting standards.	1 January 2027

The Company evaluates the effects of the above standards, amendments and interpretations on the Company's interim condensed financial statements.

United Wire Factories Company
(Saudi Joint Stock Company)

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

6 - Property, plant and equipment, net

A- This item consists of the following:

<u>As at 30 June 2024 (unaudited)</u>	<u>Lands</u>	<u>Buildings and constructions</u>	<u>Machinery and equipment</u>	<u>Tools & Equipment</u>	<u>Office equipment and furniture</u>	<u>Vehicles</u>	<u>Capital work in progress (B)</u>	<u>Total</u>
Cost								
Balance, beginning of the period	46,442,583	50,376,845	193,454,085	2,013,332	8,245,832	16,873,627	2,284,416	319,690,720
Re-class	-	42,855	(22,817,238)	29,372,536	(17,678)	(6,580,475)	-	-
Additions	-	1,260,542	6,663,158	1,862,012	325,007	218,509	13,395,995	23,725,223
Balance, ending of the period	46,442,583	51,680,242	177,300,005	33,247,880	8,553,161	10,511,661	15,680,411	343,415,943
Accumulated depreciation								
Balance, beginning of period	-	19,192,298	172,347,845	1,293,169	6,978,188	14,834,571	-	214,646,071
Re-class	-	32,838	(16,998,410)	22,352,647	(10,528)	(5,376,547)	-	-
Charged for the period	-	731,482	3,062,681	991,016	160,962	180,900	-	5,127,041
Balance, ending of the period	-	19,956,618	158,412,116	24,636,832	7,128,622	9,638,924	-	219,773,112
Net book value	46,442,583	31,723,624	18,887,889	8,611,048	1,424,539	872,737	15,680,411	123,642,831
<u>As at 31 December 2023 (audited)</u>								
Cost								
Balance, beginning of the year	43,502,583	42,205,002	191,019,763	1,836,655	7,885,209	16,082,958	684,463	303,216,633
Additions	2,940,000	8,072,635	2,434,322	176,677	360,623	857,169	1,699,161	16,540,587
Transfer	-	99,208	-	-	-	-	(99,208)	-
Disposals	-	-	-	-	-	(66,500)	-	(66,500)
Balance, ending of the year	46,442,583	50,376,845	193,454,085	2,013,332	8,245,832	16,873,627	2,284,416	319,690,720
Accumulated depreciation								
Balance, beginning of year	-	17,843,533	164,770,286	1,155,604	6,447,803	14,174,841	-	204,392,067
Charged for the year	-	1,348,765	7,577,559	137,565	530,385	726,230	-	10,320,504
Disposals	-	-	-	-	-	(66,500)	-	(66,500)
Balance, ending of the year	-	19,192,298	172,347,845	1,293,169	6,978,188	14,834,571	-	214,646,071
Net book value	46,442,583	31,184,547	21,106,240	720,163	1,267,644	2,039,056	2,284,416	105,044,649

B- Capital work in progress for a total cost of SR 15,680,411 as at 30 June 2024 (31 December 2023: SR 2,284,416) represent the cost of Jeddah plant machinery and rehabilitation and the new facility ERP project of the company and is expected to be completed during 2024. The expected cost of completing these works is 2,804,446 Saudi riyals.

United Wire Factories Company
(Saudi Joint Stock Company)

Notes to the interim condensed financial statements (unaudited) (continued)

For the six-month period ended 30 June 2024

(Saudi Riyals)

7 - Right of use assets and lease liabilities

A- The following is the movement made on the right of use the assets:

	Lands	
	30 June 2024	31 December 2023
	(unaudited)	(audited)
Cost		
Balance, at the beginning of the period / year	6,106,421	5,928,791
Additions	-	177,630
Balance, ending of the period / year	6,106,421	6,106,421
Accumulated depreciation		
Balance, beginning of the period / year	2,609,195	1,694,494
Charged for the period / year	458,912	914,701
Balance, at the end of the period / year	3,068,107	2,609,195
Net book value	3,038,314	3,497,226

B- The following is the movement on lease liabilities:

	30 June 2024	31 December 2023
	(unaudited)	(audited)
Balance, at the beginning of the period / year	3,512,023	4,176,863
Additions	-	177,630
Finance cost of lease liabilities	81,695	190,006
Paid	(513,020)	(1,032,476)
Balance, at the end of the period / year	3,080,698	3,512,023

C- Lease liabilities are classified in the interim condensed statement of financial position as follows:

	30 June 2024	31 December 2023
	(unaudited)	(audited)
Lease liabilities - non-current portion	2,404,201	2,636,817
Lease liabilities - current portion	676,497	875,206

D- The right to use assets consists of lands obtained under operating leases.

E- The Company has followed the policy of charging the finance cost on the interim condensed statement of profit or loss over the lease period using the effective interest rate and the right of use assets has been depreciated over the shorter between the useful life of the asset or the lease period, on a straight-line basis.

8 - Inventory

This item consists of the following:

	30 June 2024	31 December 2023
	(unaudited)	(audited)
Finished goods	111,628,329	105,603,857
Raw materials	16,613,810	39,166,467
Work in progress	8,332,117	11,347,448
Spare parts	9,583,565	8,824,312
	146,157,821	164,942,084

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

9 - Related Parties

There are transactions that took place during the period with related parties within the normal course of the Company's business and with the approval of the management. The management believes that the terms of these transactions are not materially different from any transaction carried out by the management with any third party. This item consists of the following:

A- The following is the balance due from the related parties:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Arabian A1 Fens Industries Company	5,133,004	-
Elegant Romoz for Trading Company	49,059	1,273,022
	5,182,063	1,273,022

B- The following is the balance due to the related party:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Arabian A1 Fens Industries Company	-	1,325,163

C- The following are the most significant transactions made with related parties:

<u>Related Party</u>	<u>Nature of the relationship</u>	
Arabian A1 Fens Industries Company	Affiliate (joint-venture)	
Elegant Romoz for Trading Company	Affiliate	

<u>Type of transaction</u>	30 June 2024 (unaudited)	30 June 2023 (unaudited)
Total purchases from affiliates	(26,191,321)	-
Total sales to affiliates	3,224,909	5,176,202

* An affiliated party is a related party in which the shareholders own shares, or is a party in which the Company has a representation.

Compensation of Key Management Personnel

Compensation of key management personnel represents those amounts paid to persons who have authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise). Compensation of key management personnel includes:

	30 June 2024 (unaudited)	30 June 2023 (unaudited)
Salaries and benefits	2,979,330	3,217,522

10 - Account receivables

A- This item consists of the following:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Accounts receivable	98,853,248	100,288,432
Provision for expected credit losses - B	(4,217,959)	(4,743,469)
	94,635,289	95,544,963

B- The movement on the provision for expected credit losses is as follows:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Balance, beginning of the period / year	4,743,469	4,334,649
Reversal / Charge	(525,510)	408,820
Balance, ending of the period / year	4,217,959	4,743,469

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

11 - Prepaid expenses and other assets

	30 June 2024 (unaudited)	31 December 2023 (audited)
Advance payments to suppliers	16,283,498	33,704,901
Prepaid expenses	1,786,721	3,160,426
Letters of guarantee	1,781,898	4,680,035
Employee receivables	1,725,001	1,426,504
Value added tax (VAT)	1,407,781	-
Letters of credit	864,444	381,222
Deposits	279,848	279,848
Others	4,199,673	5,235,391
Provision for other assets	(3,085,679)	(3,085,679)
	25,243,185	45,782,648

12 - Statutory reserve

The shareholders decided in their meeting held on 20 Shawwal 1445H (corresponding to 29 April 2024), to transfer the statutory reserve amounting to SR 79,951,194 to the retained earnings in order to align with the provisions of the new Companies' Law.

13 - Accrued expenses and other liabilities

This item consists of the following:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Advance payments from customers	10,323,397	10,783,928
Accrued employee benefits	2,715,624	3,073,613
Accrued commissions	2,207,376	3,514,393
Accrued rewards and incentives	712,500	1,674,992
Value added tax (VAT)	-	414,035
Others	1,508,325	874,564
	17,467,222	20,335,525

14 - Zakat provision

A- Following is the movement of zakat provision:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Balance, beginning of the period / year	7,277,960	10,505,940
Charge	2,900,000	5,799,015
Paid	(7,250,188)	(8,837,223)
Zakat differences	-	(189,772)
Balance, ending of the period / year	2,927,772	7,277,960

B- Zakat status

The company finalized its zakat status until 2022. The company submitted the zakat return and the financial statements to the Zakat, Tax and Customs Authority for the year 2023. The company paid the amount due in accordance with the return and obtained the required Zakat certificate.

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

15 - Earnings per share

Earnings per share from main operations and earnings per share from net profit for the period are calculated by dividing the profit for the period from the main operations and the net profit for the period by the weighted average of 28,080,000 shares outstanding at the end of the period. Earnings per share for the period are as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Net profit from main operations	5,282,988	7,560,067	12,092,215	13,576,051
Weighted average number of shares	28,080,000	35,100,000	28,080,000	35,100,000
Basic earnings per share of net profit from main operations	0,19	0,21	0,43	0,39
Net profit for the period	4,183,526	5,460,994	10,250,176	9,975,628
Weighted average number of shares	28,080,000	35,100,000	28,080,000	35,100,000
Basic earnings per share of net profit for the year	0,15	0,16	0,37	0,28
Number of shares outstanding, end of the period	28,080,000	35,100,000	28,080,000	35,100,000

The reduced earnings per share are similar to basic earnings per share in that the company does not have any convertible shares.

16 - Segment information

The company displays sectorial information on the basis of the division of operating sectors as follows:

Industrial sector sales: includes products that serve the construction sector for construction, building and housing projects.

Commercial sector sales: includes products that serve the consumer civil sector.

The following are some of the financial information of those business segments

30 June 2024 (unaudited)	Industrial Sector	Commercial Sector	Total
Sales	179,018,395	182,339,520	361,357,915
Cost of sales	(155,595,233)	(175,201,238)	(330,796,471)
Gross profit	23,423,162	7,138,282	30,561,444
30 June 2023 (unaudited)			
Sales	253,646,433	173,701,506	427,347,939
Cost of sales	(221,592,170)	(171,997,648)	(393,589,818)
Gross profit	32,054,263	1,703,858	33,758,121
30 June 2024 (unaudited)			
Property, plant and equipment	80,310,496	43,332,335	123,642,831
31 December 2023 (audited)			
Property, plant and equipment	61,500,344	43,544,305	105,044,649

United Wire Factories Company
(Saudi Joint Stock Company)

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

17 - Contingent liabilities and commitments

The contingent liabilities and commitments as at the date of the interim condensed statement of financial position are as follows:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Letters of credit	73,700,000	29,200,000
Letters of guarantee	35,600,000	93,600,000

18 - Financial instruments, risk management and fair value

Financial instruments

The financial instruments included in the interim condensed statement of financial position mainly include the following:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Financial assets		
Due from related parties	5,182,063	1,273,022
Accounts receivable	94,635,289	95,544,963
Cash and cash equivalent	96,711,447	37,854,005
	196,528,799	134,671,990
Financial liabilities		
Lease liabilities	3,080,698	3,512,023
Due to related party	-	1,325,163
Accounts payable	83,395,791	43,051,335
Zakat provision	2,927,772	7,277,960
	89,404,261	55,166,481

The company does not have any financial assets nor financial liabilities at fair value

Risk management

The Company's management has overall responsibility for developing and overseeing the Company's risk management frameworks. The Company's risk management policies are developed to identify and analyze the risks faced by the Company, establish appropriate risk limits and controls, and monitor and adhere to those risks. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and Company activities. Through its training and management procedures and standards, the Company aims to create a constructive and regular control environment in which employees are aware of their responsibilities and obligations.

Credit risk

Credit risk is the risk of financial loss faced by the Company in the event that the customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises primarily from cash, deposits with banks, amounts due from customers and amounts due from the related party. The maximum credit risk exposure represents the carrying amount of these assets.

The cash balance is represented in current accounts, and where cash is deposited with financial institutions with a high credit rating, management believes that the Company is not exposed to material risk. Customer-related credit risk is managed by a business unit subject to the Company's policies, procedures and controls on the management of credit risk related to customers. Credit limits are established for all customers using internal and external rating standards and controls. Credit quality is evaluated related to customers according to a credit rating system. Outstanding receivables are monitored regularly. The Company has formed a provision for expected credit losses in full amounts due from the related party.

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

18- Financial instruments, risk management and fair value (continued)

Risk management (continued)

Credit risk (continued)

The credit risk to which the Company is exposed is as follows:

	30 June 2024	31 December 2023
	(unaudited)	(audited)
Due from related parties	5,182,063	1,273,022
Accounts receivable	98,853,248	100,288,432
Prepaid expenses and other assets	28,328,864	48,868,327
Cash and cash equivalent	96,694,802	37,852,008
	<u>229,058,977</u>	<u>188,281,789</u>

Customer credit risk is managed by each business unit in accordance with the Company's policy, procedures and controls related to the management of credit risk for customers. as at 30 June 2024.

An impairment analysis is performed on each financial reporting date using a custom matrix in measuring expected credit losses. The calculation reflects the weighted results of probability, the time value of money and the reasonable and supporting information available at the reporting date on past events, current conditions and projections of future economic conditions. The maximum exposure to credit risk as at the reporting date is the book value of each class of financial assets. Customers' outstanding receivables are monitored regularly. Some customers are also guaranteed, as far as possible, by a cash promissory note and a cash deposit or down payment, which is an integral part of commercial receivables and is taken into account when calculating the impairment.

The following is information about the exposure to credit risk on the Company's commercial receivables using the provision matrix:

	1-90	91 – 180	181-365	More than	
30 June 2024 (unaudited)	days	days	days	365 days	Total
Accounts receivable	92,206,595	1,558,263	1,518,746	3,569,644	98,853,248
Exposure to default % of expected credit losses	%-	%4,66	%37,91	%100	
Expected credit losses	-	(72,533)	(575,782)	(3,569,644)	(4,217,959)
Net	<u>92,206,595</u>	<u>1,485,730</u>	<u>942,964</u>	<u>-</u>	<u>94,635,289</u>
31 December 2023 (audited)					
Accounts receivable	84,902,875	10,393,864	671,332	4,320,361	100,288,432
Exposure to default % of expected credit losses	%-	%2,87	%18,63	%100	
Expected credit losses	-	(298,039)	(125,069)	(4,320,361)	(4,743,469)
Net	<u>84,902,875</u>	<u>10,095,825</u>	<u>546,263</u>	<u>-</u>	<u>95,544,963</u>

The movement on the provision for expected credit losses is as follows:

	30 June 2024	31 December 2023
	(unaudited)	(audited)
Balance, beginning of the period/ year	4,743,469	4,334,649
Reversal / Charge	(525,510)	408,820
Balance, ending of the period/ year	<u>4,217,959</u>	<u>4,743,469</u>

Credit risk on bank balances is limited because bank balances are held with banks with credit ratings ranging from A1 to A2 based on Moody's credit rating. All bank accounts are held with banks in Saudi Arabia.

The financial position of the related parties is stable. There were no past due or impaired receivables from related parties.

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

18 - Financial instruments, risk management and fair value (continued)

Risk management (continued)

Market risk

Market risk is the risk of the potential impact of changes in market rates such as foreign exchange rates and commission rates, the objective of market risk management is to manage and control exposure to market risk within acceptable limits with the highest possible return.

- Commission rate risk:

Commission risk appears from potential changes and fluctuations in commission rates that affect future profit or fair values of financial instruments and the Company monitors commission rate fluctuations and believes that the impact of commission rate risk is ineffective.

- Foreign exchange rate risk:

The foreign exchange rate is caused by changes and fluctuations in the value of financial instruments as a result of a change in foreign exchange rates. The Company's FX Risk Management aims to protect future cash flows in Saudi riyals, USD and EUR. Foreign exchange exposures related to cash flows are considered at the Company level and consist of Principal from currency exchange risk resulting from payables and receivables. The Company's management monitors currency exchange rates and believes that the risk of fluctuations in currency exchange rates is not effective.

- Capital risk

The main objective of the Company's capital management is to support its business and increase the return on owners.

The Company's policy is to maintain a strong capital base to maintain the confidence of users of interim condensed financial statements and maintain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. Management monitors the return on capital, which is determined by the Company as the result of operating activities divided by total equity. There were no changes in the Company's way of managing capital during the year. Management also monitors the level of dividends to owners. The Company was not subject to externally imposed capital requirements.

The following is an analysis of the Company's debt-to-equity ratios at period / year-end:

	30 June 2024 (unaudited)	31 December 2023 (audited)
Total liabilities	115,163,514	83,634,225
Less: Cash and cash equivalent	(96,711,447)	(37,854,005)
Net debt	18,452,067	45,780,220
Total equity	382,209,488	371,959,312
Debt-to-equity ratio	%4,83	%12,31

Liquidity risk

Liquidity risk represents the difficulties faced by the Company in meeting obligations related to its financial liabilities. The Company's approach to liquidity risk management is to maintain sufficient cash and quasi-cash and ensure the availability of funding from shareholders.

Management monitors liquidity shortfall risks using forecast models to determine the effects of operating activities on overall liquidity availability, and maintains an available cash flow ratio, ensuring debt is repaid at maturity.

United Wire Factories Company
(Saudi Joint Stock Company)

Notes to the interim condensed financial statements (unaudited) (continued)
For the six-month period ended 30 June 2024
(Saudi Riyals)

18 - Financial instruments, risk management and fair value (continued)

Risk management (continued)

Liquidity risk (continued)

The table below summarizes the maturity dates of the Company's financial liabilities based on undiscounted contractual payments:

<u>30 June 2024 (unaudited)</u>	<u>1 to 12 months</u>	<u>1 to 5 years</u>	<u>Indefinite</u>	<u>Total</u>
Lease liabilities	936,704	3,011,147	-	3,947,851
Employees' defined benefit plan obligations	-	-	8,292,031	8,292,031
Accounts payable	83,395,791	-	-	83,395,791
Accrued expenses and other liabilities	17,467,222	-	-	17,467,222
Zakat provision	2,927,772	-	-	2,927,772
	<u>104,727,489</u>	<u>3,011,147</u>	<u>8,292,031</u>	<u>116,030,667</u>
<u>31 December 2023 (audited)</u>				
Lease liabilities	1,037,648	3,180,601	-	4,218,249
Employees' defined benefit plan obligations	-	-	8,132,219	8,132,219
Due to related party	1,325,163	-	-	1,325,163
Accounts payable	43,051,335	-	-	43,051,335
Accrued expenses and other liabilities	20,335,525	-	-	20,335,525
Zakat provision	7,277,960	-	-	7,277,960
	<u>73,027,631</u>	<u>3,180,601</u>	<u>8,132,219</u>	<u>84,340,451</u>

Fair value

Fair value represents the value at which assets can be exchanged or liabilities paid between parties with the knowledge and desire to do so and on fair dealing terms. Financial instruments consist of financial assets and financial liabilities. The company's management believes that the fair value of financial assets and liabilities does not differ materially from their book values.

19 - Comparative figures

Some of the comparative figures have been reclassified to align to the current year's presentation and classification, the following is the effect of the reclassification:

	<u>Balance before reclassification</u>	<u>reclassification</u>	<u>Balance after reclassification</u>
Investment in a joint-venture	-	1,654,940	1,654,940
Investment in associates	1,654,940	(1,654,940)	-
Due from related parties	-	1,273,022	1,273,022
Accounts receivable	96,817,985	(1,273,022)	95,544,963
Accounts payable	55,160,426	(12,109,091)	43,051,335
Due to a related party	-	1,325,163	1,325,163
Accrued expenses and other liabilities	9,551,597	10,783,928	20,335,525

20 - Subsequent events

Management believes that no significant subsequent events after the date of the interim condensed financial statements and prior to the issuance of these interim condensed financial statements require amendment or disclosure.

21 - Approval of interim condensed financial statements

The interim condensed financial statements were approved by the Board of Directors on 3 Safar 1446H (corresponding to 7 August 2024)