

**UNITED WIRE FACTORIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**UNITED WIRE FACTORIES COMPANY**  
**(A Saudi Joint Stock Company)**  
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<b><u>INDEX</u></b>	<b><u>PAGE</u></b>
Independent auditor's report	1 - 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 32

**Independent Auditor's Report****To the Shareholders****United Wire Factories Company**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

**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, 2021, and 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, 2021, and 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. 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. 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.

**Independent Auditor's Report on the financial statements (Continued)**

**To the Shareholders United Wire Factories Company**

**Key Audit Matters (Continued)**

Why considered key audit matters	How our audit addressed the key audit matter
<p><b>Trade receivables - Impairment of trade receivables</b></p> <p>Trade receivables are recognized net after deducting the expected credit loss. The Company has adopted IFRS 9 Financial Instruments and "Expected Credit Loss (ECL) model" which requires the use of substantial estimates regarding the impact of changes in economic factors on the expected credit loss as at December 31, 2021, the book value of the trade receivables amounted to SR 94,606,275 (2020: SR 84,704,732) and the impairment loss of trade receivables amounted to SR 3,680,077 (2020: SR. 4,140,210 - note 23 - in addition to impairment charged against the effects of the Coronavirus amounting to SR 4,050,680 as at December 31, 2020. Which was reversed during 2021 according to the management's re-assessment of the impact of the related precautionary procedures.</p> <p>We considered this as a key audit matter due to the significance of the amount, the judgments and estimates used in applying the ECL model and reversal of coronavirus provision.</p> <p>Refer to accounting policies in note 4 for trade receivable policy and note 9, 23 for more details.</p>	<p>We performed the following procedures regarding the implementation of IFRS (9):</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process of sales recognition and trade receivables and the process of calculating the ECL, taking into consideration the requirements of relevant accounting standards, and assessing the appropriateness of the accounting policies used.</li> <li>• Examining the design and implementation of internal control systems relating to control procedures over trade receivables balances and the collection following up of trade receivables.</li> <li>• Selecting a sample of accounts receivable and requesting direct confirmations to validate balances at the end of the year, and performing alternative procedures for those who did not respond to the confirmation requests which include examining the supporting documents and the collections in the subsequent period for the selected sample.</li> <li>• Examining the ECL study prepared by the Management for trade receivables and the adequacy of the impairment charged.</li> <li>• Evaluating the basis, methodology, assumptions, and estimates used by the management in determining ECL, their reasonableness, potential default in settlements, and subsequent loss, by comparing historical data, considering future factors (mainly economic), to reflect the impact of future events on ECL and evaluating compliance to IFRS 9 in terms of classifying and measuring the financial assets and liabilities, using our experience and knowledge of similar facilities and assessing the adequacy of the disclosures that management has included in the financial statements.</li> <li>• Evaluating management's estimates of the impact of precautionary measures on the reversal of the impairment of trade receivables for the Corona Virus effect.</li> </ul>

**Independent Auditor's Report on the financial statements (Continued)**

**To the Shareholders United Wire Factories Company**

**Key Audit Matters (Continued)**

<b>Why considered key audit matters</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Impairment of inventory and slow-moving inventory</b></p> <p>The Company produces and sells metal and steel products. As at December 31, 2021, the book value of inventory amounted to SR 103,514,942 (2020: SR 113,441,955) and the provision for slow moving inventory amounted to SR 134,916 (2020: SR 139,117). The coronavirus provision amounting to SR 2,029,794 as at December 31, 2020, was formed to face the impact of precautionary procedures, and have been reversed during 2021 based on management's re-assessment of the impact of the related precautionary procedures.</p> <p>Estimates included factors that were taken into consideration when creating the impairment provision. The most important factors are as follows:</p> <ul style="list-style-type: none"> <li>- Determination of the net realizable value based on the approved sales prices list.</li> <li>- The results of the inventory physical count to determine the expected level of damaged and shrinking stock.</li> </ul> <p>We considered this as a key audit matter due to the significance of the amount and the management's judgments and estimates for the reversal of Coronavirus provision.</p> <p>Refer to accounting policies in note 4 for inventory policy and note 8 for more detail.</p>	<p>We have performed the following procedures in this area, among others based on our professional judgment:</p> <ul style="list-style-type: none"> <li>• Evaluating the design, implementation, and operational effectiveness of the main controls related to the Company's procedures in evaluating and monitoring the impairment of inventory.</li> <li>• Examining the net realizable value of the inventory by reviewing the sales subsequent to the end of the year and the price list approved by the management for the subsequent period and comparing it with the book value of the inventory to examine the suitability of the provision related to it.</li> <li>• By attending the physical inventory count of a sample of inventory with management, we evaluated the design and operational effectiveness of the basic controls and performed a sample-based examination to validate the physical inventory results.</li> <li>• Evaluating management's estimates of the impact of precautionary measures on the reversal of the impairment of inventory for the Corona Virus effect.</li> </ul>

## **Independent Auditor's Report on the financial statements (Continued)**

### **To the Shareholders United Wire Factories Company**

#### **Other Information**

Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report which are expected to be available to us after the date of this 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 when it becomes available to us and, in doing so, we 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 to those charged with governance.

#### **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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

## Independent Auditor's Report on the financial statements (Continued)

### To the Shareholders United Wire Factories Company

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- 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.
- 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*

  
Ayad Obeyan Alseraihi  
License No. 405

Riyadh on Jumada Al Akhir, 28, 1443H  
Corresponding to January 31, 2022G





**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021**  
(Expressed in Saudi Riyals)

	Notes	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	5, 6	102,354,142	109,201,038
Right of use assets	7	3,398,943	3,751,883
<b>Total non-current assets</b>		<b>105,753,085</b>	<b>112,952,921</b>
<b>Current assets</b>			
Inventories, net	8	103,380,026	111,273,044
Trade receivables, net	9	90,926,198	76,513,842
Prepaid expenses and other debt balances	10	71,967,907	49,289,301
Cash and cash equivalent	11	127,800,267	162,661,160
<b>Total current assets</b>		<b>394,074,398</b>	<b>399,737,347</b>
<b>Total Assets</b>		<b>499,827,483</b>	<b>512,690,268</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	351,000,000	351,000,000
Statutory reserve	12	74,283,661	69,665,362
Retained earnings		15,934,737	35,795,045
Other reserve		1,414,960	1,160,544
<b>Total equity</b>		<b>442,633,358</b>	<b>457,620,951</b>
<b>Non-current liabilities</b>			
Employee defined benefits obligation	13	8,288,509	7,880,506
Lease liabilities – noncurrent portion	7	2,981,733	3,267,075
<b>Total non-current liabilities</b>		<b>11,270,242</b>	<b>11,147,581</b>
<b>Current liabilities</b>			
Zakat provision	14	10,022,000	10,112,918
Accounts payable and others	15	22,080,453	20,042,796
Accrued expenses and other credit balances	16	13,535,838	13,493,588
Lease liability	7	285,592	272,434
<b>Total current liabilities</b>		<b>45,923,883</b>	<b>43,921,736</b>
<b>Total liabilities</b>		<b>57,194,125</b>	<b>55,069,317</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>499,827,483</b>	<b>512,690,268</b>

**Financial Manager**

  
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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(Expressed In Saudi Riyals)

	Notes	2021	2020
Sales	5	921,327,393	777,703,452
Cost of Sales	5, 17	(835,681,427)	(663,817,867)
<b>Gross profit</b>		<b>85,645,966</b>	<b>113,885,585</b>
Selling & distribution expenses	18	(19,584,082)	(19,382,605)
General and administrative expenses	19	(15,388,998)	(15,961,868)
Impairment of impairment of trade receivables	23	(353,702)	(197,736)
Reversal (Impairment) of trade receivables and inventory - Corona (Covid 19)	8, 23	6,080,474	(6,080,474)
Other (expense) income, net		(38,826)	30,493
<b>Net profit from the continuing operations</b>		<b>56,360,832</b>	<b>72,293,395</b>
Zakat	14	(10,177,841)	(10,147,948)
<b>Net profit for the year after zakat</b>		<b>46,182,991</b>	<b>62,145,447</b>
<b>Other Comprehensive Income (OCI)</b>			
<b>OCI that will not be reclassified to profit or loss in subsequent years:</b>			
Re-measurements of employees defined benefits obligation	13	254,416	(478,358)
<b>Total other comprehensive income (loss) for the year</b>		<b>254,416</b>	<b>(478,358)</b>
<b>Total comprehensive income for the year</b>		<b>46,437,407</b>	<b>61,667,089</b>
<b>Basic and diluted EPS:</b>			
Net profit from the continuing operations	20	1,61	1,75
Net profit for the year after zakat		1,32	1,51
Total comprehensive income for the year		1,32	1,49

**Financial Manager**  
  
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, 2021**

(Expressed In Saudi Riyals)

	Notes	Capital	Statutory Reserve	Retained Earnings	Other Reserve	Total
<b>For the year ended December 31, 2020</b>						
Balance as of January 1, 2020		438,750,000	63,450,817	14,964,143	1,638,902	518,803,862
Net profit for the year		-	-	62,145,447	-	62,145,447
Other comprehensive loss for the year	13	-	-	-	(478,358)	(478,358)
Transfer to statutory reserve	12	-	6,214,545	(6,214,545)	-	-
Reduction of share capital	1	(87,750,000)	-	-	-	(87,750,000)
Dividends	21	-	-	(35,100,000)	-	(35,100,000)
Balance as of December 31, 2020		351,000,000	69,665,362	35,795,045	1,160,544	457,620,951
<b>For the year ended December 31, 2021</b>						
Balance as of January 1, 2021		351,000,000	69,665,362	35,795,045	1,160,544	457,620,951
Net profit for the year		-	-	46,182,991	-	46,182,991
Other comprehensive income for the year	13	-	-	-	254,416	254,416
Transfer to statutory reserve	12	-	4,618,299	(4,618,299)	-	-
Dividends	21	-	-	(61,425,000)	-	(61,425,000)
Balance as of December 31, 2021		351,000,000	74,283,661	15,934,737	1,414,960	442,633,358

  
**Financial Manager**  
Abdulhamied Husni Ibrahimi

  
**Chief Executive Officer**  
Nabih 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, 2021**  
(Expressed In Saudi Riyals)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before Zakat and other comprehensive income	56,360,832	72,293,395
<b>Adjustments for:</b>		
Depreciation of property, plant, and equipment	12,060,699	12,803,543
Amortization of rights of use assets	352,940	352,940
Impairment of impairment of trade receivables	353,701	197,736
(Reversal) Impairment of trade receivables and inventory - Corona (Covid 19)	(6,080,474)	6,080,474
Employees defined benefits obligation	1,337,355	1,285,703
Gain on disposal of property, plant, and equipment	(4,600)	(24,000)
Impairment of prepaid expenses and other debt balances	404,855	2,541,111
<b>Changes in assets and liabilities:</b>		
Inventories	9,922,812	(20,754,787)
Trade receivables	(10,715,377)	1,447,520
Prepaid expenses and other debt balances	(23,083,461)	(29,690,363)
Accounts payable & others	2,037,657	(34,960,017)
Accrued expenses and other credit balances	42,250	5,559,435
Lease liabilities	(272,184)	(259,478)
<b>Cash generated from operating activities</b>	<b>42,717,005</b>	<b>16,873,212</b>
Employee defined benefits obligation paid	(674,936)	(716,351)
Zakat paid	(10,268,759)	(10,880,372)
<b>Net cash generated from operating activities</b>	<b>31,773,310</b>	<b>5,276,489</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions of property, plant, and equipment	(5,213,803)	(3,183,847)
Proceed from the disposal of property, plant, and equipment	4,600	24,000
<b>Net cash used in investing activities</b>	<b>(5,209,203)</b>	<b>(3,159,847)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reduction of share capital	-	(87,750,000)
Dividends	(61,425,000)	(35,100,000)
<b>Net cash used in financing activities</b>	<b>(61,425,000)</b>	<b>(122,850,000)</b>
<b>Net changes in cash and cash equivalents</b>	<b>(34,860,893)</b>	<b>(120,733,358)</b>
Cash and cash equivalent on January 1	162,661,160	283,394,518
<b>CASH AND CASH EQUIVALENT ON DECEMBER 31</b>	<b>127,800,267</b>	<b>162,661,160</b>

  
**Financial Manager**  
Abdulhamied Husni Ibrahim

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

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

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, 2021**

**1. ORGANAIZATION AND ACTIVITY**

United Wire Factories Company - Saudi Joint Stock Company ("the Company") was established under Commercial Registration No. 1010079195 dated in 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 351 million, divided into 35,100,000 shares valued at SR 10 per share.

- Based on the recommendation of the Company's Board of Directors in its meeting held on Jumada al-Ula 18, 1441H (corresponding to January 13, 2020), 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 8,775,000 shares, at a percentage of 20% shares and compensating the shareholders with this at nominal value and the amount of SR 87,750,000, 20% of the total outstanding capital so that the new capital becomes SR 351,000,000.
- In Thul-Qi'dah 24, 1441H (corresponding to July 15, 2020), the Extraordinary General Assembly agreed to reduce the capital, and it became effective for shareholders by the end of the creditors' objection period on September 13, 2020.
- In Safar 3, 1442H (corresponding to September 20, 2020), 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 Safar 25, 1442H (corresponding to October 12, 2020). 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 grids, galvanized steel wire, metal strip, wires, plastic tapes, oxygen welding wires, rods, metal hangers, fences, barbed wire, wooden spikes, carpentry, iron, angles, metal hinges, rectangles, rectification, cutting, reinforcing, smelting and rolling of iron, import, and export.

The Companies 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- Tabuk	3550137889
Vision Gate Real Estate Services Company	1010716858

**2. BASIS OF PREPARATION**

**Statement of compliance**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Measurement basis**

These financial statements are prepared on a historical cost basis except for defined benefits plans which are measured at the present value of future liabilities using the method of estimating amounts due by unit. In addition, these financial statements are prepared using the accrual basis of accounting and the concept of continuity.

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Functional and presentation currency**

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

**Judgments and estimates**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are included in the period(s) affected by the adjustment. The Company's significant estimates and judgments are mentioned in Note No. (4).

However, as indicated in Note (23), the Company has reviewed the important sources of uncertainties shown in the recent annual financial statements against the backdrop of the spread of the new Corona epidemic (Covid 19). According to a re-examination of the impact of the precautionary measures by the Management during 2021, the provisions previously created during the year 2020 have been refunded, and the Management will continue to monitor the situation and any required changes that will be reflected in future periods.

**3. APPLICATION OF NEW AND REVISED IFRS'S**

**3.1 New and revised IFRS's applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Revised 'Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and the definition of material Errors.
- Impact of initial application of the interest rate benchmark reform.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**3. APPLICATION OF NEW AND REVISED IFRS'S (CONTINUED)**

**3.2 New and revised IFRSs in issue but not yet effective and not early adopted**

The Company has not applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and Statement of Practices of IAS 2, Exercising jurisprudence on Materiality - Disclosure of Accounting Policies.	1 January 2023
IFRS 17 <i>Insurance Contracts</i> establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> .	1 January 2023
Amendments IFRS 3 <i>Business Combination</i> updating a reference to the Conceptual Framework.	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment</i> prohibiting a Company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	1 January 2022
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> regarding the costs to include when assessing whether a contract is onerous.	1 January 2022
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> Definition of Accounting Estimates.	1 January 2023
Amendments to IAS 12 <i>Income Taxes</i> , Deferred Tax related to Assets and Liabilities arising from a single transaction.	1 January 2023

Management anticipates that these new standards which apply to the Company, interpretations and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**4. SIGNIFICANT 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 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.



**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Property, plant, and equipment (Continued)**

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

<b>Item</b>	<b>Estimated age (years)</b>
Buildings and constructions	33,33
Machinery and equipment	2 - 20
Motor vehicles	4
Tools	6,66
Office equipment and furniture	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 in accordance with the International Financial Reporting Standards (IFRS) in accordance with the Capital Market Authority's Decision No. 5 / 8074/16 on the date of October 17, 2016, which requires Companies listed on the stock exchange to use the cost model option to measure real estate, and 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 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) fewer 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.

**Right of use assets and lease liabilities**

The Company has recognized new assets and liabilities for its operating leases of various types of contracts including the Company's factories, depot facilities, and rental premises. 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.

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Right of use assets and lease liabilities (Continued)**

Assets and liabilities arising from a lease are initially measured on a present value basis. i. Right-of-use assets are measured at cost comprising 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): - fixed 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 Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. 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.

**Inventories**

Inventories are stated at a lower cost or net realizable value. The cost is determined by using the weighted average method. The raw materials are valued at a lower cost and 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 found 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.

Inventory of spare parts 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 has not yet received up to the date of the financial statements taking into consideration that the terms of shipment and receipt and the returns of risks of the commodity are in the possession of the Company.

**Financial instruments**

**Impairment of financial assets**

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**

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

**Accounts receivable**

Trade and other receivables 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 method less any impairment in value. 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 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.

**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**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) is derecognized when:

- A) The right to receive cash flows from the asset has expired.
- B) The Company transfers the right to receive the cash flows from the asset or, in return, assumes an obligation to pay the cash expenses received in full without material delay to another party under the "arrest 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 of that asset.

When the Company has transferred its rights to receive cash flows from the asset or has entered into the "arrest and payment" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset or 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 shall also record the relevant obligation. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company holds.

**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 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 is 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 ("loss event 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 finds that it 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 is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss has been 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 provider account and the loss is recognized in the statement of profit or loss. If there is a positive change in the subsequent period on an impairment loss that can be determined in relation to events that occurred after the impairment losses are recognized objectively, the previously recognized impairment losses are reversed through the statement of profit or loss and within the carrying amount of the asset at the date, 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 the Company has transferred substantially all the risks and rewards of ownership of the asset to another party.

## **UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **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 are classified as current liabilities if payments are due within one year or less (or in 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 expires. 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.

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

##### **Offsetting**

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently 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 the event that the company or counterparty is exposed to 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 its fair value.

##### **Lease contracts**

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 as a deduction from the total lease expense over the lease term.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

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

##### **Employee defined benefits obligation**

Employee benefits are calculated according to the provisions of the Saudi Labor Law and local regulatory requirements, 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 component of the liability. A qualified actuary calculates the defined benefit obligation.

# UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

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### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Employee defined benefits obligation (Continued)

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 to 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 of the transactions. 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 expense in the statement of profit or loss. 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, all foreign exchange differences are included in the statement of profit or loss.

#### 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 are met in accordance with the nature and timing of the fulfillment of the performance obligations and the significant payment terms for the sale of the Company's products.

Invoices are issued and recognized as revenue at that time. Credit bills are usually due between 30 to 90 days. Invoices are 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 of the amount of accumulated income that is recognized. Accordingly, the amount of the income recognized is adjusted to the estimated recoveries that are estimated based on 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.
- 2) Identify the performance obligation in the contract: A performance obligation is a promise in a contract with a customer to transfer to the customer.
- 3) Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, it excludes amounts collected on behalf of third parties.
- 4) Allocate the transaction price to the performance obligation: After separate performance obligations are identified and the total transaction price is determined, the transaction price is allocated to performance obligations on the basis of relative standalone selling prices, a standalone selling price is a price at which an entity would sell a promised good or service separately to a customer.
- 5) Recognize revenue when a performance obligation is satisfied.

# UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

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### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 recognized. 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 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 with 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, selling, and marketing expenses, and general and administrative expenses, if necessary, on a consistent basis.

#### Dividends

The interim dividend is recognized as a liability in the period in which it is approved by the Board of Directors. Final dividends are also recorded.

#### 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

Adjusted earnings per share are calculated by adjusting the figures used to determine 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 events

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.

#### 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 judgment 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 – Impairment loss on trade receivables.
- Note 13 - Measurement of employees' benefits liabilities plus gains or losses on changes in actuarial assumptions.
- Note 8 Inventory - decrease in inventories and provision for idle inventory.



**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

**Opinions**

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**

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

**Impairment 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 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.

**Estimates and assumptions**

The principal assumptions relating to future reasons and other major sources of estimation uncertainty at the balance sheet date that have a material risk of material adjustments to the carrying amounts of assets and liabilities during the subsequent financial period are as follows:

**The productive life 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 corrosive factors and material damage 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 important and which may lead to a review of impairment in 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 amount of Zakat payable on open Zakat positions where the liabilities remain to be agreed with the Zakat, Tax and Customs Authority. Due to the uncertainty associated with such Zakat items, it is possible that, on finalization of open Zakat assessments at a future date, the outcome may differ. Note 14 describes the status of Zakat and tax assessments.

**Provision for Zakat**

The Company is subject to Zakat in accordance with the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia. The Zakat expense is recognized as an expense on the statement of profit or loss and other comprehensive income at the date of preparation of the financial statements. Any difference in Zakat expense will be settled in the financial year during which the final assessment is approved. Any difference between Zakat and final assessment is recognized in the statement of profit or loss and other comprehensive income.

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****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 resource 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 return, 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>
Construction sector	The construction sector includes rebar activities, floor gratings, spikes, fence nets, barbed wire, and wire mesh.
Civil sector	The civil sector includes the activities of the manufacture of wire feedstock, metal, hangers for clothes, bed nets, and metal pins.

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

**Information on segment reporting**

The information for each sectorial report is listed below. The total profit of the segment is used to measure performance because the management considers that this information is most appropriate to assess the results of the relevant sectors relating to other enterprises operating in the same industries.

<u>For the year ended December 31, 2021</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	706,754,713	214,572,680	921,327,393
Cost of sales	(664,341,405)	(171,340,022)	(835,681,427)
Gross profit	42,413,308	43,232,658	85,645,966

<u>For the year ended December 31, 2020</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	628,255,600	149,447,852	777,703,452
Cost of sales	(548,210,177)	(115,607,690)	(663,817,867)
Gross profit	80,045,423	33,840,162	113,885,585

<u>As of December 31, 2021</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Property, plant and equipment, net	57,549,618	44,804,522	102,354,142

<u>As of December 31, 2020</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Property, plant and equipment, net	60,793,447	48,407,591	109,201,038

## 6. PROPERTY, PLANT, AND EQUIPMENT

- Depreciation have charged for the year ended December 31 is as follows:

**Saudi Riyal**

**UNITED WIRE FACTORIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**7. RIGHT OF USE ASSETS**

The Company has implemented a single recognition and measurement principle for all lease contracts if they are the lessee, except for the short-term lease contracts and lease contracts that contain a low-value asset. The Company has recognized lease liabilities for payments of lease contracts and right of use assets that represent the right of use such assets that the contracts contain.

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

- Amortization expense increased by SR 352,940 related to amortization of the rights of using of the recognized assets.
- Finance costs increased by SR 163,991 related to interest expense on recognized additional rental contract liabilities.

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Right of use assets</b>		
Balance at the beginning of the year	4,396,189	4,396,189
	<u>4,396,189</u>	<u>4,396,189</u>
<b>Accumulated amortization</b>		
Balance at the beginning of the year	(644,306)	(291,366)
Amortization	(352,940)	(352,940)
	<u>(997,246)</u>	<u>(644,306)</u>
<b>Balance at the end of the year</b>	<u>3,398,943</u>	<u>3,751,883</u>
<b>Lease liability</b>		
Balance at the beginning of the year	3,539,509	3,798,987
Amortization	(272,184)	(259,478)
<b>Balance at the end of the year</b>	<u>3,267,325</u>	<u>3,539,509</u>
<b>Current portion</b>	<u>285,592</u>	<u>272,434</u>
<b>Non-current portion</b>	<u>2,981,733</u>	<u>3,267,075</u>

**8. INVENTORIES, NET**

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Finished goods	76,628,032	84,847,572
Raw materials	10,656,309	17,423,723
Work in progress	9,754,525	6,263,224
Spare parts not for sale	6,476,076	4,907,436
	<u>103,514,942</u>	<u>113,441,955</u>
Impairment of inventory – Corona (Covid 19)	-	(2,029,794)
Provision of slow-moving inventory	(134,916)	(139,117)
	<u>103,380,026</u>	<u>111,273,044</u>

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

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Balance at January 1, 2020	2,168,911	139,117
Charged during the year - Corona (Covid 19)	-	2,029,794
Reversal of impairment - Corona (Covid 19)	(2,029,794)	-
Reversal of slow-moving inventory	(4,201)	-
<b>Balance at December 31, 2021</b>	<u>134,916</u>	<u>2,168,911</u>

The impairment of inventory - Corona (Covid 19) amounting of SR 2,029,794 was reversed according to re-examination of the impact of precautionary measures by the Management.

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****9. TRADE RECEIVABLES, NET**

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Trade receivables	94,125,763	83,452,442
Trade receivables - related party (Note 26)	480,512	1,252,290
	94,606,275	84,704,732
Impairment of trade receivables (Note 23)	(3,680,077)	(4,140,210)
Impairment of trade receivables - Corona (Covid 19)	-	(4,050,680)
	90,926,198	76,513,842

The impairment of trade receivables - Corona (Covid 19) amounting of SR 4,050,680 was reversed according to re-examination of the impact of precautionary measures by the Management.

Credit risk, market risk, and impairment loss

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

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

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Advances to suppliers	66,247,470	44,019,238
Letter of guarantee	3,797,050	2,565,345
Staff receivables	1,383,558	727,700
Prepaid expenses	1,369,222	2,471,261
Refundable deposits	279,848	279,848
Letter of credit	115,714	44,089
Others	1,983,474	1,985,394
Impairment of other debit balances	(3,208,429)	(2,803,574)
	71,967,907	49,289,301

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

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Balance at the beginning of the year	2,803,574	262,463
Provision and impairment charge for the year	404,855	2,541,111
	3,208,429	2,803,574

**11. CASH AND CASH EQUIVALENT**

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Bank balances - current accounts	127,800,267	162,658,822
Cash on hand	-	2,338
	127,800,267	162,661,160

**12. STATUTORY RESERVE**

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution as dividends to the shareholders.

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****13. EMPLOYEE DEFINED BENEFITS OBLIGATION****Movement in net defined benefit obligations**

The table below shows a reconciliation of the opening balances with the closing balances of the identified benefit obligations and their components.

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Opening balance	7,880,506	6,832,796
	7,880,506	6,832,796
<b>Included in profit or loss</b>		
Current service cost	1,117,709	1,065,049
Net interest on net defined benefit obligation	219,645	220,654
	1,337,355	1,285,703
<b>Included in other comprehensive income</b>		
Re-measurements of employees defined benefits obligation	(254,416)	478,358
<b>Payments</b>	(674,936)	(716,351)
<b>Closing balance</b>	<b>8,288,509</b>	<b>7,880,506</b>

**Defined benefit obligations****a) Actuarial assumptions:**

The main actuarial assumptions are:

	December 31, 2021	December 31, 2020
Discount rate	2,65%	2,8%
Salary increase rate for the first period	5%	5%
Long-term salary increase rate	1%	1.5%
Employee turnover	Average	Average
Number of employees	573	472
The average age of staff in years	38,12	39,78
The average number of years of the previous service	6,87	7,9

**b) Sensitivity analysis:**

Sensitivity analysis of employee benefits has been prepared based on the manner in which the impact is based on the obligation of the identified benefits 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, given that other assumptions are consistent, which may affect the obligation of the identified benefits:

	December 31, 2021	December 31, 2020
Change in discount rate (+0.5%)	7,722,725	7,974,355
Change in discount rate (-0.5%)	8,801,781	8,423,840
Change in long-term salary increase (+0.5%)	8,808,850	8,428,326
Change in long-term salary increase rate (-0.5%)	7,712,098	7,381,526

**14. ZAKAT PROVISION****Zakat base**

The Company is subject to Zakat. Zakat is calculated at 2.5% of the estimated 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, 2021	December 31, 2020
<b>Zakat base:</b>		
Adjusted net profit	58,456,742	82,398,419
Total positive items	441,288,200	430,089,727
Total negative items	(112,229,161)	(117,860,358)
<b>Zakat base</b>	<b>387,515,781</b>	<b>394,627,788</b>



**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**14. ZAKAT PROVISION (CONTINUED)**

**The movement of accrued Zakat provision**

The following represents the movement of the Zakat provision:

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Balance at January 1	10,112,918	10,845,342
Zakat charged to the statement of profit or loss and other comprehensive income	10,177,841	10,147,948
Payments	(10,268,759)	(10,880,372)
<b>Balance at December 31</b>	<b>10,022,000</b>	<b>10,112,918</b>

**Status of certificates and zakat final assessments**

The Company finalized its Zakat status until December 31, 2011, and paid the Zakat due accordingly, obtained the final certificate, and submitted its Zakat declarations to the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended December 31, 2020. The final Zakat assessments were received from the Zakat, Tax and Customs Authority ("ZATCA") for the years 2014 to 2018 and are being contested by the Company in accordance with the relevant procedures bearing in mind that the assessment differences are immaterial and both 2019 and 2020 are being examined.

**15. ACCOUNTS PAYABLE AND OTHERS**

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Trade and other payables	19,355,920	14,133,016
Advances from customers	2,724,533	5,909,780
	<b>22,080,453</b>	<b>20,042,796</b>

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

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accrued salaries, benefits, and incentives	6,112,575	6,397,678
Accrued value-added tax	4,052,083	3,230,471
Accrued commissions & expenses	1,787,262	2,057,060
Other accruals	1,583,918	1,808,379
	<b>13,535,838</b>	<b>13,493,588</b>

**17. COST OF SALES**

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Direct materials	799,433,375	627,780,934
Salaries and benefits of employees	14,799,759	14,116,132
Depreciation	11,053,976	11,755,508
Rent	499,230	500,399
Right of use assets amortization	352,940	352,940
Reversal impairment of slow-moving inventories	(4,201)	-
Other	9,546,348	9,311,954
	<b>835,681,427</b>	<b>663,817,867</b>

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****18. SELLING AND DISTRIBUTION EXPENSES**

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Shipping and transportation expenses	7,883,616	8,850,466
Salaries and benefits of employees	6,896,791	6,115,554
Commissions	1,879,487	2,093,951
Maintenance expenses	660,352	805,805
Rent expense	467,367	295,832
Impairment of other debit balances	404,855	274,848
Depreciation	379,910	485,733
Government expenses	157,315	148,724
Other	854,389	311,692
	<b>19,584,082</b>	<b>19,382,605</b>

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Salaries and benefits of employees	11,648,727	9,858,595
Remuneration and allowances for attendance of members of the Board of Directors and committees	1,245,997	1,225,000
Fees and subscriptions	742,839	704,215
Depreciation	626,813	562,302
Professional fees	454,128	454,995
Impairment of other debit balances	-	2,266,263
Bank charges	-	420,069
Other	670,494	470,429
	<b>15,388,998</b>	<b>15,961,868</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, 2021, and 2020 were calculated based on the weighted average number of outstanding shares during the year in the number of 35,100,000 shares (2020: 41,254,521 shares). There are no dilutive potential ordinary shares.

**21. DIVIDENDS**

During the third quarter of 2021, in accordance with the Board of Directors meeting on Thul-Hijjah 18, 1442H (corresponding to July 28, 2021), the Company approved the distribution of interim cash dividends of SR 26,325,000 (for the first half of the year 2021) at SR 0.75 per share. Distributed on August 17, 2021. During the first quarter of 2021 and based on the Board of Directors meeting on Rajab 4, 1442H corresponding to February 16, 2021, the Company approved the distribution of interim dividends of SR 35,100,000 (the profits for the second half of 2020 are SR 1 per share) It was distributed on March 3, 2021.

During the third quarter of 2020, in accordance with the Board of Directors held on Muharram 27, 1442 AH, corresponding to September 15, 2020, the company approved the distribution of interim cash dividends in the amount of 35,100,000 Saudi riyals (which amounts to SR 14,964,143 for the balance of retained earnings until December 31, 2019 and SR 20,135,857 for profits for the first half of 2020) at SR 1 per share. The distribution was made on October 8, 2020, and included in other credit balances.

## **UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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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 return to the shareholders by optimizing the capital structure. The Company manages the capital, and adjustments are made to it 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, or adjust the capital.

The Company's policy is to maintain a strong capital base in order to gain investor and market confidence as well as to ensure the future development of the business. 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 higher returns that could be obtained through increased levels and the safety benefits that could be achieved by maintaining a strong capital position. The company aims to achieve an adequate return on capital. The return for the year ending December 31, 2021, was 13% (December 31, 2020: 15%). The company monitors capital using the "net debt" to "equity" ratio. For this purpose, adjusted net debt is defined as total liabilities less cash and bank balances. Shareholders' equity consists of all components of shareholders' equity if any. The company has sufficient financing to meet all the company's obligations.

The Company has sufficient financing to meet all of 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 derivative financial instruments to manage this risk to which it is exposed.

##### **A general framework for risk management**

The Board of Directors is generally responsible for the development and follow-up of the Company's overall risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company and to establish appropriate risk limits and controls as well as risk control and adherence to established limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its training and management standards and procedures, the Company 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 compliance with the company's risk management policies and procedures, in addition to reviewing the effectiveness of the general risk management framework about the risks faced by the Company. The audit committee is assisted in performing this oversight role from one of the offices specialized in internal audit work. The aforementioned internal auditor's office conducts a periodic review and a special review of the controls and procedures for risk management and submits reports on the results of these works to the audit committee.

It is also worth noting the precautionary and preventive measures issued by the government of the Kingdom of Saudi Arabia aimed at containing the spread of the new Corona epidemic. (Covid 19) to protect citizens and residents.

##### **Credit risk**

Credit risk is the company's risk incurs a financial loss if the customer or the counterparty in a financial instrument fails to meet its contractual obligations, and it arises mainly 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 risk.

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****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 analyzed 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 some 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 debtors by setting a maximum repayment period of two months for most clients. Noting that the company grants advances to employees by guaranteeing the benefits of the employees, not exceeding 60% of the value of the benefits due to the worker.

Accordingly, the impairment of trade receivables as of December 31, 2021, was estimated at SR 3,680,077 (2020: SR 4,140,210) in accordance with the Company's policy and IFRS (9) Financial Instruments, in addition to an amount of SR 4,050,680 according to the management's initial assessments of the impact of the precautionary measures for a Corona pandemic, which was refunded during the year 2021 according to a re-examination of the impact of these procedures with the knowledge of the management, and the Company also maintains guarantees for most of the balances of trade receivables.

At the financial position date, trade receivables aging related to customers as follows:

<b>Time limit</b>	<b>Book value</b>	<b>Weighted average for the impairment of receivables</b>	<b>Balance</b>
From 0 to 90	88,001,397	-	88,001,397
From 91 to 180	2,731,668	(110,350)	2,621,318
From 181 to 360	425,754	(122,271)	303,483
More than 360	3,447,456	(3,447,456)	-
<b>Balance as of December 31, 2021</b>	<b>94,606,275</b>	<b>(3,680,077)</b>	<b>90,926,198</b>

<b>Time limit</b>	<b>Book value</b>	<b>Weighted average for the impairment of receivables</b>	<b>Balance</b>
From 0 to 90	75,533,651	-	75,533,651
From 91 to 180	3,519,942	(89,165)	3,430,777
From 181 to 360	2,587,846	(987,752)	1,600,094
More than 360	3,063,293	(3,063,293)	-
	84,704,732	(4,140,210)	80,564,522
Impairment of trade receivables and inventory - Corona (Covid 19)	-	(4,050,680)	(4,050,680)
<b>Balance as of December 31, 2020</b>	<b>84,704,732</b>	<b>(8,190,890)</b>	<b>76,513,842</b>

The movement of impairment of trade receivables during the year is as follows:

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Opening balance	8,190,890	3,942,474
Charge for the year	353,702	197,736
(Reversal) impairment of trade receivables	(4,050,680)	4,050,680
Written off receivables	(813,835)	-
	<b>3,680,077</b>	<b>8,190,890</b>

On October 21, 2021, the Board of Directors agreed to approve through memo the written off and settlement some of trade receivables which was prepared by the management in accordance with the Board's authorization and credit policy.

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)****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 developments affecting a business segment or geographical area. The Company's financial assets are fully located within the Kingdom of Saudi Arabia.

**Liquidity risk**

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

The Company ensures that the value of cash and bank balances in highly marketable debt instruments is greater than the expected external cash flows associated with financial liabilities over the next 60 days. The Company monitors the level of expected cash flows of trade receivables with the expected external cash flows of trade payables. As of December 31, 2021, the expected cash flows from trade receivables maturing within three months were SR 88,001,397 (December 31, 2020: SR 75,533,651). Cash and bank balances amounting to SR 127,800,267 as of December 31, 2021 (December 31, 2020: SR 162,661,160). Thus, the total expected cash flows from trade receivables and total cash are sufficient to offset expected external cash flows.

**Exposure to liquidity risk**

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

		Contractual cash flows		
		Within 3 months or less	Within 3 to 12 months	Within one to two years
December 31, 2021	Book value			
Liabilities	SR	SR	SR	SR
Trade payables, accruals, and other credit balances	35,901,883	32,787,367	3,114,516	-
Zakat	10,022,000	-	10,022,000	-
Total	45,923,883	32,787,367	13,136,516	-

		Contractual cash flows		
		Within 3 months or less	Within 3 to 12 months	Within one to two years
December 31, 2020	Book value			
Liabilities	SR	SR	SR	SR
Trade payables, accruals, and other credit balances	33,808,818	26,725,157	7,000,732	82,929
Zakat	10,112,918	10,112,918	-	-
Total	43,921,736	36,838,075	7,000,732	82,929

**Commodity price risk**

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

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)****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 positions in interest rates, foreign exchange, and equity products, all of which are subject to general and specific market movements and changes in the level of volatility of market or price rates such as cost prices and foreign exchange rates.

**Foreign exchange risk**

Foreign exchange 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 exchange 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 exchange risk.

The reasonably probable rise in the euro and the 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 volatility 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**Contracts leases 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 lease contracts 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 Industrial Property Authority for a period of up to 25 years, subject to renewal, and they represent lease contracts 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 lands and buildings. As a result, it has been determined that all the risks of land and building rentals are large with the owner.

Minimum future lease payments

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

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Less than one year	824,909	594,786
From one to five years	1,650,140	1,667,459
More than five years	2,095,779	2,507,382
Total	4,570,828	4,769,627
Classified as:		
Operating lease contracts	402,002	171,879
Finance lease contracts – IFRS 16	4,168,826	4,597,748
Total	4,570,828	4,769,627

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

	Saudi Riyal	
	December 31, 2021	December 31, 2020
Rental contract expenses	693,757	507,725



**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED DECEMBER 31, 2021****25. -CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Company's capital commitments as of December 31, 2021, amounted to SR 1,300,182 out of a total business of SR 2,367,438 (2020: SR 1,228,830 out of a total business amounting to 2,970,932 Saudi riyals) and these commitments are for the supply of spare parts for machines.

As of December 31, 2021, the Company has letters of credit in progress for SR 10.7 million (2020: SR 5.8 million) and outstanding bank letters of guarantee amounting to SR 75.9 million (2020: SR 51.3 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 3.8 million (2020: SR 2.6 million), according to a facility contract of letters of guarantee and documentary credits with local banks with a total value of facilities. It amounted to SR 100 million, with the guarantee of promissory notes issued by the company, with the full value of the facilities.

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

<b>Related party</b>	<b>Relationship</b>
Elegant Romoz for Trading Company	A Company who is owned by two boards of directors: - Mohamed Rasheed Al Rasheed - Salih Rasheed Al Rasheed

Board of directors' members

The Company's senior management personnel

The benefits of senior management personnel consist of the following:

	<b>Saudi Riyal</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Short-term employee benefits	<b>5,239,006</b>	3,369,626
Post-employment benefits	<b>184,000</b>	184,000
Board of Directors' bonus	<b>900,000</b>	900,000
	<b>6,323,006</b>	4,453,626

Benefits paid to senior management personnel 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, associates and sister companies, directors, and senior management staff of the company. 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 usual activity and according to the same principles of dealing with third parties. The most important transactions with a related party are as follows:

	<b>Transaction Amounts</b>	
	<b>Saudi Riyal</b>	
<b>Nature of transactions</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Sales	<b>9,452,931</b>	5,587,435

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

	<b>Saudi Riyal</b>	
<b>Related party</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Elegant Romoz for Trading Company	<b>480,512</b>	1,252,290

No expense is recognized in the current or past era of bad debts. No guarantees are received or received.

**27. SIGNIFICANT EVENTS**

On October 24, 2021, the Company announced the signing of a (non-binding) memorandum of understanding with Thimar Food and Catering Company (Limited Liability Company) on October 21, 2021, regarding the possible acquisition of a share in the ownership of Thimar Food and Catering Company after completing the due diligence examination and in accordance with the relevant procedures.

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS *(Continued)***

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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**28. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**29. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on Jumada Al Akhir, 28, 1443H (Corresponding to January 31, 2022G).