

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
ON INTERIM CONDENSED FINANCIAL STATEMENT REVIEW REPORT

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

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

(A Saudi Public Interest Company)

Riyadh, Kingdom of Saudi Arabia

Introduction


We have reviewed the accompanying interim condensed statement of financial position of United Wire Factories Company ("the Company") as of March 31, 2021 and the related interim condensed statement of profit or loss and other comprehensive income, for the three month period then ended, and the interim condensed statements of changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial information in accordance with International Accounting Standards 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

Scope of Review

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

Conclusion


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


BAKER TILLY MKM & CO.
Certified Public Accountants
Ayad Obeyan Alseraihi
License No. 405Riyadh on Ramadan, 9, 1442H
Corresponding to April 21, 2021G


UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	107,023,538	109,201,038
Right of use	7	3,664,857	3,751,883
Total Non-Current Assets		110,688,395	112,952,921
Current assets			
Inventories, net	8	181,724,855	111,273,044
Trade receivables, net	9, 16	95,048,174	76,513,842
Prepaid expenses and other debit balances	10	19,965,244	49,289,301
Cash and cash at banks		128,781,738	162,661,160
Total Current Assets		425,520,011	399,737,347
Total Assets		536,208,406	512,690,268
EQUITY AND LIABILITIES			
Equity			
Share capital		351,000,000	351,000,000
Statutory reserve		69,665,362	69,665,362
Retained earnings		16,803,838	35,795,045
Other reserve		1,160,544	1,160,544
Total Equity		438,629,744	457,620,951
Non-current liabilities			
Employee defined benefits obligation		7,909,860	7,880,506
Lease liabilities – Noncurrent portion	7	3,196,953	3,267,075
Total Non-Current Liabilities		11,106,813	11,147,581
Current liabilities			
Zakat provision	11	2,400,000	10,112,918
Accounts payable and others		66,804,129	20,042,796
Accrued expenses and other credit balances	12	16,992,003	13,493,588
Lease liability	7	275,717	272,434
Total Current Liabilities		86,471,849	43,921,736
Total liabilities		97,578,662	55,069,317
TOTAL EQUITY AND LIABILITIES		536,208,406	512,690,268

The accompanying notes form an integral part of these financial statements

Financial Manager

Abdulhamied Husni Ibrahim


Chief Executive Officer

Nabil Hasan Mohammed Al-Amir

Chairman of Board of Directors

Khaled Saad Al-Kanhal

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)


	Notes	2021	2020
Sales, net	4	226,628,550	220,390,435
Cost of Sales	4	(198,540,116)	(186,852,122)
Gross profit		28,088,434	33,538,313
Selling & distribution expenses		(4,730,692)	(5,231,315)
General and administrative expenses		(3,812,353)	(5,021,618)
(Impairment) reversal of impairment of trade receivables 9, 16		(918,420)	99,778
Impairment of trade receivables and inventory - Corona (Covid 19)	8, 9	-	(6,080,474)
Other income, net		4,532	(1,021)
Net profit from the continuing operations		18,631,501	17,303,663
Zakat	11	(2,522,708)	(2,250,000)
Net profit for the year after zakat		16,108,793	15,053,663
Other Comprehensive Income (OCI)		-	-
Total comprehensive income for the period		16,108,793	15,053,663
Basic and diluted EPS:	13		
Net profit from the continuing operations		0,53	0,39
Net profit for the year after zakat		0,46	0,34
Net profit and other comprehensive income		0,46	0,34

The accompanying notes form an integral part of these financial statements

Financial Manager

Abdulhamied Husni Ibrahim

Chief Executive Officer

Nabil Hasan Mohammed Al-Amir

Chairman of Board of Directors

Khaled Saad Al-Kanhal

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	Notes	Capital	Statutory Reserve	Retained Earnings	Other Reserve	Total
Balance as at January 1, 2021 (Audited)		351,000,000	69,665,362	35,795,045	1,160,544	457,620,951
Total comprehensive income		-	-	16,108,793	-	16,108,793
Dividends	15	-	-	(35,100,000)	-	(35,100,000)
Balance as of March 31, 2021		351,000,000	69,665,362	16,803,838	1,160,544	438,629,744
Balance as at January 2020 (Audited)		438,750,000	63,450,817	14,964,143	1,638,902	518,803,862
Total comprehensive income		-	-	15,053,663	-	15,053,663
Balance as of March 31, 2020		438,750,000	63,450,817	30,017,806	1,638,902	533,857,525


The accompanying notes form an integral part of these financial statements

Financial Manager

Abdulhamied Husni Ibrahim

Chief Executive Officer

Nabil Hasan Mohammed Al-Amir

Chairman of Board of Directors

Khalid Saad Al-Kanhil

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(EXPRESSED IN SAUDI RIYALS)

	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before zakat	18,631,501	17,303,663
Adjustments for:		
Depreciation of property, plant and equipment	3,037,843	3,350,333
Amortization of rights of use	87,026	87,753
Impairment (reversal of impairment) of trade receivables	918,420	(99,778)
Impairment of trade receivables and inventory during the period - Corona (Covid 19)	-	6,080,474
Gain from disposal of property, plant and equipment	(4,600)	(12,000)
Employees defined benefits obligation	307,650	262,902
Changes in assets and liabilities:		
Inventories	(70,451,811)	(6,617,624)
Trade receivables	(19,452,752)	(6,750,639)
Prepaid expenses and other debit balances	29,324,057	(10,653,860)
Trade accounts payable & others	46,761,333	3,412,855
Accrued expenses and other credit balances	3,498,415	(618,225)
Lease liabilities	(66,839)	(63,714)
Cash generated from operating activities	12,590,243	5,682,140
Employee defined benefits obligation paid	(278,296)	(30,693)
Zakat paid	(10,235,626)	-
Net cash generated from operating activities	2,076,321	5,651,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(860,343)	(390,934)
Proceed from disposal of property, plant and equipment	4,600	12,000
Net cash used in investing activities	(855,743)	(378,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends	(35,100,000)	-
Net cash used in financing activities	(35,100,000)	-
Net changes in cash and cash at banks	(33,879,422)	5,272,513
Cash and cash at banks at January 1	162,661,160	283,394,518
CASH AND CASH AT BANKS AT MARCH 31	128,781,738	288,667,031


The accompanying notes form an integral part of these financial statement

Financial Manager

Abdulhamied Husni Ibrahim

Chief Executive Officer

Nabil Hasan Mohammed Al-Amir

Chairman of Board of Directors

Khaled Saad Al-Kanhal

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

1. ORGANAIZATION AND ACTIVITY

United Wire Factories Company - Saudi Joint Stock Company ("the Company") was established under Commercial Registration No. 1010079195 dated Rabi' al-Awwal 20, 1411H (corresponding to October 9, 1990). The fully paid and issued share capital of the Company as of the date of the accompanying financial statements is SR 351 million divided into 35,100,000 shares valued at SR 10 per share.

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

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

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

Branch name	Commercial Registration No
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

2. BASIS OF PREPARATION

Basis of compliance

The accompanying financial statements have been prepared in accordance with International Accounting Standards 34 – “Interim Financial Reporting” (IAS 34) 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 benefit plans which are measured at 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.

Functional and presentation currency

These financial statements are presented in Saudi Riyal (“SR”), which represent 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 / periods in which the estimates are adjusted and in subsequent periods affected by the adjustment.

However, as indicated in note. (16), the Company has reviewed the important sources of uncertainties shown in the last annual financial statements against the background of the spread of the new Corona epidemic (Covid 19). The Management believes that other than expected credit losses arising from financial assets, all other sources of uncertainty remain the same as those shown in the most recent annual financial statements. The Management will continue to monitor the situation and any required changes will be reflected in future reporting periods.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Except for what has been mentioned below, the accounting policies applied to these interim condensed financial statements are the same as those applied to the financial statements for the year ended December 31, 2020, and accordingly you must read these interim financial statements and the accompanying summary notes with the annual audited financial statements and related notes for the year ended December 31, 2020.

4. APPLICATION OF NEW AND REVISED IFRS'S

4.1 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 IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and the definition of material Errors.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

4.2 NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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
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
Amendments to IFRS 4 <i>Insurance Contracts</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IFRS 9 <i>Financial Instruments</i> and IFRS 16 <i>Leases</i> regarding replacement issues in the context of the IBOR reform	1 January 2021
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022

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.

UNITED WIRE FACTORIES COMPANY

(A SAUDI PUBLIC INTEREST COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021****5. INFORMATION ON SEGMENT REPORTING****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 and covered clothing relations, family nets and metal pins.

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 period ended March 31, 2021</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	181,621,455	45,007,095	226,628,550
Cost of sales	(161,948,121)	(36,591,995)	(198,540,116)
Gross profit	19,673,334	8,415,100	28,088,434
<u>For the period ended March 31, 2020</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	184,730,167	35,660,268	220,390,435
Cost of sales	(157,831,530)	(29,020,592)	(186,852,122)
Gross profit	26,898,637	6,639,676	33,538,313
<u>As at March 31, 2021</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Property, plant and equipment, net	59,822,255	47,201,283	107,023,538
<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

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 no export revenues.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

6. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Buildings and construction* SR	Machinery and equipment SR	Motor vehicles SR	Tools SR	Office equipment and furniture SR	Capital work under construction SR	Total SR
Cost								
Balance at January 1, 2021	43,502,583	37,799,183	185,013,004	15,203,955	1,093,304	6,758,943	1,833,765	291,204,737
Additions	-	63,535	338,413	-	12,700	34,511	411,184	860,343
Disposals	-	-	-	(78,550)	-	-	-	(78,550)
Transfer from capital work under construction	-	1,955,186	-	-	-	237,879	(2,193,065)	-
Balance at the period end	43,502,583	39,817,904	185,351,417	15,125,405	1,106,004	7,031,333	51,884	291,986,530
Accumulated depreciation								
Balance at January 1, 2021	-	15,550,105	145,847,787	14,359,182	1,021,642	5,224,983	-	182,003,699
Depreciation for the year	-	264,076	2,553,471	79,389	5,163	135,744	-	3,037,843
Disposals	-	-	-	(78,550)	-	-	-	(78,550)
Balance at the period end	-	15,814,181	148,401,258	14,360,021	1,026,805	5,360,727	-	184,962,992
Net book values								
At March 31, 2021	43,502,583	24,003,723	36,950,159	765,384	79,199	1,670,606	51,884	107,023,538
At December 31, 2020 (Audited)	43,502,583	22,249,078	39,165,217	844,773	71,662	1,533,960	1,833,765	109,201,038

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

** The capital work under construction includes SR 51,884 represented in staff housing rehabilitation.

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

	Saudi Riyal	
	March 31, 2021	March 31, 2020
Cost of sales	2,807,758	3,032,427
General and administrative expenses	135,732	144,877
Selling and marketing expenses	94,353	173,029
	3,037,843	3,350,333

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings and construction*		Machinery and equipment		Motor vehicles		Tools		Office equipment and furniture		Capital work under construction		Total	
	Land	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
<u>Cost</u>														
Balance at January 1, 2020	43,502,583	37,311,302	183,988,704	14,603,955	1,044,304	6,632,884	1,089,658	288,173,390						
Additions	-	86,550	72,806	25,000	-	14,216	192,362	390,934						
Disposals	-	-	-	(85,500)	-	-	-	(85,500)						
Balance at the period end	43,502,583	37,397,852	184,061,510	14,543,455	1,044,304	6,647,100	1,282,020	288,478,824						
<u>Accumulated depreciation</u>														
Balance at January 1, 2020	-	14,492,027	135,207,091	13,999,395	991,698	4,662,445	-	169,352,656						
Depreciation for the year	-	262,940	2,769,355	164,283	8,868	144,887	-	3,350,333						
Disposals	-	-	-	(85,500)	-	-	-	(85,500)						
Balance at the period end	-	14,754,967	137,976,446	14,078,178	1,000,566	4,807,332	-	172,617,489						

Net book values

At March 31, 2020

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

** The capital work under construction includes SR 1,3 million mainly consisting of completing the facilities and decorations of the administration building.

UNITED WIRE FACTORIES COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

7. RIGHT OF USE

The Company has implemented a single recognition and measurement principle for all lease contracts in the event that 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 represents the right of use such assets that the contracts contains.

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

- Amortization expense increased by SR. 87,026 related to amortization of the rights of use the recognized assets.
- Finance costs increased by SR. 42,205 related to interest expense on recognised additional rental contract liabilities.

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Right of use		
Balance at the beginning of the period / year	4,396,189	4,396,189
	4,396,189	4,396,189
Accumulated amortization		
Balance at the beginning of the period / year	(644,306)	(291,366)
Amortization	(87,026)	(352,940)
	(731,332)	(644,306)
Balance at the end of the year	3,664,857	3,751,883
Lease liability		
Balance at the beginning of the period / year	3,539,509	3,798,987
Less:		
Amortization	(66,839)	(259,478)
Balance at the end of the period / year	3,472,670	3,539,509
Current portion	275,717	272,434
Non-current portion	3,196,953	3,267,075

8. INVENTORIES, NET

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Finished goods	116,040,544	84,847,572
Raw materials	52,386,917	17,423,723
Work in progress	9,890,772	6,263,224
Spare parts not for sale	5,575,533	4,907,436
	183,893,766	113,441,955
Impairment of inventory – Corona (Covid 19)	(2,029,794)	(2,029,794)
Provision of slow-moving inventory	(139,117)	(139,117)
	181,724,855	111,273,044

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

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Balance at the beginning of the period / year	2,168,911	139,117
Provision charge for the year - Corona (Covid 19)	-	2,029,794
Balance at December 31, 2020	2,168,911	2,168,911

The Management estimates of the impacts of the precautionary measures of the Coronavirus pandemic have been taken into consideration when estimating the impairment of inventory by an amount of SR. 2,029,794, and the Management considers maintaining the impairment and its adequacy until then.

UNITED WIRE FACTORIES COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

9. TRADE RECEIVABLES, NET

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Trade receivables	103,252,097	83,452,442
Trade receivables - related party (Note 19)	905,387	1,252,290
	104,157,484	84,704,732
Impairment of trade receivables (Note 16)	(5,058,630)	(4,140,210)
Impairment of trade receivables - Corona (Covid 19) (Note 16)	(4,050,680)	(4,050,680)
	95,048,174	76,513,842

The Management estimates of the impacts of the precautionary measures of the Coronavirus pandemic have been taken into consideration when estimating the impairment of trade receivables by an amount of SR. 4,050,680, and the Management considers maintaining the impairment and its adequacy until then.

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 16).

10. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Advances to suppliers	14,691,114	44,019,238
Margin on letter of guarantees	2,547,050	2,565,345
Prepaid expenses	2,418,525	2,471,261
Staff receivables	794,574	727,700
Refundable deposits	279,848	279,848
Letter of credits	54,868	44,089
Others	1,982,839	1,985,394
Impairment of other debit balances	(2,803,574)	(2,803,574)
	19,965,244	49,289,301

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

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Balance at the beginning of the period / year	2,803,574	262,463
Provision charge for the period / year	-	2,541,111
	2,803,574	2,803,574

11. ZAKAT PROVISION

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 certificates, and submitted its Zakat declarations to the General Authority for Zakat and Tax ("GAZT") up to the year ended December 31, 2020. The final Zakat assessments were received from the General Authority for Zakat and Tax ("GAZT") for the years 2014 to 2018 and are being contested by the Company in accordance with the relevant procedures.

The movement of Zakat provision

The following represent the movement of the Zakat provision:

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Balance at the beginning of the period / year	10,112,918	10,845,342
Zakat charged to the statement of profit or loss and other comprehensive income	2,522,708	10,147,948
Payment	(10,235,626)	(10,880,372)
Balance at the end of the period / year	2,400,000	10,112,918

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	Saudi Riyal	
	March 31, 2021	December 31, 2020
Accrued value added tax	6,799,342	3,230,471
Accrued salaries, benefits and incentives	5,111,529	6,397,678
Accrued commissions & expenses	2,421,843	2,057,060
Other accruals	2,659,289	1,808,379
	16,992,003	13,493,588

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic / diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. Earnings per share as of March 31, 2021 and March 31, 2020 were calculated on the basis of the weighted average number of outstanding shares during the period / year in the number of 35,100,000 shares (2020: 43,875,000 shares) as a result of share capital reduction (note 1). (after the number of outstanding shares reached 35,100,000 shares on March 31, 2021 (2020: 43,875,000 shares) there are no dilutive potential ordinary shares.

14. CAPITAL MANAGEMENT

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

The Company's policy is to maintain a strong capital base in order to gain investor and market confidence and to ensure future business development. The management monitors the return on equity and the level of dividends to shareholders. The Board of Directors seeks to maintain a balance between the large potential revenues obtained by increasing the levels and safety benefits that can be achieved by maintaining a strong capital position. The Company aims to achieve an adequate return on capital. The return for the year ended March 31, 2021 was 4,6% (March 31, 2020: 3,4%). The Company monitors capital using the ratio of "net debt adjusted" to "adjusted equity". For this purpose, net debt adjusted is defined as total liabilities less cash and bank balances. Adjusted shareholders' equity consists of all elements of equity, if any. The Company has sufficient funding to meet all of the Company's obligations.

15. DIVIDENDS

During the first quarter of 2021, in accordance with the Board of Directors resolution dated on Rajab 4, 1442H (corresponding to February 16, 2021), the Company declare dividends distribution amounting of SR 35,100,100 from the profit of second half of 2020 by distribution of SR. 1 per share and distributed on March 3, 2021.

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16. 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 liabilities consist of trade payables and other financial liabilities. The Company does not currently use derivative financial instruments to manage these risks that's exposed to it.

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 analyse 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 oversees how the Management monitors compliance with the Company's risk management policies and procedures, as well as reviews the effectiveness of the overall risk management framework in relation to the risks faced by the Company. The Audit Committee shall be assisted in the performance of this oversight role by an office specialized in internal audit work. The internal audit office shall periodically review and review risk management controls and procedures and report on the results of such work to the Audit Committee.

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

The Company announced on April 12, 2020 that these procedures have an impact, to varying degrees, on the Company's business operations since the beginning of their application at the beginning of March 2020, and reached the peak of their impact, and fundamentally, on the production capabilities of its factories and sales channels during the period of the complete ban which is April 2020. In view of the lack of knowledge of the timeframe for these procedures and what may emerge from them in the future, it is difficult to measure the financial impact and the Company will follow up developments in this regard and announce any substantial development in a timely manner. As for the lofty decisions related to supporting the private sector to limit the effects of the precautionary measures, the Company appreciates these initiatives and works with the relevant authorities to determine what applies to them and take the necessary measures towards obtaining the due financial support.

Credit risk

Credit risk is the risk that the Company will incur a financial loss if the customer or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from trade receivables, cash and balances with banks and due from related parties.

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

Trade receivables

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

The Company has established a credit policy whereby each new customer is individually analysed 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 quarterly.

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

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Accordingly, the impairment of trade receivables as at March 31, 2021 was estimated at SR 5,058,630 (2020: SR. 4,140,210) in accordance with the application of IFRS 9 financial instruments in addition to the initial estimates of the Management of the impact of the precautionary measures of the Corona pandemic. The Company also maintains guarantees for most trade receivables.

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

The period ended March 31, 2021		Weighted average for the impairment of receivables	Balance
Time limit	Book value		
From 0 to 90	97,356,882	-	97,356,882
From 90 to 180	1,049,647	(52,671)	996,976
From 180 to 360	1,182,539	(449,712)	732,827
More than 360	4,568,416	(4,556,247)	12,169
	104,157,484	(5,058,630)	99,098,854
Impairment loss on trade receivables - Corona (Covid 19)	-	(4,050,680)	(4,050,680)
Balance as of March 31, 2021	104,157,484	(9,109,310)	95,048,174

The year ended December 31, 2020		Weighted average for the impairment of receivables	Balance
Time limit	Book value		
From 0 to 90	75,533,651	-	75,533,651
From 90 to 180	3,519,942	(89,165)	3,430,777
From 180 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 loss on trade receivables - Corona (Covid 19)	-	(4,050,680)	(4,050,680)
Balance as of December 31, 2020	84,704,732	(8,190,890)	76,513,842

The movement in impairment with respect to trade receivables during the year is as follows:

	Saudi Riyal	
	March 31, 2021	December 31, 2020
Balance at the beginning of the period / year	8,190,890	3,942,474
Charge for the year	918,420	197,736
Charge for the year – Corona (Covid 19)	-	4,050,680
	9,109,310	8,190,890

Concentrations of maximum exposure to credit risk

Concentrations arise when a number of counterparties engage in similar activities or activities in the same geographical area or have similar economic characteristics that may render their ability to meet contractual obligations similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of a company's performance to developments affecting a particular 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 payment 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 obligations when due, under normal and critical conditions, without incurring unacceptable losses or jeopardizing the Company's reputation.

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

Exposure to liquidity risk

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

March 31, 2021	Book value	Contractual cash flows		
		Within 3 months or less	Within 3 to 12 months	Within one to two years
Liabilities	SR	SR	SR	SR
Trade payables, accruals and other credit balances	84,071,849	78,638,890	5,350,036	82,923
Zakat	2,400,000	-	2,400,000	-
Total	86,471,849	78,638,890	7,750,036	82,923

December 31, 2020	Book value	Contractual cash flows		
		Within 3 months or less	Within 3 to 12 months	Within one to two years
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.

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.

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17. OPERATING LEASES CONTRACTS

Contracts leases as lessee

The Company leases a number of warehouses and retail outlets under operating leases. The lease period is one year with the option to renew the lease after one year. Lease payments are recognized each year to reflect prevailing market leases. Some leases provide additional rental payments based on changes in local market indices.

Lease contracts for warehouses and branches have been concluded for many years with the Saudi Industrial Cities Organization for a period of not less than 25 years, renewable, representing lease contracts for land and buildings. The Company determines that the elements of land and buildings for warehouse and branch leases are operating leases. The rent paid to the owner is adjusted according to prevailing market rents at regular intervals and the Company has no interest in the residual value of the land and buildings. As a result, it was determined that all the risks of land rents and buildings are significantly with the owner.

Minimum future lease payments

At the end of the year, the minimum future lease payments under irrevocable leases were due as follows:

	Saudi Riyal	
	December 31, 2020	December 31, 2020
Less than one year	766,463	594,786
From one to five years	1,666,383	1,667,459
More than five years	2,405,890	2,507,382
Total	4,838,736	4,769,627
Classified as:		
Operating lease contracts	346,750	171,879
Finance lease contracts – IFRS 16	4,491,986	4,597,748
Total	4,838,736	4,769,627

Amounts recognized as operation lease in profit or loss for the three-month period:

	Saudi Riyal	
	March 31, 2021	March 31, 2020
Rental contract expenses	128,869	106,520

18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company's capital commitments as at March 31, 2021 amounting of SR. 1,337,369 of a total value of work amounting of SR. 2,987,556 (December 31, 2020: SR. 1,228,830 of total value of work amounting of SR 2,970,932) and these commitments related to the supply of spare parts for the machinery.

At March 31, 2021, the Company had outstanding letter of credits amounting of SR. 4,9 million (December 31, 2020: SR. 5,8 million) and outstanding bank guarantees amounting of SR. 50,9 million (December 31, 2020: SR. 51,3 million) issued through local banks for the purpose of guaranteeing the supply of raw materials from local companies, the security of the letter of credits amounting of SR. 2,5 million (December 31, 2020: SR. 2,6 million) in accordance with bank guarantees and letter of credits facilities with local banks with a total value of SR. 100 million (December 31, 2020: SR. 101,5 million) by guaranteeing the Company's issued bonds with the full value of the facilities.

19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related party	Relationship
Elegant Romoz for Trading Company	A Company who is owned by two of board of directors: - Mohamed Rasheed Al Rasheed - Salih Rasheed Al Rasheed
Board of directors' members	
The Company's senior management personnel	

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19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The benefits of senior management personnel consist of the following:

	Saudi Riyal	
	March 31, 2021	March 31, 2020
Short-term employee benefits	1,852,027	955,195
Post-employment benefits	46,000	41,229
Board of Directors' bonus	225,000	225,000
	2,123,027	1,221,424

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

Other transactions with related parties

Related parties comprise shareholders of the Company and their relatives, associates and directors and senior management personnel of the Company. The terms and conditions of these transactions are approved by the Company's management. Such transactions are carried out in the normal course of business of the Company and according to the same fundamentals of dealing with third parties and represent the most important transactions with a related party as follows:

Nature of transactions	Transaction Amounts	
	Saudi Riyal	
	March 31, 2021	March 31, 2020
Sales	1,470,960	1,646,828

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

Related party	Saudi Riyal	
	March 31, 2021	March 31, 2020
Elegant Romoz for Trading Company	905,387	1,252,290

Elegant Romoz for Trading Company has been dealing with United Wire Factories Company for more than fifteen years, and there is no doubt about its financial solvency as a customer, as there have never been more debts than agreed upon in the course of the usual activity and they have not been granted any advantages over the rest of the Company's clients, noting that an amount of SR. 345,010 has been received in April 2021, as part of the remaining balance on March 31, 2021.

20. COMPARATIVE FIGURES

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

21. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on Ramadan 9, 1442H (corresponding to April 21, 2021).