

UNITED WIRE FACTORIES COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT

UNITED WIRE FACTORIES COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Financial Statements (Unaudited)
For The Three-Month Period Ended March 31, 2023
and Independent Auditor's Review Report

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**Independent Auditor's Review Report
on the Interim Condensed Financial Statements**

To the Shareholders**United Wire Factories Company**

(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of United Wire Factories Company ("the Company") as at March 31, 2023, and the related interim condensed statements of profit or loss and other comprehensive income, 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 statements 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 statements 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 statements 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 statements are 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
Majid Muneer Alnemer

License No. 381

Riyadh, on Shawwal 21, 1444H
Corresponding to May 11, 2023G

UNITED WIRE FACTORIES COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Statement of Financial Position
As At March 31, 2023
(Expressed in Saudi Riyals)

| | Note | March 31, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|-------|----------------------------------|-----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 6 | 104,541,530 | 98,824,566 |
| Right of use assets | 7 | 4,014,039 | 4,234,297 |
| Total non-current assets | | 108,555,569 | 103,058,863 |
| Current assets | | | |
| Inventories, net | 8 | 236,394,311 | 192,127,759 |
| Trade receivables, net | 9, 16 | 110,167,174 | 103,137,529 |
| Prepaid expenses and other debit balances | 10 | 36,227,306 | 26,031,170 |
| Cash and cash equivalents | | 116,225,719 | 150,285,352 |
| Total current assets | | 499,014,510 | 471,581,810 |
| TOTAL ASSETS | | 607,570,079 | 574,640,673 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 351,000,000 | 351,000,000 |
| Statutory reserve | | 79,951,194 | 79,951,194 |
| Retained earnings | | 20,562,175 | 16,047,534 |
| Actuarial gains | | 2,543,065 | 2,543,065 |
| Total equity | | 454,056,434 | 449,541,793 |
| Non-current liabilities | | | |
| Employee defined benefits obligation | | 7,999,984 | 7,665,799 |
| Lease contracts liabilities – Noncurrent portion | 7 | 3,138,077 | 3,407,156 |
| Total non-current liabilities | | 11,138,061 | 11,072,955 |
| Current liabilities | | | |
| Zakat provision | 11 | 11,955,940 | 10,505,940 |
| Accounts payable and others | | 121,381,150 | 88,207,272 |
| Accrued expenses and other credit balances | 12 | 8,202,606 | 14,543,006 |
| Lease contracts liabilities – Current portion | 7 | 835,888 | 769,707 |
| Total current liabilities | | 142,375,584 | 114,025,925 |
| Total liabilities | | 153,513,645 | 125,098,880 |
| TOTAL EQUITY AND LIABILITIES | | 607,570,079 | 574,640,673 |



Financial Director
Abdulhamied Hosni 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 interim condensed financial statements

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)**For The Three-Month Period Ended March 31, 2023**

(Expressed in Saudi Riyals)

| | Note | For the three-month period ended March 31, | |
|--|------|---|-------------------|
| | | 2023 | 2022 |
| Sales, net | 5 | 227,156,618 | 298,786,619 |
| Cost of sales | 5 | (210,726,979) | (260,756,574) |
| Gross profit | 5 | 16,429,639 | 38,030,045 |
| Selling and distribution expenses | | (5,937,640) | (5,313,493) |
| General and administrative expenses | | (4,373,551) | (4,271,122) |
| Reversal of / (expected credit loss) for trade receivables | 16 | (151,858) | 132,017 |
| Other (expenses) income, net | | (1,949) | (6,912) |
| Net profit from main operations | | 5,964,641 | 28,570,535 |
| Zakat | 11 | (1,450,000) | (2,550,000) |
| Net profit for the period after Zakat | | 4,514,641 | 26,020,535 |
| Other comprehensive income (OCI) | | - | - |
| Total comprehensive income for the period | | 4,514,641 | 26,020,535 |
| Basic and diluted earnings per share from: | 13 | | |
| Net profit from main operations | | 0,17 | 0,81 |
| Net profit for the period after Zakat | | 0,13 | 0,74 |
| Total comprehensive income for the period | | 0,13 | 0,74 |



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UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Interim Condensed Statement of Changes in Shareholders' Equity (Unaudited)

For The Three-Month Period Ended March 31, 2023

(Expressed in Saudi Riyals)

| | Note | Capital | Statutory reserve | Retained earnings | Actuarial gains | Total equity |
|--|------|--------------------|-------------------|-------------------|------------------|--------------------|
| Balance as at January 1, 2023 (Audited) | | 351,000,000 | 79,951,194 | 16,047,534 | 2,543,065 | 449,541,793 |
| Total comprehensive income for the period | | - | - | 4,514,641 | - | 4,514,641 |
| Dividends | 15 | - | - | - | - | - |
| Balance as at March 31, 2023 | | 351,000,000 | 79,951,194 | 20,562,175 | 2,543,065 | 454,056,434 |
| Balance as at January 1, 2022 (Audited) | | 351,000,000 | 74,283,661 | 15,934,737 | 1,414,960 | 442,633,358 |
| Total comprehensive income for the period | | - | - | 26,020,535 | - | 26,020,535 |
| Dividends | 15 | - | - | (15,795,000) | - | (15,795,000) |
| Balance as at March 31, 2022 | | 351,000,000 | 74,283,661 | 26,160,272 | 1,414,960 | 452,858,893 |



Financial Director

Abdulhamied Hosni 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 interim condensed financial statements

UNITED WIRE FACTORIES COMPANY
(A Saudi Joint Stock Company)
Interim Condensed Statement of Cash Flows (Unaudited)
For The Three-Month Period Ended March 31, 2023
(Expressed In Saudi Riyals)

| | March 31, 2023 | March 31, 2022 |
|---|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit from main operations | 5,964,641 | 28,570,535 |
| <i>Adjustments for:</i> | | |
| Depreciation of property, plant and equipment | 2,602,778 | 2,847,339 |
| Amortization of rights of use assets | 220,258 | 83,495 |
| (Reversal of) / expected credit loss | 151,858 | (132,017) |
| Employees defined benefits obligation | 492,707 | 373,561 |
| <i>Changes in assets and liabilities:</i> | | |
| Inventories | (44,266,552) | (49,085,958) |
| Trade receivables | (7,181,503) | (6,835,041) |
| Prepaid expenses and other debit balances | (10,196,136) | 13,653,552 |
| Accounts payable and others | 33,173,878 | 29,980,702 |
| Accrued expenses and other credit balances | (6,340,400) | (3,045,302) |
| Lease contracts liabilities | (202,898) | (70,090) |
| Cash (used in) generated from operating activities | (25,581,369) | 16,340,776 |
| Employee defined benefits obligation paid | (158,522) | (107,091) |
| Zakat paid | - | (10,009,412) |
| Net cash (used in) generated from operating activities | (25,739,891) | 6,224,273 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (8,319,742) | (1,793,061) |
| Net cash used in investing activities | (8,319,742) | (1,793,061) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends | - | (15,795,000) |
| Net cash used in financing activities | - | (15,795,000) |
| Net changes in cash and cash equivalents | (34,059,633) | (11,363,788) |
| Cash and cash equivalents at January 1 | 150,285,352 | 127,800,267 |
| CASH AND CASH EQUIVALENTS AT MARCH 31 | 116,225,719 | 116,436,479 |



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Abdulhamied Hosni 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 interim condensed financial statements

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023**

1. ORGANAIZATION AND ACTIVITY

United Wire Factories Company - Saudi Joint Stock Company ("the Company") was established under Commercial Registration No. 1010079195 dated Rabi' al-Awal 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 |
| Mass Steel – Jeddah | 4030460297 |
| Mass Steel – Dammam | 2050155579 |
| Mass Steel – Duba | 3555102116 |
| Mass Steel - Tabouk | 3550141102 |

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 the present value of future liabilities using the Projected Unit Credit Method. In addition, these financial statements are prepared using the accrual basis of accounting and the going concern basis.

Presentation and functional currency

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

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)

For The Three-Month Period Ended March 31, 2023

2. BASIS OF PREPARATION - *Continued*

Judgments and estimates

The preparation of financial statements in accordance with International Accounting Standards 34 – “Interim Financial Reporting” (IAS 34) 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.

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, 2022, and accordingly should be 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, 2022.

4. APPLICATION OF NEW AND REVISED IFRS'S

New Standards, Amendment to Standards and Interpretations

There are no new standards issued; however, there are number of amendments to standards which are effective from January 1, 2023 and have been explained in the Company's annual financial statements, but they do not have a material effect on the Company's interim condensed financial statements.

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****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 two 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:

| Operating segment | Operations |
|--------------------------|---|
| Construction sector | Includes the products that serve the constructional sector for construction, building and housing projects. |
| Civil sector | Includes the products that serve the consumption civil sector. |

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 from export revenues.

Information on segment reporting

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

| For the period ended March 31, 2023 | Construction Sector | Civil Sector | Total |
|--|----------------------------|---------------------|---------------|
| | SR | SR | SR |
| Sales | 162,266,510 | 64,890,108 | 227,156,618 |
| Cost of sales | (156,641,331) | (54,085,648) | (210,726,979) |
| Gross profit | 5,625,179 | 10,804,460 | 16,429,639 |
| For the period ended March 31, 2022 | Construction Sector | Civil Sector | Total |
| | SR | SR | SR |
| Sales | 232,741,042 | 66,045,577 | 298,786,619 |
| Cost of sales | (207,523,294) | (53,233,280) | (260,756,574) |
| Gross profit | 25,217,748 | 12,812,297 | 38,030,045 |
| As at March 31, 2023 | Construction Sector | Civil Sector | Total |
| | SR | SR | SR |
| Property, plant and equipment | 54,804,153 | 49,737,377 | 104,541,530 |
| As at December 31, 2022 | Construction Sector | Civil Sector | Total |
| | SR | SR | SR |
| Property, plant and equipment | 55,495,383 | 43,329,183 | 98,824,566 |

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)

For The Three-Month Period Ended March 31, 2023

6. PROPERTY, PLANT AND EQUIPMENT, NET

| | Land | Buildings and construction* | Machinery and equipment | Motor vehicles | Tools | Office equipment and furniture | Capital work under construction** | Total |
|--|-------------------|-----------------------------|-------------------------|-------------------|------------------|--------------------------------|-----------------------------------|--------------------|
| | SR | SR | SR | SR | SR | SR | SR | SR |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2023 | 43,502,583 | 42,205,002 | 191,019,763 | 16,082,958 | 1,836,655 | 7,885,209 | 684,463 | 303,216,633 |
| Additions | 2,940,000 | 4,201,847 | 423,874 | 8,262 | 62,892 | 200,242 | 482,625 | 8,319,742 |
| Balance at the period end | 46,442,583 | 46,406,849 | 191,443,637 | 16,091,220 | 1,899,547 | 8,085,451 | 1,167,088 | 311,536,375 |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2023 | - | 17,843,533 | 164,770,286 | 14,174,841 | 1,155,604 | 6,447,803 | - | 204,392,067 |
| Depreciation for the period | - | 307,840 | 1,943,496 | 158,924 | 31,944 | 160,574 | - | 2,602,778 |
| Balance at the period end | - | 18,151,373 | 166,713,782 | 14,333,765 | 1,187,548 | 6,608,377 | - | 206,994,845 |
| <u>Net book values</u> | | | | | | | | |
| At March 31, 2023 | 46,442,583 | 28,255,476 | 24,729,855 | 1,757,455 | 711,999 | 1,477,074 | 1,167,088 | 104,541,530 |
| At December 31, 2022 (Audited) | 43,502,583 | 24,361,469 | 26,249,477 | 1,908,117 | 681,051 | 1,437,406 | 684,463 | 98,824,566 |

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

** The capital work under construction includes SR. 1,167,088 represented in the rehabilitation of the Jeddah factory and the new ERP project.

- Depreciation has been charged for the period ended March 31 is as follows:

| | Saudi Riyal | |
|-------------------------------------|-----------------------|-----------------------|
| | March 31, 2023 | March 31, 2022 |
| Cost of sales | 2,252,324 | 2,602,000 |
| Selling and distribution expenses | 177,542 | 75,785 |
| General and administrative expenses | 172,912 | 169,554 |
| | 2,602,778 | 2,847,339 |

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)

For The Three-Month Period Ended March 31, 2023

6- PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

| | Land | | Buildings and construction* | | Machinery and equipment | | Motor vehicles | | Tools | | Office equipment and furniture | | Capital work under construction | | Total | |
|--|-------------------|--|-----------------------------|--|-------------------------|--|-------------------|--|------------------|--|--------------------------------|--|---------------------------------|--|--------------------|--|
| | SR | | SR | | SR | | SR | | SR | | SR | | SR | | SR | |
| <u>Cost</u> | | | | | | | | | | | | | | | | |
| Balance at January 1, 2022 | 43,502,583 | | 40,364,780 | | 186,483,845 | | 15,238,791 | | 1,485,892 | | 7,541,682 | | 1,722,417 | | 296,339,990 | |
| Additions | - | | 765,800 | | 458,664 | | 347,710 | | 58,820 | | 100,456 | | 61,611 | | 1,793,061 | |
| Transfers | - | | - | | 67,573 | | - | | - | | - | | (67,573) | | - | |
| Balance at the period end | 43,502,583 | | 41,130,580 | | 187,010,082 | | 15,586,501 | | 1,544,712 | | 7,642,138 | | 1,716,455 | | 298,133,051 | |
| <u>Accumulated depreciation</u> | | | | | | | | | | | | | | | | |
| Balance at January 1, 2022 | - | | 16,667,570 | | 155,844,528 | | 14,611,130 | | 1,053,730 | | 5,808,890 | | - | | 193,985,848 | |
| Depreciation for the period | - | | 284,066 | | 2,327,679 | | 60,284 | | 19,546 | | 155,764 | | - | | 2,847,339 | |
| Balance at the period end | - | | 16,951,636 | | 158,172,207 | | 14,671,414 | | 1,073,276 | | 5,964,654 | | - | | 196,833,187 | |
| <u>Net book values</u> | | | | | | | | | | | | | | | | |
| At March 31, 2022 | 43,502,583 | | 24,178,944 | | 28,837,875 | | 915,087 | | 471,436 | | 1,677,484 | | 1,716,455 | | 101,299,864 | |

* 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 1,716,455 represented in staff housing rehabilitation and new enterprise resources planning (ERP) and production machine.

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****7. RIGHT OF USE ASSETS**

The Company has implemented a principle for the recognition and measurement of all lease contracts in the event it is the lessee, except for the short-term lease contracts and lease contracts that contain a low value asset.

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

- Amortization expense increased by SR. 220,258 related to amortization of the rights of use assets have been recognized.
- Finance costs increased by SR. 49,401 related to interest expense on recognized additional lease contract liabilities.

| | Saudi Riyal | |
|--|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| <u>Right of use assets</u> | | |
| Balance at the beginning of the period / year | 5,928,791 | 4,396,189 |
| Additions | - | 1,532,602 |
| | 5,928,791 | 5,928,791 |
| <u>Accumulated amortization</u> | | |
| Balance at the beginning of the period / year | (1,694,494) | (997,246) |
| Amortization | (220,258) | (697,248) |
| | (1,914,752) | (1,694,494) |
| Balance at the end of the period / year | 4,014,039 | 4,234,297 |
| <u>Lease contracts liabilities</u> | | |
| Balance at the beginning of the period / year | 4,176,863 | 3,267,325 |
| Additions | - | 1,532,602 |
| Less: Amortization | (202,898) | (623,064) |
| Balance at the end of the period / year | 3,973,965 | 4,176,863 |
| Current portion | 835,888 | 769,707 |
| Non-current portion | 3,138,077 | 3,407,156 |

8. INVENTORIES, NET

| | Saudi Riyal | |
|------------------------------------|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Finished goods | 158,013,123 | 121,718,142 |
| Raw materials | 57,395,816 | 49,575,999 |
| Work in progress | 14,492,770 | 14,421,736 |
| Spare parts not for sale | 6,627,518 | 6,546,798 |
| | 236,529,227 | 192,262,675 |
| Provision of slow-moving inventory | (134,916) | (134,916) |
| | 236,394,311 | 192,127,759 |

9. TRADE RECEIVABLES, NET

| | Saudi Riyal | |
|---|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Trade receivables | 113,228,620 | 107,459,240 |
| Trade receivables - related parties (Note 19) | 1,425,061 | 12,938 |
| | 114,653,681 | 107,472,178 |
| Expected credit loss (Note 16) | (4,486,507) | (4,334,649) |
| | 110,167,174 | 103,137,529 |

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****10. PREPAID EXPENSES AND OTHER DEBIT BALANCES**

| | Saudi Riyal | |
|------------------------------------|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Advances to suppliers | 28,044,860 | 18,603,842 |
| Margin on letter of guarantees | 4,297,050 | 3,797,050 |
| Prepaid expenses | 3,228,536 | 2,725,074 |
| Employee's receivables | 1,651,986 | 1,548,344 |
| Refundable deposits | 455,591 | 300,742 |
| Letter of credits | 279,848 | 279,848 |
| Others | 1,355,114 | 1,861,949 |
| Impairment of other debit balances | (3,085,679) | (3,085,679) |
| | 36,227,306 | 26,031,170 |

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

| | Saudi Riyal | |
|---|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Balance at the beginning of the period / year | 3,085,679 | 3,208,429 |
| Reversal of the impairment of other debit balance | - | (122,750) |
| | 3,085,679 | 3,085,679 |

11. ZAKAT PROVISION**Status of certificates and zakat final assessments**

The Company finalized its Zakat status until December 31, 2014, and paid the Zakat due accordingly, obtained the final certificate, and submitted its Zakat declarations to the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended December 31, 2021. The final zakat assessments were received from the Zakat, Tax and Customs Authority for the years from 2015 to 2018 with amounts of zakat differences amounting to 765,568 Saudi riyals, and they were objected to by the company in accordance with the relevant procedures and are still under action by the competent committees. due thereof. The Company finalized the Zakat position for the years 2019 and 2020 and paid the accrued Zakat,

The movement of Zakat provision

The following represent the movement of the Zakat provision:

| | Saudi Riyal | |
|--|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Balance at the beginning of the period / year | 10,505,940 | 10,022,000 |
| Zakat charged to the statement of profit or loss | 1,450,000 | 10,493,352 |
| Payment | - | (10,009,412) |
| Balance at the end of the period / year | 11,955,940 | 10,505,940 |

12. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | Saudi Riyal | |
|---|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Accrued salaries, benefits and incentives | 3,880,464 | 4,877,393 |
| Accrued value added tax | 572,688 | 3,644,912 |
| Accrued commissions & expenses | 311,666 | 3,222,120 |
| Other accruals | 3,437,788 | 2,798,581 |
| | 8,202,606 | 14,543,006 |

UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023**

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 for the period ended as of March 31, 2023 and March 31, 2022 were calculated on the basis of the weighted average number of outstanding shares during the period which is 35,100,000 shares (2022: 35,100,000 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 capital 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 period ended March 31, 2023, was 1.3% (March 31, 2022: 7.4%) on quarterly level. The Company monitors capital using the ratio of "net debt" to "shareholders' equity". For this purpose, net debt is defined as total liabilities less cash and cash at bank balances. 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

There are no dividends distributed during the first quarter of 2023.

During the first quarter of 2022, in accordance with the Board of Directors resolution dated on Jumada al-Thani 28, 1443H (corresponding to January 31, 2022), the Company declared dividends distribution amounting of SR 15,795,000 by distribution of SR. 0,45 per share and distributed on February 21, 2022.

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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 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 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.

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, 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 analyses 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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Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****16- FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (Continued)****Credit risk (Continued)**

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

For the period ended March 31, 2023

| Number of Days | Book value | Expected credit loss | Balance |
|-------------------------------------|--------------------|-----------------------------|--------------------|
| | SR | SR | SR |
| From 0 to 90 | 99,690,164 | - | 99,690,164 |
| From 91 to 180 | 10,472,659 | (370,951) | 10,101,708 |
| From 181 to 360 | 604,357 | (229,055) | 375,302 |
| More than 360 | 3,886,501 | (3,886,501) | - |
| Balance as of March 31, 2023 | 114,653,681 | (4,486,507) | 110,167,174 |

For the year ended December 31, 2022

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

The movement in the expected credit loss during the period / year is as follows:

| | Saudi Riyal | |
|--|-----------------------|--------------------------|
| | March 31, 2023 | December 31, 2022 |
| Balance at the beginning of the period / year | 3,680,077 | 4,334,649 |
| Charged during the period / year | 654,572 | 151,858 |
| Balance at the end of the period / year | 4,334,649 | 4,486,507 |

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.

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Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****16- FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (Continued)****Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated 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.

Exposure to liquidity risk

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

| March 31, 2023 | Book value | Contractual cash flows | | |
|-----------------------------|--------------------|--------------------------------|------------------------------|--------------------------------|
| | | Within 3 months or less | Within 3 to 12 months | Within one to two years |
| | SR | SR | SR | SR |
| Liabilities | | | | |
| Trade payables | 117,706,373 | 117,706,373 | - | - |
| Other credit balances | 8,202,606 | 3,561,983 | 4,640,623 | - |
| Lease contracts liabilities | 4,793,695 | - | 756,885 | 4,036,810 |
| Zakat | 11,955,940 | 8,837,227 | 3,118,713 | - |
| Total | 142,658,614 | 130,105,583 | 8,516,221 | 4,036,810 |

| March 31, 2023 | Book value | Contractual cash flows | | |
|-----------------------------|--------------------|--------------------------------|------------------------------|--------------------------------|
| | | Within 3 months or less | Within 3 to 12 months | Within one to two years |
| | SR | SR | SR | SR |
| Liabilities | | | | |
| Trade payables | 84,554,323 | 84,554,323 | - | - |
| Other credit balances | 14,543,006 | 14,543,006 | - | - |
| Lease contracts liabilities | 5,066,620 | - | 847,095 | 4,219,525 |
| Zakat | 10,505,940 | - | 10,505,940 | - |
| Total | 114,669,889 | 99,097,329 | 11,353,035 | 4,219,525 |

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.

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Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****16- FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (Continued)****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 (decline) 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.

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.

17. OPERATING LEASES CONTRACTSContracts 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 | |
|-----------------------------------|---------------------------|------------------------------|
| | March 31, 2023 | December 31, 2022 |
| Less than one year | 1,657,818 | 1,203,838 |
| From one to five years | 1,553,279 | 1,669,732 |
| More than five years | 1,291,574 | 2,575,322 |
| Total | 4,502,671 | 5,448,892 |
| Classified as: | | |
| Operating lease contracts | 473,329 | 382,272 |
| Finance lease contracts – IFRS 16 | 4,029,342 | 5,066,620 |
| Total | 4,502,671 | 5,448,892 |

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

| | Saudi Riyal | |
|--------------------------|-----------------------|-----------------------|
| | March 31, 2023 | March 31, 2022 |
| Rental contract expenses | 339,946 | 224,109 |

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Notes To the Interim Condensed Financial Statements (Unaudited)**For The Three-Month Period Ended March 31, 2023****18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Company's capital commitments as at March 31, 2023 amounting of SR. 6,981,902 of a total value of work amounting of SR. 9,939,769 (2022: SR. 6,011,986 of total value of work amounting of SR. 11,265,369) and these commitments related to the supply of spare parts for the machinery.

At March 31, 2023, the Company had outstanding letter of credits amounting of SR 60.6 million (2022: SR. 27.3 million) and outstanding bank guarantees amounting of SR. 85.9 million (2022: SR. 75.9 million) issued through local banks for the purpose of guaranteeing the supply of raw materials from local companies, the security of the letters of guarantees amounting of SR. 4.3 million (2022: SR. 3.8 million) in accordance with bank guarantees and letter of credits facilities with local banks with a total value of SR. 150 million by guaranteeing the Company's issued bonds with the full value of the facilities.

19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

| Related party name | Relationship |
|-----------------------------------|--|
| Elegant Romoz for Trading Company | A Company who is owned by three of the shareholders as follows: <ul style="list-style-type: none"> – Mohamed Rasheed Al Rasheed – Salih Rasheed Al Rasheed – Ahmed Rasheed Al Rasheed |
| Board of directors' members | |

The benefits of senior management personnel consist of the following:

| | Saudi Riyal | |
|------------------------------|-----------------------|-----------------------|
| | March 31, 2023 | March 31, 2022 |
| Short-term employee benefits | 1,613,002 | 1,804,650 |
| Post-employment benefits | 41,013 | 57,813 |
| Board of Directors' bonus | 337,500 | 337,500 |
| | 1,991,515 | 2,199,963 |

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:

| | Transactions Amounts | |
|-------------------------------|-----------------------------|-----------------------|
| | Saudi Riyal | |
| Nature of transactions | March 31, 2023 | March 31, 2022 |
| Sales | 2,666,637 | 3,339,003 |

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

| | Saudi Riyal | |
|-----------------------------------|-----------------------|--------------------------|
| | March 31, 2023 | December 31, 2022 |
| Related party name | | |
| Elegant Romoz for Trading Company | 1,425,061 | 12,938 |

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 customers.

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For The Three-Month Period Ended March 31, 2023

20. COMPARATIVE FIGURES

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

21. SIGNIFICANT EVENTS

On February 21, 2022, the Company also announced the signing of a (non-binding) memorandum of understanding with A-1 Fence DMCC Company (UAE) on February 20, 2022, regarding the possible acquisition of a share in the ownership of A-1 Fence Arabia for Industry Company (Limited Liability Company) located in Dammam – Kingdom of Saudi Arabia (fully owned by A-1 Fence DMCC Company) after completing the due diligence examination and in accordance with the relevant procedures. On May 19, 2022, the Company announced an extension of the memorandum of understanding for a period of 90 days. On August 18, 2022, the Company announced the signing of a purchase agreement with A-1 Fence DMCC Company to acquire 30% of the share capital of A-1 Fence Arabia for Industry Company. The agreement is subject to the approval of the relevant authorities to complete it.

On November 2, 2022, the Company's board of directors approved a recommendation to the extraordinary general assembly to reduce the Company's capital by 20% by using the surplus from the Company's cash balances, after obtaining the approval of the concerned government agencies and the extraordinary general assembly.

On May 9, 2023, the Authority approved the reduction request, and this approval is conditional on the approval of the Company's extraordinary general assembly and the completion of the relevant statutory procedures and requirements.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Board of Directors on Shawwal 21, 1444H (corresponding to May 11, 2023).