

**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE AND SIX-MONTH PERIOD ENDED JUNE 30, 2023**

**AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**UNITED WIRE FACTORIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**Interim Condensed Financial Statements (Unaudited)**  
**For The Three-and Six-Month Period Ended June 30, 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 June 30, 2023 and the related interim condensed statement of profit or loss and other comprehensive income, for the three month and six month periods then ended, and the interim condensed statements of changes in shareholders' equity and cash flows for the six-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 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 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 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



**Majed Muneer Al Nemer**  
(Certified Public Accountant – License No. 381)  
Riyadh on Muharram, 23, 1445H  
Corresponding to August 10, 2023G



**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**Interim Condensed Statement of Financial Position**  
**As At JUNE 30, 2023**  
(Expressed in Saudi Riyals)

	Note	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	6	103,231,680	98,824,566
Right of use assets	7	3,968,413	4,234,297
<b>Total non-current assets</b>		<b>107,200,093</b>	<b>103,058,863</b>
<b>Current assets</b>			
Inventories, net	8	187,110,535	192,127,759
Trade receivables, net	9, 16	108,579,648	103,137,529
Prepaid expenses and other debit balances	10	26,187,742	26,031,170
Cash and cash equivalents		123,111,233	150,285,352
<b>Total current assets</b>		<b>444,989,158</b>	<b>471,581,810</b>
<b>TOTAL ASSETS</b>		<b>552,189,251</b>	<b>574,640,673</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		351,000,000	351,000,000
Statutory reserve		79,951,194	79,951,194
Retained earnings		26,023,162	16,047,534
Actuarial gains		2,543,065	2,543,065
<b>Total equity</b>		<b>459,517,421</b>	<b>449,541,793</b>
<b>Non-current liabilities</b>			
Employees defined benefits obligation		8,331,024	7,665,799
Lease contracts liabilities – Noncurrent portion	7	3,078,658	3,407,156
<b>Total non-current liabilities</b>		<b>11,409,682</b>	<b>11,072,955</b>
<b>Current liabilities</b>			
Zakat provision	11	5,168,717	10,505,940
Accounts payable and others		63,572,637	88,207,272
Accrued expenses and other credit balances	12	11,657,859	14,543,006
Lease contracts liabilities	7	862,935	769,707
<b>Total current liabilities</b>		<b>81,262,148</b>	<b>114,025,925</b>
<b>Total liabilities</b>		<b>92,671,830</b>	<b>125,098,880</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>552,189,251</b>	<b>574,640,673</b>



**Financial Director**  
Abdulhamied Husni Ibrahim



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



**Chairman of Board of Directors**  
Khaled Saad Al-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 and Six-Month Periods Ended June 30, 2023**

(Expressed in Saudi Riyals)

	Note	For the three month period ended June 30		For the six month period ended June 30	
		2023	2022	2023	2022
Sales, net	5	200,191,321	208,260,019	427,347,939	507,046,638
Cost of Sales	5	(182,962,297)	(179,193,735)	(393,689,276)	(439,950,309)
<b>Gross profit</b>		<b>17,229,024</b>	<b>29,066,284</b>	<b>33,658,663</b>	<b>67,096,329</b>
Selling and distribution expenses		(5,286,209)	(5,097,119)	(11,223,849)	(10,410,612)
General and administrative expenses		(4,223,847)	(4,895,773)	(8,597,405)	(9,166,895)
Expected credit loss	16	(208,958)	(188,482)	(360,816)	(56,465)
Other income (expenses)		984	4,436	(965)	(2,476)
<b>Net profit from the continuing operations</b>		<b>7,510,994</b>	<b>18,889,346</b>	<b>13,475,628</b>	<b>47,459,881</b>
Zakat	11	(2,050,000)	(2,700,000)	(3,500,000)	(5,250,000)
<b>Net profit for the period after Zakat</b>		<b>5,460,994</b>	<b>16,189,346</b>	<b>9,975,628</b>	<b>42,209,881</b>
<b>Other comprehensive income (OCI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>5,460,994</b>	<b>16,189,346</b>	<b>9,975,628</b>	<b>42,209,881</b>
<b>Basic and diluted EPS:</b>	13				
Net profit from the continuing operations		0.21	0.54	0.38	1.35
Net profit for the period after Zakat		0.16	0.46	0.28	1.20
Total comprehensive income for the period		0.16	0.46	0.28	1.20



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**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

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

**For The Six-Month Period Ended June 30, 2023**

(Expressed in Saudi Riyals)

	Notes	Capital	Statutory Reserve	Retained Earnings	Other Reserve	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		-	-	9,975,628	-	9,975,628
Balance as at June 30, 2023		351,000,000	79,951,194	26,023,162	2,543,065	459,517,421
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		-	-	42,209,881	-	42,209,881
Dividends	15	-	-	(15,795,000)	-	(15,795,000)
Balance as at June 30, 2022		351,000,000	74,283,661	42,349,618	1,414,960	469,048,239



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**UNITED WIRE FACTORIES COMPANY**  
(A Saudi Joint Stock Company)  
**Interim Condensed Statement of Cash Flows (Unaudited)**  
**For The Six-Month Period Ended June 30, 2023**  
(Expressed In Saudi Riyals)

	June 30, 2023	June 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit from the main continuing operations	13,475,628	47,459,881
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	5,198,207	5,638,224
Amortization of rights of use assets	443,514	257,208
Expected credit loss	360,816	56,465
Impairment of inventory	314,036	4,641,469
Gain from disposal of property, plant and equipment	-	(4,000)
Employees defined benefits obligation	984,278	768,509
<b>Changes in assets and liabilities:</b>		
Inventories	4,703,188	(107,411,261)
Trade receivables	(5,802,935)	15,535,171
Prepaid expenses and other debit balances	(156,572)	32,892,008
Accounts payable and others	(24,634,635)	22,297,399
Accrued expenses and other credit balances	(2,885,147)	(5,847,039)
Lease contracts liabilities	(412,900)	(224,417)
<b>Cash generated (used in) from operating activities</b>	<b>(8,412,522)</b>	<b>16,059,617</b>
Employee defined benefits obligation paid	(319,053)	(184,750)
Zakat paid	(8,837,223)	(10,009,412)
<b>Net cash (used in) generated from operating activities</b>	<b>(17,568,798)</b>	<b>5,865,455</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions of property, plant and equipment	(9,605,321)	(3,605,889)
Proceed from disposal of property, plant and equipment	-	4,000
<b>Net cash used in investing activities</b>	<b>(9,605,321)</b>	<b>(3,601,889)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends	-	(15,795,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(15,795,000)</b>
<b>Net changes in cash and cash equivalents</b>	<b>(27,174,119)</b>	<b>(13,531,434)</b>
Cash and cash equivalents at January 1	150,285,352	127,800,267
<b>CASH AND CASH EQUIVALENTS AT JUNE 30</b>	<b>123,111,233</b>	<b>114,268,833</b>
<b>Noncash transactions</b>		
Right of use against lease liabilities	177,630	1,532,601

  
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The accompanying notes form an integral part of these interim condensed financial statement



## UNITED WIRE FACTORIES COMPANY

(A Saudi Joint Stock Company)

Notes To the Interim Condensed Financial Statements (Unaudited)

For The Six-Month Period Ended June 30, 2023

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### 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:

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



**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**Notes To the Interim Condensed Financial Statements (Unaudited)**

**For The Six-Month Period Ended June 30, 2023**

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**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 Six-Month Period Ended June 30, 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:

<b>Operating segment</b>	<b>Operations</b>
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.

<b>For the period ended June 30, 2023</b>	<b>Construction Sector</b>	<b>Civil Sector</b>	<b>Total</b>
	SR	SR	SR
Sales	284,552,545	142,795,394	427,347,939
Cost of sales	(281,775,841)	(111,913,435)	(393,689,276)
Gross profit	2,776,704	30,881,959	33,658,663
<b>For the period ended June 30, 2022</b>	<b>Construction Sector</b>	<b>Civil Sector</b>	<b>Total</b>
	SR	SR	SR
Sales	351,242,613	155,804,025	507,046,638
Cost of sales	(319,309,575)	(120,640,734)	(439,950,309)
Gross profit	31,933,038	35,163,291	67,096,329
<b>As at June 30, 2023</b>	<b>Construction Sector</b>	<b>Civil Sector</b>	<b>Total</b>
	SR	SR	SR
Property, plant and equipment	54,814,561	48,417,119	103,231,680
<b>As of December 31, 2022</b>	<b>Construction Sector</b>	<b>Civil Sector</b>	<b>Total</b>
	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 Six-Month Period Ended June 30, 2023**

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

	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
<b>Cost</b>														
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	5,033,520	589,148	179,807	70,452	206,778	585,616	9,605,321						
<b>Balance at the period end</b>	<b>46,442,583</b>	<b>47,238,522</b>	<b>191,608,911</b>	<b>16,262,765</b>	<b>1,907,107</b>	<b>8,091,987</b>	<b>1,270,079</b>	<b>312,821,954</b>						
<b>Accumulated depreciation</b>														
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	-	649,017	3,838,253	320,841	64,871	325,225	-	5,198,207						
<b>Balance at the period end</b>	<b>-</b>	<b>18,492,550</b>	<b>168,608,539</b>	<b>14,495,682</b>	<b>1,220,475</b>	<b>6,773,028</b>	<b>-</b>	<b>209,590,274</b>						
<b>Net book value</b>														
<b>At June 30, 2023</b>	<b>46,442,583</b>	<b>28,745,972</b>	<b>23,000,372</b>	<b>1,767,083</b>	<b>686,632</b>	<b>1,318,959</b>	<b>1,270,079</b>	<b>103,231,680</b>						
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. 1,270,079 represented in the rehabilitation of the Jeddah factory and the new ERP project.

- Depreciation have been charged for the period ended June 30 is as follows:

	Saudi Riyal	
	June 30, 2023	June 30, 2022
Cost of sales	4,489,751	5,118,438
Selling and marketing expenses	358,492	177,278
General and administrative expenses	349,964	342,508
	<b>5,198,207</b>	<b>5,638,224</b>



**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**Notes To the Interim Condensed Financial Statements (Unaudited)**

**For The Six-Month Period Ended June 30, 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
<b>Cost</b>								
Balance at January 1, 2022	43,502,583	40,364,780	186,483,845	15,238,791	1,485,892	7,541,682	1,722,417	296,339,990
Additions	-	965,537	1,289,111	622,730	179,250	180,648	368,613	3,605,889
Disposals	-	-	-	(42,500)	-	-	-	(42,500)
Transfers	-	67,573	1,587,177	-	-	-	(1,654,750)	-
<b>Balance at the period end</b>	<b>43,502,583</b>	<b>41,397,890</b>	<b>189,360,133</b>	<b>15,819,021</b>	<b>1,665,142</b>	<b>7,722,330</b>	<b>436,280</b>	<b>299,903,379</b>
<b>Accumulated depreciation</b>								
Balance at January 1, 2022	-	16,667,570	155,844,528	14,611,130	1,053,730	5,808,890	-	193,985,848
Depreciation for the period	-	576,651	4,558,280	144,603	43,550	315,140	-	5,638,224
Disposals	-	-	-	(42,500)	-	-	-	(42,500)
<b>Balance at the period end</b>	<b>-</b>	<b>17,244,221</b>	<b>160,402,808</b>	<b>14,713,233</b>	<b>1,097,280</b>	<b>6,124,030</b>	<b>-</b>	<b>199,581,572</b>
<b>Net book values</b>								
<b>At June 30, 2022</b>	<b>43,502,583</b>	<b>24,153,669</b>	<b>28,957,325</b>	<b>1,105,788</b>	<b>567,862</b>	<b>1,598,300</b>	<b>436,280</b>	<b>100,321,807</b>

\* 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. 436,280 represented in new enterprise resources planning (ERP System) and some branches renovation.



**UNITED WIRE FACTORIES COMPANY**

(A Saudi Joint Stock Company)

**Notes To the Interim Condensed Financial Statements (Unaudited)****For The Six-Month Period Ended June 30, 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. 443,514 related to amortization of the rights of use assets have been recognized.
- Finance costs increased by SR. 99,458 related to interest expense on recognized additional lease contract liabilities.

	Saudi Riyal	
	June 30, 2023	December 31, 2022
<b><u>Right of use assets</u></b>		
Balance at the beginning of the period / year	5,928,791	4,396,189
Additions	177,630	1,532,602
	<u>6,106,421</u>	<u>5,928,791</u>
<b><u>Accumulated amortization</u></b>		
Balance at the beginning of the period / year	(1,694,494)	(997,246)
Amortization	(443,514)	(697,248)
	<u>2,138,008</u>	<u>(1,694,494)</u>
<b>Balance at the end of the period / year</b>	<b><u>3,968,413</u></b>	<b><u>4,234,297</u></b>
<b><u>Lease liabilities</u></b>		
Balance at the beginning of the period / year	4,176,863	3,267,325
Additions	177,630	1,532,602
Less: Amortization	(412,900)	(623,064)
<b>Balance at the end of the period / year</b>	<b><u>3,941,593</u></b>	<b><u>4,176,863</u></b>
<b>Current portion</b>	<b><u>862,935</u></b>	<b><u>769,707</u></b>
<b>Non-current portion</b>	<b><u>3,078,658</u></b>	<b><u>3,407,156</u></b>

**8. INVENTORIES, NET**

	Saudi Riyal	
	June 30, 2023	December 31, 2022
Finished goods	132,271,827	121,718,142
Raw materials	29,995,365	49,575,999
Work in progress	17,749,145	14,421,736
Spare parts not for sale	7,543,150	6,546,798
	<u>187,559,487</u>	<u>192,262,675</u>
Provision of slow-moving inventory	(134,916)	(134,916)
Impairment of inventory	(314,036)	-
	<u>187,110,535</u>	<u>192,127,759</u>

**9. TRADE RECEIVABLES, NET**

	Saudi Riyal	
	June 30, 2023	December 31, 2022
Trade receivables	111,487,462	107,459,240
Trade receivables - related parties (Note 19)	1,787,651	12,938
	<u>113,275,113</u>	<u>107,472,178</u>
Expected credit loss (Note 16)	(4,695,465)	(4,334,649)
	<u>108,579,648</u>	<u>103,137,529</u>



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**Notes To the Interim Condensed Financial Statements (Unaudited)****For The Six-Month Period Ended June 30, 2023****10. PREPAID EXPENSES AND OTHER DEBIT BALANCES**

	Saudi Riyal	
	June 30, 2023	December 31, 2022
Advances to suppliers	19,025,599	18,603,842
Margin on letter of guarantees	4,297,050	3,797,050
Prepaid expenses	2,681,035	2,725,074
Employee's receivables	1,700,880	1,548,344
Refundable deposits	279,848	279,848
Letter of credits	215,233	300,742
Others	1,073,776	1,861,949
Impairment of other debit balances	(3,085,679)	(3,085,679)
	<u>26,187,742</u>	<u>26,031,170</u>

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

	Saudi Riyal	
	June 30, 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)
	<u>3,085,679</u>	<u>3,085,679</u>

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

The Company finalized its Zakat status until December 31, 2014, and paid the Zakat due accordingly, obtained the final certificate, and submitted its Zakat declarations to the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended December 31, 2022. The final Zakat assessments were received from the Zakat, Tax and Customs Authority for the years from 2015 to 2018 with amounts of Zakat differences amounting to SR. 765,568. It was agreed to terminate the assessment with competent committees with an amount of SR. 191,055 and the settlements amounts were paid for the years 2015 to 2018, the Company finalized the Zakat position for the years 2019 and 202, due thereof., the company had terminated its Zakat position until the year ending on December 31, 2020, and paid the accrued Zakat.

**The movement of Zakat provision**

The following represent the movement of the Zakat provision:

	Saudi Riyal	
	June 30, 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	3,500,000	10,493,352
Paid	(8,837,223)	(10,009,412)
Balance at the end of the period / year	<u>5,168,717</u>	<u>10,505,940</u>

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

	Saudi Riyal	
	June 30, 2023	December 31, 2022
Accrued salaries, benefits, and incentives	3,844,325	4,877,393
Accrued value added tax	4,535,923	3,644,912
Accrued expenses and commissions	1,338,002	3,222,120
Other	1,939,609	2,798,581
	<u>11,657,859</u>	<u>14,543,006</u>

**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 June 30, 2023, and June 30, 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.



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**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 June 30, 2023, was 2.8% (June 30, 2022: 12%). 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**

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).



## **UNITED WIRE FACTORIES COMPANY**

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**For The Six-Month Period Ended June 30, 2023**

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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 may exposed to.

#### **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 that face 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, 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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**Notes To the Interim Condensed Financial Statements (Unaudited)****For The Six-Month Period Ended June 30, 2023****16. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (Continued)****Trade receivables (Continued)**

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

<b>The period ended June 30, 2023</b>			
<b>Time limit</b>	<b>Book value</b>	<b>Expected credit loss</b>	<b>Balance</b>
From 0 to 90	96,746,464	-	96,746,464
From 91 to 180	10,348,458	(271,871)	10,076,587
From 181 to 360	2,242,576	(485,979)	1,756,597
More than 360	3,937,615	(3,937,615)	-
<b>Balance as of June 30, 2023</b>	<b>113,275,113</b>	<b>(4,695,465)</b>	<b>108,579,648</b>

The year ended December 31, 2022

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

The movement in the expected credit loss during the period / year is as follows (Note 9):

	<b>Saudi Riyal</b>	
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Balance at the beginning of the period / year	4,334,649	3,680,077
Charged during the period / year	360,816	654,572
Balance at the end of the period / year	<b>4,695,465</b>	<b>4,334,649</b>

**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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**Notes To the Interim Condensed Financial Statements (Unaudited)****For The Six-Month Period Ended June 30, 2023****16. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (Continued)****Exposure to liquidity risk**

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

June 30, 2023	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	63,572,637	63,572,637	-	-
Other credit balances	11,657,859	4,535,923	7,121,936	-
Lease contracts liabilities	3,941,593	-	862,935	3,078,658
Zakat	5,168,717	-	5,168,717	-
<b>Total</b>	<b>84,340,806</b>	<b>68,108,560</b>	<b>13,153,588</b>	<b>3,078,658</b>

December 31, 2022	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	84,554,323	84,554,323	-	-
Other credit balances	14,543,006	14,543,006	-	-
Lease contracts liabilities	5,066,620	-	847,095	4,219,525
Zakat	10,505,940	-	10,505,940	-
<b>Total</b>	<b>114,669,889</b>	<b>99,097,329</b>	<b>11,353,035</b>	<b>4,219,525</b>

**Commodity price risk**

The Company is exposed to fluctuations in the iron price market. The Company sells certain iron products on a temporary 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:

	<b>Saudi Riyal</b>	
	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Less than one year	1,102,616	1,203,838
From one to five years	1,532,912	1,669,732
More than five years	1,571,249	2,575,322
Total	4,206,777	5,448,892
Classified as:		
Operating lease contracts	385,108	382,272
Finance lease contracts – IFRS 16	3,821,669	5,066,620
Total	4,206,777	5,448,892

Amounts recognized as operation lease in profit or loss:

	<b>Saudi Riyal</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Rental contract expenses	592,342	480,448

**18. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

The Company's capital commitments as at June 30, 2023 amounting of SR. 9,968,204 of a total value of work amounting of SR. 15,475,407 (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 June 30, 2023, the Company had outstanding letter of credits amounting of SR. 16.2 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**

<b>Related party</b>	<b>Relationship</b>
Elegant Romoz for Trading Company	A Company who is owned by three of the shareholders as follows: - Mohamed Rasheed Al Rasheed - Salih Rasheed Al Rasheed - Ahmad Rasheed Al Rasheed
Board of directors' members	



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**Notes To the Interim Condensed Financial Statements (Unaudited)****For The Six-Month Period Ended June 30, 2023****19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)**

The benefits of senior management personnel consist of the following:

	Saudi Riyal	
	June 30, 2023	June 30, 2022
Short-term employee benefits	2,460,497	2,924,358
Post-employment benefits	82,025	115,626
Board of Directors' bonus	675,000	675,000
	<b>3,217,522</b>	<b>3,714,984</b>

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	
	For the period ended June 30, 2023	For the period ended June 30, 2022
Sales	5,176,202	5,554,473

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

Related party	Saudi Riyal	
	June 30, 2023	December 31, 2022
Elegant Romoz for Trading Company	1,787,651	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.

**20. 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. On March 8, 2023, The Company announced the issuance of the General Authority for Competition's no-objection to the economic concentration process, and legal procedures are being completed with the relevant authorities to complete the share purchase process.

On August 2, 2023, the extraordinary general assembly approved the recommendation of the board of directors to reduce the Company's capital by 20% by using the surplus from the Company's cash balances.

**21. APPROVAL OF THE FINANCIAL STATEMENTS**

These interim condensed financial statements were approved by the Board of Directors on Muharram 23, 1445H (corresponding to August 10, 2023).