

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
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FOR THE YEAR ENDED DECEMBER 31, 2020

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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

Opinion

We have audited the financial statements of United Wire Factories Company ("the Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Why considered key audit matters	How our audit addressed the key audit matter
<p><u>Accounts receivable – Impairment of accounts receivable</u></p> <p>Accounts receivable are recognized net after deducting the expected credit loss. The Company has adopted IFRS 9 Financial Instruments “Expected Credit Loss models” which requires the use of substantial estimates regarding the impact of changes in economic factors on the expected credit loss as of December 31, 2020, the book value of the accounts receivable amounting of SR. 84,704,732 (2019: SR.. 86,152,252) and the impairment loss of accounts receivable amounting of SR. 4,140,210 (2019: SR. 3,942,474) (note 23). In addition to impairment charged to against the effects of the Coronavirus amounting of SR. 4,050,680 as of December 31, 2020.</p> <p>We considered this as a key audit matter due to the judgments and estimates used in applying the Expected Credit Loss model. Refer to significant accounting policies in note 4 for accounts receivable policy and note 9, 23 for more details.</p>	<p>We performed the following procedures regarding the implementation of IFRS (9):</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process of sales recognition and accounts receivable and calculating the expected credit losses, taking into consideration the requirements of relevant accounting standards, and assessing the appropriateness the used of accounting policies. • Examining the design and application of internal control systems related to the procedures for controlling the balances of accounts receivable and following up the collection of accounts receivable. • Selecting a sample of accounts receivable and requesting sending confirmations to verify the validity of the balances at the end of the year, and for clients who did not receive confirmations on the their balances, we performed alternative procedures, which include examining the supporting documents and following up the collections in the subsequent period for the selected sample. • Examining the study prepared by the Management of the expected credit losses of accounts receivable and the adequacy of the impairment charged. • Evaluating the basis, methodology, assumptions and estimates used by Management in determining expected credit losses, their reasonableness, potential default in settlements and subsequent loss, by comparing historical data with including future factors (mainly economic) to reflect the impact of future events on expected credit losses and examining management’s assessment The impact of IFRS 9 in terms of classifying and measuring their financial assets and liabilities, using our experience and knowledge of similar facilities and assessing the adequacy of the disclosures that management has included in the financial statements. • Regarding to Managements assessment of the effects of the Coronavirus “Covid 19” and the new successive waves of infection that will affect the functioning of the Company's work system and the collection system according to the expected credit loss model, as it is possible to transfer the classifications of accounts receivable to higher rates in the expected credit loss model The expected rise and the consequent increase in the "Impairment of accounts receivable". The assumptions of late collection and the resulting increase in the value of the impairment related to the Coronavirus have been revised.
<p><u>Revenue recognition</u></p> <p>Considering the importance of the amount of revenues and is susceptible to the inherent risk of misstatement resulting from overstatement of recognizing the revenues before transferring the risk and rewards of ownership of the goods to the buyer, we have considered this as a key audit matter.</p> <p>Refer to significant accounting policies in note 4 for revenue recognition policy and note 5 for more detail of revenue.</p>	<p>We have performed the following procedures in this area among of other matters, based on our professional judgment:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the revenue recognition and trade receivables as well as testing the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness. • Implementing analytical procedures for revenues by comparing sales quantities and prices for the current year with prior year and determining whether there are any significant trends or fluctuations that need additional examination. • Examining supporting documents for revenues transactions on a sample basis. <p>Cut-off procedures to verify recording revenues in its correct periods.</p>

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

<p><u>Impairment assessment of property, plant and equipment</u></p> <p>We considered impairment assessment of property, plant and equipment as a key audit matter due to involvement of significant judgements and estimation uncertainty and the net book value in the financial statements considered significant.</p> <p>Refer to significant accounting policies in note 4 for property, plant and equipment policy and note 5, 6 for more detail of property, plant and equipment.</p>	<p>We have performed the following procedures in this area, based on our professional judgment:</p> <ul style="list-style-type: none"> • Evaluating reasonableness and appropriateness the factors that the management took into consideration as part of its evaluation of the indicators of impairment based on its knowledge of business and industry and prevailing market conditions. • Evaluating the revenues from those assets to determine whether there are any indicators of impairment. • Obtaining an understanding of management's procedures for impairment of non-financial assets in accordance with the requirements of the relevant accounting standards. • Examine the minutes of the Company's board of directors' meetings and ensure that there are no decisions related to the disposal of property, plant and equipment during the current year. • Evaluating the adequacy of the disclosures that management included in the financial statements.
<p><u>Impairment of inventory and slow-moving inventory</u></p> <p>The Company produces and sells metal and steel products, which net balance amounted to SR. 113,441,955 as at December 31, 2020 (SR. 92,687,168 as at December 31, 2019). The amount of slow-moving inventory amounted to SR. 139,117 (2019: SR. 139,117). In addition to the impairment taken to counter the effects of the Coronavirus amounting to SR. 2,029,794 as at December 31, 2020. The Management implemented special estimates in determining the impairment of inventory.</p> <p>Estimates include factors that were taken into consideration when creating the impairment. The most important factors are as follows:</p> <ol style="list-style-type: none"> 1) Determination the net realizable value based on the expectations of approved sales prices. 2) The results of the actual inventory count to determine the expected level of damaged and shrinking stock. <p>Refer to significant accounting policies in note 4 for inventory policy and note 8 for more detail of inventory.</p>	<p>We have taken the following procedures in this area, based on our professional judgment:</p> <ul style="list-style-type: none"> • Evaluating, designing, implementing and expressing an opinion on the operational effectiveness of the main controls related to Company's procedures in considering the inventory impairment. • Determining the net realizable value of the inventory obtained through reviewing the sales throughout the audit and the subsequent approved price list and comparing it with the net book value of inventory. • By attending the physical inventory count of a sample of inventory with management, we assessed the design and operational effectiveness of the basic control points and performed a sample-based examination to validate the inventory results. • Regarding to the management's assessment of the effects of the Coronavirus "Covid 19" and the new successive waves of infection that would affect the Company's work system and the possibilities of stopping production or a decrease in the selling price of products, the management's assumptions were reviewed to identify some products that could be affected by those Events and making a definite allocation rate according to the measurement units of each product, which resulted in an increase in the value of the provision component related to the Coronavirus.

Other Information disclosed in the Company's Annual Report of 2020

Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards⁵ that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BAKER TILLY MKM & CO.

Certified Public Accountants


Ayad Obeyan Alseraihi
License No. 405


Riyadh on Rajab, 4, 1442H
Corresponding to February 16, 2021G




UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(EXPRESSED IN SAUDI RIYALS)

	Notes	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment, net	5, 6	109,201,038	118,820,734
Right of use	7	3,751,883	4,104,823
Total Non-Current Assets		112,952,921	122,925,557
Current assets			
Inventories, net	8	111,273,044	92,548,051
Trade receivables, net	9	76,513,842	82,209,778
Prepaid expenses and other debit balances	10	49,289,301	22,140,049
Cash and cash at banks	11	162,661,160	283,394,518
Total Current Assets		399,737,347	480,292,396
Total Assets		512,690,268	603,217,953
EQUITY AND LIABILITIES			
Equity			
Share capital	1	351,000,000	438,750,000
Statutory reserve	12	69,665,362	63,450,817
Retained earnings		35,795,045	14,964,143
Other reserve		1,160,544	1,638,902
Total Equity		457,620,951	518,803,862
Non-current liabilities			
Employee defined benefits obligation	13	7,880,506	6,832,796
Lease liabilities – Noncurrent portion	7	3,267,075	3,535,390
Total Non-Current Liabilities		11,147,581	10,368,186
Current liabilities			
Zakat provision	14	10,112,918	10,845,342
Accounts payable and others	15	20,042,796	55,002,813
Accrued expenses and other credit balances	16	13,493,588	7,934,153
Lease liability	7	272,434	263,597
Total Current Liabilities		43,921,736	74,045,905
Total liabilities		55,069,317	84,414,091
TOTAL EQUITY AND LIABILITIES		512,690,268	603,217,953


Financial Manager
Abdulhamied Husni Ibrahim


Chief Executive Officer
Nabil Hasan Mohammed Al-Amir


Chairman of Board of Directors
Khaled Saad Al-Kanhal

The accompanying notes form an integral part of these financial statements

UNITED WIRE FACTORIES COMPANY

(A SAUDI PUBLIC INTEREST COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

(EXPRESSED IN SAUDI RIYALS)

	Notes	2020	2019
Sales	5	777,327,537	724,405,179
Cost of Sales	5, 17	(663,817,867)	(662,754,528)
Gross profit		113,509,670	61,650,651
Selling & distribution expenses	18	(19,382,605)	(16,972,495)
General and administrative expenses	19	(15,961,868)	(14,444,104)
(Impairment) reversal of impairment of trade receivables	23	(197,736)	1,362,662
Impairment of trade receivables and inventory - Corona (Covid 19)	8, 23	(6,080,474)	-
Other income, net		406,408	1,327,538
Net profit from the continuing operations		72,293,395	32,924,252
Zakat	14	(10,147,948)	(10,805,855)
Net profit for the year after zakat		62,145,447	22,118,397

Other Comprehensive Income (OCI)

OCI that will not be reclassified to profit or loss in subsequent years:


Re-measurements of employees defined benefits obligation	13	(478,358)	1,127,176
Total (other comprehensive loss) other comprehensive income for the year		(478,358)	1,127,176
Net profit and other comprehensive income		61,667,089	23,245,573


Basic and diluted EPS:

	20		
Net profit from the continuing operations		1,75	0,75
Net profit for the year after zakat		1,51	0,50
Net profit and other comprehensive income		1,49	0,53

Financial Manager

 Abdulhamied Husni Ibrahim

Chief Executive Officer

 Nabil Hasan Mohammed Al-Amir

Chairman of Board of Directors

 Khaled Saad Al-Kanhal

The accompanying notes form an integral part of these financial statements

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN SAUDI RIYALS)

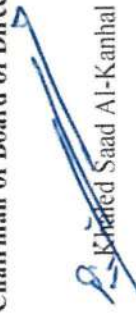
	Notes	Capital	Statutory Reserve	Retained Earnings	Other Reserve	Total
December 31, 2019						
Balance as of January 1, 2019		438,750,000	61,238,977	6,026,336	511,726	506,527,039
Net profit for the year		-	-	22,118,397	-	22,118,397
Other comprehensive income for the year		-	-	-	1,127,176	1,127,176
Transfer to statutory reserve	12	-	2,211,840	(2,211,840)	-	-
Dividends	21	-	-	(10,968,750)	-	(10,968,750)
Balance as of December 31, 2019		438,750,000	63,450,817	14,964,143	1,638,902	518,803,862
December 31, 2020						
Balance as of January 1, 2020		438,750,000	63,450,817	14,964,143	1,638,902	518,803,862
Net profit for the year		-	-	62,145,447	-	62,145,447
Other comprehensive loss for the year		-	-	-	(478,358)	(478,358)
Transfer to statutory reserve	12	-	6,214,545	(6,214,545)	-	-
Reduction of share capital	1	(87,750,000)	-	-	-	(87,750,000)
Dividends	21	-	-	(35,100,000)	-	(35,100,000)
Balance as of December 31, 2020		351,000,000	69,665,362	35,795,045	1,160,544	457,620,951

Financial Manager

Abdulhamied Husni Ibrahim

Chief Executive Officer

Nabil Hasan Mohammed Al-Amir

Chairman of Board of Directors

Khaleed Saad Al-Kanhal


The accompanying notes form an integral part of these financial statements

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN SAUDI RIYALS)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before zakat and items of other comprehensive income	72,293,395	32,924,252
Adjustments for:		
Depreciation of property, plant and equipment	12,803,543	14,244,753
Amortization of rights of use	352,940	991,505
Impairment (reversal) of impairment of trade receivables	197,736	(1,362,662)
Impairment of trade receivables and inventory - Corona (Covid 19)	6,080,474	-
Employees defined benefits obligation	1,285,703	1,062,874
Impairment Reversal of inventories	-	(2,208,336)
Gain from disposal of property, plant and equipment	(24,000)	(120,000)
Impairment of prepaid expenses and other debit balances	2,803,574	262,463
Changes in assets and liabilities:		
Inventories	(20,754,787)	30,957,550
Trade receivables	1,447,520	(20,439,511)
Prepaid expenses and other debit balances	(29,952,826)	(18,124)
Accounts payable & others	(34,960,017)	18,723,224
Accrued expenses and other credit balances	5,559,435	5,461,309
Lease liabilities	(259,478)	-
Cash generated from operating activities	16,873,212	80,479,297
Employee defined benefits obligation paid	(716,351)	(833,205)
Zakat paid	(10,880,372)	(9,931,956)
Net cash generated from operating activities	5,276,489	69,714,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment	(3,183,847)	(2,597,001)
Proceed from disposal of property, plant and equipment	24,000	120,000
Net cash used in investing activities	(3,159,847)	(2,477,001)
CASH FLOWS FROM FINANCING ACTIVITIES		
Reduction of share capital	(87,750,000)	-
Dividends	(35,100,000)	(10,968,750)
Net cash used in financing activities	(122,850,000)	(10,968,750)
Net changes in cash and cash equivalents	(120,733,358)	56,268,385
Cash and cash at banks at January 1	283,394,518	227,126,133
CASH AND CASH AT BANKS AT DECEMBER 31	162,661,160	283,394,518
Noncash transaction		
Right of use against lease liability upon applying	-	17,759,129
Prepaid rent adjustment with lease liability	-	1,167,067
Lease liability adjustment with accrued expenses	-	130,274


Financial Manager
Abdulhamied Husni Ibrahim


Chief Executive Officer
Nabil Hasan Mohammed Al-Amir


Chairman of Board of Directors
Khaled Saad Al-Kanhal

The accompanying notes form an integral part of these financial statement

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. ORGANIZATION 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.

- Based on the recommendation of the Company's Board of Directors in its meeting held on Jumada al-Ula 18, 1441H (corresponding to January 13, 2020), to reduce the Company's share capital due to the increase in share capital beyond the need, and that the method of reducing the capital is to cancel 8,775,000 shares, at a percentage of 20% shares and compensating the shareholders with this at nominal value and the amount of 87,750,000 Saudi riyals, 20% of the total outstanding capital, so that the new capital becomes 351,000,000 Saudi riyals.
- On Shawwal 17, 1441H (corresponding to June 9, 2020), the Capital Market Authority approved the reduction request.
- On Thul-Qi'dah 24, 1441H (corresponding to July 15, 2020), the Extraordinary General Assembly agreed to reduce the capital, and it became effective for shareholders by the end of the creditors' objection period on September 13, 2020.
- On Safar 3, 1442H (corresponding to September 20, 2020), the capital reduction was deposited in the shareholders' accounts, and the shares were sold by the Capital Market Authority (Tadawul) and deposited in the shareholders' accounts on Safar 25, 1442H (corresponding to October 12, 2020). The amendment of the Articles of Association and the Commercial Registration of the Company have been completed.

The main activity of the Company is the production and marketing of lattice wire, metal braiding wire, reinforcing steel bars, reinforcing steel, 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

Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by Saudi Organization for Certified Public 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.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

2. BASIS OF PREPARATION (CONTINUED)

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. The Company's significant estimates and judgments are stated in note (4).

However, as indicated in note. (23), 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.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are no new standards that have been issued, however, a number of amendments to the standards are in effect from January 1, 2020, which were explained in the Company's financial statements, but have no material impact on the Company's financial statements, as follows:

Standard / Interpretation	Description	Effective date
Conceptual framework	Amendments to the conceptual framework references in IFRSs	January 1, 2020
IFRS 3	Business Combinations	January 1, 2020
IAS 1 and 8	Definition of materiality	January 1, 2020
IFRS 10 and IAS 28	Sale or contribution of assets between the investor and his associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional application / Effective date postponed indefinitely

4. SIGNIFICANT ACCOUNTING POLICIES

Impairment of financial assets

The Company assesses at each reporting date whether the financial assets carried at amortized cost have a low credit value. A financial asset is considered to be "impaired" when one or more events have had an adverse effect on the estimated future cash flows of the financial asset.

Presentation of impairment

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The initial cost includes the purchase price and any directly attributable cost of bringing the property, plant and equipment to the operating site and making it operational. Expenses incurred after the operation of property, plant and equipment, such as repairs, maintenance and full refurbishment, are included in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Where it is clearly shown that the expense has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset to a higher extent than the originally defined benchmark, these expenses are capitalized as an additional cost to the property, plant and equipment.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

If significant and important parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (key components) of property, plant and equipment.

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

Item	Estimated age (years)
Buildings and constructions	33,33
Machinery and equipment	2 - 20
Motor vehicles	4
Tools	6,66
Office equipment and furniture	6,66

Property, plant and equipment are written down to their recoverable amount if their carrying amount exceeds their estimated recoverable amount. The useful life, residual value and depreciation method are reviewed periodically to ensure that the method and period of depreciation are in line with the expected economic benefit of each item of property and equipment. The change in estimates is accounted for from the beginning of the financial year in which the change occurs. When the assets and equipment are sold or disposed of, their cost, accumulated depreciation and accumulated impairment losses are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss and other comprehensive income.

The Company has adopted the cost model on property and equipment in accordance with the International Financial Reporting Standards (IFRS) in accordance with the Capital Market Authority's Decision No. 5 / 8074/16 on the date of October 17, 2016, which requires companies listed on the stock exchange to use the cost model option to measure real estate, and property and equipment when applying IFRS for a period of three years starting from the date of application of International Accounting Standards, while complying with the disclosure requirements of the International Accounting Standards adopted in Saudi Arabia that encourage disclosure of fair value in the notes to the financial statements.

Capital work under construction includes the purchase price, construction or development costs and any costs directly attributable to the asset being constructed or acquired by the Company. Capital work under construction is measured at cost less any impairment losses recognized. Capital work under construction is depreciated only when assets are able to function as management deems appropriate after capitalizing them to the appropriate class of assets.

Impairment of assets – property, plant and equipment

The Company assesses at each reporting date whether there is any indication that an asset has been impaired. If such an indication arises, or when an impairment test is required, the Company estimates the recoverable amount of that asset (or cash-generating unit). The recoverable amount of an asset (or cash-generating unit) is the fair value of the asset (or cash-generating unit) less costs to sell or value in use, whichever is greater, and is determined for each individual asset unless the asset's cash flow is substantially independent of that produced by the asset or other group of assets and the recoverable amount is then assessed as part of the cash-generating unit to which the asset belongs. When the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset is impaired and is reduced to its recoverable amount. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset (or cash-generating unit). An impairment loss must be recognized immediately in profit or loss.

Right of use assets and lease liabilities

The Company has recognised new assets and liabilities for its operating leases of various types of contracts including Company's factories, depot facilities and rental premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right of use assets and lease liabilities (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. i. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs; and - restoration costs.
- Right-of-use assets are subsequently measured at cost less accumulated depreciation.
- Lease liabilities include (the net present value of the fixed lease payments): - fixed payments (including in-substance fixed payments), less any lease incentives receivable; - variable lease payments that are based on an index or a rate; - amounts expected to be payable by the lessee under residual value guarantees;

The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost is determined by using the weighted average method. The raw materials are valued at the lower of cost and net realizable value through the weighted average cost. The cost of total production and production under operation includes the cost of raw materials, direct wages and indirect operating expenses. When found necessary, a provision is made for slow-moving and obsolete inventory. The net realizable value is the actual or estimated selling price of the inventories during the ordinary course of business, less the cost of completion of inventory production (if it needs to be completed) and all necessary expenses expected to be incurred for the sale of inventories.

Inventory of spare parts is valued at cost or net realizable value. Cost is determined on a weighted average cost basis. Provision for obsolete and slow-moving items (if any) is estimated at the reporting date.

The goods in transit consists of the value of the purchases that the Company has contracted and has not yet received up to the date of the financial statements taking into consideration that the terms of shipment and receipt and the returns of risks of the commodity are in the possession of the Company.

Financial instruments

Initial recognition and measurement

Financial assets and liabilities are recognized on the date that they arise when the Company becomes a party to the contractual obligations of these instruments. All financial assets or financial liabilities are initially measured at fair value. Costs relating to the acquisition or issue of a financial asset or liability are added or deducted from the fair value of the financial asset or liability at initial recognition, except for financial instruments classified as "fair value through profit or loss". Costs relating to acquisition are recognized directly in the statement of profit or loss.

Financial assets

Financial assets are classified as "financial assets at fair value through profit or loss", "financial assets available for sale", "financial assets held to maturity" and "loans and receivables". The Company determines the appropriate classification of its financial assets at the date of initial recognition based on the purpose of acquisition of those financial assets. All purchases and sales of financial assets are recognized on the trade date. Regular way purchases or sales of financial assets are purchases and sales of financial assets that require delivery of the asset within the time range generally determined by market regulations or conventions.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Accounts receivable:

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method less any impairment in value. Amortized cost is calculated by calculating any discount or premium on acquisition, fees or costs that are an integral part of the effective interest method. The amortization of the effective interest method is included in the statement of profit or loss and other comprehensive income. Impairment losses are recognized in the statement of profit or loss & other comprehensive income.

De-recognition of financial assets

A financial asset (or part of a financial asset or a part of a group of similar financial assets or a similar asset) is derecognized when:

- A) The right to receive cash flows from the asset has expired;
- B) The Company transfers the right to receive the cash flows from the asset or, in return, assumes an obligation to pay the cash expenses received in full without material delay to another party under the "arrest and payment" arrangement; (a) the Company transfers all significant risks and rewards of the asset; (b) the Company has neither transferred nor retained substantially all the significant risks and rewards of the asset but has lost control of that asset.

When the Company has transferred its rights to receive cash flows from the asset or has entered into the "arrest and payment" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset or lost control over the asset, the asset is recognized to the extent that the company continues to control the asset. In this case, the Company shall also record the relevant obligation. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company holds.

Impairment of financial assets

At each reporting date, the Company determines whether there is objective evidence that an asset or a group of financial assets other than financial assets at fair value through profit or loss is impaired. Impairment losses are recognized immediately in profit or loss.

A financial asset or a group of financial assets is deemed to have been impaired only if objective evidence of impairment exists as a result of one or more events occurring after the initial recognition of the asset ("loss event incurred") and the loss event has an impact on the estimated future cash flows of the financial asset or group of assets Which can be measured reliably. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulties, default or delay in the payment of principal payments or proceeds or the possibility of bankruptcy or other financial arrangements such as restructuring of amounts owed to the company. Also, when observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes associated with arrears or changes in economic conditions associated with delays.

Financial assets carried at amortized cost:

For financial assets carried at amortized cost, the Company first determines whether there is an individual impairment of individually significant financial assets or a group of financial assets that are not individually significant. If the Company finds that it has found no objective evidence of impairment for an individual financial asset, whether material or not, it includes the asset in a group of financial assets with similar credit risk that is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss has been recognized are not included in the collective assessment of impairment. An impairment loss is estimated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding expected future credit losses that have not been incurred). After deducting the present value of expected future cash flows using the average effective interest rate used primarily for the financial asset.

UNITED WIRE FACTORIES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets carried at amortized cost (Continued):

The carrying amount of the asset is reduced through the use of the provision account and the loss is recognized in the statement of profit or loss. If there is a positive change in the subsequent period on an impairment loss that can be determined in relation to events that occurred after the impairment losses are recognized objectively, the previously recognized impairment losses are reversed through the statement of profit or loss and within the carrying amount of the asset at the date the impairment loss is reversed and that does not exceed amortized cost if no impairment loss has previously been recorded. A financial asset is de-recognized when the Company's right to receive the cash flows from the asset expires or the Company has transferred substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities

The Company's financial liabilities include amounts due to trade payables and accrued expenses and other credit balances. The Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Amounts due to trade payables:

Liabilities are recognized at amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Creditors are classified as current liabilities if payments are due within one year or less (or in the normal business cycle if they are longer). If they are not, the balances of creditors are classified as non-current liabilities.

De-recognition of financial liabilities

A financial liability is de-recognized when the obligation associated with the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same creditor on significantly different terms or substantially modified the existing financial liability terms, the change or adjustment is treated as a de-recognition of the original liability. The new financial liability is recognized and the difference in the relevant carrying amount is recognized in the statement of profit or loss.

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

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the asset and settle the liabilities simultaneously. The right in force should not depend on future events and should be effective in the normal course of business and in the event that the company or counterparty is exposed to insolvency or bankruptcy.

Fair value of financial instruments

The Company measures the fair value of its financial instruments and due to the short-term nature of traded financial instruments, the carrying amount is the same as its fair value.

Lease contracts

Operating lease expenses are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. The discounts received on the lease are recognized in the statement of profit or loss as a deduction from the total lease expense over the lease term.

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

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

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee defined benefits obligation

Employee benefits are calculated according to the provisions of the Saudi Labor Law and local regulatory requirements, upon the termination of their service contracts, and the employees defined benefit obligation is calculated by estimating the value of the future benefits due to the employees in the current and previous periods, and the value is deducted to reach to the present value.

The company makes assumptions that are used when determining the major components of costs for the purpose of meeting these future liabilities. Assumptions are made that are used to determine normal service cost and the financing component of the liability. A qualified actuary calculates the defined benefit obligation.

The revaluation of defined benefit obligations consisting of actuarial gains and losses is recognized immediately in the statement of other comprehensive income and closed within other reserve. The company determines the interest expense on the defined benefit obligation for the year by applying the discount rate that is used to measure the defined benefit obligation at the beginning of the fiscal year after taking into account any change in the net defined benefit obligation during the year as a result of contributions and payments to the obligations. The net interest expense and other expenses related to defined benefit obligation are recognized in the statement of profit or loss.

Foreign currency transactions

Transactions in foreign currencies are translated into Saudi Riyals using the exchange rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the rates of exchange prevailing at the reporting date. Exchange gains or losses are recognized as an expense or expense in the statement of profit or loss. Non-monetary items denominated in foreign currencies at fair value are retranslated at the rates of exchange ruling at the date when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies at fair value are translated to Saudi Riyals at the foreign exchange rates ruling at the date of determining the transaction. In the case of non-monetary assets whose change in fair value is recognized directly in other comprehensive income, foreign exchange differences are recognized directly in other comprehensive income. For non-monetary assets whose change in fair value is recognized directly in profit or loss, all foreign exchange differences are included in the statement of profit or loss.

Revenue recognition

Revenue comprises the fair value of the consideration received or expected to be received by the Company for the sale of goods or the provision of services through the Company's normal activities. Revenue is shown net of VAT, returns, rebates and discounts.

Revenue is recognized when it can be measured reliably, and the entity will likely receive future economic benefits. Recognition requirements are met in accordance with the nature and timing of fulfilment of the performance obligations and the significant payment terms for the sale of the Company's products.

Invoices are issued and recognized as revenue at that time. Credit bills are usually due between 30 to 90 days. Invoices are recognized as revenue net of discounts applied to the products sold. For contracts that allow the customer to return products, in accordance with IFRS 15 Revenue is recognized to the extent that it is probable that there will be no material reversal of the amount of accumulated income that is recognized. Accordingly, the amount of the income recognized is adjusted to the estimated recoveries that are estimated based on historical data.

The Company applies revenues from contracts with customers based on the five-step model as described in IFRS (15) as follows:

- 1) Identify the contract with the customer: A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- 2) Identify the performance obligation in the contract: A performance obligation is a promise in a contract with a customer to transfer to the customer.
- 3) Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, it excludes amounts collected on behalf of third parties.

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

- 4) Allocate the transaction price to the performance obligation: After separate performance obligations are identified and the total transaction price is determined, the transaction price is allocated to performance obligations on the basis of relative standalone selling prices, a standalone selling price is the price at which an entity would sell a promised good or service separately to a customer.
- 5) Recognize revenue when a performance obligation is satisfied.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to include economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Provisions for future operating loss are not recognized. In the case of a number of similar obligations, the probability of a resource flow for settlement is determined by considering the category of obligations as a whole. An allowance is recognized when the probability of a flow of resources in respect of any item included in the same category of liabilities is minimal. Provisions are measured at the present value of the best management estimates of the expenditure required to settle the present obligation at the end of the financial period.

The present value is determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks associated with that obligation.

Expenses

Selling and marketing expenses are those expenses resulting from the Company's efforts of marketing, sales and distribution departments. All other expenses, excluding the cost of sales and finance charges, are classified as general and administrative expenses. A distribution of joint expenses is made between the cost of sales, selling and marketing expenses and general and administrative expenses, if necessary, on a consistent basis.

Dividends

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

Earnings per share

Basic earnings per share

If no potential ordinary shares are issued by the Company, the basic earnings per share shall be equal to the diluted earnings per share. Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company to the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Adjusted earnings per share are calculated by adjusting the figures used to determine earnings per share, considering the weighted average number of additional ordinary shares that will be on the assumption that all potential ordinary shares are converted into existing shares.

Contingent events

Contingent liabilities are recognized in the financial statements only when the use of economic resources to settle an existing or anticipated legal obligation as a result of past events is probable and the amount expected to be repaid can be estimated significantly. Otherwise, contingent liabilities are disclosed unless the possibility of an economic loss is remote.

Contingent assets are not recognized in the financial statements but are disclosed when economic benefits arising from past events are probable.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that may affect the values presented in the financial statements, as these values may differ from previous estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company's significant judgments, estimates and assumptions relating to future reasons are set out below.

UNITED WIRE FACTORIES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain assumptions and estimates

Uncertain assumptions and estimates of significant risks that may cause significant changes in the carrying amounts of assets and liabilities during the year are included in the following notes:

- Note 9 – Impairment loss on trade receivables.
- Note 13 - Measurement of employees' benefits liabilities plus gains or losses on changes in actuarial assumptions.
- Note 8 Inventory - decrease in inventories and provision for idle inventory.

Opinions

In the process of applying the Company's accounting policies, management makes the following judgments that have a material effect on the amounts included in the Company's financial statements:

Impairment of inventories

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

Impairment of trade receivables

Based on the future vision, the Company evaluates the expected credit losses associated with its debt instruments as part of its financial assets carried at amortized cost and fair value through comprehensive income.

Regarding to receivables, the Company applies the simplified approach, which requires recording expected losses based on age from the date of initial recognition of receivables. To measure expected credit losses, receivables have been grouped based on the common credit risk characteristics and number of aging days. The expected loss rates have been inferred from the Company's historical information and adjusted to reflect the expected future outcome which also includes future information on macroeconomic factors such as inflation and GDP growth rate, other financial assets such as employee receivables and bank balances have low credit risk, so the effect of applying ECL is not significant.

Estimates and assumptions

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

Productive life of property, plant and equipment

The Company determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. This estimate is determined by calculating the expected use of the asset or the corrosive factors and material damage from use. The management revises the residual value and useful lives annually and the future depreciation expense is adjusted when management considers that the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The Company's management assesses the impairment of property and equipment in certain events or changes in circumstances indicating that the carrying amount may not be recoverable. Factors that are important and which may lead to a review of impairment in other factors include:

- Significant changes in technology and regulatory environment.
- A manual of internal reports indicates that the economic performance of the asset is expected to be bad or will be bad.

Uncertain zakat positions

The Company's current zakat payable relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax. Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat assessments at a future date, the final outcome may differ. Note 14 describes the status of zakat and tax assessments.

Provision for Zakat

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

UNITED WIRE FACTORIES COMPANY
(A SAUDI PUBLIC INTEREST COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

5. OPERATING SEGMENTS:

The segment is a separate and distinct segment of the Company engaged in business activities that result in the recognition of revenues or expenses. Operating segments are disclosed on the basis of internal reports reviewed by the chief operating decision maker, who is responsible for resource allocation, performance evaluation and strategic decision making on operational segments. Operating segments with similar economic characteristics, products, services and similar customer categories are aggregated and recorded where possible as sectors to be reported.

Basis of division

The Company has the following strategic sectors. These sectors provide different services and are managed separately because they have different economic characteristics - such as sales growth trends, rates of return and capital investment - and they also have different marketing strategies.

The following is a summary of the operations of each sector report"

<u>Sector reports</u>	<u>Operations</u>
Construction sector	The construction sector includes rebar activities, floor gratings, spikes, fence nets, barbed wire and wire mesh.
Civil sector	The civil sector includes the activities of the manufacture of wire feedstock, metal and covered clothing relations, family nets and metal pins.

Due to the nature of the Company's business and the structure of its management, it is not possible to allocate the items of current assets and liabilities to the various operating segments. All the Company's assets are located within Saudi Arabia and there are no export revenues.

Information on segment reporting

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

<u>For the year ended December 31, 2020</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	628,255,600	149,071,937	777,327,537
Cost of sales	(548,210,177)	(115,607,690)	(663,817,867)
Gross profit	80,045,423	33,464,247	113,509,670
<u>For the year ended December 31, 2019</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Sales	563,570,000	160,835,179	724,405,179
Cost of sales	(534,247,637)	(128,506,891)	(662,754,528)
Gross profit	29,322,363	32,328,288	61,650,651
<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
<u>As of December 31, 2019</u>	<u>Construction Sector</u>	<u>Civil Sector</u>	<u>Total</u>
	SR	SR	SR
Property, plant and equipment, net	63,170,824	55,649,910	118,820,734

UNITED WIRE FACTORIES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

6. PROPERTY, PLANT AND EQUIPMENT

	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	SR	SR	SR	SR	SR
Cost													
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	-	91,774	1,091,300	685,500	49,000	126,059	1,140,214	3,183,847					
Disposals	-	-	(67,000)	(85,500)	-	-	-	(152,500)					
Transfer from capital work under construction	-	396,107	-	-	-	-	-	-					
Balance at the year end	43,502,583	37,799,183	185,013,004	15,203,955	1,093,304	6,758,943	1,833,765	291,204,737					
Accumulated depreciation													
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	-	1,058,078	10,707,696	445,287	29,944	562,538	-	12,803,543					
Disposals	-	-	(67,000)	(85,500)	-	-	-	(152,500)					
Balance at the year end	-	15,550,105	145,847,787	14,359,182	1,021,642	5,224,983	-	182,003,699					
Net book values													
At December 31, 2020	43,502,583	22,249,078	39,165,217	844,773	71,662	1,533,960	1,833,765	109,201,038					
At December 31, 2019	43,502,583	22,819,275	48,781,613	604,560	52,606	1,970,439	1,089,658	118,820,734					

* 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 1,8 million mainly consisting of completing the facilities and decorations of the administration building.

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

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Cost of sales	11,755,508	12,511,352
General and administrative expenses	562,302	580,116
Selling and marketing expenses	485,733	1,153,285
	12,803,543	14,244,753

UNITED WIRE FACTORIES COMPANY
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FOR THE YEAR ENDED DECEMBER 31, 2019

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. 352,940 related to amortization of the rights of use the recognized assets.
- Finance costs increased by SR. 176,706 related to interest expense on recognised additional rental contract liabilities.

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Right of use		
Balance at the beginning of the year	4,396,189	17,759,129
Disposal right of use	-	(13,362,940)
	4,396,189	4,396,189
Accumulated amortization		
Balance at the beginning of the year	(291,366)	
Accumulated amortization disposal	-	700,139
Amortization	(352,940)	(991,505)
	(644,306)	(291,366)
Balance at the end of the year	3,751,883	4,104,823
Lease liability		
Balance at the beginning of the year	3,798,987	17,759,129
Prepaid expenses	-	(1,167,067)
Lease liability disposal	-	(12,662,801)
Amortization	(259,478)	(130,274)
Balance at the end of the year	3,539,509	3,798,987
Current portion	272,434	263,597
Non-current portion	3,267,075	3,535,390

8. INVENTORIES, NET

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Finished goods	84,847,572	50,772,904
Raw materials	17,423,723	29,346,088
Work in progress	6,263,224	8,189,465
Spare parts not for sale	4,907,436	4,378,711
	113,441,955	92,687,168
Impairment of inventory – Corona (Covid 19)	(2,029,794)	-
Provision of slow-moving inventory	(139,117)	(139,117)
	111,273,044	92,548,051

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

	Saudi Riyal	
	Impairment of inventory	Impairment of obsolete inventory
Balance at January 1, 2019	2,208,336	139,117
Reversal impairment of inventory	(2,208,336)	-
Balance at December 31, 2019	-	139,117
Provision charge for the year - Corona (Covid 19)	2,029,794	-
Balance at December 31, 2020	2,029,794	139,117

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.

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9. TRADE RECEIVABLES, NET

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Trade receivables	83,452,442	85,737,396
Trade receivables - related party (Note 26)	1,252,290	414,856
	84,704,732	86,152,252
Impairment of trade receivables (Note 23)	(4,140,210)	(3,942,474)
Impairment of trade receivables - Corona (Covid 19)	(4,050,680)	-
	76,513,842	82,209,778

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 23.

10. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Advances to suppliers	44,019,238	13,930,858
Letter of guarantee deposits	2,565,345	2,565,345
Prepaid expenses	2,471,261	1,701,334
Staff receivables	727,700	882,706
Refundable deposits	279,848	279,848
Letter of credit	44,089	1,063,537
Impairment of other debit balances	(2,803,574)	(262,463)
Others	1,985,394	1,978,884
	49,289,301	22,140,049

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

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Balance at the beginning of the year	262,463	-
Provision and impairment charge for the year	2,541,111	262,463
	2,803,574	262,463

11. CASH AND CASH AT BANKS

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Bank balances - current accounts	162,658,822	283,394,385
Cash on hand	2,338	133
	162,661,160	283,394,518

12. STATUTORY RESERVE

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

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13. EMPLOYEE DEFINED BENEFITS OBLIGATION

Movement in net defined benefit obligations

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

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Opening balance	6,832,796	7,730,303
	6,832,796	7,730,303
Included in profit or loss		
Current service cost	1,065,049	748,958
Net interest on net defined benefit obligation	220,654	313,916
	1,285,703	1,062,874
Included in other comprehensive income		
Re-measurements of employees defined benefits obligation*	478,358	(1,127,176)
Payments	(716,351)	(833,205)
Closing balance	7,880,506	6,832,796

*Included in another reserve in the list of changes in shareholders' equity.

Defined benefit obligations

a) Actuarial assumptions:

The main actuarial assumptions are:

	December 31, 2020	December 31, 2019
Discount rate	2,8%	3,88%
Salary increase rate for the first period	5%	5%
Long-term salary increase rate	1.5%	1.5%
Employee turnover	Average	Average
Number of employees	472	451
Average age of staff in years	39.78	37.8
Average number of years of previous service	7.9	7.9

b) Sensitivity analysis:

Sensitivity analysis of employee benefits have been prepared based on the manner in which the impact is based on the obligation of the identified benefits as a result of reasonable changes in the key assumptions occurring at the end of the financial period. Sensitivity analysis are based on the change in the fundamental assumption, assuming all other assumptions are consistent. Sensitivity analysis may not be indicative of the actual change in the defined benefits obligation and it is unlikely that changes in assumptions will occur in isolation.

The table below shows the quantitative impact of the sensitivity effect on significant assumptions, given that other assumptions are consistent, which may affect the obligation of the identified benefits:

	December 31, 2020	December 31, 2019
Change in discount rate (+0.5%)	7,974,355	6,451,884
Change in discount rate (-0.5%)	8,423,840	7,205,945
Change in long-term salary increase (+0.5%)	8,428,326	7,211,410
Change in long-term salary increase rate (-0.5%)	7,381,526	6,533,995

14. ZAKAT PROVISION

Zakat base

The Company is subject to Zakat. Zakat is calculated at 2.5% of estimated zakat base or adjusted net profit, whichever is higher. The principal elements of the zakat base according to zakat regulations are as follows:

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Adjusted net profit	82,398,419	33,743,734
Total positive items	430,089,727	515,317,866
Total negative items	(117,860,358)	(127,304,268)
Zakat base	394,627,788	421,757,332

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14. ZAKAT PROVISION (CONTINUED)

The movement of Zakat provision

The following represent the movement of the Zakat provision:

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Balance at January 1	10,845,342	9,971,443
Zakat charged to the statement of profit or loss and other comprehensive income	10,147,948	10,805,855
Payments	(10,880,372)	(9,931,956)
Balance at December 31	10,112,918	10,845,342

Status of certificates and zakat final assessments

The Company finalized its Zakat status until December 31, 2011 and paid the Zakat due accordingly, obtained the final certificate, and submitted its Zakat declarations to the General Authority for Zakat and Tax ("GAZT") up to the year ended December 31, 2019. 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.

15. ACCOUNTS PAYABLE AND OTHERS

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Trade and other payables	14,133,016	53,303,953
Advances from customers	5,909,780	1,698,860
	20,042,796	55,002,813

16. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Accrued salaries, benefits and incentives	6,397,678	3,742,218
Accrued value added tax	3,230,471	664,363
Accrued commissions & expenses	2,057,060	2,091,348
Other accruals	1,808,379	1,436,224
	13,493,588	7,934,153

17. COST OF SALES

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Direct materials	627,780,934	628,819,956
Salaries and benefits of employees	14,116,132	13,735,426
Depreciation	11,755,508	12,511,352
Rent	500,399	742,502
Right of use amortization	352,940	991,505
Reversal impairment of inventories	-	(2,208,336)
Other	9,311,954	8,162,123
	663,817,867	662,754,528

18. SELLING AND DISTRIBUTION EXPENSES

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Shipping and transportation expenses	8,850,466	5,635,076
Salaries and benefits of employees	6,119,154	6,245,307
Commissions	2,093,951	2,172,776
Maintenance expenses	805,325	908,702
Depreciation	485,733	1,153,285
Rent expense	295,832	362,921
Government expenses	148,724	130,036
Impairment of other debit balances	274,848	262,463
Other	308,572	101,929
	19,382,605	16,972,495

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19. GENERAL AND ADMINISTRATIVE EXPENSES

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Salaries and benefits of employees	9,858,595	10,647,922
Impairment of other debit balances	2,266,263	-
Remuneration and allowances for attendance of members of the Board of Directors and committees	1,225,000	1,290,250
Fees and subscriptions	704,215	789,293
Depreciation expense	562,302	580,115
Professional fees	454,995	612,565
Bank charges	420,069	598
Maintenance expense	127,137	121,386
Phone and mail	123,547	184,294
Publications and stationery expenses	46,388	57,091
Hospitality expenses	30,668	88,816
Other	142,689	71,774
	15,961,868	14,444,104

20. 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 December 31, 2020 and 2019 were calculated on the basis of the weighted average number of outstanding shares during the year in the number of 41,254,521 shares (2019: 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 December 31, 2020) there are no dilutive potential ordinary shares.

21. DIVIDENDS

During the third quarter of 2020, in accordance with the Board of Directors resolution dated on Muharram 27, 1442H (corresponding to September 15, 2020), dividends distributed amounting of SR 35,100,100 from the retained earnings up to December 31, 2019 amounting of SR. 14,964,143 and from the profit of first half of 2020 amounting of SR. 20,135,857 by distribution of SR. 1 per share and distributed on October 8, 2020.

During the third quarter of 2019, in accordance with the Board of Directors resolution dated on Thul-Qi'dah 14, 1440H (corresponding to July 17, 2019), dividends of SR 10,968,750 from the profit of first half of 2019 by distribution of SR. 0.25 per share and distributed on August 5, 2019.

22. CAPITAL MANAGEMENT

The objectives of the Company's capital management are to ensure the Company's ability to continue as a going concern and to provide sufficient 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 December 31, 2020 was 15% (December 31, 2019: 5%). 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.

UNITED WIRE FACTORIES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

The Company's financial assets consist of bank balances, customers and due from related parties. The Company's financial liabilities consist of trade payables and other financial liabilities. The accounting policies for financial assets and liabilities are described in note 4. 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 measures 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 measures have an impact, to varying degrees, on the Company's business operations since the beginning of their application at the beginning of last March, 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. 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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23. FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (CONTINUED)

Trade receivables (CONTINUED)

Accordingly, the impairment of trade receivables as at December 31, 2020 was estimated at SR 4,140,210 (2019: SR. 3,942,474) in accordance with the application of IFRS 9 financial instruments in addition to an amount of SR. 4,050,680 according 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:

Time limit	Book value	Weighted average for the impairment of receivables	Balance
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 and inventory - Corona (Covid 19)	-	(4,050,680)	(4,050,680)
Balance as of December 31, 2020	84,704,732	(8,190,890)	76,513,842

Time limit	Book value	Weighted average for the impairment of receivables	Balance
From 0 to 90	79,684,133	-	79,684,133
From 90 to 180	2,261,431	(100,735)	2,160,696
From 180 to 360	684,000	(322,851)	361,149
More than 360	3,522,688	(3,518,888)	3,800
Balance as of December 31, 2019	86,152,252	(3,942,474)	82,209,778

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

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Opening balance	3,942,474	5,305,136
Charge for the year	197,736	-
Charge for the year – Corona (Covid 19)	4,050,680	-
Reversal of impairment loss	-	(1,362,662)
	8,190,890	3,942,474

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.

The Company ensures that the value of cash and bank balances in highly marketable debt instruments is greater than expected external cash flows associated with financial liabilities over the next 60 days. The Company monitors the level of expected cash flows of trade receivables with expected external cash flows of trade payables. At December 31, 2020, the expected cash flows from trade receivables maturing within three months amounting of SR 75,533,651 (December 31, 2019: SR 79,684,133). Cash and bank balances amounting of SR 162,661,160 as at December 31, 2019 (December 31, 2019: SR 283,394,518). Thus, the total expected cash flows from trade receivables and total cash are sufficient to offset expected external cash flows.

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23. 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.

December 31, 2020	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, 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

December 31, 2019	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, accruals and other credit balances	63,200,563	60,002,802	3,131,510	66,251
Zakat	10,845,342	10,845,342	-	-
Total	74,045,905	70,848,144	3,131,510	66,251

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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24. 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, 2019
Less than one year	594,786	637,071
From one to five years	1,667,459	1,692,184
More than five years	2,507,382	3,043,994
Total	4,769,627	5,373,249
Classified as:		
Operating lease contracts	171,879	214,025
Finance lease contracts – IFRS 16	4,597,748	5,159,224
Total	4,769,627	5,373,249

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

Saudi Riyal		
	December 31, 2020	December 31, 2019
Rental contract expenses	507,725	910,876

25. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company's capital commitments as at December 31, 2020 amounting of SR. 1,228,830 of a total value of work amounting of SR. 2,970,932 (2019: SR. 304,000 of total value of work amounting of SR 1,741,372) and these commitments related to the supply of spare parts for the machinery.

At December 31, 2020, the Company had outstanding letter of credits amounting of SR. 5,8 million (2019: 1 million) and outstanding bank guarantees amounting of SR. 51,3 million (2019: 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. 2,6 million (2019: SR. 2,6 million) in accordance with bank guarantees and letter of credits facilities with local banks with a total value of SR. 101,5 million by guaranteeing the Company's issued bonds with the full value of the facilities.

26. 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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26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

The benefits of senior management personnel consist of the following:

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Short-term employee benefits	3,326,145	2,929,495
Post-employment benefits	184,000	164,917
Board of Directors' bonus	900,000	900,000
	4,410,145	3,994,412

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:

	Transaction Amounts	
	Saudi Riyal	
Nature of transactions	December 31, 2020	December 31, 2019
Sales	5,587,435	8,668,495

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

	Saudi Riyal	
	December 31, 2020	December 31, 2019
Related party		
Elegant Romoz for Trading Company	1,252,290	414,856

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 1 million SR. has been received In January 2021, as part of the remaining balance on December 31, 2020 will be paid.

27. COMPARATIVE FIGURES

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

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on Rajab 4, 1442H (corresponding to February 16, 2021).