

ELECTRICAL INDUSTRIES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX - MONTH PERIODS ENDED 30 JUNE 2023
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT

Electrical Industries Company
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements with independent auditor's review report
For the three and six - month periods ended 30 June 2023

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغش
 ٦١٨٩ طريق الأمير تركي، الكورنيش
 ص.ب ٤٨٠٣
 الخبر ٣١٤٦ - ٣٤٤١٢
 المملكة العربية السعودية
 سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Electrical Industries Company

Introduction

We have reviewed the accompanying 30 June 2023 condensed consolidated interim financial statements of Electrical Industries Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2023;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2023; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR 40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي منوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاء محاسبون ومراجعون قانونيون"، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Electrical Industries Company (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed consolidated interim financial statements of Electrical Industries Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services

Dr Abdullah Hamad Al Fozan
License no. 348



Al Khobar,
Date: 09 August 2023G
Corresponding to: 22 Muharram 1445H.

Electrical Industries Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of financial position

As at 30 June 2023

(All amounts stated in Saudi Riyals unless otherwise stated)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3	248,411,845	253,890,680
Right of use assets	4	23,221,571	24,561,440
Intangible assets		10,018,880	10,052,760
Financial assets at fair value through other comprehensive income		15,519,509	15,500,032
Total non-current assets		297,171,805	304,004,912
Current assets			
Inventories	5	806,143,418	718,865,713
Trade and other receivables	6	608,200,517	528,603,252
Cash and cash equivalents		90,866,985	122,295,427
Total current assets		1,505,210,920	1,369,764,392
Total assets		1,802,382,725	1,673,769,304
EQUITY AND LIABILITIES			
Equity			
Share capital	7	562,500,000	450,000,000
Statutory reserve		62,175,598	62,175,598
Treasury shares		(9,861,621)	(9,861,621)
Share based payment reserve		758,165	1,432,378
Foreign currency translation reserve		(1,469,705)	(2,121,897)
Fair value reserve		145,813	126,336
Retained earnings		101,652,579	129,010,081
Total equity		715,900,829	630,760,875
Liabilities			
Non-current liabilities			
Lease liabilities		21,975,629	22,619,993
Employees' benefits		93,917,373	90,870,112
Total non-current liabilities		115,893,002	113,490,105
Current liabilities			
Current portion of long-term borrowings	8	8,876,082	16,605,296
Short-term murabaha borrowings	8	341,060,575	415,017,949
Trade and other payables	9	605,812,669	477,724,275
Current portion of lease liabilities		3,452,596	3,290,115
Zakat and income tax payable	12	11,386,972	16,880,689
Total current liabilities		970,588,894	929,518,324
Total liabilities		1,086,481,896	1,043,008,429
Total equity and liabilities		1,802,382,725	1,673,769,304

Yousef Al Quraishi
(Designated member)

Tariq Al Tahini
(Managing Director)

Medhat A. Ghaleb
(EVP Finance and IT)

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

Electrical Industries Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of profit or loss and other comprehensive income
For the three and six-month periods ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue	14	374,676,919	226,860,670	754,844,974	455,937,217
Cost of revenue		(280,522,054)	(175,217,629)	(581,863,182)	(364,414,962)
Gross profit		94,154,865	51,643,041	172,981,792	91,522,255
Selling and distribution expenses		(13,174,770)	(12,834,499)	(25,198,698)	(23,834,600)
General and administrative expenses		(15,185,200)	(13,251,823)	(30,933,617)	(26,889,594)
(Provision) / reversal of expected credit loss allowance		(1,948,879)	(1,209,664)	(4,972,121)	956,917
Other operating (expenses) / income		(215,257)	1,013,170	(1,228,703)	1,364,806
Operating profit		63,630,759	25,360,225	110,648,653	43,119,784
Finance cost		(8,359,545)	(3,641,355)	(16,478,938)	(6,226,888)
Profit before zakat and income tax		55,271,214	21,718,870	94,169,715	36,892,896
Zakat and income tax expense		(5,268,130)	(3,180,020)	(9,027,217)	(6,180,040)
Profit for the period		50,003,084	18,538,850	85,142,498	30,712,856
Other comprehensive (loss) / income					
<i>Items that may be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i>					
Foreign operations – foreign currency translation differences		(63,638)	(824,445)	652,192	(1,033,786)
<i>Items that will not be reclassified to the condensed consolidated statement of profit or loss in subsequent periods</i>					
Equity investments at FVOCI – net change in fair value		34,479	20,529	19,477	86,066
Other comprehensive (loss) / income for the period		(29,159)	(803,916)	671,669	(947,720)
Total comprehensive income for the period		49,973,925	17,734,934	85,814,167	29,765,136

Earnings per share (Saudi Riyals)

Basic	10	0.90	0.33	1.53	0.55
Diluted	10	0.89	0.33	1.52	0.55

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Electrical Industries Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of changes in equity
For the six-month period ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Share based payment reserve	Foreign currency translation reserve	Fair value reserve	Retained Earnings	Total
As at 1 January 2022 (Audited)	450,000,000	52,758,597	(9,861,621)	1,308,332	(1,457,106)	36,848	95,017,743	587,802,793
<i>Total comprehensive income for the period</i>								
Profit for the period	-	-	-	-	-	-	30,712,856	30,712,856
Other comprehensive loss for the period	-	-	-	-	(1,033,786)	86,066	-	(947,720)
Total comprehensive income for the period	-	-	-	-	(1,033,786)	86,066	30,712,856	29,765,136
Share based compensation	-	-	-	224,121	-	-	-	224,121
Dividend (Note 16)	-	-	-	-	-	-	(45,000,000)	(45,000,000)
As at 30 June 2022 (Unaudited)	450,000,000	52,758,597	(9,861,621)	1,532,453	(2,490,892)	122,914	80,730,599	572,792,050
As at 1 January 2023 (Audited)	450,000,000	62,175,598	(9,861,621)	1,432,378	(2,121,897)	126,336	129,010,081	630,760,875
<i>Total comprehensive income for the period</i>								
Profit for the period	-	-	-	-	-	-	85,142,498	85,142,498
Other comprehensive income for the period	-	-	-	-	652,192	19,477	-	671,669
Total comprehensive income for the period	-	-	-	-	652,192	19,477	85,142,498	85,814,167
Share based compensation	-	-	-	409,254	-	-	-	409,254
Utilization of share-based payment reserve	-	-	-	(1,083,467)	-	-	-	(1,083,467)
	-	-	-	(674,213)	-	-	-	(674,213)
Increase in share capital (note 7)	112,500,000	-	-	-	-	-	(112,500,000)	-
As at 30 June 2023 (Unaudited)	562,500,000	62,175,598	(9,861,621)	758,165	(1,469,705)	145,813	101,652,579	715,900,829

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Electrical Industries Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of cash flows
For the six-month period ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

	For the six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities		
Profit before zakat and income tax	94,169,715	36,892,896
<i>Adjustment for:</i>		
Depreciation and amortization	13,705,978	14,587,797
Provision / (reversal) for expected credit loss allowance	4,972,121	(956,917)
Allowance for inventories obsolescence	953,820	224,364
Finance cost	16,478,938	6,226,888
Share based payment expense	409,254	224,121
Employee benefit obligations	4,062,646	3,438,866
	<u>134,752,472</u>	<u>60,638,015</u>
<i>Changes in:</i>		
Inventories	(87,958,070)	(96,460,395)
Trade and other receivables	(83,796,158)	(59,505,847)
Trade and other payables	127,559,740	80,441,228
Cash generated from / (used in) operations	<u>90,557,984</u>	<u>(14,886,999)</u>
Finance cost paid	(16,458,146)	(4,893,068)
Employee benefit paid	(1,015,385)	(1,165,739)
Zakat and income tax paid	(14,520,934)	(14,419,289)
Net cash generated from / (used in) operating activities	<u>58,563,519</u>	<u>(35,365,095)</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(4,654,181)	(4,325,289)
Additions to intangible assets	(1,127,832)	(848,415)
Proceeds from disposal of property, plant and equipment	-	236,677
Net cash used in investing activities	<u>(5,782,013)</u>	<u>(4,937,027)</u>
Cash flows from financing activities		
Changes in short-term murabaha borrowings	(73,957,374)	70,596,452
Repayment of long-term borrowings	(7,750,000)	(6,932,715)
Payment of lease liabilities	(1,457,137)	(1,448,940)
Payment against share based payments reserve	(1,083,467)	-
Dividend paid	-	(45,000,000)
Net cash (used in) / generated from financing activities	<u>(84,247,978)</u>	<u>17,214,797</u>
Net change in cash and cash equivalents	<u>(31,466,472)</u>	<u>(23,087,325)</u>
Cash and cash equivalents at the beginning of the period	122,295,427	65,630,379
Effect of exchange rate fluctuations on cash and cash equivalents	38,030	(27,493)
Cash and cash equivalents at the end of the period	<u>90,866,985</u>	<u>42,515,561</u>
Significant non-cash transactions		
Additions to right of use assets and lease liabilities	587,612	-
Exchange differences on lease liabilities	387,643	1,602,093
Exchange differences on right of use assets	348,218	1,487,254
Exchange differences on property, plant and equipment	135,552	636,393
Amortization of transaction costs	20,786	70,015

Yousef Al Quraishi
(Designated member)

Tariq Al Tahini
(Managing Director)

Medhat A. Ghaleb
(EVP Finance and IT)

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

Electrical Industries Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six month periods ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

Electrical Industries Company (the “Company” or “EIC”) and its subsidiaries (collectively the “Group”) consist of the Company and its following subsidiaries registered as limited liability companies:

	Effective ownership at	
	30 June 2023	31 December 2022
<u>Kingdom of Saudi Arabia:</u>		
Wahah Electric Supply Company of Saudi Arabia Limited (“WESCOSA”)	100%	100%
Saudi Transformers Company Limited (“STC”)	100%	100%
Saudi Power Transformers Company Limited (“SPTC”)	100%	100%
<u>United Arab Emirates:</u>		
Gulf Electrical Equipment Company L.L.C. (“GEEC”)	100%	100%
<u>Belgium:</u>		
Pauwels Transformers NV (“PTNV”) (100% owned by GEEC)	100%	100%

The Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration (“CR”) number 2050056359 issued in Dammam on 22 Shaban 1428H (4 September 2007). These condensed consolidated interim financial statements includes the operations of the Company and its above-mentioned subsidiaries. The registered address of the Company is P.O. Box 6033, Al Khobar 31442, Kingdom of Saudi Arabia.

The Group is principally engaged in the manufacturing, assembly, supply and repair and maintenance of transformers, compact substations and low voltage distribution panels, electrical distribution boards, cable trays, switch gears and other electrical equipment as well as provision of technical services relating to these activities.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on 07 August 2023G (corresponding to 20 Muharram 1445H).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (IAS 34) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022 (“Last Annual Consolidated Financial Statements”). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group’s consolidated financial position and performance since the last annual consolidated financial statements.

Electrical Industries Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six month periods ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of preparation

These condensed consolidated interim financial statements have been prepared on a going concern basis, applying a historical cost convention, except for employee benefits obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method, employee share options program and financial assets classified as fair value through other comprehensive income items that have been measured at fair value.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Group.

2.4 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Last Annual Consolidated Financial Statements.

2.5 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022.

Effective 1 May 2022, the Group changed its cost formula from weighted average to first in first out (FIFO) to determine the value of its inventories. This change in the cost formula represents a change in accounting policy. The change in accounting policy for current period resulted in increase in cost of sales amounting to SR 2.01 million with corresponding decrease in inventories, net profit for the period and decrease in basic and diluted earnings per share by SR 0.04. The impact of change in accounting policy relating to 30 June 2022 is not material, accordingly, comparatives have not been restated.

A number of amendments to existing standards, as detailed in note 2.6 below, became effective from 1 January 2023 but they do not have a material effect on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.6 New standards, amendments and interpretations

a) New and revised standards with no material effect on the condensed consolidated interim financial statements

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- IFRS 17 Insurance contracts (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023.

Electrical Industries Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six month periods ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 New standards, amendments and interpretations (Continued)

a) New and revised standards with no material effect on the condensed consolidated interim financial statements (Continued)

- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12, effective for annual periods beginning on or after 1 January 2023.

b) New and revised standards issued but not yet effective

The amendments to existing standards that are issued, but not yet effective, up to the date of issuance of the Group's condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these amendments to existing standards, if applicable, when they become effective:

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Supplier Finance Arrangement (Amendments to IAS 7 and IFRS 7), effective for annual periods beginning on or after 1 January 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The above-mentioned standards are not expected to have a significant impact on the condensed consolidated interim financial statement of the Group.

3. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment is as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Carrying value at the beginning of the period / year	253,890,680	270,564,761
Additions	4,654,181	8,748,694
Exchange difference	135,552	(536,729)
Transfers to intangible assets	-	(2,911,977)
Depreciation for the period / year	(10,268,568)	(21,974,069)
Carrying value at the end of the period / year	248,411,845	253,890,680

Depreciation expense for the three and six-month periods ended 30 June 2023 is SR 5.2 million and SR 10.3 million respectively (three and six-month periods ended 30 June 2022: SR 6.2 million and SR 11.60 million respectively).

Property, plant and equipment includes the capital work in progress amounting to SR 16.40 million (31 December 2022: SR 13.75 million).

Electrical Industries Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six month periods ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

4. RIGHT OF USE ASSETS

The movement of right of use assets is as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Carrying value at the beginning of the period / year	24,561,440	29,986,060
Additions	587,612	-
Exchange difference	348,218	(1,226,680)
Depreciation for the period / year	(2,275,699)	(4,197,940)
Carrying value at the end of the period / year	23,221,571	24,561,440

Depreciation expense for the three and six-month periods ended 30 June 2023 is SR 1.2 million and SR 2.3 million respectively (three and six-months periods ended 30 June 2022: SR 1.02 million and SR 2.1 million).

5. INVENTORIES

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Raw materials	404,869,584	304,307,888
Finished goods	164,695,916	75,458,862
Goods-in-transit	119,281,819	144,478,119
Work-in-progress	126,659,033	204,153,945
Spare parts and supplies, not held for sale	7,373,737	6,249,750
	822,880,089	734,648,564
Less: allowance for inventory obsolescence	(16,736,671)	(15,782,851)
	806,143,418	718,865,713

6. TRADE AND OTHER RECEIVABLES

	Note	30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Trade receivables		546,574,881	473,552,296
Less: impairment loss allowance		(16,682,588)	(12,957,225)
		529,892,293	460,595,071
Due from related parties	15b	2,203,894	3,604,084
Advance to supplier		54,381,550	48,108,342
Advance to employees		13,172,032	12,813,453
Prepaid expenses		6,322,320	1,612,485
Others		2,228,428	1,869,817
		608,200,517	528,603,252

Electrical Industries Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and six month periods ended 30 June 2023
(All amounts stated in Saudi Riyals unless otherwise stated)

7. SHARE CAPITAL

The Company's board of directors recommended in its meeting held on 28 March 2023 to increase share capital by way of granting bonus shares of one share to every four shares. The share capital increase was proposed by way of capitalization of SR 112.5 million from retained earnings. The proposed bonus shares issuance was approved by the Company's shareholders in an Extraordinary General Assembly Meeting held on 21 June 2023. During the six-month period ended 30 June 2023, bonus shares were distributed and share capital was increased accordingly.

8. BORROWINGS

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
<i>Long term borrowings:</i>		
Saudi Industrial Development Fund ("SIDF")	8,900,000	16,650,000
Less: unamortized transaction cost	(23,918)	(44,704)
	8,876,082	16,605,296

Long-term borrowings are presented as follows:

Current maturity under current liabilities	8,876,082	16,605,296
	8,876,082	16,605,296

Movement in unamortized transaction cost is as follows:

Balance at beginning of period / year	44,704	162,520
Less: amortization	(20,786)	(117,816)
Balance at end of the period / year	23,918	44,704

As per the loan agreement between SPTC and SIDF, SPTC has to comply with certain loan covenants related to maintenance of financial ratios (current ratio 1:1 and liabilities to tangible net worth ratio 3:1). As of 30 June 2023, SPTC was in compliance with the loan covenants.

Short-term murabaha borrowings:

These represent short-term murabaha borrowings obtained from commercial banks and bear financial charges at prevailing market rates. The loans are principally secured by corporate guarantees provided by the Company.

9. TRADE AND OTHER PAYABLES

	Note	30 June 2023	31 December 2022
		(Unaudited)	(Audited)
Advance from customers		243,966,159	153,250,903
Trade payables		167,604,834	150,432,521
Accrued expenses		180,925,121	160,150,016
Value added tax payable		6,938,286	8,581,388
Due to a related party	15b	9,482	-
Others		6,368,787	5,309,447
		605,812,669	477,724,275

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10. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to the shareholders of Electrical Industries Company	50,003,084	18,538,850	85,142,498	30,712,856
Weighted average number of ordinary shares for basic earnings per share	55,625,000	55,625,000	55,625,000	55,625,000
Weighted average number of ordinary shares deemed to be issued under employee share incentive program	398,264	396,993	398,264	396,993
Weighted average number of ordinary shares for the purpose of diluted earnings	56,023,264	56,021,993	56,023,264	56,021,993
Basic earnings per share	0.90	0.33	1.53	0.55
Diluted earnings per share	0.89	0.33	1.52	0.55

The weighted average number of outstanding shares have been retrospectively adjusted for prior period to reflect the distribution of 11.25 million bonus shares during the six month period ended 30 June 2023.

Weighted average number of ordinary shares outstanding as at 30 June 2023 and 2022 are adjusted by weighted average number of treasury shares bought back by the Company for the purpose of issuing shares under the employee share incentive program.

11. CONTINGENCIES AND COMMITMENTS

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Bank guarantees	415,069,618	357,945,609
Letters of credit	221,444,735	142,145,333
Capital expenditure	34,049,618	10,935,731

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12. ZAKAT ASSESSMENT

The Group has obtained zakat certificates from Zakat, Tax and Customs Authority (“ZATCA”) for the years through 2022. ZATCA has finalized the Group’s zakat assessments for the years through 2014. Assessments for the years 2015 to 2022 are currently under review by ZATCA.

In 2020, the Group received additional zakat and withholding tax assessments for the years from 2015 to 2018 amounting to SR 6.4 million and SR 1.3 million, respectively. The Group filed appeals against such assessments with ZATCA, and ZATCA accepted the appeals for 2015 and 2017 in full, with partial acceptance of 2016 and 2018 objections. Accordingly, the Group filed appeals against such revised assessments related to 2016 and 2018 with the General Secretariat of Tax Committees (“GSTC”) relating to additional zakat and withholding tax assessments of SR 6.2 million and SR 0.4 million, respectively. In 2021, the GSTC’s Committee for the Resolution of tax Violation and Disputes issued revised assessments and reduced the zakat and withholding tax assessments to SR 3.9 million and SR 0.08 million respectively. ZATCA and the Company have appealed the decision to GSTC – 2nd level. The Company has filed a settlement plan to the Settlement Committee of ZATCA, held a discussion session and responded to the queries raised. The Final decision of the Settlement Committee is awaited.

In 2021, the Group received zakat assessments for the years 2019 and 2020 amounting to SR 4.7 million and SR 2.7 million, respectively. The Group accepted and paid SR 0.29 million and filed appeal against the balance amounts with ZATCA. In 2022, ZATCA cancelled the appealed zakat assessments and notified the Group that it will receive new assessments. The Group has not accepted this action taken by ZATCA and filed appeals against it with the General Secretariat of Tax Committees (“GSTC”).

The Group believes that their contentions are in accordance with the applicable ZATCA regulations, and no material liability will arise upon finalization of such assessments. Accordingly, no provision for such outstanding assessments has been made in the condensed consolidated interim financial statements for the period ended 30 June 2023.

13. FAIR VALUE MEASUREMENT

The Group’s principal financial assets include cash and cash equivalents, investments classified as fair value through other comprehensive income, trade and certain other receivables that arise directly from its operations. The Group’s principal financial liabilities comprise long term and short-term loans, trade and other payables.

Fair values hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no such transfers during the period and year ended 30 June 2023 and 31 December 2022 respectively.

The table below presents the financial assets at their fair values as at 30 June 2023 and 31 December 2022 based on the fair value hierarchy:

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13. FAIR VALUE MEASUREMENT (Continued)

Financial Assets at FVOCI	Level 1	Level 2	Level 3	Total
30 June 2023 (Unaudited)				
Non-listed equity investments	-	-	15,300,000	15,300,000
Listed equity investments	219,509	-	-	219,509
Total as at 30 June 2023	219,509	-	15,300,000	15,519,509
31 December 2022 (Audited)				
Non-listed equity investments	-	-	15,300,000	15,300,000
Listed equity investments	200,032	-	-	200,032
Total as at 31 December 2022	200,032	-	15,300,000	15,500,032

As on 30 June 2023, Group has investment of SR 15.3 million (31 December 2022: SR 15.3 million) in a non-listed company which is classified as level 3. This represents the cost of investment which approximates to its fair value as on 30 June 2023 and as on 31 December 2022.

Further, the Group has invested in the shares of a listed company, which have been valued using Level 1 fair value hierarchy. Therefore, the fair value is calculated with reference to the quoted price as on 30 June 2023 and 31 December 2022. The Group has recorded fair value gains of SR 19,477 in other comprehensive income during the six month period ended 30 June 2023 (six month period ended 30 June 2022: SR 86,066).

As at 30 June 2023 and 31 December 2022, the fair values of the Group's financial instruments, other than mentioned above, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of condensed consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

14. SEGMENT INFORMATION

The Board of Directors monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segments profits and is measured consistently in the condensed consolidated interim financial statements.

The Group operates principally in the following two operating segments, and these are identified as operating segments based on the products and services offered:

- Manufacturing, assembly and supply of various types of electrical equipment; and
- Provision of technical services.

No operating segments have been aggregated to form the above reportable operating segments. There is no inter-segment revenue.

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14. SEGMENT INFORMATION(Continued)

(a) Information about reportable segments

Selected financial information as of 30 June 2023 and 31 December 2022 and for the three month period ended 30 June 2023 and 2022, summarized by the above operating segments, is as follows:

For the three-month period ended 30 June 2023 (Unaudited)	Manufacturing, assembly & supply	Services	Total
Revenue from external customers	355,153,415	19,523,504	374,676,919
Cost of revenue	(270,048,636)	(6,211,092)	(276,259,728)
Selling and distribution expenses	(12,773,451)	(306,783)	(13,080,234)
General and administrative expenses	(13,748,888)	(685,297)	(14,434,185)
Depreciation of property, plant and equipment	(4,617,484)	(490,393)	(5,107,877)
Other operating expenses	(215,257)	-	(215,257)
Segment results	53,749,699	11,829,939	65,579,638
For the six-month period ended 30 June 2023 (Unaudited)	Manufacturing, assembly & supply	Services	Total
Revenue from external customers	720,512,863	34,332,111	754,844,974
Cost of revenue	(561,605,739)	(11,362,879)	(572,968,618)
Selling and distribution expenses	(23,242,683)	(1,739,399)	(24,982,082)
General and administrative expenses	(28,290,293)	(1,485,936)	(29,776,229)
Depreciation of property, plant and equipment	(9,278,888)	(989,680)	(10,268,568)
Other operating expenses	(1,228,703)	-	(1,228,703)
Segment results	96,866,557	18,754,217	115,620,774
As at 30 June 2023 (Unaudited)			
Segment assets	1,494,337,671	90,109,885	1,584,447,556
Segment liabilities	166,591,612	1,003,607	167,595,219
For the three-month period ended 30 June 2022 (Unaudited)	Manufacturing, assembly & supply	Services	Total
Revenue from external customers	208,648,645	18,212,025	226,860,670
Cost of revenue	(163,446,378)	(6,419,122)	(169,865,500)
Selling and distribution expenses	(12,246,114)	(237,175)	(12,483,289)
General and administrative expenses	(12,186,074)	(621,402)	(12,807,476)
Depreciation of property, plant and equipment	(5,965,814)	(181,872)	(6,147,686)
Other operating income	1,013,170	-	1,013,170
Segment results	15,817,435	10,752,454	26,569,889

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14. SEGMENT INFORMATION (Continued)

(a) Information about reportable segments (Continued)

For the six-month period ended 30 June 2022 (Unaudited)	Manufacturing, assembly & supply	Services	Total
Revenue from external customers	425,522,365	30,414,852	455,937,217
Cost of revenue	(342,052,473)	(12,171,865)	(354,224,338)
Selling and distribution expenses	(22,323,151)	(904,012)	(23,227,163)
General and administrative expenses	(24,800,555)	(1,286,170)	(26,086,725)
Depreciation of property, plant and equipment	(10,978,779)	(622,151)	(11,600,930)
Other operating income	1,364,806	-	1,364,806
Segment results	26,732,213	15,430,654	42,162,867
As at 31 December (Audited)			
Segment assets	1,345,265,690	91,689,858	1,436,955,548
Segment liabilities	148,609,059	1,823,462	150,432,521

Finance cost, zakat and income tax expense and expected credit loss allowance are not allocated to individual segments as the underlying instruments are managed on a group basis.

Certain financial and non-financial assets such as financial asset at fair value through other comprehensive income, right of use assets, intangibles assets, prepayment and other current assets and cash and cash equivalents are not allocated to those segments as they are managed on a group basis.

Certain financial and non-financial liabilities such as lease liabilities, employee benefit obligations, loans and borrowings, accrued expenses and other current liabilities are not allocated to those segments as they are also managed on a group basis.

(b) Reconciliation of information on reportable segments to the amount reported in the condensed consolidated interim financial statements:

Reconciliation of profit before zakat and income tax

	For the six-month period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Segments results	115,620,774	42,162,867
Finance cost	(16,478,938)	(6,226,888)
(Provision) / reversal expected credit loss allowance	(4,972,121)	956,917
Profit before zakat and income tax	94,169,715	36,892,896

As at 30 June 2023, segment assets did not include unallocated assets amounting to SR 217.94 million (31 December 2022: SR 236.81 million).

As at 30 June 2023, segment liabilities did not include unallocated liabilities amounting to SR 918.89 million (31 December 2022: SR 892.58 million).

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14. SEGMENT INFORMATION (Continued)

(c) Geographic information

The revenue for the six month periods ended 30 June 2023 and 2022, categorized by the geographical segments is as follows:

	For the six-month period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Kingdom of Saudi Arabia	670,590,444	427,278,383
Other countries	84,254,530	28,658,834
	754,844,974	455,937,217

The non-current operating assets of the Group as at 30 June 2023 and 31 December 2022 are categorized by the geographical segments as follows:

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Kingdom of Saudi Arabia	259,336,393	264,748,159
Belgium	22,315,903	23,756,721
	281,652,296	288,504,880

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties ("Other Related Parties"). Terms and conditions of these transactions are approved by the Group's management. During the period, the Group transacted with the following related parties.

<u>Name of related party</u>	<u>Nature of relationship</u>
Ajda Industrial and Technology Services Company	Major Shareholder
Saad Abdullah Al-Tuwaijri Sons Holding Company	Major Shareholder
Ali Zaid Al Quraishi and Partners Electrical Services of Saudi Arabia ("AQESA")	Other related party
Al Toukhi Company for Industrial Trading and Contracting	Other related party
Ali Zaid Al Quraishi & Brothers Company	Other related party

a) *Following are the significant transactions entered into by the Group:*

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Ali Zaid Al-Quraishi & Partners Electrical Services of Saudi Arabia				
Sales	2,429	-	1,820,916	-
Costs and expenses charged by related party	7,405	-	15,304	423,163

b) *Balances with related parties:*

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Due from related parties		
Ali Zaid Al Quraishi and Partners Electrical Services of Saudi Arabia	-	1,400,190
Al Toukhi Company for Industrial Trading and Contracting	2,203,894	2,203,894
	2,203,894	3,604,084

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15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances with related parties: (continued)

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Due to a related party	9,482	-
Ali Zaid Al Quraishi and Partners Electrical Services of Saudi Arabia	9,482	-

c) Key management personnel compensation:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short-term				
employee benefits	3,528,872	1,566,414	5,727,136	4,468,822
Employees' benefits	140,695	130,535	284,026	259,235
Share based payment expense	131,107	34,709	196,660	69,416
	3,800,674	1,731,658	6,207,822	4,797,473

Board of directors' fee for the three-month and six-month periods ended 30 June 2023 was SR 400,000 and SR 800,000, respectively (three-month and six-month periods ended 30 June 2022: SR 400,000 and SR 800,000, respectively).

Advances to employees includes advances to a key management personnel amounting to SR 2.1 million as of 30 June 2023 (31 December 2022: SR 1.3 million).

16. DIVIDEND

The Board of Directors has recommended in its meeting held on 28 March 2023 to the Extraordinary General Assembly to increase the Company's capital by granting one share for every four shares, and the Extraordinary General Assembly has approved the same in its meeting held on 21 June 2023.

The Company's Board of Directors, in their meeting held on 17 March 2022, had proposed cash dividends of SR 1 per share totaling to SR 45 million, for the year ended 31 December 2021, which was approved in the annual general meeting held on 20 April 2022.

17. SUBSEQUENT EVENTS

No significant subsequent event occurred between 30 June 2023 and the date of authorization of these condensed consolidated interim financial statements by the Board, which may have material impact on these condensed consolidated interim financial statements.