

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2020 AND REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020

	Page
Report on review of interim financial information	2
Condensed consolidated interim statement of profit or loss and other comprehensive income	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial information	7 - 16



Report on review of interim financial information

To the shareholders of Electrical Industries Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Electrical Industries Company and its subsidiaries (the "Group") as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2020 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.


Scope of review

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

Conclusion

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

PricewaterhouseCoopers


Ali H. Al Basri
License Number 409

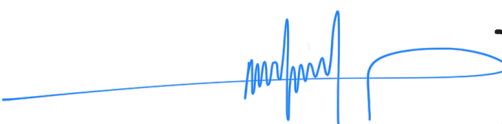
20 August 2020

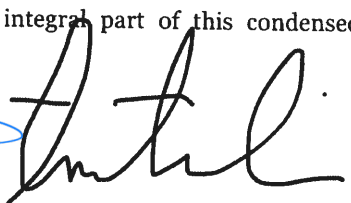



ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	109,641,566	154,497,639	249,136,311	260,674,531
Cost of sales	(100,721,027)	(135,062,574)	(217,630,919)	(222,261,773)
Gross profit	8,920,539	19,435,065	31,505,392	38,412,758
Selling and distribution expenses	(7,664,957)	(8,228,058)	(15,512,877)	(15,909,186)
General and administrative expenses	(9,980,021)	(10,055,853)	(19,261,219)	(19,791,182)
Expected credit loss allowance	968,431	926,874	815,148	838,306
Other operating income - net	29,833	895,494	302,329	741,272
Operating (loss) profit	(7,726,175)	2,973,522	(2,151,227)	4,291,968
Financial costs	(1,881,453)	(2,524,806)	(3,960,739)	(5,840,191)
Share of net loss of an investment accounted for using the equity method	(16,744)	(26,261)	(38,030)	(48,024)
(Loss) profit before zakat	(9,624,372)	422,455	(6,149,996)	(1,596,247)
Zakat expense	(1,950,801)	(2,143,110)	(4,577,603)	(4,286,220)
Loss for the period	(11,575,173)	(1,720,655)	(10,727,599)	(5,882,467)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(11,575,173)	(1,720,655)	(10,727,599)	(5,882,467)
Loss per share (Saudi Riyals)				
Basic and diluted (Note 8)	(0.26)	(0.04)	(0.24)	(0.13)

The accompanying notes are an integral part of this condensed consolidated interim financial information.


Yousef Al Quraishi
Designated member


Tariq Al Tahini
Managing Director


Medhat A. Ghaleb
EVP Finance and IT

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Note			
	Assets		
	Non-current assets		
	Property, plant and equipment	275,677,827	281,938,379
	Right-of-use assets	12,605,548	7,797,828
	Intangible assets	10,950,330	12,248,636
	Financial asset at fair value through other comprehensive income	9,000,000	9,000,000
	Total non-current assets	308,233,705	310,984,843
	Current assets		
	Inventories	267,142,304	210,857,284
	Trade and other receivables	454,793,111	470,600,052
	Cash and cash equivalents	25,009,212	24,142,233
	Total current assets	746,944,627	705,599,569
	Total assets	1,055,178,332	1,016,584,412
	Equity and liabilities		
	Equity		
	Share capital	450,000,000	450,000,000
	Statutory reserve	45,481,782	45,481,782
8	Treasury shares	(2,697,043)	(2,697,043)
9	Share based compensation reserve	206,196	-
	Retained earnings	48,477,062	59,204,661
	Total equity	541,467,997	551,989,400
	Liabilities		
	Non-current liabilities		
6	Long-term borrowings	-	35,853,048
	Lease liabilities	10,609,155	6,804,173
	Employee benefit obligations	68,348,244	67,975,619
	Total non-current liabilities	78,957,399	110,632,840
	Current liabilities		
6	Trade and other payables	223,672,550	148,498,028
	Current portion of long-term borrowings	43,934,889	7,963,291
	Short-term murabaha borrowings	148,133,682	184,419,919
	Current portion of lease liabilities	1,847,111	493,833
	Zakat payable	17,164,704	12,587,101
	Total current liabilities	434,752,936	353,962,172
	Total liabilities	513,710,335	464,595,012
	Total equity and liabilities	1,055,178,332	1,016,584,412

The condensed consolidated interim financial information including notes was approved and authorized for issue by the Board of Directors on 20 August 2020 and was signed on their behalf by:

		
Yousef Al Quraishi Designated member	Tariq Al Tahini Managing Director	Medhat A. Ghaleb EVP Finance and IT

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Share based compensation reserve	Retained earnings	Total
At 1 January 2019 (Audited)	450,000,000	45,481,782	-	-	103,386,407	598,868,189
Loss for the period	-	-	-	-	(5,882,467)	(5,882,467)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(5,882,467)	(5,882,467)
At 30 June 2019 (Unaudited)	450,000,000	45,481,782	-	-	97,503,940	592,985,722
At 1 January 2020 (Audited)	450,000,000	45,481,782	(2,697,043)	-	59,204,661	551,989,400
Loss for the period	-	-	-	-	(10,727,599)	(10,727,599)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(10,727,599)	(10,727,599)
Share based compensation (Note 9)	-	-	-	206,196	-	206,196
At 30 June 2020 (Unaudited)	450,000,000	45,481,782	(2,697,043)	206,196	48,477,062	541,467,997

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Yousef Al Quraishi
Designated member

Tariq Al Tahini
Managing Director

Medhat A. Ghaleb
EVP Finance and IT

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended 30 June	
	2020	2019
Cash flows from operating activities		
Loss before zakat	(6,149,996)	(1,596,247)
<u>Adjustments for</u>		
Depreciation and amortization	12,480,216	13,454,726
Expected credit loss allowance	(815,148)	(838,306)
Allowance for inventory obsolescence	2,511,241	379,067
Share in net loss of an investment accounted for using the equity method	38,030	48,024
Financial costs	3,960,739	5,840,191
Share based compensation expense	206,196	-
Employee benefit obligations	3,706,374	3,737,132
<u>Changes in operating assets and liabilities:</u>		
Decrease in trade and other receivables	16,622,089	2,400,699
(Increase) decrease in inventories	(58,796,261)	17,718,953
Increase (decrease) in trade and other payables	75,944,787	(25,460,583)
Cash generated from operations	49,708,267	15,683,656
Financial costs paid on borrowings	(4,650,484)	(4,185,477)
Employee benefit obligations paid	(3,333,749)	(3,900,622)
Zakat paid	-	(11,294,495)
Net cash inflow (outflow) from operating activities	41,724,034	(3,696,938)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(3,544,608)	(3,067,273)
Payments for purchase of intangible assets	(594,806)	(120,977)
Net cash outflow from investing activities	(4,139,414)	(3,188,250)
Cash flows from financing activities		
Changes in short-term murabaha borrowings	(36,286,237)	7,451,105
Repayment of long-term borrowings	-	(2,000,000)
Repayments of lease liabilities	(431,404)	(740,673)
Net cash (outflow) inflow from financing activities	(36,717,641)	4,710,432
Net change in cash and cash equivalents	866,979	(2,174,756)
Cash and cash equivalents at beginning of period	24,142,233	27,928,776
Cash and cash equivalents at end of period	25,009,212	25,754,020
Non-cash operating, investing and financing activities:		
Loss on an investment accounted for using the equity method classified under trade and other payables	38,030	48,024
Right-of-use assets recorded against lease liabilities	5,589,664	9,017,592
Prepaid lease rentals adjusted against lease liabilities	-	683,358

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Yousef Al Quraishi
Designated member

Tariq Al Tahini
Managing Director

Medhat A. Ghaleb
EVP Finance and IT

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

1 General 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 in the Kingdom of Saudi Arabia:

	Effective ownership at	
	30 June	31 December
	2020	2019
Wahah Electric Supply Company of Saudi Arabia Limited (“WESCOSA”)	100%	100%
Saudi Transformer Company Limited (“STC”)	100%	100%
Saudi Power Transformer Company Limited (“SPTC”)	100%	100%

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.

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 1428 H (4 September 2007). The accompanying condensed consolidated interim financial information includes the operations of the Company and its branch registered in Dammam under CR number 2050105757 dated 24 Rajab 1436H (13 May 2015). The registered address of the Company is P.O. Box 6033, Al Khobar 31442, Kingdom of Saudi Arabia.

SPTC is dependent on financial support from the Company. The Company intends to provide adequate financial support to SPTC to enable it to continue its operations and believes that it will generate positive cash flows in the future. Total property, plant and equipment of SPTC amounted to Saudi Riyals 79.1 million as at 30 June 2020 (31 December 2019: Saudi Riyals 81.4 million).

In response to the spread of the COVID-19 as a pandemic, the Group’s management is continuously assessing the situation and is taking proactive measures to minimize its impacts on the Group’s operations due to the slow down in the economic activities, including those to ensure the health and safety of its employees and contractors. During the three-month and six-month periods ended 30 June 2020, the Group’s production and sales were negatively impacted as two of the Group’s factories located in the Dammam Industrial City did not operate at the budgeted capacity for approximately 45 days as the Group stayed in compliance with the preventive measures applied by the government of Saudi Arabia, including curfew and lockdown in the Dammam Industrial City. Such restrictions were eased out with effect from 31 May 2020 and the lockdown and curfew was completely lifted on 21 June 2020. The Group has achieved sales of Saudi Riyals 249.1 million for the six-month period ended 30 June 2020 which were less than the budgeted sales for such period. Further, the Group has taken certain measures to reduce its operating costs during the six-month period ended 30 June 2020. Considering the above, the Group’s management believes no material negative impact is expected on the results for the second half of 2020.

As of 30 June 2020, the Group has a current ratio of 1.72, confirmed order back log of Saudi Riyals 1,000.2 million, cash and cash equivalent of Saudi Riyals 25.0 million and unutilized credit facilities of Saudi Riyals 345.1 million. The Group’s management has also forecasted its liquidity position and, based on these factors, believes that the Group will be adequately able to meet its working capital and capital expenditure needs for the coming twelve months from the reporting date.

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Accounting policies

The principal accounting policies applied in the preparation of condensed consolidated interim financial information of the Group are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of certain amendments to the standards and interpretations and adoption of accounting policy as set out in Note 2.2 and 2.3, respectively.

2.1 Basis of preparation

This condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, this condensed consolidated interim financial information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019.

2.2 Standards adopted and issued but not yet effective

New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 and have been explained in the Group's 2019 annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial information.

Standards issued but not yet effective:

Certain new accounting standards and interpretations have been published that are mandatory from 1 January 2021 or later reporting periods and have not been early adopted by the Group. Such standards are not expected to have a material impact in the future reporting periods and on foreseeable future transactions.

2.3 Adoption of accounting policy

Share based compensation

The Group has announced an Employee Share Incentive Plan effective 1 April 2020, whereby qualifying employees of the Group receive remuneration in the form of share-based payments, and employees render services as consideration for equity instruments.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 9.

The cost mentioned above is recognised in employee benefits expense, together with a corresponding increase in equity (share based compensation reserve), over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

ELECTRICAL INDUSTRIES COMPANY
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Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Accounting policies (continued)

2.3 Adoption of accounting policy (continued)

Share based compensation (continued)

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. There are no market performance conditions or non-market performance conditions attached to the award. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because service conditions have not been met. Where awards include a non-vesting condition, the transactions are treated as vested irrespective of whether the non-vesting condition is satisfied, provided that service conditions are satisfied. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 8).

3 Fair value of assets and liabilities

As at 30 June 2020 and 31 December 2019, the fair values of the Group's financial instruments 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.

4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

However, as explained in Note 1, the Group's management, has proactively assessed the potential of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Group operates that could adversely affect the Group's supply chain, production capabilities, demand of its products, as well as the sales distribution network that could cause a negative impact on the financial performance. Management has concluded that the Group's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances. Further, as the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months period are discussed below:

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

(b) Expected credit loss ("ECL")

Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in the Group's annual consolidated financial statements. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk, probability of default, exposure at default, and loss given default, as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

(c) Allowance for inventory obsolescence

The Group determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Group's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

(d) RoU assets and lease liabilities

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(e) Estimated impairment of non-current assets

The Group's management, in accordance with the Group's accounting policy, tests assets or Cash-Generating Units ("CGU") for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of Group's products;
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected sales volumes; and
- A current-period operating loss combined with a history and forecast of operating or cash flow losses.

The Group's management determines the recoverable amounts of CGUs based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Group. As at 30 June 2020, the management has performed impairment assessments for non-current assets of all CGUs in the Group, which have not resulted in impairment loss. Further, with regard to the assessment of the value-in-use, the Group's management believes that no reasonably possible change in any of the key assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

5 Segment information

The Group operates principally in the following two operating segments:

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

Selected financial information as of 30 June 2020 and 31 December 2019 and for the three-month and six-month periods ended 30 June 2020 and 2019, summarized by the above operating segments, is as follows:

	Manufacturing, assembly and supply	Services	Total
For the three-month period ended 30 June 2020			
Revenue			
- At a point in time	99,194,854	-	99,194,854
- Over time	-	10,446,712	10,446,712
	99,194,854	10,446,712	109,641,566
Cost of sales	(96,136,192)	(4,584,835)	(100,721,027)
Gross profit	3,058,662	5,861,877	8,920,539
Selling and distribution expenses	(7,259,339)	(405,618)	(7,664,957)
General and administrative expenses	(9,331,973)	(648,048)	(9,980,021)
Expected credit loss allowance	968,431	-	968,431
Other operating income - net	29,833	-	29,833
Operating (loss) profit	(12,534,386)	4,808,211	(7,726,175)
Financial costs	(973,824)	(907,629)	(1,881,453)
Segment results	(13,508,210)	3,900,582	(9,607,628)
For the six-month period ended 30 June 2020			
Revenue			
- At a point in time	222,737,391	-	222,737,391
- Over time	-	26,398,920	26,398,920
	222,737,391	26,398,920	249,136,311
Cost of sales	(207,598,661)	(10,032,258)	(217,630,919)
Gross profit	15,138,730	16,366,662	31,505,392
Selling and distribution expenses	(14,590,515)	(922,362)	(15,512,877)
General and administrative expenses	(18,001,937)	(1,259,282)	(19,261,219)
Expected credit loss allowance	815,148	-	815,148
Other operating income - net	302,329	-	302,329
Operating (loss) profit	(16,336,245)	14,185,018	(2,151,227)
Financial costs	(2,956,553)	(1,004,186)	(3,960,739)
Segment results	(19,292,798)	13,180,832	(6,111,966)
As at 30 June 2020			
Property, plant and equipment	255,383,914	20,293,913	275,677,827
Total assets	973,231,281	81,947,051	1,055,178,332
Total liabilities	510,292,027	3,418,308	513,710,335

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

5 Segment information (continued)

	Manufacturing, assembly and supply	Services	Total
For the three-month period ended 30 June 2019			
Revenue			
- At a point in time	142,932,880	-	142,932,880
- Over time	-	11,564,759	11,564,759
	142,932,880	11,564,759	154,497,639
Cost of sales	(129,729,333)	(5,333,241)	(135,062,574)
Gross profit	13,203,547	6,231,518	19,435,065
Selling and distribution expenses	(9,424,200)	1,196,142	(8,228,058)
General and administrative expenses	(9,436,170)	(619,683)	(10,055,853)
Expected credit loss allowance	926,874	-	926,874
Other operating income - net	599,158	296,336	895,494
Operating profit	(4,130,791)	7,104,313	2,973,522
Financial costs	(2,391,502)	(133,304)	(2,524,806)
Segment results	(6,522,293)	6,971,009	448,716
For the six-month period ended 30 June 2019			
Revenue			
- At a point in time	237,923,628	-	237,923,628
- Over time	-	22,750,903	22,750,903
	237,923,628	22,750,903	260,674,531
Cost of sales	(212,151,627)	(10,110,146)	(222,261,773)
Gross profit	25,772,001	12,640,757	38,412,758
Selling and distribution expenses	(14,722,515)	(1,186,671)	(15,909,186)
General and administrative expenses	(18,508,933)	(1,282,249)	(19,791,182)
Expected credit loss allowance	838,306	-	838,306
Other operating income - net	444,936	296,336	741,272
Operating (loss) profit	(6,176,205)	10,468,173	4,291,968
Financial costs	(5,555,525)	(284,666)	(5,840,191)
Segment results	(11,731,730)	10,183,507	(1,548,223)
As at 31 December 2019			
Property, plant and equipment	262,393,074	19,545,305	281,938,379
Total assets	940,636,930	75,947,482	1,016,584,412
Total liabilities	457,729,280	6,865,732	464,595,012

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

5 Segment information (continued)

Reconciliation of segment results with (loss) profit before zakat

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Total segment results	(9,607,628)	448,716	(6,111,966)	(1,548,223)
Share in net loss of an investment accounted for using the equity method	(16,744)	(26,261)	(38,030)	(48,024)
(Loss) profit before zakat	(9,624,372)	422,455	(6,149,996)	(1,596,247)

The business activities of the Group are mainly concentrated in the Kingdom of Saudi Arabia. All operating assets of the Group are located in the Kingdom of Saudi Arabia. The revenue for the three-month and six-month periods ended 30 June 2020 and 2019, categorized by the geographical segments is as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Kingdom of Saudi Arabia	100,403,272	139,265,039	232,531,522	228,728,799
Other countries	9,238,294	15,232,600	16,604,789	31,945,732
	109,641,566	154,497,639	249,136,311	260,674,531

6 Long-term borrowings

	Note	30 June 2020	31 December 2019
Saudi Industrial Development Fund ("SIDF")	6.1	44,400,000	44,400,000
Less: unamortized transaction costs		(465,111)	(583,661)
		43,934,889	43,816,339
Long-term borrowings are presented as follows:			
Current maturity shown under current liabilities		43,934,889	7,963,291
Long-term borrowings		-	35,853,048
		43,934,889	43,816,339

Movements in unamortized transaction costs are as follows:

	30 June 2020	31 December 2019
Balance at beginning of period / year	583,661	855,862
Less: amortization	(118,550)	(272,201)
Balance at end of period / year	465,111	583,661

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

6 Long-term borrowings (continued)

6.1 SIDF loan

This represents loan obtained by SPTC from SIDF of Saudi Riyals 56.9 million to finance the construction of SPTC's plant facilities, which was fully drawn as of 30 June 2020 and 31 December 2019. The loan is denominated in Saudi Riyals. During 2015, SPTC rescheduled the loan and as per the rescheduling agreement the loan is payable in fifteen un-equal semi-annual installments which commenced in 2017. The loan is secured by a mortgage on property, plant and equipment of SPTC as of 30 June 2020. The covenants of the loans agreements require SPTC to maintain certain level of financial conditions, place limitations on dividend distributions and on annual capital and rental expenditures.

As at 30 June 2020, SPTC was not in compliance with certain loan covenants related to maintenance of certain financial ratios as per the agreement with SIDF. Accordingly, the non-current portion of SIDF loan, with original maturity from 2020 through 2023 amounting to Saudi Riyals 31.5 million has been classified as current in the accompanying condensed consolidated interim financial information.

7 Related party transactions

Related parties comprise the shareholders, directors, associate company and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

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

Nature of transactions and relationship	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Revenue from other related parties	463,050	1,555,821	469,650	3,400,625
Costs and expenses charged by other related parties	-	7,987	3,090	40,549
Royalty charged by other related party	-	162,938	159,020	188,028

(b) Key management personnel compensation:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Salaries and other short-term employee benefits	1,596,890	1,551,919	3,146,430	3,107,977
Employee benefit obligations	134,282	115,745	252,392	234,633
	1,731,172	1,667,664	3,398,822	3,342,610

Board of directors' fee for the three-month and six-month periods ended 30 June 2020 was Saudi Riyals 400,000 and Saudi Riyals 800,000, respectively (three-month and six-month periods ended 30 June 2019: Saudi Riyals 400,000 and Saudi Riyals 800,000, respectively).

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

8 Basic and diluted loss per share

Basic loss per share is calculated by dividing the earnings attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period. As the Group does not have any dilutive potential shares, the diluted loss per share is the same as the basic loss per share.

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Loss for the period	(11,575,173)	(1,720,655)	(10,727,599)	(5,882,467)
Weighted average number of ordinary shares	44,812,867	45,000,000	44,812,867	45,000,000
Basic and diluted loss per share	(0.26)	(0.04)	(0.24)	(0.13)

Weighted average number of ordinary shares outstanding as at 30 June 2020 are adjusted by 187,133 treasury shares bought back by the Company for the purpose of issuing shares under the employee share incentive program.

9 Employee share incentive program ("ESIP")

Qualifying employees of the Group are eligible to purchase the Company's shares (the "initial shares") either through upfront payment or payroll deductions over a period of three years. The value of such shares will be determined using the average share price of the preceding month, and should not exceed the employee's three basic salaries. Any employee who withdraws from the ESIP before completion of three years, will receive back the amount contributed for the initial shares. As of 30 June 2020, qualifying employees have subscribed to 192,683 shares.

Bonus type 1 shares:

The employees who have subscribed for the initial shares, are eligible for additional bonus shares which will be allocated to employees without any additional consideration, subject to completion of service condition of three years, based on employee categories as detailed below.

Employee designation	Number of shares for each year of service with the Group at the time of subscription with the ESIP
Employee	50 shares
Managers	75 shares
Executives	100 shares

Bonus type 2 shares:

The employees who continue in the scheme are eligible for additional bonus shares without any additional consideration, subject to completion of service condition as mentioned below, if they continue to hold the initial and bonus type 1 shares:

Numbers of years of service (from date of joining ESIP)	Additional shares for every 1,000 initial shares held
5 years	200 shares
10 years	450 shares
15 years	750 shares
20 years	1,100 shares
25 years	1,500 shares
28 years	2,000 shares

ELECTRICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information (Unaudited)
For the three-month and six-month periods ended 30 June 2020
(All amounts in Saudi Riyals unless otherwise stated)

9 Employee share incentive program (continued)

The Group has recognized share-based compensation expense amounting to Saudi Riyals 0.2 million for the three-month period and six-month periods ended 30 June 2020 in the accompanying condensed consolidated interim statement of profit or loss and other comprehensive income with corresponding credit in share based compensation reserve in the condensed interim statement of changes in equity.

The fair value for each option is estimated at the grant date using the Stochastic Simulation Pricing model, taking into account the terms and conditions upon which the share options were granted.

Following are the key assumptions used:

30 June 2020

Share Price - this is the average share price of the preceding month at the date of joining ESIP	14.44 - 14.74
Risk-free interest rate	1.26%
Standard deviation of historical returns of Share Price	12%
Retirement age	60 years

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

10 Contingencies and commitments

- (i) At 30 June 2020, the Group was contingently liable for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 360.3 million (31 December 2019: Saudi Riyals 251.9 million).
- (ii) The capital expenditure contracted by the Group but not yet incurred until 30 June 2020 was approximately Saudi Riyals 11.3 million (31 December 2019: Saudi Riyals 4.3 million).
- (iii) During 2018, the Group received additional zakat assessments from GAZT for the years from 2005 through 2014 amounting to Saudi Riyals 75.4 million. The Company has signed an agreement with its founding shareholders, prior to its initial public offering in 2014, whereby any additional zakat liability pertaining to the year 2014 or earlier will be borne by its founding shareholders. In 2019, the Group has accepted and paid an amount of Saudi Riyals 1.6 million related to the years from 2011 to 2014 and has filed appeals against the remaining amounts. The amount of Saudi Riyals 1.6 million was reimbursed by the founding shareholders. Based on appeals, GAZT accepted certain positions taken by the Group and issued the revised assessments amounting to Saudi Riyals 33.0 million. The Group filed appeals against such revised assessments.

During the six-month period ended 30 June 2020, the Group has accepted an amount of Saudi Riyals 12.9 million as final assessments for the respective years and paid an amount of Saudi Riyals 7.3 million to GAZT, which has been reimbursed by the founding shareholders. The Group has agreed with GAZT to pay the balance of Saudi Riyals 5.6 million in five equal monthly installments from July to November 2020 which has been recorded as receivable from the founding shareholders as at 30 June 2020.

Subsequent to the reporting date, the Group has paid two installments of Saudi Riyals 2.2 million to GAZT which has been reimbursed by the founding shareholders.

- (iv) Also see Note 1.