Electrical Industries Company (Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF ELECTRICAL INDUSTRIES COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying consolidated balance sheet of Electrical Industries Company (Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectivley the "Group") as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended.These consolidated financial statements are the responsibility of the Company's Baord of Director's and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014 and the consolidated results of it's operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

إرنست ويونغ
ترخيص مهني رقم ٤٥
3 PROFESSIONAL LICENCE No. 45
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Abdulaziz Saud Alshubaibi
Certified Public Accountant
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3 Jumada' I 1436H
22 February 2015
Alkhobar

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	Note	*2014* *SR*	*2013* *SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**116,789,962**	35,627,202
Short term investments	5	**50,000,000**	-
Accounts receivable and prepayments	6	**307,384,860**	426,477,895
Inventories	7	**333,980,098**	433,303,493
TOTAL CURRENT ASSETS		**808,154,920**	895,408,590
NON CURRENT ASSETS			
Investment in an associated company	8	**2,774,403**	3,833,924
Property, plant and equipment	10	**311,057,467**	304,472,322
Intangible assets	14	**4,419,177**	5,593,851
TOTAL NON CURRENT ASSETS		**318,251,047**	313,900,097
TOTAL ASSETS		**1,126,405,967**	1,209,308,687
LIABILITIES, SHAREHOLDERS' EQUITY AND NON CONTROLLING INTEREST			
CURRENT LIABILITIES			
Accounts payable, notes payable, accruals and provisions	12	**166,390,908**	261,517,428
Warranty provisions		**16,119,368**	10,994,958
Short term loans	13	**20,994,919**	83,000,000
Current portion of long term loans	14	**51,300,000**	22,925,000
Zakat provision	15	**21,166,334**	16,444,200
TOTAL CURRENT LIABILITIES		**275,971,529**	394,881,586
NON CURRENT LIABILITIES			
Long term loans	14	**175,697,498**	215,665,000
Employees' terminal benefits		**55,002,519**	54,713,117
TOTAL NON CURRENT LIABILITIES		**230,700,017**	270,378,117
TOTAL LIABILITIES		**506,671,546**	665,259,703
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Share capital	16	**450,000,000**	350,000,000
Proposed share capital increase	16	**-**	100,000,000
Statutory reserve		**26,966,547**	9,780,992
Retained earnings		**104,464,982**	46,394,990
Proposed dividends	17	**45,000,000**	35,000,000
TOTAL SHAREHOLDERS' EQUITY		**626,431,529**	541,175,982
NON CONTROLLING INTEREST		**(6,697,108)**	2,873,002
TOTAL SHAREHOLDERS' EQUITY AND NON CONTROLLING INTEREST		**619,734,421**	544,048,984
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON CONTROLLING INTEREST		**1,126,405,967**	1,209,308,687

Designated Member	President & CEO	EVP Finance and IT
Ahmad N. Al Swaidan	**Tariq Al Tahini**	**Medhat A. Ghaleb**

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2014

	Note	2014 SR	2013 SR
Sales		**1,046,855,467**	1,285,258,267
Cost of sales		**(795,212,780)**	(1,019,000,217)
GROSS PROFIT		**251,642,687**	266,258,050
EXPENSES			
Selling and distribution	18	**(35,899,844)**	(38,582,833)
General and administration	19	**(43,416,599)**	(46,517,025)
INCOME FROM MAIN OPERATIONS		**172,326,244**	181,158,192
Other income, net	20	**3,969,500**	4,378,613
Financial charges		**(8,573,924)**	(11,179,805)
Provision no longer required		**11,752,425**	-
INCOME BEFORE SHARE IN RESULTS OF AN ASSOCIATED COMPANY, NON CONTROLLING INTEREST AND ZAKAT		**179,474,245**	174,357,000
Share in results of an associated company	8	**(1,059,521)**	(545,206)
INCOME BEFORE NON CONTROLLING INTEREST AND ZAKAT		**178,414,724**	173,811,794
Non-controlling interest		**9,570,110**	10,122,780
INCOME BEFORE ZAKAT		**187,984,834**	183,934,574
Zakat	15	**(16,129,287)**	(17,971,597)
NET INCOME FOR THE YEAR		**171,855,547**	165,962,977

EARNINGS PER SHARE FOR THE YEAR (SR/SHARE):

	Note	2014	2013
Attributable to income from main operations	16	**3.83**	4.03
Attributable to net income	16	**3.82**	3.69
Weighted average of number of shares outstanding	16	**45,000,000**	45,000,000

Designated Member	**President & CEO**	**EVP Finance and IT**
Ahmad N. Al Swaidan	**Tariq Al Tahini**	**Medhat A. Ghaleb**

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	*2014* *SR*	*2013* *SR*
OPERATING ACTIVITIES			
Income before non-controlling interest and zakat		**178,414,724**	173,811,794
Adjustments for:			
Depreciation		**22,851,211**	17,844,781
Amortisation		**2,180,817**	2,071,692
Employees' terminal benefits, net		**289,402**	6,598,681
Share in results of an associated company		**1,059,521**	545,206
Financial charges		**8,573,924**	11,179,805
Gain/(loss) on disposal of property, plant and equipment		**(77,388)**	130,923
Warranty provisions		**5,124,410**	(13,278,993)
Provision for slow moving inventory items		**5,405,983**	2,855,383
Provision/(reversal) for doubtful debts		**1,837,929**	(3,177,806)
		225,660,533	198,581,466
Changes in operating assets and liabilities			
Receivables		**117,255,106**	27,768,115
Inventories		**93,917,412**	44,472,636
Payables		**(95,126,520)**	(7,165,972)
Cash from operations		**341,706,531**	263,656,245
Financial charges paid		**(7,641,493)**	(10,779,805)
Zakat paid		**(11,407,153)**	(10,978,701)
Net cash from operating activities		**322,657,885**	241,897,739
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(29,675,221)**	(76,294,868)
Purchase of intangible assets		**(1,006,143)**	(187,345)
Proceeds from sale of property, plant and equipment		**316,253**	-
Short term investments		**(50,000,000)**	-
Net cash used in investing activities		**(80,365,111)**	(76,482,213)
FINANCING ACTIVITIES			
Dividends paid		**(85,000,000)**	(115,250,000)
Prepaid loan fees		**(1,509,933)**	(4,000,000)
Net movement in short term loans		**(62,005,081)**	(280,940,752)
Net movement in long term loans		**(11,015,000)**	215,005,000
Board of directors' remuneration paid		**(1,600,000)**	(1,600,000)
Non-controlling interest		**-**	(123,661)
Net cash used in financing activities		**(161,130,014)**	(186,909,413)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**81,162,760**	(21,493,887)
Cash and cash equivalents at the beginning of the year		**35,627,202**	57,121,089
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**116,789,962**	35,627,202

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2014

	Note	*2014* *SR*	*2013* *SR*
Non cash transactions:			
Dividends declared	17	**45,000,000**	35,000,000
Board of directors' remuneration		**1,600,000**	1,600,000
Proposed share capital increase	16	**-**	100,000,000

Designated Member	President & CEO	EVP Finance and IT
Ahmad N. Al Swaidan	**Tariq Al Tahini**	**Medhat A. Ghaleb**

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year ended 31 December 2014

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

	Share capital *SR*	*Proposed share capital increase* *SR*	*Statutory reserve* *SR*	*Retained earnings* *SR*	*Proposed dividends* *SR*	*Total* *SR*
Balance at 31 December 2012	350,000,000	-	23,184,694	64,878,311	54,000,000	492,063,005
Net income for the year	-	-	-	165,962,977	-	165,962,977
Transfer to statutory reserve	-	-	16,596,298	(16,596,298)	-	-
Dividends paid	-	-	-	(61,250,000)	(54,000,000)	(115,250,000)
Board of directors' remuneration	-	-	-	(1,600,000)	-	(1,600,000)
Proposed share capital increase (note 16)	-	100,000,000	(30,000,000)	(70,000,000)	-	-
Proposed dividends (note17)	-	-	-	(35,000,000)	35,000,000	-
Balance at 31 December 2013	350,000,000	100,000,000	9,780,992	46,394,990	35,000,000	541,175,982
Net income for the year	-	-	-	171,855,547	-	171,855,547
Transfer to statutory reserve	-	-	17,185,555	(17,185,555)	-	-
Share capital increase (note 16)	100,000,000	(100,000,000)	-	-	-	-
Dividends paid (note 17)	-	-	-	(50,000,000)	(35,000,000)	(85,000,000)
Board of directors' remuneration	-	-	-	(1,600,000)	-	(1,600,000)
Proposed dividend (note17)	-	-	-	(45,000,000)	45,000,000	-
Balance at 31 December 2014	**450,000,000**	**-**	**26,966,547**	**104,464,982**	**45,000,000**	**626,431,529**

The attached notes 1 to 26 form part of these consolidated financial statements.

1 ACTIVITIES

Electrical Industries Company ("EIC" or the "Company") is Saudi Joint Stock Company formed in accordance with the Ministerial Resolution number 198/Q dated 25 Rajab 1428H, (corresponding 7 August 2007) and registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration number 2050056359 dated 22 Shaban 1428H (corresponding to 4 September 2007). The Company was originally formed as a Saudi Closed Joint Stock Company and was wholly owned by Saudi shareholders.

On 21 September 2014 the Capital Market Authority approved the Company's application for initial public offering in the Saudi Stock Exchange for 30% of the share capital and cosequently, the Company is now listed in Tadawul.

The Company has the following subsidiaries:

Subsidiary name	***Effective shareholding %***		***Commercial Registration number***
	2014	***2013***	
Wahah Electric Supply Company of Saudi Arabia Limited ("WESCOSA")	**100**	100	2050004182
The Saudi Transformer Company Limited ("STC")	**100**	100	2050006007
The Saudi Power Transformer Company Limited ("SPTC")	**51**	51	2050073249

The Company and its subsidiaries collectively (referred to as the "Group") are engaged in the manufacture, assembly, supply, 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.

2 BASIS OF PREPARATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and loss resulting from intra-Group transactions that are recognised as assets, are eliminated in full.

3 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention
These consolidated financial statements are prepared under the historical cost convention.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents
Cash and cash equivalents consist of bank balances and short term Murabaha deposits that is readily convertible into known amounts of cash and have original maturities of three months or less.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term investments
Investments in Murabaha deposits having maturity from 3-12 months are classified as short term investments.

Accounts receivable
Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Inventories
Inventories are stated at the lower of cost and market value. Costs are those expenses incurred in bringing each product to its present location and condition and calculated on the following basis:

Raw materials and spare parts	-	purchase cost on a weighted average basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity on a weighted average basis.

Investments in an associated company
The Group's investment in an associated company is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land and construction work in progress are not depreciated. The cost of other property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

Expenditure for repair and maintenance are charged to the consolidated statement of income. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

Intangible assets
Costs which have long term future benefits i.e. licensed technology fee and software are treated as intangible assets and are carried at cost less accumulated amortisation and any impairment in value. The cost of intangible assets is amortised on a straight line basis over the estimated period of benefit.

Impairment of non current assets
At each consolidated balance sheet date, the Group reviews the carrying values of its non-current assets for impairment when events or circumstances indicate that carrying value may not be recoverable. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. The reversal of impairment loss is recognized as income once identified.

Impairment and uncollectibility of financial assets
An assessment is made at each consolidated balance sheet date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(c) For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

Provisions

Provision is made when the Group has an obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be measured reliably.

Warranty provisions

Warranty provisions are provided for expected future costs to be incurred under warranty and other contractual commitments based on past experience.

Zakat

Zakat is provided in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on the finalisation of an assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the consolidated balance sheet date.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its consolidated net income in each year until it has built up a reserve equal to one half of the share capital. The reserve is not available for distribution.

Sales

Sales represent the invoiced value of goods supplied and services rendered by the Group during the year, net of deductions.

Expenses

Selling and distribution expenses are those that specifically relate to salesmen, royalties, warranties, warehousing and delivery vehicles as well as provision for doubtful debts. All other expenses other than cost of sales and financial charges are classified as general and administration expenses.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated balance sheet date. All differences are taken to the consolidated statement of income.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Earnings per share

Earnings per share attributable to main operations is calculated by dividing consolidated income from main operations for the year by the weighted average of number of shares outstanding during the year.

Basic earnings per share attributable to net income is calculated by dividing the net consolidated income for the year by the weighted average of number of shares outstanding during the year.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases
Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Fair values
The fair value of commission-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

4 CASH AND CASH EQUIVALENTS

	2014 SR	*2013 SR*
Short term murabaha deposits	**95,000,000**	-
Bank balances and cash	**21,789,962**	35,627,202
	116,789,962	35,627,202

Short term Murabaha deposits are kept with local commercial banks and are maintained in Saudi Riyals. Short term Murabaha deposits have original maturity dates of less than 3 months and carry commission at the rates ranging from 0.2% to 0.8%.

5 SHORT TERM INVESTMENTS

These represent investments in short term Murabaha deposits having maturity dates of more than 3 months and less than 12 months. These deposits carry commission at the rates between 0.6% to 0.8%.

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 SR	*2013 SR*
Trade accounts receivable	**277,645,369**	386,168,442
Advances to suppliers	**17,216,673**	20,593,347
Prepaid expenses	**6,573,994**	7,908,855
Amounts due from related parties (note 9)	**5,655,775**	7,480,808
Amounts due from shareholders (note 9)	-	4,446,580
Other	**13,784,643**	11,533,528
	320,876,454	438,131,560
Less: allowance for doubtful debts	**(13,491,594)**	(11,653,665)
	307,384,860	426,477,895

Included in trade accounts receivable balances amounting to SR 66.52 million (2013: SR 168.9 million) which are due from government and quasi-government institutions of which approximately SR 10.5 million (2013: SR 10.4 million) has been outstanding for more than one year.

Included in advances to supplier amounts totaling SR 12.0 million (2013: SR 6.9 million), which are made against acquisitions of property, plant and equipment.

7 INVENTORIES

	2014 *SR*	*2013* *SR*
Raw materials	**214,799,596**	288,543,155
Finished goods	**53,749,589**	21,818,746
Work in progress	**38,962,793**	62,441,169
Goods in transit	**37,559,029**	65,616,113
Spares parts and consumables	**14,026,951**	14,596,187
	359,097,958	453,015,370
Less: provision for slow moving inventory items	**(25,117,860)**	(19,711,877)
	333,980,098	433,303,493

8 INVESTMENT IN AN ASSOCIATED COMPANY

This represents 49% equity share in CG Power Systems of Saudi Arabia, a limited Liability company registered in the Kingdom of Saudi Arabia. The company was formed to engage in the installation, maintenance, operation, services and distribution of high and medium voltage transformers.

The movement in the investment was as follows:

	2014 *SR*	*2013* *SR*
At the beginning of the year	**3,833,924**	4,379,130
Share in results for the year	**(1,059,521)**	(545,206)
At the end of the year	**2,774,403**	3,833,924

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders and key management personnel including the entities controlled, jointly controlled or influenced by such parties. The following are details of the major related party transactions occured during the year along with the resulting balances:

Related party	*Nature of transactions*	*Amount of transactions*		*Balances*	
		2014 SR	*2013 SR*	*2014 SR*	*2013 SR*
Amounts due form related parties (presented under note 6):					
Al Toukhi Company for Industrial	Sales/Services rendered	**695,100**	15,969,591	**2,182,000**	3,683,690
Al-Quraishi Electric Services of Saudi Arabia (AQESA)	Sales/Services rendered	**4,899,229**	3,392,485	**3,473,775**	3,797,118
				5,655,775	7,480,808
Amounts due to related parties (presented under note 12):					
CG Power Solutions Saudi Arabia	Services rendered	**6,400**	7,029,155	**4,136,519**	4,974,743
CG Power Systems Belgium N.V.	Services rendered	**-**	7,259,674	**4,829,650**	6,934,384
Gulf Chemical and Industrial Oils Company	Services rendered	**39,943,382**	43,321,008	**3,724,855**	13,585,837
				12,691,024	25,494,964

During the year, the Group has paid SR 1.25 million (2013: SR 1.5 million) as compensation for services to one of the shareholders.

Amounts due from shareholders of SR 4.4 million as at 31 December 2013 represented recoverable cost from the shareholders in respect of the initial public offering.

Prices and terms of payment for the above transactions are approved by the Group's management.

10 PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings on leasehold land	8 to 33 years
leasehold improvements	5 years
Plant and machinery	3 to 12 years
Furniture and equipment	3 to 10 years
Motor vehicles	4 years

	Freehold land *SR*	*Buildings on leased land and leasehold improvements* *SR*	*Plant and machinery* *SR*	*Furniture equipment and motor vehicles* *SR*	*Construction work in progress* *SR*	***Total 2014*** ***SR***	*Total 2013* *SR*
Cost:							
At the beginning of the year	40,282,163	187,432,925	193,378,528	40,961,628	38,894,958	**500,950,202**	428,293,915
Additions	-	70,000	1,361,337	370,766	27,873,118	**29,675,221**	76,294,868
Transfers from contruction work in progress	-	1,807,352	30,558,814	1,940,762	(34,306,928)	-	-
Transfers within property, plant and equipment	(1,566,000)	2,310,972	(744,972)	-	-	-	-
Disposals	-	-	(11,001,465)	(866,700)	-	**(11,868,165)**	(3,638,581)
At the end of the year	38,716,163	191,621,249	213,552,242	42,406,456	32,461,148	**518,757,258**	500,950,202
Depreciation:							
At the beginning of the year	-	52,469,313	115,802,574	28,205,993	-	**196,477,880**	182,140,757
Charge for the year	-	7,066,237	12,099,196	3,685,778	-	**22,851,211**	17,844,781
Transfers within property, plant and equipment	-	718,209	(718,209)	-	-	-	-
Disposals	-	-	(10,776,180)	(853,120)	-	**(11,629,300)**	(3,507,658)
At the end of the year	-	60,253,759	116,407,381	31,038,651	-	**207,699,791**	196,477,880
Net book amounts:							
At 31 December 2014	**38,716,163**	**131,367,490**	**97,144,861**	**11,367,805**	**32,461,148**	**311,057,467**	
At 31 December 2013	40,282,163	134,963,612	77,575,954	12,755,635	38,894,958		304,472,322

Portion of the buildings and construction work in progress are constructed on three separate plots of land leased from the Saudi Organization For Industrial Estate And Technology Zones for an initial period of 25 years commenced on 26 Dhu Al-Hijjah 1400H (corresponding to 4 November 1980). The Group has the option of renewing the lease agreements on expiry of the initial lease term. The lease agreements have been renewed for additional period of 25 years.

Construction work in progress comprises mainly of construction of a plant building, in addition for the cost of machineries, equipment which have not been commissioned yet.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

A land with a net book value of SR 6.6 million (2013: same) is held under the name of an ex executive of the Group on behalf of the Group.

All of SPTC property, plant and equipment which had a net book value of SR 101.8 million as of the consolidated balance sheet date (2013: SR 105.2 million) are pledged against a term loan (note 14).

11 INTANGIBLE ASSETS

	Software *2014* *SR*	*Licensed technology fee* *2014* *SR*	*2014* *SR*	*2013* *SR*
Cost:				
At the beginning of the year	7,483,561	4,500,000	**11,983,561**	11,796,216
Additions during the year	1,006,143	-	**1,006,143**	187,345
At the end of the year	8,489,704	4,500,000	**12,989,704**	11,983,561
Amortisation:				
At the beginning of the year	5,489,710	900,000	**6,389,710**	4,318,018
charge for the year	1,280,817	900,000	**2,180,817**	2,071,692
At teh end of the year	6,770,527	1,800,000	**8,570,527**	6,389,710
Net book amounts:				
At 31 December 2014	**1,719,177**	**2,700,000**	**4,419,177**	
At 31 December 2013	1,993,851	3,600,000		5,593,851

Software and licensed technology fee are amortised over 5 years.

12 ACCOUNTS PAYABLE, NOTES PAYABLE, ACCRUALS AND PROVISIONS

	2014 *SR*	*2013* *SR*
Trade accounts payable	**71,280,232**	96,354,749
Advances from customers	**35,404,216**	40,518,941
Amounts due to related parties (note 9)	**12,691,024**	25,494,964
Notes payables	**11,638,672**	42,894,139
Provisions	**4,670,279**	14,239,474
Amounts due to shareholders	**637,875**	-
Accrued expenses and other payables	**30,068,610**	42,015,161
	166,390,908	261,517,428

The notes payable are secured by corporate guarantees and carry commission at normal commercial rates.

13 SHORT TERM LOANS

The short term loans were obtained from local commercial banks for meeting working capital requirements. The facilities are secured by corporate guarantees. The facilities carry borrowing costs at normal commercial rates.

14 TERM LOANS

	2014 *SR*	*2013* *SR*
Murabaha loans from commercial banks	**174,275,000**	197,200,000
Saudi Industrial Development Fund ("SIDF") loan	**56,900,000**	44,990,000
	231,175,000	242,190,000
Less: current portion	**(51,300,000)**	(22,925,000)
prepaid financial charges	**(4,177,502)**	(3,600,000)
	175,697,498	215,665,000

During 2013, the Group obtained 5 long term Murabaha loans from four local commercial banks to finance the capital projects and letter of credit payments. The loans carry financial cost at commercial rates and are repayable in unequal quarterly installments, with final installments due in 2018. The loans are secured by corporate guarantees. During the year, the Group obtained medium term loans which are repayable over a period of 3 to 4 years. During the current year, the Group paid an amount of SR 1.51 million as upfront fees in respect of one of the Murabha loans obtained in the prior year.

The Group also obtained long term loan from the SIDF. The loan is free of financial cost but carry appraisal fees. The Group has paid appraisal fees in advance amounting to SR 4 million. The loan is repayable in 15 semi annual installments with various amounts with the last installment due in 2021. The loan is secured by corporate guarantee and a pledge on all of SPTC property, plant and equipment (note 10).

The installments due during the 12 months period after the consolidated balance sheet date are presented under current liabilities in the consolidated balance sheet.

15 ZAKAT

Charge for the year

The zakat charge consists of:

	2014 *SR*	*2013* *SR*
Current year provision	**16,426,466**	14,358,179
Adjustment for previous years	**(297,179)**	3,613,418
Charge for the year	**16,129,287**	17,971,597

Movement in provision

The movement in the zakat provision was as follows:

	2014 *SR*	*2013* *SR*
At the beginning of the year	**16,444,200**	9,451,304
Provided during the year	**16,129,287**	17,971,597
Payments during the year	**(11,407,153)**	(10,978,701)
At the end of the year	**21,166,334**	16,444,200

Status of assessments

Electrical Industries Company (EIC)

Zakat declarations for the period ended 31 December 2008 and the years from 2009 to 2012 are under the Department of Zakat and Income Tax ("DZIT") review. Effective from the year 2013, EIC started to file combined zakat declaration for EIC and its wholly owned subsidiaries (STC and WESCOSA), which is still under the DZIT review.

15 ZAKAT (continued)

Status of assessments (continued)

The Saudi Transformers Company Limited
The DZIT has raised its assessment for the year 2002 claiming additional zakat liability of SR 867 thousand, STC filled an appeal with the Higher Appeal Committee ("HAC") against the Preliminary Appeal Committee ("PAC") decision. The HAC decision is awaited. The assessments for the years 2003 and 2004, have been raised by the DZIT claiming additional liability of SR 1 million. STC filed an appeal against the assessment. The assessments for the years from 2005 through 2012 are still under the DZIT's review.

Wahah Electric Supply Company of Saudi Arabia Limited
Zakat assessments have been agreed with DZIT up to 2005.The assessments for the years 2006 through 2012 have not yet been raised by the DZIT.

Saudi Power Transformers Company Limited
Zakat and income tax declarations for the period ended 31 December 2011 and the years ended 31 December 2012 and 2013 have been filed with the DZIT and still under their review.

Additional Zakat liabilities which may arise upon finalization of Zakat assessments for open years for the periods prior to the Initial Public Offering (the "IPO") dated 7 December 2014 are to be borne by the shareholders existed prior to the IPO.

16 SHARE CAPITAL

Share capital is divided into 45,000,000 shares (2013: 35,000,000 shares) of SR 10 each.

On 13 Safar 1435H corresponding to 16 December 2013, the Board of Directors recommended to increase the share capital from SR 350 million to SR 450 million by issuing 10 million additional shares of SR 10 per share. The share capital increase was to be made by utilizing SR 70 million and SR 30 million from retained earnings and statutory reserve, respectively. The shareholders approved the proposed increase in their meeting held on 14 Jumada Awal 1435H corresponding to 15 March 2014. The legal formalities have also been completed during the year.

The earnings per share of the comparative year has been adjusted to reflect the increase in share capital as requested by the relevant accounting standards.

17 DIVIDENDS

The Board of Directors recommended in its meeting held on 30 December 2014 to distribute cash dividends in respect of the second half of the year 2014 of SR 1 per share (totaling SR 45 million) for the approval of the shareholders in their next general assembly meeting. The eligibility to dividends will be for the shareholders registered in the shareholders register by the end of exchange of the general assembly date, which will be determined later.

On 19 May 2014, the Board of Directors resolved to distribute interim cash dividends for the first half of 2014 amounting to SR 1.1 per share (totaling SR 50 million). Dividends had been paid in full before the consolidated balance sheet date.

The Board of Directors recommended in its meeting held on 16 December 2013 to distribute cash dividends in respect of the second half of the year 2013 of SR 1 per share (totaling SR 35 million). The shareholders approved the proposed dividends in their meeting held on 15 April 2014.

On 6 October 2013, the Board of Directors resolved to distribute interim cash dividends for the first half of 2013 of SR 1.75 per share (totaling SR 61.25 million). Dividends had been paid in full before the consolidated balance sheet date.

18 SELLING AND DISTRIBUTION EXPENSES

	2014 *SR*	*2013* *SR*
Employees cost	**12,955,074**	13,368,638
Freight out	**6,477,787**	10,215,819
Advertising and promotion	**1,490,568**	901,250
Charge/(reversal) of allowance for doubtful debts	**1,837,929**	(3,177,806)
Royalties	**1,199,002**	2,788,001
Warranty	**1,167,754**	3,000,772
Other provisions	**3,952,202**	7,701,647
Travelling and office expenses	**2,289,352**	1,619,979
Depreciation	**357,514**	348,865
Other	**4,172,662**	1,815,668
	35,899,844	38,582,833

19 GENERAL AND ADMINISTRATION EXPENSES

	2014 *SR*	*2013* *SR*
Employees cost	**26,290,352**	29,444,983
Office expenses	**7,212,795**	7,558,544
Depreciation	**3,593,802**	4,370,180
Other	**6,319,650**	5,143,318
	43,416,599	46,517,025

20 OTHER INCOME, NET

	2014 *SR*	*2013* *SR*
Financial income	**186,574**	-
Other	**3,782,926**	4,378,613
	3,969,500	4,378,613

21 COMMITMENTS

The Group is committed to purchase certain materials based on their anticipated requirements. Such contracts amounted to SR 61.9 million at 31 December 2014 (2013: SR 79.88 million).

The Group has outstanding letters of credit both negotiated and accepted for import totaling to equivalent SR 36.6 million (2013: SR 99.8 million).

The directors authorised future capital expenditures amounting to SR 36.0 million (2013: SR 69 million), in respect of purchase of building, machineries and information technology.

22 CONTINGENT LIABILITIES

The Group's bankers have issued bid and performance letter of guarantees, on behalf of the Group, amounting to SR 189 million (2013: SR 150 million).

23 SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by the management in respect for its activities. The Group is recognized into the following main business segments:

	Manufacturing SR	*Services SR*	*Total SR*
As of 31 December 2014:			
Revenue	978,746,185	68,109,282	**1,046,855,467**
Income from main operations	131,604,734	40,721,510	**172,326,244**
Net income for the year	132,082,378	39,773,169	**171,855,547**
Property, plant and equipment, net book value	300,417,982	10,639,485	**311,057,467**
Total assets	1,072,650,046	53,755,921	**1,126,405,967**
As of 31 December 2013:			
Revenue	1,228,524,945	56,733,322	1,285,258,267
Income from main operations	145,765,939	35,392,253	181,158,192
Net income for the year	131,615,585	34,347,392	165,962,977
Property, plant and equipment, net book value	303,202,224	3,263,949	306,466,173
Total assets	1,174,897,876	34,410,811	1,209,308,687

The Group has the following main geographical segments:

31 December 2014:	*Local SR*	*Export SR*	*Total SR*
Receivables	**274,060,274**	**3,585,095**	**277,645,369**
Revenues	**1,018,386,006**	**28,469,461**	**1,046,855,467**
Cost of sales	**(776,210,057)**	**(19,002,723)**	**(795,212,780)**
Gross profit	**242,175,949**	**9,466,738**	**251,642,687**

31 December 2013:	*Local SR*	*Export SR*	*Total SR*
Receivables	364,926,900	21,241,542	386,168,442
Revenues	1,181,677,841	103,580,426	1,285,258,267
Cost of sale	(928,698,408)	(90,301,809)	(1,019,000,217)
Gross profit	252,979,433	13,278,617	266,258,050

24 RISK MANAGEMENT

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including short term murabaha deposit and investments, short and long term loans.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 60 to 90 days of the date of purchase.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, Kuwaiti Dinar, US Dollars which is pegged against Saudi Riyals and Euros, during the year.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalents, short term investments and accounts receivable, its financial liabilities consist of short and long term loans, accounts payable and notes payable.

The fair values of financial instruments at the consolidated balance sheet date are not materially different from their carrying values.

26 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform with the presentation in the current year.