

**UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND AUDITORS'
REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2012**

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

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FOR THE THREE MONTHS ENDED MARCH 31, 2012

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AUDITORS' REPORT (LIMITED REVIEW) ON INTERIM FINANCIAL STATEMENTS

To the stockholders
United Electronics Company
Al Khobar, Saudi Arabia

Scope of Review

We have reviewed the interim balance sheet of United Electronics Company (a Saudi Joint Stock Company) as of March 31, 2012 and the related interim statements of income, stockholders' equity and cash flows for the three months then ended, and notes 1 to 9 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.



Nasser M. Al-Sagga
License No. 322
17 Jumada'I, 1433
April 9, 2012



UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET
AS OF MARCH 31, 2012

	Note	2012 SR (Un-audited)	2011 SR (Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		171,935,417	109,991,875
Trade receivable		5,994,499	7,040,543
Inventories		466,018,153	263,744,845
Prepayments and other debit balances		65,298,651	43,412,235
Total current assets		709,246,720	424,189,498
Non-current assets			
Investments in subsidiaries	3	797,000	297,000
Property and equipment		327,418,815	272,494,862
Total non-current assets		328,215,815	272,791,862
TOTAL ASSETS		1,037,462,535	696,981,360
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Medium term loan - current portion		-	6,153,846
Trade payables and other liabilities		606,724,364	395,645,527
Dividends payable	7	61,400,000	-
Total current liabilities		668,124,364	401,799,373
Non-current liabilities			
Medium term loan		-	10,769,230
Deferred revenue		9,869,010	6,722,354
End-of-service indemnities		21,742,566	15,370,104
Total non-current liabilities		31,611,576	32,861,688
Stockholders' equity			
Share capital	1	240,000,000	240,000,000
Statutory reserve	4	18,852,960	5,172,331
Retained earnings		78,873,635	17,147,968
Total stockholders' equity		337,726,595	262,320,299
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		1,037,462,535	696,981,360

The accompanying notes form an integral part of these interim financial statements

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	2012 SR	2011 SR
	(Un-audited)	(Un-audited)
Revenue	626,025,882	476,674,809
Cost of revenue	514,077,272	385,059,593
Gross profit	111,948,610	91,615,216
Selling and distribution expenses	60,489,474	49,577,204
General and administrative expenses	27,114,820	21,875,781
Operating income	24,344,316	20,162,231
Finance charges	(18,800)	(330,874)
Other income, net	63,586	23,120
Net income before zakat	24,389,102	19,854,477
Zakat	(610,071)	(801,361)
NET INCOME	23,779,031	19,053,116
Earnings per share - note 5		
Earnings per share from net income	0.991	0.794
Earnings per share from continuing main operations	0.988	0.793
Earnings per share from other operations	0.003	0.001
Weighted average number of shares	24,000,000	24,000,000

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UNITED ELECTRONICS COMPANY
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INTERIM STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2011 (audited)	240,000,000	3,267,019	164	243,267,183
Net income for the period	-	-	19,053,116	19,053,116
Transferred to statutory reserve	-	1,905,312	(1,905,312)	-
March 31, 2011 (Un-audited)	<u>240,000,000</u>	<u>5,172,331</u>	<u>17,147,968</u>	<u>262,320,299</u>
January 1, 2012 (audited)	240,000,000	16,475,057	118,872,507	375,347,564
Net income for the period	-	-	23,779,031	23,779,031
Dividends (note 7)	-	-	(60,000,000)	(60,000,000)
Directors' remuneration (note 7)	-	-	(1,400,000)	(1,400,000)
Transferred to statutory reserve	-	2,377,903	(2,377,903)	-
March 31, 2012 (Un-audited)	<u>240,000,000</u>	<u>18,852,960</u>	<u>78,873,635</u>	<u>337,726,595</u>

The accompanying notes form an integral part of these interim financial statements

UNITED ELECTRONICS COMPANY
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INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	2012 SR	2011 SR
	(Un-audited)	(Un-audited)
OPERATING ACTIVITIES		
Net income before zakat	24,389,102	19,854,477
Adjustments for:		
Depreciation	6,781,122	5,186,787
Finance charges	18,800	330,874
Gain on disposal of property and equipment	(20,000)	-
End-of-service indemnities	1,598,879	1,541,836
Changes in operating assets and liabilities:		
Trade receivable	(675,181)	439,861
Inventories	(125,183,695)	(7,141,765)
Prepayments and other debit balances	(18,849,802)	(13,250,825)
Trade payables and other liabilities and deferred revenue	236,873,746	88,428,847
Cash from operations	124,932,971	95,390,092
End-of-service indemnities paid	(455,646)	(272,973)
Finance charges paid	(18,800)	(330,874)
Zakat paid	-	(2,756,961)
Net cash from operating activities	124,458,525	92,029,284
INVESTING ACTIVITIES		
Additions to property and equipment	(17,118,963)	(10,724,042)
Proceeds from disposal of property and equipment	20,000	-
Net cash used in investing activities	(17,098,963)	(10,724,042)
FINANCING ACTIVITIES		
Medium term loan, net	-	(1,538,462)
Net cash used in financing activities	-	(1,538,462)
Net change in cash and cash equivalents	107,359,562	79,766,780
Cash and cash equivalents, January 1	64,575,855	30,225,095
CASH AND CASH EQUIVALENTS, MARCH 31	171,935,417	109,991,875

The accompanying notes form an integral part of these interim financial statements

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2012

1. ORGANIZATION AND ACTIVITIES

United Electronics Company (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010175357 issued in Riyadh on 19 Muharram, 1423H (April 1, 2002). In 2004, the Company’s head office was transferred from Riyadh to Al Khobar and, accordingly, the Commercial Registration number was changed to 2051029841 dated 10 Jammad II 1425H (July 27, 2004).

As of March 31, 2012, the Company’s share capital is SR 240 million divided in to 24 million shares of SR 10 each.

On October 30, 2011, the Capital Market Authority (“CMA”) accepted the application of the Company for initial public offering of 7.2 million shares at SR 55 per share with the subscription period from December 5, 2011 to December 11, 2011. From December 24, 2011, the shares of the Company have been listed at Saudi Stock Exchange.

The Company’s principal activities are the retail and wholesale of electrical and electronic devices and tools, computers and mobile phones and their related spare parts and accessories, furniture and fixtures and office equipment and other related repair and maintenance services as well as trading in food stuff.

The accompanying financial statements include the financial results of the Company’s head office and its branches.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the Standard for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted by the Company are summarized as follows:

Accounting convention

The interim financial statements are prepared under the historical cost convention.

Revenue recognition

Sales are recognized upon delivery of goods to customers. Rental income, principally for rental of floor and shelf space, is recognized on an accruals basis based on the terms of rental contracts. Service income is recognized when services are rendered to the customers.

Revenue from extended service plan is recognized on a partial basis whereby a portion of revenue is recognized at the time of sales while the remaining portion is deferred and amortized over the period of service agreement.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the sale and distribution of the Company’s products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and highly liquid investments with original maturities of three months or less.

UNITED ELECTRONICS COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

Accounts receivable

Accounts receivable are carried at original amount less provision made for doubtful receivable. A provision for doubtful accounts is established when there is significant doubt that the Company will not be able to collect all amounts due according to the original terms of accounts receivable.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

Investment in subsidiaries

A subsidiary is an enterprise that is controlled by the Company by governing the financial and operating policies. The results and assets and liabilities of subsidiaries are incorporated in these interim financial statements using the equity method of accounting rather than being consolidated as the subsidiaries are in pre-operation stage.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation, except for land which is stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the depreciable assets using the straight-line method. Depreciation on leasehold improvements is provided over shorter of useful life or lease term using straight-line method.

The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings and leasehold improvements	15 – 33
Furniture, fixtures and office equipment	4 – 10
Vehicles	5

Impairment

As of each balance sheet date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim statement of income.

UNITED ELECTRONICS COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

Provision for obligation

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the interim financial statements based on the employees' length of service.

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is calculated and accrued for the quarter based on estimation. Zakat is recorded at the period end based on period end figures and any difference between the estimate and the actual is adjusted at that time. Any difference between the estimate and final assessment is recorded when settled.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the operating lease period.

The Company as lessee

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

Dividend

Dividend distributions are recorded in the period in which the General Assembly approves such distributions.

3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries includes 99% equity interest in United Electronics Maintenance and Computer Company, a Saudi limited liability company incorporated on 10 Rajab 1431H (June 22, 2010). The principal activities of the Subsidiary are maintenance and repair and warranties for electronics, digital and electrical devices, home appliances and computers and wholesale trading and spare parts in electrical and digital devices, photocopy and fax machines, telephones, cell phones, video and electric games, digital pocket assistants, printer and computer related devices.

Investment in subsidiaries also includes 100 % equity interest in United Electronics Company-Extra S.P.C registered in Bahrain on 15 Dhul-Qa'da 1432H (October 13, 2011). The principal activities are importing, exporting and trading for electrical and electronics devices and their spare parts and for computers and their supplies, selling visual and vocal medial materials, importing and exporting computer related programs and systems, importing and exporting for electric games, providing maintenance for electric devices in addition to the management and development of personal properties.

As the Subsidiaries have not commenced operations upto March 31, 2012 and the Subsidiaries were determined to be immaterial and accordingly, interim financial statements for the three months ended March 31, 2012 were not consolidated.

UNITED ELECTRONICS COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

4. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the period end based on period's net income and any difference between the amount appropriated and the actual is adjusted in the last quarter.

5. EARNINGS PER SHARE

Earnings per share from net income after zakat is computed by dividing net income for the period by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations is computed by dividing operating income after finance charges and zakat for the period by the weighted average number of shares outstanding during the period.

Earnings per share from other operations is computed by dividing other income, net by the weighted average number of shares outstanding during the period.

6. CONTINGENCIES AND COMMITMENTS

As of March 31, the Company had the following contingencies and commitments:

	2012	2011
	SR	SR
	(Un-audited)	(Un-audited)
Letters of guarantee	<u>26,401,275</u>	85,131,693
Letters of credit	<u>132,663,739</u>	<u>29,315,905</u>

7. DISTRIBUTIONS

During the period, based on Board of Directors' proposal, the stockholders' of the Company in their meeting dated March 18, 2012 approved the cash dividend of SR 60 million and Board of Directors' remuneration fee of SR 1.4 million.

8. RESULTS OF INTERIM PERIOD

The results of the interim period are not audited and therefore it may not give an accurate indicator of the annual operating results.

9. COMPARATIVE FIGURES

Certain of the comparative period amounts have been reclassified to conform to the presentation in the current period.