

**UNITED ELECTRONICS COMPANY AND ITS  
SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2012**

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2012**

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## AUDITORS' REPORT

To the stockholders  
United Electronics Company  
Al Khobar, Saudi Arabia

### Scope of Audit

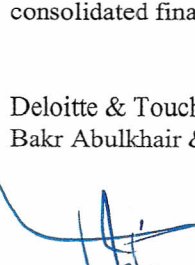
We have audited the consolidated balance sheet of United Electronics Company (a Saudi Joint Stock Company) as of December 31, 2012 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 23 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

  
Nasser M. Al-Sagga  
License No. 322  
17 Rabi' I, 1434  
January 29, 2013



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

	Note	2012 SR	2011 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	48,245,039	64,575,855
Trade receivable		12,372,179	5,319,318
Inventories	4	416,935,719	340,834,458
Prepayments and other debit balances	5	78,118,505	46,448,849
<b>Total current assets</b>		<b>555,671,442</b>	<b>457,178,480</b>
<b>Non-current assets</b>			
Investments in subsidiaries	6	297,000	797,000
Property and equipment	7	390,469,923	317,080,974
<b>Total non-current assets</b>		<b>390,766,923</b>	<b>317,877,974</b>
<b>TOTAL ASSETS</b>		<b>946,438,365</b>	<b>775,056,454</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	9	438,648,664	369,717,448
<b>Total current liabilities</b>		<b>438,648,664</b>	<b>369,717,448</b>
<b>Non-current liabilities</b>			
Deferred revenue on extended service plan		8,421,712	9,392,109
End-of-service indemnities	12	26,858,909	20,599,333
<b>Total non-current liabilities</b>		<b>35,280,621</b>	<b>29,991,442</b>
<b>Stockholders' equity</b>			
Share capital	1,21	240,000,000	240,000,000
Statutory reserve	13	32,334,056	16,475,057
Retained earnings	21	200,203,499	118,872,507
Foreign exchange translation adjustment		(28,475)	-
<b>Total stockholders' equity</b>		<b>472,509,080</b>	<b>375,347,564</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>946,438,365</b>	<b>775,056,454</b>

Chief Financial Officer

Chief Executive Officer

Chairman

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



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2012**

	Note	2012 SR	2011 SR
Revenue	11,14	<b>3,015,037,766</b>	2,461,510,481
Cost of revenue	11	<b>2,484,531,963</b>	2,026,238,040
<b>Gross profit</b>		<b>530,505,803</b>	435,272,441
Selling and distribution expenses	11,15	<b>262,480,180</b>	215,961,656
General and administrative expenses	16	<b>104,485,946</b>	83,401,019
<b>Operating income</b>		<b>163,539,677</b>	135,909,766
Finance charges	8	<b>(262,081)</b>	(661,520)
Other (expenses) income, net		<b>(36,134)</b>	215,338
<b>Net income before zakat</b>		<b>163,241,462</b>	135,463,584
Zakat	10	<b>(4,651,471)</b>	(3,383,203)
<b>NET INCOME</b>		<b>158,589,991</b>	132,080,381
<b>Earnings per share - note 17</b>			
Earnings per share from net income		<b>6.61</b>	5.50
Earnings per share from continuing main operations		<b>6.61</b>	5.49
Earnings per share from other operations		-	0.01
Weighted average number of shares		<b>24,000,000</b>	24,000,000

Chief Financial Officer

Chief Executive Officer

Chairman

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**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2012**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign exchange translation adjustment SR	Total SR
January 1, 2011		240,000,000	3,267,019	164	-	243,267,183
Net income for year		-	-	132,080,381	-	132,080,381
Transferred to statutory reserve	13	-	13,208,038	(13,208,038)	-	-
December 31, 2011		240,000,000	16,475,057	118,872,507	-	375,347,564
Net income for year		-	-	158,589,991	-	158,589,991
Transferred to statutory reserve	13	-	15,858,999	(15,858,999)	-	-
Dividends (note 20)		-	-	(60,000,000)	-	(60,000,000)
Directors' remuneration (note 20)		-	-	(1,400,000)	-	(1,400,000)
Movement during the year		-	-	-	(28,475)	(28,475)
December 31, 2012		<b>240,000,000</b>	<b>32,334,056</b>	<b>200,203,499</b>	<b>(28,475)</b>	<b>472,509,080</b>

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Chief Financial Officer

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Chief Executive Officer

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Chairman

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

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**

	2012 SR	2011 SR
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	163,241,462	135,463,584
Adjustments for:		
Depreciation	28,170,588	22,049,925
Finance charges	262,081	661,520
Write off of property and equipment	618,935	-
Gain on disposal of property and equipment	(257,738)	-
End-of-service indemnities	7,385,347	7,196,888
Changes in operating assets and liabilities:		
Trade receivables	(7,052,861)	2,161,086
Inventories	(76,101,261)	(84,231,378)
Prepayments and other debit balances	(24,807,736)	(16,287,439)
Trade payables and other liabilities and extended service plan	67,010,467	62,588,681
Cash from operations	158,469,284	129,602,867
End-of-service indemnities paid	(1,125,771)	(698,796)
Finance charges paid	(262,081)	(661,520)
Zakat paid	(3,701,119)	(2,756,961)
<b>Net cash from operating activities</b>	<b>153,380,313</b>	<b>125,485,590</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(109,236,954)	(72,178,952)
Proceeds from disposal of property and equipment	454,300	5,660
Investment in a subsidiary	-	(500,000)
<b>Net cash used in investing activities</b>	<b>(108,782,654)</b>	<b>(72,673,292)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends	(60,000,000)	-
Directors' remuneration	(1,400,000)	-
Repayment of medium term loan	-	(18,461,538)
<b>Net cash used in financing activities</b>	<b>(61,400,000)</b>	<b>(18,461,538)</b>
<b>Net change in cash and cash equivalents</b>	<b>(16,802,341)</b>	<b>34,350,760</b>
Cash and cash equivalents of subsidiaries	500,000	-
Movement in foreign exchange translation adjustment, net	(28,475)	-
Cash and cash equivalents, January 1	64,575,855	30,225,095
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>48,245,039</b>	<b>64,575,855</b>
<b>Non-cash transaction:</b>		
Transfer from property and equipment to other debit balances (note 7)	(6,861,920)	-

Chief Financial Officer

Chief Executive Officer

Chairman

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**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2012**

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**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 registered office was transferred from Riyadh to Al Khobar and, accordingly, the Commercial Registration number was changed to 2051029841 dated 10 Jumada II, 1425H (July 27, 2004). From December 24, 2011, the shares of the Company have been listed on Saudi Stock Exchange.

As of December 31, 2012 and 2011, the Company’s share capital is SR 240 million divided in to 24 million shares of SR 10 each.

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 following are the consolidated subsidiaries of the Company, the assets and liabilities and results of operations of these subsidiaries are included in the consolidated financial statements during the current year.

<u>Name of consolidated subsidiaries</u>	<u>Effective ownership</u>
United Electronics Company-Extra S.P.C., a company registered in Bahrain	100%
United Electronics Company-Extra L.L.C., a company registered in Oman	100%

United Electronics Company-Extra S.P.C., is 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 media 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. The subsidiary has commenced its operations on December 30, 2012. The subsidiary did not have any activities during 2011 and hence was not consolidated in 2011 due to its immateriality.

United Electronics Company-Extra L.L.C is registered in Oman on 15 Jumada I, 1433H (April 7, 2012). The principal activities are retail of computer, non-customized softwares, household appliances (radio, television, refrigerators, crockery etc.), toys, games, satellites and phones.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with generally accepted accounting standards issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted by the Company and its subsidiaries (“the Group”) are summarized as follows:

**Accounting convention**

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

**Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company prepared for the year ended December 31, 2012. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated financial statements.



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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**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 Group'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.

**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 Group 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. Investments in subsidiaries which are dormant or under pre-operation stage or where the information is not available are stated at cost. The carrying amounts of such investments are reduced to recognize any impairment in the value of the investment.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation, except for land which is stated at cost. Expenditure on repairs and maintenance is expensed, while expenditure for improvement 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

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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**Impairment**

As of each balance sheet date, the Group 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 Group 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**

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

Financial statements of foreign entities are translated into Saudi Riyals using the exchange rate at the balance sheet date for assets and liabilities and the average exchange rate for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are held at the historical rates. Translation adjustments are recorded as a separate component of consolidated stockholders' equity. Translation loss that is considered permanent is charged to the consolidated statement of income.

**Provision for obligation**

A provision is recognized in the consolidated balance sheet when the Group 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 consolidated 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 provided on an accrual basis and charged to the consolidated statement of income. The Zakat is computed on Zakat base. Any difference between the estimate and final assessment is recorded when settled.



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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**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 Group as lessor*

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

*The Group 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 year in which the General Assembly approves such distributions.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash, bank balances and highly liquid investments with maturities of three months or less. As of December 31, 2012 and 2011, cash and cash equivalents consist entirely of cash and bank balances.

**4. INVENTORIES**

Inventories represent items held for sale in ordinary course of business of the Group. These mainly comprised of electronics, household appliances, computers, digital devices and others.

**5. PREPAYMENTS AND OTHER DEBIT BALANCES**

	2012 SR	2011 SR
Prepaid rent	40,501,424	21,038,076
Advances to suppliers	15,098,608	10,181,798
Receivable from employees	7,072,524	4,745,731
Prepaid insurance	1,610,941	1,967,164
Due from related parties	-	3,102,332
Claim receivable (note 7)	6,861,920	-
Other prepaid expenses	6,973,088	5,413,748
	<u>78,118,505</u>	<u>46,448,849</u>

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**6. INVESTMENTS IN SUBSIDIARIES**

As of December 31, 2012 and 2011, investment in subsidiaries consists 99% equity interest in United Computers Maintenance and Electronics Company Limited, 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. As the subsidiary has not commenced operations upto December 31, 2012 and the subsidiary was determined to be immaterial and accordingly it was not consolidated in the consolidated financial statements for the year ended December 31, 2012.

As of December 2011, investments in subsidiaries also include equity interest of 100% in United Electronics Company-Extra S.P.C Bahrain incorporated 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 this subsidiary has commenced operations during the year, therefore assets, liabilities and result of operation has been consolidated in the consolidated financial statements for the year ended December 31, 2012. The subsidiary did not have any activities during 2011 and hence was not consolidated in 2011 due to its immateriality.

**7. PROPERTY AND EQUIPMENT**

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Vehicles	Capital work-in- progress	Total
	SR	SR	SR	SR	SR	SR
<b>Cost</b>						
January 1, 2012	81,661,482	174,345,319	146,778,818	10,613,885	4,010,274	417,409,778
Additions	-	22,949,770	22,813,500	3,484,754	59,988,930	109,236,954
Transfers	-	6,404,160	4,323,211	1,060,700	(11,788,071)	-
Write off	-	(18,000)	(3,200,132)	-	-	(3,218,132)
Disposals/derecognition	-	(7,420,674)	(585,155)	(114,123)	-	(8,119,952)
December 31, 2012	<b>81,661,482</b>	<b>196,260,575</b>	<b>170,130,242</b>	<b>15,045,216</b>	<b>52,211,133</b>	<b>515,308,648</b>
<b>Depreciation</b>						
January 1, 2012	-	23,908,631	70,792,717	5,627,456	-	100,328,804
Charge for year	-	6,954,697	19,313,010	1,902,881	-	28,170,588
Write off	-	(14,552)	(2,584,645)	-	-	(2,599,197)
Disposals/derecognition	-	(576,254)	(371,093)	(114,123)	-	(1,061,470)
December 31, 2012	-	<b>30,272,522</b>	<b>87,149,989</b>	<b>7,416,214</b>	-	<b>124,838,725</b>
<b>Net book value</b>						
December 31, 2012	<b>81,661,482</b>	<b>165,988,053</b>	<b>82,980,253</b>	<b>7,629,002</b>	<b>52,211,133</b>	<b>390,469,923</b>
December 31, 2011	81,661,482	150,436,688	75,986,101	4,986,429	4,010,274	317,080,974

Some of the Company's buildings located in different cities of Kingdom of Saudi Arabia on leasehold lands for years ranging from 5 to 20 years.

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

During the year certain class of property and equipment, having a net book value of SR 6,861,920, were derecognized and a claim has been filed to recover this amount and is classified in other debit balances (note 5).

Capital work-in-progress mainly represents showrooms building and facilities under construction.

**8. BANK FACILITIES**

The Group has bank facilities from local banks for letters of guarantee and letters of credit. These facilities are subject to Islamic Shariah principles.

**9. TRADE PAYABLES AND OTHER LIABILITIES**

	2012 SR	2011 SR
Trade payables	338,947,908	268,515,201
Advances from customers	28,187,294	23,393,758
Accrued bonus	17,130,620	15,558,387
Deferred revenue – current portion	9,650,605	10,496,578
Zakat (note 10)	4,078,594	3,128,242
Others	40,653,643	48,625,282
	<u>438,648,664</u>	<u>369,717,448</u>

**10. ZAKAT**

The principal elements of the zakat base are as follows:

	2012 SR	2011 SR
Non-current assets	390,766,923	317,877,974
Non-current liabilities	35,280,621	29,991,442
Opening stockholders' equity	375,347,564	243,267,183
Net income before zakat	163,241,462	135,463,584

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat is as follows:

	2012 SR	2011 SR
January 1	3,128,242	2,502,000
Provision for the year	4,078,594	3,128,242
Under provision in previous year	572,877	254,961
Paid during the year	(3,701,119)	(2,756,961)
December 31	<u>4,078,594</u>	<u>3,128,242</u>



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

The charge for the year for zakat is as follows:

	2012 SR	2011 SR
Zakat for the current year	4,078,594	3,128,242
Under provision in previous year	572,877	254,961
Charged to consolidated statement of income	<u>4,651,471</u>	<u>3,383,203</u>

**Outstanding assessments**

The assessments have been finalized and paid upto the year 2005. The Company has submitted its zakat returns for the years 2006 to 2011 and settled zakat due as per the returns and obtained required certificates which are under the DZIT's review.

**11. RELATED PARTY TRANSACTIONS**

In the normal course of business, the Group transacts with related parties. These transactions include purchases, inter-group transactions and expenses paid on behalf of the Group. The terms of such transactions were approved by the management.

During the year, the Group transacted significant transactions with the following related parties:

Name	Relationship
Digital and Electronic Solutions Development Company and its subsidiary ("DESD")	Affiliate of a stockholder

Significant transactions and the related amounts are as follows:

	2012 SR	2011 SR
Purchases	373,660,640	61,184,548

Trade payables include balance with DESD amounted to SR 27.9 million (2011: SR 3.2 million)

**12. END-OF-SERVICE INDEMNITIES**

	2012 SR	2011 SR
January 1	20,599,333	14,101,241
Provision for year	7,385,347	7,196,888
Payments during year	<u>(1,125,771)</u>	<u>(698,796)</u>
December 31	<u>26,858,909</u>	<u>20,599,333</u>

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**13. STATUTORY RESERVE**

In accordance with Regulations for Companies in Saudi Arabia, 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.

**14. REVENUE**

	<b>2012</b>	<b>2011</b>
	<b>SR</b>	<b>SR</b>
Store revenue	<b>3,012,945,902</b>	2,459,403,511
Other operating income (note 18)	<b>2,091,864</b>	2,106,970
	<b><u>3,015,037,766</u></b>	<u>2,461,510,481</u>

**15. SELLING AND DISTRIBUTION EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>SR</b>	<b>SR</b>
Salaries, wages and employee benefits	<b>116,249,138</b>	93,950,261
Advertising and other related cost	<b>36,031,670</b>	35,178,827
Rent	<b>39,549,426</b>	33,941,563
Depreciation	<b>23,284,029</b>	17,622,673
Utilities	<b>21,546,626</b>	15,906,934
Repair and maintenance	<b>4,064,679</b>	3,490,213
Travel and accommodation	<b>1,125,321</b>	844,209
Others	<b>20,629,291</b>	15,026,976
	<b><u>262,480,180</u></b>	<u>215,961,656</u>

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>SR</b>	<b>SR</b>
Salaries, wages and employee benefits	<b>80,509,389</b>	57,835,987
Depreciation	<b>4,886,558</b>	4,427,252
Legal and consultancy	<b>6,641,009</b>	5,011,518
Utilities, printing and stationary	<b>2,950,721</b>	2,345,464
Repair and maintenance	<b>1,914,738</b>	2,800,467
Travel, accommodation and communication	<b>1,809,365</b>	2,703,689
Rent	<b>804,230</b>	237,840
Other expenses	<b>4,969,936</b>	8,038,802
	<b><u>104,485,946</u></b>	<u>83,401,019</u>

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

**17. EARNINGS PER SHARE**

Earnings per share from net income are computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

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

Earnings per share from other operations is computed by dividing net other (expenses) income by the weighted average number of shares outstanding during the year.

**18. OPERATING LEASE ARRANGEMENTS**

*The Group as lessee*

	<b>2012</b>	2011
	<b>SR</b>	SR
Payments under operating leases recognized as an expense during the year	<b><u>40,353,656</u></b>	<u>34,179,403</u>

Operating lease payments represent rentals payable by the Group for its showrooms, warehouses and other premises for a period from 1 to 25 years. Rentals are fixed for the terms of the lease.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	<b>2012</b>	2011
	<b>SR</b>	SR
Year 1	<b>46,942,808</b>	38,189,701
Year 2	<b>46,376,892</b>	37,190,510
Year 3	<b>44,711,560</b>	37,297,592
Year 4	<b>45,352,863</b>	37,230,258
Year 5 and after	<b>571,503,547</b>	439,796,247

*The Group as lessor*

The Group also has operating leases with its customers for rental of floor and shelf space which generally have a term of one year. Rental income for the year ended December 31, 2012 under such leases amounted to approximately SR 2.1 million (2011: SR 2.1 million).

**19. CONTINGENCIES AND COMMITMENTS**

As of December 31, the Group had the following contingencies and commitments:

	<b>2012</b>	2011
	<b>SR</b>	SR
Letters of guarantee	<b><u>21,776,455</u></b>	<u>26,401,275</u>
Letters of credit	<b><u>125,984,391</u></b>	<u>140,945,105</u>



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
**(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2012**

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**20. DISTRIBUTIONS**

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.

**21. PROPOSED INCREASE IN SHARE CAPITAL AND PROPOSED CASH DIVIDEND**

During the month of December 2012, the Board of Directors of the Company proposed to increase share capital of the Company from SR 240 million to SR 300 million through issuing one bonus share for every four existing shares owned by the stockholders. The increase in share capital will be from retained earnings of the Company. The proposed increase is subject to stockholders' approval in a stockholders' meeting which is going to be held during 2013.

The Board of Directors also proposed the cash dividend of SR 60 million which is subject to stockholders' approval in a stockholders' meeting which is going to be held during 2013.

**22. COMPARATIVE FIGURES**

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

**23. FAIR VALUES**

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.