

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AND AUDITORS' REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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## AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders  
United Electronics Company  
Al Khobar, Kingdom of Saudi Arabia

### Scope of Review

We have reviewed the consolidated interim balance sheet of United Electronics Company (a Saudi Joint Stock Company) as of March 31, 2013 and the related consolidated 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 consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated 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 in the Kingdom of Saudi Arabia 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 consolidated 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 consolidated 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  
5 Jumada' II, 1434  
April 15, 2013



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

**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF MARCH 31, 2013**

	Note	2013 SR (Un-audited)	2012 SR (Un-audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		90,177,308	171,935,417
Trade receivables		10,841,318	5,994,499
Inventories		793,512,288	466,018,153
Prepayments and other debit balances		81,823,238	65,298,651
<b>Total current assets</b>		<b>976,354,152</b>	<b>709,246,720</b>
<b>Non-current assets</b>			
Investments in subsidiaries	3	297,000	797,000
Property and equipment		404,158,960	327,418,815
<b>Total non-current assets</b>		<b>404,455,960</b>	<b>328,215,815</b>
<b>TOTAL ASSETS</b>		<b>1,380,810,112</b>	<b>1,037,462,535</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities		844,405,823	606,724,364
Dividends payable	7	-	61,400,000
<b>Total current liabilities</b>		<b>844,405,823</b>	<b>668,124,364</b>
<b>Non-current liabilities</b>			
Deferred revenue on extended service plan		8,803,891	9,869,010
End-of-service indemnities		28,879,906	21,742,566
<b>Total non-current liabilities</b>		<b>37,683,797</b>	<b>31,611,576</b>
<b>Stockholders' equity</b>			
Share capital	1	240,000,000	240,000,000
Statutory reserve	4	34,955,622	18,852,960
Retained earnings		223,797,593	78,873,635
Foreign exchange translation adjustment		(32,723)	-
<b>Total stockholders' equity</b>		<b>498,720,492</b>	<b>337,726,595</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>1,380,810,112</b>	<b>1,037,462,535</b>

Chief Financial Officer

Chief Executive Officer

Chairman

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

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

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	2013 SR	2012 SR
	(Un-audited)	(Un-audited)
Revenue	723,395,225	626,025,882
Cost of revenue	596,741,805	514,077,272
<b>Gross profit</b>	<b>126,653,420</b>	<b>111,948,610</b>
Selling and distribution expenses	73,981,373	60,489,474
General and administrative expenses	25,693,021	27,114,820
<b>Operating income</b>	<b>26,979,026</b>	<b>24,344,316</b>
Finance charges	(177,636)	(18,800)
Other income, net	86,470	63,586
<b>Net income before zakat</b>	<b>26,887,860</b>	<b>24,389,102</b>
Zakat	(672,200)	(610,071)
<b>NET INCOME</b>	<b>26,215,660</b>	<b>23,779,031</b>
 <b>Earnings per share - note 5</b>		
Earnings per share from net income	1.092	0.991
Earnings per share from continuing main operations	1.088	0.988
Earnings per share from other operations	0.004	0.003
Weighted average number of shares	24,000,000	24,000,000

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Chief Financial Officer

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Chief Executive Officer

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Chairman

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

**CONSOLIDATED INTERIM STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign exchange translation adjustment SR	Total SR
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	-	-	(60,000,000)	-	(60,000,000)
Directors' remuneration	-	-	(1,400,000)	-	(1,400,000)
Transferred to statutory reserve	-	2,377,903	(2,377,903)	-	-
March 31, 2012 (Un-audited)	240,000,000	18,852,960	78,873,635	-	337,726,595
January 1, 2013 (audited)	240,000,000	32,334,056	200,203,499	(28,475)	472,509,080
Net income for the period	-	-	26,215,660	-	26,215,660
Transferred to statutory reserve	-	2,621,566	(2,621,566)	-	-
Movement during the period	-	-	-	(4,248)	(4,248)
March 31, 2013 (Un-audited)	240,000,000	34,955,622	223,797,593	(32,723)	498,720,492

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Chief Financial Officer

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Chief Executive Officer

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Chairman

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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

	2013 SR	2012 SR
	(Un-audited)	(Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	26,887,860	24,389,102
Adjustments for:		
Depreciation	8,399,560	6,781,122
Finance charges	177,636	18,800
Loss (gain) on disposal of property and equipment	19,750	(20,000)
End-of-service indemnities	2,276,249	1,598,879
Changes in operating assets and liabilities:		
Trade receivables	1,530,861	(675,181)
Inventories	(376,576,569)	(125,183,695)
Prepayments and other debit balances	(3,704,733)	(18,849,802)
Trade payables and other liabilities and extended service plan	405,467,138	236,873,746
Cash from operations	64,477,752	124,932,971
End-of-service indemnities paid	(255,252)	(455,646)
Finance charges paid	(177,636)	(18,800)
<b>Net cash from operating activities</b>	<b>64,044,864</b>	<b>124,458,525</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(22,158,347)	(17,118,963)
Proceeds from disposal of property and equipment	50,000	20,000
<b>Net cash used in investing activities</b>	<b>(22,108,347)</b>	<b>(17,098,963)</b>
<b>Net change in cash and cash equivalents</b>	<b>41,936,517</b>	<b>107,359,562</b>
Movement in foreign exchange translation adjustment-net	(4,248)	-
Cash and cash equivalents, January 1	48,245,039	64,575,855
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<b>90,177,308</b>	<b>171,935,417</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 interim financial statements

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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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.

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 have been included in the consolidated interim financial statements of the Company from second quarter ended June 30, 2012:

<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 first quarter of 2012, hence was not consolidated in first quarter of 2012 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 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 consolidated interim financial statements are prepared under the historical cost convention.



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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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**Basis of consolidation**

These consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiaries ("the Group") controlled by the Company prepared for the three months ended March 31, 2013. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements.

**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, demand deposit 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 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. 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.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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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**

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 interim stockholders' equity. Translation loss that is considered permanent is charged to the consolidated interim statement of income.

**Provision for obligation**

A provision is recognized in the consolidated 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 consolidated interim financial statements based on the employees' length of service.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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**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. INVESTMENT IN SUBSIDIARIES**

As of March 31, 2013 and 2012, 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 up to March 31, 2013 and the subsidiary was determined to be immaterial and accordingly, it was not consolidated in the consolidated interim financial statements for the three months ended March 31, 2013.

As of March 31, 2012, 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 in last quarter of 2012, therefore assets, liabilities and result of operation are being consolidated in the consolidated interim financial statements of the Company from second quarter ended June 30, 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.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2013**

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**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 net other income 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:

	2013 SR	2012 SR
	(Un-audited)	(Un-audited)
Letters of guarantee	<u>38,366,778</u>	<u>26,401,275</u>
Letters of credit	<u>115,254,052</u>	<u>132,663,739</u>

**7. DISTRIBUTIONS**

Subsequent to period end based on Board of Directors' recommendation, the stockholders' of the Company in their meeting dated April 1, 2013 approved the cash dividend of SR 60 million and Board of Directors' remuneration fee of SR 1.8 million.

**8. PROPOSED INCREASE IN SHARE CAPITAL**

In December 2012, the Board of Directors 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 increase is approved by the stockholders in their meeting held on April 1, 2013.

**9. 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.