

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS AND AUDITORS'
REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND YEAR ENDED
DECEMBER 31, 2011

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2011

INDEX

PAGE

Auditors' report (limited review)

1

Interim balance sheet

2

Interim statement of income

3

Interim statement of stockholders' equity

4

Interim statement of cash flows

5

Notes to the interim financial statements

6 – 10

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 December 31, 2011 and the related interim statement of income for the three months and year then ended, interim statements of stockholders' equity and cash flows for the year then ended, and notes 1 to 7 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 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 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
15 Safar, 1433
January 9, 2012



UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET
AS OF DECEMEBR 31, 2011

	Note	2011 SR (Un-audited)	2010 SR (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		64,575,855	30,225,095
Trade receivable		5,319,318	7,480,404
Due from a related party	3	3,102,332	-
Inventories		340,834,458	256,603,080
Prepayments and other debit balances		43,346,517	30,161,410
Total current assets		457,178,480	324,469,989
Non-current assets			
Investment in subsidiaries	3	797,000	297,000
Property and equipment		317,080,974	266,957,607
Total non-current assets		317,877,974	267,254,607
TOTAL ASSETS		775,056,454	591,724,596
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Medium term loan - current portion		-	6,153,846
Trade payables and other liabilities		369,717,448	309,149,308
Total current liabilities		369,717,448	315,303,154
Non-current liabilities			
Medium term loan		-	12,307,692
Deferred revenue		9,392,109	6,745,326
End-of-service indemnities		20,599,333	14,101,241
Total non-current liabilities		29,991,442	33,154,259
Stockholders' equity			
Share capital	1	240,000,000	240,000,000
Statutory reserve	4	16,475,057	3,267,019
Retained earnings		118,872,507	164
Total stockholders' equity		375,347,564	243,267,183
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		775,056,454	591,724,596

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 AND YEAR ENDED DECEMBER 31, 2011

	From October 1 to December 31		From January 1 to December 31	
	2011	2010	2011	2010
	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Revenue	723,863,561	531,226,262	2,461,510,481	1,778,382,259
Cost of revenue	603,630,498	430,203,067	2,026,238,040	1,456,290,204
Gross profit	120,233,063	101,023,195	435,272,441	322,092,055
Selling and distribution expenses	57,454,515	39,647,091	215,961,656	157,157,131
General and administrative expenses	20,856,504	22,648,676	83,401,019	65,501,730
Operating income	41,922,044	38,727,428	135,909,766	99,433,194
Finance charges	(55,949)	(1,129,134)	(661,520)	(4,366,351)
Finance income	77,778	1,053,124	77,778	4,194,094
Gain on sale of investment in an associate	-	-	-	522,046
Other income (expense), net	41,325	(308,222)	137,560	284,549
Net income before zakat	41,985,198	38,343,196	135,463,584	100,067,532
Zakat	(776,000)	(976,716)	(3,383,203)	(2,336,941)
NET INCOME	41,209,198	37,366,480	132,080,381	97,730,591
Earnings per share - note 5				
Earnings per share from net income	1.72	1.56	5.50	4.07
Earnings per share from continuing main operations	1.71	1.52	5.49	3.86
Earnings per share from other operations	0.01	0.04	0.01	0.21
Weighted average number of shares	24,000,000	24,000,000	24,000,000	24,000,000

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

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	Share Capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2010 (Audited)	100,000,000	4,553,660	40,982,932	145,536,592
Net income for year	-	-	97,730,591	97,730,591
Transferred to statutory reserve	-	9,773,059	(9,773,059)	-
Transferred to share capital	140,000,000	(11,059,700)	(128,940,300)	-
December 31, 2010 (Audited)	240,000,000	3,267,019	164	243,267,183
Net income for year	-	-	132,080,381	132,080,381
Transferred to statutory reserve	-	13,208,038	(13,208,038)	-
December 31, 2011 (Un-audited)	<u>240,000,000</u>	<u>16,475,057</u>	<u>118,872,507</u>	<u>375,347,564</u>

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

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 SR	2010 SR
	(Un-audited)	(Audited)
OPERATING ACTIVITIES		
Net income before zakat	135,463,584	100,067,532
Adjustments for:		
Depreciation	22,049,925	18,822,407
Finance charges	661,520	4,366,351
Finance income	(77,778)	(4,194,094)
Gain on sale of investment in an associate	-	(522,046)
Provision for doubtful debts	-	1,340,383
Gain on disposal of property and equipment	-	(140,089)
End-of-service indemnities	7,196,888	4,975,594
Changes in operating assets and liabilities:		
Trade receivable	2,161,086	8,730,197
Inventories	(84,231,378)	(50,985,301)
Prepayments and other debit balances	(13,185,107)	4,354,023
Trade payables and other liabilities and deferred revenue	62,588,581	(95,010,446)
Cash from (used in) operations	132,627,321	(8,195,489)
End-of-service indemnities paid	(698,796)	(609,385)
Finance charges paid	(661,520)	(4,657,499)
Zakat paid	(2,756,861)	(1,334,941)
Net cash from (used in) operating activities	128,510,144	(14,797,314)
INVESTING ACTIVITIES		
Additions to property and equipment	(72,178,952)	(115,368,300)
Finance income received	77,778	4,194,094
Proceeds from disposal of property and equipment	5,660	336,984
Proceeds from sale of investment in an associate	-	2,690,926
Investment in a subsidiary	(500,000)	(297,000)
Net cash used in investing activities	(72,595,514)	(108,443,296)
FINANCING ACTIVITIES		
Due to banks	-	(68,000,000)
Medium term loan obtained	-	20,000,000
Repayment of medium term loans	(18,461,538)	(4,278,575)
Due from a related party	(3,102,332)	191,054,235
Net cash (used in) from financing activities	(21,563,870)	138,775,660
Net change in cash and cash equivalents	34,350,760	15,535,050
Cash and cash equivalents, January 1	30,225,095	14,690,045
CASH AND CASH EQUIVALENTS, DECEMBER 31	64,575,855	30,225,095

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 AND YEAR ENDED DECEMBER 31, 2011

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

In 2009, the shareholders of the Company resolved to convert the Company from Limited Liability Company to Closed Joint Stock Company by the introduction of new shareholders. The Company obtained the ministerial approval on the conversion on December 14, 2009. On February 17, 2010, the Company obtained the ministerial approval on the official announcement of the conversion and has obtained the new commercial registration certificate.

In 4th Quarter of year 2010, the stockholders' of the Company resolved to increase the share capital of the Company from SR 100 million to SR 240 million by transferring SR 128.94 million from retained earnings and SR 11.06 million from statutory reserve. Legal formalities related to increase in share capital were completed during year 2010.

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 as follows:

<u>City</u>	<u>CR number</u>
Al Khobar	2051029841
Riyadh – Worood	1010175357
Jeddah – Sultan	4030146479
Riyadh – Ghurnath	1010204256
Riyadh – Sweidi	1010210628
Abha	5850027004
Taif	4032025960
Al Hassa	2252035727
Al Maddina	4650038844
Buraidah	1131025972
Dammam	2050062467
Dammam Faisalya	2050078151
Jeddah – Old Airport	4030189019
Riyadh – Khurais	1010283056
Riyadh – Al Raed	1010300686
Tabok	3550026190

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2011

<u>City</u>	<u>CR number</u>
Makkah	4031060798
Riyadh – Al Remal	1010300685
Riyadh – Oraiga	1010307790
Hafer El Batin	2511013237
Najran	5950018934
Jeddah – Al Tahlya	4030219680
Al-Kharj	1011016109
Jubail	2055014762

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 where by 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 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.

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2011

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.

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 and 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.

UNITED ELECTRONICS COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2011

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 statement of income on a straight-line basis over the term of the operating lease.

3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries includes equity interest of 99% 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 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.

Due from a related party as of December 31, 2011 represents amount due from United Electronics Company-Extra S.P.C Bahrain.

As the Subsidiaries have not commenced operations upto December 31, 2011 and the Subsidiaries were determined to be immaterial and accordingly, financial statements for the period ended December 31, 2011 were not consolidated.

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
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2011

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 the finance income and other income, net by the weighted average number of shares outstanding during the period.

6. CONTINGENCIES AND COMMITMENTS

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

	2011	2010
	SR	SR
	(Un-audited)	(Audited)
Letters of guarantee	26,401,275	3,694,193
Letters of credit	140,945,105	96,547,624

7. RESULTS OF INTERIM PERIOD

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