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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016
WITH INDEPENDENT AUDITORS' REVIEW REPORT

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016

KPMG

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REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Shareholders
United Electronics Company
(A Saudi Joint Stock Company)
Al-Khobar, Kingdom of Saudi Arabia

Scope of review:

We have reviewed the accompanying interim consolidated balance sheet of United Electronics Company (the "Company") and its Subsidiaries (together referred to as the "Group") as at 31 March 2016, the related interim consolidated statement of income, the interim consolidated statement of cash flows and the interim consolidated statement of changes in owners' equity for the three months period ended 31 March 2016 and the attached notes 1 through 15 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

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Al Khobar, 19 April 2016G
Corresponding to: 12 Rajab 1437H

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2016
(Expressed in Saudi Riyals)

	Note	31 MARCH 2016 (UNAUDITED)	31 MARCH 2015 (UNAUDITED)
ASSETS			
Current assets			
Cash and cash equivalents	4	**47,688,585**	201,429,337
Accounts receivables, net		**7,152,719**	15,840,306
Installment sales receivable – Short term portion		**24,090,664**	2,634,944
Inventories, net		**651,298,148**	612,114,626
Prepayments and other current assets		**68,886,040**	70,930,029
Total current assets		**799,116,156**	902,949,242
Non-current assets			
Installment sales receivable – Long term portion		**10,316,642**	1,018,508
Property and equipment		**493,861,219**	498,679,186
Total non-current assets		**504,177,861**	499,697,694
Total assets		**1,303,294,017**	1,402,646,936
LIABILITIES			
Current liabilities			
Accounts payable		**525,940,434**	602,196,625
Accrued expenses and other liabilities		**98,054,733**	91,734,819
Deferred revenue from additional service program – Short term portion		**12,285,415**	7,932,455
Deferred revenue from sale and leaseback – Short term portion	7	**961,547**	-
Short term Murabaha		**75,000,000**	70,000,000
Murabaha loan – current portion	8	**20,000,000**	20,000,000
Zakat and tax provision	6	**3,996,052**	3,562,971
Total current liabilities		**736,238,181**	795,426,870
Non-current liabilities			
Murabaha loan – long term portion	8	**5,000,000**	25,000,000
Deferred revenue from additional service program – Long term portion		**10,344,872**	6,543,039
Deferred revenue from sale and leaseback – Long term portion	7	**15,625,292**	-
Deferred tax liability		**32,156**	-
Employees' end of service benefits		**49,237,384**	42,297,704
Total non-current liabilities		**80,239,704**	73,840,743
Total liabilities		**816,477,885**	869,267,613
OWNERS' EQUITY			
Share capital		**360,000,000**	300,000,000
Statutory reserve		**66,088,888**	62,778,887
Retained earnings		**60,762,147**	170,606,970
Foreign currency translation reserve		**(31,481)**	(8,704)
Total owners' equity		**486,819,554**	533,377,153
Non- controlling interest		**(3,422)**	2,170
Total equity		**486,816,132**	533,379,323
Total liabilities and owners' equity		**1,303,294,017**	1,402,646,936

The interim consolidated financial statements appearing on pages (1) to (16) were approved by the Board of Directors

The accompanying notes 1 through 15 form an integral part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016
(Expressed in Saudi Riyals)

	Note	For the three month period ended 31 March	
		2016 UNAUDITED	2015 UNAUDITED
Revenue	11	**742,130,021**	871,713,404
Cost of revenue	11	**(645,262,956)**	(737,606,486)
Gross profit		**96,867,065**	134,106,918
Selling and marketing expenses		**(111,546,535)**	(92,745,638)
General and administrative expenses		**(29,768,135)**	(23,915,635)
Operating (loss) / income		**(44,447,605)**	17,445,645
Finance expenses		**(399,572)**	(581,120)
Other income (loss), net		**625,086**	(352,319)
(Loss) / income before Zakat		**(44,222,091)**	16,512,206
Zakat	6	**(618,159)**	(432,883)
Net (loss) / income for the period		**(44,840,250)**	16,079,323
Net (loss) / income attributable to:			
Shareholders of the parent		**(44,834,833)**	16,079,323
Non-controlling interest		**(5,417)**	-
Net (loss) / income for the period		**(44,840,250)**	16,079,323
(Loss) / earnings per share:			
(Loss) / earnings per share from operating (loss) / income for the period	9	**(1.23)**	0.48
(Loss) / earnings per share from net (loss) / income for the period	9	**(1.25)**	0.45

The accompanying notes 1 through 15 form an integral part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016
(Expressed in Saudi Riyals)

	Note	2016 (UNAUDITED)	2015 (UNAUDITED)
Cash flows from operating activities:			
Net (loss) / income for the period		**(44,840,250)**	16,079,323
Adjustments to reconcile net income to net cash (used) in / provided by operating activities:			
Depreciation		**12,108,973**	11,457,990
Gain from sale of property and equipment		**(43,287)**	(79,996)
Deferred revenue on sale and leaseback transaction		**(240,387)**	-
Finance expense		**399,572**	581,120
Provision for instalment sales		**732,507**	9,861
Provision for doubtful debts		**(65,752)**	626,591
Provision for inventory		**(1,103,131)**	(12,110,297)
Zakat provision		**618,159**	432,883
Employees' end of service benefits		**2,500,724**	2,316,143
		(29,932,872)	19,313,618
Changes in operating assets and liabilities:			
Accounts receivable		**6,567,068**	5,630,705
Installment sales receivable		**(10,075,974)**	(1,677,931)
Inventories		**1,597,101**	65,408,623
Prepayments and other current assets		**199,871**	(11,326,200)
Accounts payable and other current liabilities		**(28,346,215)**	1,283,785
Deferred revenue		**1,671,324**	(32,904)
Employees' end of service benefits paid		**(1,734,376)**	(449,969)
Finance expense paid		**(399,572)**	(581,120)
Net cash (used) in / provided by operating activities		**(60,453,645)**	77,568,607
Cash flows from investing activities			
Additions to property and equipment		**(28,734,710)**	(11,728,593)
Proceeds from disposal of property and equipment		**620,300**	80,000
Net cash used in investing activities		**(28,114,410)**	(11,648,593)
Cash flows from financing activities:			
Short term loans received		**75,000,000**	70,000,000
Repayment of loan		**(5,000,000)**	(5,000,000)
Net cash provided by financing activities		**70,000,000**	65,000,000
Net change in cash and cash equivalents		**(18,568,055)**	130,920,014
Movement in foreign currency translation of foreign cash balances		**34,457**	42,835
Cash and cash equivalent at the beginning of the period		**66,222,183**	70,466,488
Cash and cash equivalents at end of the period	4	**47,688,585**	201,429,337

The accompanying notes 1 through 15 form an integral part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2016
(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Equity attributable to shareholders of the Company	Non-controlling interest	Total
Balance as at 1 January 2016 (audited)	**360,000,000**	**66,088,888**	**105,596,980**	**(65,938)**	**531,619,930**	**1,995**	**531,621,925**
Net income for the period ended 31 March 2016 (unaudited)	**-**	**-**	**(44,834,833)**	**-**	**(44,834,833)**	**(5,417)**	**(44,840,250)**
Foreign currency translation	**-**	**-**	**-**	**34,457**	**34,457**	**-**	**34,457**
Balance as at 31 March 2016	**360,000,000**	**66,088,888**	**60,762,147**	**(31,481)**	**486,819,554**	**(3,422)**	**486,816,132**
Balance as at 1 January 2015 (audited)	300,000,000	61,170,955	156,135,579	(51,539)	517,254,995	2,170	517,257,165
Net income for the period ended 31 March 2015 (unaudited)	-	-	16,079,323	-	16,079,323	-	16,079,323
Transfer to statuary reserve	-	1,607,932	(1,607,932)	-	-	-	-
Foreign currency translation	-	-	-	42,835	42,835	-	42,835
Balance as at 31 March 2015	300,000,000	62,778,887	170,606,970	(8,704)	533,377,153	2,170	533,379,323

The accompanying notes 1 through 15 form an integral of these interim consolidated financial statements.

(Expressed in Saudi Riyals)

1) ORGANIZATION AND PRINCIPAL ACTIVITIES

UNITED ELECTRONICS COMPANY (the "Company") and its Subsidiaries (referred to together as the "Group") is a Saudi Joint stock Company initially registered in Riyadh under commercial registration No, 1010175357 dated 19 Moharram 1423H (corresponding to 1 April 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 (corresponding to 27 July 2004), From 24 December 2011, the shares of the company have been listed on Saudi Stock Exchange "Tadawul".

As at 31 December 2014 the Company's share capital was SR 300 million divided into 30 million shares valued SR 10 each, However, on 27 April 2015, the Company increased share capital by SR 60 million from retained earnings to be SR 360 million divided into 36 million shares whose par value is SR 10 each.

The Company's principal business activities represent wholesale and retail trade in foodstuff, electric appliances, electronic gadgets, computers and their spare parts and accessories, furniture, office equipment and tools, car recorder installations, maintenance and repair services, establishment of restaurants and third-party marketing.

The following are the subsidiaries of the Company, the assets and liabilities and result of operations and cash flow of these subsidiaries have been included in the consolidated financial statements of the Company.

Name of consolidated subsidiaries	**Effective ownership 2016**	**Effective ownership 2015**
United Electronics company Extra S.P.C. a company registered in Bahrain	100%	100%
United Electronics company Extra L.L.C. a company registered in Oman	100%	100%
United Electronics company Maintenance and Electronics Company Limited, a company registered in Kingdom of Saudi Arabia	99%	99%

1- United Electronics Company-Extra S.P.C., is registered in Bahrain on 15 Dhul-Qa'da l432H (corresponding to 13 October 2011). The principal activities of this subsidiary are importing, exporting and trading for electrical and electronics devices and their spare parts, computers and accessories, selling video and audio media materials, importing and exporting computer software and hardware, importing and exporting electronic games, providing maintenance for electric devices in addition to management and development of personal properties. This subsidiary commenced its operaions on 30 December 2012.

2- United Electronics Company-Extra L.L.C. is registered in Oman on 15 Jumada I, 1433H (corresponding to 7 April 2012), the principal activities are retail of computer, non-customized softwares, household appliances (radio, television, refrigerators, crockery etc,), toys, games, satellites and phones. This subsidiary commenced its operations on 18 January 2013.

3- United Company for Maintenance Services, a Saudi limited liability company incorporated on 10 Rajab 1431H (corresponding to 22 September 2010). The principal activities are maintenance and repair and providing warranty 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.

4- As at 31 March 2016, the Group has a total of 42 branches (31 March 2015: 39 branches) out of which 39 operational branches are in the Kingdom of Saudi Arabia (31 March 2015: 37 branches).

2) BASIS OF PREPARATION

(a) Statement of compliance

These accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in the light of the relevant Saudi Laws and Regulations relevant to the preparation and presentation of the financial statements.

(b) Basis of measurement

These interim consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These interim consolidated financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these judgments and estimates of assumptions are prepared in the light of the most recent and relevant information available to management. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected, In particular, information about significant areas of estimated uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are described in the following notes:

Note 3 (c)	- Accounts receivable
Note 3 (d)	- Inventories
Note 3 (f)	- Property and equipment
Note 3 (j)	- Zakat and income tax
Note 12	- Financial instruments

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set below have been applied consistently to all periods presented in the interim consolidated financial statements.

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries set forth in Note (1) above. Subsidiaries are entities controlled by the Holding company. Control is presumed to exist when the Holding Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date deducting bank overdrafts, if any. Cash flow statement has been prepared using the indirect method.

c) Accounts receivable

Accounts receivable are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Company will not be able to collect all amounts due according to the original terms of invoice. Such provision is charged to the interim statement of income and reported under "Selling and Marketing expenses". When accounts receivable are uncollectible, they are written-off against the provision for doubtful accounts. Any subsequent recoveries of amounts previously written-off are credited against "other income" in the interim consolidated Statement of Income.

d) Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined on the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Appropriate provisions are made for slow moving inventories.

e) Investment held for trading

Investment held for trading are stated at fair value and unrealized and realized gains and losses thereon are included in the consolidated statement of income.

Where the fair value is not readily determinable, such equity securities are stated at costs less allowances for impairment if any.

f) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulate impairment loss, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of income when incurred.

Depreciation is charged to the interim consolidated statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of fixed asset and are recognized net within "other income" in the interim consolidated Statement of Income. The estimated useful lives of assets are as follows:

Item	Estimated useful lives/Years
Buildings and leasehold improvement	10- 33 years
Furniture, Fixture and office equipment	4-10 years
Vehicles	5 years

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Construction under progress

Constructions under progress represents the accumulated costs incurred by the company in relation to the construction of its building and structures. Cost incurred for the construction of property and equipments are initially charged to the construction under progress then these expenses are transferred to property and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

h) Impairment of assets

Financial assets

A financial asset is assessed at each annual reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non- financial assets

The carrying amounts of non-financial assets of the Company, except inventories, assets held for sale and assets resulting from construction contracts, if any, are reviewed at the date of the financial statements to ascertain whether there is an event or changes in circumstances indicating that the carrying amount of an asset exceeds its recoverable amount.

When such indicator exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. The impairment calculated as the difference between the carrying amount and estimated recoverable amount, discounted using the effective interest rate.

A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses in respect of other intangible assets in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods received and services rendered, whether or not billed to the Group.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Zakat and income tax

The company is subject to the regulations of the Department of Zakat and Income Tax ("DZIT") in the kingdom of Saudi Arabia, Zakat and Income Tax are provided on an accrual basis and charged to the statement income. The Zakat charge is computed on the zakat base and income tax is computed on the adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

k) Deferred Tax

Deferred tax is provided for, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

l) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with the respective labour regulations are accrued and charged to consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his/ her services be terminated at the balance sheet date.

m) Revenue recognition

Revenue from sale of goods is recognized upon delivery or shipment of products to customers and is recorded net of returns, trade discounts and volume rebates.

Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- There is sufficient expectation that economic benefits will flow to the Group; and
- It is probable that the costs that are charged or will be charged to the Group with the transaction can be accurately determined.

Revenue from extended warranty program and sale of gift cards

Revenue from extended warranty contracts is recognized, according to the services rendered. A particular portion of the collected revenue is deferred and amortized over the service agreement period.

Revenues from gift cards are recognized when these cards are redeemed by customers or based on management estimates for cards not to be redeemed.

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Revenue recognition (continued)

Revenues from the extended warranty and gift cards are recognized when the following conditions are satisfied:

- The amount is non-refundable;
- An entity concludes, based on available evidence that the likelihood of the customer requiring to fulfill its performance obligation is remote.
- The amount of revenue can be measured reliably;
- There is sufficient expectation that economic benefits will flow to the Group; and
- It is probable that the costs that are charged to the Group with the transaction can be accurately determined.

Management periodically reviews and updates its estimates of revenue recognition calculation based on trends, past experience and cumulative knowledge

Instalment sales

The Company recognizes the value of goods which are a subject for installment when all the risk and rewards are transferred to the customer, however the installment sales commission is deferred until cash collection based on the received installments.

Other revenue

Other revenues are recognized according to the accrual basis.

n) Expenses

Selling, marketing, general and administrative expenses include indirect costs not specifically part of cost of revenues as required under generally accepted accounting standards. Allocations between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

o) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

p) Leasing

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

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Foreign currency transactions

i. Foreign currency transactions

Transactions denominated in foreign currencies are translated into Saudi Riyals at the exchange rates prevailing at the time of the respective transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing at that date. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement of income.

ii. Translation difference on Foreign subsidiaries

The financial statements of subsidiaries are translated to the functional currency of the parent Company i.e. Saudi Riyal. Gains and losses resulting from changes in exchange rates are recognized as a separate component of equity.

r) Sale and leaseback – operating lease

Sale and operating leaseback transactions are recognized independent of the lease transactions. Any loss from the sale is recognized on the contract date while deferred gains are recognized in the future in proportion to the lease expenses compared to the total lease payments during the contract term.

s) Interim results of operations

The financial statements have been presented with comparative figures of the same period in previous year in accordance with the SOCPA standard of interim financial statements. All significant adjustments, that management believe that necessary for the fair presentation of interim financial position, the results of the Company's operations and cash flows were made.

These interim consolidated financial statements and notes thereto should be read in conjunction with the annual audited consolidated financial statements and related notes for the year ended 31 December 2015.

The results of operations in these interim financial statements do not necessarily represent an accurate indicator of the results of operations at year end.

t) Segmental reporting

A segment is a distinguishable component of the Company that is engaged in providing products, services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the management views the whole activities of the Company as one operating segment, reporting is provided by geographical segments only.

u) Basic and diluted earnings / (losses)per share

Basic earnings / (losses) per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings / (losses) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

(Expressed in Saudi Riyals)

4) CASH AND CASH EQUIVALENT

	2016 (Unaudited)	2015 (Unaudited)
Cash at bank	**37,715,395**	194,561,721
Cash in hand	**9,973,190**	6,867,616
	47,688,585	201,429,337

5) RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its business, the Company deals with its related parties, which include purchases, sales and inter-group transactions with related parties. These terms and conditions of such transactions are approved by the Company's management. The significant related parties are listed as follows:

Name of entity	Relationship
Digital and Electronic Solutions Development Company ("DESD") and its subsidiaries	Affiliate of a shareholder

During the period ended 31 March the Company had the following significant transactions with its related parties.

Related Party	Nature of transactions	**2016 (Unaudited)**	2015 (Unaudited)
Digital and Electronic Solutions Development Company ("DESD") and its subsidiaries	Purchases	**117,231,619**	37,943,124

Trade payables include balance payable to DESD and its subsidiaries amounting to SR 43,916,750 (31 March 2015: SR 33,310,179).

6) ZAKAT AND TAX PROVISION

As per the Saudi Regulations, the Saudi Shareholders are subject to Zakat calculated according to regulations promulgated by the government authorities computed at 2.5% of the Zakat base.

Computation and provision of estimated Zakat and Income Tax liability are made quarterly, adjustments arising from final zakat assessments are recorded in the period in which such assessments are approved.

7) SALE AND LEASEBACK

The Group entered into a contract with the another Company for a sale and leaseback of land and building of Dammam branch at a total rental value of SR 69,646,242 million for a period of eighteen years starting from 1 July 2015 until 30 June 2033. The annual rent is being paid in advance at the beginning of each year. This sale resulted in a gain of SR 17,307,837. The Group deferred the recognition of this gain so that it shall be recognized in proportion to the amount of rent expense for the relevant period. The amount so recognized as profits on a monthly basis amounts to SR 80,129.

	2016 (Unaudited)	2015 (Unaudited)
Deferred revenue from sale and lease back – current portion	**961,547**	-
Deferred revenue from sale and lease back – Non-current portion	**15,625,292**	-

(Expressed in Saudi Riyals)

8) MURABAHA FINANCE

The Group has bank facilities from local banks for letter of credit, letters of guarantee and Islamic Murabaha financing. These facilities carry finance charges at market rates and these are secured against promissory notes. These facilities are subject to Islamic Shariah principles and their details are as follow:

	2016 (Unaudited)	2015 (Unaudited)
Current portion:		
2016 and first quarter of 2017	**20,000,000**	20,000,000
	20,000,000	20,000,000
Non-current portion:		
From 1 April 2017 till 31 December 2017	**5,000,000**	25,000,000
	5,000,000	25,000,000
Total	**25,000,000**	45,000,000

9) (LOSS) / EARNING PER SHARE

Based on the General Assembly resolution on 27 April 2015 the Company issued 6,000,000 shares from its retained profits. As per the requirement of generally accepted accounting standards in the Kingdom of Saudi Arabia the shares are deemed to be issued from the beginning of the year 2015 i.e. 1 January 2015. Further, the shares for the prior period is also adjusted for the shares issued during the year.

(Losses) / earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period of 36 million shares. However, this does not have any dilution affect as the basic and diluted (losses) / earnings per share are equal.

10) CONTINGENCIES AND CAPITAL COMITMENT

Contingencies as at 31 March, comprise of the following:

	2016 (Unaudited)	2015 (Unaudited)
Letters of guarantee	**56,856,073**	58,126,498
Letters of credit	**97,621,448**	112,530,621

11) SEGMENTAL REPORTING

The management of the Company views the entire business activities of the Company as one operating segment for performance assessment and resources allocation. Because the management views the entire business activities of the Company as one segment, segment reporting is provided by geographical segments only.

There are no intra segment transactions. The details of the results pertaining to Kingdom of Saudi Arabia and subsidiaries results outside the Kingdom with their respective assets and liabilities for the period ended 31 March 2016 and 2015 are as follows:

(Expressed in Saudi Riyals)

11) SEGMENTAL REPORTING (Continued)

31 March 2016 (Unaudited)	**Inside the Kingdom of Saudi Arabia**	**Outside the Kingdom of Saudi Arabia**	**Consolidation adjustments**	**Total**
Revenue, net	**693,319,487**	**48,810,534**	**-**	**742,130,021**
Cost of revenue	**(602,639,271)**	**(42,623,685)**	**-**	**(645,262,956)**
Gross profit	**90,680,216**	**6,186,849**	**-**	**96,867,065**
Gross profit percentage	**13.08%**	**12.68%**	**-**	**13.05%**
Net loss for the period	**(45,381,988)**	**(2,862,994)**	**3,404,732**	**(44,840,250)**
Net loss margin	**-6.55%**	**-5.87%**	**-**	**-6.04%**
Current assets	**863,960,598**	**38,031,571**	**(102,876,013)**	**799,116,156**
Non-current assets	**391,148,819**	**78,062,571**	**34,966,471**	**504,177,861**
Total Assets	**1,255,109,417**	**116,094,142**	**(67,909,542)**	**1,303,294,017**
Current liabilities	**690,043,659**	**149,070,535**	**(102,876,013)**	**736,238,181**
Non-current liabilities	**78,556,903**	**1,682,801**	**-**	**80,239,704**
Total Liabilities	**768,600,562**	**150,753,336**	**(102,876,013)**	**816,477,885**

31 March 2015 (Unaudited)	Inside the Kingdom of Saudi Arabia	Outside the Kingdom of Saudi Arabia	Consolidation adjustments	Total
Revenue, net	827,752,791	43,960,613	-	871,713,404
Cost of revenue	(699,371,461)	(38,235,025)	-	(737,606,486)
Gross profit	128,381,330	5,725,588	-	134,106,918
Gross profit percentage	15.52%	13.02%	-	15.38%
Net profit for the period	16,079,323	(2,065,618)	2,065,618	16,079,323
Net profit margin	1.94%	-4.70%	-	1.84%
Current assets	951,757,788	49,330,366	(98,138,912)	902,949,242
Non-current assets	427,186,151	70,752,925	1,758,618	499,697,694
Total Assets	1,378,943,939	120,083,291	(96,380,294)	1,402,646,936
Current liabilities	767,475,681	145,903,063	(117,951,874)	795,426,870
Non-current liabilities	72,371,118	1,469,625	-	73,840,743
Total Liabilities	839,846,799	147,372,688	(117,951,874)	869,267,613

12) FINANCIAL INSTRUMENTS

Financial instruments carried on the interim consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable, investments, trade payable, and certain other liabilities.

Credit risk is the risk that one party may fail to discharge an obligation and may cause the other party to incur a financial loss. The Company has no significant concentration of credit risks, Cash and cash equivalents are placed with local banks with sound credit ratings. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arise mainly from short term bank deposits and bank debts and long term debts, which are at floating rates of interest.

Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

Liquidity risk is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to realize the value of a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet Company's future commitments.

Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyal, Bahrain dinar and Oman riyal, other transactions in foreign currencies other than Bahrain dinar and Oman riyal are not material. Currency risk is managed on regular basis.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying interim consolidated financial statements are prepared under the historical cost method differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

13) SIGNIFICANT EVENTS

United Electronics Company (Extra) signed a letter on 17 Shaaban 1436 H, corresponding to 4 June, 2015 with Mohammad Yousuf Al Sakr and Associates (shareholders / owners) in International Regions Company to acquire 51% controlling interest of the company that works in the field of fashion retail (i.e. DKNY, Kenzo, Max Mara, Koton etc) shoes (Jimmy Choo, Ecco etc) and accessories (On Time, Trinkets etc.). The Group is expecting to have more than 240 branches in seven countries in the region if the acquisition is successful.

This letter is subject to a satisfactory completion of due diligence and other procedures. Accordingly, it does not have significant effect on the balances reported in these Financial Statements. Further, it was agreed between the parties on 2 March 2016 to extend the date to 31 July 2016.

14) COMPARATIVE FIGURES

Certain comparative period balances have been reclassified to be consistent with current period presentation.

15) APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements were approved by the Board of Directors of the Company on 19 April 2016G corresponding to 12 Rajab 1437H.