

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REPORT**  
YEAR ENDED DECEMBER 31, 2014

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

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2014**

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## AUDITORS' REPORT

To the stockholders  
United Electronics Company  
Al Khobar, Saudi Arabia

### Scope of Audit

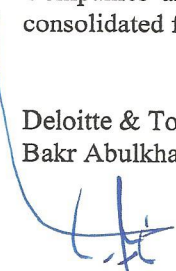
We have audited the consolidated balance sheet of United Electronics Company (a Saudi Joint Stock Company) and its subsidiaries ("the Group") as of December 31, 2014 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 22 which 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 consolidated 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, 2014 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  
28 Rabi' II, 1436  
February 17, 2015



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

CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 2014

	Note	2014 SR	2013 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	70,466,488	34,817,939
Trade receivable		24,844,734	15,811,428
Inventories	4	665,412,952	480,032,668
Prepayments and other debit balances	5	59,603,829	63,212,556
<b>Total current assets</b>		<b>820,328,003</b>	<b>593,874,591</b>
<b>Non-current assets</b>			
Investments in a subsidiary		-	297,000
Property and equipment	6	498,408,587	459,048,573
<b>Total non-current assets</b>		<b>498,408,587</b>	<b>459,345,573</b>
<b>TOTAL ASSETS</b>		<b>1,318,736,590</b>	<b>1,053,220,164</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Murabaha finance and current portion of murabaha medium term finance	7,8	20,000,000	40,000,000
Dividends payable		-	52,500,000
Trade payables and other liabilities	9	704,445,172	433,519,529
<b>Total current liabilities</b>		<b>724,445,172</b>	<b>526,019,529</b>
<b>Non-current liabilities</b>			
Murabaha medium term finance	8	30,000,000	-
Deferred revenue on extended service plan		6,602,723	6,096,883
End-of-service indemnities	12	40,431,530	33,045,563
<b>Total non-current liabilities</b>		<b>77,034,253</b>	<b>39,142,446</b>
<b>Stockholders' equity</b>			
Share capital	1	300,000,000	300,000,000
Statutory reserve	13	61,170,955	49,066,485
Retained earnings		156,135,579	138,995,356
Foreign exchange translation adjustment		(51,539)	(3,652)
<b>Total stockholders' equity</b>		<b>517,254,995</b>	<b>488,058,189</b>
Non-controlling interest		2,170	-
<b>Total stockholders' equity and non-controlling interest</b>		<b>517,257,165</b>	<b>488,058,189</b>
<b>TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTEREST</b>		<b>1,318,736,590</b>	<b>1,053,220,164</b>

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, 2014**

	Note	2014 SR	2013 SR
Revenue	14	<b>3,689,360,250</b>	3,387,673,631
Cost of revenue	11	<b>3,068,604,535</b>	2,786,082,421
<b>Gross profit</b>		<b>620,755,715</b>	601,591,210
Selling and distribution expenses	15	<b>379,621,619</b>	331,497,717
General and administrative expenses	16	<b>115,348,760</b>	97,743,863
<b>Operating income</b>		<b>125,785,336</b>	172,349,630
Finance charges	7,8	<b>(3,376,183)</b>	(818,334)
Realized gain on investment held for trading		<b>2,524,301</b>	-
Other (expenses) income, net		<b>(457,851)</b>	513,193
<b>Net income before zakat and non-controlling interest</b>		<b>124,475,603</b>	172,044,489
Zakat	10	<b>(3,431,740)</b>	(4,720,203)
<b>Net income before non-controlling interest</b>		<b>121,043,863</b>	167,324,286
Non-controlling interests		<b>830</b>	-
<b>NET INCOME FOR THE YEAR</b>		<b>121,044,693</b>	167,324,286
<b>Earnings per share - note 17</b>			
Earnings per share from net income		<b>4.04</b>	5.58
Earnings per share from continuing main operations		<b>3.97</b>	5.56
Earnings per share from other operations		<b>0.07</b>	0.02
Weighted average number of shares		<b>30,000,000</b>	30,000,000

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 STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2014**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign exchange translation adjustment SR	Total SR
January 1, 2013		240,000,000	32,334,056	200,203,499	(28,475)	472,509,080
Net income for year		-	-	167,324,286	-	167,324,286
Transferred to statutory reserve		-	16,732,429	(16,732,429)	-	-
Dividends	13	-	-	(150,000,000)	-	(150,000,000)
Directors' remuneration	20	-	-	(1,800,000)	-	(1,800,000)
Increase in share capital	20	60,000,000	-	(60,000,000)	-	-
Movement during the year	1	-	-	-	24,823	24,823
December 31, 2013		300,000,000	49,066,485	138,995,356	(3,652)	488,058,189
Net income for year		-	-	121,044,693	-	121,044,693
Transferred to statutory reserve		-	12,104,470	(12,104,470)	-	-
Dividends		-	-	(90,000,000)	-	(90,000,000)
Directors' remuneration		-	-	(1,800,000)	-	(1,800,000)
Movement during the year		-	-	-	(47,887)	(47,887)
December 31, 2014		<b>300,000,000</b>	<b>61,170,955</b>	<b>156,135,579</b>	<b>(51,539)</b>	<b>517,254,995</b>

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 CASH FLOWS  
YEAR ENDED DECEMBER 31, 2014

	2014 SR	2013 SR
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and non-controlling interests	124,475,603	172,044,489
Adjustments for:		
Depreciation	43,946,748	38,090,855
Finance charges	3,376,183	818,334
Write off of property and equipment	-	173,337
Loss (gain) on disposal of property and equipment	(98,078)	70,576
End-of-service indemnities	9,819,788	9,008,366
Realized gain on investments held for trading	(2,524,301)	-
Changes in operating assets and liabilities:		
Trade receivables	(9,033,306)	(3,439,249)
Inventories	(185,380,284)	(63,096,949)
Prepayments and other debit balances	3,608,727	14,905,949
Trade payables and other liabilities and extended service plan	272,696,366	(7,770,341)
Cash from operations	260,887,446	160,805,367
End-of-service indemnities paid	(2,433,821)	(2,821,712)
Finance charges paid	(3,376,183)	(818,334)
Zakat paid	(4,696,623)	(4,403,826)
<b>Net cash from operating activities</b>	<b>250,380,819</b>	<b>152,761,495</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(83,391,334)	(107,000,630)
Proceeds from disposal of property and equipment	182,650	87,212
Purchase of investments – held for trading	(3,002,396)	-
Proceeds from disposal of investments - held for trading	5,526,697	-
<b>Net cash used in investing activities</b>	<b>(80,684,383)</b>	<b>(106,913,418)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(142,500,000)	(97,500,000)
Directors' remuneration	(1,800,000)	(1,800,000)
Murabaha finance, net	10,000,000	40,000,000
<b>Net cash used in financing activities</b>	<b>(134,300,000)</b>	<b>(59,300,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>35,396,436</b>	<b>(13,451,923)</b>
Cash and cash equivalents of a subsidiary	300,000	-
Movement in foreign exchange translation adjustment, net	(47,887)	24,823
Cash and cash equivalents, January 1	34,817,939	48,245,039
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>70,466,488</b>	<b>34,817,939</b>
<b>Non-cash transaction:</b>		
Dividends payable	-	52,500,000

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



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

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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, 2014 and 2013 the Company’s share capital was SR 300 million divided in to 30 million shares of SR 10 each.

The Company’s principal activities are the wholesale and retail trade in food, electrical appliances, electronic gadgets, computers and their spare parts and accessories, furniture, office equipment and tools, auto recorders installation, maintenance and repair services, establishment of restaurants and marketing for others.

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 financial statements of the Company.

<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 Computers Maintenance and Electronics Company Limited, a company registered in the Kingdom of Saudi Arabia	99%

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 in electrical and electronics devices and their spare parts and computers and their supplies, selling visual and vocal media materials, importing and exporting computer related programs and systems, importing and exporting electric games, providing maintenance for electric devices in addition to the management and development of personal properties. The subsidiary commenced its operations on December 30, 2012.

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

United Computers Maintenance and Electronics Company Limited, a Saudi limited liability company incorporated on 10 Rajab 1431H (June 22, 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. This subsidiary is consolidated during the year.

The Company has 37 branches (36 stores in operation) in the Kingdom of Saudi Arabia as of December 31, 2014 (December 31, 2013: 35) (refer appendix “A”).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2014**

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**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, 2014. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated financial statements.

**Use of estimates and judgments**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future period effected.

The management reviews the revenue recognition pattern of deferred portion of revenue received under the extended warranty contracts based on past experience and trends and changed the deferred portion of the extended warranty revenue.

The other key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are impairment of receivables, provision for any slow moving and damaged inventories and useful lives of property and equipment.

**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 the service agreement.

Rebates are recognized in cost of revenue upon achieving sale targets.

**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.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2014**

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**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. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**Investment**

***Investment in subsidiaries***

A subsidiary is an enterprise that is controlled by the Group 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.

***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 cost less allowances for impairment value.

**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	10 - 33
Furniture, fixtures and office equipment	4 - 10
Vehicles	5

**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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2014**

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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 at 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 the 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 applicable laws, 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.

**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, 2014 and 2013, cash and cash equivalents consist entirely of cash and bank balances.

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2014**

**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.

Inventories include an amount of SR 34.1 million (2013: SR 5.2 million) which was in-transit as of year end.

**5. PREPAYMENTS AND OTHER DEBIT BALANCES**

	2014 SR	2013 SR
Prepaid rent	37,504,276	35,638,907
Advances to suppliers	878,060	1,481,807
Receivable from employees	7,933,235	7,907,808
Prepaid insurance	3,443,619	1,246,861
Claim receivable	878,351	6,861,920
Other prepaid expenses	8,966,288	10,075,253
	<u>59,603,829</u>	<u>63,212,556</u>

**6. PROPERTY AND EQUIPMENT**

	Land SR	Buildings and leasehold improvements SR	Furniture, fixtures and office equipment SR	Vehicles SR	Capital work-in- progress SR	Total SR
<b>Cost</b>						
January 1, 2014	92,533,482	280,761,552	208,645,319	20,640,340	15,077,795	617,658,488
Additions	33,529,068	16,333,408	11,935,014	2,722,374	18,871,470	83,391,334
Transfers	-	3,390,768	2,864,025	50,000	(6,304,793)	-
Disposals	-	-	(689,659)	(235,680)	-	(925,339)
December 31, 2014	<u>126,062,550</u>	<u>300,485,728</u>	<u>222,754,699</u>	<u>23,177,034</u>	<u>27,644,472</u>	<u>700,124,483</u>
<b>Depreciation</b>						
January 1, 2014	-	40,667,021	107,481,066	10,461,828	-	158,609,915
Charge for year	-	13,982,924	26,652,368	3,311,456	-	43,946,748
Disposals	-	-	(648,295)	(192,472)	-	(840,767)
December 31, 2014	<u>-</u>	<u>54,649,945</u>	<u>133,485,139</u>	<u>13,580,812</u>	<u>-</u>	<u>201,715,896</u>
<b>Net book value</b>						
December 31, 2014	<u>126,062,550</u>	<u>245,835,783</u>	<u>89,269,560</u>	<u>9,596,222</u>	<u>27,644,472</u>	<u>498,408,587</u>
December 31, 2013	<u>92,533,482</u>	<u>240,094,531</u>	<u>101,164,253</u>	<u>10,178,512</u>	<u>15,077,795</u>	<u>459,048,573</u>

Some of the Company's buildings located in different cities of Kingdom of Saudi Arabia on leasehold lands for years ranging from 10 to 25 years.

Capital work-in-progress mainly represents showroom buildings, facilities under construction and information technology related projects.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2014**

**7. BANK FACILITIES**

The Group has bank facilities from local banks for letters 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.

**8. MURABAHA FINANCE**

	2014 SR	2013 SR
Medium term finance	50,000,000	-
Less: Current portion	(20,000,000)	-
	<u>30,000,000</u>	-
Murabaha finance-short term	-	<u>40,000,000</u>

During the year, the Company entered into a bank facility agreement with a local bank and obtained Murabaha medium term finance of SR 50 million to finance its extended operations. The loan is repayable in 10 quarterly installments commencing from February 2015.

The maturity profile of the above Murabaha medium term finance at December 31, 2014 based on the repayment schedule is as follows:

	2014 SR	2013 SR
2015	20,000,000	-
2016	20,000,000	-
2017	10,000,000	-
	<u>50,000,000</u>	-

**9. TRADE PAYABLES AND OTHER LIABILITIES**

	2014 SR	2013 SR
Trade payables	597,232,083	333,494,682
Advances from customers	43,473,757	36,713,276
Accrued bonus	18,322,786	4,740,902
Deferred revenue - current portion	7,905,675	7,307,743
Zakat (note 10)	3,130,088	4,394,971
Others	34,380,783	46,867,955
	<u>704,445,172</u>	<u>433,519,529</u>

**10. ZAKAT**

The principal elements of the zakat base are as follows:

	2014 SR	2013 SR
Non-current assets	498,408,587	459,345,573
Non-current liabilities	77,034,253	39,142,446
Opening stockholders' equity	488,058,189	472,509,080
Net income before zakat and non-controlling interests	124,475,603	172,044,489

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2014**

The movement in zakat is as follows:

	2014 SR	2013 SR
January 1	4,394,971	4,078,594
Provision for the year	3,130,088	4,394,971
Under provision in previous year	301,652	325,232
Paid during the year	<u>(4,696,623)</u>	<u>(4,403,826)</u>
December 31	<u>3,130,088</u>	<u>4,394,971</u>

The charge for the year for zakat is as follows:

	2014 SR	2013 SR
Zakat for the current year	3,130,088	4,394,971
Under provision in previous year	<u>301,652</u>	<u>325,232</u>
Charged to the consolidated statement of income	<u>3,431,740</u>	<u>4,720,203</u>

**Outstanding assessments**

The Company has submitted its zakat returns up to year ended December 31, 2013, settled zakat due as per the returns and obtained required certificates. Zakat assessments has been finalized upto 2005. Zakat returns for the years 2006 to 2013 are under the DZIT review.

**11. RELATED PARTY TRANSACTIONS**

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

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

<u>Name</u>	<u>Relationship</u>
Digital and Electronic Solutions Development Company ("DESD") and its subsidiary	Affiliates of a stockholder

Significant transactions and the related amounts are as follows:

	2014 SR	2013 SR
Purchases	420,347,162	405,644,504

Trade payables include balance payable the DESD and its subsidiary amounted to SR 25.2 million (2013: SR 8.5 million)

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

	2014 SR	2013 SR
January 1	33,045,563	26,858,909
Provision for year	9,819,788	9,008,366
End-of-service indemnities transferred and paid to an affiliate	-	(859,222)
Payments during year	<u>(2,433,821)</u>	<u>(1,962,490)</u>
December 31	<u>40,431,530</u>	<u>33,045,563</u>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2014**

**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**

	2014 SR	2013 SR
Store revenue	3,681,361,602	3,383,349,400
Other operating income (note 18)	7,998,648	4,324,231
	<u>3,689,360,250</u>	<u>3,387,673,631</u>

**15. SELLING AND DISTRIBUTION EXPENSES**

	2014 SR	2013 SR
Salaries, wages and employee benefits	169,471,031	146,963,006
Advertising and other related cost	51,444,473	49,556,329
Rent	50,247,893	45,859,220
Depreciation	38,127,588	32,208,845
Utilities	23,762,011	22,723,186
Cleaning services	8,804,851	6,412,845
Security services and cash pickup charges	8,248,509	6,471,904
Repair and maintenance	6,551,047	4,861,254
Delivery charges	2,017,903	2,009,438
Travel and accommodation	1,346,561	792,439
Others	19,599,752	13,639,251
	<u>379,621,619</u>	<u>331,497,717</u>

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

	2014 SR	2013 SR
Salaries, wages and employee benefits	87,863,444	73,037,516
Depreciation	5,819,160	5,882,010
Legal and consultancy	1,858,074	940,076
Utilities, printing and stationery	2,638,293	3,435,500
Repair and maintenance	4,140,841	3,759,894
Travel, accommodation and communication	4,084,667	3,701,491
Rent	237,996	237,998
Others	8,706,285	6,749,378
	<u>115,348,760</u>	<u>97,743,863</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2014

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 and after non-controlling interest 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 income (expenses) by the weighted average number of shares outstanding during the year.

18. OPERATING LEASE ARRANGEMENTS

*The Group as lessee*

	2014 SR	2013 SR
Payments under operating leases recognized as an expense during the year	<u>50,485,889</u>	<u>46,097,218</u>

Operating lease payments represent rentals payable by the Group for its stores, 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:

	2014 SR	2013 SR
Year 1	56,776,022	48,315,931
Year 2	58,676,877	49,706,297
Year 3	59,959,208	50,806,289
Year 4	53,638,335	51,955,222
Year 5 and after	674,567,909	565,321,520

*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, 2014 under such leases amounted to approximately SR 8.0 million (2013: SR 4.3 million).

19. CONTINGENCIES AND COMMITMENTS

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

	2014 SR	2013 SR
Letters of guarantee	<u>58,111,103</u>	<u>38,611,498</u>
Letters of credit	<u>126,056,739</u>	<u>112,844,986</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2014**

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**20. DISTRIBUTIONS**

On May 7, 2014 the stockholders of the Company in their meeting delegated their powers to the Board of Directors of the Company to approve the interim cash dividends. The Board of Directors approved interim cash dividend of SR 90 million (2013: SR 150 million) dated May 26, 2014, July 21, 2014 and October 26, 2014.

Based on Board of Directors' recommendation, the stockholders of the Company in their meeting dated May 7, 2014 approved the Board of Directors' remuneration fee of SR 1.8 million (2013: 1.8 million) which were paid.

**21. GEOGRAPHICAL INFORMATION**

All of the significant assets and liabilities of the Group are located in the Kingdom of Saudi Arabia except for certain assets and liabilities which are held in Kingdom of Bahrain and Sultanate of Oman.

**22. FAIR VALUES**

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



LIST OF BRANCHES WITH COMMERCIAL REGISTRATION  
YEAR ENDED DECEMBER 31, 2014

Serial number	Stores	CR number
1	Branch of United Electronics Company	1010210628
2	Branch of United Electronics Company	1010300685
3	Branch of United Electronics Company	1010204256
4	Branch of United Electronics Company	1010283056
5	Branch of United Electronics Company	1010300686
6	Branch of United Electronics Company	2051029841
7	Branch of United Electronics Company	2050078151
8	Branch of United Electronics Company	3400015173
9	Branch of United Electronics Company	1010175357
10	Branch of United Electronics Company	2252035727
11	Branch of United Electronics Company	1011016109
12	Branch of United Electronics Company	1128014521
13	Branch of United Electronics Company	4032025960
14	Branch of United Electronics Company	5900016025
15	Branch of United Electronics Company	1131025972
16	Branch of United Electronics Company	4031065733
17	Branch of United Electronics Company	2055014762
18	Branch of United Electronics Company	2050062467
19	Branch of United Electronics Company	2511013237
20	Branch of United Electronics Company	3550026190
21	Branch of United Electronics Company	4030189019
22	Branch of United Electronics Company	5950018934
23	Branch of United Electronics Company	3350030191
24	Branch of United Electronics Company	4650038844
25	Branch of United Electronics Company	4700013718
26	Branch of United Electronics Company	5850027004
27	Branch of United Electronics Company	4030219680
28	Branch of United Electronics Company	4031060798
29	Branch of United Electronics Company	4030146479
30	Branch of United Electronics Company	1010307790
31	Branch of United Electronics Company	5851007470
32	Branch of United Electronics Company	2250057043
33	Branch of United Electronics Company	5800017654
34	Branch of United Electronics Company	4603006522
35	Branch of United Electronics Company	1010408910
36	Branch of United Electronics Company	5855068196
37	Branch of United Electronics Company	4030280277