

**UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2009**

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(LIMITED LIABILITY COMPANY)**

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AUDITORS' REPORT

To the shareholders
United Electronics Company
Al Khobar, Saudi Arabia

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Scope of Audit

We have audited the balance sheet of United Electronics Company (a Saudi limited liability company) as of December 31, 2009 and the related statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 22 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards 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 financial statements.

Other Matters

Without qualifying our opinion, we draw attention to note 1 to the financial statements which states that the legal structure of the Company has been changed from a limited liability company to a Closed Joint Stock Company subsequent to the year end.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
License No. 378
10 Rabi' I, 1431
February 24, 2010



**UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)**

**BALANCE SHEET
AS OF DECEMBER 31, 2009**

	Note	2009 SR	2008 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	14,690,045	54,705,190
Trade receivable		14,340,780	8,293,872
Due from related parties	13	191,054,235	92,414,415
Inventories	4	205,617,779	172,582,877
Prepayments and other debit balances	5	34,515,433	13,423,826
Total current assets		460,218,272	341,420,180
Non-current assets			
Investment in an associate	6	2,168,880	1,659,516
Property and equipment	7	170,608,609	155,048,850
Intangible assets	8	-	3,377,359
Total non-current assets		172,777,489	160,085,725
TOTAL ASSETS		632,995,761	501,505,905
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	9	87,966,726	64,550,509
Medium term loans - current portion	11	2,740,113	19,527,182
Trade payables and other liabilities	10	387,017,298	304,233,567
Total current liabilities		477,724,137	388,311,258
Non-current liabilities			
Medium term loan	11	-	2,500,000
End-of-service indemnities	14	9,735,032	6,206,262
Total non-current liabilities		9,735,032	8,706,262
Shareholders' equity			
Share capital	1	100,000,000	100,000,000
Statutory reserve	15	4,553,660	448,839
Retained earnings		40,982,932	4,039,546
Total shareholders' equity		145,536,592	104,488,385
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		632,995,761	501,505,905

The accompanying notes form an integral part of these financial statements

**UNITED ELECTRONICS COMPANY
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**STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2009**

	Note	2009 SR	2008 SR
Revenue	13,16	1,439,858,449	1,262,135,953
Cost of revenue	13	<u>1,214,290,360</u>	<u>1,084,465,945</u>
Gross profit		225,568,089	177,670,008
Selling and distribution expenses	13,17	130,281,542	101,691,256
General and administrative expenses	18	<u>54,380,319</u>	<u>57,660,685</u>
Operating income		40,906,228	18,318,067
Finance charges	9,11	(4,869,370)	(4,003,222)
Finance income	13	4,784,006	1,841,135
Share of income from an associate	6	548,564	481,463
Other income (expenses), net		<u>1,235,427</u>	<u>(80,205)</u>
Net income before zakat		42,604,855	16,557,238
Zakat	12	<u>1,556,648</u>	<u>803,129</u>
NET INCOME		<u>41,048,207</u>	<u>15,754,109</u>

The accompanying notes form an integral part of these financial statements

**UNITED ELECTRONICS COMPANY
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**STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2009**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2008		100,000,000	-	(66,265,724)	33,734,276
Absorption of losses by shareholders	1	-	-	55,000,000	55,000,000
Net income for year		-	-	15,754,109	15,754,109
Transferred to statutory reserve	15	-	448,839	(448,839)	-
December 31, 2008		100,000,000	448,839	4,039,546	104,488,385
Net income for year		-	-	41,048,207	41,048,207
Transferred to statutory reserve	15	-	4,104,821	(4,104,821)	-
December 31, 2009		<u>100,000,000</u>	<u>4,553,660</u>	<u>40,982,932</u>	<u>145,536,592</u>

The accompanying notes form an integral part of these financial statements

**UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)**

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009**

	2009 SR	2008 SR
OPERATING ACTIVITIES		
Net income before zakat	42,604,855	16,557,238
Adjustments for:		
Depreciation	16,517,024	14,848,763
Amortization	3,377,359	2,266,136
Finance charges	4,869,370	4,003,222
Finance income	(4,784,006)	(1,841,135)
Share of income from an associate	(548,564)	(481,463)
Provision for obsolescence of inventories	-	9,932,600
Provision for doubtful debts	979,796	890,400
Loss on disposal of property and equipment	-	77,535
End-of-service indemnities	3,872,771	2,440,214
Changes in operating assets and liabilities:		
Trade receivable	(7,026,704)	6,902,090
Inventories	(33,034,902)	10,360,118
Prepayments and other debit balances	(21,091,607)	(1,345,117)
Trade payables and other liabilities	82,016,383	92,297,900
Cash from operations	87,751,775	156,908,501
End-of-service indemnities paid	(344,001)	(640,376)
Finance charges paid	(4,842,022)	(3,739,422)
Zakat paid	(777,448)	(145,636)
Net cash from operating activities	81,788,304	152,383,067
INVESTING ACTIVITIES		
Additions to property and equipment	(32,800,087)	(61,881,593)
Additions to intangible assets	-	(177,265)
Finance income received	4,784,006	1,841,135
Proceeds from disposal of property and equipment	723,304	-
Net cash used in investing activities	(27,292,777)	(60,217,723)
FINANCING ACTIVITIES		
Due to banks	23,416,217	(8,975,011)
Repayments of medium term loans	(19,287,069)	(25,082,872)
Due from related parties	(98,639,820)	(79,380,925)
Funds provided by shareholders for absorption of losses	-	55,000,000
Net cash used in financing activities	(94,510,672)	(58,438,808)
Net change in cash and cash equivalents	(40,015,145)	33,726,536
Cash and cash equivalents, January 1	54,705,190	20,978,654
CASH AND CASH EQUIVALENTS, DECEMBER 31	14,690,045	54,705,190

The accompanying notes form an integral part of these financial statements

**UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009**

1. ORGANIZATION AND ACTIVITIES

United Electronics Company (the "Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010175357 issued in Riyadh on 19 Muharram 1423H (April 1, 2002). During 2004, the Company's head office was transferred from Riyadh to Al Khobar and, accordingly, the Commercial Registration number was changed to 2051029841 dated 27 Jammad II 1425H (July 27, 2004). The Company's share capital is SR 100 million divided in to 10 million shares of SR 10 each.

During the year, 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. Subsequent to the year end, the Company obtained the ministerial approval on the official announcement of the conversion and is awaiting the issuance of the new Commercial Registration. The shareholders of the Company and their respective shareholding as of December 31, 2009 are as follows:

<u>Name</u>	<u>Ownership percentage</u>
Al Fozan Holding Company	65%
Abdulaziz Alsaghyir Commercial Investment Company	22%
Rokn Al Elham For Development Company Limited	3%
Itlalah Arabia Trading Company	5%
Abdullatif and Mohammed Al-Fozan Company Limited	3%
Ma'aly Al Khaleej Trading Company	2%
	<u>100%</u>

During 2008, the shareholders provided funds of SR 55 million to partially absorb accumulated deficit of the Company as of December 31, 2007.

As per the Company's Commercial Registration, the Company's principal activities are the retail and wholesale of electrical and electronic devices and tools, computers and mobile telephones 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.

**UNITED ELECTRONICS COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

The accompanying financial statements include the accounts 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 Hassah	2252035727
Al Maddina	4650038844
Buraidah	1131025972
Dammam	2050062467
Jeddah – Old Airport	4030189019
Riyadh – Khurais	1010283056

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The 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.

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.

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
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

Investment in an associate

An associate is an enterprise in which the Company is in a position to exercise significant influence, through participation in the financial and operating policy decisions of investee. The results and assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting based on the latest available financial information.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for land and capital work-in-progress 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 which ever is lower 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

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets, and are amortized using the straight-line method over their estimated useful lives. Intangible assets represent pre-operating costs of newly established stores and are being amortized over their estimated period of benefits not to exceed five years.

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 statement of income.

**UNITED ELECTRONICS COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

Provisions for obligations

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.

Provision for warranty

The Company provides optional warranty services for goods sold and accrues for estimated future warranty costs in the period in which the related revenue is recognized. Such provision is periodically adjusted by actual expenditures.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the 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 accruals basis and is computed on the Company's zakat base and charged to the statement of income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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. 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, 2009 and 2008, cash and cash equivalents consist entirely of cash and bank balances.

4. INVENTORIES

	2009	2008
	SR	SR
Electronics	59,279,590	48,837,975
House-hold appliances	25,141,043	22,079,009
Computers	47,378,738	23,679,702
Digital devices	30,006,803	33,029,446
Others	43,811,605	44,956,745
	<u>205,617,779</u>	<u>172,582,877</u>

**UNITED ELECTRONICS COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

5. PREPAYMENTS AND OTHER DEBIT BALANCES

	2009 SR	2008 SR
Prepaid rent	14,868,288	6,704,396
Advances to suppliers	10,925,777	1,551,702
Receivable from employees	6,549,006	3,505,764
Prepaid insurance	961,154	752,484
Other receivables	1,211,208	909,480
	<u>34,515,433</u>	<u>13,423,826</u>

6. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents equity interest of 40% in Elixir Creative Solution Co. (the "Elixir"), a Saudi limited liability company incorporated on March 14, 2006.

Summarized financial information for Elixir as of and for the years ended December 31 is as follows:

	2009 SR	2008 SR
Current assets	5,321,259	4,184,407
Non-current assets	596,345	563,803
Total assets	<u>5,917,604</u>	<u>4,748,210</u>
Current liabilities	764,290	328,284
Non-current liabilities	389,690	253,574
Total liabilities	<u>1,153,980</u>	<u>581,858</u>
Net assets	<u>4,763,624</u>	<u>4,166,352</u>
Company's equity in net assets	<u>2,168,880</u>	<u>1,659,516</u>
	2009 SR	2008 SR
Statement of income		
Revenue	9,457,052	5,984,915
Costs and expenses	8,183,642	4,882,145
Net income	<u>1,273,410</u>	<u>1,102,770</u>
Company's share in net income	<u>548,564</u>	<u>481,463</u>

**UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

7. 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
Cost						
January 1, 2009	24,514,881	78,237,131	77,398,062	4,693,340	14,829,438	199,672,852
Additions	-	3,996,939	5,955,004	1,464,450	21,383,694	32,800,087
Transfers	-	20,572,137	10,937,912	-	(31,510,049)	-
Disposals	-	-	(1,695,893)	-	-	(1,695,893)
December 31, 2009	<u>24,514,881</u>	<u>102,806,207</u>	<u>92,595,085</u>	<u>6,157,790</u>	<u>4,703,083</u>	<u>230,777,046</u>
Depreciation						
January 1, 2009	-	9,961,025	31,703,848	2,959,129	-	44,624,002
Charge for year	-	3,746,388	11,894,883	875,753	-	16,517,024
Disposals	-	-	(972,589)	-	-	(972,589)
December 31, 2009	<u>-</u>	<u>13,707,413</u>	<u>42,626,142</u>	<u>3,834,882</u>	<u>-</u>	<u>60,168,437</u>
Net book value						
December 31, 2009	<u>24,514,881</u>	<u>89,098,794</u>	<u>49,968,943</u>	<u>2,322,908</u>	<u>4,703,083</u>	<u>170,608,609</u>
December 31, 2008	<u>24,514,881</u>	<u>68,276,106</u>	<u>45,694,214</u>	<u>1,734,211</u>	<u>14,829,438</u>	<u>155,048,850</u>

The Company's stores buildings located in Riyadh, Jeddah, Taif, Abha, Al Hasa, Al Maddina, Qassim and Dammam are leased for a period ranging from 5 to 20 years that commenced in various dates between 2002 and 2008. The Company's store building located in Al Khobar is constructed on a land leased from Abdullaftif and Mohammed Al Fozan Co. Ltd., a related party and an ultimate shareholder, for a period of 25 years commencing from June 30, 2003.

During 2008, the Company acquired plots of land for SR 24.5 million from Al Fozan Holding Co., a shareholder. Legal formalities associated with transferring the ownership of such plots of land to the Company were completed in 2009.

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

**UNITED ELECTRONICS COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

8. INTANGIBLE ASSETS

	2009 SR	2008 SR
Cost		
January 1	13,303,199	13,125,934
Additions during year	-	177,265
December 31	<u>13,303,199</u>	<u>13,303,199</u>
Accumulated amortization		
January 1	9,925,840	7,659,704
Amortization for year	3,377,359	2,266,136
December 31	<u>13,303,199</u>	<u>9,925,840</u>
Net book value	<u>-</u>	<u>3,377,359</u>

9. BANK FACILITIES

The Company has bank facilities from local banks for short-term loans, overdrafts, letters of guarantee, letters of credit and Murabaha facilities etc. These facilities attract interest at commercial rates and are secured by corporate guarantees from the shareholders.

10. TRADE PAYABLES AND OTHER LIABILITIES

	2009 SR	2008 SR
Trade payables	326,640,534	259,900,741
Due to a related party (note 13)	4,355,341	775,033
Provision for warranty	17,265,916	11,650,585
Accrued bonus	11,959,255	7,374,923
Advances from customers	10,909,963	8,503,363
Accrued suppliers claims	3,090,830	5,311,538
Zakat (note 12)	1,500,000	760,000
Others	11,295,459	9,957,384
	<u>387,017,298</u>	<u>304,233,567</u>

11. MEDIUM TERM LOANS

In 2006, the Company obtained a medium term loan from a local bank to finance the new warehouse requirement. It carries mark up on commercial rates. The loan is repayable in quarterly installments starting from March 31, 2007 and ending on January 31, 2010. The loan is secured against corporate guarantees of the shareholders.

In 2008, the Company obtained another medium term loan from a local bank. The loan is repayable in eight equal quarterly payments starting from April 30, 2008. The loan carries mark up on commercial rates. The outstanding balance as of December 31, 2009 amounting to SR 240,113 was settled in January 2010.

**UNITED ELECTRONICS COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

The aggregate maturities of outstanding loans as of December 31, are summarized as follows:

	2009 SR	2008 SR
Due in year one	2,740,113	19,527,182
Due in year two	-	2,500,000
	<u>2,740,113</u>	<u>22,027,182</u>

12. ZAKAT

The principal elements of the zakat base are as follows:

	2009 SR	2008 SR
Non-current assets	172,777,489	160,085,725
Non-current liabilities	9,735,032	8,706,262
Opening shareholders' equity	104,488,385	33,734,276
Net income before zakat	42,604,855	16,557,238

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

The movement in zakat is as follows:

	2009 SR	2008 SR
January 1	760,000	141,731
Provision for year	1,500,000	760,000
Under provision in previous year	17,448	3,905
Payments during year	(777,448)	(145,636)
December 31	<u>1,500,000</u>	<u>760,000</u>

The charge for the year for zakat is as follows:

	2009 SR	2008 SR
Zakat for current year	1,500,000	760,000
Under provision for zakat in previous year	17,448	3,905
Share of zakat from an associate	39,200	39,224
Charged to statement of income	<u>1,556,648</u>	<u>803,129</u>

The Company has submitted its zakat returns up to year ended December 31, 2008, settled zakat due as per the return and obtained the required certificates and official receipts. However, the Company did not receive any final assessment from the DZIT as these are still under review.

**UNITED ELECTRONICS COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

13. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Al Fozan Group of Companies	Shareholder / affiliates
Abdulaziz Alsaghyir Commercial Investment Company	Shareholder
Digital & Electronic Solutions Development Company ("DESD")	Affiliate

Significant transactions and the related amounts are as follows:

	2009 SR	2008 SR
Land purchased	-	24,514,881
Sales	(2,458,639)	(2,261,268)
Purchases	28,794,193	1,622,358
Interest charged to a related party	(4,784,006)	(1,841,135)
Rent of land	1,356,000	1,356,000
Rental income	(1,506,667)	(579,167)

Due from related parties as of December 31 are as follows:

	2009 SR	2008 SR
Digital & Electronic Solutions Development Company ("DESD")	189,175,036	90,543,450
Abdulaziz Alsaghyir Commercial Investment Company	79,199	70,965
Hani Ebraheem Khogah	600,000	600,000
Haitham Ebraheem Khogah	600,000	600,000
Sami Abdulkareem Al-Dhahaby	600,000	600,000
	<u>191,054,235</u>	<u>92,414,415</u>

Receivable from DESD represents funds made available to carry its activities. Such activities are expected to bring new opportunities for the business of the Company and its operations. In 2008, the Company and DESD agreed that such advances earn financial income at market rates. The management of the Company expected to collect the amount in 2010 and accordingly classified as current assets in accompanying balance sheet.

Due to a related party as of December 31, 2009 and 2008 represents balance due to Al Fozan Holding Co., a shareholder.

14. END-OF-SERVICE INDEMNITIES

	2009 SR	2008 SR
January 1	6,206,262	4,406,424
Provision for year	3,872,771	2,440,214
Payments during year	(344,001)	(640,376)
December 31	<u>9,735,032</u>	<u>6,206,262</u>

UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

15. 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.

16. REVENUE

	2009 SR	2008 SR
Sales	1,414,550,591	1,245,185,893
Services, rental and other operating income (note 19)	25,307,858	16,950,060
	<u>1,439,858,449</u>	<u>1,262,135,953</u>

17. SELLING AND DISTRIBUTION EXPENSES

	2009 SR	2008 SR
Salaries, wages and employees benefits	51,343,112	36,403,645
Advertising and promotion	21,624,092	18,210,025
Rent	19,864,886	16,127,148
Depreciation	12,829,597	11,248,235
Utilities	8,841,279	7,966,210
Repair and maintenance	4,578,951	2,935,818
Amortization	3,377,359	2,266,136
Travel and accommodation	956,961	773,514
Others	6,865,305	5,760,525
	<u>130,281,542</u>	<u>101,691,256</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR	2008 SR
Salaries, wages and employees benefits	36,756,126	33,391,596
Travel, accommodation and communications	1,523,313	1,555,260
Depreciation	3,687,427	3,600,528
Rent	237,840	2,183,873
Utilities, printing and stationary	1,328,131	1,159,760
Repair and maintenance	1,050,722	809,701
Legal and consultancy	3,413,981	923,509
Provision for doubtful debts	979,796	890,400
Provision for inventory obsolescence	-	9,932,600
Others	5,402,983	3,213,458
	<u>54,380,319</u>	<u>57,660,685</u>

**UNITED ELECTRONICS COMPANY
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009**

19. OPERATING LEASE ARRANGEMENTS

Company as lessee

	2009 SR	2008 SR
Payments under operating leases recognized as an expense during the year	<u>20,102,726</u>	<u>18,311,021</u>

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

Commitments for minimum lease payments under non-cancelable operating leases in each of the next 4 years are as follows:

	2009 SR	2008 SR
Year 1	22,618,958	19,579,076
Year 2	27,093,669	18,833,452
Year 3	23,749,435	19,250,073
Year 4	23,497,824	19,123,781

Company as lessor

The Company 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, 2009 under such leases amounted to approximately SR 3.3 million (2008 - SR 2.1 million).

20. CONTINGENCIES AND COMMITMENTS

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

	2009 SR	2008 SR
Letters of guarantee	<u>23,181,667</u>	<u>20,681,667</u>
Letters of credit	<u>129,508,451</u>	<u>64,536,188</u>

The letters of guarantee include SR 20 million (2008: SR 20 million) given on behalf of an affiliate. The letters of credit include SR 52.5 million (2008: nil) issued on behalf of an affiliate.

21. FAIR VALUES

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

22. COMPARATIVE FIGURES

Certain figures for 2008 have been reclassified to conform to the presentation in the current year.