

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

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

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2013**

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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, 2013 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 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, 2013 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' I, 1435  
January 29, 2014

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

**CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 2013**

	Note	2013 SR	2012 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	34,817,939	48,245,039
Trade receivable		15,811,428	12,372,179
Inventories	4	480,032,668	416,935,719
Prepayments and other debit balances	5	<u>63,212,556</u>	<u>78,118,505</u>
<b>Total current assets</b>		<u><b>593,874,591</b></u>	<u><b>555,671,442</b></u>
<b>Non-current assets</b>			
Investments in a subsidiary	6	297,000	297,000
Property and equipment	7	<u>459,048,573</u>	<u>390,469,923</u>
<b>Total non-current assets</b>		<u><b>459,345,573</b></u>	<u><b>390,766,923</b></u>
<b>TOTAL ASSETS</b>		<u><b>1,053,220,164</b></u>	<u><b>946,438,365</b></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Murabaha finance	8	40,000,000	-
Dividends payable	20	52,500,000	-
Trade payables and other liabilities	9	<u>433,519,529</u>	<u>438,648,664</u>
<b>Total current liabilities</b>		<u><b>526,019,529</b></u>	<u><b>438,648,664</b></u>
<b>Non-current liabilities</b>			
Deferred revenue on extended service plan	22	6,096,883	8,421,712
End-of-service indemnities	12	<u>33,045,563</u>	<u>26,858,909</u>
<b>Total non-current liabilities</b>		<u><b>39,142,446</b></u>	<u><b>35,280,621</b></u>
<b>Stockholders' equity</b>			
Share capital	1	300,000,000	240,000,000
Statutory reserve	13	49,066,485	32,334,056
Retained earnings		138,995,356	200,203,499
Foreign exchange translation adjustment		<u>(3,652)</u>	<u>(28,475)</u>
<b>Total stockholders' equity</b>		<u><b>488,058,189</b></u>	<u><b>472,509,080</b></u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<u><b>1,053,220,164</b></u>	<u><b>946,438,365</b></u>

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, 2013**

	Note	2013 SR	2012 SR
Revenue	14	3,387,673,631	3,015,037,766
Cost of revenue	11	<u>2,786,082,421</u>	2,484,531,963
<b>Gross profit</b>		<b>601,591,210</b>	530,505,803
Selling and distribution expenses	15	331,497,717	262,535,290
General and administrative expenses	16	<u>97,743,863</u>	104,631,144
<b>Operating income</b>		<b>172,349,630</b>	163,339,369
Finance charges	8	(818,334)	(61,773)
Other income (expenses), net		<u>513,193</u>	(36,134)
<b>Net income before zakat</b>		<b>172,044,489</b>	163,241,462
Zakat	10	<u>(4,720,203)</u>	(4,651,471)
<b>NET INCOME</b>		<b><u>167,324,286</u></b>	<u>158,589,991</u>
<b>Earnings per share - note 17</b>			
Earnings per share from net income		<u>5.58</u>	5.29
Earnings per share from continuing main operations		<u>5.56</u>	5.29
Earnings per share from other operations		<u>0.02</u>	0.02
Weighted average number of shares		<u>30,000,000</u>	30,000,0000

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, 2013**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign exchange translation adjustment SR	Total SR
January 1, 2012		240,000,000	16,475,057	118,872,507	-	375,347,564
Net income for year		-	-	158,589,991	-	158,589,991
Transferred to statutory reserve	13	-	15,858,999	(15,858,999)	-	-
Dividends	20	-	-	(60,000,000)	-	(60,000,000)
Directors' remuneration	20	-	-	(1,400,000)	-	(1,400,000)
Movement during the year		-	-	-	(28,475)	(28,475)
December 31, 2012		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	13	-	16,732,429	(16,732,429)	-	-
Dividends	20	-	-	(150,000,000)	-	(150,000,000)
Directors' remuneration	20	-	-	(1,800,000)	-	(1,800,000)
Increase in share capital	1	60,000,000	-	(60,000,000)	-	-
Movement during the year		-	-	-	24,823	24,823
December 31, 2013		300,000,000	49,066,485	138,995,356	(3,652)	488,058,189

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

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

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

	2013 SR	2012 SR
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	172,044,489	163,241,462
Adjustments for:		
Depreciation	38,090,855	28,170,588
Finance charges	818,334	61,773
Write off of property and equipment	173,337	618,935
Loss (gain) on disposal of property and equipment	70,576	(257,738)
End-of-service indemnities	9,008,366	7,385,347
Changes in operating assets and liabilities:		
Trade receivables	(3,439,249)	(7,052,861)
Inventories	(63,096,949)	(76,101,261)
Prepayments and other debit balances	14,905,949	(24,807,736)
Trade payables and other liabilities and extended service plan	(7,770,341)	67,010,467
Cash from operations	160,805,367	158,268,976
End-of-service indemnities paid	(2,821,712)	(1,125,771)
Finance charges paid	(818,334)	(61,773)
Zakat paid	(4,403,826)	(3,701,119)
<b>Net cash from operating activities</b>	<b>152,761,495</b>	<b>153,380,313</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(107,000,630)	(109,236,954)
Proceeds from disposal of property and equipment	87,212	454,300
<b>Net cash used in investing activities</b>	<b>(106,913,418)</b>	<b>(108,782,654)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(97,500,000)	(60,000,000)
Directors' remuneration	(1,800,000)	(1,400,000)
Murabaha finance	40,000,000	-
<b>Net cash used in financing activities</b>	<b>(59,300,000)</b>	<b>(61,400,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>(13,451,923)</b>	<b>(16,802,341)</b>
Cash and cash equivalents of subsidiaries	-	500,000
Movement in foreign exchange translation adjustment, net	24,823	(28,475)
Cash and cash equivalents, January 1	48,245,039	64,575,855
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>34,817,939</b>	<b>48,245,039</b>
<b>Non-cash transaction:</b>		
Dividends payable	52,500,000	-
Transfer from property and equipment to prepayment and other debit balances (note 5)	-	(6,861,920)

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, 2013**

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**1. ORGANIZATION AND ACTIVITIES**

United Electronics Company (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010175357 issued in Riyadh on 19 Muharram 1423H (April 1, 2002). In 2004, the Company’s registered office was transferred from Riyadh to Al Khobar and, accordingly, the Commercial Registration number was changed to 2051029841 dated 10 Jumada II, 1425H (July 27, 2004). From December 24, 2011, the shares of the Company have been listed on Saudi Stock Exchange.

As of December 31, 2013 the Company’s share capital was SR 300 million divided in to 30 million shares of SR 10 each (December 31, 2012: SR 240 million divided in to 24 million shares of SR 10 each).

In December 2012, the Board of Directors proposed to increase share capital of the Company from SR 240 million to SR 300 million through issuing one bonus share for every four existing shares owned by the stockholders. The increase in share capital is from retained earnings of the Company. The increase was approved by the stockholders in their meeting held on April 1, 2013. Legal formalities related to the increase in the share capital were completed during the year.

The Company’s principal activities are the retail and wholesale of electrical and electronic devices and tools, computers and mobile phones and their related spare parts and accessories, furniture and fixtures and office equipment and other related repair and maintenance services as well as trading in food stuff.

The following are the consolidated subsidiaries of the Company, the assets and liabilities and results of operations of these subsidiaries have been included in the consolidated 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 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.

The Group operates 35 (2012: 29) stores in the Kingdom of Saudi Arabia and two stores outside the Kingdom of Saudi Arabia.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

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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, 2013. 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.

During the year, the management reviewed 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.

**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.

**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.

**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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

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**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

**Investment in subsidiaries**

A subsidiary is an enterprise that is controlled by the 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.

**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.

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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

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**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, 2013 and 2012, cash and cash equivalents consist entirely of cash and bank balances.

**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.

**5. PREPAYMENTS AND OTHER DEBIT BALANCES**

	2013 SR	2012 SR
Prepaid rent	35,638,907	40,501,424
Advances to suppliers	1,481,807	15,098,608
Receivable from employees	7,907,808	7,072,524
Prepaid insurance	1,246,861	1,610,941
Claim receivable (note 7)	6,861,920	6,861,920
Other prepaid expenses	10,075,253	6,973,088
	<b>63,212,556</b>	<b>78,118,505</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**6. INVESTMENTS IN A SUBSIDIARY**

As of December 31, 2013 and 2012, investment in a subsidiary consists 99% equity interest in United Computers Maintenance and Electronics Company Limited, a Saudi limited liability company incorporated on 10 Rajab 1431H (June 22, 2010). The principal activities of the subsidiary are maintenance and repair and 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. As the subsidiary has not commenced its operations upto December 31, 2013 and the subsidiary was determined to be immaterial and accordingly it was not consolidated in the consolidated financial statements for the year ended December 31, 2013.

**7. PROPERTY AND EQUIPMENT**

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Vehicles	Capital work-in- progress	Total
	SR	SR	SR	SR	SR	SR
<b>Cost</b>						
January 1, 2013	81,661,482	196,260,575	170,130,242	15,045,216	52,211,133	515,308,648
Additions	<b>10,872,000</b>	<b>29,426,582</b>	<b>21,736,235</b>	<b>4,533,643</b>	<b>40,432,170</b>	<b>107,000,630</b>
Transfers	-	55,074,395	21,429,632	1,061,481	(77,565,508)	-
Write off	-	-	(3,446,569)	-	-	(3,446,569)
Disposals	-	-	(1,204,221)	-	-	(1,204,221)
December 31, 2013	<b>92,533,482</b>	<b>280,761,552</b>	<b>208,645,319</b>	<b>20,640,340</b>	<b>15,077,795</b>	<b>617,658,488</b>
<b>Depreciation</b>						
January 1, 2013	-	30,272,522	87,149,989	7,416,214	-	124,838,725
Charge for year	-	10,394,499	24,650,742	3,045,614	-	38,090,855
Write off	-	-	(3,273,232)	-	-	(3,273,232)
Disposals	-	-	(1,046,433)	-	-	(1,046,433)
December 31, 2013	-	40,667,021	107,481,066	10,461,828	-	158,609,915
<b>Net book value</b>						
December 31, 2013	<b>92,533,482</b>	<b>240,094,531</b>	<b>101,164,253</b>	<b>10,178,512</b>	<b>15,077,795</b>	<b>459,048,573</b>
December 31, 2012	81,661,482	165,988,053	82,980,253	7,629,002	52,211,133	390,469,923

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.

In 2012 certain class of property and equipment, having a net book value of SR 6,861,920, were derecognized and a claim has been filed to recover this amount and was classified in prepayment and other debit balances (note 5).

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

**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**8. 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.

**9. TRADE PAYABLES AND OTHER LIABILITIES**

	2013 SR	2012 SR
Trade payables	333,494,682	338,947,908
Advances from customers	36,713,276	28,187,294
Accrued bonus	4,740,902	17,130,620
Deferred revenue – current portion (note 22)	7,307,743	9,650,605
Zakat (note 10)	4,394,971	4,078,594
Others	46,867,955	40,653,643
	<u>433,519,529</u>	<u>438,648,664</u>

**10. ZAKAT**

The principal elements of the zakat base are as follows:

	2013 SR	2012 SR
Non-current assets	459,345,573	390,766,923
Non-current liabilities	39,142,446	35,280,621
Opening stockholders' equity	472,509,080	375,347,564
Net income before Zakat	172,044,489	163,241,462

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

The movement in zakat is as follows:

	2013 SR	2012 SR
January 1	4,078,594	3,128,242
Provision for the year	4,394,971	4,078,594
Under provision in previous year	325,232	572,877
Paid during the year	(4,403,826)	(3,701,119)
December 31	<u>4,394,971</u>	<u>4,078,594</u>

The charge for the year for zakat is as follows:

	2013 SR	2012 SR
Zakat for the current year	4,394,971	4,078,594
Under provision in previous year	325,232	572,877
Charged to the consolidated statement of income	<u>4,720,203</u>	<u>4,651,471</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2013**

**Outstanding assessments**

The Company has submitted its zakat returns up to year ended December 31, 2012, settled zakat due as per the return and obtained required certificates and official receipts. Zakat returns for the years 2006 to 2012 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, inter-group transactions and expenses paid on behalf of the Group. 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:

	<u>2013</u> <u>SR</u>	<u>2012</u> <u>SR</u>
Purchases	405,644,504	373,660,640

Trade payables include balance payable the DESD amounted to SR 8.5 million (2012: SR 27.9 million)

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

	<u>2013</u> <u>SR</u>	<u>2012</u> <u>SR</u>
January 1	26,858,909	20,599,333
Provision for year	9,008,366	7,385,347
End-of-service indemnities transferred and paid to an affiliate	(859,222)	-
Payments during year	(1,962,490)	(1,125,771)
December 31	<u>33,045,563</u>	<u>26,858,909</u>

**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**

	<u>2013</u> <u>SR</u>	<u>2012</u> <u>SR</u>
Store revenue	3,383,349,400	3,012,945,902
Other operating income (note 18)	4,324,231	2,091,864
	<u>3,387,673,631</u>	<u>3,015,037,766</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED DECEMBER 31, 2013**

**15. SELLING AND DISTRIBUTION EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>SR</b>	<b>SR</b>
Salaries, wages and employee benefits	<b>146,963,006</b>	116,249,138
Advertising and other related cost	<b>49,556,329</b>	36,031,670
Rent	<b>45,859,220</b>	39,549,426
Depreciation	<b>32,208,845</b>	23,284,029
Utilities	<b>22,723,186</b>	21,546,626
Cleaning services	<b>6,412,845</b>	4,616,994
Security services and cash pickup charges	<b>6,471,904</b>	4,272,098
Repair and maintenance	<b>4,861,254</b>	4,064,679
Delivery charges	<b>2,009,438</b>	1,351,939
Travel and accommodation	<b>792,439</b>	1,125,321
Others	<b>13,639,251</b>	10,443,370
	<b>331,497,717</b>	<b>262,535,290</b>

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>SR</b>	<b>SR</b>
Salaries, wages and employee benefits	<b>73,037,516</b>	80,509,389
Depreciation	<b>5,882,010</b>	4,886,558
Legal and consultancy	<b>940,076</b>	6,641,009
Utilities, printing and stationery	<b>3,435,500</b>	2,950,721
Repair and maintenance	<b>3,759,894</b>	1,914,738
Travel, accommodation and communication	<b>3,701,491</b>	1,809,365
Rent	<b>237,998</b>	804,230
Others	<b>6,749,378</b>	5,115,134
	<b>97,743,863</b>	<b>104,631,144</b>

**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 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.

Earnings per share for 2012 have been adjusted due to the bonus shares issues during the year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2013**

**18. OPERATING LEASE ARRANGEMENTS**

*The Group as lessee*

	<b>2013</b>	<b>2012</b>
	<b>SR</b>	<b>SR</b>
Payments under operating leases recognized as an expense during the year	<b>46,097,218</b>	<b>40,353,656</b>

Operating lease payments represent rentals payable by the Group 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 are as follows:

	<b>2013</b>	<b>2012</b>
	<b>SR</b>	<b>SR</b>
Year 1	<b>48,315,931</b>	46,942,808
Year 2	<b>49,706,297</b>	46,376,892
Year 3	<b>50,806,289</b>	44,711,560
Year 4	<b>51,955,222</b>	45,352,863
Year 5 and after	<b>565,321,520</b>	571,503,547

*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, 2013 under such leases amounted to approximately SR 4.3 million (2012: SR 2.1 million).

**19. CONTINGENCIES AND COMMITMENTS**

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

	<b>2013</b>	<b>2012</b>
	<b>SR</b>	<b>SR</b>
Letters of guarantee	<b>38,611,498</b>	21,776,455
Letters of credit	<b>112,844,986</b>	125,984,391

**20. DISTRIBUTIONS**

Based on the Board of Directors' recommendation, the stockholders of the Company in their meetings approved the distribution of cash dividends of SR 97.5 million (2012: SR 60 million) and the Board of Directors' remuneration of SR 1.8 million (2012: SR 1.4 million) which were paid during the year.

On September 30, 2013 the stockholders of the Company in their meeting delegated their powers to the Board of Directors of the Company to approve the interim dividends. Thereafter, the Board of Directors in their meeting dated December 11, 2013 approved the cash dividend of SR 52.5 million.



**UNITED ELECTRONICS COMPANY AND ITS SUBSIDIARIES  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
YEAR ENDED DECEMBER 31, 2013**

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**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.