

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
AUDITORS' REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND  
AUDITORS' REPORT (LIMITED REVIEW)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

---

<b>INDEX</b>	<b>PAGE</b>
Auditors' report (limited review)	1
Consolidated interim balance sheet	2
Consolidated interim statement of income	3
Consolidated interim statement of stockholders' equity	4
Consolidated interim statement of cash flows	5
Notes to the consolidated interim financial statements	6 - 10

## AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders  
United Electronics Company  
Al Khobar, Saudi Arabia

### Scope of Review


We have reviewed the consolidated interim 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 interim statement of income for the three months and year then ended, consolidated interim statements of stockholders' equity and cash flows for the year then ended, and notes 1 to 9 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulkhair & Co.

  
Nasser M. Al-Sagga  
License No. 322  
13 Rabi I, 1435  
January 14, 2014



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

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

	Note	2013 SR	2012 SR
		(Un-audited)	(Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		37,496,751	48,245,039
Trade receivable		15,811,428	12,372,179
Inventories		480,032,668	416,935,719
Prepayments and other debit balances		60,533,744	78,118,505
<b>Total current assets</b>		<b>593,874,591</b>	<b>555,671,442</b>
<b>Non-current assets</b>			
Investments in a subsidiary	3	297,000	297,000
Property and equipment		459,048,573	390,469,923
<b>Total non-current assets</b>		<b>459,345,573</b>	<b>390,766,923</b>
<b>TOTAL ASSETS</b>		<b>1,053,220,164</b>	<b>946,438,365</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Murabaha finance		40,000,000	-
Dividends payable		52,500,000	-
Trade payables and other liabilities		433,519,529	438,648,664
<b>Total current liabilities</b>		<b>526,019,529</b>	<b>438,648,664</b>
<b>Non-current liabilities</b>			
Deferred revenue on extended service plan		6,096,883	8,421,712
End-of-service indemnities		33,045,563	26,858,909
<b>Total non-current liabilities</b>		<b>39,142,446</b>	<b>35,280,621</b>
<b>Stockholders' equity</b>			
Share capital	1	300,000,000	240,000,000
Statutory reserve	4	49,066,485	32,334,056
Retained earnings		138,995,356	200,203,499
Foreign exchange translation adjustment		(3,652)	(28,475)
<b>Total stockholders' equity</b>		<b>488,058,189</b>	<b>472,509,080</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>1,053,220,164</b>	<b>946,438,365</b>

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

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

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

	From October 1 to December 31		From January 1 to December 31	
	2013	2012	2013	2012
	SR	SR	SR	SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Revenue	914,429,741	963,924,322	3,387,673,631	3,015,037,766
Cost of revenue	740,892,140	797,368,713	2,786,082,421	2,484,531,963
<b>Gross profit</b>	<b>173,537,601</b>	<b>166,555,609</b>	<b>601,591,210</b>	<b>530,505,803</b>
Selling and distribution expenses	93,983,685	80,644,486	331,497,717	262,535,290
General and administrative expenses	19,249,078	25,793,944	97,743,863	104,631,144
<b>Operating income</b>	<b>60,304,838</b>	<b>60,117,179</b>	<b>172,349,630</b>	<b>163,339,369</b>
Finance charges	(701,487)	(61,773)	(818,334)	(61,773)
Other income (expenses), net	361,674	(219,374)	513,193	(36,134)
<b>Net income before zakat</b>	<b>59,965,025</b>	<b>59,836,032</b>	<b>172,044,489</b>	<b>163,241,462</b>
Zakat	(1,592,501)	(1,761,573)	(4,720,203)	(4,651,471)
<b>NET INCOME</b>	<b>58,372,524</b>	<b>58,074,459</b>	<b>167,324,286</b>	<b>158,589,991</b>
<b>Earnings per share – (note 1, 5)</b>				
Earnings per share from net income	1.94	1.94	5.58	5.29
Earnings per share from continuing main operations	1.93	1.94	5.56	5.29
Earnings per share from other operations	0.01	-	0.02	-
Weighted average number of shares	30,000,000	30,000,000	30,000,000	30,000,000

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

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

**CONSOLIDATED INTERIM STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign exchange translation adjustment SR	Total SR
January 1, 2012 (Audited)	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	-	15,858,999	(15,858,999)	-	-
Dividends (note 7)	-	-	(60,000,000)	-	(60,000,000)
Directors' remuneration (note 7)	-	-	(1,400,000)	-	(1,400,000)
Movement during the year	-	-	-	(28,475)	(28,475)
December 31, 2012 (Audited)	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 (note 7)	-	-	(150,000,000)	-	(150,000,000)
Directors' remuneration (note 7)	-	-	(1,800,000)	-	(1,800,000)
Transfer towards increase in share capital (note 1)	60,000,000	-	(60,000,000)	-	-
Movement during the year	-	-	-	24,823	24,823
December 31, 2013 (Un-audited)	300,000,000	49,066,485	138,995,356	(3,652)	488,058,189

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

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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 SR	2012 SR
<b>OPERATING ACTIVITIES</b>	<b>(Un-audited)</b>	<b>(Audited)</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	8,149,144	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	17,584,761	(24,807,736)
Trade payables and other liabilities and extended service plan	(7,770,341)	67,010,467
Cash from operations	162,624,957	158,268,976
End-of-service indemnities paid	(1,962,490)	(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>155,440,307</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>(10,773,111)</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>37,496,751</b>	<b>48,245,039</b>
<b>Non-cash transaction:</b>		
Dividends payable	52,500,000	-
Transfer from property and equipment to other receivables	-	(6,861,920)

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

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

---

**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 interim 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated interim financial statements have been prepared in accordance with the Standard for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). Significant accounting policies adopted by the Company and its subsidiaries (the “Group”) are summarized as follows:



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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

---

**Accounting convention**

The consolidated interim financial statements are prepared under the historical cost convention.

**Basis of consolidation**

These consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiaries controlled by the Company prepared for the three months and year ended December 31, 2013 and 2012. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements.

**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 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.

**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.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

---

The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings and leasehold improvements	15 – 33
Furniture, fixtures and office equipment	4 – 10
Vehicles	5

**Impairment**

As of each balance sheet date, the 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 interim 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 interim stockholders' equity. Translation loss that is considered permanent is charged to the consolidated interim 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 interim financial statements based on the employees' length of service.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

---

**Zakat**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is calculated and accrued for the quarter based on estimation. Zakat is recorded at the period end based on period end figures and any difference between the estimate and the actual is adjusted at that time. Any difference between the estimate and final assessment is recorded when settled.

**Leasing**

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

*The 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 period in which the General Assembly approves such distributions.

**3. INVESTMENT 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 services 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 up to December 31, 2013 and the subsidiary was determined to be immaterial and accordingly, it was not consolidated in the consolidated interim financial statements for the three months and year ended December 31, 2013.

**4. STATUTORY RESERVE**

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The statutory reserve is appropriated at the period end based on period's net income and any difference between the amount appropriated and the actual is adjusted in the last quarter.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

---

**5. EARNINGS PER SHARE**

Earnings per share from net income after zakat is computed by dividing net income for the period by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations is computed by dividing operating income after finance charges and zakat for the period by the weighted average number of shares outstanding during the period.

Earnings per share from other operations is computed by dividing net other (expenses) income by the weighted average number of shares outstanding during the period.

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

**6. 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>
	<b>(Un-audited)</b>	<b>(Audited)</b>
Letters of guarantee	<b>38,611,498</b>	<b>21,776,455</b>
Letters of credit	<b>112,844,986</b>	<b>125,984,391</b>

**7. 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 Board of Directors' remuneration fee of SR 1.8 million (2012: SR 1.4 million) during the year 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 interim dividends. Thereafter, the Board of Directors in their meeting dated December 11, 2013 approved a cash dividend of SR 52.5 million.

**8. GEOGRAPHICAL SEGMENT**

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 Bahrain and Oman.

**9. RESULTS OF INTERIM PERIOD**

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