RED HERRING PROSPECTUS

United Electronics Company
Sale of 7,200,000 Shares Representing 30% of United Electronics Company through an Initial Public Offering at an Offer Price of SR [ ] per Share.
A Saudi Joint Stock Company in accordance with Ministerial Resolution Number Q/65 dated 03/03/1431H (corresponding to 17/02/2010G)
Offering Period: 10 Muharram 1433H to 16 Muharram 1433H (corresponding to 05 December 2011G to 11 December 2011G)

United Electronics Company (hereinafter referred to as the "Company" or "eXtra") is a joint stock company in accordance with Ministerial Resolution Number Q/65 dated 03/03/1431H (corresponding to 17/02/2010G) with commercial registration number 2051029841 dated 10/06/1425H (corresponding to 27/07/2004G). The current share capital of the Company is SR 240,000,000 consisting of 24,000,000 Shares of equal value of SR 10 each.

The Initial Public Offering (the "Offering") of 7,200,000 shares (the "Offer Shares") with a fully paid nominal value of SR 10 and at a price of SR [ ] per share, and representing 30% of the issued share capital of eXtra, is directed at and may be accepted by:

Tranche (A): Institutional investors including a number of institutions (referred to collectively as "Institutional Investors") that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the Capital Market Authority ("CMA" or the "Authority"). The number of offer shares allocated to institutional investors is 7,200,000 offer shares representing 100% of the Offering. In the event that the individual investors subscribe to the Offer Shares, the Lead Manager may exercise his right to reduce the number of shares allocated to Institutional Investors to 3,600,000 offer shares representing 50% of the Offering, subject to CMA's approval.

Tranche (B): Individual investors including individuals having the Saudi Arabian nationality and the minor children of Saudi female divorcees or widows from a marriage to a non-Saudi (referred to collectively as "Individual Investors"). Subscription of a person in the name of his divorcee shall be deemed invalid; and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the subscription applicant. The maximum number of offer shares allocated to individual investors is 3,600,000 offer shares representing 50% of the Offering. In the event that the Individual Investors do not subscribe to full amount of Offer Shares allocated to them, the Lead Manager may exercise his right to reduce the number of shares allocated to individual investors to match the number of shares that they had subscribed for.

The Offer Shares are being sold by the shareholders whose names appear on page [x] (referred to collectively hereinafter as the "Selling Shareholders"), who owned 98% of the Shares of the Company prior to the Offering. Upon completion of the Offering, the Selling Shareholders will own 68% of the Shares and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be distributed to the Selling Shareholders and the Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten by the underwriters. (Refer to "Underwriting" section)

The Offering will commence on 10 Muharram 1433H (corresponding to 05 December 2011G) and will remain open for a period of (7) days up to and including 16 Muharram 1433H (corresponding to 11 December 2011G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of the selling agents (the "Selling Agents") during the Offering Period.

Each individual subscriber to the Offer Shares (the "Subscriber" and collectively referred to as the "Subscribers") must apply for a minimum of (10) Offer Shares. The minimum allocation per Subscriber is (10) Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeded 360,000, the Company will not guarantee the minimum allocation of (10) of the Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeded the number of Offer Shares, the allocation will be determined at the discretion of the Authority. Excess of subscription monies, if any, will be refunded to Subscribers (institutional and individual) without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by Saturday 22 Muharram 1433H (corresponding to 17 December 2011G). (Refer to "Subscription Terms and Conditions" section)

Each Share entitles the holder to one vote and each shareholder (the "Shareholder") with at least 20 Shares has the right to attend and vote at the general assembly meeting (the "General Assembly Meeting"). The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and subsequent fiscal years. (Refer to "Dividend Record and Policy" section)

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares (Refer to "Key Dates for Investors" section). Subsequent to Shares commencing trading, Saudi and Gulf Cooperation Council ("GCC") member states nationals, non-Saudi nationals with valid residence permits (Iqama), companies, banks and funds will be permitted to trade in the Shares. The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares hereby.

Financial Advisor, Lead Manager and Lead Underwriter

HSBC

Co-Underwriter

بلوم للإستثمار السعودية
BLOMINVEST SAUDI ARABIA
(Licensed by Capital Market Authority)

Selling Agents

samba سامبا | SABB ساب | بنك الرياض riyad bank | البنك السعودي الفرنسي Banque Saudi Fransi | العربي anb | Al Rajhi Bank مصرف الراجحي | NCB الأهلي

This Prospectus includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia. The Directors, whose names appear on page [iii]; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 18 Dhul-Hijjah 1432H (corresponding to 14 November 2011G)

English Translation of the Official Arabic Language Prospectus

اكسترا eXtra®

A world of electronics

Important Notice

This Prospectus provides full details of information relating to eXtra and the Shares being offered. In applying for the Offer Shares, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Selling Agents or by visiting the websites of the Company (www.extra.com), the CMA (www.cma.org.sa), or the Lead Manager (www.hsbcsaudi.com).

HSBC Saudi Arabia Limited ("HSBC") has been appointed by eXtra to act as the Lead Manager, Financial Advisor and the Lead Underwriter in relation to the Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page iii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, the market and industry information herein are derived from external sources, and while neither HSBC nor the Company's advisors has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of eXtra, the Selling Shareholders or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

The Offering is being made to, and is only capable of acceptance by, Authorized Institutional Investors and individuals having the Saudi Arabian nationality and the Saudi female divorcees or widows from a marriage to a non-Saudi can subscribe in the names of her minor children given that she provides proof of motherhood.

The distribution of this Prospectus and the sale of the Offer Shares to any other persons or in any jurisdiction other than Saudi Arabia are expressly prohibited. The Company, Selling Shareholders, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

The Shariyah Review Bureau - an independent entity specialized in monitoring activities and shariyah review - have been appointed to assess the Company according to the shariyah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions regarding investments in companies. The assessment evaluated the nature of the Company's activities and its various financial transactions. The Shariyah Review Bureau reported that the company is compliant with the shariyah standards.

Financial Information

The audited financial statements as at and for the years ended 31 December 2010, 2009 and 2008 as well as for the six months ended June 30 2011 and the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Principles. The Company publishes its financial statements in Saudi Arabian Riyals.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (Refer to "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Pursuant to the requirements of the Listing Rules, eXtra must submit a supplementary prospectus to the Authority if at any time after the Prospectus has been approved by the Authority and before admission to the Official List, eXtra becomes aware that (a) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules; or (b) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Board of Directors

Title	Name	Representing	Nationality	Age	Type
Chairman	Abdullah Abdullatif Al-Fozan	Alfozan Holding Company	Saudi	43	Non-independent/ Non executive
Director	Khalid Abdullatif Al-Fozan	Alfozan Holding Company	Saudi	53	Non-independent/ Non executive
Director	Waleed Abdul-Aziz Al-Saghyir	Abdulaziz Alsaghyir Commercial Investment Company	Saudi	41	Non-independent/ Non executive
Director	Fozan Mohammad Al-Fozan	Alfozan Holding Company	Saudi	39	Non-independent/ Non executive
Director	Hisham Abdul-Aziz Al-Saghyir	Abdulaziz Alsaghyir Commercial Investment Company	Saudi	36	Non-independent/ Non executive
Director	Basil Mohammad Al-Gadib	-	Saudi	53	Independent/ Non executive
Director	Mohamed Galal Ali Fahmy	Alfozan Holding Company	Egyptian	47	Non-independent/ executive
Director	Vacant*	-	-	-	Independent/ Non executive
Director	Vacant*	-	-	-	Independent/ Non executive

* To be appointed at the Company's General Assembly during 6 months from the date on which listing and trading of the Offer Shares commences on the Exchange.

Address and Representatives

King Faisal Road AlRawabi District, AlRakka Area United Electronics Company P.O. Box 76688, Khobar 31952, Saudi Arabia Tel: +966 (3) 847 8888, Fax: +966 (3) 858 7799 www.extra.com	

Company's Representative	Shareholders' Relations Officer	Board of Directors' Secretary
Mohamed Galal Ali Fahmy Tel: +966 (3) 847 8888 ext: 3102 Fax: +966 (3) 858 1688 galal.m@extra1.com	Hatem Shaheen Ahmad Tel: +966 (3) 858 1532 Fax: +966 (3) 858 1653 shaheen.h@extra1.com	Abdulhafeez Mohammad Othman Tel: +966 (3) 895 9014 Fax: +966 (3) 896 7921 aosman@extra1.com

Share Registrar

Tadawul	
Abraj Attuwenya 700 King Fahad Road P.O. Box 60612, Riyadh 11555, Saudi Arabia Tel: +966 (1) 218 1200, Fax: +966 (1) 218 1260 Email: webinfo@tadawul.com.sa www.tadawul.com.sa	

Advisors

Financial Advisor and Lead Manager

HSBC Saudi Arabia Limited
Olaya Main Street
P.O. Box 9084, Riyadh 11413, Saudi Arabia
Tel: +966 (1) 299 2313, Fax: +966 (1) 299 2424
www.hsbcsaudi.com

Legal Advisors to the Transaction

Meshal Al Akeel Law Firm in affiliation with Hourani & Associates
Olaya Street,
Siricon Building, 7th Floor
P.O. Box 76356, Riyadh 11596, Saudi Arabia
Tel: +966 (1) 293 1234, Fax: +966 (1) 293 0051
www.houraniassociates.com

Registered Auditors

Deloitte & Touche Bakr Abulkhair & Co.
ABT Building, Al-Khobar
P.O. Box 182, Dammam 31411, Saudi Arabia
Tel: +966 (3) 887 3937, Fax: +966 (3) 887 3931
www.delloite.com

Market Research Consultant

Euromonitor International
Dubai Silicon Oasis
P.O. Box 54709, Dubai, United Arab Emirates
Tel: +971 (4) 372 4363, Fax: +971 (4) 372 4370
www.euromonitor.com

Financial Due Diligence Advisor

PricewaterhouseCoopers
King Faisal Foundation Building
P.O. Box 8282, Riyadh 11482, Saudi Arabia
Tel: +966 (1) 465 4240, Fax: +966 (1) 465 1663
www.pwc.com

Legal Advisors

Torki Al-Shubaiki in association with Baker & McKenzie Limited
Ahsa Road
P.O. Box 4288, Riyadh 11491, Saudi Arabia
Tel: +966 (1) 291 5561, Fax: +966 (1) 291 5571
www.bakermckenzie.com

Public Relations and Marketing Consultant

ASDA'A Burson-Marsteller
212 Spectrum Building, Oud Metha
P.O. Box 28063, Dubai, United Arab Emirates
Tel: +971 (4) 334 4550, Fax: +971 (4) 334 4556
www.asdaa.com

Shariyah Advisor

Shariyah Review Bureau
P.O. Box 21051, Manama, Bahrain
Tel: +973 (1) 721 5898, Fax: +973 (1) 721 5919
www.shariyah.com

Notice:

The above advisors have given and not withdrawn their written consent to the publication of their names in the Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

Lead Underwriter

HSBC Saudi Arabia Limited
Olaya Main Street
P.O. Box 9084, Riyadh 11413, Saudi Arabia
Tel: +966 (1) 299 2313, Fax: +966 (1) 299 2424
www.hsbcsaudi.com

Co-Underwriter

Blominvest Saudi Arabia
King Fahd Road, Al-Oula Building, Third Floor
P.O. Box 8185, Riyadh 11482, Saudi Arabia
Tel: +966 (1) 494 9555, Fax: +966 (1) 494 9551
www.blominvestksa.com

Notice:

The above underwriter has given and not withdrawn its written consent to the publication of its names in the Prospectus; and does not itself, or any of its relatives or affiliates have any shareholding or interest of any kind in the Company.

Selling Agents

The Saudi British Bank
Prince Abdulaziz bin Musaed bin Jlawy Street
P.O. Box 9084, Riyadh 11413 – Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660
www.sabb.com

Banque Saudi Fransi
Maathar Street
P.O. Box 56006, Riyadh 11554 – Saudi Arabia
Tel: +966 (1) 404 2222
Fax: +966 (1) 404 2311
www.alfransi.com.sa

The National Commercial Bank
King Abdulaziz Road
P.O. Box 3555, Jeddah 21481 – Saudi Arabia
Tel: +966 (2) 649 3333
Fax: +966 (2) 7426 643
www.alahli.com

Arab National Bank
King Faisal Street
P. O. Box 9802, Riyadh 11423 – Saudi Arabia
Tel: +966 (1) 402 9000
Fax: +966 (1) 402 7747
www.anb.com.sa

Riyad Bank
King Abdulaziz Road
P.O. Box 22622, Riyadh 11614 – Saudi Arabia
Tel: +966 (1) 401 3030
Fax: +966 (1) 404 2618
www.riyadbank.com

Samba Financial Group
King Abdulaziz Road
P.O. Box 833, Riyadh 11421 – Saudi Arabia
Tel: +966 (1) 477 4770
Fax: +966 (1) 479 9402
www.samba.com

Al Rajhi Banking and Investment Corporation
Olaya Road
P.O. Box 28, Riyadh 11411 – Saudi Arabia
Tel: +966 (1) 462 9922
Fax: +966 (1) 462 4311
www.alrajhibank.com.sa

Issuer's Commercial Banks

Samba Financial Group
King Abdulaziz Road
P.O. Box 833, Riyadh 11421 – Saudi Arabia
Tel: +966 (1) 477 4770
Fax: +966 (1) 479 9402

Banque Saudi Fransi
Maathar Street
P.O. Box 56006, Riyadh 11554 – Saudi Arabia
Tel: +966 (1) 404 2222
Fax: +966 (1) 404 2311

Riyad Bank
King Abdulaziz Road
P.O. Box 22622, Riyadh 11614 – Saudi Arabia
Tel: +966 (1) 401 3030
Fax: +966 (1) 404 2618

The Saudi British Bank
Prince Abdulaziz bin Musaed bin Jlawy Street
P.O. Box 9084, Riyadh 11413 – Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660

The Offering

The Offering	The initial public offering of 7,200,000 shares, representing 30% of United Electronics Company's paid up capital
The Company	United Electronics Company, a Saudi Joint Stock Company in accordance with the Ministerial Resolution Number Q/65 dated 03/03/1431H (corresponding to 17/02/2010G) with commercial registration number 2051029841 dated 10/06/1425H (corresponding to 27/07/2004G)
The Company's Activities	eXtra's core activities include retail of consumer electronics, appliances, communications and solutions
Capital of the Company	SR 240,000,000
Offer Price	SR [*]
Total number of Issued Shares	24,000,000 fully paid ordinary shares
Number of Offer Shares	7,200,000 fully paid ordinary shares
Percentage of Offer Shares	The Offer Shares represent 30% of the issued share capital of the Company
Nominal Value	SR 10 per share
Total value of Offer Shares	SR [*]
Number of Offer Shares Available to Institutions	7,200,000 shares representing 100% of the Offering, with the possibility of reducing it to 3,600,000 shares, as a minimum, representing 50% of the Offering
Number of Offer Shares Available to Individuals	3,600,000 shares as a maximum, representing 50% of the Offering in the event that the individuals subscribe to the Offering
Tranche (A) Authorized Institutional Investors	This Tranche consists of institutions that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the CMA
Subscription Method for Institutional Investors	Institutional investors who have been approached by the Lead Manager have the right to subscribe in accordance to standards agreed with the Company and the selling shareholders. The Lead Manager will provide the subscription applications to the institutional investors
Tranche (B) Authorized Individual Investors	This Tranche consists of individuals having the Saudi Arabian nationality and the Saudi female divorcees or widows from a marriage to a non-Saudi can subscribe in the names of her minor children given that she provides proof of motherhood. Subscription of a person in the name of his divorcee shall be deemed invalid; and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the subscription applicant

Subscription Method for Individual Investors	Subscription applications will be available during the Offering period at all SABB and selling agents' branches. Subscription applications should be completed in accordance to the provided instructions within the "Subscription Terms and Conditions" section of this prospectus. Investors who have subscribed in previous initial offerings are able to subscribe through the internet, phone or ATM of any of the selling agents branches that offer such services to its customers
Number of Offer Shares Underwritten	7,200,000 shares
Amount Underwritten	SR [*]
Minimum Number of Offer Shares to be applied for by Individuals	[10] shares
Minimum subscription amount for Individuals	SR [*]
Maximum Number of Offer Shares to be applied for by Individuals	250,000 shares
Maximum Subscription Amount for Individuals	SR [**]
Minimum Number of Offer Shares to be applied for by Institutional Investors	100,000 shares
Minimum Subscription Amount for Institutional Investors	SR [*]
Maximum Number of Offer Shares to be applied for by Institutional Investors	No maximum
Maximum Subscription Amount for Institutional Investors	No maximum
Selling Shareholders	The Shareholders whose names and ownership in the Company is provided in the table below:

Selling Shareholders	Pre-Offering		Post-Offering	
	Shares	Percent	Shares	Percent
Al Fozan Holding Company	15,600,000	65.00%	10,903,096	45.43%
Abdulaziz Al Saghyir Commercial Investment Company	5,280,000	22.00%	3,584,842	14.94%
Itlalah Arabia Trading Company	1,200,000	5.00%	840,000	3.50%
Abdullatif and Mohammed Al-Fozan Company	720,000	3.00%	503,220	2.10%
Rokn Al Elham Development Company	720,000	3.00%	488,842	2.03%
Total	23,520,000	98.00%	16,320,000	68.00%

Use of Proceeds	The net proceeds of the Offering amounting to SR [*] million after deducting the Offering expenses of approximately SR [*] million will be paid to the Selling Shareholders. The Company will not receive any proceeds from the Offering

Allocation of Offer Shares to Individual Subscribers	Allocation of the Offer Shares is expected to be completed on or around Saturday 22 Muharram 1433H (corresponding to 17 December 2011G). The minimum allocation per Subscriber is (10) Offer Shares, and the balance of the Offer Shares allocated to the Individual Subscribers Tranche (if available) will be allocated on a pro-rata basis. In the event that the number of Individual Subscribers exceeds 360,000 or if the Offering is to be amended, the Company will not guarantee the minimum allocation per Subscriber, and the Offer Shares will be allocated equally between all Individual Subscribers. If the number of Individual Subscribers exceeds 3,600,000, the Offer Shares will be allocated as determined by the Capital Market Authority
Excess of Subscription Monies	Excess of subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager and the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made no later than Saturday 22 Muharram 1433H (corresponding to 17 December 2011G) (refer to "Subscription Terms and Conditions" – Allocation and Refunds section)
Offering Period	The Offer will commence on Monday 10 Muharram 1433H (corresponding to 05 December 2011G) and will remain open for a period of 7 days up to and including Sunday 16 Muharram 1433H (corresponding to 11 December 2011G)
Dividends	The Offer Shares will be entitled to receive dividends declared and paid by the Company for the period following the end of the Offering and for subsequent fiscal years (refer to "Dividend Record and Policy" section)
Voting Rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. (For a discussion of the Company's voting rights refer to "Summary of Company's Bylaws" section)
Share Restrictions	The Selling Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading of the Offer Shares commences on the Exchange. After the 6-month share restriction period has elapsed, the Selling Shareholders may only dispose of their Shares after obtaining CMA approval

Listing of Shares	Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List, all relevant approvals pertaining to this Prospectus, all other supporting documents requested by the CMA, and all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares (refer to "Key Dates for Subscribers" section)
Risk Factors	There are certain risks relating to an investment in this Offering. These risks can be categorized into (i) risks related to the Company's operations; (ii) risks related to the market; and (iii) risks related to ordinary shares. These risks are described in the "Risk Factors" section of this Prospectus which should be considered carefully prior to making an investment decision in the Offer Shares
Expenses	The Selling Shareholders will incur all the expenses associated with the Offering, which is estimated at SR [ ]. Expenses will include fees of the financial advisor, legal advisor, reporting accountants, underwriters, selling agents, marketing, printing, distribution and other fees related to the issuing

Key Dates for Subscribers

Expected Offering Timetable	
Offering period	Monday 10 Muharram 1433H (corresponding to 05 December 2011G) to Sunday 16 Muharram 1433H (corresponding to 11 December 2011G)
Last date for submission of application form and subscription monies for Individual investors	Sunday 16 Muharram 1433H (corresponding to 11 December 2011G)
Last date for submission of application form and subscription monies for Institutional investors	Sunday 16 Muharram 1433H (corresponding to 11 December 2011G)
Notification of final allotment and refund of funds (in the event of over-subscription)	Saturday 22 Muharram 1433H (corresponding to 17 December 2011G)
Start date of trading of Offer Shares	Upon completion of all relevant procedures

The above timetable and dates therein are indicative. Actual dates will be communicated through local press announcements and on the Tadawul website www.tadawul.com.sa.

How to Apply

Subscription in the Offer shares is directed at and may be accepted by:

Tranche (A): from Institutional Investors including institutions that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the CMA. Institutional Investors can obtain an application form from the Lead Manager of the Institutional Subscription Register.

Tranche (B) from Individual Investors including individuals having the Saudi Arabian nationality and the minor children of Saudi female divorcees or widows from a marriage to a non-Saudi who can subscribe in their names given that she provides proof of motherhood. Subscription of a person in the name of his divorcee shall be deemed invalid; and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the subscription applicant.

Subscription application forms will be available during the Offering Period at the branches of SABB and the Selling Agents. The forms must be completed in accordance with the instructions described in the "Subscription Terms and Conditions" section of this Prospectus.

Subscription may also be made through the Internet, banking phone or ATMs at any of the selling agents, which offer such services to the subscribers who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

- The subscriber must have a bank account at the Selling Agent which offer such services; and
- There should have been no changes in the personal information of the subscriber by way of exclusion or addition of any member of his family.

The forms must be completed in accordance with the instructions described in the "Subscription Terms and Conditions" section of this Prospectus. Each subscriber must agree to complete all relevant sections of the Subcription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event any of the subscription terms and conditions is not met. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a binding agreement between the Subscriber and the Company (see "Subscription Terms and Conditions" section).

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the "Definitions and Abbreviations" section and elsewhere in this Prospectus.

The Company

eXtra's core activities include retail of consumer electronics, appliances, communications and solutions.

eXtra was originally established as a limited liability company on 17 Shawwal 1422H (corresponding to 1 January 2002G) with a paid up capital of SR 500,000, under the laws of the Kingdom of Saudi Arabia in the city of Riyadh, Saudi Arabia. The head office of the Company was moved to the city of Khobar on 17 Safar 1424H (corresponding to 19 April 2003G).

eXtra was subsequently converted into a closed stock company pursuant to Resolution of the Minister of Commerce and Industry No. Q/65 dated 3 Rabei Alawal 1431H (corresponding to 17 February 2010G) with a paid up capital of SR 100 million. The Company is currently registered under commercial registration number No. 2051029841 dated 10/06/1425H (corresponding to 27/07/2004G) in the Commercial Registry of Khobar, Saudi Arabia.

On 14 Muharram 1432H (corresponding to 20 December 2010G), the Shareholders resolved to increase the paid up capital of the Company from SR 100 million to SR 240 million divided into 24 million shares with a nominal value of SR 10 per share, by a transfer of SR 128,940,300 from retained earnings and SR 11,059,700 from statutory reserve.

eXtra retails an extensive range of products that span across all the major electrical categories. eXtra holds an average of 12,000 individual items, thereby providing the customer with the widest choice. The inventory is updated daily and the commercial team works closely with their supplier base to ensure that new technologies and new products are launched first at eXtra.

The major product categories available through eXtra are: television and audio, computing, mobile communications, digital and audio imaging, gaming, home appliances and small appliances.

Given the nature of the products that eXtra sells, the customer needs access to a comprehensive set of additional services to enjoy complete peace of mind relating to their purchase. Such services range from basic requirements like delivery and installation services through to added value support packages for high technology products such as computer services, extended warranty and awareness information within the stores. These provide the Company with two advantages; further differentiation of the consumer proposition and a valuable source of incremental sales and profit.

Vision

The Company's vision is "to be the leading retailer of consumer electronics, appliances and communication solutions[1] in the central region[2] of the world by 2020".

Mission

The Company's mission is "to enhance consumers L.I.F.E. by providing innovative quality products, services and solutions which meet or exceed customers' expectations. Through collaborative relationships and driving operational excellence they will be mutually rewarded."

Overall Strategy

The Company's strategies are focused around; continue growing its leadership position in Saudi and regional markets, understanding customer insights and requirements, leveraging the Company's scale to continuously strengthen its financial performance and building organizational capability.

1 Solutions include after-sales services, computer services, extended warranty and awareness information within the stores
2 Central Region includes the countries that lie between the Arab Maghreb and Pakistan

Competitive Advantages

The Company benefits from many sources of competitive advantages arising from the business having already achieved a position of solid sales and efficiency. Management is of the view that such advantages will grow and can be further exploited over time. The management believe that the following are the competitive advantages of the Company:

- qualified and experienced management team;
- core customer proposition;
- buying scale and expertise;
- marketing efficiency;
- supply chain efficiency;
- stock efficiency and quality;
- advanced IT infrastructure;
- in-store experience and professional customer service;
- shrink control;
- brand, retail model and location; and
- services infrastructure.

Future Prospects

The Company expects to continue to grow its sales and profitability through the following:

- additional new stores;
- market growth;
- business to business sales;
- e-commerce and IT capability;
- international expansion;
- net margin progression; and
- range development.

Overview of the Market[3]

eXtra appointed Euromonitor International ("Euromonitor"), a recognized consulting company specialized in conducting market studies, to prepare a study covering the Consumer Electronics Retail market in Saudi Arabia. Euromonitor was established in 1972 in London with 500 employees and more than 2,500 clients ranging from leading manufacturers, investment banks, governments, and universities. It is worth noting that Euromonitor does not itself, nor its employees or any of their relatives or affiliates have any shareholding or interest of any kind in the Company. Euromonitor have given and not withdrawn their written consent to the publication in the Prospectus of their Market Study report as of the date of the Prospectus.

Saudi Arabia provides growing potential for retail development, however complexity of market dynamics and increasing consumer sophistication present barriers for new players to enter the market. This complexity is particularly evident due to the sectors' low profit margins, where the rapid growth in terms of distribution of outlets and high quantity of stock make up the key elements to the retailer's sustainability of cash flow. This is in addition to the necessity of establishing an after-sales system to cater to the increasing consumer demands. The growing economy and government reforms to develop non-oil industries are largely driving the services sector growth. In addition, the large young population with high spending power and increasing demand for leisure shopping environment are becoming more aware of electronics and appliances trends and technologies. Main beneficiaries of this trend are current well-established Big Box retailers in the market, who have the financial capacity and infrastructure to cater to these needs where few market players are present, thus creating huge potential for expansion in retail.

With the continued high spending by the Saudi government as well as improving consumer lending policies, financial facilities are expected to grow for both retailers and consumers. Thus, coupled with a growing average annual income by 37% over the next 5 years, consumer spending will grow driving higher sales of both consumer electronics and home appliances market.

In 2010, the market of electronics and appliances recorded SR 19.25 billion with an annual compound growth rate (CAGR) of 14.7% in the review period (2005-2010). This was mainly driven by the consumer electronics sector, which accounted for 64.6% of sales of the total market due to the dynamic technological development of electronics. Despite the anticipated growth of appliances, consumer electronics market will likely remain the main driver of the total market over the forecast period (2011-2015) with an expected value share of 67.8% in 2015.

3 Source: Euromonitor

Summary Financial Information

The selected financials presented below should be read together with the audited financial statements for the years ended 31 December 2010, 2009 and 2008 as well as the audited financial statements for the six months ended June 30 2011, including in each case, the notes thereto, each of which are included elsewhere in this Prospectus.

Key Financial Highlights

(SR million)	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
Operational Performance					
Revenue	1,262.1	1,439.9	1,778.4	791.7	1,127.4
Cost of revenue	1,084.5	1,214.3	1,456.3	651.4	916.3
Gross profit	177.7	225.6	322.1	140.3	211.0
General and administrative expenses	57.7	54.4	65.5	30.2	40.1
Net income	15.8	41.0	97.7	35.8	64.5
Financial Condition					
Current assets	341.4	460.2	322.0	537.4	462.7
Non current assets	160.1	172.8	267.3	191.5	285.4
Total assets	501.5	633.0	589.2	728.9	748.1
Current liabilities	388.3	477.7	312.8	510.7	406.5
Total liabilities	397.0	487.5	346.0	547.5	440.3
Stockholders' equity	104.5	145.5	243.3	181.4	307.8
Key Indicators					
Gross profit margin	14.1%	15.7%	18.1%	17.7%	18.7%
Net profit margin	1.2%	2.9%	5.5%	4.5%	5.7%
Current ratio (times)	0.9	1.0	1.0	1.1	1.1
Total liabilities to total assets	79.2%	77.0%	58.7%	75.1%	58.9%
Total liabilities to equity	380.0%	334.9%	142.2%	301.8%	143.1%
Return on equity	15.1%	28.2%	40.2%	19.8%	21.0%
Return on assets	3.1%	6.5%	16.6%	4.9%	8.6%
Revenue growth rate	24.1%	14.1%	23.5%	-	42.4%
Earnings' growth rate	1496.7%	160.6%	138.1%	-	80.0%

Source: Audited Financial Statements

Contents

Exhibits

1. Definitions and Abbreviations

Term	Definition
Board of Directors or Board	United Electronics Company's board of directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA or the Authority	The Capital Market Authority of the Kingdom of Saudi Arabia
Companies' Regulations	The Companies' Regulations, issued under Royal Decree No. M/6, dated 22/03/1385H, as amended
Company's Advisors	Advisors of the Company with relation to the IPO, Which names appear on page (iv) of the Prospectus
COO	Chief Operating Officer
Co-Underwriter	Blominvest Saudi Arabia appointed by the Company in relation to the Offering
DESD	Digital & Electronic Solutions Development Co. Ltd.
Exchange	The Saudi Arabian Stock Exchange
eXtra or the Company	United Electronics Company
Financial Advisor or HSBC	HSBC Saudi Arabia Limited appointed by the Company to act as the Financial Advisor in connection with the Offering
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Government	Government of Saudi Arabia
Individual Subscribers	Consists of individuals having the Saudi Arabian nationality and the Saudi female divorcees or widows from a marriage to a non-Saudi can subscribe in the names of her minor children given that she provides proof of motherhood.
Institutional Investors	Including a number of institutions that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholder and based on predefined criteria set by the CMA.
IT	Information Technology
Lead Manager	HSBC Saudi Arabia Limited appointed by the Company in relation to the Offering
Lead Underwriter	HSBC Saudi Arabia Limited
LFL	Like For Like
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G)
Management	The management of the Company
Offering or IPO	The initial public offering of 7,200,000 ordinary shares representing 30% of the issued share capital of eXtra
Offering Period	The 7-day period starting from Monday 10 Muharram 1433H (corresponding to 05 December 2011G) to Sunday 16 Muharram 1433H (corresponding to 11 December 2011G)
Offer Price	SR [*] per Offer Share
Offer Shares	7,200,000 ordinary Shares of eXtra
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia

Term	Definition
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Person	A natural person
Prospectus	This document prepared by the Company in relation to the Offering
Saudi Arabia or the Kingdom	Kingdom of Saudi Arabia
Selling Agents	The Saudi British Bank, the National Commercial Bank, Samba Financial Group, Riyad Bank, Banque Saudi Fransi, Al Rajhi Bank and Arab National Bank
Selling Shareholders	Al Fozan Holding Company, Abdulaziz Al Saghyir Commercial Investment Company, Itlalah Arabia Trading Company, Abdullatif and Mohammed Al-Fozan Company and Rokn Al Elham Development Company
Shareholder	The holder of the Shares in eXtra as of any particular time
Shares	Ordinary shares of the Company with a nominal value of SR 10 each
SOCPA	Saudi Organization for Certified Public Accountants
Subscription form	Application form to subscribe to the Offer Shares by Individual subscribers and Institutional investors
Tadawul	Automated system for trading of Saudi shares
Underwriting Agreement	Underwriting Agreement entered into between the Company and HSBC Saudi Arabia Limited and Blominvest Saudi Arabia (Co-Underwriters).

2. Risk Factors

In considering an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below. eXtra's business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks which management (the "Management") currently believes to be material, or any other risks that the Management has not identified or that it currently considers not to be material, actually occur or become material risks. The trading price of the Company's Offer Shares could decrease due to any of these risks, and prospective investors may lose all or part of their investment.

2.1 Risks Related to the Company's Operations

2.1.1 Laws and Regulations

The Company's business is subject to regulations in Saudi Arabia. The regulatory environment in which the Company operates may be subject to change. Regulatory changes caused by political, economic, technical and/or environmental factors could significantly impact the Company's operations by restricting the development of the Company or its customers, restricting operations and sales of the Company's services and products or increasing the opportunity for additional competition. The Company may deem it necessary or advisable to modify its products or operations in order to operate in compliance with such regulations, which may have a negative impact on the Company's earnings and cash flow.

To the best of the Management's knowledge, there are no indications as of the date of this Prospectus of any changes in the regulatory environment that may have an adverse material effect on the Company's operations and future prospects.

2.1.2 Dependence on Key Personnel

eXtra is dependent upon the abilities and experience of its executive officers and other key personnel. The Company may be adversely affected by the loss of key personnel in the short to medium term.

The Company has undertaken different initiatives and measures to retain and attract employees, but cannot guarantee that these initiatives will succeed in retaining existing employees or attracting new ones. These initiatives include developing a solid second layer management team, through providing this team with training courses to develop its managerial and technical skills, which assists in the creation of a new competent management team. Another initiative is an attractive plan to retain the Company's high potential employees through the implementation of the "Employee Incentive Scheme", pursuant to which each distinguished employee will receive a one-month salary bonus for each employment year. The third initiative is the creation of processes and documentation to systemize the business through the preparation of documented procedures for the various departments and businesses of the Company. The combination of these initiatives mitigate the risk of dependence on key personnel. eXtra's sales, business, financial condition and results of operations could be materially and adversely affected if the Company is unsuccessful in retaining qualified employees or unable to identify, hire and retain other highly qualified personnel in the future.

2.1.3 Dependence on Key Suppliers

The Company maintains close relations with a large number of suppliers, and establishes business relations with the key suppliers, and builds a sound and diversified plan for products sourcing. However, the Company's activity and financial condition might be adversely affected in the event the Company failed to source products and services from its suppliers, or in the event its relation with key suppliers was terminated.

2.1.4 Delay in the Delivery of Products

The activity of the Company might be adversely affected due to the delay in delivering certain products from the manufacturers or suppliers, or due to the change in the conditions of delivering those products. Therefore, the Company continually works on diversifying its domestic and imported products' sources, and maintaining an adequate and renewed stock of strategic nature.

2.1.5 Rapid Change in Technology and Consumers' Preferences

The rapid development in new technology constitutes a challenge that might affect the Company's competitiveness in the event the Company could not provide the developed products at the right time. Therefore, the commercial department in the Company is keen to remain continually updated on the developments of the international electronics market through following-up the international exhibitions organized upon the launching of new products and technologies.

2.1.6 Growth Strategy and Execution

The Company's future performance is dependent on effective execution of its business plan and growth strategy which includes opening new stores throughout the Kingdom of Saudi Arabia and, in the medium term, expansion and opening of stores within the Middle East and continuing to grow the services line and introduction of new sales channels including an e-commerce offering. The roll-out and success of the business plan and growth strategy is reliant on a number of factors, including: finding suitable locations and lease terms; suitable capital and financing being available.

Although eXtra has successfully expanded its operations in the past and believes that Management has been prudent and reasonable in its plans and assumptions, there can be no assurance that the Company will continue to successfully open and integrate new stores and benefit from improving operational efficiency and grow profitability.

2.1.7 Saudization Requirement

Based on the new changes made by the Saudi Arabian Ministry of Labor, eXtra has been classified amongst the large companies in the wholesale and retail sector, where the Saudization percentage for that sector is 24% (green range requirements).

eXtra is fully committed to achieving the national goal of Saudization and has been able to approximately double its Saudization percentage during the past two years to reach 24% as of 30 June 2011, thus achieving the required Saudization percentage. For this reason, training and development of Saudi skills and capabilities are the highest priority of the Company. It is worth noting that the Company has invested in training and developing of Saudi Nationals through implementation of the "Tajzeaa" program, to empower individuals with the competencies needed to excel within a retail career. In 2010, eXtra has been listed among the 100 best companies contributing to the employment of Saudi Nationals.

Nonetheless, the Ministry of Labor may increase the Saudization percentage requirement in the future. Therefore, the Company's operations and financial results may be affected adversely in the event it is unable to obtain the suitable employees.

2.1.8 Protection of Intellectual Property

eXtra's competitive position depends, inter alia, upon its ability to continue to protect and utilize its intellectual property. The inability to retain control over and protect, or in some cases the need to take actions necessary to protect, eXtra's intellectual property may adversely affect eXtra's brand and may make it more expensive to do business thus adversely affecting the Company's operating results.

2.1.9 Risks Related to Financing

The Company depends on its own ability to acquire commercial loans, and has indeed acquired facilities from various banks such as Riyad Bank, Saudi Fransi Bank, SABB and SAMBA (Kindly refer to the "Finance Documents" section of this prospectus). However, the Company's operations, financial results, and its ability to maintain and develop its business may be affected adversely in the event it failed to acquire similar or adequate financing in the future. It is worth noting that the financial situation of the Company permits it to depend on its own financing for the upcoming years.

2.2 Risks Related to the Market

2.2.1 Competitive Environment

Although the Company is considered to be the market leader in the retail of consumer electronics and appliances in Saudi Arabia, the Company faces competition from a number of companies in each of its product categories.

eXtra constantly works on responding to consumers' preferences of products and services through its continuous understanding of the needs and requirements of the consumers, for the purpose of establishing a close relation with them, maintaining its clients, and ensure their continuity as its consumers.

2.2.2 World Trade Organization (WTO) Membership

The Kingdom has become a member of the WTO on 11 December 2005G. The Kingdom's membership in the WTO would allow foreign entities to have an equity interest in an entity that is engaged in wholesale and retail distribution activities. Prior to WTO membership, such activities were reserved for Saudi nationals and entities wholly owned by Saudi nationals.

Therefore, the Kingdom's membership in the WTO has ended the protection that Saudi companies had prior to such membership, which has led and will further lead to an increasing competition between the Saudi companies and foreign companies which are engaged in wholesale and retail distribution activities.

2.2.3 Consumer Discretionary Spending Patterns

Demand for the products of eXtra is dependent on the discretionary spending of consumers. Therefore the operating results of the Company are sensitive to changes in underlying economic conditions which are beyond its control. These include: overall macroeconomic climate and consumer confidence, unemployment levels, interest rates, inflation and the availability of consumer credit. Any decline in consumer spending will have a material and adverse impact on the financial performance of the Company. Moreover, it should be noted, the spending patterns, as per the market study, are expected to grow due to the largely young Saudi population and the expected increase on the demand of new houses.

2.2.4 Possible Pricing Pressure

The Company has high bargaining power with suppliers, which enables it to maintain its profitability margin. However, the Company's level of profits may be negatively impacted if a price war for providing services or products in the retail market begins. A price war is triggered by companies' desire for expansion, proliferation, obtaining higher yields and additional market share.

2.2.5 Risks Related to Changes in Currency Exchange Rates

The currency exchange rates may change pursuant to local and international economical changes. Any material change in the exchange rates of the currencies that the Company deal with may lead to changes in its products prices, and consequently adversely affect the Company's profitability.

2.2.6 Fluctuation in Financing Rates

The credit facilities that eXtra has acquired from the banks (Riyad Bank, Saudi Fransi Bank, SABB and SAMBA) are Islamic credit facilities (Murabaha agreements, Tawarruq, and Islamic Financing agreements), and given that the Islamic financing rates may change pursuant to local and international economical changes, any material change in the financing rates may lead to fluctuations in its expenses, and consequently adversely affect the Company's profitability in case the Company utilized its credit facilities (Refer to "Finance Documents" section).

2.3 Risks Related to Ordinary Shares

2.3.1 Effective Control by the Selling Shareholders

Following this Offering, the current Shareholders will own no less than 70% of the Company's issued Shares. As a result, the Selling Shareholders acting together may be able to influence all matters requiring shareholders' approval, and they may exercise this ability in a manner that could have a significant effect on the Company's business, financial condition and results of operations including, the election of Directors, significant corporate transactions and capital adjustments.

2.3.2 Absence of a Prior Market for the Shares

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active trading market for the Company's Shares will develop or be sustained after this Offering.

The Offer Price has been determined based upon several factors, including the history of and prospects for the Company's business, the industry in which it competes and an assessment of the Management, operations and financial results. Various factors, including the Company's financial results, general conditions in the industry, health of the overall economy, the regulatory environment within which the Company operates and other pertinent factors that are beyond the Company's control could cause significant fluctuations in the price and trading liquidity of the Company's Shares.

2.3.3 Future Sales and Offerings

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Selling Shareholders will be subject to a restriction period of 6 months during which they may not dispose of any Shares. The sale of a substantial number of Shares by any of the Selling

Shareholders following the 6-month share restriction period could have an adverse effect on the market for the Shares and may result in a lower market price of the Shares.

The Company does not currently intend to issue additional shares immediately following the Offering. If and when the Company decides to raise additional capital by issuing new shares, the newly issued shares will dilute existing shares to a certain extent and if the Selling Shareholders decided to sell a substantial number of shares after the expiry of the restriction period could potentially reduce the value of such shares. Taking into consideration that any expected selling of shares by the Selling Shareholders after the expiry of the restriction period is not to take place without CMA's approval.

2.3.4 Dividends Distribution

Future distribution of dividends will depend on several factors, amongst other things, the future profit, financial position, capital requirements and distributable reserves of the Company and general economic conditions and other related factors that the Board of Directors may deem significant from time to time.

Although the Company intends to pay annual dividends to Shareholders, the Company makes no assurance whatsoever that the payment of any such dividends will actually be approved by the Shareholders in the General Assembly Meetings nor any assurance as to the amounts which will be paid in any given year.

2.3.5 Economic Risks

Any oil price fluctuations will have a direct impact on the Kingdom's economy and would subsequently be felt at all micro levels, including the consumer retail sector in which eXtra operates.

The contribution of the oil sector to the Kingdom's GDP continues to be substantial despite the Government's successful and continuous diversification policies. However, such experience does not guarantee that the Company will not be adversely affected by variable economic, market and political conditions in the future. It is worth noting that eXtra continued to grow during the previous worldwide economic crisis, and the latest decrease in the oil prices. This was mainly due to the diverse measures taken by the management and required substantial collaboration between the internal and external Company stakeholders.

2.3.6 Regional Risks

The Kingdom of Saudi Arabia is located in the strategically important gulf region, which has encountered political instability in recent years and Saudi Arabia, as the largest economy in the Region, is not immune to the effects of such instability. In the event of serious political conflict arising in the region, the potential negative impact on the Saudi economy is also likely to be reflected in the Company's overall operations and share price.

3. The Company

3.1 Introduction

The Company's core activities include retail of consumer electronics, appliances, communications and solutions.

eXtra commenced its operations on 20 Dhul-Qadah 1423H (corresponding to 23 January 2003G) and was initially registered as a limited liability company on 17 Shawwal 1422H (corresponding to 1 January 2002G) in Riyadh, Saudi Arabia under Commercial Registration number 1010175357 with a paid up capital of SR 500,000 divided into 500 shares with a nominal value of SR 1,000 per share. The shares were distributed between Abdullatif and Mohammed Al-Fozan Company (75%) and Abdulaziz Al Saghyir Commercial Investment Company (25%). The Company started establishing its administrative structure directly after its registration in January 2002, in addition to establishing its first showroom in the Riyadh district (Al-Wurood) which was opened on 23 January 2003G.

On 17 Safar 1424H (corresponding to 19 April 2003G), Abdullatif and Mohammed Al-Fozan Company transferred 100% of its equity shares in eXtra with a net book value of SR 375,000 to Abdullatif and Mohammed Al-Fozan Development Company and the Shareholders resolved to increase the paid up capital of the Company to SR 10 million divided into 10 thousand shares with a nominal value of SR 1,000 per share by transfer of SR 9,500,000 from shareholders' current account. Furthermore, the head office of the Company was moved from the city of Riyadh to the city of Khobar under Commercial Registration number 2051029841. The shares were distributed between Abdullatif and Mohammed Al-Fozan Development Company (75%) and Abdulaziz Al Saghyir Commercial Investment Company (25%).

On 14 Sha'ban 1425H (corresponding to 28 September 2004G), the Shareholders resolved to increase the paid up capital of the Company to SR 30 million divided into 30 thousand shares with a nominal value of SR 1,000 per share by transfer of SR 20,000,000 from shareholders' current account. The shares were distributed between Abdullatif and Mohammed Al-Fozan Development Company (75%) and Abdulaziz Al Saghyir Commercial Investment Company (25%).

On 22 Rabei Alawal 1426H (corresponding to 1 May 2005G), the Shareholders resolved to increase the paid up capital of the Company to SR 50 million divided into 50 thousand shares with a nominal value of SR 1,000 per share by transfer of SR 20,000,000 in cash, by each partner according to his stake in the Company's capital. The shares were distributed between Abdullatif and Mohammed Al-Fozan Development Company (75%) and Abdulaziz Al Saghyir Commercial Investment Company (25%).

On 14 Rabei Alawal 1427H (corresponding to 14 March 2006G), the Shareholders resolved to increase the paid up capital of the Company to SR 100 million divided into 100 thousand shares with a nominal value of SR 1,000 per share by transfer of SR 50,000,000 in cash, by each partner according to his stake in the Company's capital. The shares were distributed between Abdullatif and Mohammed Al-Fozan Development Company (75%) and Abdulaziz Al Saghyir Commercial Investment Company (25%).

The shareholders of the Company resolved to convert the Company from a limited liability company to a joint stock company by the introduction of new shareholders through a share transfer transaction on 28 Dhul-Qadah 1430 (corresponding to 16 November 2009G), and immediately upon the completion of the statutory procedures for the conversion, the Ministerial resolution no. Q/65 was issued on 03 Rabei Alawal 1431H (corresponding to 17 February 2010G) approving the announcement of the conversion of United Electronics Company from a limited liability company into a joint stock company. Al Fozan Holding Company (previously Abdullatif and Mohammed Al-Fozan Development Company) transferred 10 thousand shares with a net book value of SR 10 million from its SR 75 million shareholding in the Company to Itlalah Arabia Trading Company, Abdullatif and Mohammed Al-Fozan Company and Ma'aly Al Khaleej Trading Company. Itlalah Arabia Trading Company received 5 thousand shares with a net book value of SR 5 million. Abdullatif and Mohammed Al-Fozan Company received 3 thousand shares with a net book value of SR 3 million. Ma'aly Al Khaleej Trading Company received 2 thousand shares with a net book value of SR 2 million. Abdulaziz Al Saghyir Commercial Investment Company also transferred 3 thousand shares with a net book value of SR 3 million from its SR 25 million shareholding in the Company to Rokn Al Elham Development Company. The Minister of Commerce and Industry announced the conversion of the Company into a joint stock company pursuant to its resolution number Q/65 dated 3 Rabei Alawal 1431H (corresponding to 17 February 2010G), with a paid up capital of SR 100 million divided into 10 million shares with a nominal value of SR 10 per share. The shares were distributed between Al-Fozan Holding Company (65%), Abdulaziz Al Saghyir Commercial Investment Company (22%), Itlalah Arabia Trading Company (5%), Abdullatif and Mohammed Al-Fozan Company (3%), Rokn Al Elham Development Company (3%) and Ma'aly Al Khaleej Trading Company (2%).

On 14 Muharram 1432H (corresponding to 20 December 2010G), the Shareholders resolved to increase the paid up capital of the Company to SR 240 million by transfer of SR 128,940,300 from retained earnings and SR 11,059,700 from statutory reserve. The shares were distributed between Al-Fozan Holding Company (65%), Abdulaziz Al Saghyir Commercial Investment Company (22%), Itlalah Arabia Trading Company (5%), Abdullatif and Mohammed Al-Fozan Company (3%), Rokn Al Elham Development Company (3%) and Ma'aly Al Khaleej Trading Company (2%).

The existing Shareholders owned 98% of the share capital of the Company prior to the offering and will collectively own 68% of the share capital of the Company after the completion of the Offering. The table below illustrates the Company's Shareholders before and after the Offering.

Exhibit 3-1: eXtra's Direct Ownership Structure

Shareholder	Pre-Offering			Post-Offering		
	Shares	Percent	Capital SR	Shares	Percent	Capital SR
Al Fozan Holding Company	15,600,000	65.00%	156,000,000	10,903,096	45.43%	109,030,960
Abdulaziz Al Saghyir Commercial Investment Company Limited	5,280,000	22.00%	52,800,000	3,584,842	14.94%	35,848,421
Itlalah Arabia Trading Company	1,200,000	5.00%	12,000,000	840,000	3.50%	8,400,000
Abdullatif and Mohammed Al-Fozan Company	720,000	3.00%	7,200,000	503,220	2.10%	5,032,198
Rokn Al Elham Development Company	720,000	3.00%	7,200,000	488,842	2.03%	4,888,421
Ma'aly Al Khaleej Trading Company Limited	480,000	2.00%	4,800,000	480,000	2.00%	4,800,000
Public	-	-	-	7,200,000	30.00%	72,000,000
Total	24,000,000	100.00%	240,000,000	24,000,000	100.00%	240,000,000

Source: eXtra

The Shareholders of the Company include the following commercial companies:

Al Fozan Holding Company is a joint stock company registered in Khobar under commercial registration number 2051026044 dated 20 Muharram 1423H (corresponding to 3 April 2002G) with a capital of SR 500,000,000. The activities of the company include purchase of land and real estate with a view for reconstruction, development and investment through sales or lease for the company, development, management, operation and maintenance of property, general contracting for construction (create, demolition, restoration and reform), wholesale trading in building materials (health, power and structural), woodworking tools, cement and decoration materials and general construction contracting (road, bridges, tunnels and drainage works). The company's ownership structure is as follows:

Exhibit 3-2: Al Fozan Holding Company's Ownership Structure

Name	Percent
Abdullatif and Mohammed Al-Fozan Company (refer to exhibit 3-5 for the ownership structure)	60%
Abdullah Abdullatif Al-Fozan	10%
Khalid Abdullatif Al-Fozan	10%
Ali Abdullatif Al-Fozan	10%
Fozan Mohammed Al-Fozan	10%

Source: eXtra

Abdulaziz Al Saghyir Commercial Investment Company Limited is a limited liability company registered in Riyadh under commercial registration number 1010174004 dated 26 Dhul-Qadah 1422H (corresponding to 9 February 2002G) with a capital of SR 1,200,000. The activities of the company include wholesale and retail trade in foodstuff, household, health and electrical appliances, telecommunications and electronic equipment, home and office furniture, building materials, general contracting for buildings maintenance and contracting, maintenance and operation of electrical, mechanical and water facilities and sanitation, purchase, development, ownership, maintenance and management of the property for the company. The company's ownership structure is as follows:

Exhibit 3-3: Abdulaziz Al Saghyir Commercial Investment Co's Ownership Structure

Name	Percent
Abdulaziz Al Saghyir Holding Company	95%
Abdulaziz Saleh Al Saghyir	50%
Sheikha Abdullah Al Daghfak	15%
Waleed Abdulaziz Al Saghyir	10%
Hisham Abdulaziz Al Saghyir	10%
Nizar Abdulaziz Al Saghyir	10%
Nada Abdulaziz Al Saghyir	5%
Abdulaziz Al Saghyir Growth and Development Company	5%
Abdulaziz Al Saghyir Holding Company	95%
Abdulaziz Al Saghyir Commercial Investment Company	5%

Source: eXtra

Itlalah Arabia Trading Company is a limited liability company registered in Khobar under commercial registration number 2051034068 dated 22 Safar 1428H (corresponding to 12 March 2007G) with a capital of SR 300,000. The activities of the company include purchase of land with a view for reconstruction, development and investment through sales or lease for the company, construction, management and operation of industrial and commercial enterprises, restaurants and shopping centers, general construction and road works, water and sanitation, electrical, mechanical, industrial and general contracting for construction (create, demolition, restoration and reform) and maintenance and repair of roads, tunnels, irrigation works and drainage. The company's ownership structure is as follows:

Exhibit 3-4: Itlalah Arabia Trading Company's Ownership Structure

Name	Percent
Al Fozan Holding Company (refer to exhibit 3-2 for the ownership structure)	95%
Abdullatif and Mohammed Al-Fozan Company (refer to exhibit 3-5 for the ownership structure)	3%
Ma'aly Al Khaleej Trading Company Limited (refer to exhibit 3-7 for the ownership structure)	2%

Source: eXtra

Abdullatif and Mohammed Al-Fozan Company is a joint stock company registered in Khobar under commercial registration number 2051001547 dated 19 Dhul-Qadah 1390H (corresponding to 17 January 1971G) with a capital of SR 300,000,000. The activities of the company include wholesale trade in furniture, carpets and home and office furniture, building materials (health, power and structural), woodworking tools, non-metal building materials, purchase of industrial, commercial, residential and agricultural land with a view to reconstruction and development and investment through sales or lease for the company. The company's ownership structure is as follows:

Exhibit 3-5: Abdullatif and Mohammed Al-Fozan Company's Ownership Structure

Name	Percent
Mohammed Ahmad Al-Fozan	50%
Abdullatif Ahmad Al-Fozan	7%
Abdullah Abdullatif Al-Fozan	1%
Khalid Abdullatif Al-Fozan	1%
Ali Abdullatif Al-Fozan	1%
Ma'aly Holding Company	40%
Abdullatif Ahmad Al-Fozan	69.98%
Abdullah Abdullatif Al-Fozan	10%
Khalid Abdullatif Al-Fozan	10%
Ali Abdullatif Al-Fozan	10%
Projects' Supplies Company	0.02%
Ma'aly Holding Company	95%
Abdullatif Ahmad Al-Fozan	5%

Source: eXtra

Rokn Al Elham Development Company is a limited liability company registered in Riyadh under commercial registration number 1010221478 dated 23 Jumada Athani 1427H (corresponding to 19 July 2006G) with a capital of SR 500,000. The activities of the company include wholesale and retail trade in foodstuff, agricultural, household, health and electrical appliances, mechanical, electronic equipment, general contracting for buildings, general electrical, mechanical and electronic contracting, construction of roads, development, management and maintenance of property, construction, management and operation of industrial and commercial enterprises, restaurants, shopping centers and purchase of land for the company. The company's ownership structure is as follows:

Exhibit 3-6: Rokn Al Elham Development Company's Ownership Structure

Name	Percent
Abdulaziz Al Saghyir Holding Company (refer to exhibit 3-3 for the ownership structure)	95%
Abdulaziz Al Saghyir Growth and Development Company (refer to exhibit 3-3 for the ownership structure)	5%

Source: eXtra

Ma'aly Al Khaleej Trading Company Limited is a limited liability company registered in Khobar under commercial registration number 2051033057 dated 4 Sha'ban 1427H (corresponding to 28 August 2006G) with a capital of SR 500,000. The activities of the company include wholesale and retail trade building materials (health, power and structural), woodworking and blacksmithing tools, electrical tools and appliances, metal, equipment, machinery and spare parts, machinery and industrial tools, purchase of land and construction of buildings for investment through the sale or lease for the company, general contracting construction, marine works, construction, management and operation of projects. The company's ownership structure is as follows:

Exhibit 3-7: Ma'aly Al Khaleej Trading Company Limited's Ownership Structure

Name	Percent
Abdullah Abdullatif Al-Fozan	25%
Khalid Abdullatif Al-Fozan	25%
Ali Abdullatif Al-Fozan	25%
Fozan Mohammad Al-Fozan	25%

Source: eXtra

The table below illustrates the shareholders whose share ownership equals to or exceeds 5% or more of the Company's capital indirectly:

Exhibit 3-8: Indirect Ownership of 5% or More

Shareholder	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SR)	Shares	Percent	Capital SR
Mohammed Ahmad Al-Fozan	5,400,000	22.5%	54,000,000	3,774,539	15.7%	37,745,387
Abdullatif Ahmad Al-Fozan	3,779,754	15.7%	37,797,537	2,642,005	11.0%	26,420,049
Abdulaziz Saleh Al Saghyir	3,000,000	12.5%	30,000,000	2,036,842	8.5%	20,368,421
Abdullah Abdullatif Al-Fozan	2,340,082	9.8%	23,400,821	1,671,821	7.0%	16,718,209
Khalid Abdullatif Al-Fozan	2,340,082	9.8%	23,400,821	1,671,821	7.0%	16,718,209
Ali Abdullatif Al-Fozan	2,340,082	9.8%	23,400,821	1,671,821	7.0%	16,718,209
Fozan Mohammad Al-Fozan	1,800,000	7.5%	18,000,000	1,294,310	5.4%	12,943,096

Source: eXtra

3.2 Vision, Mission and Overall Strategy

3.2.1 Vision

The Company's vision is to be the leading retailer of consumer electronics, appliances and communication solutions[4] in the central region[5] of the world by 2020.

3.2.2 Mission

The Company's mission is "to enhance consumers L.I.F.E. by providing innovative quality products, services and solutions which meet or exceed customers' expectations. Through collaborative relationships and driving operational excellence, we will be mutually rewarded."

4 Solutions include after-sales services, computer services, extended warranty and awareness information within the stores
5 Central Region includes the countries that lie between the Arab Maghreb and Pakistan

3.2.3 Growth Strategy

The Company's strategies are focused around; continue growing its leadership position in Saudi and regional markets, understanding customer insights and requirements, leveraging the Company's scale to continuously strengthen its financial performance and building organizational capability.

Growing leadership position in Saudi and regional markets

The markets in which the Company participates are growth orientated markets. As technologies advance and improve there is a natural desire for consumers to want to upgrade to the latest products. Even within the more stable and less innovative electrical markets, such as home and small appliances, the increasing population and the resultant growth in the number of households means the market exhibits long term sustainable growth. Thus eXtra participates in markets with favorable growth characteristics.

One key driver of growth is the opening of further stores in Saudi Arabia. The Company operates a variety of store sizes. The Company trades from 21 locations predominantly located in the key cities of Riyadh, Jeddah, Khobar, Dammam, Buraidah, Al Hassah, Tabuk, Abha, Taif, Madinah, Mekkah, Najran and Hafr Al Batin covering approximately 65% of the Saudi geographical population. It is anticipated that the number of stores trading will double over time, particularly driven by entry into smaller cities and towns with low population densities. Another driver of growth is the maturity profile of the existing stores. Once open, stores continue to grow for the initial years of opening as customers become more aware of and increasingly loyal to the eXtra format. The number of eXtra shoppers in 2010 reached nearly 8 million shoppers.

Furthermore, the medium term growth is expected from expansion into additional Middle Eastern markets. The strength and capability derived from the Saudi operations provides a strong base from which to expand into other regional markets, during the next two years. This growth potential outside of Saudi will counter any potential constraint resulting from ultimate full market coverage in Saudi.

Given the types of products being offered, the Company is well attuned to the changing needs and lifestyles of the Saudi consumer. To further enhance the eXtra customer offer, the Company launched an integrated e-commerce capability during 2011, which gives customers the opportunity to research and buy products on line. A special team is assigned to develop e-commerce, and build operational capabilities and information needed to activate the service. The customer is given the option to collect the product from a convenient store or have it delivered to home, and whether to pay online using a credit card or to pay at any of eXtra's stores. This will significantly increase the geographical reach of eXtra to approximately 90% of the Saudi population.

Understanding customer insight and requirements

The Company provides for its valued customers an offer, which is based on the following three key drivers:

> Widest choice in the market;
> Highly competitive prices; and
> Superior after sales service and product support.

The performance of the Company to date, demonstrates the appeal of this formula to the Saudi consumer. A core element that has driven, and will further drive the development of the Company, is the high emphasis placed on using customer feedback and consumer insight to enhance the core offer.

Leveraging the Company scale to continuously strengthen its financial performance

The business has exhibited rapid growth and has already achieved a significant market share reaching 9.3% (refer to "Market Overview" section). The level of business already achieved means eXtra has reached the point at which the advantages of scale start to drive the profitability of the business and fuel future growth. The business has access to volume driven cost prices and operational efficiencies. These competitively advantage the business and will continue to do so as further growth is achieved.

Building organizational capability

The Company's management is aware of the importance of building organizational capability to sustain future growth. Organizational capability will be built through people and systems. The Company works on creating a scalable process oriented institution and on building and maintaining the most talented, skillful and accountable leadership team in the industry.

3.3 Branches

As of October 2011, the Company has 21 stores across the Kingdom. Each store has its own CR except for the one in Khobar which shares the CR with the head office. Please refer to the "Legal Information" section of the prospectus for full details on each branch.

3.4 Products and Services

3.4.1 The Product Offering

eXtra retails an extensive range of products that span across all the major electrical categories. eXtra holds an average of 12,000 individual items, thereby providing the customer with the widest choice (based on studies and comparisons made by the Company). The inventory is updated daily and the commercial team works closely with their supplier base to ensure that new technologies and new products are launched first at eXtra.

The major product categories available through eXtra (including but not limited to the following):

- Television and audio including plasma, LCD, projectors, home theater, and DVD players;
- Computing including laptops, net books, tablets, printers, data storage, MP3, and accessories;
- Mobile communications including a diverse range of mobile handsets and smart phones;
- Digital and audio imaging including digital and professional cameras, photo smart printers, GPS and accessories;
- Gaming including consoles and gaming software;
- Home appliances including refrigerators, washing machines, air conditioners, cookers, dryers, and dish washers; and
- Small appliances including: microwaves, vacuum cleaners, cooking appliances and personal care.

Ranges are selected to present a customer friendly offer that extends from an entry price point through to high end price positions. The ranges also feature a unique selection of brands. In addition to the leading brands like Samsung, Sony, Hewlett Packard, Panasonic, Toshiba, Dell, JVC, Bosch, Phillips, Bose and Asus, eXtra also retails exclusive brands such as La Germania for ovens and washing machines, Princess and Optima for small home appliances where eXtra holds the right to retail the brand on an exclusive basis. eXtra also owns and displays its own brand, Class, for televisions, washing machines, ovens, air conditioners and small home appliances (registered in Lebanon on behalf of the Company and registration procedures are currently being completed in other countries). As a consequence the range of products available at eXtra is unique. Furthermore, all core ranges are supported with a comprehensive range of accessories.

Range and pricing of products offered are determined and updated by the Commercial department, through the continuous follow up in the development of the global electronics market and through the attendance to international exhibitions organized for the launch of new products and modern technology, as well as, following up on the local market trends and competitors. Consumer demand and nature of purchases and change in shopping behavior and spending patterns is studied through sales reports and linked to the customers' database and market research journals.

These elements make eXtra's offering compelling for consumers and allows the building of more profitable sales by the inclusion of accessories or the sale of exclusive products. The comparatively high rate of sales, in tandem with strict internal disciplines that prevail at eXtra, such as policies and procedures controling the quantity and age of inventory, mean that those categories with short product lifecycles are kept up to date, minimizing the need for margin damaging clearance activity and maximizing customer appeal with the most up to date ranges.

It is worth noting that the Company's policy allows returns or exchanges of goods within 7 days of the purchase date based on specific conditions, applied by the Company and declared to customers in all stores as long as goods are in their original condition at the time of return.

3.4.2 Services

Given the nature of eXtra's high-tech products, the customer needs access to a comprehensive set of additional services to enjoy complete peace of mind relating to their purchases. Such services range from basic requirements like delivery and installation services to added value support packages for high technology products. These provide the Company with two advantages:

- Increasing consumer loyalty and confidence in eXtra's support of their purchases.
- Another source of sales and profit generated from the consumer purchase of additional services.
- The table below summarizes the major services offered within eXtra. Many of the services are presented as branded services within the stores:

Exhibit 3-9: eXtra's Services

Service name	Type of service
Product Delivery and installation	Home Delivery and installation Service at the customer convenience. Typical lead time is between 24 and 48 hours
ESP	An Extended service plan (additional services program) allowing the customer to protect their product up to 3 years over and above the Manufacturer's Warranty
D3M	A service that provides Laptop protection, transfer data services and regular tune ups to enhance performance
Jawaly	A service that provides data transfer and protection of mobile phones
Forcetel	A service that provides professional telephone support for IT computing products 24 hours a day 7 days a week

Source: eXtra

The service offering underpins eXtra's commitment to customer service. There are three regional repair centers located in Jeddah, Riyadh and Dammam working from 9am to 6pm, in addition to in store technicians and repair centers. The latter provide a reassuring visual manifestation of eXtra's commitment to provide service for the products' life. Additionally, these technical centers have been approved by the trademark owners as authorized service centers for HP computers and BenQ electronics range. These centers also maintain and support Class appliances which are sold in the Company's stores.

3.5 Subsidiaries and Affiliates

United Company for Computers and Electronics Maintenance ("UCCEM") is the sole subsidiary of eXtra within Saudi Arabia, while United Electronics Company (eXtra) S.P.C is the sole subsidiary of eXtra outside Saudi Arabia.

Exhibit 3-10: eXtra's Subsidiaries

Company	Business Description	Nationality	Nature of Relationship
United Company for Computers and Electronics Maintenance	Maintenance and repair arm for eXtra	Saudi	United Electronics Company owns 99% and Digital & Electronic Solutions Development Company owns 1%
United Electronics Company (eXtra) S.P.C.	A subsidiary of eXtra in the Kingdom of Bahrain	Bahraini	eXtra owns all the shares in this company

Source: eXtra

Al Fozan Holding Company owns 75% of Digital & Electronics Solutions Development Company's shares while Abdulaziz Al Saghyir Commercial Investment Company Limited owns the remaining 25%.

The following is a description of the Company's subsidiaries:

United Company for Computers and Electronics Maintenance is a limited liability company registered in Khobar under commercial registration number 2051043211 dated 10 Rajab 1431H (corresponding to 22 June 2010) with a capital of SR 300,000. The activities of the Company include maintenance and repair of electronic, digital and electrical devices, household devices and computers, in addition to the wholesale and retail of electronic and digital devices and their spare parts, computer and electronic games, various office machinery, cell phones, foodstuff and decoration materials. The company is owned 99% by United Electronics Company and 1% by Digital & Electronic Solutions Development Company.

It should be noted that United Company for Computers and Electronics Maintenance has not commenced operations yet. It will commence its activities when the necessary feasibility studies for it are prepared. Please note that eXtra has a maintenance department which handles the maintenance services as mentioned in the "Services" section of the Prospectus.

United Electronics Company (eXtra) S.P.C. is a single person company registered in the Kingdom of Bahrain under commercial registration number 79207, dated 15 Dhul-Qadah 1432H (corresponding to 13 October 2011) with a capital of BD 50,000. The activities of the company include importing, exporting and selling of electrical and electronic devices and their spare parts, computer devices and their accessories, computer programs and software, electronic games and their programs and managing and developing private properties. eXtra owns all the shares in this company.

It should be noted that United Electronics Company (eXtra) S.P.C. has not commenced operations yet. It will commence its activities when the necessary feasibility studies for it are prepared.

3.6 Assets and Facilities

3.6.1 Head Office

The Corporate headquarter of eXtra is located in the city of Khobar on King Faisal Road. The Company's headquarter consists of a 5 storey building with a total built-up area of 4,000 m^2. The building accommodates approximately 170 employees and houses the Executive Management and all the corporate and support functions of the Company.

3.6.2 Regional Offices

The Company has two additional regional offices. The Company's Central regional office is located within Riyadh's Worood store on King Abdulaziz Road with a total built up area of 500 m^2. The Company's Western regional office is located within Jeddah's Sultan store on Prince Sultan Street with a built up area of 200 m^2.

3.6.3 Stores

The Company mainly seeks to position its stores in stand alone locations. The strength of the eXtra brand name is sufficiently compelling for customers to drive to the store. Stand alone stores typically have a lower level of rent and service charges as compared to stores based in shopping malls. This gives the eXtra business a competitive advantage by having the ability to price aggressively to further strengthen consumer appeal and by enjoying a low cost base which enhances profitability.

Exact store size is determined by careful review of the local market consumer demographics, the local competition and historical sales performance (if available) by the Company's marketing department. This approach ensures that the optimal size is constructed, which in return maximizes store profit contribution. Careful site selection ensures that in cities where we operate from multiple locations, new stores do not overly cannibalize existing stores, so market share is built profitably within each city.

Recent developments in the store format have resulted in a "smaller" store concept, which allows profitable entry into the smaller more remote markets within Saudi.

eXtra's stores are classified by size, with sales space of about 5,000 m^2 for large stores and about 2,000 m^2 for small stores. The Company established its large stores in each of the major cities, Riyadh, Dammam and Jeddah, and small stores in less populated areas such as Najran, Tabuk.

The table below details locations where eXtra currently has existing operations and the date of opening alongside the sales and storage space for each store.

Exhibit 3-11: eXtra's Stores

Branch	City	Sales Space (m^2)	Storage Space (m^2)	Date of Opening	Rented/ Owned	Number of Employees
Central region						
Worood store	Riyadh	5,107	474	23 January 2003	Rented	83
Ghurnath store	Riyadh	5,425	245	16 July 2005	Rented	69
Sweidi store	Riyadh	5,057	630	4 January 2006	Rented	73
Buraidah store	Buraidah	2,319	274	3 April 2008	Rented	45
Khurais store	Riyadh	2,550	284	18 November 2009	Rented	53
Al Raed store	Riyadh	1,901	128	15 April 2010	Rented	47
Al Rimal store	Riyadh	1,960	208	2 November 2010	Rented	44
Al Badiah store	Riyadh	2,090	480	11 January 2011	Owned	48
Eastern region						
Khobar store	Khobar	5,191	700	9 November 2004	Rented	97
Al Hassah store	Al Hassah	1,807	337	1 October 2007	Rented	52
Dammam store	Dammam	2,900	211	30 October 2008	Owned	74
Hafr Al Batin store	Hafr Al Batin	1,250	150	29 August 2011	Rented	28
AlFaisaliah - Dammam store	Dammam	2,250	320	25 October 2011	Owned	47
Western region						
Sultan store	Jeddah	4,504	256	4 July 2004	Rented	92
Abha store	Abha	3,110	491	4 July 2006	Rented	51
Taif store	Taif	2,608	611	28 July 2006	Rented	51
Madinah store	Madinah	3,019	548	11 May 2007	Rented	60
Old Airport store	Jeddah	2,702	294	16 July 2009	Rented	64
Tabuk store	Tabuk	1,539	160	9 December 2010	Rented	32
Mekkah store	Mekkah	2,680	263	19 May 2010	Rented	65
Najran store	Najran	1,250	250	9 June 2011	Rented	31

Source: eXtra

The existing store network has an estimated catchment of approximately 65% of the Saudi geographical population. The total sales and storage space is 68,533 m^2.

3.6.4 Warehouses

The Company operates three central warehouses based in Riyadh, Jeddah and Khobar. These supply the stores within their geographic catchments. All warehouses handle goods from local suppliers for onward dispatch to the stores. The Jeddah and Khobar warehouses also receive direct imports and have the capability to "break bulk" deliveries for onward trans- shipment across the country. The warehouses also serve as hubs for the home delivery network. The total warehousing space is 36,500 m^2.

Exhibit 3-12: eXtra's Warehouses

Location	Rented/ Owned	Total Area (m^2)	Stores covered
Dammam	Rented	16,000	Khobar – Dammam – Al Hassah – Hafr Al Batin - AlFaisaliah
Riyadh	Rented	6,500	Worood – Ghurnath – Sweidi – Qassim – Khurais - Al Raed - Al Rimal - Al Badiah
Jeddah	Rented	14,000	Sultan – Abha – Taif – Madinah – Old Airport – Mekkah – Tabuk – Najran

Source: eXtra

In addition to the main warehouses, all stores have a back storage area the size of which depends on their proximity to the hub warehouses. These back store spaces are designed to ensure the best customer products availability at all times.

3.6.5 Repair Centers

The Company operates satellite repair centers in all stores. This allows customers to return goods and have them inspected by technicians. The complex nature of the products means many customer difficulties can be resolved in-store. The in-store technicians also install software packages and enhance products performance. Repairs of larger products where the customers can not be expected to return the product to store are serviced by a network of field based technicians who, where possible, will repair the faulty item in the customer's home. Where that is not possible, then larger items will be collected and repaired in one of three central repair workshops.

3.6.6 Call Centers

eXtra toll free number provides answers to most of customers needs and requirements, such as general store information, promotions, feedbacks, and complaints as well as after-sales services matters including home delivery, home installation and maintenance. The call center operates 7 days a week, from 8:00AM to 12:00AM, however customers who have subscribed to Force Tel service can get support and assistance for their computing needs at all times during the year. The call center subscribers reached 57,451 as of June 2011 and handled more than 150,000 inbound calls in the year 2010.

3.6.7 Accommodation Centers

eXtra is committed to providing quality accommodation for employees eligible to stay in Company housing. Appropriate and suitable housing will assist employees in reducing their cost of living. The accommodation center houses 411 employees in 7 accommodation centers across the Kingdom, 2 in the Western region, 4 in the Central region and 1 in the Eastern region. The remaining staff is provided with a housing allowance by the Company. All accommodation centers are furnished and equipped with services and facilities including washing machines, A/C, fridge and cooking facilities and entertainment equipment like television and satellite. The accommodation centers are located at a reasonable distance from work stations of the employees

3.6.8 Vehicles and Others

eXtra has 92 vehicles used to support home delivery and installations and showroom replenishment logistics from the warehouses.

3.7 Certifications and Accreditations

The Company holds numerous brand and corporate awards, which include:

> Fifth-best Saudi working environment for companies and establishments within the Kingdom of Saudi Arabia, announced by Aleqtisadiya newspaper in April of 2011;
> One of the Fastest Growing Companies in Saudi Arabia under the Saudi Fastest Growing 100 Companies Award in 2010 and in 2011 from the General Authority for Investment at the Global Competitiveness Forum, where the Company achieved 12th place in 2010 and 25th place in 2011;
> One of the 100 Largest Companies Contributing to Employing Saudis from the Human Resources Development Fund in 2010;
> Arabian Business Achievement Awards KSA for Retail Company of the Year in 2010 from the Arabian Business Magazine;
> Fastest Growing Retailer of the Year from Linksys Channel Awards in 2010;
> Retail Executive of the Year Award from Middle East Retail Academy in 2009; and
> Mall Based/ Specialist Retailer of the Year Award from Middle East Retail Academy in 2009.

A quality focus has always been an essential element of the Company's culture. The Company holds several awards from its partners and suppliers that include:

> Mobile Sales Performance Award from Samsung in 2009;
> Outstanding Sales Achiever of Air Conditioning Award from LG in 2009;
> Intel Retail Executive Conference Award from Intel in 2008;
> Best Retail Seller in Saudi Award from Motorola in 2008;
> Top 10 Dealers Recognition Award from Mega Star in 2007;
> Pride of BenQ Retail Middle East Award from BenQ in 2007 and 2006;
> Annual Achievers' Award for Excellence in Sales from Redington in 2007;
> Best Partner HP PSG Consumer Award from Redington in 2006; and
> Best Retail Partner Award from Redington in 2006.

4. Market Overview

The Company appointed Euromonitor International ("Euromonitor") to prepare a study covering the Consumer Electronics Retail market in Saudi Arabia. Euromonitor is a recognized consulting company specialized in conducting market studies. Euromonitor was established in 1972 in London with 500 employees and more than 2,500 clients ranging from leading manufacturers, investment banks, governments, and universities.

The source of information in the section below is from Euromonitor International where they have given and not withdrawn their written consent to the publication in the Prospectus of their Market Study report as of the date of the Prospectus. It is worth noting that Euromonitor does not itself, nor its employees or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

4.1 Saudi Economic Overview

In 2010, the Saudi economy started to reap the benefits of the record increase in oil revenues which resulted in a 3.4%[6] growth of real total GDP in 2010 comparing to the same period in 2009. With a projected growth of 25% over the next 5 years, GDP will boost the economy driving greater purchasing power for the consumer. This high growth is largely contributed to government capital expenditure.

This positive boom will also be reflected on sales performance of consumer electronics and home appliances as the combination of greater spending, current demographics and social trends are expected to directly influence growth in consumer electronics and home appliance retail.

More industry diversification is likely to increase stability of the market. As oil revenue make up over 85% of the government budget in 2010, the government is increasing expenditure on non-oil industries aiming to diversify its economy among which retailing is the most appealing.

Exhibit 4-1: GDP Total and Per Capita (2005-2010)

SR Million	2005	2006	2007	2008	2009	2010	Growth %
Total GDP	1,253,345	1,292,930	1,319,009	1,376,122	1,384,420	1,431,823	14.2%
GDP per Capita (SR per Capita)	53,080	53,532	53,444	54,607	53,825	54,554	2.8%

Source: Euromonitor

The government's new budget for 2011 plan is to increase 7.4% on previous year expenditure to SR 580 billion. This increase will contribute to the country's stability and faster growth pace in addition to the projects invested in Saudi Arabia, mainly residential and mega projects such as malls and multi-functional properties likely to include new retailing formats.

Exhibit 4-2: Government Revenues and Expenditure (2005-2010)

SR Million	2005	2006	2007	2008	2009	2010	Growth %
Government Revenues	564,335	673,682	642,800	1,100,993	509,805	470,000	(16.7%)
Government Expenditure	346,474	393,322	466,248	520,069	596,434	540,000	55.9%
Government Deficit/ Surplus	217,861	280,360	176,552	580,924	(86,629)	(70,000)	(132.1%)

Source: Euromonitor, Saudi Arabian Monetary Agency

6 Source: International Monetary Fund (IMF), International Financial Statistics

4.2 Population and Consumer Growth Trends

4.2.1 Population and Growth Trends

Saudi Arabia is distinguished by its high young population with over 69% below 35 years old in 2010, one of the highest rates in the world. Despite its slower growth of 6.5% compared to other age groups in the next 5 years, this young population will remain the main driver of growth for consumer electronics and home appliances market. According to a third party quantitative consumer research company, DNA, commissioned by UEC to conduct a customized research on "Usage and Attitudes" - compiled in 2010 on consumer attitudes for these sectors with 1,200 respondents - the main consumer segment in consumer electronics and home appliances are Saudi national and Arab expats between 25 and 34 years old with an average annual income ranging between SR 33,000 – 40,000 with higher educational attainment.

This age group also holds a major opportunity for home appliances as they tend to move into new homes during the forecast period due to a 12% growth in married population over the next 5 years. Thus newly-weds are moving into separate housing units. Over 60% are single with higher proportion of males are either expatriates or locals who will tend to live on their own.

The high growth in property development seen across Saudi Arabia is in response to the large and growing population of more than 26 million in 2010[7], at 10.2% over the next 5 years. This construction of new homes will likely cause a boom in home appliances and in-home entertainment industry.

4.2.2 Income and Spending Patterns

Saudi Arabia offers attractive consumer markets in the region, with low taxes for local companies, represented mainly in the Zakat (2.5%) and high spending potential that reached SR 649.35 billion in 2010. Annual gross income is expected to grow by 70% over the next 5 years boosting higher spending on housing, home appliances and consumer electronics sectors.

As a result of easier credit facilities offered by banks and specifically for durable consumer goods, consumer credit is expected to increase by 57.2% in gross lending by 2015 with highest growth attributed to card lending, which is expected to grow by 87.9% over the same period. In view of that, Saudi consumers will find it more convenient to purchase consumer electronics and home appliances on credit[8]. The rise in consumer spending will also increase volume sales of consumer electronics and home appliances. Furthermore, the anticipated approval of the mortgage law should pose a strong driver for consumer electronics and home appliance demand over the forecast period.

Exhibit 4-3: Annual Gross and Disposable Income Total and Per Capita (2005-2010)

SR Million	2005	2006	2007	2008	2009	2010	Growth %
Annual Gross Income	447,137	484,909	542,347	581,536	608,584	649,346	45.2%
Annual Gross Income per Capita (SR per Capita)	18,936	20,077	21,975	23,076	23,661	24,741	30.7%
Annual Disposable Income	426,414	461,902	516,615	551,674	574,487	612,966	43.7%
Annual Disposable Income per Capita (SR per Capita)	18,059	19,124	20,932	21,891	22,336	23,355	29.3%

Source: Euromonitor

7 All the studies and analysis on population were prepared by Euromonitor before the issuance of the preliminary results of the General Population and Housing Consensus for 1431H – 2010G, which showed that the total population of the Kingdom of Saudi Arabia has reached 27.1 million.
8 Source: Euromonitor International, Saudi Arabian Monetary Agency (SAMA), Central Department Statistics, trade press and trade sources

4.2.3 Household Growth Trends

The smaller household trend is expected to grow with households comprised of 1 to 3 persons in large cities to witness the highest growth of 18% over the next 5 years. This trend will drive the sales of more economic major appliances such as automatic washer-dryers, freestanding fridges and cookers.

Total consumer expenditure is expected to grow by 43.1%[9] over the forecast period. Consumer expenditure per household on communication makes up 3.3% of expenditure on total goods while housing, food and non-alcoholic beverages take the biggest chunk of more than 40%. The high expected growth of consumer expenditure per household due to higher spending power, increasing credit facilities and new homes development will likely have a positive impact on expenditure of home appliances and consumer electronics, which is expected to grow by 27.4% over the next 5 years from an annual average of SR 3,948.74 per household in 2010.

4.3 Saudi Retail Market Overview

4.3.1 Overview

Saudi Arabia provides growing potential for retail development, however complexity of market dynamics and increasing consumer sophistication present barriers for new players to enter the market. This complexity is particularly evident due to the sectors' low profit margins, where the rapid growth in terms of distribution of outlets and high quantity of stock make up the key elements to the retailer's sustainability of cash flow. This is in addition to the necessity of establishing an after-sales system to cater to the increasing consumer demands. The growing economy and government reforms to develop non-oil industries are largely driving the services sector growth. In addition, the large young population with high spending power and increasing demand for leisure shopping environment are becoming more aware of electronics and appliances trends and technologies. Main beneficiaries of this trend are current well-established Big Box retailers in the market, who have the financial capacity and infrastructure to cater to these needs where few market players are present, thus creating huge potential for expansion in retail.

The increase of oil prices in 2010 pushed the government in exceeding its budgets to encourage property and infrastructure development, in an attempt to fulfil the shortfalls in housing demands. Thus building new cities and mega construction projects, including residential buildings and malls, is likely to broaden the scope for electronics and appliances retailers to venture into new areas. In addition, the new housing units to be developed will drive growth of home appliances and electronics market in the forecast period.

With the Saudi government's continuous high spending as well as improvement in consumer lending policies, financial facilities are expected to grow for both retailers and consumers. Thus, coupled with a growing average annual income by 37% over the next 5 years, consumer spending will grow driving higher sales of both consumer electronics and home appliances market.

In 2010, the market of electronics and appliances recorded SR 19.25 billion with an annual compound growth rate (CAGR) of 14.7% in the review period (2005-2010). This was mainly driven by the consumer electronics sector, which accounted for 64.6% of sales of the total market due to the dynamic technological development of electronics. Despite the anticipated growth of appliances, consumer electronics market will likely remain the main driver of the total market over the forecast period (2011-2015) with an expected value share of 67.8% in 2015.

Exhibit 4-4: Total Saudi Market Historic and Current Market Size (2005-2010)

SR Million	2005	2006	2007	2008	2009	2010	CAGR %
Total	9,697	11,365	14,072	15,952	17,388	19,252	14.7%
Consumer Electronics	3,693	5,200	7,708	9,487	10,827	12,443	27.5%
Home Appliances	6,004	6,165	6,365	6,465	6,561	6,809	2.5%
Consumer Electronics (% Market Share)	38.1%	45.8%	54.8%	59.5%	62.3%	64.6%	11.1%
Home Appliances (% Market Share)	61.9%	54.2%	45.2%	40.5%	37.7%	35.4%	(10.6%)

Source: Euromonitor

9 Source: Euromonitor International, Central Department of Statistics, OECD, Eurostat

Saudi's young population with over 69% below 35 years old provides an enticing market for electronics and appliances suppliers benefit from. Their growing demand for housing and enthusiasm to own the latest electronics and entertainment gadgets presents a positive outlook for the market performance in the forecast period. As the main source of entertainment for Saudi residents is shopping, a growing trend of consumers spending more time at the stores, comparing prices, brand and product features offered among different retailers has elevated the ceiling for retailer's capacity and motivation to offer a wider range of products and brands, competitive prices, larger selling space and strategic locations in terms of proximity and outlet numbers. Thus, a growing trend of Big Box retailers replacing the small independent stores is expected to continue in the forecast period with an expected period growth rate of 55% over the next 5 years to reach a market share of 20.1% in 2015 in terms of total value sales of consumer electronics and home appliances.

Exhibit 4-5: Retail Channel Historic and Forecast % Value Share

% Value Share	2005	2010	Growth 05-10 %
Big Box Retailers	7.6%	13.0%	71.1%
Small Independent Retailers	80.2%	72.1%	(10.1%)
Hypermarkets	9.2%	11.1%	20.7%
Supermarkets	1.3%	1.5%	15.4%
Other	1.7%	2.3%	35.3%

Source: Euromonitor

Big box retailers specialized in the retail of consumer electronics and home appliances, account for a total retail space in 2010 of 111,525 m^2, with an area of 58,216 m^2 allocated to consumer electronics with average sales up to 94,083 SR/ m^2 and an area of 53,309m^2 allocated to home appliances with a average sales of up to 42,335 SR/ m^2.

Exhibit 4-6: Average Sales of Big Box Retailers Specialized in Consumer Electronics and Home Appliances (m^2)

Year	Total Retail Space (m^2)	Total Consumer Electronics Retail Space (m^2)	Total Home Appliances Retail Space (m^2)	Average Sales of Consumer Electronics (SR/ m^2)	Average Sales of Home Appliances (SR/ m^2)
2010	111,525	58,216	53,309	94,083	42,335
2009	100,345	51,724	48,621	91,504	40,240
2008	84,122	43,929	40,193	102,378	43,895

Source: Euromonitor

4.3.2 Consumer Electronics

With an estimated market size of SR 12.44 billion in 2010, the consumer electronics market witnessed various new technologies and product lines emerging in the Saudi market, namely smart phones, netbooks, tablets and various gaming consoles. As this vibrant sector is highly driven by technology, social trends and spending patterns, it is expected to retain a positive growth over the forecast period with CAGR of over 8.2% due to the high turnover rate of its product lines.

The following table shows the different classifications of the electronics market and the share of each category from the total market, which consists of 5 main categories, as follows:

Exhibit 4-7: Consumer Electronics Historic and Current Market Size (2005-2010)

SR Million	2005	2006	2007	2008	2009	2010	Percentage of division sales to total market	CAGR %
Total	3,692.51	5,200.19	7,707.88	9,486.78	10,827.01	12,442.77	64.6%	27.5%
Computers and Peripherals	1,009.22	1,789.22	2,116.63	2,673.77	3,384.10	3,596.31	18.6%	28.9%
In-car Entertainment	169.80	200.94	249.62	193.54	195.47	185.22	1.0%	1.8%
In-home Entertainment	1,060.46	1,086.65	1,181.46	1,674.57	1,672.28	2,168.31	11.3%	15.4%
Portable Consumer Electronics	1,418.29	2,072.84	4,076.23	4,742.37	5,216.41	5,885.43	30.6%	32.9%
Gaming	34.74	50.55	83.93	202.53	358.75	607.50	3.1%	77.2%

Source: Euromonitor

Based on key trade sources, these promising categories have been driven by the Saudi consumer's appeal to follow the latest fashion in portable consumers and mobile phones in addition to the growing use of computers and mobile phones – over 95% of Saudi households own mobile phones according to national statistics. In addition, the large young population with the limited resource of entertainment found great retreat in the new gaming consoles introduced to the market, a key driver to the total electronics high growth over the review period.

Faced by a growing consumer awareness and dynamic technology development on electronics features and offers, retailers will likely encounter demands in providing the latest product upgrades from international known manufacturers and wider range of brands. A key constraint is also offering competitive pricing within the unregulated commercial policies in Saudi Arabia. Other challenges faced by retailers include maintaining inventory with the risk of decreasing unit prices and replacement by newer models.

4.3.3 Home Appliances

Despite the economic downturn during the last 2 years, the home appliances market registered a positive growth over the review period by a CAGR of 2.5% with total sales reaching SR 6.81 billion in 2010 due to new trends in product consumption specifically split air conditioners, top and front load washing machines as well as higher penetration of dryers. This sector is expected to grow in the forecast period as a result of the increasing demand for new houses.

The growing demand for houses and mortgage facilities has driven the government to undertake reforms in legislation. To gain from these developments, private companies, namely real estate and financial institutions, have also developed residential projects incorporated financial facilities to meet these needs. Thus, housing supply is expected to grow over the forecast period driving with it the growth of major appliances to a CAGR of 6.5%.

The high number of expatriates - who usually rent houses - and the trend of decreasing household size are driving the market to smaller-sized and freestanding appliances. Unit prices of home appliances have increased in 2010 due to the rising cost of conformity with the government increasingly firm import regulations on electric equipment. This is a key constraint for retailers in terms of product availability and pricing.

The following table shows the different classifications of the home appliance market and the share of each category from the total market, which consists of two main sections, as follows:

Exhibit 4-8: Home Appliances Historic and Current Market Size (2005-2010)

SR Million	2005	2006	2007	2008	2009	2010	Percentage of division sales to total market	CAGR %
Total	6,003.98	6,164.75	6,364.52	6,465.21	6,560.75	6,808.90	35.4%	2.6%
Major Appliances	4,460.26	4,609.13	4,795.30	5,006.89	5,211.86	5,441.34	28.3%	4.1%
Small Appliances	1,543.72	1,555.62	1,569.22	1,458.32	1,348.89	1,367.56	7.1%	(2.4%)

Source: Euromonitor

4.4 Competitive Environment

The consumer electronics and home appliances market in Saudi Arabia is young and concentrated among few players at the national level underlying a high potential growth for existing retailers; however fragmented at the regional level among independent retailers who are still highly contributing to the market. According to trade sources, the top retailers leading the market are mostly electronics and appliances specialized retailers with eXtra recording the highest value share of 9.3% in the market in 2010, followed by Jarir Bookstore at 4.7%, Axiom Telecom at 2.6%, Hyper Panda at 2.3% and E-max at 2.0%.

eXtra's competitive advantage lies in its aggressive expansion strategy, which have led to its fast growth to 21 outlets covering the major cities and regions in Saudi Arabia, where over 65% of the population resides. A further factor being eXtra's product offering in terms of value pricing, range exceeding 12,000 items, well-known brand and stock availability. Part of its success, is the high media spending with weekly newspaper advertisements and offers, as well as its substantial selling space, between 1,700 m^2 and 7,000 m^2. eXtra's competitive advantage lies in the proximity of its outlets to the main areas in the prospective cities. It offers mass range of brands, after-sales services and extended warranties. Most of eXtra consumers are mid and high-end classes.

Jarir Bookstore's main strength is its long presence in the market with over 24 outlets across the region. However, its product offering is limited to portable consumer electronics, computers and peripherals of which the latter is the leading contributor. Jarir Bookstore leverages heavily on its brand which consumers associate with wide variety offerings and extensive promotional campaigns.

Axiom Telecom is a leading distributor and retailer of mobile phones and cards; however, its business is limited to the sales of mobile phones.

Being a hypermarket that offers mass range of products, Hyper Panda is among the leading retailers in consumer electronics and home appliances because of its high number of outlets across the country in comparison to other hypermarkets.

A newer entrant to the market, E-max, has been growing among the specialized retailers in comparison to Best E-City which has shown declining market share. E-max has 6 outlets in the country and an estimated value share at 2% of the sales volumes of the total consumer electronics and home appliances market in 2010. It has a perception of low-priced products.

Exhibit 4-9: Top Retailers Brand Shares by Value

Retailer Name	Owning Company	2008	2009	2010
eXtra	United Electronics Company	6.7%	8.0%	9.3%
Jarir Bookstore	Jarir Marketing Co	3.3%	4.0%	4.7%
Axiom	Axiom Telecom LLC	2.3%	2.5%	2.6%
Hyper Panda	Al-Azizia Panda United Inc	2.2%	2.2%	2.3%
E-max	Al Bandar Trading Co	1.5%	1.8%	2.0%
Electro	Advanced Electronics Company	1.2%	1.3%	1.3%
Carrefour	Majid Al Futtaim Hypermarkets LLC	1.6%	1.3%	1.1%
Best E-City	Al Futtaim Group LLC	0.4%	0.4%	0.3%
Others		80.7%	78.5%	76.3%

Source: Euromonitor based on interviews with trade sources

5. Key Markets, Clients and Suppliers

5.1 Key Markets and Clients

eXtra is predominantly, for the time being, focused on the Saudi domestic market, with the majority of sales being made to individuals. The breadth of the Company's offer means it has appeal across all demographics, with groups of middle and higher income segments making up the larger portion, within the Saudi and expatriate communities. Ranges across all categories are constructed so that all price points from entry level to top of the range products are offered. eXtra thus appeals to the mass market.

The comprehensive nature of the ranges ensures broad penetration into the consumers segment. As an example, the mobile phone range extends from simple entry level phones through to digital camera phones and onto high end smart phones. Additionally, the nature of the individual category is sometimes the driver to whom it would appeal. For example, whereas cooking ranges have high appeal to female customers, gaming would appeal to a young, more male demographic. eXtra's philosophy is to present comprehensive ranges that appeal to all customer groupings.

Corporate sales made to businesses represent on a monthly basis between 1 to 1.5% of total sales. A future identified opportunity, is increased participation in a more systematic basis, in the business to business market, particularly, involvement with government initiatives. The Company will study the requirements of the corporate clientel and the possibility of meeting those requirements.

5.2 Key Suppliers

The list of the Company's major suppliers is as follows:

Exhibit 5-1: eXtra's Key Suppliers

Name of Supplier	Type of Categories/ Products	Nationality	Relationship Since
United Matbouli Group	All categories/ Samsung	Saudi Arabia	2003
Modern Electronics Co. Ltd.	All categories/ Sony	Saudi Arabia	2003
M.O. Alesayi Electronics Co. Ltd.	All categories/ Panasonic	Saudi Arabia	2003
Abdul Latif Jameel Group	All categories/ Toshiba	Saudi Arabia	2003
Acer Computers (M.E.) Ltd.	Computers/ Acer	UAE	2003
Altafawouq Est. (Kenwood)	Small appliances	Saudi Arabia	2005
Arabian Business Machines Co.	Computers/ Toshiba	Saudi Arabia	2003
Hewlett – Packard Europe BV.	Computers/ HP	Switzerland	2003
BDL Office for Commercial Services	Computers/ Del	Saudi Arabia	2003
Said Ahmed El-Ajou	Electronics/ JVC	Saudi Arabia	2003
Axiom Telecom Saudi	Digital/ mobiles	Saudi Arabia	2006

Source: eXtra

The Company purchases its products directly from suppliers who deliver the products directly to the Company's main warehouses in Riyadh, Jeddah and Dammam, then the Company distributes to all of its stores in the Kingdom. Alternatively, some products are directly delivered from the suppliers to the stores.

6. Competitive Advantages and Future Prospects

6.1 Competitive Advantages

The Company benefits from many sources of competitive advantages arising from the business having already achieved a position of solid sales efficiency. Management is of the view that such advantages will contribute to the Company's growth and can be further exploited over time. The following is a brief description of the competitive advantages which the Company's Directors believe that eXtra has:

6.1.1 Qualified and Experienced Management Team

The management team is highly experienced with a unique blend of experience drawn from the Middle Eastern retail and consumer markets along with international experience of large space, "big box", electrical retail. The business retains a strong level of continuity of management; 50% of senior management individuals have over 5 years experience with eXtra.

6.1.2 Core Customer Proposition

The specialist electrical offering of eXtra in terms of range, price position and service capability is superior to the Saudi competitor set and is available across the Kingdom. The nearest full range competitor operates in 6 locations as compared to eXtra's 21 stores.

6.1.3 Buying Scale and Expertise

eXtra has grown to be the largest and leading retailer of consumer's electronics in Saudi. This allows the Company to negotiate preferable terms and develop its own products to enhance profitability or invest in promotions to the benefit of customers and fuel further growth ahead of the market. eXtra's focus on the consumer electronics sector, allows the Company to position itself as the market expert in comparison to the general merchants.

6.1.4 Marketing Efficiency

eXtra's advertising expenditure is one of the largest in Saudi[10] which allows for negotiation of lower media rates. The coverage of the stores network, increase the probability of the customers visiting one of eXtra's stores and benefiting out of the advertisements. This gives the ability to successfully operate with lower advertising to sales ratios.

6.1.5 Supply Chain Efficiency

eXtra drives efficiency into its supply chain capabilities by maximizing the volume throughput of the warehouse operation. The supply chain team provides all the products in the stores at the appropriate time with the required quantity through a precise automatic system that determines the reorder point for the inventory in each store on its own to ensure on time availability of all the products. Additionaly, the supply chain team is responsible for the delivery of the products to thousands of customers' residences and continuously working on increasing the shipping density of the delivery truck. This has resulted in a significant reduction in the handling unit cost as a result of the increase in sales and number of stores, as well as a central supply chain system in the key areas (Riyadh – Jeddah – Dammam), that is considered a major competitive edge in light of the current and future expansion plans.

6.1.6 Stock Efficiency and Quality

Many electrical products change rapidly as new technologies and higher specification become available. Product life cycle can be as short as three months. Typically, eXtra is characterized by its fast stock turnover, giving it the ability to reduce markdown cost at the end of the product life. A sophisticated inventory system has been implemented to monitor and control the product aging which resulted in maintaining healthy and high quality inventory.

10 Source: Periodic reports issued by Ipsos-Stat (studies and market research company)

6.1.7 Advanced IT infrastructure

The Company has invested heavily in its IT infrastructure. The core systems, Oracle, are best in class and are augmented by in house applications that allow eXtra to provide differentiated customer services necessary with the electrical retailing sector, such as the tracking of repairs. The use of COGNOS business intelligence system provides a fast, accurate and easy way to use management information that enables effective decision making. The IT systems also allow the organization to function efficiently by reducing the need for manual processes, allowing eXtra to operate with a more efficient organization.

6.1.8 In-store Experience and Professional Customer Service

eXtra's staff receive significant amounts of product knowledge both within the Company and by the suppliers. The training is product specific and store staff focus on specific categories which means they become experts. All staff participate in the "Win eXtra" Sales Training Program, a program developed internally, which teaches staff to sell in a manner where customer needs are identified and met with the correct product. Staff are selected to meet the needs of the consumer with a majority of the customer facing staff being Saudi or native Arabic speakers. The Company believes this is an important investment in people that allows proper explanation of emerging technologies.

6.1.9 Shrink Control

eXtra has developed, over the last few years, robust standard operating procedures that keep shrinkage at extremely low world class levels. This gives the Company a competitive advantage when compared to the competition who is bearing higher costs. The strategy of excelling the internal control processes is allowing eXtra to focus on its growth plans in a very efficient environment.

6.1.10 Brand, Retail Model and Location

eXtra has carefully and scientifically selected and secured prime stores' locations giving it outstanding visibility and access to high levels of store traffic. eXtra's successful model is based on these key locations, store design, wide and deep products range, and a high level of customer care. Altogether these factors made the eXtra brand and name a top retailer in Saudi Arabia. eXtra is a well recognized brand in Saudi Arabia, with over 40% of Saudi consumers naming eXtra first as their destination for consumer electronics and appliances[11].

6.1.11 Services Infrastructure

eXtra has a well established network of central and in store service centers, with a total number of 23 centers employing 137 staff. Additionally, the company has field base technicians who can repair products in customers' homes. This allows eXtra to provide market leading levels of customer service and increased revenues through the sale of after-sales services such as repair and maintenance and the additional services program.

6.2 Future Prospects

The Company expects to continue to grow its sales and profitability through the following:

6.2.1 Additional New Stores

eXtra expects, over the coming five years, to reach approximately fourty stores across the Kingdom of Saudi Arabia. During the period from 2007 to 2009 eXtra management was strategically focused on driving internal efficiency. Following this period eXtra moved towards pursuing an aggressive expansion plan. In 2010, four new stores have been added to eXtra stores network. Out of the seven stores planned to open in the year 2011, four stores have been opened, three are currently undergoing construction work.

11 DNA monthly tracker, June 2010.

Exhibit 6-1: Stores to Open in 2011

Store	Sales Space (m²)	Storage Space (m²)	Planned Opening Date	Rented/ Owned	Number of Employees
Badiah - Riyadh	2,090	480	February - opened	Owned	48
Najran	1,250	250	June – opened	Rented	31
Hafr Al Batin	1,250	150	August - opened	Rented	28
AlFaisaliah - Dammam	2,250	320	October - opened	Owned	47
Jeddah	2,200	200	Fourth quarter	Rented	47
Jubail	2,200	200	Fourth quarter	Rented	47
Kharj	1,167	150	Fourth quarter	Rented	28

Source: eXtra

6.2.2 Market Growth

The markets in which the Company participates are growth markets and technology changes accelerate the product replacement cycle. Demographic changes in the Kingdom will result in more housing being built and this further drives the need for electrical products. The Company believes the strength of its proposition will enable it to grow with and indeed ahead of the market.

6.2.3 Business to Business Sales

These currently represent a small proportion of overall sales. Dedicated resources will be applied to this opportunity.

6.2.4 E-commerce and IT Capability

eXtra launched its e-commerce business on 9 July 2011, the online business will increase the reach of eXtra brand and make the eXtra offering available to consumers in remote locations and in cities where the Company does not yet operate. The e-commerce capability will give the Company the ability to reach 25 million consumers, according to the Company's management, representing approximately 90% of the Saudi population. Therefore, the Company's management has invested approximately SR 4.7 million in this strategic project, where a special team has been assigned to develop e-commerce, and build operational capabilities and information needed to activate and start the service. The customer will be given the option to collect the product either from a convenient store or have it delivered to their home, and whether to pay online using a credit card or through an eXtra store.

In addition to the e-commerce project, management is also working on several vital projects to be completed before the end of 2011. These projects will enable the Company's infrastructure to efficiently expand, leading to improved customer services. The most important project is upgrading the point of sale system to "Oracle commerce 36" in all stores (at a cost of SR 2.5 million) as well as Demantra project from Oracle (at a cost of SR 1 million), a program which works by identifying the required quantities of an item and sending the information to the procurement system to automatically prepare purchase orders, thereby improving inventory management. In addition to these projects, management is also working on implementing electronic financial transfers "EFT", specialized in the preparation of financial transfers to suppliers and electronic transfers between Company accounts at other banks. The Company is also working on the second phase of the back up data center to ensure business continuity in the event of a malfunction at the head office (at a cost of SR 1 million).

6.2.5 International Expansion

The Company believes there is a medium term opportunity for profitable expansion outside of the Kingdom into other Middle Eastern countries. The Company is in the midst of discussions with prospective partners with a view to commencing business activities in one or more GCC countries in the coming two years. As of mid-2011, none of the locally established big box retailers specialized in consumer electronics and home appliances have expanded outside of Saudi Arabia.

6.2.6 Net Margin Progression

Increasing sales will increase the buying power of the business while simultaneously improving overall efficiency which is possibly driven by buying at better prices, getting higher discounts, therefore decreasing cost. This will translate into improved net profitability.

6.2.7 Range Development

The Company believes there is significant opportunity to develop its product ranges and add new electrical categories, which is one of the main tasks of the commercial team through analysing market needs and studying the developments in the international markets, specifically in the electronic devices markets, and then seek management approval on the recommended products. Particular emphasis will be placed on building own brand and accessories ranges. It is the scale of eXtra that opens up these opportunities.

7. Operational and Support Functions

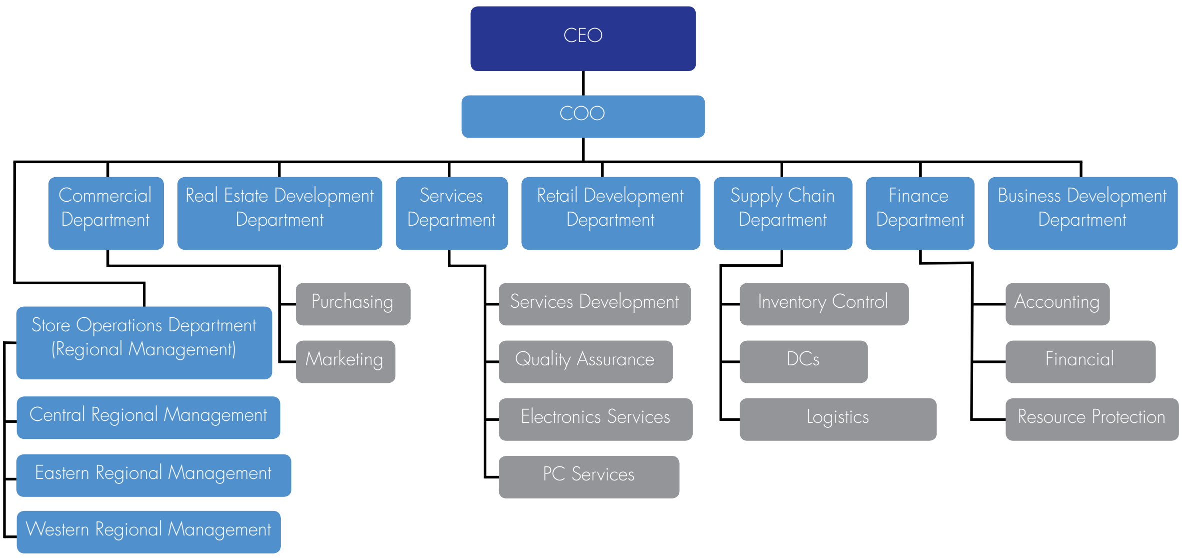
7.1 Introduction

The Company employs a specialized retail structure within its business. A breakdown of the Company's operational and support functions are highlighted below:

> Operational functions which comprise of the Store Operations, Commercial, Supply Chain, Services, Retail Development, Real Estate and Business Development and Finance Department; and
> Support functions which comprise of IT, Organizational Development, Corporate Finance and the Expansion department.

7.2 Operational Functions

Exhibit 7-1: Organizational Chart for eXtra's Operational Functions



7.2.1 Store Operations Department

The store operations department is responsible for developing standard operating procedures such as the opening and closing of stores, safety and security procedures, as well as procedures for issuing invoices for customers to maximize business efficiency. Its key objective is to give excellent customer service and maintain an appropriate cost structure. To maximize efficiency and provide a consistent customer experience, a central operations function develops and implements Standards Operating Procedures (SOPs). The SOPs define best practice and force adherence to the practices across the store network. A support structure of regional management ensures compliance and develops the capability of the store operating teams by providing them with the necessary training to complete the sale and to know the specifications of each product. It also ensures the availability of qualified staff to help customers and to address all their queries, as well as featuring products which can be tested while shopping, and provides outstanding customer service by granting the client the opportunity to return or exchange the product during seven days from the date of purchase.

7.2.2 Commercial Department (Purchasing and Marketing)

The Commercial function integrates the purchasing and marketing departments to ensure harmony between the trading and marketing activities.

The purchasing department negotiates the key trading terms with suppliers and determines which products are selected to be part of the eXtra product offering to customers. It develops the brand for eXtra's exclusive products, plans the assortment mix for each store where eXtra has a clear strategy for each market and consumer category and therefore the range of products in stores corresponds to the market, the nature of consumer purchasing power and the presence of suppliers in different regions and forecasts initial rates of sale on new products. Its key objective is to continually enhance the product offer and negotiate improved trading terms. The purchasing director reports directly to the Vice President of the commercial department who in return reports to the COO.

The marketing department is responsible for the external communication with customers to drive footfall to stores. It dictates visual merchandising practices, such as television displays which are categorized by size starting from 22 inches to 65 inches and so on, as well as displaying accessories such as wall carriers and cables according to the television type and this also applies to other products. This ensures consistency across the stores. The marketing department also commissions and conducts continual research to provide insight to the business through regularly undertaking studies, drives and builds brand equity, and sets promotional strategy. Its key objective is to empower the business by being the internal "Customer Champion" and to continually refine and develop customer communication and its efficiency. The marketing director reports directly to the Vice President of the Commercial department who in return reports to the COO.

7.2.3 Supply Chain Department

The supply chain department is responsible for providing adequate inventory of multiple types of goods. This is achieved through maintaining a regular and consistent flow of goods from suppliers to eXtra's stores and distribution centers. It is also responsible for re-ordering of the products and the issuance of purchase orders as needed for any of the 21 stores or the three distribution centers, through a precise automatic system and thus the Company can meet sales expectations according to its needs for all product types. In addition to that, the supply chain department also provides logistical support for more than 100,000 home delivery service by the Company's delivery trucks especially designed for this purpose, and delivers more than 4 million units annually from the three major distribution centers to all the stores. The department is also responsible for continuously reducing the costs of the physical movement of stock through the application of centralized procurement orders for delivery of goods for more than a store at a time. The supply chain director reports directly to the COO.

7.2.4 Services Department

The services department is responsible for support of customers' purchases, repair and telephone support to customers with product queries. Its key objective is to provide an after sales service that differentiates the business. The department is also responsible for the regional technical service centers and the development of the technical capabilities by attending professional technical training courses with the local agents of the maintained products. The services director reports directly to the COO.

7.2.5 Retail Development Department

The retail development department constructs new stores after the location has been selected by the committee specified for that (consisting of the retail development department, marketing department, area manager and COO). The retail development department also maintains existing stores at the highest standard by preventive, corrective and emergency maintenance works to keep the stores and installations in the best operational condition. Maintenance work does not require the store to stop its activity, since the work is carried out during non-working hours. Furthermore, one of its key objectives is to reduce capital costs associated with new store openings by having bidding tenders to reach the best contracts at the best prices and contractors to carry out the job and continously searching for suitable alternatives in terms of building materials and also, to continuously reduce the constructions lead times. Construction and equipping of new stores within pre-equipped premises takes about 4 months at an average cost of 4,000 SR/ m^2, for stores constructed within pre-equipped premises, as for stores built on empty lands, the construction and equipping of those stores takes about 6 months at an average cost of 7,000 SR/ m^2 (not including the lands' purchase price). The retail development director reports directly to the COO.

7.2.6 Real Estate Department

The Company's marketing department studies the market analytically in terms of population distribution by geography and current coverage of eXtra's stores of all regions, then presents the results of that study in terms of the locations or the required new stores and their areas to the COO, which in turn notifies the real estate department manager to initiate a search for stores in those locations.

The property department identifies and negotiates new store locations. Its key objective is to source well located store sites at the best cost and according to the Company's above mentions specifications. The real estate manager reports directly to the COO.

7.2.7 Business Development Department

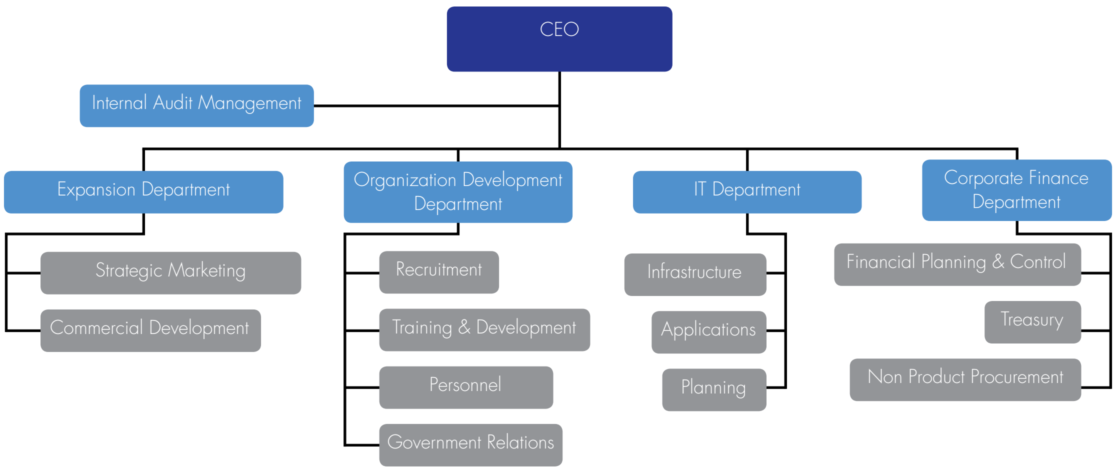
The business development department manages and implements major new initiatives such as e-commerce, runs customer services to ensure rapid resolution of customer complaints and feedback. Its key objective is to deliver the key business development initiatives. The business development manager reports directly to the COO.

7.2.8 Finance Department

The finance department provides financial monitoring and control as well as forecasting capability. The principal financial controls include preparation of a detailed budget of the business and monitoring of performance against such budget through the production of management accounts. Its key objective is to provide financial control and business insight. The Finance Director operationally reports to the COO and functionally to the CFO.

7.3 Support Functions

Exhibit 7-2: Organizational Chart for eXtra's Support Functions



7.3.1 Information Technology Department

The IT department provides the necessary computer infrastructure and applications required to run the business. It is responsible for managing the information generated by the daily sales achieved within the stores and the compilation of analytical reports. The IT department supports both the store and warehousing operations, where system availability is essential to supply good quality customer service. In-store system availability exceeds 99.9% of available store trading hours by the IT department ensuring systems failure for no more than 10 minutes per day at any store, i.e. not to exceed 40 hours work per year. Oracle is considered to be one of the most stable and effective systems with the presence of specialists in all parts of the Kingdom working to maintain this level of effective system availability ensuring the stores and warehouses' administration are able to carry out their duties fully. In support of the commercial function as well as providing sophisticated interrogative systems, enabling bespoke reporting to be produced by the end user, the system supports a significant amount of background information processing. For example, during a year over 10,000,000 individual automatic calculations are performed to calculate replenishment orders for stores. The Company has invested in a sophisticated fully integrated system to streamline all retail stores operations. This allows customers' purchases, delivery arrangements and additional services to be administered through one common system. The key objective of the IT department is to provide efficient IT solutions across all business functions. The IT Director reports directly to the CEO.

7.3.2 Organization Development Department

The organization development department provides HR support in the areas of recruitment, corporate training and development, payroll and personnel development. The key objective of the department is to advantage the business by the development and retention of superior human resources. The organizational development consultant reports directly to the CEO.

7.3.3 Corporate Finance Department

The corporate finance department is responsible for planning company-wide financial policies and budget guidelines, managing cash flow, optimizing capital allocation across different functions and delivering financial advice. They are also responsible for controlling departments' performance (stocks and cash) as well as performing daily treasury operations, non product purchases and coordinating insurance, tax and zakat and payroll verification. The CFO reports directly to the CEO.

7.3.4 Expansion Department

The expansion department is responsible for identifying and defining the entry strategy into new markets, in line with the Company's vision to expand into new international territories beyond Saudi. The team is enabled with strong members that have the necessary market, commercial and project management skills and background. The expansion department reports directly to the CEO.

8. Corporate Structure

8.1 Directors

The Company's Board of Directors (the "Board") is comprised of nine (9) members, 8 of which are non executives and 3 of which are independent members as per the following table:

Exhibit 8-1: eXtra Board of Directors

Name	Nationality	Representing	Age	Shares Pre Offering	Ownership Pre Offering	Shares Post Offering	Ownership Post Offering	Independence Status
Abdullah Abdullatif Al-Fozan (Chairman)	Saudi	Alfozan Holding Company	43	2,340,082	9.8%	1,671,821	7.0%	Non-independent\ Non executive
Khalid Abdullatif Al-Fozan (Director)	Saudi	Alfozan Holding Company	53	2,340,082	9.8%	1,671,821	7.0%	Non-independent\ Non executive
Waleed Abdul-Aziz Al-Saghyir (Director)	Saudi	Abdulaziz Alsaghyir Commercial Investment Company	41	600,000	2.5%	407,368	1.7%	Non-independent\ Non executive
Fozan Mohammad Al-Fozan (Director)	Saudi	Alfozan Holding Company	39	1,800,000	7.5%	1,294,310	5.4%	Non-independent\ Non executive
Hisham Abdul-Aziz Al-Saghyir (Director)	Saudi	Abdulaziz Alsaghyir Commercial Investment Company	36	600,000	2.5%	407,368	1.7%	Non-independent\ Non executive
Basil Mohammad Al-Gadhib (Director)	Saudi	-	53	-	-	-	-	Independent\ Non executive
Mohamed Galal Ali Fahmy (Director)	Egyptian	Alfozan Holding Company	47	-	-	-	-	Non-independent\ executive
Vacant* (Director)	-	-	-	-	-	-	-	Independent\ Non executive
Vacant* (Director)	-	-	-	-	-	-	-	Independent\ Non executive

Source: eXtra

*To be appointed at the Company's General Assembly during 6 months from the date on which listing and trading of the Offer Shares commences on the Exchange.

Abdulhafeez Mohammad Othman (45 years old, Sudanese) holds the position of the Board of Director's Secretary. Abdulhafeez does not own any of the Company's shares as of the date of the Prospectus.

The Board of Directors declares that Abdullah Abdullatif Al-Fozan (Chairman) is a Non-Executive member of the Board and he is not part of a service contract with the Company, where he is not entitled to any salaries or benefits except for what has been declared in section "Remuneration of Directors and Senior Management" of the Prospectus.

8.2 Resumes of Directors and the Secretary

The following is a brief profile of the current Board members:

Abdullah Abdullatif Al-Fozan, Chairman (Age 43): Abdullah holds a Bachelors degree in Accounting from King Saud University in Riyadh, Saudi Arabia in 1989. He is the managing director for Ma'aly Holding Company (previously Kanzan Holding Company) since 1999 and for Abdullatif and Mohammed Al Fozan Company since 2004. He is also Chairman of Al Fozan Holding Company since 1995, Vice Chairman of Amwal AlKhaleej since 2006, Vice Chairman of the Board of Directors of Al Oula Real Estate Holding Company since 2003, Vice Chairman of the Board of Directors of Atheel Holding Company since 2008, Chairman of the Board of Directors of Blom Invest Saudi Arabia since 2008, Chairman of the Board of Directors of Bawan Company since 2008, Chairman of the Board of Directors of Arnon Plastic Industries since 2000, a Board Member of United Transformers Manufacturing Company since 2002, a Board Member of Integrated Transportation Company since 2008, a Board Member of Thabat Real Estate Development Company since 2009, Chairman of the Board of Directors of United Technology of Electric Substations and Switchgears Company since 2010, and Managing Director of Al Fozan Building Materials Company since 2005. He is also a member of Saudi Red Crescent Authority in the Eastern Region and Prince Salman Center for Disability Research Founders' Council since 2010.

Khalid Abdullatif Al-Fozan, Non-Executive Director (Age 53): Khalid holds a Bachelors degree in Business Administration from Warner Pacific in the United States of America in 1983. He serves as Chairman on the board of Al Fozan Building Materials Company since 2005. Khalid is a Board Member of Abdullatif and Mohammed Al Fozan Company since 1995, Chairman of the Board of Directors of Madar Holding Company since 2004, of United Transformers Electrical Company since 2002 and of Ma'aly Al Khaleej Trading Company since 2007. He is a Board Member of Al Shamiyah Urban Development Company since 2003, of King Abdulaziz Endowment Fund 2 since 2010 and Alfozan Holding Company since 1430H.

Waleed Abdul-Aziz Al-Saghyir, Non-Executive Director (Age 41): Waleed holds a Bachelors degree in Business Administration from King Saud University in Riyadh, Saudi Arabia in 1992. He also holds an MBA from the American University of Beirut in 2006. Waleed started his career with AlMotawassit Company in 1994 as a Regional Manager before joining Abdulaziz Al Saghyir Commercial Investment Company in 2001 as Vice President for the Contracting Division until June 2008. In July 2008, Waleed was appointed Vice President at Abdulaziz Al Saghyir Holding Company. He currently serves on the boards of the following companies: Abdulaziz Al Saghyir Holding Company since 2009, Bussma Real Estate Company since 2008, Digital Electronic and Solution Development Company since 2007 and Blominvest Saudi Arabia since 2007. He is also Chairman of the Board of Directors at Maskan Arabia Company since 2009.

Fozan Mohammad Al-Fozan, Non-Executive Director (Age 39): Fozan holds a Bachelors degree from the Faculty of Administrative Sciences with a specialization in Accounting from King Saud University in Riyadh, Saudi Arabia in 1993. He has been General Manager of Central Region for Abdullatif and Mohammed Al Fozan Company since 1995 and Chairman of the Board of Directors of AlFozan Metals since 2005. He serves as Chairman on the board of AlMada Holding Company since 2005 and Chairman of the Board of Directors of Cayan International Company since 2008. Fozan is a Board Member of AlOula Real Estate Company since 2003, Al Yamamah Steel Company since 2003, Amwal AlKhaleej Company since 2006, Alfozan Holding Company since 1430H and Abdullatif and Mohammed Al-Fozan Company since 1431H.

Hisham Abdul-Aziz Al-Saghyir, Non-Executive Director (Age 36): Hisham holds a Bachelors degree in Business Administration from King Saud University in Riyadh, Saudi Arabia in 1995. He started his career with Alsaghyir Trading & Contracting Company in 1996 as a General Manager for the Commercial Division before joining Abdulaziz Al Saghyir Commercial Investment Company in 2000 as General Manager until 2009. In 2009, Hisham was appointed General Manager of Abdulaziz Al Saghyir Holding Company until 2011. He currently serves on the boards of the following companies: Bussma Real Estate Company since 2008, Maskan Arabia Company since 2007 and Digital and Electronic Solution Development Company since 2007. Hisham has been a Board Member and the CEO of Abdulaziz Al Saghyir Holding Company since 2008.

Basil Mohammad Al-Gadhib, Non-Executive Director (Age 53): Basel holds a Masters degree in Construction Management from Stanford University in 1985 and a Bachelors of Science degree in Civil Engineering from KFUPM in Dhahran, Saudi Arabia in 1980. In 1993, he became a Chartered Financial Analyst (CFA). His first job was with Aramco as a project engineer from 1980 to 1986. He then worked with Gulf Investment Corporation in Kuwait between 1986 and 1994 where his last position was Vice President of Investment Banking. Between 1994 and 1996, he worked with United Saudi Commercial Bank as Head of Investment Banking Services. After that, he joined Riyadh Bank between 1999 and 2005 where he served different functions the last of which was Executive Vice President for Treasury and Investment. In 2005, he joined JP Morgan Chase Bank as Managing Director and in 2006 and until 2008 he served as CEO of Capital Group Company, which later became Morgan Stanley Saudi Arabia. He also worked as CEO in Sadeed for Financial Investment between 2008 and 2010. In 2009, he was appointed Managing Director of Atheel Holding Company. Basil serves on the board of Al Yusr Installment Sales Company since 2009, Al Muhaidib Holding Company since 2009, Atheel Holding Company since 2009, Bawan Company Limited since 2009, Al Oula Real Estate Holding Company since 2010, Al Fozan Holding Company since 2010, Saudi Arabian Airlines Catering since 2011 and Al Faisaliah Group since 2011.

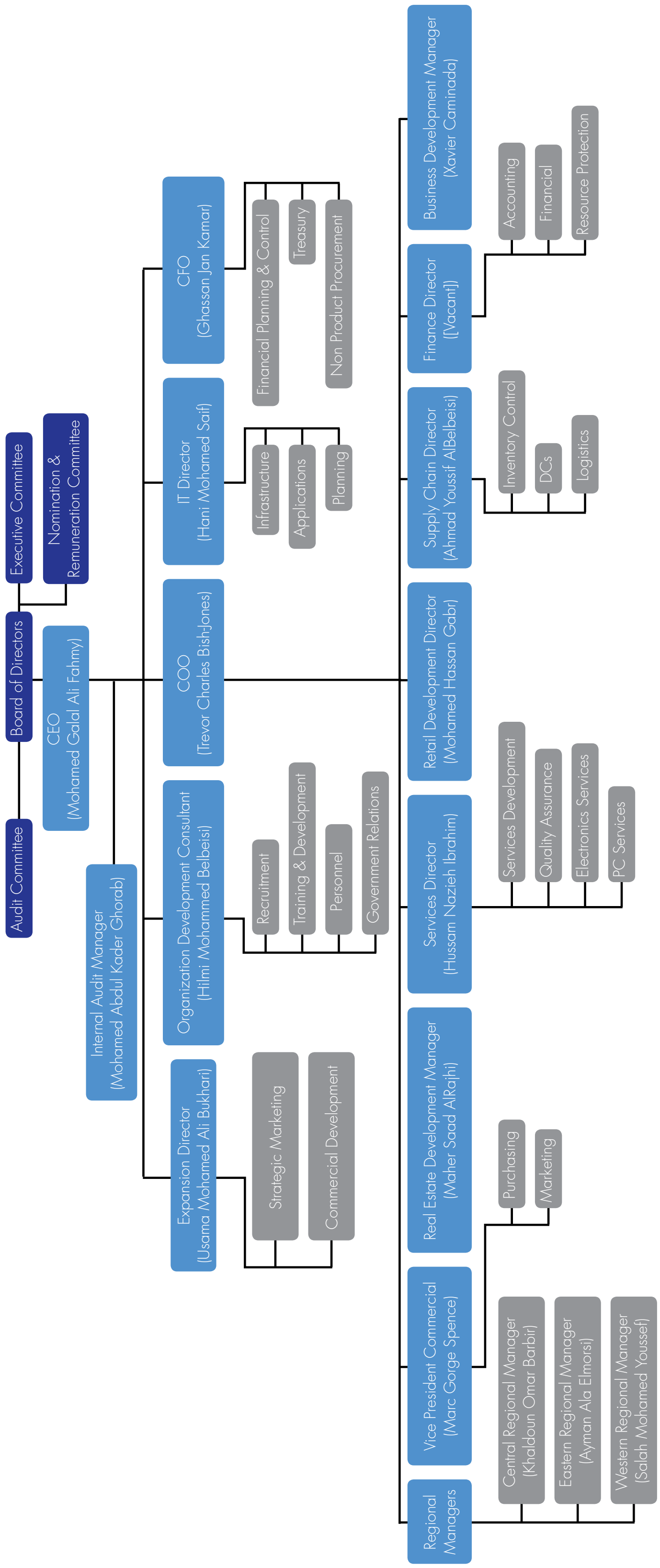
Mohamed Galal Ali Fahmy, CEO (Age 47): Mohamed holds an Accounting degree from Ain Shams University, Cairo in 1985. He spent almost 5 years in different reputable firms in the banking and auditing sectors mainly Misr International Bank, Misr Iran Bank and Central Auditing Organization. Mohamed decided to pursue a different career path and joined P&G in 1990 where he spent close to 15 years in sales and market and strategy planning functions across the region. His first appointment with P&G was based in Egypt in 1990, he then worked as a sales manager based in Yemen in 1996, lead the market and strategy planning for Saudi and the Gulf countries based in Jeddah in 1999 and finally lead the customer business development for Levant and Cyprus based in Beirut in 2003. Mohamed made another career change by moving to the retail sector when he joined eXtra as the General Manger in late 2004. In 2007, he was appointed as eXtra's CEO.

Abdulhafeez Mohammad Othman, Board of Director's Secretary (Age 45): Abdulhafeez holds a Bachelor of degree in Law from Cairo University in Khartoum in 1991. He also holds a Law practice license by the Ministry of Justice in Sudan in 1993. He started his career in 1991 as a Legal Advisor for many companies in Sudan. He holds a High Diploma in Translation from University of Khartoum in Sudan in 1994. Before joining Al Fozan Group in 2005 as a Legal Advisor and Group Legal Manager, Abdulhafeez worked as a Legal Advisor with Audhali Law Firm in the city of Khobar in Saudi Arabia during the period 1998 and 2000 and with the International Ports Services at King Abdul-Aziz Port in Dammam during the period 2000 and 2004. Abdulhafeez obtained a Masters degree in Commercial Law from the University of Juba in Sudan 2006 and Masters degree in Translation from the University of Khartoum in Sudan in 2009.

8.3 Senior Management

eXtra's senior management is comprised of qualified and experienced members. eXtra is successful in retaining its senior management team and developing qualified employees and promoting them to senior positions in the Company.

Exhibit 8-2: Organizational Chart of eXtra



Source: eXtra

The CEO has the ultimate responsibility in managing the Company's day-to-day operation and directly reports the performance to the Board. The Company maintains a significant level of continuity in the management team, whereby 50% of the senior team members have more than 5 years of experience at eXtra.

eXtra is currently working on filling the vacancy of the supply chain director, and we expect his appointment during the next few months. During the current period, a consultant has been hired to act as supply chain director.

The senior management team is comprised of the following members:

Exhibit 8-3: eXtra Senior Management

Name	Title	Nationality	Age	Shares	Ownership
Mohamed Galal Ali Fahmy	CEO	Egyptian	47	-	-
Trevor Charles Bish-Jones	COO	British	50	-	-
Ghassan Jan Kamar	CFO	Lebanese	51	-	-
Hussam Nazieh Ibrahim	Services Director	Canadian	45	-	-
Hani Mohamed Saif	IT Director	Sudanese	38	-	-
Usama Mohamed Ali Bukhari	Expansion Director	Saudi	33	-	-
Marc Gorge Spence	Vice President Commercial	British	46	-	-
Ahmad Youssif AlBelbeisi	Finance Director	Egyptian	36	-	-
Maher Saad AlRajhi	Real Estate Development Manager	Saudi	47	-	-
Hilmi Mohammed Bashir Belbeisi	Organization Development Consultant	Jordanian	35	-	-
Xavier Caminada	Business Development Manager	French	40	-	-
Mohamed Hassan Gabr	Retail Development Director	Egyptian	41	-	-
Ayman Ala Elmorsi	Eastern Regional Manager	American	38	-	-
Salah Mohamed Youssef	Western Regional Manager	Lebanese	42	-	-
Khaldoun Omar Barbir	Central Regional Manager	Canadian	49	-	-
Mohamed Abdul Kader Ghorab	Internal Audit Manager	Palestinian	39	-	-
Vacant	Supply Chain Manager	-	-	-	-

Source: eXtra

8.4 Resumes of Senior Management

The following is a brief profile of the current senior management of eXtra:

Mohamed Galal Ali Fahmy, CEO (Age 47): as mentioned in the Board of Directors section above.

Trevor Charles Bish-Jones, COO (Age 50): Trevor holds a degree in Pharmacy from Portsmouth School of Pharmacy, in Portsmouth in 1981. He has 30 years of retail experience having held senior positions in Purchasing, Marketing, Operation and IT. He has extensive experience of the consumer electronics market, having been Managing Director of both Currys Superstores (turnover SR 7.5 billion) and Dixons within the UK during the period 1995 to 2002. He was CEO of the Woolworths Group, a Listed Conglomerate with extensive retail and distribution businesses (combined turnover SR 15 billion) for the 6 years prior to moving to the Middle East in 2010. He is part owner and creator of Mypeoplebiz.com, an innovative recruitment platform that harnesses the power of social networking. Trevor has held Non Executive roles within a variety of businesses across different sectors, such as Royal London (Financial Services) from 2006 to 2010 and ConcertLlve (Media) in 2009. He is currently Governor of the world renowned Ashridge Business School. Trevor joined eXtra in May 2010 as COO.

Ghassan Jan Kamar, CFO (Age 51): Ghassan holds a degree in Economics Statistic & Business Management from the American University of Beirut, Lebanon in 1983. His first job started with Procter & Gamble Saudi Arabia as a Cost Analyst in 1984, and progressed through his 17 years with P&G where he has handled several key managerial positions including Finance Director West Africa and Associate Director Western Europe. Subsequently, Ghassan joined Sadafco (Saudi Dairy & Food Company) in 2000 as CFO for their two manufacturing plants in Lebanon (Lebanon Fruit Juice Company and Taanayel Les Fermes) for 4 years. He then moved to Kettaneh Est. (Lebanon) for one year, before he joined eXtra in 2006, as Finance Director. In 2009, Ghassan was named CFO for eXtra.

Hussam Nazieh Ibrahim, Services Director (Age 45): Hussam holds a Masters degree in Structural Engineering from McGill University in Canada in 1992. Hussam started working with Best Buy Corporation in Canada in 1994 and was with them for 10 years. During his work at Best Buy, he held several positions, from Department Sales Manager, Assistant Store Manager to Store General Manager. Subsequently in 2004, Hussam joined eXtra as Store General Manager. In early 2006, he was promoted to become the Operations Development and Training Manager. Hussam was promoted to Services Director in July 2010.

Hani Mohamed Saif, IT Director (Age 38): Hani holds a Bachelors of Science degree in Electronics and Computer Engineering from the Arab Academy for Science and Technology University Alexandria in 1995 and a Master of Business Administration from American University in London in 2005. His first job was with Cite (IBM Partner) in Egypt as System Engineer for 6 month training until the end of 1995 before joining Arcom in Riyadh as Network Engineer until January 1998. Hani then joined Euromarche (Hyper market chain) as IT Manager for 5 years before joining eXtra in 2003 as IT Manager. In 2009, Hani was promoted to IT Director at eXtra.

Usama Mohamed Ali Bukhari, Expansion Director (Age 33): Usama holds a Bachelors of Science degree in Management Information System from King Fahd University of Petroleum and Minerals, Saudi Arabia in 1999. He served as Brand Manager for Procter & Gamble in the Arabian Peninsula from 2000 until 2005. Usama Joined eXtra in 2005 as Marketing Director. In 2011, he was appointed as the Expansion Director.

Marc Gorge Spence, Vice President Commercial (Age 46): Between 2000 and 2001, Marc worked as Group Buying Director at DSGi UK. Between 2003 and 2006, he served as Managing Director Continental Europe at The GAME Group PLC UK, during which he managed the company's businesses in France, Spain, Portugal and Scandinavia. In 2009, he became Head of International Strategy at Home Retail Group and Head of Entertainment at Best Buy UK, until 2010. Between 2004 and 2006, he was on the subsidiary board of GAME Group. Marc joined eXtra in October 2010.

Ahmad Youssif AlBelbeisi, Finance Director (Age 36): Ahmad holds the CIA certificate (Certified Internal Auditor) in 2009, the CMA certificate (Certified Management Accountant) in 2008 and a Bachelors degree in Accounting and Business Administration from the University of Alexandria in Egypt in 1997. He started his career as a Financial Analyst at Lutfi Mansour International Distribution Company in Egypt from 1999 until 2001, he then joined Carrefour as an Accounts Manager in 2002, he was promoted to Finance Manager in 2005 and then served as Internal Audit Manager in 2008 until 2011. Ahmad joined eXtra in 2011.

Maher Saad AlRajhi, Real Estate Development Manager (Age 47): Maher holds a Bachelors of Science degree in Computer Science from Seattle Pacific University in USA in 1992. He started his career with Saudi Aramco in 1992, as a System Analyst in Industrial Security Planning & Support Services Department until December 2003. In 2004, Maher joined eXtra as Regional Manager. In addition to his Regional Manager responsibilities, in 2006 Maher acted as Store Retail Development Manager for 2 years. In October 2009, Maher was appointed as a Real Estate Development Manager.

Hilmi Mohammed Bashir Belbeisi, Organization Development Consultant (Age 35): Hilmi obtained his MBA degree in Management in 2002 and a Bachelors of Science degree in Industrial Engineering in1998, both from the University of Jordan. He started his career as a Management Consultant with Philadelphia Consulting Group in 1998. Between 2000 and 2004, he was promoted to handle the position of Organizational Development Manager. By the end of 2004, he joined Lazurde Group as Organizational Development Consultant and as Senior Corporate Performance Manager later on his career. He then joined AMS Baeshen in 2007 and held the position Head of Human Capital. He joined eXtra in 2008 as Organization Development Consultant responsible for all matters related to organization development, human resources attraction and retention.

Xavier Caminada, Business Development (Age 40): Xavier holds a Bachelor of Arts in International Business and Administration from EBMS Barcelona, Spain. He started his career in France with Géant Hypermarkets in April 1995 as Section Manager in Electronics, he was then promoted to Department Head 2 years later. In 1998, Xavier joined MAF Hypermarkets in Dubai, UAE and was involved in many Retail Development and Store Management for Carrefour in Qatar. In January 2002, he was promoted to GCC Sourcing and Merchandising Manager for computers and digital categories. In 2006, he joined Cellucom LLC as General Manager for Retail GCC Operations. Since May 2009, Xavier has been managing Business Development within eXtra.

Mohamed Hassan Gabr, Retail Development Director (Age 41): Mohamed holds a Bachelors of Science degree in Civil Engineering in 1991 and Masters of Science degree in Projects Management in 2004; both from Ain Shams University, Cairo, Egypt. Mohamed started his career in 1991 with Lucent Technologies (AT&T) in Egypt until 1994. In 1994, he joined Norconsult Telematics as Regional Manager for TEP6 Project in Saudi Arabia until 1999. After that, he joined Vodafone-Egypt in 1999 and held a position of Senior Facilities manager from 2002 until 2005. In 2005, he joined Huawei Tecnologies as a Managed Services Director. In 2007, he joined Etisalat- Egypt as Senior Manager Network Quality & Acceptance. Mohamed joined eXtra in 2008 as Retail Development Director.

Ayman Ala Elmorsi, Eastern Regional Manager (Age 38): Ayman holds a Bachelors degree in Accounting from University of Alexandria, Egypt, in 1993. Between 1993 and 2002 he held several senior managerial positions with Wal-Mart, Best Buy electronic, and Lowes home improvement warehouse. In 2002, he joined Maghrabi Optical as Retail Vice President until 2007. In 2008, he joined Lazurde Group for Gold & Jewelry as Executive General Manager for Retail until 2008. He then joined eXtra in 2009 as Regional Manager.

Salah Mohamed Youssef, Western Regional Manager (Age 42): Salah holds a Bachelors degree in Commercial Sciences from Computer and Engineering College of Beirut in 1988 and a degree in Computer Programming from Datamation Centre in Dubai in 1997. His first job was with Albert Abela Company Abu Dhabi in 1993 as Wholesale Representative. He later became Assistant Store Manager in 1995. In 1997, he joined Emirates Coop in Dubai as Store Manager until 2001. He then joined Azizia Panda United Company (Savola Group) in Saudi Arabia as Senior Store Manager and 2002 was promoted to Regional Manager. In 2006, Salah joined eXtra as Regional Manager.

Khaldoun Omar Barbir, Central Regional Manager (Age 49): Khaldoun holds a Bachelors degree in Accounting and an MBA degree from Louisiana State University in 1982 and 1983, respectively. He worked as Marketing Manager at Aleesa Co from 1983 to1985. From 1985 to 1990, he worked as Procurement Manager at Saudi Oger Company where he was responsible for the Maintenance Division in the Western Region. Between 1990 and 2006, he joined Future Shop as Senior Store Manager; where he gained extensive experience in Big Box operation's management and launching of new stores. Between 2006 and 2007; Khaldoun worked as Store Manager for Compusmart and became Area Sales Manager for Logic Computers between 2007 and 2008; both of which are located in Canada. Khaldoun joined eXtra as Regional Manager in 2008.

Mohamed Abdul Kader Ghorab, Internal Audit Manager (Age 39): Mohamed holds a Bachelors degree in Commerce majoring in Accounting from Ain Shams University in Cairo, May 1994. His first job was with Talal Abu Ghazaleh & Co Int'l (TAGI), Khobar, Saudi Arabia in October 1994 as External Auditor for six years. During that period, Mohamed was engaged in auditing some of the major companies in Saudi Arabia. In 1999, he obtained his first certification (ACPA) Arab Certified Public Accountant from the Arab Society of Certified Accountants. In October 2000, Mohamed joined Al Fozan Group in Khobar, Saudi Arabia as Chief Internal Auditor and was then promoted to Internal Audit Manager in March 2006. In February 2009, he was transferred to eXtra. During this period he continued his professional development pursuit and was certified as Certified Internal Auditor (CIA) from the Institute of Internal Auditors IIA – USA, Certified Internal Controls Auditor (CICA) From the Institute of Internal Control – USA, and Certified Financial Consultant (CFC) from the institute of Financial Consultants - Canada.

8.5 Corporate Governance

eXtra is committed to ensuring high standards of corporate governance. eXtra has made clear separation of responsibilities between the board and company executive management, and complying with all mandatory materials included in the rules of corporate governance issued by the CMA.

The Board of Directors has the broadest powers to manage the company, set its policies, identify its investment, oversee its business and money, and discharge its affairs within and outside the Kingdom. The Board is entitled to represent the company in its relations with third parties; governmental and private entities.

The Board is also entitled to sign all types of contracts, instruments, documents including but not limited to Articles of Associations of companies in which the company has contribution along with all their amendments and addendums, amendments' resolution, sign agreements and instruments before the Notary public, official entities, as well as the loan agreements, guarantees and securities, issue power of attorney on behalf of the company, purchase and sell, couch and accept the same; receive; deliver; rent; lease; receive and pay, open accounts and credits, withdraw and deposit with banks, issue bank guarantees, sign all papers, documents and all bank transactions.

8.5.1 The Audit Committee

The audit committee oversees financial, risk management and internal controls aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The audit committee oversees the Company's external auditors and reviews the effectiveness of external and internal audit and has the authority to engage such external experts, as it feels necessary, to fulfill its obligations of stewardship on the financial affairs of the Company.

The audit committee has the responsibility of reviewing the effectiveness of the Company's system of internal controls, accounting information systems and finance department competencies and capabilities in light of compliance with generally accepted accounting standards.

The duties and responsibilities of the audit committee also include the following:

> Supervise the company's internal auditing department to verify its efficacy in discharging the tasks and duties assigned to it by the Board of Directors;
> Review the internal control system, and draft a written report and its recommendations thereon;
> Review the internal auditing reports and draw up corrective actions;
> Recommend to the Board of Directors the appointment, discharge and determination of the remuneration of the external auditors following verification of their independence;
> Follow up on the external auditor's operations;
> Review the external auditor's comments and notes on the financial statements and follow up on the actions taken relative thereto;
> Review and comment on the interim and annual financial and annual statements prior to presentation to the Board of Directors; and
> Review and comment on the applicable accounting policies and provide the Board with recommendations thereon.

Exhibit 8-4: Audit Committee Members

Role	Name
Chairman	Waleed Abdul-Aziz Al-Saghyir
Member	Majed Mohammad Al-Shaikh
Member	Ammar Mohammad AlGhoul
Member	Vacant

Source: eXtra

The following is a brief profile of the current audit committee members of eXtra:

Waleed Abdul-Aziz Al-Saghyir: as mentioned in the Board of Directors section above.

Majed Mohammad Al-Shaikh (Age 49): Majed holds a Bachelors' degree in Accounting and he is a US Certified Public Accountant (CPA) in the State of North Carolina in the United States and is a member of the American Institute of Certified Public Accountants (AICPA). Majed is the CFO of Abdulaziz Al Saghyir Holding Company since 2005. He has more than 20 years experience with international accounting and consulting firms in the United States and Saudi Arabia, mainly with Arthur Andersen and Ernst & Young.

Ammar Mohammad AlGhoul (Age 36): Ammar holds a Bachelors' degree in Accounting from Jordan in 1998 and he is a Certified Public Accountant from the United States, State of Colorado. He is also an active member of the American institute of Certified Public Accountants (AICPA). Ammar is currently the CFO of Al Fozan Holding Company. Prior to that, Ammar was a Director of Audit and Assurance services with Deloitte and Touche Saudi Arabia. He has over 12 year of experience in the accounting and the professional services field and he is on the board of both the Building Construction Company Ltd. and Arnon Plastic Industries Co. Ltd.

8.5.2 The Nomination and Remuneration Committee

The Nomination and Remuneration Committee will decide on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board is to enhance the Company's long-term shareholders' value.

The duties of the Nomination and Remuneration Committee also include the following:

- Recommend nominations to the Board membership in accordance with the Company's approved policies and standards and the required regulations and instructions in force from the competent authorities;
- Annually review the requirements of the appropriate skills needed for the Board membership and generate a description of the capabilities and qualifications required for the membership of the Board, including the time that the Director is required to dedicate to the Board's functions;
- Review the structure of the Board of Directors and submit recommendations on potential changes;
- Identify the vulnerabilities and strengths of the Board of Directors and propose remedies consistent with the company's interests;
- Verify annually the independence of the independent Directors and the absence of any conflict of interests if the Director serves as an incumbent Director in the Board of another company; and
- Draw up clear policies for the remuneration of the Board Directors in accordance with the Company's Bylaws.

Exhibit 8-5: Nomination and Remuneration Committee Members

Role	Name
Chairman	Abdullah Abdullatif Al-Fozan
Member	Hisham Abdul-Aziz Al-Saghyir
Member	Basel Mohammad Algadhib

Source: eXtra

8.5.3 The Executive Committee

Executive Committee is responsible for reviewing the policies and strategic goals of the Company and monitoring its implementation.

The duties and responsibilities of the Executive Committee also include the following:

- Reviewing the Company's financial performance, approving budgets, the projected financial statements, the capital & investment expenses and the annual and quarterly action plan in addition to providing recommendations to the Board of Directors;
- Oversee the quarterly budgets to ensure their consistency with the approved budget, in addition to approving the amendments made on the budgets resulted from the quarterly audits;
- Ensures the effective management of the Company in relation to the issues concerning the planning and budget and the implementation and evaluation of the Company's programs;
- Perform any other act as delegated by the Board of Directors of the Company and extend assistance to the Chairman and CEO; and
- Study the projects related to participating in other companies, establishing new companies and projects, acquisition of other companies and provide recommendations to the Board of Directors.

Exhibit 8-6: Executive Committee Members

Role	Name
Chairman	Abdullah Abdullatif Al-Fozan
Member	Hisham Abdul-Aziz Al-Saghyir
Member	Basel Mohammad Algadhib

Source: eXtra

8.5.4 Declarations of the Members of the Board and Senior Management

The members of the Board of Directors, senior management, CFO and the secretary of the Board of Directors declare that they:

> Have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

> They do not themselves, nor do any relatives or affiliates, have direct or indirect interests in the shares or debt instruments of eXtra, except as otherwise disclosed in section 8-1 of this prospectus (section "Directors");

> There is no intention or tendency to carry out any material change to the business of eXtra; and

> They do not, nor do any of their relatives or affiliates, have any material interest in any written or verbal contract or arrangement in force and effect or contemplated at the time of the Prospectus, which constitutes significant contract or arrangement in relation to the business of the Company, except as otherwise disclosed in section 15-7 of this prospectus (section "Significant Transactions Involving Related Parties").

8.5.5 Conflict of Interest

According to Article 69 of the Companies Regulations, a Board member of eXtra may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of the Company, except with authorization from the Ordinary General Assembly, which shall be renewed annually. Transactions made by way of public bidding shall, however, be excluded from this prohibition, if the Board member has submitted the best offer. Contracts related to those operations are subject to a vote by the shareholders during the Ordinary General Assembly.

The Board member of eXtra must declare to the Board any personal interest he may have in the transactions or contracts made for the account of the Company. Such declarations must be recorded in the minutes of the Board meeting and the Board member in question shall not vote for the relevant resolution.

The Chairman shall communicate to the Ordinary General Assembly (when it convenes) the transactions and contracts in which any board member has a personal interest. Such communication shall be accompanied by a special report from the auditor.

Article 70 of the Companies Regulations provides that a Board member may not, without authorization from the Ordinary General Assembly, to be renewed annually, participate in any business which is competitive with that of the Company, or engage in any of the commercial activities carried on by the Company; otherwise, the Company shall have the right either to claim damages from him or to consider the operations he has conducted for his own account as having been conducted for the account of the Company.

Finally, the Chairman and the Board members may not vote for decisions relating to their own wages and allowances. Board members and senior executives shall not have any powers enabling them to vote on their wages during the Assembly meetings. Board members and senior executives at the Company do not have any powers enabling them to borrow from the Company or vote on any contract or proposal in which they have material interest in.

8.5.6 Company's Undertakings Post Listing

eXtra undertakes to fulfil the following, after its listing:

> To prepare the Company's Corporate Governance procedures that shall include the requirements stipulated under Article (8) and Article (10) of the Corporate Governance Regulations issued by the Capital Market Authority. Such procedures shall be adopted in a General Assembly within a period of one year following the date of listing the Company in the market;

> To adopt the accumulative voting method in the General Assembly in relation to the appointment of the members of the Board of Directors, and the Company shall provide the Corporate Governance Department with a time

schedule for the implementation of the accumulative voting method. The accumulative voting method is a voting method that grants each shareholder a voting right according to the number of shares that he owns, through which he is either entitled to vote for one nominee or to divide his votes among the nominees that the shareholder selects, without any repetition of such votes;

- To provide the Capital Market Authority with working procedures and the General Assembly's resolution that adopts the rules of the Remuneration and Compensation Committee and the Audit Committee;
- To provide precise responses to all the paragraphs of Form (8) issued by the Capital Market Authority, and to state the reasons where there is incompliance with the Corporate Governance Regulations, and to declare in the Board of Directors report the articles that the Company failed to comply with along with the relevant causes;
- To provide the Capital Market Authority with a time schedule in regards of the Corporate Governance requirements that the Company has not adopted until date, and that the Company has stated under Form (8) issued by the Capital Market Authority that it undertakes to abide by after the listing of the Company;
- To provide the Capital Market Authority with complete information regarding its related party transactions and display this matter in a detailed manner at the first upcoming General Assembly held by the Company after its listing; and
- To provide the Corporate Governance Department with the date of convening the first upcoming General Assembly after the listing of the Company, in order for the Department to arrange for its attendance.

8.6 Services Contracts

8.6.1 Board of Directors

The Board of Directors are appointed through the General Assembly Meeting and the responsibilities of the Board of Directors are governed by the Company's Bylaws. The following is a summary of the duties and responsibilities of the Board members:

Chairman

The duties and responsibilities of the Chairman include:

- Ensure the clarity of the Board's functions, framework of duties and the basis for the division of responsibilities;
- Ensure the clarity and precision of the Board's business plan and priority of topics brought before the Board;
- Ensure that the Board's responsibilities adhere to and fulfill the vision and strategy of the Company;
- Lead the Board in selecting a CEO who will be responsible for the administration of the Company;
- Support the Executive Committee through administrative guidance and performance evaluation;
- Vote over the appointment of senior management and executive officers; and
- Assess the performance of the Board members.

8.6.2 Directors

The duties and responsibilities of the Directors include:

- Participate in the overall direction and planning of the Company's future plans;
- Ensure effective implementation of policies and objectives of the Company; and
- Participate in determining the Company's priorities and monitor the effective and efficient utilization of the Company's assets.

8.6.3 CEO

The Company signed a service contract with the CEO (Mohamed Galal Ali Fahmy) on 18 Jumada Athani 1425H (corresponding to 5 August 2004G) for a period of five years, automatically renewed. This contract has been renewed on 24 Dhul-Qadah 1431H (corresponding to 1 November 2010G) for another 3 years given that the contract is automatically renewable for the same period of time. Under this service contract the CEO has agreed not take any job which may conflict with interests of the Company or its affiliated companies or subsidiaries during his work period in the Company. He has also agreed not to participate or hold office in a big box electrical specialist or in any business which is materially dependant on the sale of consumer electronics within the gulf region for a period of three years from the termination of the service contract.

Generally, the CEO is responsible for leading the Company, as well as settling and implementing the Company's strategic plans to achieve its short and long term objectives.

The duties and responsibilities of the CEO include but are not limited to:

> Developing the Company's strategy;
> Developing and managing key relationships with major clients and suppliers;
> Developing and implementing of processes which will ensure the achievement of the Company's operational mission on time and within budget;
> Ensuring that appropriate compensation and benefit programs are in place and administered properly;
> Ensuring that there is clarity of objectives and focus for all employees; and
> Ensuring that there are clear and appropriate standards of performance.

8.6.4 CFO

The Company signed a service contract with the CFO (Ghassan Jan Kamar) on 23 Muharram 1427H (corresponding to 22 February 2006G) for one year, automatically renewed. Under this service contract the CFO has agreed not to take any job which may conflict with interests of the Company or its affiliated companies or subsidiaries during his work period in the Company. He has also agreed not to participate or hold office in a big box electrical specialist or in any business which is materially dependant on the sale of consumer electronics for a period of three years from the termination of the service contract.

8.7 Remuneration of Directors and Senior Management

No compensation was paid to the non-executive members of the Board committee as of the date of the Prospectus, while the executive board member was remunerated in his capacity as CEO of the Company and not as a member of the Board of Directors. Total remuneration of the Company's executive officers/ senior manangement for the years ending 31st December 2010, 2009 and 2008 is as follows:

Exhibit 8-7: Remuneration of Senior Management at eXtra

Year	Total Remuneration
2010	SR 18.9 million
2009	SR 15.5 million
2008	SR 10.9 million

Source: eXtra

The remuneration includes basic salaries, bonuses, housing and educational fees. The remuneration of the Company's senior management has increased lately due to expansion in the recruitment of additional qualified personnel and the development of new functions in the new organizational structure.

Moreover, the Directors and the Executive Management do not have any powers enabling them to vote on remuneration to themselves. The Directors and Senior Management of the Company do not have any powers to borrow from the Company.

8.8 Employees

As of 31 December 2010, eXtra had 1,626 employees, 377 of which are Saudi nationals, representing 23% of the total workforce. As of 30 June 2011, eXtra had 1,711 employees, 407 of which are Saudi Nationals. The Company continuously pursues recruiting and maintaining experienced Saudi nationals. Training programs are in place to develop the skill and competency of its national employees.

Exhibit 8-8: eXtra Employees

	2008		2009		2010	
	Number	%	Number	%	Number	%
Saudi	105	13%	172	16%	377	23%
Non-Saudi	678	87%	890	84%	1,249	77%
Total	783	100%	1,062	100%	1,626	100%

Source: eXtra

The table below provides a breakdown of the number of employees per department:

Exhibit 8-9: eXtra Employees per Department

Department	2008		2009		2010	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
Commercial	2	21	2	29	1	38
Distribution Centers	1	105	1	121	3	186
E-Commerce	0	0	0	0	2	2
Expansion department	0	0	0	0	1	0
Finance	3	20	6	21	6	19
General Management	1	4	1	7	2	13
Human Resources	12	10	13	12	15	12
Information Technology	1	13	1	19	1	21
Internal Audit	0	0	0	1	0	1
Maintenance	0	66	1	86	1	136
Operation	0	2	0	2	0	3
Projects	0	0	0	1	0	1
Regional Management	0	2	0	3	0	3
Retail Development	0	15	1	19	2	15
Resources Protection	1	1	1	1	1	1
Stores	84	419	145	568	342	798
Total Number of Employees	105	678	172	890	377	1,249

Source: eXtra

8.9 Training and Development

eXtra's Training and Development objective aims to facilitate the complex task of developing and maintaining competitive advantage and ensuring growth and survival in the consumer electronic market, through the design and delivery of the highest standards of professional training. In this competitive environment the Company looks at ways to motivate and manage employees in order to retain them and increase productivity.

The training department, in conjunction with operations and support functions, acts as a change facilitator helping the organization identify their training needs and working in partnership with them to design interventions that will best meet their needs in a flexible and cost effective way aligned to their overall strategic direction. There is a focus on new recruits orientation programs to provide the information on the processes and technical systems.

8.10 Saudization Policies

eXtra considers Saudization a key element in moving the Company forward in all aspects. The Company has initiated "a Country First Program" to recruit locals in different departments of the organization. To ensure the high success of recruitment and retention, eXtra is implementing a program, (Tajzeaa) through which the candidate receives the National Certificate for Retail Sales Skills (NCRSS). NCRSS is a strategic partnership program between Technical and Vocational Training Corporation (TVTC) and the private sector. NCRSS is composed of training programs that empower the individual with the competencies needed to excel and develop in their retail career. In each level of the program, the participant earns a specific certificate issued from TVTC. The program was established and became operational within TVTC facilities with the support of Al Fozan Social Foundation after an agreement was signed between the two parties in 2007.

The number of graduates by the end of 2010 was 88 staff who were then recruited in the different departments of the organization. The company has also signed an agreement with Human Resources and Development Fund ("HRDF") for recruiting and training locals, the last agreement covered more than 140 locals to be recruited to eXtra. In addition, eXtra has success stories through promoting more than 25 nationals to ensure long term engagement and retention.

eXtra's Saudization efforts have been recognized by the HRDF where it ranked among the biggest 100 companies to contribute to the recruitment of Saudis in 2010. Through these programs and initiatives, eXtra has successfully reached the required Saudization requirement of 24% for large companies operating within the retail and wholesale sector and which are categorised under the green zone as of June 2011.

9. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of eXtra financial position and results of operations is based upon and should be read in conjunction with the audited financial statements as at and for the years ended 31 December 2008, 2009 and 2010 and the notes thereto, which have been audited by PricewaterhouseCoopers in 2008 and by Deloitte & Touche Bakr Abulkhair & Co in 2009 and 2010 and the audited financial statements as at and for the six months ended 30 June 2011, compared to the six months ended 30 June 2010 and the notes thereto, which have been audited by Deloitte & Touche Bakr Abulkhair & Co.

9.1 Director's Declaration for Financial Information

The Directors of the Company declare that the financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with Accounting Standards issued by SOCPA in Saudi Arabia. Furthermore the Company declares that it has working capital sufficient for the next 12 months following the date of this Prospectus.

The Directors declare that there has been no material adverse change in the Company's financial or business position since the period ending 30 June 2011 to the date of this Prospectus.

9.2 Legal structure and overview of activities

eXtra is a Joint Stock company registered in Saudi Arabia under commercial registration number 2051029841. The Company was established in 2002 in Riyadh and moved its headquarters to Khobar in 2003.

eXtra operates 19 retail stores as of 30 June 2011 located in the Eastern, Western and Central regions of the Kingdom of Saudi Arabia, with 5 additional stores to be opened by year end 2011.

eXtra's major product categories include television, audio, computers, mobile communications, digital imaging and audio, gaming, home appliances and small domestic appliances.

eXtra has three warehouses across the Kingdom of Saudi Arabia, one in each region - Eastern, Western and Central.

9.3 Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The financial statements are prepared under the historical cost convention.

Sales are recognized upon delivery of goods to customers. Rental income, principally for rental of floor and shelve space, is recognized on an accrual basis based on the terms of rental contracts. Service income is recognized when services are rendered to customers.

Revenue from the extended service plan is recognized on partial basis whereby a portion of the revenue is recognized at the time of sale while the remaining portion is deferred and amortized over the period of service agreement.

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.

9.4 Results of Operations

The following table summarizes the audited income statement for the years ended 31 December 2008, 2009 and 2010.

9.4.1 Income Statement

Exhibit 9-1: Income Statement (SR million)

	Year ended 31 December					
	2008	Growth %	2009	Growth %	2010	CAGR 08-10
Sales	1,262.1	14.1%	1,439.9	23.5%	1,778.4	18.7%
Cost of sales	(1,084.5)	12.0%	(1,214.3)	19.9%	(1,456.3)	15.9%
Gross profit	177.7	27.0%	225.6	42.8%	322.1	34.6%
Selling and distribution expenses	(101.7)	28.1%	(130.3)	20.6%	(157.2)	24.3%
General and administrative expenses	(57.7)	(5.7%)	(54.4)	20.5%	(65.5)	6.6%
Operating income	18.3	123.3%	40.9	143.1%	99.4	133.0%
Finance charges/ income	(2.2)	(96.1%)	(0.1)	101.8%	(0.2)	(71.8%)
Share of income from associate	0.5	13.9%	0.5	(100%)	-	(0.0%)
Gain on sale of investment in an associate	-	n/a	-	n/a	0.5	n/a
Other income (expenses), net	(0.1)	(1640.3%)	1.2	(77.0%)	0.3	n/a
Net Income before zakat	16.6	157.3%	42.6	134.9%	100.1	145.8%
Zakat	(0.8)	93.8%	(1.6)	50.1%	(2.3)	70.6%
Net income	15.8	160.6%	41.0	138.1%	97.7	149.1%

Source: Audited Financial Statements

Exhibit 9-2: Income Statement (% of sales)

	Year ended 31 December				
	2008	Growth %	2009	Growth %	2010
Sales	100.0%	0.0%	100.0%	0.0%	100.0%
Cost of sales	(85.9%)	(1.8%)	(84.3%)	(2.9%)	(81.9%)
Gross profit	14.1%	11.3%	15.7%	15.6%	18.1%
Selling and distribution expenses	(8.1%)	12.3%	(9.0%)	(2.3%)	(8.8%)
General and administrative expenses	(4.6%)	(17.3%)	(3.8%)	(2.5%)	(3.7%)
Operating income	1.5%	95.7%	2.8%	96.8%	5.6%
Finance charges/ income	(0.2%)	(96.5%)	(0.0%)	63.4%	(0.0%)
Share of income from associate	0.0%	(0.1%)	0.0%	(100.0%)	0.0%
Gain on sale of investment in an associate	0.0%	n/a	0.0%	n/a	0.0%
Other income (expenses), net	(0.0%)	(1450.2%)	0.1%	(81.4%)	0.0%
Net Income before zakat	1.3%	125.6%	3.0%	90.2%	5.6%
Zakat	(0.1%)	69.9%	(0.1%)	21.5%	(0.1%)
Net income	1.2%	128.4%	2.9%	92.8%	5.5%

Source: eXtra

9.4.2 Revenue

Exhibit 9-3: Sales by Store Age

	Year ended 31 December				
	2008	Growth %	2009	Growth %	2010
SR million					
Stores opened <1 year	1,066.6	15.0%	1,226.3	24.2%	1,522.6
Stores opened >1 year	138.3	25.4%	173.4	(18.3%)	141.5
New stores	57.2	(29.7%)	40.2	184.4%	114.2
Total	1,262.1	14.1%	1,439.9	23.6%	1,778.4
% of Sales					
Stores opened <1 year	84.5%	0.8%	85.2%	0.5%	85.6%
Stores opened >1 year	11.0%	9.9%	12.0%	(33.9%)	8.0%
New stores	4.5%	(38.4%)	2.8%	129.9%	6.4%
Total	100.0%	0.0%	100.0%	0.0%	100.0%

Source: eXtra

The Company offers a wide range of products and is not solely dependant on any single category. The audio and video category contributes around 50% of total Company revenues, whereas computers and home appliances contribute around 20% each with all the remaining categories contributing 10%.

Exhibit 9-4: Breakdown of Sales and Cost of Sales for Different Categories

	Year ended 31 December					
	2008		2009		2010	
	Sales	COGS	Sales	COGS	Sales	COGS
Audio-Visual	631	89.1%	688	87.7%	876	84.9%
Computers and accessories	292	91.3%	318	90.8%	356	91.8%
Home appliances and accessories	306	81.0%	382	81.0%	474	79.1%

eXtra sales growth depends on the sales growth of the existing stores and on the opening of new stores in different locations within the Kingdom. The number of eXtra stores has increased from 11 stores in 2008 to 17 stores in 2010.

eXtra sales increased from SR1.26bn in 2008 to SR1.44bn in 2009 as a result of opening 2 new stores in July and November of 2009, the full year effect of operations of the 2 new stores that opened in April and October of 2008, and Like For Like stores sales growth of 1.9% in 2009 for the 9 existing stores. It is worth noting that new stores take around 2-6 months to reach their optimal performance level, depending on the store size and location.

eXtra sales increased from SR1.44bn in 2009 to SR1.8bn in 2010 as a result of opening 4 new stores in April, May, November and December during 2010, the full year effect of operations of the 2 new stores that were opened in 2009, and Like For Like stores sales growth of 9.6% in 2010. This was achieved due to growth in the size of the market, in addition to the Company's increased promotional and marketing campaigns and excellent competitive selling prices.

The new stores contributed to the growth of the Company's total sales. The share of total sales from new stores amounted to 4.5% in 2008, 2.8% in 2009 and 6.4% in 2010, respectively. The percentage increase in 2010 was due to opening 4 new stores during 2010.

9.4.3 Gross Profit

Exhibit 9-5: Gross Profit (SR million)

	Year ended 31 December					
	2008	% of sales	2009	% of sales	2010	% of sales
Sales	1,262.1	100.0%	1,439.9	100.0%	1,778.4	100.0%
Cost of sales	(1,084.5)	(85.9%)	(1,214.3)	(84.3%)	(1,456.3)	(81.9%)
Gross profit	177.7	14.1%	225.6	15.7%	322.1	18.1%

Source: Audited Financial Statements

The Company's gross profit margin is affected by the increased sales volume and the consequent strengthening of the Company's negotiation power with the suppliers in getting the best product prices as well as additional discounts.

The most important items included in the cost of sales are the cost of products purchased from suppliers, monthly and annual discounts on goods purchased and the cost of transportation and clearance (for imported products).

The cost of sales increased between 2008 and 2009 by 12.0% and by a further 19.9% in 2010 due to increased revenues. Whereas, the cost of sales as a percentage of sales decreased from 85.9% in 2008 to 84.3% in 2009 and further to 81.9% in 2010, due to better negotiated prices with the suppliers.

Also, the change of the accounting estimate/ policy of the extended service plan contributed in lowering the cost of sales, as a result of the Company starting to reflect the actual true cost of sales based on actual historical incurred cost over the past years. The change in accounting estimate/ policy of the cost of the extended service plan led to a slight improvement in gross profit margins which amounted to 0.1% in 2008 and 2009 and 0.3% in 2010.

The gross margin improvement from 14.1% in 2008 to 15.7% in 2009 and further to 18.1% in 2010 was a result of improved negotiated prices with the suppliers and increased rebates due to increased purchases/ sales, change in sales mix to higher margin products, improved inventory management, combined with the introduction of additional new after sales services.

Profitability also increased during 2010 as a result of some other minor factors, such as increased discounts obtained by the Company on goods purchased from suppliers in the electronics department as a result of increased sales of plasma screen LCDs during the FIFA World Cup, as well as the improvement in the negotiated prices agreed during the year with suppliers in the digital services department (mobile phones and digital cameras).

9.4.4 Selling and Distribution Expenses

Exhibit 9-6: Selling and Distribution Expenses (SR million)

	Year ended 31 December					
	2008	% of total	2009	% of total	2010	% of total
Personnel cost	36.4	35.8%	51.3	39.4%	67.2	42.7%
Advertising and other related cost	18.2	17.9%	21.6	16.6%	25.0	15.9%
Rent	16.1	15.9%	19.9	15.2%	23.2	14.8%
Depreciation	11.2	11.1%	12.8	9.8%	14.8	9.4%
Utilities	8.0	7.8%	8.8	6.8%	11.6	7.4%
Repair and maintenance	2.9	2.9%	4.6	3.5%	5.0	3.2%
Amortization	2.3	2.2%	3.4	2.6%	-	0.0%
Travel and accommodation	0.8	0.8%	1.0	0.7%	0.8	0.5%
Other	5.8	5.7%	6.9	5.3%	9.5	6.1%
Total	101.7	100.0%	130.3	100.0%	157.2	100.0%
% of total revenue	-	8.1%	-	9.0%	-	8.8%

Source: Audited Financial Statements

Total selling and distribution expenses increased from SR 101.7m in 2008 to SR 130.3m in 2009 and further to SR 157.2m in 2010 due to the expansion of the Company's operations and new stores openings (8 new stores opened during 2008 – 2010); taking into consideration the impact of the different opening dates on the sales of each store till it reaches its optimal performance level. Selling and distribution expenses have also increased due to hiring additional staff at the existing stores to improve customer service as per the Company's approved budget.

Selling and distribution expenses are mainly comprised of personnel cost (wages, salaries, allowances, annual bonuses, recruitment costs, employees retention incentives and governmental fees of various kinds), advertising and other related cost, rent and depreciation expenses. Selling and distribution expenses increased by 28.1% between 2008 and 2009 and by a further 20.6% in 2010, mainly due to new stores openings during 2009 and 2010.

Personnel cost increased by 41.0% between 2008 and 2009 due to an increase in the number of employees from 783 employees in 2008 to 1062 employees in 2009 to support the business expansion. In 2010, personnel cost increased further by 30.8% with the continuing business expansion and new stores openings.

Advertising and promotional expenses increased by 18.7% between 2008 and 2009 and by a further 15.6% in 2010 following the opening of new stores and the increased focus on advertising for the yearly Megasale through different media (such as television, newspapers and magazines), as well as expanded marketing activities.

Rent increased by 23.2% in 2009 and further increased by 17.0% in 2010 due to the opening of new stores.

Other expenses mainly include credit and bank charges on the credit card payments by customers for purchases from eXtra stores (which increased as a result of the increase in sales) and transportation expenses. Other expenses (e.g. office supplies, equipment, security and hygienic expenses) increased by 19.2% in 2009 and further increased by 38.9% in 2010 due to the increase in sales and number of new stores which opened during 2010.

9.4.5 General and Administrative Expenses

Exhibit 9-7: General and Administrative Expenses (SR million)

	Year ended 31 December					
	2008	% of total	2009	% of total	2010	% of total
Personnel cost	33.4	57.9%	36.8	67.6%	47.6	72.6%
Depreciation	3.6	6.2%	3.7	6.8%	4.0	6.1%
Travel, accommodation and communications	1.6	2.7%	1.5	2.8%	2.3	3.6%
Legal and consultancy	0.9	1.6%	3.4	6.3%	2.0	3.1%
Rent	2.2	3.8%	0.2	0.4%	0.2	0.4%
Utilities, printing and stationary	1.2	2.0%	1.3	2.4%	1.0	1.5%
Repair and maintenance	0.8	1.4%	1.1	1.9%	1.4	2.1%
Provision for doubtful debts	0.9	1.5%	1.0	1.8%	1.3	2.0%
Provision for inventory obsolescence	9.9	17.2%	-	0.0%	-	0.0%
Others	3.2	5.6%	5.4	9.9%	5.7	8.7%
Total	57.7	100.0%	54.4	100.0%	65.5	100.0%
% of total revenue	-	4.6%	-	3.8%	-	3.7%

Source: Audited Financial Statements

General and administrative expenses mainly comprised of personnel costs, depreciation, legal and consultancy costs.

The Company created a provision for doubtful debts for the settlement of customers' debts that are older than 270 days for the past few years (predominantly related to 2006 and 2007). The Company also created a provision for inventory obsolescence during 2008, with the objective to re-evaluate all inventory items in line with their market prices at that time. Since 2009, this is being done periodically by the Company's management to ensure the continued compatibility of the products' prices with the market prices.

Despite the increase in personnel cost by 10.1% between 2008 and 2009, the general and administrative expenses decreased by 5.7% during the same year, mainly due to no provisions for inventory obsolescence being needed in 2009, since the product prices were adjusted monthly as described in the preceding paragraph. It is worth noting that the drop in product prices by suppliers and its effect on the Company's value of its stock are beared by the suppliers, whereas, the Company bears the effect of the price reduction if it is due to special offers or promotions on some products that the Company decides to undertake and within its budget. The Company purchases all of its products from its suppliers and returns the products that are older than 6 months, where a representative of each supplier receives those goods. The value of those returns is deducted from the suppliers' balance with eXtra. The percentage of returns to suppliers from total goods purchased was 2.78 %, 2.94% and 3.23% for the years 2008, 2009 and 2010, respectively.

The increase in personnel cost from 2008 to 2009 by 10.1%, and by a further 29.4% in 2010 was due to building the organization capacity and structure to support future business growth and expansion, through the establishment of specialized departments such as the Expansion team, which includes a management team with extensive experience in procurement, operations and marketing.

The increase in the legal and consultancy costs from 2008 to 2009 by SR 2.5m was due to an increase in the usage of the external consultants utilized by the Company during 2009 to develop and set up the new organizational structure of the Company to support its future expansions, inside and outside the Kingdom.

Other expenses mainly include property maintenance, insurance, audit, legal fees, entertainment and training expenses. These expenses increased by 68.1% in 2009 and by 4.9% in 2010.

9.4.6 Finance Charges/ Income

eXtra's finance facilities were predominantly used to support funding a related party, Digital & Electronic Solutions Development Co. Ltd ("DESD"), which did not have banking facilities at the start of its operation. DESD imports and distributes mobile sets, sim cards, telecommunication services and solutions, and it is 75% owned by Alfozan Holding Company and 25% owned by Abdulaziz Alsaghyir Commercial Investment Company, who are shareholders in eXtra with a 65% and 22% ownership, respectively. DESD also has a trading relationship with eXtra.

The facilities granted to the related party amounted to SR 90m in 2008 and SR 100m in 2009, bringing the total facility to SR 190m by the end of 2009.

The bank finance charges incurred on these utilized facilities were recharged to DESD and fully settled during 2010. This related party funding was fully repaid during 2010.

9.4.7 Zakat

Zakat is provided for in accordance with the regulations of the Department of Zakat and Income Tax. The company has submitted its Zakat filing for the years up to 2010 and paid the applicable Zakat accordingly.

The Company has obtained the zakat certificate for the fiscal year ending 31 December 2010, and got the final clearance certificate until 2005.

9.4.8 Net Income

Net income increased by 160.6% from SR 15.8m in 2008 to SR 41.0m in 2009, and by 138.1% in 2010 to reach SR 97.7m. Net income margin consistently improved during the same period, increasing from 1.2% in 2008 to 2.9% in 2009 and further to 5.5% in 2010. The consistent improvement is due to the improved gross profit margins due to increased sales volume, consequent increase in the discounts from suppliers, better negotiated product prices, more profitable mix of products and relatively consistent operating expenses.

9.5 Balance Sheet

The following table summarizes the audited balace sheets for the periods ended 31 December 2008, 2009 and 2010.

Exhibit 9-8: Balance Sheet (SR million)

	Year ended 31 December				
	2008	**Growth %**	**2009**	**Growth %**	**2010**
Assets					
Current assets					
Cash	54.7	(73.1%)	14.7	105.8%	30.2
Trade receivables	8.3	72.9%	14.3	(65.2%)	5.0
Inventory	172.6	19.1%	205.6	24.8%	256.6
Prepayments and other	13.4	157.1%	34.5	(12.6%)	30.2
Due from related parties	92.4	106.7%	191.1	(100.0%)	-
Total current assets	341.4	34.8%	460.2	(30.0%)	322.0
Non current assets					
Property and equipment	155.0	10.0%	170.6	56.5%	267.0
Investments	1.7	30.7%	2.2	(86.3%)	0.3
Intangible assets	3.4	(100.0%)	-	-	-
Total non current assets	160.1	7.9%	172.8	54.7%	267.3
Total assets	**501.5**	**26.2%**	**633.0**	**(6.9%)**	**589.2**
Liabilities and stockholders' equity					
Current liabilities					
Due to banks (notes payable)	64.6	36.3%	88.0	(97.1%)	2.5
Current portion of medium term loans	19.5	(86.0%)	2.7	124.6%	6.2
Accounts payable – suppliers	259.9	25.7%	326.6	(24.3%)	247.2
Accrued expenses and other	43.6	28.6%	56.0	1.6%	56.9
Due to related party	0.8	462.0%	4.4	(100.0%)	-
Total current liabilities	388.3	23.0%	477.7	(34.5%)	312.8
Non current liabilities					
Medium term loan	2.5	(100.0%)	-	-	12.3
Deferred revenue on extended service plan	-	-	-	-	6.7
EOSB	6.2	56.9%	9.7	44.9%	14.1
Total non current liabilities	8.7	11.8%	9.7	240.6%	33.2
Total liabilities	397.0	22.8%	487.5	(29.0%)	346.0
Stockholders' equity					
Share capital	100.0	0.0%	100.0	140.0%	240.0
Statutory reserve	0.4	914.5%	4.6	(28.3%)	3.3
Retained earnings	4.0	914.5%	41.0	(100.0%)	0.0
Total stockholders' equity	104.5	39.3%	145.5	67.2%	243.3
Total liabilities and stockholders' equity	**501.5**	**26.2%**	**633.0**	**(6.9%)**	**589.2**

Source: Audited Financial Statements

Exhibit 9-9: Balance Sheet (% of Total Assets)

	Year ended 31 December				
	2008	**Growth %**	**2009**	**Growth %**	**2010**
Assets					
Current assets					
Cash	10.9%	(78.7%)	2.3%	121.0%	5.1%
Trade receivables	1.7%	37.0%	2.3%	(62.7%)	0.8%
Inventory	34.4%	(5.6%)	32.5%	34.1%	43.5%
Prepayments and other	2.7%	103.7%	5.5%	(6.1%)	5.1%
Due from related parties	18.4%	63.8%	30.2%	(100.0%)	-
Total current assets	68.1%	6.8%	72.7%	(24.8%)	54.6%
Non current assets					
Property and equipment	30.9%	(12.8%)	27.0%	68.1%	45.3%
Investments	0.3%	3.5%	0.3%	(85.3%)	0.1%
Intangible assets	0.7%	(100.0%)	0.0%	-	-
Total non current assets	31.9%	(14.5%)	27.3%	66.2%	45.4%
Total assets	**100.0%**	**0.0%**	**100.0%**	**0.0%**	**100.0%**
Liabilities and stockholders' equity					
Current liabilities					
Due to banks (notes payable)	12.9%	8.0%	13.9%	(96.9%)	0.4%
Current portion of medium term loans	3.9%	(88.9%)	0.4%	141.3%	1.0%
Accounts payable – suppliers	51.8%	(0.4%)	51.6%	(18.7%)	42.0%
Accrued expenses and other	8.7%	1.9%	8.9%	9.1%	9.7%
Due to related party	0.2%	345.2%	0.7%	(100.0%)	-
Total current liabilities	77.4%	(2.5%)	75.5%	(29.7%)	53.1%
Non current liabilities					
Medium term loan	0.5%	(100.0%)	0.0%	-	2.1%
Deferred revenue on extended service plan	0.0%	-	0.0%	-	1.1%
EOSB	1.2%	24.3%	1.5%	55.6%	2.4%
Total non current liabilities	1.7%	(11.4%)	1.5%	265.9%	5.6%
Total liabilities	79.2%	(2.7%)	77.0%	(23.8%)	58.7%
Stockholders' equity					
Share capital	19.9%	(20.8%)	15.8%	157.8%	40.7%
Statutory reserve	0.1%	703.8%	0.7%	(22.9%)	0.6%
Retained earnings	0.8%	703.8%	6.5%	(100.0%)	0.0%
Total stockholders' equity	20.8%	10.4%	23.0%	79.6%	41.3%
Total liabilities and stockholders' equity	**100.0%**	**0.0%**	**100.0%**	**0.0%**	**100.0%**

Source: eXtra

9.5.1 Non Current Assets

Exhibit 9-10: Non Current Assets (SR million)

	Year ended 31 December		
	2008	2009	2010
Property and equipment	155.0	170.6	267.0
Investments	1.7	2.2	0.3
Intangible assets	3.4	-	-
Total non current assets	160.1	172.8	267.3

Source: Audited Financial Statements

9-5-1-1 Property, Plant and Equipment

Exhibit 9-11: Property, Plant and Equipment (SR million)

	Land	Buildings and lease-hold im-provements	Furniture, fixtures and office equip-ments	Vehicles	Capital work-in-progress	Total
Net book value 2007	-	59.8	44.5	2.1	1.7	108.1
Additions	24.5	11.7	12.1	0.5	62.0	110.8
Disposals/ Transfers	-	0.0	0.1	-	48.9	49.0
Depreciation	-	3.2	10.9	0.8	-	14.8
Net book value 2008	24.5	68.3	45.7	1.7	14.8	155.0
Additions	-	4.0	6.0	1.5	21.4	32.8
Disposals/ Transfers	-	20.6	9.2	-	(31.5)	1.7
Depreciation	-	3.7	10.9	0.9	-	15.5
Net book value 2009	24.5	89.1	50.0	2.3	4.7	170.6
Additions	57.1	3.6	6.9	2.1	45.6	115.4
Disposals/ Transfers	-	22.7	12.1	0.1	(35.8)	0.9
Depreciation	-	4.6	13.0	0.5	-	18.1
Net book value 2010	81.7	110.8	56.0	4.1	14.5	267.0

Source: Audited Financial Statements

Property, plant and equipment is recorded at cost, and depreciated on a straight line basis over the estimated useful life.

Land includes a 8,258 m^2 plot acquired in 2008 from Al Fozan Holding Co. for SR 24.5m. This land was used to build the showroom in Dammam, which opened in November 2008. The purchase was done in accordance with the approved budget at that time and the assessment conducted by the Real Estate Development Department at the Company, which has the knowledge and expertise of the land prices of each location. Effective as of 2010, valuation offers are being obtained from specialized companies when purchasing land from related parties.

In addition, two plots of land were acquired in 2010 to build new showrooms, one in Riyadh with an area of 7,280 m^2 from Mr. Abdullah Abdullatif Al Fozan for SR 26.4m. The Company obtained three valuation offers from three different companies (Areez Real Estate Investment Company, Real Estate Marketing and Development Company and National Real Estate Group), and was then purchased at an average of these offers which is equivalent to the purchase amount mentioned above. The Company bought another plot of land in Dammam from an unrelated third party with an area of 6,656 m^2 for SR 30.7m. All of the above mentioned lands were purchased through the Company's Real Estate Development department, which is responsible for assessing the land location and whether to buy or rent the land, whichever is more appropriate for the Company, according to the conventional market price at the time of purchase or lease.

Buildings, leasehold improvements and furniture include capitalized costs related to stores and warehouses held across the Kingdom. The non current asset additions included costs related to two new stores in 2008, two new stores in 2009 and four new stores in 2010.

Construction in progress mainly includes the capitalization of costs related to new store construction and showroom renovation prior to completion. Upon completion, these costs are transferred to fixed assets (e.g. buildings, leasehold improvements and others as per spending type).

Exhibit 9-12: Assets Estimated Life

Assets	Number of years
Buildings and leasehold improvements	15 - 33 years
Furniture, fixtures and office equipment	4 – 10 years
Vehicles	5 years

Source: Audited Financial Statements

9-5-1-2 Investments

The investment balance represents eXtra's equity of 99% in United Company for Computer & Electronic Maintenance, and 100% in United Electronics Company (eXtra) S.P.C. (Bahrain). These companies are not operational yet. They will commence their activities when the necessary feasibility studies for them are prepared.

Furthermore, in 2010 eXtra sold its shares in Elixir, whose primary business is management and marketing consulting. Elixir did not represent a primary activity to the Company, and the full 40% share in Elixir was sold for SR 2m, which resulted in a pure net profit of SR 522,046.

9.5.2 Current Assets

Exhibit 9-13: Current Assets (SR million)

	Year ended 31 December		
	2008	2009	2010
Cash	54.7	14.7	30.2
Trade receivables	8.3	14.3	5.0
Inventory	172.6	205.6	256.6
Prepayments and other	13.4	34.5	30.2
Due from related parties	92.4	191.1	-
Total current assets	341.4	460.2	322.0

Source: Audited Financial Statements

The increase in current assets from December 2008 to December 2009 by 34.8% is due to the increase in the dues from related parties (DESD) balance, and increase in inventory by 14.1% due to the business growth. Whereas, the decrease in 2010 by 30.0% is mainly due to the decrease in the dues from related parties (DESD) balance following the full settlement of the funds during 2010. This was partly offset by an increase in inventory due to the opening of four new stores in 2010.

The decline in cash in 2009 was due to fixed assets expenditure on new stores fixtures of SR 34m, in accordance with the approved budget in 2009.

9-5-2-1 Trade Receivables

Trade receivables consist of coupons and vouchers that are sold to key customers, who in turn distribute them to their employees, and they settle the balance according to the agreed credit terms. The increase in trade receivables from 2008 to 2009 by 72.9% is due to higher sales during the fourth quarter of 2009 to key customers (e.g. Aramco and Sabic) in addition to some outstanding receivables which were settled during the first quarter of 2010. The decrease in 2010 of 65.2% is due to the settlement of outstanding receivables from previous years and taking the necessary provisions.

Average trade receivables' days over the past three years were 4 days in 2008, 3 days in 2009 and 2 days in 2010.

9-5-2-2 Inventory

The increase in inventory in 2009 by 19.1% versus 2008, and by 24.8% in 2010 versus 2009 was due to the business growth and opening two new stores in 2009 and four new stores in 2010.

Average inventory days over the past three years were 62 days in 2008, 57 days in 2009 and 58 days in 2010.

9-5-2-3 Prepayments and Other

Prepayments and others include prepaid rent, advances to suppliers and other expenses paid in advance. The increase from 2008 to 2009 by 157.1% was due to increase in rent, increase in advance payments to suppliers due to more overseas orders placed before the year end and an increase in other receivables due to hiring of new employees. The decrease in 2010 by 12.6% was mainly due to lower overseas orders placed at year end versus the previous year.

9-5-2-4 Due from Related Parties

Exhibit 9-14: Due from Related Parties (SR million)

	Year ended 31 December		
	2008	2009	2010
Digital & Electronic Solutions Development Co "DESD"	90.5	189.2	-
Abdulaziz Alsaghyir Commercial Investment Co	0.1	0.1	-
Hani Ebraheem Khogah	0.6	0.6	-
Haitham Ebraheem Khogah	0.6	0.6	-
Sami Abdulkareem Al-Dhahaby	0.6	0.6	-
Total	92.4	191.1	-

Source: Audited Financial Statements

The due from related parties balance reflects funds made available to "DESD", which is owned by some shareholders of eXtra, or other related parties "Hani Khogah - Haitham Khogah - Sami Dhahaby" who are shareholders of Elixir, where eXtra owned 40% of at the time. eXtra used part of the bank debts to support the funding of these related parties at the time. The whole balance was fully repaid during 2010.

9.5.3 Current Liabilities

Exhibit 9-15: Current Liabilities (SR million)

	Year ended 31 December		
	2008	2009	2010
Due to banks (notes payable)	64.6	88.0	2.5
Current portion of medium term loans	19.5	2.7	6.2
Accounts payable – suppliers	259.9	326.6	247.2
Accrued expenses and other	43.6	56.0	56.9
Due to related party	0.8	4.4	-
Total current liabilites	388.3	477.7	312.8

Source: Audited Financial Statements

Current liabilities mainly consists of notes payable, current portion of medium-term loans, accounts payable, accruals and balances due to related parties.

The increase in current liabilities from 2008 to 2009 by 23.0% was mainly due to the business growth in 2009 (14.1% revenue growth). Whereas, the decrease in current liabilities from 2009 to 2010 by 34.5% reflects the settlement of short-term loans, as well as the earlier settlement to suppliers in 2010 compared to 2009 (due to Megasale event that took place earlier in 2010 versus 2009).

9-5-3-1 Accounts Payable

The majority of suppliers are local distributors based in the Kingdom of Saudi Arabia.

The increase in accounts payable from 2008 to 2009 by 25.7% is due to the increase in inventory in the same period by 19.1% in order to accommodate the increase in sales from the new stores and extended payment terms achieved with the suppliers. Whereas, the decrease in accounts payable from 2009 to 2010 by 24.3% was due to earlier settlement to suppliers due to Megasale event timing. In 2009, the Megasale took place at the end of November 2009 (and hence its payment was early 2010), whereas in 2010, it took place in early November 2010 (and hence its payment also was in 2010). So in 2010, the purchases for both 2009 and 2010's Megasale events took place in 2010, reducing the payables balance.

Average accounts payable days over the past three years were 71 days in 2008, 83 days in 2009 and 69 days in 2010.

9-5-3-2 Accrued Expenses and Other

Accrued expenses mainly consists of provision for deferred revenues on extended service plan, accrued bonuses, advances from customers and other accruals.

9.5.4 Non Current Liabilities

Exhibit 9-16: Non Current Liabilities (SR million)

	Year ended 31 December		
	2008	2009	2010
Medium term loan	2.5	-	12.3
Deferred revenue on extended service plan	-	-	6.7
End Of Service Benefits "EOSB"	6.2	9.7	14.1
Total non current liabilities	8.7	9.7	33.2

Source: Audited Financial Statements

The EOSB reflects a provision for employee's end of service indemnity benefits, calculated in accordance with Saudi Arabia's labor regulations.

The increase in EOSB in 2010 is due to recruiting new staff for the new stores that opened during 2010, as well as an increase in provisions for the employees who completed five years of service as per the Saudi labor law dated 23 Sha'ban 1426H, chapter four (articles 84-88).

9.5.5 Bank Debt

Exhibit 9-17: Bank Debt (SR million)

	Total STL/ MTL Facility 31/12/2010	Utilized
Short term loan	160.0	-
Medium term loan (murabaha)	50.0	18.5
Overdraft	1.0	-
Total	211.0	18.5

Source: Audited Financial Statements

9-5-5-1 Short term loans

The Company has not utilized any of its short term loans. Those are the loans that do not exceed a duration of one calendar year).

9-5-5-2 Medium term loan

The medium term loans are loans with a maturity exceeding a period of one calendar year. All bank facilities are Islamic.

Exhibit 9-18: Medium term loan (SR million)

	31 December 2010
Banque Saudi Fransi loan	18.5
Repayment schedule	
December 2011	6.16
December 2012	6.16
December 2013	6.16
Total	18.5

Source: Audited Financial Statements

9.5.6 Stockholders' equity

Exhibit 9-19: Stockholders' equity (SR million)

	Year ended 31 December		
	2008	2009	2010
Share capital	100.0	100.0	240.0
Statutory reserve	0.4	4.6	3.3
Retained earnings	4.0	41.0	0.0
Total stockholders' equity	104.5	145.5	343.3

Source: Audited Financial Statements

The Shareholders of the Company resolved to increase the share capital of the Company from SR 100m in 2009 to SR 240m in 2010 by transferring SR 128.9m from retained earnings and SR 11.1m from statutory reserve.

9.6 Cash Flow Statements

The following table summarizes the audited cash flow statements for the years ended 31 December 2008, 2009 and 2010.

Exhibit 9-20: Cash Flow (SR million)

	Year ended 31 December		
	2008	2009	2010
Cash flow from/ (used in) operating activities	152.4	81.8	2.6
Cash flow from/ (used in) investing activities	(60.2)	(27.3)	(108.4)
Cash flow from /(used in) financing activities	(58.4)	(94.5)	121.3
Net change in cash and bank balances	33.7	(40.0)	15.5
Cash at beginning of period	21.0	54.7	14.7
Cash at end of period	54.7	14.7	30.2

Source: Audited Financial Statements

9.6.1 Operating Cash Flows

Exhibit 9-21: Operating Cash Flows (SR million)

	Year ended 31 December		
	2008	2009	2010
EBITDA	35.8	62.6	119.1
Adjustments:			
Share of income from associates	(0.5)	(0.5)	-
Gain on sale of investment in an associate	-	-	(0.5)
Provision for obsolete inventory	9.9	-	-
Provision for doubtful debt	0.9	1.0	1.3
Loss on disposal of P&E	0.1	-	(0.1)
End of service indemnities	2.4	3.9	5.0
Working capital changes	108.2	20.9	(115.5)
Zakat paid	(0.1)	(0.8)	(1.3)
EOSB paid	(0.6)	(0.3)	(0.6)
Finance charges paid	(3.7)	(4.8)	(4.7)
Operating Cash Flows	152.4	81.8	2.6

Source: Audited Financial Statements

The increase in operating cashflows in 2008 was mainly due to an increase in payables balances as result of increased purchases and extended payment terms achieved with the suppliers. Whereas, the increase in operating cashflows in 2009 was due to the increase in profit along with further increase in payables balances. It is worth noting that the Company is generally able to sell inventory at a faster rate than payables are due.

The operating cash flow decreased in 2010 mainly due to increased working capital. Payments to suppliers increased during 2010 due to earlier settlement to suppliers due to Megasale event timing. As mentioned above (under Accounts payable section), in 2009, the Megasale took place end of November 2009 (and hence its payment was early 2010), whereas in 2010, it took place early November 2010 (and hence its payment also was in 2010). So, in 2010 the purchases for both years 2009 & 2010 Megasale events took place in 2010, reducing the payables balance. Besides, the increased purchases of imported goods in 2010 (which have a shorter credit period than local goods) reduced payables further. These factors resulted in lower operating cashflows in 2010 compared to 2009.

The following table illustrates the changes in the working capital during 2009 and 2010.Stocks increased during 2010 by SR 51m as a result of opening four new stores and increased revenues. Whereas, customers' balances declined by SR 8m due to collection and settlement of receivables, and payables decreased by SR 76m due to the timing of the Megasale (as explained above).

Exhibit 9-22: Changes in Working Capital (SR million)

	Year ended 31 December		
	2008	2009	2010
Customers	6.9	(7.0)	8.0
Stock	10.4	(33.0)	(51.0)
Suppliers	92.3	82.0	(76.9)
Prepayments and other debt balances	(1.3)	(21.1)	4.4
Amount of change	108.2	20.9	(115.5)

Source: Audited Financial Statements

eXtra took a provision for obsolete stocks of SR 9.9m in 2008 following a stock revaluation exercise to liquidate old non-moving stocks. Effective 2009, stock prices are adjusted monthly by the Company's management to ensure the products' prices are in line with the market prices.

9.6.2 Investing Cash Flows

Exhibit 9-23: Investing Cash Flows (SR million)

	Year ended 31 December		
	2008	2009	2010
Capex	(62.1)	(32.8)	(115.4)
Finance income received	1.8	4.8	4.2
Proceeds from disposal of P&E	-	0.7	0.3
Proceeds from sale of investment in an associate	-	-	2.7
Investment in a subsidiary	-	-	(0.3)
Investing Cash Flows	(60.2)	(27.3)	(108.4)

Source: Audited Financial Statements

eXtra is continuing to expand through opening new stores. Capex includes the purchase of land in 2008 (SR 24.5m), renovations of the existing store (SR 1m for Al Worood store) and fixtures for the new stores that were opened during the same year (SR 36m). Capex in 2009 includes completion of renovations of stores (SR 1m for Al Worood store) and fixtures for the new stores (SR 31m) and capex in 2010 includes purchase of lands (SR 57.1m) and new store fixtures (SR 58m).

The Company plans to renew its existing stores, which have been open for 5 to 7 years at an average cost of SR 1 to 2 million for each store.

9.6.3 Financing Cash Flows

Exhibit 9-24: Financing Cash Flows (SR million)

	Year ended 31 December		
	2008	2009	2010
Bank loans	(34.1)	4.1	(89.7)
Medium term loans	-	-	20.0
Due from related party	(79.4)	(98.6)	191.1
Funds provided by shareholders for absorption of losses	55.0	-	-
Financing Cash Flows	(58.5)	(94.5)	121.3

Source: Audited Financial Statements

eXtra has used a mixture of short term and long term bank funding which have been principally used to support funding of a related party. The related party funding was fully repaid during 2010.

Funds provided by shareholders in 2008 for absorption of losses represents cash injections to cover losses incurred from prior years (2003 - 2006), the Company started to earn net profits as of 2007.

9.7 Commitments and Contingencies

Exhibit 9-25: Details of Utilized LCs and LGs (SR million)

	Amount
Samba Financial Group	21.7
Saudi British Bank	48.8
Banque Saudi Fransi	28.3
Riyad Bank	1.5
Total	100.2

Source: Audited Financial Statements

At 31 December 2010, the Company had SR 100.2m of utilized letters of credit and letters of guarantee which are used to cover goods purchased from suppliers in accordance with the supply agreement specific to each supplier.

9.8 Management's Discussion and Analysis of Financial Condition and Results of Operations Cash Flow Statements for the six months ended 30 June 2011 compared with the corresponding six months ended 30 June 2010

The following discussion and analysis of eXtra financial position and results of operations is based upon and should be read in conjunction with the audited financial statements as at the end of the six months period ended 30 June 2011 compared with the corresponding period ended 30 June 2010 and the notes thereto, which have been audited by Deloitte & Touche Bakr Abulkhair & Co.

9.8.1 Results of Operations

The following table summarizes the audited income statement for the six months ended 30 June 2011 and the six months ended 30 June 2010.

9-8-1-1 Income Statement

Exhibit 9-26: Income Statement (SR million)

	For the period from 1 January to 30 June		
	2010	**Growth %**	**2011**
Sales	791.7	42.4%	1,127.4
Cost of sales	651.4	40.7%	916.3
Gross profit	140.3	50.4%	211.1
Selling and distribution expenses	73.9	40.8%	104.1
General and administrative expenses	30.2	32.5%	40.1
Operating income	36.1	85.1%	66.9
Finance charges	(2.3)	(78.6%)	(0.5)
Finance income	2.2	(100.0%)	-
Share of income from associate	(0.2)	(100.0%)	-
Other income (expenses), net	0.7	(91.0%)	0.1
Net Income before zakat	36.6	81.6%	66.4
Zakat	0.7	157.5%	1.9
Net income	35.8	80.0%	64.5

Source: Audited Financial Statements

Exhibit 9-27: Income Statement (% of sales)

	For the period from 1 January to 30 June		
	2010	Growth %	2011
Sales	100.0%	0.0%	100.0%
Cost of sales	82.3%	(1.2%)	81.3%
Gross profit	17.7%	5.6%	18.7%
Selling and distribution expenses	9.3%	(1.1%)	9.2%
General and administrative expenses	3.8%	(6.9%)	3.6%
Operating income	4.6%	30.0%	5.9%
Finance charges	(0.3%)	(85.0%)	0.0%
Finance income	0.3%	(100.0%)	-
Share of income from associate	-	-	-
Other income (expenses), net	0.1%	(93.7%)	0.0%
Net Income before zakat	4.6%	27.5%	5.9%
Zakat	0.1%	80.9%	0.2%
Net income	4.5%	26.4%	5.7%

Source: eXtra

9-8-1-2 Revenue

Exhibit 9-28: Sales by Store Age (SR million)

	For the period from 1 January to 30 June				
	2010	Growth		2011	Growth % to total
		Amount	%		
Stores opened for a full six months (2010-2011) - 13 stores	769.4	167.8	21.8%	937.2	50.0%
Stores opened partially in 2010 and fully in 2011 - 2 stores	22.3	55.6	249.5%	78.0	16.6%
New stores – 4 stores		112.2	-	112.2	33.4%
Total	791.7	335.7	42.4%	1,127.4	100.0%

Source: eXtra

eXtra's sales growth is dependent on the sales growth of the existing stores and the opening of new stores in different locations in the Kingdom. The number of eXtra stores increased from 15 stores in June 2010 to 19 stores in June 2011.

The increase in eXtra sales from SR 792m in June 2010 to SR 1.13bn in June 2011, reflects sales growth of the existing stores and the opening of two stores (Tabuk and Al Rimal) in the second half of 2010 and two other stores (Najran and Al Badiaah) in the first half of 2011. The growth in sales of SR 320.8m (42.4%) can be accounted for as follows:

1- The stores opened for a full six months as of June 2010, representing 13 stores, achieved 50% growth in the first half of 2011;
2- The two stores opened during the first half of 2010 contributed in 16.6% growth; and
3- The new stores opened in the second half of 2010 and first half of 2011 contributed in 33.4% growth.

9-8-1-3 Gross Profit

Exhibit 9-29: Gross Profit (SR million)

	For the period from 1 January to 30 June			
	2010	% of sales	2011	% of sales
Sales	791.7	100.0%	1,127.4	100.0%
Cost of sales	(651.4)	(82.3%)	(916.3)	(81.3%)
Gross profit	140.3	17.7%	211.1	18.7%

Source: Audited Financial Statements

The Company's gross margin improved from SR 140.3m (17.7%) in the six months ended June 2010 to SR 211.1m (18.7%) in the six months ended June 2011 as a result of the increase in sales volume and the resulting increase in the Company's negotiation power with the suppliers and improved cost of purchasing products through obtaining the best prices and product discounts.

The cost of sales increased for the six months ended June 2011 by 40.7% as a result of increasing sales by 42.4% for the same period. The cost of sales as a percentage of sales decreased from 82.3% in the six months ended June 2010 to 81.3% for the same period in 2011.

9-8-1-4 Selling and Distribution Expenses

Exhibit 9-30: Selling and Distribution Expenses (SR million)

	For the period from 1 January to 30 June			
	2010	% of total	2011	% of total
Salaries, wages and employee benefits	31.0	42.0%	44.9	43.1%
Advertising and other related cost	13.1	17.7%	16.4	15.8%
Rent	10.6	14.3%	17.7	17.0%
Depreciation	6.9	9.3%	8.5	8.2%
Benefits	5.4	7.3%	8.5	8.2%
Repair and maintenance	1.2	1.6%	1.4	1.4%
Travel and accommodation	0.3	0.4%	0.4	0.4%
Other	5.6	7.5%	6.4	6.1%
Total	73.9	100.0%	104.1	100.0%
% of total revenue	-	9.3%	-	9.2%

Source: Audited Financial Statements

Selling and distribution expenses are mainly comprised of personnel cost (wages, salaries, allowances, annual bonuses, recruitment costs, employees retention incentives and governmental fees of various kinds), advertising and other related costs, rent and depreciation expenses.

Sales and distribution expenses as a percentage of total revenue decreased from 9.3% for the six months ended June 2010 to 9.2% for the six months ended June 2011.

Total sales and distribution expenses increased from SR 73.9m in the first half of 2010 to SR 104.1m in the first half of 2011, an increase of 41% as a result of the growth in the Company's activities and the opening of new stores (two stores during the second half of 2010 and two stores during the first half of 2011).

Employees costs increased from SR 31m in the six months ended June 2010 to SR 44.9m in the six months ended in June 2011, an increase of 45.0% as result of increasing the number of employees from 1,309 employees to 1,663 employees during the same period to support the expansions and the opening of new stores.

Advertising and promotion expenses increased from SR 13.1m in the six months ended June 2010 to SR 16.4m in the six months ended June 2011, an increase of 26.0% following the opening of new stores and the increased focus on advertising through different media (such as television, newspapers and magazines), as well as expanded marketing activities.

Rent increased from SR 10.6m in the six months ended June 2010 to SR 17.7m in the six months ended June 2011, an increase of 67.0% due to the opening of new stores.

Other expenses mainly include credit and bank charges on credit card payments by customers for purchases from eXtra stores (which increased as a result of the increase in sales) and transportation expenses. Other expenses (e.g. office supplies and equipment, security and hygienic expenses) increased by 14% in the six months ended June 2011 due to the increase in sales and number of new stores which opened during the second half of 2010 and the first half of 2011.

9-8-1-5 General and Administrative Expenses

Exhibit 9-31: General and Administrative Expenses (SR million)

	For the period from 1 January to 30 June			
	2010	% of total	2011	% of total
Personnel cost	22.1	73.1%	26.7	66.5%
Depreciation	2.0	6.6%	2.1	5.3%
Travel, accommodation and communications	1.1	3.5%	1.5	3.7%
Legal and consultancy	0.8	2.6%	2.1	5.3%
Rent	0.2	0.6%	0.1	0.4%
Utilities, printing and stationary	0.4	1.5%	1.4	3.4%
Repair and maintenance	0.5	1.8%	0.6	1.6%
Others	3.1	10.3%	5.5	13.7%
Total	30.2	100.0%	40.1	100.0%
% of total revenue	-	3.8%	-	3.6%

Source: Audited Financial Statements

General and administrative expenses mainly comprised of personnel costs, depreciation, legal and consultancy costs.

As a result of the continuous investment in strengthening the Company's organizational structure, personnel costs increased by SR 4.6m from the first half of 2010 to the first half of 2011, a 20% increase due to building the organization capacity and structure to support future business growth and expansion, through the establishment of specialized departments such as the Expansion team, which includes a management team with extensive experience in procurement, operations and marketing.

The increase in legal and consultancy costs and travel, accommodation and communications expenses during the six months ended June 2011 is due to a 95% increase in the usage of external consultants to support the Company's future expansions, inside and outside the Kingdom.

Other expenses mainly include property maintenance, insurance, audit, legal fees and entertainment and training expenses. Other expenses increased by 76% in the six months ended June 2011 as a result of opening new stores.

9-8-1-6 Finance Charges/ Income

The financial charges for the six months ended June 2010 and 2011 represent interest due on the utilized short and medium-term loans. The financial charges for the six months ended June 2010 represent the costs of financial facilities used by sister companies. eXtra's finance facilities were predominantly used to support funding a related party, Digital & Electronic Solutions Development Co. Ltd ("DESD"), which did not have banking facilities at the start of its operation. DESD imports and distributes mobile sets, sim cards, telecommunication services and solutions, and it is 75% owned by Alfozan Holding Company and 25% owned by Abdulaziz Alsaghyir Commercial Investment Company, who are shareholders in eXtra with a 65% and 22% ownership, respectively. DESD also has a trading relationship with eXtra.

The bank finance charges incurred on these utilized facilities were recharged to DESD and fully settled during 2010. This related party funding was fully repaid during 2010.

9-8-1-7 Zakat

Zakat is provided for in accordance with the regulations of the Department of Zakat and Income Tax. The company has submitted its Zakat filing for the years up to 2010 and paid the applicable Zakat accordingly. The Company has obtained the zakat certificate for the fiscal year ending 31 December 2010, and also obtained the final clearance certificate for the year 2005.

Zakat expenses for 2011 represent the amounts due (estimated) by the Company for the six months ended June 2011.

9-8-1-8 Net Income

Net income increased by 80% from SR 35.8m in the six months ended June 2010 to SR 64.5m in the six months ended June 2011. Net income margin improved during the same period, increasing from 4.5% in the six months ended June 2010 to 5.7% in the six months ended June 2011. This improvement in net income margin is due to the improved gross profit margins due to increased sales volume, and consequent increase in the discounts from suppliers and better negotiated product prices. The improvement in the net income margin during the same period is also due to the decrease in operating expenses as a percentage of sales during the six months ended June 2011 as compared to the previous year.

9.8.2 Balance Sheet

The following table summarizes the audited balace sheets for the six months ended 30 June 2010 and 2011.

Exhibit 9-32: Balance Sheet (SR million)

	As of 30 June		
	2010	**Growth %**	**2011**
Assets			
Current assets			
Cash and cash equivalents	33.5	197.4%	99.7
Trade receivables	10.1	(71.8%)	2.9
Due from related parties	211.9	(100.0%)	-
Inventory	242.2	25.0%	302.6
Prepayments and other	39.7	45.1%	57.5
Total current assets	537.4	(13.9%)	462.7
Non current assets			
Investment in an associate	2.0	(100.0%)	-
Investment in a subsidiary	0.3	-	0.3
Property and equipment	189.2	50.7%	285.1
Total non current assets	191.5	49.0%	285.4
Total assets	**728.9**	**2.6%**	**748.1**
Liabilities and stockholders' equity			
Current liabilities			
Due to banks	90.0	(96.7%)	3.0
Current portion of medium term loans	4.6	33.3%	6.2
Trade payables and other	416.1	(4.5%)	397.4
Total current liabilities	510.7	(20.4%)	406.5
Non current liabilities			
Medium term loan	15.4	(40.0%)	9.2
Deferred revenue on extended service plan	9.7	(20.4%)	7.7

	As of 30 June		
	2010	Growth %	2011
EOSB	11.8	43.2%	16.9
Total non current liabilities	36.8	(8.3%)	33.8
Total liabilities	547.5	(19.6%)	440.3
Stockholders' equity			
Share capital	100.0	140.0%	240.0
Statutory reserve	8.1	19.4%	9.7
Retained earnings	73.2	(20.7%)	58.1
Total stockholders' equity	181.4	69.7%	307.8
Total liabilities and stockholders' equity	**728.9**	**2.6%**	**748.1**

Source: Audited Financial Statements

Exhibit 9-33: Balance Sheet (% of Total Assets)

	As of 30 June		
	2010	Growth %	2011
Assets			
Current assets			
Cash and cash equivalents	4.6%	189.7%	13.3%
Trade receivables	1.4%	(72.5%)	0.4%
Due from related parties	29.1%	(100.0%)	-
Inventory	33.2%	21.8%	40.5%
Prepayments and other	5.4%	41.3%	7.7%
Total current assets	73.7%	(16.1%)	61.9%
Non current assets			
Investment in an associate	0.3%	(100.0%)	-
Investment in a subsidiary	-	(2.6%)	-
Property and equipment	26.0%	46.8%	38.1%
Total non current assets	26.3%	45.2%	38.1%
Total assets	**100.0%**	**-**	**100.0%**
Liabilities and stockholders' equity			
Current liabilities			
Due to banks	12.3%	(96.8%)	0.4%
Current portion of medium term loans	0.6%	29.9%	0.8%
Trade payables and other	57.1%	(6.9%)	53.1%
Total current liabilities	70.1%	(22.4%)	54.3%
Non current liabilities			
Medium term loan	2.1%	(41.5%)	1.2%
Deferred revenue on extended service plan	1.3%	(22.5%)	1.0%
EOSB	1.6%	39.5%	2.3%
Total non current liabilities	5.1%	(10.6%)	4.5%

	As of 30 June		
	2010	Growth %	2011
Total liabilities	75.1%	(21.6%)	58.9%
Stockholders' equity			
Share capital	13.7%	133.8%	32.1%
Statutory reserve	1.1%	16.3%	1.3%
Retained earnings	10.1%	(22.8%)	7.8%
Total stockholders' equity	24.9%	65.3%	41.1%
Total liabilities and stockholders' equity	**100.0%**	**-**	**100.0%**

Source: eXtra

9-8-2-1 Current Assets

Exhibit 9-34: Current Assets (SR million)

	As on 30 June		
	2010	Growth %	2011
Cash and cash equivalents	33.5	197.4%	99.7
Trade receivables	10.1	(71.8%)	2.9
Due from related parties	211.9	(100.0%)	-
Inventory	242.2	25.0%	302.6
Prepayments and other	39.7	45.1%	57.5
Total current assets	537.4	(13.9%)	462.7

Source: Audited Financial Statements

Despite the increase in cash and stocks in the six months ended June 2011 versus the six months ended June 2010, the decrease in total current assets by SR 74.7m from June 2010 to June 2011 (14%) is mainly due to settlement of all the dues from related parties' balances during 2010, which amounted to SR 212m as outlined in the following table:

Exhibit 9-35: Dues from Related Parties (SR million)

	As on 30 June	
	2010	2011
Digital & Electronic Solutions Development Co "DESD"	209.9	-
United Electronics Maintenance and Computer Company	-	-
Abdulaziz Alsaghyir Commercial Investment Company	0.1	-
Hani Ebraheem Khogah	0.6	-
Haitham Ebraheem Khogah	0.6	-
Sami Abdulkareem Al-Dhahaby	0.6	-
Total	211.8	-

Source: Audited Financial Statements

Trade receivables consist of coupons and vouchers that are sold to key customers, who in turn distribute them to their employees, and they settle the balance according to the agreed credit terms. The decrease in trade receivables by 72% from SR 10m in the six months ended June 2010 to SR 3m in the six months ended June 2011 is due to the collection and settlement of the delayed indebtedness during the second half of 2010 and regular repayment starting 2011.

Inventory increased by SR 61m (25%) from June 2010 to June 2011, as a result of the increase in sales for the existing stores in addition to opening four new stores. The inventory days' averaged 56 days on 30 June 2010 and 58 days on 30 June 2011.

Prepayments comprise prepaid amounts including prepaid rents, prepayments to suppliers and other prepaid expenses. The 45% increase from SR 39.7m in June 2010 to SR 57.5m in June 2011 is attributed to increase in rent of SR 3.7m as a result of opening new stores as well as the increase in prepayments to suppliers by SR 13.5m as a result of increasing the imported purchase orders.

9-8-2-2 Non Current Assets

Exhibit 9-36 : Non Current Assets (SR million)

	As on 30 June	
	2010	2011
Property and equipment	189.2	285.1
Investments	2.3	0.3
Total non current assets	191.5	285.4

Source: Audited Financial Statements

Property, Plant and Equipment

Exhibit 9-37: Property, Plant and Equipment (SR million)

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipments	Vehicles	Capital work-in-progress	Total
1 January 2011	81.7	129.1	111.6	8.4	14.5	345.2
Additions/ Disposals/ Transfers	-	12.0	10.4	-	6.3	28.8
30 June 2011	81.7	141.1	122.0	8.4	20.8	374.0
Depreciation						
1 January 2011	-	18.4	55.6	4.3	-	78.3
Charged to the period / Disposals	-	2.7	7.4	0.6	-	10.6
30 June 2011	-	21.0	63.0	4.9	-	88.9
Net book value						
30 June 2011	81.7	120.1	59.0	3.5	20.8	285.1
30 June 2010	24.5	96.0	53.1	3.5	12.1	189.2

Source: Audited Financial Statements

Property, plant and equipment is recorded at cost, and depreciated on a straight line basis over the estimated useful life.

The increase in fixed assets balance (after depreciation) by SR 96m in June 2011 is due to acquiring two plots of land in Dammam and Riyadh for SR 57m on which new stores were constructed, and a SR 30m increase in buildings and leasehold improvements, new construction and furniture for the new and existing stores and SR 9m for projects in progress.

Construction in progress mainly relates to the capitalization of costs related to new store construction and showroom renovation prior to completion. Upon completion, these costs are transferred to fixed assets (e.g. buildings, leasehold improvements and others as per spending type).

Exhibit 9-38: Assets Estimated Life

Assets	Number of years
Buildings and leasehold improvements	15 - 33 years
Furniture, fixtures and office equipment	4 – 10 years
Vehicles	5 years

Source: Audited Financial Statements

Investments

The investment balance represents eXtra's equity of 99% in United Company for Computer & Electronic Maintenance, and 100% in United Electronics Company (eXtra) S.P.C. (Bahrain). These companies are not operational yet. They will commence their activities when the necessary feasibility studies for them are prepared.

Furthermore, eXtra sold in 2010 its shares in Elixir, whose primary business is management and marketing consulting. Elixir did not represent a primary activity to the Company, and the full 40% share in Elixir was sold for SR 2m, which resulted in a pure net profit of SR 522,046.

9-8-2-3 Current Liabilities

Exhibit 9-39: Current Liabilities (SR million)

	As on 30 June	
	2010	2011
Due to banks	90.0	3.0
Current portion of medium term loans	4.6	6.2
Trade payables and other	416.1	397.4
Total current liabilites	510.7	406.5

Source: Audited Financial Statements

Current liabilities mainly consists of notes payable, current portion of medium-term loans, accounts payable, accruals and balances due to related parties.

The decrease in the balance due to banks reflects the SR 87m settlement of short-term loans during the second half of 2010. As for the decrease in trade payables, it is due to the increase in imported purchases during the first half of 2011 compared with the corresponding period in 2010, the value of which was paid prior to delivery.

Most of the suppliers are local companies in Saudi Arabia. Payment days to suppliers averaged 69 days in June 2010 and 66 days in June 2011.

The trade payables and other balance includes accruals and other liabilities, which mainly consist of provision for deferred revenue on extended service plan amounting to SR 10.5m, accrued bonuses of SR 7.0m, advances from customers of SR 22.0m and other accruals of SR 28.7m.

9-8-2-4 Non Current Liabilities

Exhibit 9-40: Non Current Liabilities (SR million)

	As on 30 June	
	2010	2011
Medium term loan	15.3	9.2
Deferred revenue on extended service plan	9.6	7.7
EOSB	11.8	16.9
Total non current liabilities	36.7	33.8

Source: Audited Financial Statements

The EOSB reflects a provision for employee's end of service indemnity benefits, calculated in accordance with Saudi Arabia's labor regulations.

The increase in EOSB in June 2011 is due to recruiting new staff for the new stores that opened during 2010 and 2011, as well as an increase in provisions for the employees who completed five years of service as per the Saudi labor law dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), chapter four (articles 84-88).

Bank Debt

Exhibit 9-41: Bank Debt (SR million)

	Total STL/ MTL Facility as on 30 June 2011	Utilized
Short term loan	160.0	-
Medium term loan (murabaha)	50.0	15.4
Overdraft	1.0	-
Total	211.0	15.4

Source: Audited Financial Statements

Short and medium term loans

The Company has not utilized any of its short term loans. Those are the loans that do not exceed a duration of one calendar year.

The medium term loans are loans with a maturity exceeding a period of one calendar year, the utilized amount of which amounted to SR 15.4m, outlined in to the following table. All bank facilities are Islamic.

Exhibit 9-42: Medium term loan (SR million)

	30 June 2011
Banque Saudi Fransi loan	15.4
Repayment schedule	
Due within the first year	6.16
Due within the second year	6.16
Due within the third year	3.08
Total	15.4

Source: Audited Financial Statements

9-8-2-5 Stockholders' equity

Exhibit 9-43: Stockholders' equity (SR million)

	As on 30 June	
	2010	2011
Share capital	100	240.0
Statutory reserve	8.1	9.7
Retained earnings	73.2	58.0
Total stockholders' equity	181.3	307.7

Source: Audited Financial Statements

The Shareholders of the Company resolved to increase the share capital of the Company from SR 100m in 2009 to SR 240m during the second half of 2010 by transferring SR 128.9m from retained earnings and SR 11.1m from statutory reserve.

9.8.3 Cash Flow Statements

The following table summarizes the audited cash flow statements for the six months ended 30 June 2010 and 2011.

Exhibit 9-44: Cash Flow (SR million)

	For the period from 1 January to 30 June	
	2010	2011
Cash flow from/ (used in) operating activities	45.9	100.9
Cash flow from/ (used in) investing activities	(25.5)	(28.8)
Cash flow from /(used in) financing activities	(1.6)	(2.6)
Net change in cash and bank balances	18.8	69.5
Cash at beginning of period	14.7	30.2
Cash at end of period	33.5	99.7

Source: Audited Financial Statements

9-8-3-1 Operating Cash Flows

Exhibit 9-45: Operating Cash Flows (SR million)

	For the period from 1 January to 30 June	
	2010	2011
EBITDA	36.3	66.4
Depreciation	8.9	10.6
Finance charges	2.3	0.5
Finance income	(2.2)	-
Share of income from associates	0.2	-
Gain on disposal of P&E	(0.1)	-
End of service indemnities	2.4	3.2
Trade receivables	4.2	2.1
Inventory	(36.5)	(46.0)

	For the period from 1 January to 30 June	
	2010	2011
Prepayments and other debit balances	(5.1)	(27.4)
Trade payables and other liabilities and extended service plan	39.3	95.0
EOSB paid	(0.3)	(0.5)
Finance charges paid	(2.3)	(0.5)
Zakat paid	(1.3)	(2.8)
Operating Cash Flows	45.9	100.9

Source: Audited Financial Statements

The net working capital liability increased with the expansion of the business, with the Company able to sell inventory at a faster rate than payables being due.

The following table illustrates the changes in the most important items of working capital during the six months ended June 2010 and 2011. The value of stocks increased during the six months ended June 2011 by SR 60.4m as a result of the opening of four new stores during the second half of 2010 and the first half of 2011 and the increase in the Company's sales. Customers' balances decreased by SR 7.2m due to the collection and settlement of deferred debts.

Payments to suppliers decreased by SR 18.7m due to the increase in purchases of imported goods, the value of which are paid before delivery.

The increase in prepaid amounts and other debit accounts from SR 39.7m in the six months ended June 2010 to SR 57.5m in the six months ended June 2011 is reflecting the increase in rent by SR3.7m as a result of opening new stores and increasing the prepayment to suppliers by SR 13.5m as a result of the increase in purchases of imported goods.

Exhibit 9-46: Changes in Working Capital (SR million)

	For the period from 1 January to 30 June		
	2010	2011	Change
Customers	10.1	2.9	7.2
Stock	242.2	302.6	(60.4)
Suppliers	416.1	397.4	(18.7)
Prepayments and other debt balances	39.7	57.5	(17.8)
Amount of change	(124.1)	(34.4)	(89.7)

Source: Audited Financial Statements

9-8-3-2 Investing Cash Flows

Exhibit 9-47: Investing Cash Flows (SR million)

	For the period from 1 January to 30 June	
	2010	2011
Additions to property and equipment	(27.6)	(28.8)
Finance income received	2.2	-
Proceeds from disposal of P&E	0.2	-
Investment in a subsidiary	(0.3)	-
Investing Cash Flows	(25.5)	(28.8)

Source: Audited Financial Statements

eXtra is continuing to expand its geographical footprint through the addition of new stores or disposal of depreciated assets. Capex includes the purchase of lands during the second half of 2010 (SR 57m) and fixtures for the new stores (SR 38.7m).

The Company plans to renew its existing stores, which have been open for 5 to 7 years at an average cost of SR 1 to 2 million for each store.

9-8-3-3 Financing Cash Flows

Exhibit 9-48: Financing Cash Flows (SR million)

	For the period from 1 January to 30 June	
	2010	2011
Bank loans	2.0	0.4
Medium term loans obtained	20.0	-
Repayment of medium term loans	(2.8)	(3.2)
Due from related party	(20.8)	-
Financing Cash Flows	(1.6)	(2.6)

Source: Audited Financial Statements

Financing cash flows for the period from 1 January to 30 June 2011 was a negative balance of 2.6m due to the repayment of the Company's medium term loans.

9-8-3-4 Commitments and Contingencies

Exhibit 9-49: Details of Utilized LCs and LGs (SR million)

	Amount
Samba Financial Group	21.1
Saudi British Bank	67.5
Banque Saudi Fransi	25.7
Riyad Bank	6.5
Total	120.8

Source: Audited Financial Statements

At 30 June 2010, the Company had SR 120.8m of utilized letters of credit and letters of guarantee which are used to cover goods purchased from suppliers in accordance with the supply agreement specific to each supplier.

9.9 Statement of Management's Responsibility for Financial Information

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Prospectus has been drafted by the Management of the Company and approved by the Board of Directors.

The Board Members acknowledge that there is no intention to make any fundamental change in the nature of the activity of the Company and that the Company's operations did not stop in a way that could affect or have affected the Company's financial position significantly during the past twelve months. The Board Members also acknowledge that there has been no material adverse change in the financial position or prospects of the Company during the two years proceeding the year of listing, in addition to the period since the end of the period covered by the accountant's report and until the date of the Prospectus.

The Management declare that the Company has no mortgages, rights or charges on its properties as of the date of the prospectus.

The Board Members acknowledge that the Company does not have any plans to undertake any material change to the nature of its business. Moreover, there has been no interruption in the businesses of the Company, which may have had a significant effect on its financial position in the last twelve months.

10. Dividend Record and Policy

It is the intention of eXtra to make dividend payments with a view to maximizing shareholder value commensurate with the Company's earnings, its financial condition, the condition of the markets, the general economic climate and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyals.

Although it is eXtra's intention to pay dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, or any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's bylaws. The Company has not distributed any dividends since the beginning of its activities.

11. Description of Shares

11.1 Share Capital

The share capital of the Company is SR 240 million divided into 24 million shares with a nominal value of SR 10 each.

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the share capital of the Company once or several times by issuing new Shares having the same nominal value as the Shares, provided that the original share capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations and the Capital Market Law and its Implementing Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new Shares. The new Shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original Shares owned by them, provided that the number of Shares allotted to them shall not exceed the number of new Shares they have applied for. The remaining new Shares shall be allotted to the Shareholders who have asked for more than their proportionate share, in proportion to the original Shares they own, provided that their total allotment does not exceed the number of new Shares they have asked for. Any remaining new Shares shall be offered for public subscription.

The Company may, based on certain justifiable causes, reduce its share capital if it proves to be in excess of its needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the relevant authorities. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

11.2 Rights of the Holders of Shares

Each share shall give its holder equal rights in the Company's assets and dividends, as well as the right to attend and vote at meetings of the General Assembly, for each shareholder owning at least twenty (20) shares.

11.3 Shareholders Assemblies

A General Assembly duly convened shall be deemed representing all the Shareholders and shall be held in the city where the Company's head office is located.

Each shareholder owning at least twenty (20) shares shall have the right to attend the General Assembly, whether in person or by proxy. Each shareholder, regardless of the number of shares held, shall have the right to attend the Conversion General Assembly. Each Shareholder may authorize in writing another Shareholder, other than the members of the Board of Directors or employees of the Company, to attend the General Assembly on his/its behalf.

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed. The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

Manner of Convening General Assemblies: The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The summons shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. The summons shall include the agenda of the meeting. However, so long as the Company's shares remain nominal, notice may be given at the time fixed above by registered letters. A Copy of the notice and the agenda shall be sent, within the period set for publication, to the Companies Department at the Ministry of Commerce and Industry.

Record of Attendance at the Meetings of the General Assembly: At the start of the General Assembly, a statement shall be prepared showing the names of the Shareholders, present or represented, and their addresses, as well as the number of shares held by them and the number of votes to which they are entitled. Any interested party shall have the right to examine such list.

Quorum of Ordinary General Assembly: A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (29) hereof. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly: A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least twenty five percent (25%) of the Company's capital.

11.4 Voting Rights

Each shareholder shall have one vote for each share he/it represents at the Conversion General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Resolutions of the Conversion General Assembly and Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under these By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

11.5 The Shares

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

11.6 Transfer of Shares

Transfer of shares, shall be subject to the rules and regulations governing listed companies on the Saudi Exchange (Tadawul).

11.7 Duration of the Company

The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce's resolution announcing the conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

12. Capitalization

eXtra was originally established as a limited liability company on 17/10/1422H (corresponding to 01/01/2002G) under the laws of the Kingdom of Saudi Arabia in the city of Riyadh, Saudi Arabia. The head office of the Company was subsequently moved to the city of Khobar.

eXtra was subsequently converted into a joint stock company pursuant to Resolution of the Minister of Commerce and Industry No. Q/65 dated 03/03/1431H (corresponding to 17/02/2010G). The Company is currently registered under commercial registration number 2051029841 dated 10/06/1425H (corresponding to 27/07/2004G) in the Commercial Registry of Khobar, Saudi Arabia.

On 14 Muharram 1432H (corresponding to 20/12/2010G), the Shareholders resolved to increase the paid up capital of the Company to SR 240 million by transfer of SR 128,940,300 from retained earnings and SR 11,059,700 from statutory reserve.

The table below sets out the capitalization of eXtra as derived from the audited financial statements as at the end of 31st December 2010, 2009 and 2008. The following table should be read in conjunction with the Financial Statements, including the notes thereto, in the "Accountant's Report" section of the Prospectus.

Exhibit 12-1: eXtra Capitalization (SR million)

	Year ended 31 December		
	2008	2009	2010
Liabilities			
Current	388.3	477.7	312.8
Non current	8.7	9.7	33.2
Total liabilities	397.0	487.5	346.0
Stockholders' equity			
Share Capital	100.0	100.0	240.0
Statuary Reserve	0.4	4.6	3.3
Retained Earnings	4.0	41.0	0.0
Total stockholders' equity	104.5	145.5	243.3
Total liabilities and stockholders' equity	501.5	633.0	589.2

Source: eXtra

The Directors confirm that neither the Company's capital nor the capital of any affiliates is under option. The Directors also confirm that the Company does not have any debt instruments or loans as of the date of the Prospectus apart from what is specified in section "Finance Documents" on page [114] of this Prospectus.

The Directors of the Company are of the opinion that the Company will have sufficient working capital for the 12 month period immediately following the Offering.

The Board Members acknowledge that there is no intention to make any fundamental change in the nature of the activity of the Company and that the Company's operations did not stop in a way that could affect or have affected the Company's financial position significantly during the past twelve months. The Board Members also acknowledge that there has been no material adverse change in the financial position or prospects of the Company during the two years preceding the year of listing, in addition to the period since the end of the period covered by the accountant's report and until the date of the Prospectus.

13. Use of Proceeds

The total proceeds from the Offering are estimated at SR [x.x] million, of which approximately SR [x.x] million relate to fees and expenses in connection with the Offering including the fees of the financial advisor, legal advisor, reporting accountants and underwriters, selling agents, marketing and printing and distribution expenses and other Offering related expenses. The net proceeds of SR [x.x] million will be distributed to the Selling Shareholders. The Company will not receive any part of the proceeds from the Offering.

No commissions, discounts, brokerages or other non-cash compensation were granted by the Company to any Director, proposed Director, Senior Executive, Promoter or Expert, within the two years immediately preceding the date of this Prospectus in connection with the issue or sale of any securities by the Company or any member of the Company group. The Selling shareholders will bear all Offering expenses.

14. Summary of Company's Bylaws

Name of the Company

The name of the Company is "United Electronics Company – a Saudi joint stock company".

Objects of the Company

The objects of the Company comprise

1- Wholesale and retail in foodstuff, refreshments, furniture and office furniture and leather products, and decoration materials, books, office supplies (books, magazines, stationary) computer games, electronics games, educational methods, electrical devices and products (refrigerators, freezers, ovens, air conditioners, ventilators, washing machines, dryers, dish washers, heaters, grills, coolers and vacuum cleaners, home appliances, their spare parts and accessories), recording tapes, generators, lighting units, chandeliers, lampshades, dry batteries, electronic devices (televisions, radios, audio and visual recorders, video players, multimedia projectors, video cameras, headphones, car recorders, calculators, electronic agendas, computers and their accessories, computer printers, fax machines, telephones and cellular phones, satellite receivers and their spare parts, selling different chips and internet requirements;

2- Trading agencies, distribution agents, brokerage business except for money exchange and real estate, importing and exporting services to third parties, marketing services, freight services, examination and inspection services, clearance of goods services, weight and scaling services, packing and packaging services;

3- Purchasing of lands for construction purposes and investing in these buildings by selling and renting for the benefit of the company;

4- Developing, managing, operating and maintaining real estate;

5- Establishing, managing and operating industrial and commercial projects, hotels, restaurants and shopping centers;

6- Maintaining and operating training, educational and entertainment centers;

7- Maintenance and repair services (cameras, computers, audio and visual devices, watches and alarms, shoes, automatic washing machines, installing vehicles' radio systems); and

8- Computer services (applications and data bases), printing and copying documents and maps, students' services and processing films.

Interest in Other Entities

The Company may have an interest, or otherwise participate in any manner with other entities or companies that carry out similar activities or that may assist the Company in the realization of its Objects. The Company may also hold stocks or shares in other existing companies or may merge with or acquire those companies.

The Company may also have an interest or may participate in any manner with other companies provided that such participation shall not exceed 20% of the Company's free reserves and 10% of the capital of the Company in which it participates, and provided that the total amount of such participations shall not exceed the value of those reserves, and that the ordinary general meeting shall be so notified at its first meeting.

Head Office of the Company

The head office of the Company shall be in the city of Khobar, the Kingdom of Saudi Arabia. The Board of Directors may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia.

Term of the Company

The term of the Company shall be ninety nine (99) years commencing from the date of issue of the resolution of the Minister of Commerce and Industry announcing the Company's incorporation. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its term.

Capital of the Company

The Company's capital is currently two hundred forty million Saudi Riyals (SR 240,000,000), divided into twenty four million (24,000,000) shares, each with a nominal value of ten Saudi Riyals (SR 10), all of which are ordinary shares.

Shareholders of the Company

The Shareholders have subscribed to all the Shares of the Company, being twenty four million (24,000,000) Shares.

The Shares of the Company

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, the owners shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

Increase of Capital

The Extraordinary General Meeting may, based on reliable feasibility study and after receiving the approval of the competent authorities, resolve to increase the Company's capital once or more by issuing new shares with the same nominal value as the original shares, provided that the original capital shall have been paid up in full with due consideration to the requirements of the Companies Law. Such resolution shall specify the manner in which the capital shall be increased. The Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The original Shareholders shall be notified of the pre-emptive rights vested in them by a notice to be published in a daily newspaper reporting the capital increase resolution and the conditions of subscription, or by written notice to such Shareholder by registered mail. Each such Shareholder shall express the desire to exercise such pre-emptive rights, if they so wish, within fifteen (15) days of the date of publication or of the date of such notice.

The said new shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of new shares allotted to them shall not exceed the number of new shares they have applied for. If there is a balance remaining, the remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

Decrease of Capital

The Extraordinary General Assembly may, for valid reasons and after obtaining the approval of the Minister of Commerce and Industry, resolve to reduce the Company's capital if it proves to be in excess of its needs or if the Company has incurred losses. Such resolution shall not be adopted except after considering the auditor's report on the reasons for such a reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Law. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Constitution of the Board of Directors

The Company shall be managed by a Board of Directors consisting of nine (9) members to be appointed by the Ordinary General Assembly for a term not exceeding three (3) years, all of whom may be reappointed.

Each member of the Board of Directors shall hold Shares with a nominal value of no less than ten thousand Saudi Riyals (SR 10,000). Such shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the Board member. Such shares shall be kept aside to guarantee the liability of the Board members and shall remain non-negotiable until the expiry of the period specified for hearing a liability action provided for under Article 76 of the Companies Law or until a judgment is passed on said action. Should a member of the Board of Directors fail to submit such qualification shares within the period specified therefore, his membership in the Board shall be deemed null and void.

Powers of the Board of Directors

Subject to the powers reserved for the General Assembly, the Board of Directors shall have the broadest authority in managing the affairs and business of the Company chartering its policies, determining its investment fields, supervising its business and financial resources, and duly disposing of its affairs inside and outside the Kingdom. This may include without limitation the representation of the Company in its relations with third parties and government agencies and also before the courts, other judicial authorities, the Board of Grievances, as well as the Labour Offices, the Preliminary and Supreme Commissions for the Settlement of Labour disputes, Capital Market Authority committees, arbitration commissions, other judicial committees, Civil Rights, Police Stations, Chambers of Commerce and Industry, in addition to all other commissions, companies, establishments, and firms with their different types. The Board of Directors shall have the right to claim, disclaim, defend, plead, dispute, litigate, release, accept or reject reconciliation rulings and enter into arbitration on behalf of the Company, as well as asking for or challenging the implementation of rulings, and receiving the outcome of implementation. The Board of Directors shall have the authority to contract and commit in the name of and on behalf of the Company and enter into tenders, receiving, paying and declaring. Moreover, the Board may have the right to sign all types of contracts, deeds, and documents including for example the Articles of Association of the companies in which the Company holds shares along with all amendments, appendixes, and amendment decrees thereof. In addition, the Board may sign agreements and deeds before the Notary Public and other official authorities and may also conclude agreements for loans, warranties, guarantees, and securities, and may furthermore issue official powers of attorney and third party guarantees in the name of the Company, sell, buy, evacuate, occupy, deliver, accept, lend, rent, receive, pay, open accounts, make credits, withdraw from and deposit to bank accounts, issue banking guaranties, and sign all notes, checks, documents and banking transactions. In addition to above, the Board may hire and fire employees, request visas, recruit manpower from abroad, sign employment contracts, determine employees' salaries and service benefits, request issuance of residence authorization cards (Iqamas), transfer sponsorships and give releases to terminated employees. The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions. In relation to the sale of the Company's real estate, the minutes of the meeting of the Board of Directors must specify the reasons and justifications for sale observing the following conditions:

1- The Board shall determine in the sale resolution the reasons and justifications for the sale;
2- The sale price shall be comparable to the price of like real estate;
3- Payment for the sale shall be immediate save in emergencies, and with sufficient guarantees; and
4- The disposition shall not result in suspension of some of the activities of the Company or imposing any other encumbrances.

The Board of Directors shall also have the right to conclude and obtain loans with government funds and finance institutions regardless of the tenor thereof, and to conclude commercial loans, including loans with tenures not exceeding the term of the Company; however, commercial loans with a tenure exceeding three years shall be subject to the following conditions:

1- The Board of Directors' resolution shall specify the manner in which the loan would be used and the manner of repayment thereof; and
2- The Board of Director shall take into consideration during the execution of the loan conditions and guarantees not to impair the interests of the Company and its shareholders, and the general guarantees given to the creditors.

The Board of Directors shall also have the right to discharge the Company debtors from their obligations provided that the minutes of the meeting of the Board of Directors and the reasons given for the decision shall observe the following:

1- Discharge shall be after the lapse of at least one year from the establishment of the debt;
2- Discharge shall be for a maximum specified amount for each year for each debtor; and
3- Discharge shall be a right to be wielded only by the Board of Directors and shall not be delegated to any person.

Remuneration of Board of Directors

The remuneration paid to the Board of Directors shall be in accordance with the provisions of paragraph D of Article (46) of the by-laws, within the limits of the provisions of the Companies Law and other laws, decisions, or directives complementary thereto, in addition to transportation allowances as specified by the Board of Directors in accordance with the provisions of the rules and regulations applicable in the Kingdom. The Board of Directors' report to the Ordinary General Meeting shall include a detailed statement of all the remuneration and allowances received by the members of the Board of Directors during the fiscal year, including salaries, dividends, allowances, expenses and other benefits. The said report shall also include a list of the amounts received by the members of the Board in their respective capacities as officers or executives against the technical, administrative, or consultative services provided by them as approved by the Company's General Meeting.

Chairman, Managing Director and Secretary

The Board shall appoint one of its members as Chairman and the Board may appoint a Managing Director, and it shall not be permissible for a member to occupy the office of the Chairman and that of the Managing Director. The Chairman shall have the right to invite the board to meetings and shall preside over such meetings.

The Chairman may represent the Company in its relations with third parties, government agencies, private firms, and also before the courts, Notary Public, other judicial authorities, the Board of Grievances, as well as the Labor Offices, the Preliminary and Supreme Commissions for the Settlement of Labor disputes, Capital Market Authority committees, arbitration commissions, other judicial committees, Civil Rights, Police Stations, Chamber of Commerce and Industry, in addition to all other commissions, companies, establishments, and firms with their different types and at their various levels. This may include entering into tenders, receiving, paying, declaring, claiming, disclaiming, defending, pleading, replying at claims, disputing, litigating, releasing, accepting or rejecting reconciliation and arbitration rulings on behalf of the Company, as well as asking for or challenging the implementation of rulings. The Chairman may also sign agreements and deeds before the Notary Public and other official authorities, including without limitation, the Articles of Association of the companies in which the Company holds shares along with all amendments, and may also conclude agreements for loans, warranties, guarantees, and securities, and may furthermore issue official powers of attorney in the name of the Company, sell, buy, evacuate, occupy, deliver, accept, lend, rent, receive, pay, open accounts, make credits, withdraw from and deposit to bank accounts, issue banking guaranties, and sign all notes and checks. Moreover, the Chairman may hire and fire employees, sign employment contracts, and determine employees' salaries. As well, he may appoint attorneys and lawyers for the Company and revoke them and may also authorize one or more than one of its members or others to carry out certain tasks out of what has been mentioned above.

The Board of Directors shall determine the remuneration of the Chairman and the Managing Directors along with the remuneration of the Board members.

The Board of Directors shall have a secretary from among its members or others and fix his remuneration. The said secretary shall, in addition to the other duties entrusted to him by the Board of Directors, record and archive the board minutes of meetings, together with the resolutions adopted in such meetings.

The term of the office of the Chairman, the Managing Director and the Secretary – if the Secretary is a Board member – shall not exceed their respective term of service as Directors. The term of the Chairman, the Managing Director and the Secretary of the Board may be renewed.

Board of Directors' Meeting

The Board shall meet upon the written invitation of the Chairman at least two times (2) per annum, to be served personally, by mail, fax, or electronic mail. The Chairman shall convene a Board meeting if so requested by two members.

Quorum and Representation

A meeting of the Board shall be duly convened if attended by at least six (6) of the members of the Board. In cases where the Board member wishes to grant a proxy to another Board member to vote at a meeting of the Board on his behalf, the following terms and conditions shall be met:

a) A Board member shall not represent more than one other Board member at any meeting of the Board;
b) The proxy shall be in writing and for a specific meeting; and
c) The authorized member shall not vote on resolutions on which his principal is prohibited from voting by law.

Board resolutions shall be adopted with the approval of the majority vote of the members present. In case of a tie, the Chairman of the Board or the Board member presiding over the Board in the absence of the Chairman shall have a casting vote.

The Board may adopt its resolution by circulation to all members unless one Board member makes a written request for a meeting to deliberate on such a resolution. Such resolutions shall be laid before the Board in its first following meeting.

Minutes of Meetings

Board deliberations and resolutions shall be drawn in minutes to be circulated to all Board members and signed by the Board Chairman and the Secretary after the signing by all of the present Board members of a copy of such minutes. Such minutes shall be recorded in a special register to be signed by the Chairman and the Secretary. Any member should notify the Board of Directors of any personal interests, whether direct or indirect, he may hold in the business or the agreements made for the benefit of the Company. Such notification should be included in the Board's minutes of meeting; the member having any such interest is not entitled to vote on any resolution related to this interest.

Executive Committee

The Board of Directors may form, from among its members or from others, an Executive Committee made up of at least three (3) members. Such Committee should include at least one member of the Board of Directors. The Board of Directors shall determine the mechanism of the committee's performance and its competences.

Audit Committee

The Board of Directors shall form from among its members or from others an Audit Committee consisting of at least three members including a specialist in financial and accounting matters. The Audit Committee shall oversee the internal audit department in the Company and examine the system of internal control and internal audit reports and follow-up the implementation of corrective actions of the observations and shall recommend to the Board of Directors the appointment of chartered accountants and provide supervision and surveillance over their works, and shall review the audit plan with them. The committee shall also regularly review the financial regulations and the risks to the Company and the Company's compliance with legal and regulatory requirements and accounting principles and regulations of the Capital Market Authority. The responsibilities of the committee shall include the revision of the interim and annual financial statements of the Company before submitting them to the Board of Directors, and the study of accounting policies and recommendation in this regard to the Board of Directors.

Nomination and Remuneration Committee

The Board of Directors shall form a Nomination and Remuneration Committee based on the rules set by the General Assembly. This committee shall be competent to recommend to the Board individuals who would constitute nominees for membership to the Board according to the approved standards and annual review of the required skills to the membership of the Board, and the review of the structure of the Board and it shall raise recommendations about certain changes. The committee shall also be competent to specify the areas of weakness and strength in the Board and recommend solutions and to ensure on an annual basis the independence of the independent members. In addition, the committee shall put in place clear policies in relation to the compensations and rewards of Board members and senior executives of the Company.

General Assemblies of Shareholders

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located.

Any Shareholder is entitled to attend in person, or in proxy, the Conversion General Assembly. Each Shareholder owning twenty (20) or more shares shall have the right to attend the General Assembly, and may authorize in writing another Shareholder, other than the members of the Board of Directors or from the employees of the Company, to attend the General Assembly on his/its behalf.

Ordinary General Assembly

Except for matters falling within the jurisdiction of an Extraordinary General Assembly, an Ordinary General Assembly shall be competent in all matters related to the Company and shall be convened at least once a year during the first six (6) months following the end of the Company's fiscal year. Other Ordinary General Assembly meetings may be called where necessary.

Extraordinary General Assembly

An Extraordinary General Assembly of Shareholders shall be competent to amend the provisions of the By-Laws of the Company, other than those provisions whose amendment is prohibited by law. Furthermore, an Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

Manner of Convening General Assemblies

The General Assembly shall be called and convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The notice shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty five (25) days prior to the time set for such meeting. The notice shall include the agenda of the meeting.

Record of Attendance at the Meetings of the General Assembly

When a General Assembly convenes, a list shall be prepared of the names and residence addresses of the Shareholders present or represented therein, showing the number of shares held by each, whether personally or by proxy, and the number of votes allotted thereto. Any interested party shall be entitled to examine such list.

Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (33) of the By-Laws. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in Article (33) of the By-Laws. The second meeting shall be valid only if attended by a number of Shareholders representing at least one quarter (1/4) of the Company's capital.

Voting Rights

Votes shall be calculated in the Constituent Assembly and the Ordinary and Extraordinary General Assemblies on the basis of one (1) vote represented in the meeting. Nevertheless, Board members are not entitled to participate in voting on the General Assembly's resolutions related to their discharge.

Voting Majorities

Resolutions of the Ordinary General Assembly shall be adopted by the absolute majority of the shares represented at the meetings. However, if such resolutions relate to the evaluation of the shares in kind of special benefits, then it shall be necessary to have the approval of the majority of the subscribers of cash shares representing two third (2/3) of said shares after excluding the subscriptions made by the subscribers of the shares in kind or the beneficiaries of special benefits.

Resolutions of the Ordinary General Assembly shall be adopted by the absolute majority of the shares represented at the meetings.

Resolutions of the Extraordinary General Assembly shall be adopted by the affirmative vote of at least two-thirds (2/3) of the share represented therein, except as regards resolutions pertaining to an increase or decrease in the Company's capital, the extension of the term of the Company, the dissolution of the Company before the expiry of its term, or the merger of the Company with another company or institution, in which cases resolutions shall be adopted by the affirmative votes of at least three-quarters (3/4) of the shares represented therein.

Discussing the Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and to the auditors. The members of the Board or the auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

Procedures of the Meetings of the General Assembly

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting which shall include the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

Appointment of Auditor

The Company shall have one or more auditors to be selected from among the auditors licensed to work in the Kingdom of Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditor.

Access to Records

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the Company's assets and liabilities.

Auditor's Report

The auditor shall submit to the annual General Assembly a report showing how far the Company has enabled it to obtain the information and clarifications it has requested and what violations of the Companies Law and the By-Laws it has discovered and its opinion as to whether the Company's accounts accurately reflect the facts.

Financial Year

The Company's fiscal year shall begin on 1 January and end on 31 December each year, provided that the first fiscal year shall start on the date of the Ministerial Resolution announcing the establishment of the Company and end on 31 December of the next year.

Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital;
- The Ordinary General Assembly may set aside, upon the recommendation of the Board of directors a percentage not exceeding twenty percent (20%) of the annual net profits to form an additional reserve to be allocated for the specific purpose or purposes decided by the Ordinary General Assembly;
- Out of the balance of the profits, Shareholders shall be paid an initial payment of at least five percent (5%) of the paid-up capital; and
- A percentage not exceeding five percent (5%) of the balance shall be provisioned as remuneration to the Board of directors, provided that it does not exceed at any time the maximum limit permitted by the competent authorities.

Distribution of Dividends

The profits that are resolved to be allocated to Shareholders shall be paid up at the place and time specified by the Board of Directors in accordance with the regulations issued by Ministry of Commerce and Industry in this respect.

Liability Action

Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of his/its intention to file such action.

Dissolution and Winding-up of the Company

In the event the losses of the Company reach three-quarters (3/4) of the Company's Capital, the Board of Directors shall request the Extraordinary General Assembly to convene to discuss the continuity of the Company or the premature winding up as stipulated in Article (6) of the by-laws; such decision should be published in the Official Gazette.

Upon the expiry of the Company's term and in case of premature winding up, the Extraordinary General Meeting shall, under a recommendation from the Board of Directors, specify the manner of liquidation and appoint one or more liquidators, and set their duties, powers, and remuneration. The powers of the Board of Directors shall cease upon the termination of the Company, however it shall remain in control of the management until the said liquidator is appointed, where the other company's divisions and bodies shall maintain their respective duties and powers to the extent that they are not in conflict with the liquidators' powers; and in all cases the General Assembly's resolution should be published in the Official Gazette.

15. Legal Information

15.1 Overview

eXtra was originally established as a limited liability company on 17/10/1422H (corresponding to 01/01/2002G) under the laws of the Kingdom of Saudi Arabia ("Kingdom" or "Saudi Arabia") in the city of Riyadh, Saudi Arabia. The head office of the Company was subsequently moved to the city of Khobar.

eXtra was subsequently converted into a joint stock company pursuant to Resolution of the Minister of Commerce and Industry No. Q/65 dated 03/03/1431H (corresponding to 17/02/2010G). The Company is currently registered under certificate No. 2051029841 dated 10/06/1425H (corresponding to 27/07/2004G) in the Commercial Registry of Khobar, Saudi Arabia.

The shareholders of eXtra are as follows:

- Alfozan Holding Company;
- Abdulaziz Alsaghyir Commercial Investment Company;
- Abdullatif and Mohammed Alfozan Company;
- Itlalah Arabia Trading Company;
- Rokn Al Elham For Development Company Limited; and
- Ma'aly Al Khaleej Trading Company

The main activities of eXtra comprise the retail of consumer electronics, appliances, communications and solutions.

The Articles of Association of eXtra have been amended numerous times pursuant to resolutions duly adopted by its shareholders prior to its conversion into a joint stock company, and eXtra's By-laws have also been amended post its conversion pursuant to resolutions adopted by eXtra's extra-ordinary General Assembly. Below is a table summarizing the resolutions amending the Company's Articles of Association and By-laws:

Exhibit 15-1: Resolutions amending eXtra's constitutional documents

Date of Amendment	Amendments
17/02/1424H (corresponding to 19/04/2003G)	> Transfer of shares; > Head office; > Increase of capital; and > Management (Board authorities – meetings - resolutions – Managing Director).
14/08/1425H (corresponding to 28/09/2004G)	> Increase of capital.
22/03/1426H (corresponding to 01/05/2005G)	> Increase of capital; > Board composition; and > Appointing the Managing Director.
14/03/1427H (corresponding to 14/03/2006G)	> Increase of capital.
Notarized on 28/11/1430H (corresponding to 16/1/2009G)	> Transfer of shares; and > Conversion of the Company.
14/01/1432H (corresponding to 20/12/2010G)	> Increase of capital; > Board composition; > Board of Director's, Chairman's and Managing Director's authorities; > Amending Article (27) of the By-laws relating to the Executive Committee; and > Amending Article (28) of the By-laws relating to the Audit Committee.
11/11/1432H (corresponding to 09/10/211G)	> Amendment of Company's objects; > Deletion of Articles (16) and (49) of the By-laws relating to preferred shares; > Amending Article (17) of the By-laws relating to issuance of debt.

15.2 Ownership structure

The following table provides a description of the existing shareholders and their respective shares in eXtra pre and post IPO (assuming full subscription):

Exhibit 15-2: eXtra's Ownership Structure

Shareholder	Pre-Offering			Post-Offering		
	Shares	Percent	Capital SR	Shares	Percent	Capital SR
Al Fozan Holding Company	15,600,000	65.00%	156,000,000	10,903,096	45.43%	109,030,960
Abdulaziz Al Saghyir Commercial Investment Company	5,280,000	22.00%	52,800,000	3,584,842	14.94%	35,848,421
Itlalah Arabia Trading Company	1,200,000	5.00%	12,000,000	840,000	3.50%	8,400,000
Abdullatif and Mohammed Al-Fozan Company	720,000	3.00%	7,200,000	503,220	2.10%	5,032,198
Rokn Al Elham Development Company Limited	720,000	3.00%	7,200,000	488,842	2.03%	4,888,421
Ma›aly Al Khaleej Trading Company	480,000	2.00%	4,800,000	480,000	2.00%	4,800,000
Public	-	-	-	7,200,000	30.00%	72,000,000
Total	24,000,000	100.00%	240,000,000	24,000,000	100.00%	240,000,000

Source: eXtra

15.3 Branches within Saudi Arabia

The Company has twenty one branches. Each store has its own CR except for the one in Khobar which shares the CR with the head office. The CRs for the branches are renewed before their expiry dates with a monthly follow up by the Department of Administrative Matters (team of governmental relations):

Exhibit 15-3: eXtra's Branches' CRs

Branch	CR Number	Date of Issuance	Date of Expiration
Central region			
Worood store	1010175357	19 Muharram 1423H (corresponding to 2 April 2002G)	18 Muharram 1433H (corresponding to 13 December 2011G)
Ghurnath store	1010204256	13 Dhul-Qadah 1425H (corresponding to 25 December 2004G)	13 Dhul-Qadah 1435H (corresponding to 8 September 2014G)
Sweidi store	1010210628	20 Jumada Alawal 1426H (corresponding to 27 June 2005G)	20 Jumada Alawal 1436H (corresponding to 11 March 2015G)

Branch	CR Number	Date of Issuance	Date of Expiration
Buraidah store	1131025972	1 Rabei Athani 1429H (corresponding to 7 April 2008G)	30 Rabei Alawal 1434H (corresponding to 11 February 2013G)
Khurais store	1010283056	15 Rabei Alawal 1431H (corresponding to 1 March 2010G)	15 Rabei Alawal 1436H (corresponding to 6 January 2015G)
Al Raed store	1010300686	7 Safar 1432H (corresponding to 11 January 2011G)	7 Safar 1435H (corresponding to 10 December 2013G)
Al Rimal store	1010300685	7 Safar 1432H (corresponding to 11 January 2011G)	7 Safar 1435H (corresponding to 10 December 2013G)
Al Badia store	1010307790	23 Jumada Alawal 1432H (corresponding to 27 April 2011G)	23 Jumada Alawal 1433H (corresponding to 14 April 2012G)
Eastern region			
Khobar store	2051029841	10 Jumada Athani 1425H (corresponding to 27 July 2004G)	7 Jumada Athani 1435H (corresponding to 7 April 2014G)
Al Hassah store	2252035727	22 Sha›ban 1428H (corresponding to 4 September 2007G)	21 Sha›ban 1433H (corresponding to 11 July 2012G)
Dammam store	2050062467	26 Shawwal 1429H (corresponding to 26 October 2008G)	25 Shawwal 1434H (corresponding to1 September 2013G)
Tabuk store	3550026190	12 Muharram 1432H (corresponding to 18 December 2010G)	11 Muharram 1437H (corresponding to 24 October 2015G)
Hafr Al Batin store	2511013237	7 Dhul-Qadah 1432H (corresponding to 5 October 2011G)	7 Dhul-Qadah 1434H (corresponding to 13 September 2013G)
AlFaisaliah – Dammam store	2050078151	29 Shawwal 1432H (corresponding to 27 September 2011G)	28 Shawwal 1437H (corresponding to 2 August 2016G)
Western region			
Sultan store	4030146479	15 Dhul-Qadah 1424H (corresponding to 7 January 2004G)	15 Dhul-Qadah 1434H (corresponding to 21 September 2013G)
Abha store	5850027004	22 Jumada Alawal 1427H (corresponding to 18 June 2006G)	21 Jumada Alawal 1437H (corresponding to 1 March 2016G)
Taif store	4032025960	12 Jumada Athani 1427H (corresponding to 8 July 2006G)	12 Jumada Athani 1437H (corresponding to 21 March 2016G)
Madinah store	4650038844	13 Rabei Athani 1428H (corresponding to 26 October 2008G)	13 Rabei Athani 1437H (corresponding to 23 January 2016G)
Old Airport store	4030189019	26 Rabei Athani 1430H (corresponding to 30 April 2007G)	26 Rabei Athani 1435H (corresponding to 27 March 2014G)
Mekkah store	4031060798	29 Dhul-Hijjah 1431H (corresponding to 22 April 2009G)	28 Dhul-Hijjah 1436H (corresponding to 11 November 2015G)
Najran store	5950018934	25 Rajab 1432H (corresponding to 27 June 2011G)	25 Rajab 1437H (corresponding to 2 May 2016G)

15.4 Branches outside Saudi Arabia

eXtra has no branches established outside of Saudi Arabia.

15.5 Subsidiary and Affiliates within Saudi Arabia

United Company for Computers and Electronics Maintenance ("UCCEM") is the sole subsidiary of eXtra within Saudi Arabia.

Below is a summary of the most relevant particulars of UCCEM's Articles of Association:

15.5.1 Name

The company was established under the name of 'United Company for Computers and Electronics Maintenance'.

15.5.2 Objectives

The objectives of UCCEM pursuant to its Articles of Association are the maintenance and repair of electronic, digital and electrical devices, household devices and computers, in addition to the wholesale and retail of electronic and digital devices and their spare parts, computer and electronic games, various office machinery, cell phones, foodstuff and decoration materials. The objectives of UCCEM also include commercial and brokerage agencies except for money exchange, and the purchasing of lands for construction purposes and investing in these buildings by selling and renting for the benefit of UCCEM.

15.5.3 Head Office

The head office of UCCEM is located in Khobar, Saudi Arabia.

15.5.4 Term

The term of UCCEM shall be fifty (50) years commencing from the date of registration in the commercial register.

15.5.5 Capital

The capital of UCCEM is SR 300,000 (three hundred thousand Saudi Riyals), divided into 3,000 (three thousand shares), each with a nominal value of SR 100 (one hundred Saudi Riyals), distributed between the shareholders as follows:

Exhibit 15-4: Capital

Name of Shareholder	Number of Shares	Par Value SR	Value of Shares SR	Percentage
United Electronics Company (eXtra)	2,970	100	297,000	99%
Digital & Electronic Solutions Development Company	30	100	3,000	1%
Total	3,000	100	300,000	100%

Digital & Electronic Solutions Development Company is a Saudi limited liability company whose shareholders are Alfozan Holding Company holding 75% and Abdul Aziz Alsaghyir for Trading Investment Company holding 25%.

15.5.6 Transferability of Shares

The Articles of Association provides that shares may be transferred between shareholders and their legal heirs. No shareholder may transfer any of its shares to a third party, for value or otherwise, unless such a transfer is authorized by the other shareholders. The other shareholders may purchase such shares as are being transferred by a shareholder in accordance with Article 165 of the Companies Regulations.

15.5.7 Management

Pursuant to the Articles of Association, UCCEM is managed by a single manager, who shall have all required authorities to manage UCCEM.

15.5.8 Shareholders' Resolutions

The affirmative unanimous vote of the shareholders shall be required in order to approve the following matters:

> any change in the nationality of the company; and
> any increase in the financial burdens of the shareholders.

Save for the cases mentioned above, any amendment to Articles of Association of the company shall require the affirmative vote of those shareholders representing at least seventy five percent (75 %) of the share capital of the company.

All shareholders' resolutions not relating to the amendment of the company's articles of association shall require the affirmative vote of those shareholders representing at least fifty percent (50%) of the share capital of the company.

15.5.9 Fiscal Year

UCCEM's first fiscal year shall commence on the date of its registration in the commercial register and end on 25/01/1432H (corresponding to 31/12/2010G). Each subsequent fiscal year shall be for a period of 12 calendar months.

15.5.10 Distribution of Annual Profits

After deducting all general expenses and other costs, UCCEM's annual net profits shall be allocated as follows:

> Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve; and
> The balance shall be distributed between the shareholders pro rata to their shareholding percentage in the company.

15.5.11 Commercial Registration Certificate

Details of UCCEM's commercial registration certificate are as follows:

Exhibit 15-5: UCCEM's Commercial Registration

License Type	Issuing Authority	License number	Date of issuance	Purpose
Commercial registration certificate	Ministry of Commerce and Industry	2051043211	10/07/1431H (corresponding to 22/06/2010G)	Incorporation and registration of the company

15.6 Subsidiary and Affiliates outside Saudi Arabia

United Electronics Company (eXtra) S.P.C. ("UEC Bahrain") is the sole subsidiary of eXtra outside Saudi Arabia.

Below is a summary of the most relevant particulars of UEC Bahrain's by-laws:

15.6.1 Name

The name of the company is United Electronics Company (eXtra) S.P.C.

15.6.2 Objects

The objects of UEC Bahrain shall be:

1- Importing, exporting and selling of electrical and electronic devices and their spare parts;
2- Importing, exporting and selling of computer deviecs and their accessories;
3- Importing, exporting and selling of computer programs and software;
4- Importing, exporting and selling of electronic games and their programs; and
5- Managing and developing private properties.

15.6.3 Head Office

The head office of UEC Bahrain is located in Manama, Kingdom of Bahrain.

15.6.4 Term

The term of UEC Bahrain shall be fifty (50) years commencing from the date of its creation.

15.6.5 Capital

The capital of UEC Bahrain is BD 50,000 (fifty thousand Bahraini Dinars), divided into 500 (five hundred shares), each with a nominal value of BD 100 (one hundred Bahraini Dinars).

15.6.6 Management

UEC Bahrain is managed by Mr. Maher Saad Al-Rajhi, who shall have all required authorities to manage the company's daily business and representing it before the courts and third parties, and shall be responsible for its management before the sole shareholder.

15.6.7 Fiscal Year

UEC Bahrain's fiscal year shall commence on the first day of January and end on the 30th of December of each year. As an exception, the first fiscal year shall commence on the date of its creation and end on the last day of the fiscal year, taking into consideration that the first fiscal year shall not be less than six months.

15.6.8 Distribution of Annual Profits

The sole shareholder in UEC Bahrain shall be entitled to the net profits after deducting 10% of these profits to form a statutory reserve in accordance with Article (224) of the commercial companies' law.

Based on the suggestion of the manager of the company, the sole shareholder may deduct a percentage not exceeding 3% of the net profits to form an additional reserve used for the following purposes:

1- The consumption of the company's assets or the compensation on their depreciation.
2- For the benefit of the company.

15.6.9 Commercial Registration Certificate

Details of UEC Bahrain's commercial registration certificate are as follows:

Exhibit 15-6: UEC Bahrain's Commercial Registration

License Type	Issuing Authority	License number	Date of issuance	Purpose
Commercial registration certificate	Ministry of Industry and Commerce in the Kingdom of Bahrain	79207	15/11/1432H (corresponding to 13/10/2011G)	Registration of the single person company

15.7 Significant Transactions Involving Related Parties

The Company shall ensure that all transactions between the Company and any of its affiliates or any of its officers, directors or shareholders or any of their subordinates shall be made by consent of the majority of the directors, including the majority of the independent directors and the directors who are not concerned with the resolution subject to voting. Directors having an interest in the mentioned transactions shall refrain from voting on the related resolutions in the Board of Directors.

The Company, its directors and shareholders confirm that all related party transactions have been made on commercial basis, and no related party has received a preferential treatment in this regard.

The Company, its directors and shareholders confirm that they intend to be committed to Articles 69 and 70 of the Companies Regulation issued by the Ministry of Commerce and Industry and committed to Article 18 of the Corporate Governance Regulation issued by the Capital Market Authority, with respect to the contracts with related parties as follows:

- All related party contracts are to be voted for in the Ordinary General Assembly;
- The Shareholders declare not to participate in any competitive business with that of the Company or deal with related parties on a commercial basis; and
- Except for what has been mentioned below, there are no commercial transactions for the time being with any of the directors, executive management or holders of 5% or more of the Company or any of their relatives who have direct or indirect material interest in those transactions, moreover, there are no powers that give any of them the right to vote on those transactions.

The following related party arrangement has been noted within the context of eXtra's business:

Service Level Agreement

eXtra and DESD have entered into a service level agreement on 01/01/2010G, where eXtra has agreed to provide information technology, finance and human resource services to DESD. This agreement can be terminated by either party by giving one (1) month notice to the other party.

DESD shall pay eXtra the amounts required as per this agreement, pursuant to notices provided by eXtra, on monthly basis, within 30 days from the date of each notice. eXtra shall submit its notices to DESD on a monthly average that amounted to SR 306,000 in the year 2010G and SR 410,000 for the year 2011G, those amounts were specified in the terms of the service contract concluded between the parties described above in consideration for services rendered.

The parties have agreed not to disclose, and use reasonable endeavours to prevent disclosure of each others' confidential information to any third party.

This agreement is governed under the laws of Saudi Arabia.

This agreement has been presented to and approved by eXtra's Extraordinary General Assembly held on 11/11/1432H (corresponding to 09/10/2011G)

Lease Agreements

eXtra entered into two (2) lease agreements with Abdullatif and Mohammed Al-Fozan Company. The first agreement relates to the Company's warehouse in Al-Mina area. The second agreement relates to a piece of commercial land in Al-Khobar. The purpose of this lease is to use the land for the construction of commercial showrooms which shall be exploited for the exercise of commercial activities or to lease it out for the entire term of the lease.

In addition to these agreements, eXtra has entered into one lease agreement with Abdullatif Ahmed Abdullatif Al-Fozan relating to the vacant land located on the Jeddah - Mekkah highway. The purpose of this lease is to exploit the land commercially by eXtra through the construction of commercial showrooms and using the same for the exercise of commercial activities and to lease some of them out to third parties during the term of the lease.

The Company has also entered into a lease agreement with Al-Fozan Building Materials relating to two hangers in Jeddah, in addition to a free unbuilt space facing these hangers. According to the lease agreements, these two hangers shall be utilized by eXtra in its commercial activities.

Furthermore, eXtra has entered into a lease agreement (in its capacity as a lessor) with United Company for Household Requirements (lessee), for the purpose of leasing commercial office spaces in eXtra's showroom in Khobar. As per the provisions of the agreement, the lessee shall have the right to sub-lease all or part of the leased space at its sole responsibility, subject that the term and conditions of the sub-lease shall not exceed the term of the original lease or its conditions. The lessee shall be entitled to assign the lease to any third party after obtaining the prior written consent of eXtra.

The following exhibit shows details of the mentioned lease agreements:

Exhibit 15-7: Details of Lease Agreements

Lessor	Location	Date	Lease Term	Rent Amount
Abdullatif Ahmad Abdullatif Al-Fozan	Plots no. 434 to 443, Block 29 (7,680,25m^2) on the Jeddah Mekkah Highway	19/09/1430H (corresponding to 09/09/2009G)	20 years commencing on 12/10/1430H (corresponding to 01/10/2009G) and ending on 25/08/1451H (corresponding to 31/12/2029G). Renewable through a written notice sent one year prior to the end date.	For the initial five years (2010-2014): SR 1,351,724 per annum; For the following five years (2015-2019): SR 1,520,690 per annum; For the next five years (2020-2024): SR 1,689,655 per annum; For the last five years (2025-2029): SR 1,858,621 per annum.
Abdullatif and Mohammed Al-Fozan Company	Warehouse-Almina	01/09/1432H (corresponding to 01/08/2011G)	5 Gregorian years commencing on 27/04/1432H (corresponding to 01/04/2011G) and ending on 22/06/1437H (corresponding to 31/03/2016G). Automatically renewable for one Gregorian year.	SR 192,000 per annum
Abdullatif and Mohammed Al-Fozan Company	Land in Khobar	12/03/1425H (corresponding to 01/05/2004G)	25 years commencing on 30/04/1424H (corresponding to 30/06/2003G) and ending on 07/02/1450H (corresponding to 30/06/2028G). Renewable upon the agreement of both parties.	SR 991,000 per annum

Lessor	Location	Date	Lease Term	Rent Amount
Al-Fozan Building Materials	Two hangers in Jeddah	25/01/1432H (corresponding to 01/01/2011G)	1 Gregorian year commencing on 26/1/1432H (corresponding to 01/01/2011G) and ending on 06/02/1433H (corresponding to 31/12/2011G). Renewable upon the agreement of both parties.	SR 380,000 per annum
eXtra	Commercial office space in eXtra's showroom in Khobar	10/11/1432H (corresponding to 08/10/2011G)	10 months commencing on 02/11/1432H (corresponding to 30/09/2011G) and ending on 12/09/1433H (corresponding to 31/07/2012G), renewable upon agreement of both parties	SR 98,000 paid in two installments

The above agreements have been presented to and approved by eXtra's Extraordinary General Assembly held on 11/11/1432H (corresponding to 09/10/2011G).

Insurance policies

eXtra's insurance policies which cover property all risk insurance, marine insurance, public liability insurance, fidelity guarantee, cooperative health insurance and money insurance (Refer to "Legal Information" – "Insurance Arrangements" Section – Exhibit 15-12) have been issued by Gulf Union Cooperative Insurance Company. (Refer to "Legal Information" – "Insurance Arrangements" Section). The Exhibit listed in the Insurance Arrangements Section shows the value of premiums under each insurance policy that eXtra maintains, in addition to the sums insured under those policies.

Abdullah Abdullatif Al-Fozan, chairman and one of the principal shareholders of eXtra. He is also a shareholder of Gulf Union Cooperative Insurance Company.

The above insurance policies have been presented to and approved by eXtra's Extraordinary General Assembly held on 11/11/1432H (corresponding to 09/10/2011G).

15.8 Summary of Material Agreements

The material agreement that eXtra has entered into are generally of four types:

1- Vendor Agreements;
2- Purchase Orders;
3- Contracting Agreements; and
4- Miscellaneous Agreements.

15.8.1 Vendor Agreements

eXtra has a standard form of a vendor agreement that it uses to enter into with various suppliers to order stocks of goods.

a) Standard Vendor Agreement

Below are the key terms of eXtra's standard vendor agreement:

Exhibit 15-8: Standard Vendor Agreement

Document	Parties	Term	Price	Payment terms	Termination notice requirements	Warranty Items	Out of Warranty Items
Vendor Business Agreement.	eXtra and the vendor.	As may be decided between eXtra and the vendor.	As agreed between eXtra and the vendor.	As agreed by both parties.	The agreement is automatically renewable for similar terms unless either party notifies the other in writing of its intention not to renew the agreement prior to the original or the renewed expiry term.	The vendor is required to provide repairing services for the in warranty items and the turnaround time for repairing its supplied item is three (3) days. If the vendor fails to attend to a customer within twenty four (24) hours, eXtra's staff will be entitled to replace the vendor's supplied faulty item with a brand new item at the cost of the vendor.	The vendor is required to provide repairing services for the out of warranty items and the turnaround time for repairing its supplied item is seven (7) days. The vendor must guarantee supply of spare parts until five (5) years from the date of launching each model.

Following is the list of eXtra's top vendors which have executed the above described standard vendor agreement with eXtra.

Exhibit 15-9: eXtra's Top Vendors

Suppliers	
1	United Matbouli Group
2	Modern Electronics Co. Ltd.
3	M.O. Alesayi Electronics Co. Ltd.
4	Abdul Latif Jameel Group
5	Arabian Business Machines Company
6	BDL Office for Commercial Services
7	Axiom Telecom Saudi
8	Altafawouq Est. (Kenwood)
9	Said Ahmed El-Ajou

b) Agreement with Hewlett-Packard Europe BV

eXtra has entered into an agreement with Hewlett-Packard Europe BV. The purpose of this Agreement is to appoint eXtra as a non-exclusive authorized retailer in the Kingdom for Hewlett-Packard Europe BV's imaging and printing products, related supplies, personal computers and laptops. This agreement is effective from 11/08/2009G, and shall continue until terminated by either party.

c) Agreement with Acer Computers

eXtra has entered into an agreement with Acer Computers M.E. Limited. The purpose of this Agreement is to appoint eXtra as a non-exclusive authorized retailer in the Kingdom for Acer Computers M.E. Limited's products. This agreement is effective from 06/04/2010G, and shall continue until 31/12/2012G.

15.8.2 Purchase Orders

eXtra utilizes a commercial purchase order for various products and commercial brands and a general purchase order for non-commercial products with its suppliers.

a) Commercial Purchase Order

The commercial purchase order is used to order various products and commercial brands from individual suppliers. eXtra has allotted to each individual supplier a unique identification number to keep records of its business with the supplier. The commercial purchase order records the following key details in respect of each purchase:

- Sequence number;
- Type;
- Item number;
- Description;
- Category;
- Quantity; and
- Price

Payment terms under the commercial purchase orders vary from one supplier to another.

b) General Purchase Orders

The general purchase order is used to order non-commercial products (for e.g. forklifts, electric low pallet trucks, etc.) from corporate suppliers. eXtra has allotted to each corporate supplier a unique identification number to keep records of its business with the supplier. The general purchase order records the following key details in respect of each purchase:

> Description;
> Unit;
> Quantity; and
> Price.

Payment terms under the corporate purchase orders vary from one corporate supplier to another corporate supplier. Below is an exhibit showing the main non commercial suppliers that eXtra deals with through general purchase orders:

Exhibit 15-10: eXtra's Main Non Commercial Suppliers

Abed-El Ilah Al-Khanani Advertising Agency – AKBA
Canar Office Systems Company
Abedlatif Jameel Retail Company
Dammam Dome Plastic Factory Limited
KANAM Asia
Al-Khaleej Architects Contracting Establishment
Al-Ghouniem Library
Filling & Packing Equipment Limited
Ofok Commercial Energy Establishment
Jamal Mohammed Al-Manaai Advertising Agency
Jamal Al-Jassem Electronics Establishment
Saudi Ericsson Communications Limited

15.8.3 Contracting Agreements

eXtra has a standard form of a contracting agreement that eXtra uses to enter into with various contractors to execute certain works. Below are the key terms of the eXtra's standard contracting agreement. Among these contractors, for example but not limited to, Alqods Steeds Contracting Establishment, Al Khaleej Architects Contracting Establishment, Al Khaleej Construction and Graphics.

Exhibit 15-11: Standard Contracting Agreement

Document	Standard Agreement.
Parties	eXtra and the contractor.
Term	As may be decided between eXtra and the contractor.
Value	As agreed between eXtra and the contractor.
Payment terms	As agreed between eXtra and the contractor in the general conditions of the agreement.
Assignment	The contractor is not entitled to assign the agreement, nor any part of it, without the prior written consent of eXtra.
Guarantees	The contractor shall, within a period specified in the agreement, provide eXtra with a bank guarantee of an agreed percentage of the value of the agreement, as a security for the execution of the works.
Execution of works	The contractor shall execute, accomplish and maintain the works, and shall abide by the instructions of the engineer supervising the project.
Schedule of works	The contractor shall provide, along with its bid for the works, a time schedule including the arranged course of work and his proposed manner of accomplishing the works.
Supervision	The contractor shall supervise the execution of works, to the satisfaction of the appointed engineer. The contractor, or his assigned representative, is obliged to be available at all times in the site of the project.
Contractor's employees	The contractor shall appoint the required number of technical assistance, foremen, supervisors and skilled workers to execute and maintain the works. The supervising engineer shall have the right to reject the appointment of any personnel at its own discretion.
Penalties	In the event the contractor delays the execution and delivery of the works, and eXtra decided not to withdraw the works, the contractor shall be obliged to pay certain penalties. Such penalties are to be calculated as per the average daily expense of the project. The penalties shall not exceed 10% of the value of the agreement.
Maintenance period	The maintenance period shall be the period between the initial handover of the project until the final delivery of the works.
Repair expenses	The contractor shall execute all the repairs on its own expense, if such repairs are due to the choice of materials and workmanship, which the supervising engineer deems not in compliance with the agreement, or due to the negligence and misconduct of the contractor.
Withdrawals of works	eXtra shall be entitled to withdraw the works from the contractor in each of the following cases: a) if the contractor delays the initiation or execution of the works to a certain level; b) if the contractor withdraws from, abandons, assigns or subcontracts the works without the prior written consent of eXtra; c) if the contractor breaches any provision of the agreement, and such a breach is not remedied within ten days of notification; d) if the contractor, or any of its assignees, granted any gift, allowance or bonus to any of eXtra's employees; or e) if the contractor becomes bankrupt, insolvent, or was put under legal custody, and where the contractor is a legal entity, the dissolution of such an entity.
Consequences of withdrawal of works	In the event of the withdrawal of works, eXtra shall be entitled to either: a) assign the works the next bidder(s); or b) tender all or part of the works, on the expense of the contractor.
Choice of law and dispute resolution/jurisdiction	The agreement is governed by the laws of Saudi Arabia. Any dispute arising from the Agreement shall be referred to the courts of competent jurisdiction in Saudi Arabia.

15.8.4 Miscellaneous Agreements

During the course of its business eXtra has entered into the following agreements with various suppliers and services providers. Following are the key terms of such agreements.

a) Authorized Service Provider Agreement:

eXtra has entered into an Authorized Service Provider Agreement (Agreement) with BenQ Middle East Fze ("BenQ"), dated 01/09/1432H (corresponding to 01/08/2011G). This Agreement is effective until 08/05/1433H (corresponding to 31/03/2012G), and aims to appoint eXtra as non-exclusive authorized service provider for certain BenQ products, mainly LCD TVs, digital still cameras, and projectors).

b) Home Product Service Partner Agreement:

eXtra has entered into a Home Product Service Partner Agreement (Agreement) with HP France. This Agreement is effective as of 22/09/1428H (corresponding to 04/10/2007G), and shall remain in effect either (i) for one year period or (ii) until termination by either party. This Agreement shall be renewed automatically for a period of 12 months unless one of the parties notifies the other party of its intent not to renew the Agreement within sixty days. This Agreement sets forth the terms and conditions upon which eXtra may perform in and out of warranty repair services, to the products, mainly HP consumer desktop PCs and notebook PCs, on a non-exclusive basis.

c) Training Support Agreement:

eXtra has entered into a Training Support Agreement (Agreement), with the Human Resources Development Fund (HADAF). The Agreement bears the serial no. 2006009959 and it is effective from 28/07/1431H (corresponding to 10/07/2010G). This Agreement shall be effective until it is terminated by HADAF if (1) eXtra breaches all or part of this Agreement (2) eXtra provides false information (3) the support amounts provided by HADAF were utilized by eXtra for other purposes (4) eXtra fails to implement the training programs adopted by HADAF (5) eXtra does not provide HADAF with all requested data or documents. eXtra has requested HADAF to provide its support in employing and training the applicants registered in the electronic system, according to the mechanisms of training and employment adopted by HADAF, for the purpose of employing 137 trained Saudi employees, using the electronic system created by HADAF.

15.9 Finance Documents

eXtra is a party to various credit facilities and other banking arrangements with Riyad Bank, Banque Saudi Fransi, The Saudi British Bank (SABB) and Samba Financial Group (SAMBA).

Below is a summary of the main facilities availed by the Company:

a) Riyad Bank

On 15/01/1432H (corresponding to 21/12/2010G), eXtra has received from Riyad Bank a letter relating to the Islamic Financing arrangement according to which Riyad Bank approved granting the Company credit facilities up to a maximum amount of SR 30,000,000 (loans) and SR 40,000,000 (letters of credit), out of which an amount of SR 5,047,041 is utilized, for the purpose of financing the Company's expansion and the opening of new branches. Pursuant to this agreement, Riyad Bank purchases assets and sells them through Murabaha. In this regard, eXtra issued two powers of attorney dated 15/01/1432H (corresponding to 21/12/2010G) granting Riyad Bank the right to sell international and local products (commodities, merchandise or metals) to third parties. These facilities shall end on 13 April 2011G. It has been agreed with the bank to extend the facilities to the 13th of July 2011G until the renewal formalities are completed. On 26/08/1432H (corresponding to 27/07/2011G), eXtra received a letter from Riyad Bank, under which Riyad Bank agreed to renew the credit facilities granted to the Company as follows:

> Short-term Tawarooq finance facility (revolving) up to SR 10,000,000. This amount is to be used in segments, so that no segment is less than SR 500,000 and to be paid within a year as a maximum from the date of grant;
> Medium-term Tawarooq finance facility (non-revolving) up to SR 30,000,000. This amount is to be paid over four years by 12 quarterly instalments, within 3 years after a one year grace period;
> Refinancing of Murabaha credit facility (revolving) in the amount of SR 30,000,000; and
> Direct credit substitutes (revolving) in the amount of SR 30,000,000.

b) Banque Saudi Fransi

On 16/03/1432H (corresponding to 19/02/2011G), eXtra entered into an Islamic Facilities/ Financing Letter of Agreement with Banque Saudi Fransi ("BSF"), setting out the details and the general conditions applicable for all facilities and financing. Pursuant to this agreement, eXtra has been confirmed the following credit lines:

> Al Tawarooq finance facility in the amount of SR 40,000,000;
> Multi Purpose Facility (Murabaha facility, multi imports/ acceptance, standby letter of credit, multi bonds and forward purchase and sale of foreign currencies facility) in the amount of SR 60,000,000 inclusive of a Master Murabaha agreement in the amount of SR 30,000,000; and
> Specific capital expenditure facility (for construction of a store in Riyadh and one in Jeddah) in the amount of SR 18,461,538.

The aggregate amount of the Banque Saudi Fransi facilities amounts to SR 118,461,538, out of which the amount of SR 48,446,487 is utilized.

This Agreement shall expire on December 31st, 2011G unless it is extended by the mutual written consent of eXtra and Banque Saudi Fransi, and shall be construed and interpreted in accordance with the laws and regulations in force in the Kingdom of Saudi Arabia.

c) The Saudi British Bank

On 02/07/1431H (corresponding to 14/06/2010G), eXtra entered into an Islamic Banking Facilities Agreement with SABB according to which the Bank approved granting to the Company facilities as follows:

> Murabaha Al Tawarruq Facility Finance in the amount of SR 50,000,000 granted for the purpose of financing the planned expansion (building 8 new eXtra showrooms in the Kingdom) through a Master Murabaha Agreement with the Amanah Islamic Banking Services Department at the Saudi British Bank; and
> Combined Facilities in an aggregate total of SR 180,000,000 granted for the purpose of import of materials related to the Company business, out of which the amount of SR 67,500,000 has been utilized.

d) Samba Financial Group

On 02/01/1432H (corresponding to 08/12/2010G), eXtra entered into a General Murabaha Agreement and a Murabaha Financing Agreement with SAMBA according to which the Bank grants facilities in the amounts of SR 100,000,000 and SR 50,000,000 respectively. According to the terms of the Agreement, eXtra undertakes to maintain its legal status that existed on the date of the Agreement. The Agreement is governed by and construed in accordance with the Laws of the Kingdom of Saudi Arabia, subject to the Islamic Sharia'. Any dispute that may arise shall be settled by the Saudi Courts.

The Exhibit below lists all the securities provided to secure the above-mentioned banking facilities, in addition to time schedule set for their repayment:

Facility Agreement	Securities	Total Outstanding Amount	Instalment	Due Date
Islamic Financing Arrangement with Riyad Bank	Promissory notes for the above-mentioned amount and the totality of the facilities granted by the Bank.	None	None	None
Islamic Facilities/ Financing Letter of Agreement with Banque Saudi Fransi	A demand promissory note from eXtra in the amount of SR 118,461,538.	20,000,000	-	-
		18,461,538	1,538,462	30 December 2010G
	If eXtra delays in making any payments that are due under this agreement, eXtra shall also be liable to pay a penalty equal to 10% percent per annum of the due amount.	16,923,077	1,538,462	30 March 2011G
		15,384,615	1,538,462	30 June 2011G
		13,846,154	1,538,462	30 September 2011G
		12,307,692	1,538,462	30 December 2011G
		10,769,231	1,538,462	30 March 2012G
		9,230,769	1,538,462	30 June 2012G
		7,692,308	1,538,462	30 September 2012G
		6,153,846	1,538,462	30 December 2012G
		4,615,385	1,538,462	30 March 2013G
		3,076,923	1,538,462	30 June 2013G
		1,538,462	1, 538,462	30 September 2013G
			1,538,462	30 December 2013G
Islamic Banking Facilities Agreement with SABB	Order note for SR 230,000,000, to be paid on demand.	None	None	None
General Murabaha Agreement and Facility Murabaha Agreement with SAMBA Financial Group	Promissory note in the amount of SR 150,000,000.	None	None	None

eXtra confirms that there are no guarantees currently provided by the shareholders in the context of the facility agreements listed above.

15.10 Insurance Arrangements

Through its insurance policies, eXtra has secured itself against risks associated with its business activities. The insurance policies coverage includes property all risk insurance, marine insurance, public liability insurance, fidelity guarantee, cooperative health insurance, money insurance and comprehensive vehicle insurance.

eXtra's insurance policies have been issued by Gulf Union Cooperative Insurance Company with coverage ranging from SR 250,000 to SR 517,686,300 and annual premiums ranging from SR 22,500 to SR 3,060,010, in addition to one insurance policy issued by the Trade Union Cooperative Insurance and Reinsurance Company.

The following table lists the most important particulars of such policies:

Exhibit 15-12: Insurance Arrangements Particulars

Policy	Number	Premium SR	Covered Items	Coverage Period	Insured Amount SR
Property All Risk and Business Interruption	701-11-00356	355,810	All risk of physical loss, destruction, and/or damage to all real and person al property of the Insured, or for which the Insured has an insurable interest, or for which the Insured may assume responsibility including theft following forcible and violent entry or exit to premises. Loss of gross profit and/or additional increased cost of working, following loss, destruction or damage.	From 27/02/1432H (corresponding to 01/04/2011G) To 08/05/1433H (corresponding to 31/03/2012G)	517,686,300
Money Insurance	743-11-00062	39,442	Loss of Insured's, its subsidiaries, associated companies' and clients' money, destruction and damage to money or other financial instruments, prepaid cards, stamps, bonds, etc in the insured's premises and all similar losses outside the insured's premises.	From 27/02/1432H (corresponding to 01/04/2011G) To 08/05/1433H (corresponding to 31/03/2012G)	10,650,000 (Cash in safe) 4,200,000 (cash out of safe) 15,840,000 (Cash in transit)
Fidelity Insurance	744-11-00037	303,950	Loss of Insured's, its subsidiaries, associated companies' and clients' money or property caused by an act of fraud or dishonesty committed by an employee of the Insured.	From 27/02/1432H (corresponding to 01/04/2011G) To 08/05/1433H (corresponding to 31/03/2012G)	121,580,000

Policy	Number	Premium SR	Covered Items	Coverage Period	Insured Amount SR
Comprehensive General Liability Insurance	748-11-00061	22,500	Liability of the Insured its subsidiaries, associated companies' and clients' towards third party bodily injury and/or property damage occurring in the Insured's premises as a result of the Insured's business activity.	From 27/02/1432H (corresponding to 01/04/2011G) To 08/05/1433H (corresponding to 31/03/2012G)	3,750,000
Marine Insurance	721-11-01350	190,000	Electronics and electrical accessories, home appliances, digital computers and accessories, computer software, furniture, electronic toys, multimedia, and stationery in standard export packaging from Riyadh to anywhere within in Saudi Arabia and GCC countries by truck.	From 16/05/1432H (corresponding to 20/04/2011G) To 27/05/1433H (corresponding to 19/04/2012G)	200,000,000
Cooperative Health Insurance	712-2011-00027	3,060,010 (to be amended according to the number of the insured)	Compulsory cooperative insurance cover for all employees on the job including employee's wife, children from date of birth until 18 years for sons and single employees, widowed and divorced daughters who are not working and are supported by the employee.	From 29/06/1432H (corresponding to 01/06/2011G) To 10/07/1433H (corresponding to 31/05/2012G) (both days inclusive)	250,000 (maximum benefit for each insured person each year)
Comprehensive Vehicle Insurance (Trade Union Cooperative Insurance and Reinsurance Company)	792/ 11/ 1/ 29/ 1/ 1	214,990	141 private use vehicles of the Company	From 01/07/1432H (corresponding to 03/06/2011G) To 12/07/1433H (corresponding to 02/06/2012G)	5,000,000 (maximum total amount for any one damage)

Below is an exhibit showing claims submitted by the Company to insurance companies during the year 2010, as follows:

Exhibit 15-13: Claims submitted by the Company to Insurance Companies during 2010

Coverage	Settlement Paid	Claim
Marine Insurance	33,772	33,772
Property All Risk	59,391	62,391
Fidelity Insurance	19,339	22,814
Total	78,730	85,205

15.11 Intellectual Property

eXtra has protected its intangible assets through registering the trademarks that it considers material in relation to its business and profitability, in particular the trademarks: 'eXtra', 'FORCE 24/7', 'Prime' and 'Class', under different classes to protect the intellectual property inside and outside Saudi Arabia.

eXtra's competitive position depends, inter alia, upon its ability to continue to protect and utilize its intangible assets. The inability to retain control over and protect, or in some cases the need to take legal actions necessary to protect, eXtra's intangible assets may adversely affect eXtra's trademarks and may make it more expensive to do business thus adversely affecting the Company's operating results.

Below is a schedule showing the images of the mentioned trademarks:

Trademark	Country of Registration	Class	Expiry Date	Image
eXtra	KSA	35	03/09/2012G	
FORCE 24/7	KSA	37	21/03/2017G	
Prime	KSA	35	21/11/2013G	
Class[12]	Republic of Lebanon	7, 8, 9, 11, 14, 15, 16, 20, 28, 29, 30, 35	15/11/2025G	

12 Registered in Lebanon under the name of the Company and registration in other countries is currently under process.

15.12 Real Estate Lease Agreements

eXtra has entered into various agreements in its capacity as lessee for the purpose of leasing several showrooms, warehouses and lands located in various cities within Saudi Arabia.

The duration of the lease agreements ranges from one (1) year to thirty (30) years, with lease amounts ranging from SR 192,000 to SR 3,450,000. The following Exhibit shows the locations of the properties lease by the Company:

Exhibit 15-14: Real Estate Lease Locations

Location	Date	End Date
6 showrooms – Wurood Str. - Riyadh.	13/04/1428H (corresponding to 30/04/2007G)	06/01/1429H (corresponding to 15/01/2008G) till 03/03/1434H (corresponding to 15/01/2013G). Non-renewable. The Lessee has to hand over the locations at the end of the Lease agreement.
Plot no. from 434 to 443 block 29 (7,680.25 m^2), on Jeddah – Makkah highway	19/09/1430H (corresponding to 09/09/2009G)	20 years. 12/10/1430H (corresponding to 01/10/2009G) till 25/08/1451H (corresponding to 31/12/2029G). Renewable upon written notice sent one year before the end of the lease agreement.
Showroom Sultan Mall-Jeddah.	25/03/1424H (corresponding to 26/05/2003G)	20 years commencing on the date of the handing over date from the lessor to the lessee and appointing the opening date of the mall. The lessee has the right to terminate the lease agreement before its end date through a six-month prior written notice to be sent to the lessor. The lessor has the right to terminate the lease agreement through a written 15 days' prior notice to be sent to the lessee.
5 warehouses in Riyadh – Alsally	19/03/1425H (corresponding to 08/05/2004G)	One year commencing on 20/05/1425H (corresponding to 08/07/2004G) and ending on 02/06/1426H (corresponding to 08/07/2005G). The agreement is renewable.
Showroom in mall Aliat Al-Madinah.	04/01/1428H (corresponding to 23/01/2007G)	20 Gregorian years commencing on 16/06/1428H (corresponding to 01/07/2007G) and ending on 26/02/1449H (corresponding to 30/07/2027G)
Land in Riyadh (27,913 m^2).	05/01/1425H (corresponding to 25/02/2004G)	20 years commencing on 01/02/1427H (corresponding to 01/03/2006G) and ending on 11/09/1447H (corresponding to 28/02/2026G). Renewable upon agreement of both parties. The lessee has the right to terminate the agreement through a written notice sent to the lessor one year prior to the end date.

Location	Date	End Date
Plots 1010 to 1025 scheme 911-Riyadh (10,000 m^2)	04/05/1430H (corresponding to 29/04/2009G)	20 years commencing on 01/06/1431H (corresponding to 15/05/2010G) and ending on 30/05/1451H (corresponding to 09/10/2029G). Renewable upon the prior written consent of the lessor.
Plots 656 to 665 Sub-leased from the Principal Lessee (Talal Al-Dakheel Trading Est.)	01/12/1428H (corresponding to 11/12/2007G)	15 years commencing on 01/12/1428H (corresponding to 11/12/2007G)
Warehouse –Al Mina	01/09/1432H (corresponding to 01/08/2011G)	5 years commencing on 27/04/1432H (corresponding to 01/04/2011G). Automatically renew-able for one year.
Showroom in Al Rawaf Center.	10/06/1428H (corresponding to 25/06/2007G)	15 years for the lessor and 10 years for the lessee commencing on 19/04/1429H (corresponding to 25/04/2008G). Renewable upon agreement of both parties.
Plot 435-Riyadh	19/04/1431H (corresponding to 14/04/2010G)	20 years. The Lessee has the right to terminate the lease agreement after at least 5 years. Renewable for only one time for a similar period.
Showroom in Abdul Aziz Al Moussa Commercial Center	20/03/1428H (corresponding to 08/04/2007G)	18 Gregorian years commencing on 24/05/1428H (corresponding to 10/06/2007G) and ending on 14/12/1446H (corresponding to 10/06/2025G)
Plot No. 244-Riyadh	18/07/1430H (corresponding to 11/07/2009G)	20 Gregorian years commencing on 22/10/1431H (corresponding to 01/10/2010G) and ending on 06/02/1452H (corresponding to 30/09/2030G)
Showroom in Assir Mega Mall.	25/06/1426H (corresponding to 02/07/2005G)	20 years commencing on 04/06/1427H (corresponding to 30/06/2006H). Renewable upon agreement of both parties.
Plot No. (R) –Jeddah	14/11/1430H (corresponding to 02/11/2009G)	20 years commencing on 25/12/1431H (corresponding to 01/12/2010G) and ending on 05/08/1452H (corresponding to 30/11/2030G)
Showrooms in Tabbouk	17/07/1431H (corresponding to 29/06/2010G)	15 Hijri years commencing on 01/12/1431H (corresponding to 07/11/2010G) and ending on 30/11/1446H (corresponding to 28/05/2025G). Renewable upon agreement of both parties.
Land in Khobar	12/03/1425H (corresponding to 01/05/2004G)	25 years commencing on 30/04/1424H (corresponding to 30/06/2003G) and ending on 07/02/1450H (corresponding to 30/06/2028G). Renewable upon agreement of both parties.

Location	Date	End Date
Plot No 66 - Al Jubail Industrial zone.	11/10/1431H (corresponding to 20/09/2010G)	30 Hijri years ending on 19/11/1460H (corresponding to 15/12/2038G)
Plot of land - Mekkah	26/03/1432H (corresponding to 01/03/2011G)	20 years commencing on 26/03/1432H (corresponding to 01/03/2011G) and ending on 06/11/1452H (corresponding to 28/02/2031G)
Retail store in Yanbu	09/05/1432H (corresponding to 12/04/2011G)	15 Gregorian years commencing 3 months following site delivery to the Company. Renewable upon agreement of both parties.
Retail building King Abdulaziz Road - Najran	21/04/1432H (corresponding to 26/03/2011G)	10 Gregorian years commencing 3 months following agreement date. Renewable upon agreement of both parties.
Plots of land on King Faisal Road – Hafr Al Batin	01/01/1432H (corresponding to 01/02/2011G)	20 Gregorian years commencing 6 months following agreement date. Renewable upon agreement of both parties.
Plot of Land on King Abdullah Road - Kharj	01/01/1432H (corresponding to 01/02/2011G)	25 Gregorian years commencing one year following agreement date. Renewable upon agreement of both parties.
Showroom in Jazan Avenue Mall - Jazan	08/12/1431H (corresponding to 14/11/2010G)	10 Gregorian years commencing on 13/07/1432H (corresponding to 15/06/2011G) and ending on 04/11/1442H (corresponding to 14/06/2021G), unless the parties agree to renew for a similar period or other periods agreed upon in an independent contract.
Two hangers in Jeddah	25/01/1432H (corresponding to 01/01/2011G)	1 Gregorian year commencing on 26/1/1432H (corresponding to 01/01/2011G) and ending on 06/02/1433H (corresponding to 31/12/2011G). Renewable upon the agreement of both parties.

In addition to the above, United Electronics Company (eXtra) S.P.C. (eXtra's subsidiary in the Kingdom of Bahrain) has entered into a lease agreement with Sheikh Mohammed Bin Issa Al Khalifa on 03/11/1432H (corresponding to 01/10/2011G), for the purpose of leasing the plot no. 2 located in Tobly region in the middle district of Bahrain, in order to exploit it by establishing commercial showrooms and using them for its commercial activities. According to the terms of the agreement, the term of the lease is 25 Gregorian years, commencing on 03/11/1432H (corresponding to 01/10/2011G) and ending on 10/08/1458H (corresponding to 30/09/2036G). The lessor has granted United Electronics Company (eXtra) S.P.C. a grace period of one year commencing on the date of the lease agreement. The annual rent value for the initial 10 years has been agreed to be BD 310,000, while the annual rent value for the following 10 years has been agreed to be BD 341,000, and the annual rent value for the final 5 years has been agreed to be BD 375,100. United Electronics Company (eXtra) S.P.C. shall not be entitled to assign the lease or sublease the lease premises to third parties without the prior written consent of the lessor.

15.13 Real Estate Title Deeds

eXtra currently owns several plots of land in different locations within Saudi Arabia. The value of these plots varies between SR 3,900,000 and SR 20,000,000.

The following Exhibit shows the details of the title deeds related to eXtra's plots of land (refer to "Property, Plant and Equipment" for clarification regarding means for assessment of lands):

Exhibit 15-15: Title Deeds Details

No.	Date	Land Location	Area	Value
330103002038	27/11/1430H (corresponding to 15/11/2009G)	Plots no. 12 and 13 from block no. 13, from the scheme no. 418/1 - Dammam	3,000 m^2	SR 7,800,000
430103002039	27/11/1430H (corresponding to 15/11/2009G)	Plot no. 14 from block no. 13, from the scheme no. 418/1 - Dammam	1,500 m^2	SR 3,900,000
330103002040	27/11/1430H (corresponding to 15/11/2009G)	Plots no. 15 and 16 from block no. 13, from the scheme no. 418/1 - Dammam	3,758.25 m^2	SR 9,771,450
930103007212	13/01/1432H (corresponding to 19/12/2010G)	Plots no. G6 and G7 from block no. 1 from the scheme no. 304/1 – Dammam	2,308.3 m^2	SR 10,387,350
730103007008	17/12/1431H (corresponding to 23/11/2010G)	Plots no. G8 and G9 from block no. 1, from the scheme no. 304/1 – Dammam	2,218.95 m^2	SR 9,985,275
330103007211	13/01/1432H (corresponding to 19/12/2010G)	Plots no. G10 and G11 from block no. 1, from the scheme no. 304/1 – Dammam	2,129.23 m^2	SR 9,581,535
510118015238	01/01/1432G (corresponding to 07/12/2010G)	Plots no. 219 and 220 from scheme no. 2968 – Riyadh	1,820 m^2	SR 6,440,087
710118015237	01/01/1432G (corresponding to 07/12/2010G)	Plots no. 213 to 218 from scheme no. 2968 – Riyadh	5,447.5 m^2	SR 20,000,000

15.14 Litigation Matters

In ordinary course of its business, eXtra may pursue litigation claims against third parties and may also have litigation claims filed against it. The Company is privy to six (6) disputes before the Courts of Jeddah and Khobar: all raised by the Company. Five (5) of these disputes are against employees of the Company, while one dispute is of a commercial nature. The expenses related to those disputes up to the date of this prospectus range from SR 31,445 to SR 1,408,984. Below is a summary of the mentioned disputes:

a) eXtra/ four security employees

eXtra filed a case on 04/03/1430H (corresponding to 01/03/2009G), before the Jeddah Criminal Court against four security employees (as defendants) for the burglary of cell phones and computers. This case is currently pending before the Jeddah Criminal Court. In brief, the defendants used to work in the Company as security guards. The burglary occurred in eXtra's showroom in Jeddah (eXtra branch – Sultan Mall) on 12/09/1428H, upon performing a general inventory for all the items at the branch, the Company discovered that the defendants were engaged in this crime. The claimed amount is SR 1,408,984.

b) eXtra / eXtra employee

eXtra filed a case on 01/06/1428H (corresponding to 16/06/2007G), before the General Court in Jeddah against an ex-employee who used to work as a government relation representative for eXtra and was accused of misappropriation of funds that were in his custody as fees to be paid for work associated with governmental departments. The claimed amount is SR 125,240 and the case is still pending before the said court.

c) eXtra/ eXtra employee

eXtra has filed a case on 18/01/1429H (corresponding to 27/01/2008G) before the General Court in Khobar against an ex-employee who used to work as a government relation representative for eXtra and was accused of misappropriation of funds that were in his custody as fees to be paid for work associated with governmental departments. The claimed amount is SR 31,842 and the case is still pending before the court.

d) eXtra/ eXtra employee

eXtra has filed a case during the year 2007G before the General Court in Khobar against an ex-employee who used to work as the assistant of the human resource manager at eXtra for default of payment of an amount of SR 38,445, representing a debt owed by the ex-employee to the Company. The case is still pending before the court.

e) eXtra / eXtra employee

eXtra has filed a case during the year 2008G before the General Court in Khobar against an ex-employee who used to work as an administrative coordinator at eXtra for default of payment of an amount of SR 37,278, representing a debt owed by the ex-employee to the Company. The case is still pending before the court.

f) eXtra / one of its clients

eXtra filed a case on 01/05/1428H (16/06/2007G), before the Board of Grievances in the Eastern Region against one of its clients regarding the default of payment of total amount of the supplied products (laptops, cell phones, digital cameras and other electronic products). The disputed amount is SR 536,050 and the case is still pending.

Although the Company cannot guarantee the outcome of these disputes, Management has confirmed that the Company has made adequate provisions in connection with these disputes and their outcomes and has further confirmed that it is not involved in any litigation, arbitration or proceedings or subject to any claim (including a pending or threatened claim, litigation, arbitration or proceedings) which may have a material adverse effect on the Company's business or financial position.

The Company has made improvements to increase the measures to control inventory, clients, or the cash given to staff, through performing periodic inventory of goods in stores and showrooms, in addition to an automated system to update the clients' accounts and the weekly settlement of the employees' cash custody. Furthermore, the Company intends to include strict protective provisions in the employment agreements it enters into with its employees, and to oblige all its current and future employees to execute written undertakings aiming at enhancing the protection of the Company's interests.

16. Underwriting

The Company, the Selling Shareholders and below listed Underwriters have entered into an underwriting agreement in connection with the Offering prior to the commencement of the Subscription Period. The agreed principal terms of the underwriting agreement are set out below.

16.1 Sale and Underwriting of the Offer Shares

Under the terms of the underwriting agreement:

a) The Company and the Selling Shareholders undertake to the underwriters that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Subscription Period, it will:

- sell and allocate the Offer Shares to any applicant or institutional investor whose application for Offer Shares has been accepted by a Selling Agent; and/or
- sell and allocate to the underwriters any Offer Shares that are not purchased by successful applicants or institutional investors pursuant to the Offering; and

b) Each underwriter undertakes to the Company and the Selling Shareholders that, on the allocation date, it will purchase the Offer Shares that are not subscribed for by successful applicants in the proportions stated below:

Underwriter	Number of Offer Shares Underwritten
HSBC Saudi Arabia Limited	5,400,000
Blominvest Saudi Arabia	1,800,000

The Company has committed to satisfy all terms of the underwriting agreement.

16.1.1 Commission and Expenses

The Company will pay to the underwriters an underwriting fee based on the total value of the Offering.

17. Subscription Terms and Conditions

All Subscribers must carefully read the subscription terms and conditions prior to completing the subscription application form, since the execution of the subscription application form constitutes acceptance and agreement to the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of 7,200,000 ordinary shares with a fully paid nominal value of SR 10 per share representing 30% of the share capital of the Company at an offer price of SR [xx] per share. The Offering is restricted to:

Tranche (A): Institutional Investors

This tranche includes a number of institutions that have been contacted by the Lead Manager after discussions with the Company and the Selling Shareholders and based on predefined criteria set by the CMA. The number of offer shares allocated to institutional investors is 7,200,000 offer shares representing 100% of the Offering. In the event that the individual investors subscribe to the Offer Shares, the Lead Manager may exercise his right to reduce the number of shares allocated to Institutional Investors to 3,600,000 offer shares representing 50% of the Offering, subject to CMA's approval.

Tranche (B): Individual Investors

This tranche includes individuals having the Saudi Arabian nationality and the minor children of Saudi female divorcees or widows from a marriage to a non-Saudi (referred to collectively as "Individual Investors"). Subscription of a person in the name of his divorcee shall be deemed invalid; and if a transaction of this nature has been proved to have occurred, then the regulations shall be enforced against the subscription applicant. The maximum number of offer shares allocated to individual investors is 3,600,000 offer shares representing 50% of the Offering. In the event that the Individual Investors do not subscribe to full amount of Offer Shares allocated to them, the Lead Manager may exercise his right to reduce the number of shares allocated to individual investors to match the number of shares that they had subscribed for.

The Selling Shareholders are soliciting applications from Subscribers for acquiring the Offer Shares. A signed subscription application form submitted to any of the Selling Agents represents a legally binding agreement between the Selling Shareholders and the Subscriber.

The Selling Shareholders currently own 98% of the issued share capital of the Company. Potential Saudi investors may obtain both the main and mini Prospectuses in addition to the subscription application form from the following banks:

The Saudi British Bank (P.O. Box 9084, Riyadh 11413)	National Commercial Bank (P.O. Box 3555, Jeddah 21481)	Riyad Bank (P.O. Box 22622, Riyadh 11614)	Banque Saudi Fransi (P.O. Box 56006, Riyadh 115554)
Arab National Bank (P.O. Box 9802, Riyadh 11423)	Samba Financial Group (P.O. Box 833, Riyadh 11421)	Al Rajhi Banking and Investment Corporation (P.O. Box 28, Riyadh 11411)	

The Selling Agents will commence receiving subscription application forms at their branches throughout Saudi Arabia from 10 Muharram 1433H (corresponding to 05 December 2011G) to 16 Muharram 1433H (corresponding to 11 December 2011G). Once the subscription application form is signed and submitted, the Selling Agents will stamp it and provide the Subscriber a copy of the completed subscription application form. In the event the information provided in the subscription application form is incomplete or inaccurate, or not stamped by the Selling Agents, the subscription application form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the subscription application form, in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SR [xx] per Share. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of 10. Whilst, the maximum number of shares to be applied for is 250,000 shares.

Subscription application forms should be accompanied by (where applicable) with the following documents. The Selling Agents will verify all copies against the originals and will return the originals to the subscriber:

- Original and copy of the national identification card for individual subscribers;
- Original and copy of the family identification card for family members;
- Original and copy of the power of attorney;
- Original and copy of the power of custody (for orphans);
- Original and copy of the divorce certificate (for the children of Saudi female divorcees);
- Original and copy of the death certificate (for the children of Saudi female widows); and
- Original and copy of the birth certificate (for the children of Saudi female divorcees or widows).

In the event an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the subscription application form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary public for those who are in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

One subscription application form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wants to subscribe for the shares in her name/account, she must complete a separate subscription application form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Separate subscription application forms must be used if: (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of family; or (ii) dependent Subscribers apply for a different quantity of Offer Shares than the prime Subscriber; (iii) the wife subscribes in her name adding allocated shares to her account (she must complete a separate subscription application form as a prime subscriber). In the latter case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

A Saudi female divorcee or widow who has children from a marriage to a non Saudi can subscribe on behalf of those children to her account in shares offered by companies in public offering provided she submits what proves she is either a divorcee or widow and what proves her motherhood of the minor children.

During the IPO, only a valid Iqama will be an acceptable form of identification for non Saudi dependents. Passports or birth certificates will not be accepted. Non Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary subscribers. The maximum age for non Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be notarized (attested) by a Saudi consulate of embassy.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the subscription application form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price of SR [xx] per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him/her upon: (a) delivery by the Subscriber of the subscription application form to the Selling Agents; (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Selling Agents the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agents by authorizing a debit of the Subscriber's account held with the Selling Agent where the subscription application form is being submitted.

If a submitted subscription application form is not in compliance with the terms and conditions of the Offering, eXtra shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Shares allocated to him or her except if allocated shares exceeded the number of shares he had applied for.

17.2 Allocation and Refunds

The Selling Agents shall open and operate escrow accounts named "eXtra IPO". Each of the Selling Agents shall deposit all amounts received by the Subscribers into the escrow accounts mentioned above.

Notification of the final allotment and refund of subscription monies, if any, will be made by Saturday 22 Muharram 1433H (corresponding to 17 December 2011G) as follows:

Allocation of Offer Shares to Individual Subscribers

Each individual subscriber will get a minimum of 10 shares with the remaining offer shares being allocated on a pro-rate basis. If the Offering is oversubscribed, the Lead Manager reserves the right to increase the allocation of offer shares allocated to individual subscribers to 50% and reduce the allocation of offer shares allocated to institutional investors to 50%. In the event that the number of subscribers exceeds (360,000), the Company will not guarantee the minimum allocation of 10 offer shares per subscriber and will equally allocate the offer shares among all subscribers. If the number of subscribers exceeds the number of offer shares, the allocation will be determined at the discretion of the CMA.

Allocation of Offer Shares to Institutional Investors

After the allocation of offer shares to individual subscribers, the Company will allocate the offer shares to institutional investors as it sees fit.

Individual Subscribers and Institutional Investors

The final number of offer shares allocated to each subscriber, together with any refunds due to the subscribers in full without any charge or withholding by the Selling Agents, is expected no later than 22 Muharram 1433H (corresponding to 17 December 2011G).

The Selling Agents will send confirmation/notification letters, to their subscribers informing them of the final number of offer shares allocated together with the amounts, if any, to be refunded. The Selling Agents will also refund to the subscribers any monies in respect of which no offer shares have been allocated to the relevant subscribers, as provided in the confirmation/notification letters. Subscribers should communicate with the branch of the selling Agents where they submitted their subscription form for any information.

17.3 Acknowledgements

By completing and delivering the subscription application form, the Subscriber:

> Accepts subscribing for the Company's Shares with the number of shares specified in the subscription application form;

> Warrants that he/she had read the Prospectus and understood all its contents;

> Accepts the bylaws of the Company and all subscription instructions and terms mentioned in the Prospectus;

> Keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could affect his/her decision to purchase the Shares;

> Declares that neither himself nor any of his family members included in the subscription application form has previously subscribed to eXtra's Shares and the Company has the right to reject all duplicate applications;

> Accepts the number of shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the subscription application form; and

> Warrants not cancelling or amending the subscription application form after submitting it to the Selling Agents.

17.4 Miscellaneous

The subscription application form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the subscription application form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The Prospectus has been released in both Arabic and English languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

17.5 The Saudi Arabian Stock Exchange (Tadawul)

In 1990, full electronic trading in Saudi Arabia equities was introduced. Tadawul was founded in 2001 as the successor to the Electronic Securities Information System.

The market capitalisation as at [27/11/1432H (corresponding to 25/10/2011G)] was SR [1,226] million with [149] listed companies as of that date.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 am to 3:30 pm. Orders can be entered, amended or deleted from 10:00 am until 11:00 am. New entries and inquiries can be made from 10:00 am of the opening phase (starting at 11:00 am).

The system starts opening procedures; it establishes the opening prices and determines orders to be executed according to the matching rules.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

17.6 Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul after finalisation of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Furthermore, Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

18. Documents Available for Inspection

The following documents will be available for inspection at eXtra's head office, between the hours of [x:xx] am and [x:xx] pm [two weeks] prior to and during the Offering Period:

> Company's commercial registration certificate;
> Company's bylaws together with the amendments;
> Ministry of Commerce and Industry resolution number Q/65 dated 3 Rabei Alawal 1431H (corresponding to 17 February 2010G) announcing the conversion of the Company from a limited liability company to a joint stock company;
> Valuation report prepared by the Financial Advisor;
> Audited Financial Statements for the years ended 31 December 2010, 2009 and 2008 as well as for the six months ended June 30 2011;
> Market research report from Euromonitor International;
> Written consent from Meshal Al Akeel Law Firm in Affiliation with Hourani & Associates to the reference as legal advisors to the IPO in the Prospectus;
> Written consent from Deloitte & Touche Bakr Abulkhair & Co. to the publication in the Prospectus of their Accountant's Report;
> Written consent from ASDA'A Burson-Marsteller to the reference as public relations and marketing consultant in the Prospectus;
> Written consent from Euromonitor International to the reference as market research consultant in the Prospectus;
> Written consent from PricewaterhouseCoopers to the reference as financial due diligence advisor in the Prospectus;
> Written consent from the Shariyah Review Bureau to the reference as shariyah advisor in the Prospectus;
> Shariyah review certificate from the Shariyah Review Bureau;
> Written consent from Baker & McKenzie to the reference as underwriters legal counsel in the Prospectus;
> CMA announcement of approval to the Offering;
> Related party contracts;
> eXtra IPO escrow account agreement;
> Underwriting agreement; and
> Selling agents conventions.

19. Accountant's Report

The audited financial statements as at and for each of the three years ended 31 December 2010, 2009 and 2008 and the notes thereto incorporated in the Prospectus have been included herein in reliance on the report of PricewaterhouseCoopers in 2008 and Deloitte & Touche Bakr Abulkhair & Co in 2009 and 2010, independent auditors of United Electronics Company for the above stated period.

Neither PricewaterhouseCoopers nor Deloitte & Touche Bakr Abulkhair & Co themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. In addition, PricewaterhouseCoopers and Deloitte & Touche Bakr Abulkhair & Co have given and not withdrawn their written consent to the publication in the Prospectus of their Accountants' Report.

19.1 Director's Declaration for Financial Information

The Directors of the Company declare the following:

a) The financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements.

b) The Audited Financial Statements have been prepared in accordance with Accounting Standards issued by SOCPA in Saudi Arabia.

c) There has been no material adverse change in the Company financial position since the last audited financial statements.

19.2 Financial Statements and Auditor's Reports for 2009

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

YEAR ENDED DECEMBER 31, 2009

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants - License No. 96
P.O. Box 182, Dammam 31411
Kingdom of Saudi Arabia

Tel: +966 (3) 887 3937
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www.deloitte.com
Head Office: Riyadh

AUDITORS' REPORT

To the shareholders
United Electronics Company
Al Khobar, Saudi Arabia

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. 328
10 Rabi' I, 1431
February 24, 2010

Deloitte & Touche
Bakr Abulkhair & Co.

Audit . Tax . Consulting . Financial Advisory.

Member of
Deloitte Touche Tohmatsu

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 PROPRIETOR'S 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
Stockholders' 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 stockholders' equity		145,536,592	104,488,385
TOTAL LIABILITIES AND Stockholders' equity		632,995,761	501,505,905

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

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	1,214,290,360	1,084,465,945
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	54,380,319	57,660,685
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		1,235,427	(80,205)
Net income before zakat		42,604,855	16,557,238
Zakat	12	1,556,648	803,129
NET INCOME		41,048,207	15,754,109

These accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF STOCKHOLDERS' 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		100,000,000	4,553,660	40,982,932	145,536,592

These 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)

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED DECEMBER 31, 2009

	2009 SR	2008 SR
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:

Name	Ownership percentage
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%
	100%

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

(LIMITED LIABILITY COMPANY)

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:

City	CR number
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 shelve 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

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2009

Inventories

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

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:

	Years
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.

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2009

Foreign currency translation

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.

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.

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2009

4- INVENTORIES

	2009 SR	2008 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
	205,617,779	172,582,877

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
	34,515,433	13,423,826

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2009

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	5,917,604	4,748,210
Current liabilities	764,290	328,284
Non-current liabilities	389,690	253,574
Total liabilities	1,153,980	581,858
Net assets	4,763,624	4,166,352
Company›s equity in net assets	2,168,880	1,659,516

	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	1,273,410	1,102,770
Company›s share in net income	548,564	481,463

UNITED ELECTRONICS COMPANY

(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2009

7- PROPERTY AND EQUIPMENT

Cost	Land SR	Buildings and lease-hold im-provements SR	Furniture, fixtures and office equipment SR	Vehicles SR	Capital work-in-progress SR	Total SR
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	24,514,881	102,806,207	92,595,085	6,157,790	4,703,083	230,777,046
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	-	13,707,413	42,626,142	3,834,882	-	60,168,437
Net book value						
December 31, 2009	24,514,881	89,098,794	49,968,943	2,322,908	4,703,083	170,608,609
December 31, 2008	24,514,881	68,276,106	45,694,214	1,734,211	14,829,438	155,048,850

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

(LIMITED LIABILITY COMPANY)

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	13,303,199	13,303,199
Accumulated amortization		
January 1	9,925,840	7,659,704
Amortization for year	3,377,359	2,266,136
December 31	13,303,199	9,925,840
Net book value	-	3,377,359

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
	387,017,298	304,233,567

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

(LIMITED LIABILITY COMPANY)

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
	2,740,113	22,027,182

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 stockholders' 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	1,500,000	760,000

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 form an associate	39,200	39,224
Charged to statement of income	1,556,648	803,129

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

(LIMITED LIABILITY COMPANY)

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
	191,054,235	92,414,415

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	9,735,032	6,206,262

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
	1,439,858,449	1,262,135,953

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
	130,281,542	101,691,256

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
	54,380,319	57,660,685

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	20,102,726	18,311,021

Operating lease payments represent rentals payable by the Company for it 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 shelve 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	23,181,667	20,681,667
Letters of credit	129,508,451	64,536,188

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.

19.3 Financial Statements and Auditor's Reports for 2010

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2010

Deloitte.

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AUDITORS' REPORT

To the stockholders
United Electronics Company
Al Khobar, Saudi Arabia

Scope of Audit

We have audited the balance sheet of United Electronics Company (a Saudi Closed Joint Stock Company) as of December 31, 2010 and the related statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 21 which form an integral part of these 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 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, 2010 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 where it is stated that although the Company's Articles specifically states that the first fiscal year of the Company is to commence from the date of the ministerial approval on official announcement of the conversion of the Company to Closed Joint Stock Company to December 31 of the following year, the Company's management believes that the conversion transaction will not affect the continuation of the business and decided accordingly, to present financial statements for the full year from January 1, 2010 to December 31, 2010 to better reflect the operations of the Company on a consistent and comparable basis.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
License No. 378
22 Safar, 1432
January 26, 2011

Deloitte & Touche
Bakr Abulkhair & Co.

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UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

BALANCE SHEET

AS OF DECEMBER 31, 2010

	Note	2010 SR	2009 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	30,225,095	14,690,045
Trade receivable		4,985,769	14,340,780
Due from related parties	13	-	191,054,235
Inventories	4	256,603,080	205,617,779
Prepayments and other debit balances	5	30,161,410	34,515,433
Total current assets		321,975,354	460,218,272
Non current assets			
Investment in an associate	6	-	2,168,880
Investment in a subsidiary	7	297,000	-
Property and equipment	8	266,957,607	170,608,609
Total non-current assets		267,254,607	172,777,489
TOTAL ASSETS		589,229,961	632,995,761
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Due to banks	9	2,531,355	87,966,726
Medium term loans - current portion	11	6,153,846	2,740,113
Trade payables and other liabilities	10	304,123,318	387,017,298
Total current liabilities		312,808,519	477,724,137
Non current liabilities			
Medium term loans	11	12,307,692	-
Deferred revenue on extended service plan		6,745,326	-
End-of-service indemnities	14	14,101,241	9,735,032
Total non-current liabilities		33,154,259	9,735,032
Stockholders' equity			
Share capital	1	240,000,000	100,000,000
Statutory reserve	15	3,267,019	4,553,660
Retained earnings		164	40,982,932
Total stockholders' equity		243,267,183	145,536,592
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		589,229,961	632,995,761

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2010

	Note	2010 SR	2009 SR
Revenue	13,16	1,778,382,259	1,439,858,449
Cost of revenue	13	1,456,290,204	1,214,290,360
Gross profit		322,092,055	225,568,089
Selling and distribution expenses	13,17	157,157,131	130,281,542
General and administrative expenses	18	65,501,730	54,380,319
Operating income		99,433,194	40,906,228
Finance charges	9,11	(4,366,351)	(4,869,370)
Finance income	13	4,194,094	4,784,006
Share of income from an associate	6	-	548,564
Gain on sale of investment in an associate		522,046	
Other income, net		284,549	1,235,427
Net income before zakat		100,067,532	42,604,855
Zakat	12	2,336,941	1,556,648
NET INCOME		97,730,591	41,048,207

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2010

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2009		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		100,000,000	4,553,660	40,982,932	145,536,592
Net income for year		-	-	97,730,591	97,730,591
Transferred to statutory reserve	15	-	9,773,059	(9,773,059)	-
Transferred to share capital	1	140,000,000	(11,059,700)	(128,940,300)	-
December 31, 2010		240,000,000	3,267,019	164	243,267,183

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	2010 SR	2009 SR
OPERATING ACTIVITIES		
Net income before zakat	100,067,532	42,604,855
Adjustments for:		
Depreciation	18,822,407	16,517,024
Amortization	-	3,377,359
Finance charges	4,366,351	4,869,370
Finance income	(4,194,094)	(4,784,006)
Share of income from an associate	-	(548,564)
Gain on sale of investment in an associate	(522,046)	-
Provision for doubtful debts	1,340,383	979,796
Gain on disposal of property and equipment	(140,089)	-
End-of-service indemnities	4,975,594	3,872,771
Changes in operating assets and liabilities:		
Trade receivable	8,014,628	(7,026,704)
Inventories	(50,985,301)	(33,034,902)
Prepayments and other debit balances	4,354,023	(21,091,607)
Trade payables and other liabilities and extended service plan	(76,859,506)	82,016,383
Cash from operations	9,239,882	87,751,775
End-of-service indemnities paid	(609,385)	(344,001)
Finance charges paid	(4,657,499)	(4,842,022)
Zakat paid	(1,334,941)	(777,448)
Net cash from operating activities	2,638,057	81,788,304
INVESTING ACTIVITIES		
Additions to property and equipment	(115,368,300)	(32,800,087)
Finance income received	4,194,094	4,784,006
Proceeds from disposal of property and equipment	336,984	723,304
Proceeds from sale of investment in an associate	2,690,926	-

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED DECEMBER 31, 2010

	2010 SR	2009 SR
Investment in a subsidiary	(297,000)	-
Net cash used in investing activities	(108,443,296)	(27,292,777)
FINANCING ACTIVITIES		
Due to banks	(85,435,371)	23,416,217
Medium term loans obtained	20,000,000	-
Repayment of medium term loans	(4,278,575)	(19,287,069)
Due from related parties	191,054,235	(98,639,820)
Net cash from (used in) financing activities	121,340,289	(94,510,672)
Net change in cash and cash equivalents	15,535,050	(40,015,145)
Cash and cash equivalents, January 1	14,690,045	54,705,190
CASH AND CASH EQUIVALENTS, DECEMBER 31	30,225,095	14,690,045

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

1- ORGANIZATION AND ACTIVITIES

United Electronics Company (the "Company") is a Saudi Closed 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 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 was SR 100 million divided in to 10 million shares of SR 10 each.

In 2009, 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. On February 17, 2010, the Company obtained the ministerial approval on the official announcement of the conversion and has obtained the new commercial registration certificate.

During the year, the stockholders' of the Company resolved to increase the share capital of the Company from SR 100 million to SR 240 million by transferring SR 128.94 million from retained earnings and SR 11.06 million from statutory reserve. Legal formalities related to increase in share capital were completed during the year.

The stockholders of the Company and their respective shareholding as of December 31, 2010 are as follows:

Name	Ownership percentage
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	3%
Ma'aly Al Khaleej Trading Company	2%
	100%

Although the Company's Articles specifically states that the first fiscal year of the Company is to commence from the date of the ministerial approval on the official announcement of the conversion of the Company of the Closed Joint Stock Company to December 31 of the following year, The Company's management believes that the conversion transaction will not affect the continuation of the business and decided accordingly, to present financial statements for the full year from January 1, 2010 to December 31, 2010 to better reflect the operations of the Company on a consistent and comparable basis.

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

(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2010

The accompanying financial statements include the financial results of the Company's head office and its branches as follows:

City	CR number
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
Riyadh – Al Raed	1010300686
Tabok	3550026190

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 shelve 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 where by 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 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.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

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.

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.

Investment in a subsidiary

A subsidiary is an enterprise that is controlled by the Company by governing the financial and operating policies. The results and assets and liabilities of subsidiaries are incorporated in these financial statements using the equity method of accounting rather than being consolidated as the Subsidiary is in the pre-operation stage.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for land 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 using straight-line method.

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

	Years
Buildings and leasehold improvements	15 - 33
Furniture, fixtures and office equipment	4 - 10
Vehicles	5

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.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

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.

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.

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, 2010 and 2009, cash and cash equivalents consist entirely of cash and bank balances.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

4- INVENTORIES

Inventories represent items held for sale in ordinary course of business of the Company. These mainly comprised of electronics, household appliances, computers, digital devices and others.

5- PREPAYMENTS AND OTHER DEBIT BALANCES

	2010 SR	2009 SR
Prepaid rent	16,397,912	14,868,288
Advances to suppliers	5,815,772	10,925,777
Receivable from employees	4,507,663	6,549,006
Prepaid insurance	1,297,017	961,154
Other receivables	2,143,046	1,211,208
	30,161,410	34,515,433

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. During the year, the Company had sold this investment.

7- INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary represents equity interest of 99% in United Electronics Maintenance and Computer Company (the "Subsidiary"), a Saudi limited liability company incorporated on 10 Rajab 1431H (June 22, 2010). The principal activities of the Subsidiary are maintenance and repair and warranties for electronics, digital and electrical devices, home appliances and computers and wholesale trading and spare parts for electrical and digital devices, photocopy and fax machines, telephones, cell phones, video and electric games, digital assistants, printer and computer related devices.

As the Subsidiary has not commenced its operations upto December 31, 2010 and the Subsidiary was determined to be immaterial and accordingly, financial statements for the year ended December 31, 2010 were not consolidated.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

8- 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, 2010	24,514,881	102,806,207	92,595,085	6,157,790	4,703,083	230,777,046
Additions	57,146,601	3,648,093	6,851,341	2,115,580	45,606,685	115,368,300
Transfers	-	22,667,931	12,473,102	685,300	(35,826,333)	-
Disposals	-	-	(336,071)	(567,850)	-	(903,921)
December 31, 2010	81,661,482	129,122,231	111,583,457	8,390,820	14,483,435	345,241,425
Depreciation						
January 1, 2010	-	13,707,413	42,626,142	3,834,882	-	60,168,437
Charge for year	-	4,644,049	13,183,084	995,274	-	18,822,407
Disposals	-	-	(205,773)	(501,253)	-	(707,026)
December 31, 2010	-	18,351,462	55,603,453	4,328,903	-	78,283,818
Net book value						
December 31, 2010	81,661,482	110,770,769	55,980,004	4,061,917	14,483,435	266,957,607
December 31, 2009	24,514,881	89,098,794	49,968,943	2,322,908	4,703,083	170,608,609

Some of the Company›s store buildings located in different cities of Kingdom of Saudi Arabia are leased for a period ranging from 5 to 20 years. The Company›s store building located in Al Khobar is constructed on a land leased from Abdullaftif and Mohammed Al Fozan Co., a related party and an ultimate shareholder, for a period of 25 years commencing from June 30, 2003.

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

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2010

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 are subject to interest at commercial rates and are secured by corporate guarantees from the stockholders.

10- TRADE PAYABLES AND OTHER LIABILITIES

	2010 SR	2009 SR
Trade payables	247,232,612	326,640,534
Due to a related party (note 13)	-	4,355,341
Provision for warranty	9,360,622	17,265,916
Accrued bonus	12,002,076	11,959,255
Advances from customers	14,270,034	10,909,963
Accrued suppliers claims	4,648,670	3,090,830
Zakat (note 12)	2,502,000	1,500,000
Others	14,107,304	11,295,459
	304,123,318	387,017,298

11- MEDIUM TERM LOANS

In 2006, the Company obtained a medium term loan from a local bank to finance the expansion. The loan carries mark up on commercial rates and was secured against corporate guarantees of the shareholders. The loan is repayable in quarterly installments started from March 31, 2007. During the year, the loan was fully paid.

In 2008, the Company obtained another medium term loan from a local bank. The loan carries mark up on commercial rates. The loan is repayable in eight equal quarterly installments started from April 30, 2008. During the year, the loan was fully paid.

During the year, the Company obtained another medium term loan from a local bank. The loan is repayable in thirteen equal quarterly payments starting from December 31, 2010. The loan carries a mark up on commercial rate. The loan is secured by corporate guarantee issued by Abdullaftif and Mohammed Al Fozan Co., a related party and an ultimate shareholder.

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

	2010 SR	2009 SR
Due in year one	6,153,846	2,740,113
Due in year two	6,153,846	-
Due in year three	6,153,846	-
	18,461,538	2,740,113

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

12- ZAKAT

The principal elements of the zakat base are as follows:

	2010 SR	2009 SR
Non-current assets	267,254,607	172,777,489
Non-current liabilities	33,154,259	9,735,032
Opening stockholders' equity	145,536,592	104,488,385
Net income before zakat	100,067,532	42,604,855

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

The movement in zakat is as follows:

	2010 SR	2009 SR
January 1	1,500,000	760,000
Provision for year	2,502,000	1,500,000
(Over) under provision in previous year	(165,059	17,448
Payments during year	(1,334,941	(777,448
December 31	2,502,000	1,500,000

The charge for the year for zakat is as follows:

	2010 SR	2009 SR
Zakat for current year	2,502,000	1,500,000
(Over) under provision in previous year	(165,059)	17,448
Share of zakat form an associate	-	39,200
Charged to statement of income	2,336,941	1,556,648

The Company has submitted its zakat returns up to year ended December 31, 2009, settled zakat due as per the return and obtained the required certificates and official receipts.

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

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

Significant transactions and the related amounts are as follows:

	2010 SR	2009 SR
Land purchased	26,440,087	-
Sales	(970,731)	(2,458,639)
Purchases	14,178,656	28,794,193
Interest charged to a related party	(4,194,094)	(4,784,006)
Rent of land	2,707,724	1,356,000
Rental income	(900,000)	(1,506,667)

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

	2010 SR	2009 SR
Digital & Electronic Solutions Development Company ("DESD")	-	189,175,036
Abdulaziz Alsaghyir Commercial Investment Company	-	79,199
Hani Ebraheem Khogah	-	600,000
Haitham Ebraheem Khogah	-	600,000
Sami Abdulkareem Al-Dhahaby	-	600,000
	-	191,054,235

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. Receivable from DESD earn financial income at market rates. During the year, the full amount has been received.

Due to a related party as of December 31, 2010 amounting to nil (2009: SR 4,355,341) represents amount due to Al Fozan Holding Co., a shareholder.

14- END-OF-SERVICE INDEMNITIES

	2010 SR	2009 SR
January 1	9,735,032	6,206,262
Provision for year	4,975,594	3,872,771
Payments during year	(609,385)	(344,001)
December 31	14,101,241	9,735,032

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.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

16- REVENUE

	2010 SR	2009 SR
Sales	1,705,929,449	1,388,475,984
Services, rental and other operating income (note 19)	72,452,810	51,382,465
	1,778,382,259	1,439,858,449

17- SELLING AND DISTRIBUTION EXPENSES

	2010 SR	2009 SR
Salaries, wages and employees benefits	67,166,144	51,343,112
Advertising and promotion	24,989,970	21,624,092
Rent	23,239,718	19,864,886
Depreciation	14,819,702	12,829,597
Utilities	11,623,964	8,841,279
Repair and maintenance	4,964,710	4,578,951
Amortization	-	3,377,359
Travel and accommodation	813,955	956,961
Others	9,538,968	6,865,305
	157,157,131	130,281,542

18- GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR	2009 SR
Salaries, wages and employees benefits	47,569,256	36,756,126
Travel, accommodation and communications	4,002,705	3,687,427
Depreciation	2,336,182	1,523,313
Rent	2,008,774	3,413,981
Utilities, printing and stationary	237,840	237,840
Repair and maintenance	978,417	1,328,131
Legal and consultancy	1,362,066	1,050,722
Provision for doubtful debts	1,340,383	979,796
Others	5,666,107	5,402,983
	65,501,730	54,380,319

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

YEAR ENDED DECEMBER 31, 2010

19- OPERATING LEASE ARRANGEMENTS

Company as lessee

	2010 SR	2009 SR
Payments under operating leases recognized as an expense during the year	23,477,558	20,102,726

Operating lease payments represent rentals payable by the Company for it 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:

	2010 SR	2009 SR
Year 1	33,119,925	22,618,958
Year 2	31,184,592	27,093,669
Year 3	27,720,793	23,749,435
Year 4	27,553,189	23,497,824

Company as lessor

The Company also has operating leases with its customers for rental of floor and shelve space which generally have a term of one year. Rental income for the year ended December 31, 2010 under such leases amounted to approximately SR 2.8 million (2009: SR 3.3 million).

20- CONTINGENCIES AND COMMITMENTS

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

	2010 SR	2009 SR
Letters of guarantee	3,694,193	23,181,667
Letters of credit	96,547,624	129,508,451

The letters of guarantee include nil (2009: SR 20 million) given on behalf of an affiliate. The letters of credit include nil (2009: SR 52.5 million) issued on behalf of an affiliate.

21- FAIR VALUES

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

19.4 Financial Statements and Auditor's Reports for the period from January 1, 2011 to June 30, 2011

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

Deloitte.

Deloitte & Touche
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AUDITORS' REPORT

To the stockholders
United Electronics Company
Al Khobar, Saudi Arabia

Scope of Audit

We have audited the balance sheet of United Electronics Company (a Saudi Closed Joint Stock Company) as of June 30, 2011 and the related statements of income, stockholders' equity and cash flows for the period from January 1, 2011 to June 30, 2011, and notes 1 to 21 which form an integral part of these financial statements as prepared by the Company and presented to us with all the necessary information and explanations we required. 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 in the Kingdom of Saudi Arabia. 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 June 30, 2011 and the results of its operations and its cash flows for the period then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company as described in notes to the financial statements.

Other Matters

Without qualifying our opinion, we draw attention to the note 1 which states that the financial statements for the six months period ended June 30, 2011 are prepared for inclusion in the Company's prospectus.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
License No. 378
12 Sha'ban, 1432
July 13, 2011

Deloitte & Touche
Bakr Abulkhair & Co.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

BALANCE SHEET

AS OF JUNE 30, 2011

	Note	2011 SR	2010 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	99,692,928	33,522,705
Trade receivable		2,852,376	10,112,577
Due from related parties	13	-	211,934,604
Inventories	4	302,643,707	242,157,324
Prepayments and other debit balances	5	57,523,262	39,652,056
Total current assets		462,712,273	537,379,266
Non current assets			
Investment in an associate	6	-	1,977,922
Investment in a subsidiary	7	297,000	297,000
Property and equipment	8	285,085,551	189,200,247
Total non-current assets		285,382,551	191,475,169
TOTAL ASSETS		748,094,824	728,854,435
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Due to banks	9	2,971,193	89,968,496
Medium term loans - current portion	11	6,153,846	4,615,385
Trade payables and other liabilities	10	397,413,314	416,068,944
Total current liabilities		406,538,353	510,652,825
Non current liabilities			
Medium term loans	11	9,230,768	15,384,615
Deferred revenue on extended service plan		7,678,964	9,652,353
End-of-service indemnities	14	16,869,010	11,781,637
Total non-current liabilities		33,778,742	36,818,605
Stockholders' equity			
Share capital	1	240,000,000	100,000,000
Statutory reserve	1,15	9,718,074	8,138,301
Retained earnings		58,059,655	73,244,704
Total stockholders' equity		307,777,729	181,383,005
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		748,094,824	728,854,435

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF INCOME

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

	Note	2011 SR	2010 SR
Revenue	13,16	1,127,392,091	791,728,798
Cost of revenue	13	916,344,677	651,431,248
Gross profit		211,047,414	140,297,550
Selling and distribution expenses	13,17	104,119,450	73,946,984
General and administrative expenses	18	40,059,403	30,222,988
Operating income		66,868,561	36,127,578
Finance charges	9,11	(492,062)	(2,296,408)
Finance income	13	-	2,228,249
Share of income from an associate	6	-	(190,958)
Other income, net		65,250	727,800
Net income before zakat		66,441,749	36,596,261
Zakat	12	1,931,203	749,848
NET INCOME		64,510,546	35,846,413

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2010	100,000,000	4,553,660	40,982,932	145,536,592
Net income for period	-	-	35,846,413	35,846,413
Transferred to statutory reserve	-	3,584,641	(3,584,641)	-
June 30, 2010	100,000,000	8,138,301	73,244,704	181,383,005
January 1, 2011	240,000,000	3,267,019	164	243,267,183
Net income for period	-	-	64,510,546	64,510,546
Transferred to statutory reserve	-	6,451,055	(6,451,055)	-
June 30, 2011	240,000,000	9,718,074	58,059,655	307,777,729

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

	2011 SR	2010 SR
OPERATING ACTIVITIES		
Net income before zakat	66,441,749	36,596,261
Adjustments for:		
Depreciation	10,638,218	8,884,611
Finance charges	492,062	2,296,408
Finance income	-	(2,228,249)
Share of income from an associate	-	190,958
Gain on disposal of property and equipment	-	(82,653)
End-of-service indemnities	3,229,532	2,361,974
Changes in operating assets and liabilities:		
Trade receivable	2,133,393	4,228,203
Inventories	(46,040,627)	(36,539,545)
Prepayments and other debit balances	(27,361,852)	(5,136,623)
Trade payables and other liabilities and extended service plan	95,049,292	39,289,092
Cash from operations	104,581,767	49,860,437
End-of-service indemnities paid	(461,763)	(315,369)
Finance charges paid	(492,062)	(2,296,408)
Zakat paid	(2,756,861)	(1,334,941)
Net cash from operating activities	100,871,081	45,913,719
INVESTING ACTIVITIES		
Additions to property and equipment	(28,770,121)	(27,602,380)
Finance income received	-	2,228,249
Proceeds from disposal of property and equipment	3,959	208,784
Investment in a subsidiary	-	(297,000)
Net cash used in investing activities	(28,766,162)	(25,462,347)

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

	2011 SR	2010 SR
FINANCING ACTIVITIES		
Due to banks	439,838	2,001,770
Medium term loans obtained	-	20,000,000
Repayment of medium term loans	(3,076,924)	(2,740,113)
Due from related parties	-	(20,880,369)
Net cash used in financing activities	(2,637,086)	(1,618,712)
Net change in cash and cash equivalents	69,467,833	18,832,660
Cash and cash equivalents, January 1	30,225,095	14,690,045
CASH AND CASH EQUIVALENTS, JUNE 30	99,692,928	33,522,705

The accompanying notes form an integral part of these financial statements

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

1- ORGANIZATION AND ACTIVITIES

United Electronics Company (the "Company") is a Saudi Closed 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 head office was transferred from Riyadh to Al Khobar and, accordingly, the Commercial Registration number was changed to 2051029841 dated 27 Jumada II 1425H (July 27, 2004). The Company's share capital was SR 100 million divided in to 10 million shares of SR 10 each.

In 2009, the shareholders of the Company resolved to convert the Company from a limited liability company to a Closed Joint Stock Company by the introduction of new shareholders. The Company obtained the ministerial approval of the conversion on December 14, 2009. On February 17, 2010, the Company obtained the ministerial approval of the official announcement of the conversion and has obtained the new commercial registration certificate.

In 2010, the stockholders' of the Company resolved to increase the share capital of the Company from SR 100 million to SR 240 million by transferring SR 128.94 million from retained earnings and SR 11.06 million from statutory reserve. Legal formalities related to increase in share capital were completed in 2010.

The stockholders of the Company and their respective shareholding as of June 30, 2011 are as follows:

Name	Ownership percentage
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	3%
Ma'aly Al Khaleej Trading Company	2%
	100%

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, mobile telephones and their related spare parts and accessories, furniture and fixtures, office equipment and other related repair and maintenance services as well as trading in food stuff.

The financial statements for the six months period ended June 30, 2011 are prepared for inclusion in the Company's prospectus.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

The accompanying financial statements include the financial results of the Company's head office and its branches as follows:

City	CR number
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
Riyadh – Al Raed	1010300686
Tabok	3550026190
Makkah	4031060798
Al Remal	1010300685
Oriyjah	1010307790
Najran	5950018934

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in compliance with generally accepted accounting standards in the Kingdom of Saudi Arabia 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 shelve 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 where by 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.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

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 parts of cost of revenue as required under generally accepted accounting principles. Allocations between general and administrative expenses and costs 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.

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.

Investment in a subsidiary

A subsidiary is an enterprise that is controlled by the Company by governing the financial and operating policies. The operating results and the assets and liabilities of the subsidiary are incorporated in these financial statements using the equity method of accounting rather than being consolidated as the Subsidiary is in the pre-operation stage.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation except for the land 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 using straight-line method.

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

	Years
Buildings and leasehold improvements	15 - 33
Furniture, fixtures and office equipment	4 - 10
Vehicles	5

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.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

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 re-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.

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.

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 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 June 30, 2011 and 2010, cash and cash equivalents consist entirely of cash and bank balances.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

4- INVENTORIES

Inventories represent items held for sale in ordinary course of business of the Company. These mainly comprised of electronics, household appliances, computers, digital devices and others.

5- PREPAYMENTS AND OTHER DEBIT BALANCES

	As of June 30	
	2011 SR	2010 SR
Prepaid rent	21,787,203	18,129,955
Advances to suppliers	23,618,412	10,102,111
Receivable from employees	4,346,295	6,868,475
Prepaid insurance	3,170,357	530,497
Other receivables	4,600,995	4,021,018
	57,523,262	39,652,056

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. In 2010, the Company had sold this investment.

7- INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary represents 99% investment in United Electronics Maintenance and Computer Company (the "Subsidiary"), a Saudi limited liability company incorporated on 10 Rajab 1431H (June 22, 2010). The principal activities of the Subsidiary are maintenance and repair and warranties for electronics, digital and electrical devices, home appliances and computers and wholesale trading and spare parts for electrical and digital devices, photocopy and fax machines, telephones, cell phones, video and electric games, digital assistants, printers and computer related devices.

As the Subsidiary has not commenced its operations upto June 30, 2011 and the Subsidiary was determined to be immaterial and accordingly, the financial statements of the subsidiary for the period from January 1, 2011 to June 30, 2011 were not consolidated.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

8- 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, 2011	81,661,482	129,122,232	111,583,455	8,390,820	14,483,436	345,241,425
Additions	-	6,744,016	8,025,621	-	14,000,484	28,770,121
Transfers	-	5,277,244	2,405,676	-	(7,682,920)	-
Disposals	-	-	(6,299)	-	-	(6,299)
June 30, 2011	81,661,482	141,143,492	122,008,453	8,390,820	20,801,000	374,005,247
Depreciation						
January 1, 2011	-	18,351,462	55,603,453	4,328,903	-	78,283,818
Charge for period	-	2,691,677	7,358,326	588,215	-	10,638,218
Disposals	-	-	(2,340)	-	-	(2,340)
June 30, 2011	-	21,043,139	62,959,439	4,917,118	-	88,919,696
Net book value						
June 30, 2011	81,661,482	120,100,353	59,049,014	3,473,702	20,801,000	285,085,551
June 30, 2010	24,514,881	96,033,572	53,081,049	3,457,983	12,112,762	189,200,247

Some of the Company›s store buildings located in different cities of Kingdom of Saudi Arabia are leased for a period ranging from 5 to 20 years. The Company›s store building located in Al Khobar is constructed on a land leased from Abdullatif and Mohammed Al Fozan Company, a shareholder, for a period of 25 years commencing from June 30, 2003.

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

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

9- BANK FACILITIES

The Company has bank facilities from local banks for short-term loans, overdrafts, letters of guarantee, letters of credit, Murabaha facilities, etc. These facilities are subject to interest at commercial rates.

10- TRADE PAYABLES AND OTHER LIABILITIES

	As of June 30	
	2011 SR	2010 SR
Trade payables	327,113,367	363,281,508
Due to a related party (note 13)	-	5,278,431
Deferred revenue on extended service plan – current portion	10,483,548	8,245,191
Accrued bonus	6,983,037	5,699,907
Advances from customers	21,969,157	15,559,823
Zakat (note 12)	1,676,342	914,907
Accrued suppliers claims	489,623	2,573,448
Others	28,698,240	14,515,729
	397,413,314	416,068,944

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

11- MEDIUM TERM LOANS

In 2006, the Company obtained a medium term loan from a local bank to finance the expansion. The loan carries mark up on commercial rates and was secured against corporate guarantees of the shareholders. The loan is repayable in quarterly installments started from March 31, 2007. In 2010, the loan was fully repaid.

In 2008, the Company obtained another medium term loan from a local bank. The loan carries mark up on commercial rates. The loan is repayable in eight equal quarterly installments started from April 30, 2008. In 2010, the loan was fully repaid.

In 2010, the Company obtained another medium term loan from a local bank. The loan is repayable in thirteen equal quarterly payments starting from December 31, 2010. The loan carries a mark up on commercial rate.

The aggregate maturities of outstanding medium term loans as of June 30, are summarized as follows:

	2011 SR	2010 SR
Due in year one	6,153,846	4,615,385
Due in year two	6,153,845	6,153,846
Due in year three	3,076,923	9,230,769
	15,384,614	20,000,000

12- ZAKAT

The principal elements of the zakat base are as follows:

	As of and for the period ended June 30,	
	2011 SR	2010 SR
Non-current assets	285,382,551	191,475,169
Non-current liabilities	33,778,742	36,818,605
Opening stockholders' equity	243,267,183	145,536,592
Net income before zakat	66,441,749	36,596,261

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

The movement in zakat is as follows:

	2011 SR	2010 SR
January 1	2,502,000	1,500,000
Provision for period	1,676,242	914,907
Under (over) provision in previous periods	254,961	(165,059)
Payments during period	(2,756,861)	(1,334,941)
June 30	1,676,342	914,907

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

The charge for the year for zakat is as follows:

	2011 SR	2010 SR
Zakat for current period	1,676,242	914,907
Under (over) provision in previous period	254,961	(165,059)
Charged to statement of income	1,931,203	749,848

Outstanding assessments

The Company has submitted its zakat returns up to year ended December 31, 2010, settled zakat due as per the return and obtained the required certificates and official receipts. The assessments related to the year 2004 and 2005 were received during the period. The final zakat assessments for the years 2006 to 2010 are under process by the DZIT.

13- RELATED PARTY TRANSACTIONS

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

Name	Relationship
Al Fozan Group of Companies	Stockholder / affiliates
Abdulaziz Alsaghyir Commercial Investment Company	Stockholder
Digital & Electronic Solutions Development Company ("DESD")	Affiliate
United Electronics Maintenance and Computer Company	Subsidiary
Hani Ebraheem Khogah	Affiliate
Haitham Ebraheem Khogah	Affiliate
Sami Abdulkareem Al-Dhahaby	Affiliate

Significant transactions and the related amounts are as follows:

	For the period from January 1 to June 30,	
	2011 SR	2010 SR
Sales	(655,346)	(527,826)
Purchases	7,502,086	4,030,771
Interest charged to a related party	-	(2,228,249)
Rent of land	1,353,862	1,353,862
Rental income	(450,000)	(450,000)

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

Due from related parties as of June 30 are as follows:

	2011 SR	2010 SR
DESD	-	209,979,899
United Electronics Maintenance and Computer Company	-	506
Abdulazaiz Alsaghyir Commercial Investment Company	-	154,199
Hani Ebraheem Khogah		600,000
Haitham Ebraheem Khogah	-	600,000
Sami Abdulkareem Al-Dhahaby	-	600,000
	-	211,934,604

Due to a related party as of June 30 is as follows:

	2011 SR	2010 SR
Al Fozan Holding Co.	-	5,278,431
	-	5,278,431

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. Receivable from DESD carried financial charges at market rates and it was fully received in 2010.

14- END-OF-SERVICE INDEMNITIES

	2011 SR	2010 SR
January 1	14,101,241	9,735,032
Provision for period	3,229,532	2,361,974
Payments during period	(461,763)	(315,369)
June 30	16,869,010	11,781,637

15- 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.

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

16- REVENUE

	For the period from January 1 to June 30,	
	2011 SR	2010 SR
Sales	1,080,968,778	760,197,710
Services, rental and other operating income (note 19)	46,423,313	31,531,088
	1,127,392,091	791,728,798

17- SELLING AND DISTRIBUTION EXPENSES

	For the period from January 1 to June 30,	
	2011 SR	2010 SR
Salaries, wages and employees benefits	44,865,229	31,026,952
Advertising and promotion	16,420,056	13,058,616
Rent (note 19)	17,651,257	10,591,808
Depreciation	8,496,377	6,901,666
Utilities	8,500,514	5,362,349
Repair and maintenance	1,408,674	1,153,823
Travel and accommodation	420,508	297,379
Others	6,356,835	5,554,391
	104,119,450	73,946,984

18- GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR	2010 SR
Salaries, wages and employees benefits	26,658,362	22,098,381
Depreciation	2,141,840	1,982,944
Travel, accommodation and communications	1,486,011	1,055,041
Legal and consultancy	2,130,832	799,041
Rent (note 19)	148,920	178,920
Utilities, printing and stationary	1,365,845	442,261
Repair and maintenance	635,418	549,461
Others	5,492,175	3,116,939
	40,059,403	30,222,988

UNITED ELECTRONICS COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011

19- OPERATING LEASE ARRANGEMENTS

Company as lessee

	For the period from January 1 to June 30,	
	2011 SR	2010 SR
Payments under operating leases recognized as an expense during the period	17,800,177	10,770,728

Operating lease payments represent rentals payable by the Company for it 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:

	2011 SR	2010 SR
Year 1	32,155,278	28,118,817
Year 2	29,452,693	29,393,752
Year 3	27,636,991	27,934,793
Year 4	27,446,006	27,903,155
Year 5 and after	328,236,370	345,081,399

Company as lessor

The Company also has operating leases with its customers for rental of floor and shelve space which generally have a term of one year. Rental income for the period from January 1, 2011 to June 30, 2011 under such leases amounted to approximately SR 1.1 million (2010: SR 1.2 million).

20- CONTINGENCIES AND COMMITMENTS

As of June 30, the Company had the following contingencies and commitments:

	2011 SR	2010 SR
Letters of guarantee	17,153,498	20,050,000
Letters of credit	99,645,721	242,062,500

The letters of guarantee include nil (2010: SR 20 million) given on behalf of an affiliate. The letters of credit include nil (2010: SR 110.5 million) issued on behalf of an affiliate.

21- FAIR VALUES

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

RED HERRING PROSPECTUS

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