

**South Electronic Co.**  
**A Public Limited Company**  
Amman – The Hashemite Kingdom of Jordan

**Progressive, Concise & Separated Financial**  
**Statements (Un-Audited Review)**

**As at March 31<sup>st</sup>, 2021**

**South Electronic Co.**  
**A Public Limited Company**  
Amman – The Hashemite Kingdom of Jordan

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**Review Report on Progressive, Concise & Separated Financial Statements**

To: M/s.: Chairman and of Board of Directors  
South Electronic Co.  
A Public Limited Company  
Amman – the Hashemite Kingdom of Jordan

**Introduction:**

We have reviewed the attached Progressive, Concise & Separated Financial Statements of South Electronic Co. PLC which comprise of the Progressive, Concise & Separated Financial Statements of the financial position as at 31 March 2021, and each of Progressive, Concise & Separated comprehensive income, Progressive, Concise & Separated statement of changes in equity, and Progressive, Concise & Separated statement of cash flows of the three months then ended, Explanatory notes to the Progressive, Concise & Separated Financial statements, and a summary of the significant accounting policies, and other explanatories.

The Management is responsible for preparing, and presenting these progressive, concise financial reports according to the International Standards of Financial Statements' preparation/ International Accounting Standard No. 34 (Progressive Financial Reports), our responsibility is to reach a conclusion regarding these Progressive, Concise financial statements, based on our review.

**Scope of review:**

We have conducted our reviewed based on the International standard regarding Review Processes 2410 " the review of progressive financial information by the Independent auditor of the Company", the review of progressive financial information process is represented in conducting explanatories mainly by the persons responsible of the Financial and accounting matters, and applying analysis and other reviewing procedures, the scope of reviewing procedures is away less than the auditing procedures which are done according to International Auditing Standards, therefore, the procedures of reviewing doesn't allow us to gain confirmations regarding the important matters which may be determined through the auditing procedures, therefore we don't give an auditing opinion on that regard.



## **Basis of the Conservative Conclusion**

1 - **Accounts receivable from related parties** - On March 31, 2021, we were not provided with confirmation of receivables balances for related parties companies to ensure the validity of those balances on that date amounting to 352,650 Jordanian dinars, Haier Middle East Trade Co. - Aqaba.

2 – **The company's investment in Haier Middle East Trade Co. – Amman** - The company invests in the aforementioned company as an affiliated in accordance with International Accounting Standard No. 27 (Consolidated and Separated Financial Statements) and International Financial Reporting Standard No. 10, with a capital of 25 million dinars. The percentage of the share of the parent company is 92.5%. We did not confirm the value of this investment as of March 31, 2021 for the following reasons:

A - The financial statements of the affiliated are not audited by us, and the last audited financial statements of this affiliated were in 2014.

B - The losses of this affiliated amounted to 13,750,630 dinars at the end of 2014, according to the latest financial statements issued by this company and audited by another chartered accountant who issued a conservative report on 15 March 2015.

C - We have not received financial statements for this affiliated from the company's management for the years 2015 to 2020.

3 – **Consolidated Financial Statements** - No consolidated financial statements have been prepared for the companies owned by the parent company, nor have we received from the company's management any financial statements for these companies. Failure to include the financial statements of subsidiaries will have a material impact on the financial statements for the period ending March 31, 2021.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities according to these standards are explained later in our report within the auditor's responsibility paragraph regarding auditing the financial statements. We are independent from the company in accordance with the requirements of the International Ethical Standards Board of Accountants (IESBA), "A Guide to Ethical Conduct for Professional Accountants", and the ethical requirements related to our audit of financial statements. We have fulfilled our other ethical responsibilities in accordance with those requirements and the requirements of the International Ethical Conduct Standards Board of Accountants "Guide to Ethical Conduct for Professional Accountants".

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for a Conservative Conclusion.

## **Other matter**

The accumulated losses of the group exceeded 75% of its paid-up capital, which requires the group's management to adjust its conditions according to the provisions of Article 266 of the Jordanian Companies Law in force.



### Explanatory Paragraph

A - Company Continuity: We believe that there is doubt about the Company ability to continue its work for the following reasons:

- 1 -Due to the accumulated losses of the company amounting to 8,935,673 dinars, which is equivalent to (80%) of the company's paid-up capital of 11,158,447 dinars.
- 2 - The company's management has developed a future plan to counter the impacts mentioned above in relation to the company's ability to continue operating its activities, Exp. No. 6.

### **Conclusion:**

- Based on our review, and except for what we have mentioned on the basis for a Conservative Conclusion, in addition article and the Explanatory Paragraph, nothing draws our attention which make us believe that the attached separated and progressive Financial Statements were not prepared, from all essential aspects, according to the Accounting International Standards No. 34 regarding Progressive Financial reports.

**Al Abbasi and Partners Co.**

**Ahmad Mohammad Al Abbasi**  
License No. (710)



**Amman on 28 April 2021**

**South Electronic Co.**  
**A Public Limited Company**  
Amman – The Hashemite Kingdom of Jordan  
**Progressive, Concise & Separated Financial Position Statement**  
**As at March 31<sup>st</sup>, 2021**

**(Un-Audited Review)**

	<u><b>December 31<sup>st</sup></b></u> <u><b>2020</b></u> JOD (Audited)	<u><b>March 31<sup>st</sup></b></u> <u><b>2021</b></u> JOD (Reviewed)
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalent	67,327	62,223
Accounts Receivable – Net	1,509,916	1,507,360
Related parties accounts receivable due during the year	3,909,691	3,909,491
Corporate Bond of Arab Real Estate Development Co.	34,000	34,000
Goods in Warehouses	307,728	188,416
Other Accounts Receivable	23,468	27,230
<b>Total Current Assets</b>	<b>5,852,130</b>	<b>5,728,920</b>
<b><u>Non-Current Assets</u></b>		
Investments in an Affiliated Company	10,496,037	10,496,037
Financial Assets at Fair Value through the Comprehensive Income Statement	231,216	145,760
Properties and Equipment – Net	476,327	476,462
Right of use Asset / lease contracts	125,563	109,868
<b>Total Non-Current Assets</b>	<b>11,329,143</b>	<b>11,228,127</b>
<b>Total Assets</b>	<b>17,181,273</b>	<b>16,957,047</b>

The accompanying notes are an integral part of these financial statements.

**South Electronic Co.**  
**A Public Limited Company**  
Amman – The Hashemite Kingdom of Jordan  
Continue: Progressive, Concise & Separated Financial Position Statement  
As on March 31<sup>st</sup>, 2021

(Un-Audited Review)

	<u>December 31<sup>st</sup>,</u> <u>2020</u> JOD (Audited)	<u>March 31<sup>st</sup>,</u> <u>2021</u> JOD (Reviewed)
<b><u>Liabilities and Equity</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts payable	798,264	527,473
Financing facilities margin	560,078	560,078
Deferred Checks accruable within a year	486,857	422,380
Financing lease contracts liabilities within a year	64,102	64,821
Other Accounts Payable	354,951	436,683
<b>Total Current Liabilities</b>	<b>2,264,252</b>	<b>2,011,435</b>
<b><u>Non-Current Liabilities</u></b>		
Long Term Loans accruable within a year	66,985	50,240
Related Third Parties Accounts payable	5,066,679	5,091,072
Long Term loans	7,899,016	8,018,686
<b>Total Non-Current Liabilities</b>	<b>13,032,680</b>	<b>13,159,998</b>
<b>Total Liabilities</b>	<b>15,296,932</b>	<b>15,171,433</b>
<b><u>Equity</u></b>		
Paid and authorized capital	11,158,447	11,158,447
Disbursement deduct	(500,000)	(500,000)
Compulsory Reserve	297,734	297,734
Voluntary Reserve	55,087	55,087
Accumulated Change in the Fair Value – net	(583,690)	(289,981)
Accumulated losses at period-end	(8,543,237)	(8,935,673)
<b>Net Equity</b>	<b>1,884,341</b>	<b>1,785,614</b>
<b>Total Liabilities and Equity</b>	<b>17,181,273</b>	<b>16,957,047</b>

The accompanying notes are an integral part of these financial statements.

**South Electronic Co.**  
**A Public Limited Company**  
Amman – The Hashemite Kingdom of Jordan  
Progressive, Concise & Separated Comprehensive Income Statement  
For the three months end March 31<sup>st</sup>, 2021

(Un-Audited Review)

	<u>March 31<sup>st</sup>,</u> <u>2020</u> JOD (Reviewed)	<u>March 31<sup>st</sup>,</u> <u>2021</u> JOD (Reviewed)
Net Sales	49,557	207,474
Sales Cost	(30,467)	(139,406)
<b>Gross Profit</b>	<b>19,090</b>	<b>68,068</b>
Sales and Distribution Expenses	(31,233)	(29,741)
Administrative and General Expenses	(46,720)	(42,104)
Financing Costs	(78,972)	(86,094)
Other revenues	32,370	6,981
<b>Period loss</b>	<b>(105,465)</b>	<b>(82,890)</b>
 <b><u>Other comprehensive income items :</u></b>		
Losses on sale of financial assets through Other comprehensive income	-	(309,546)
<b>Comprehensive income converted into accumulated losses</b>	<b>(105,465)</b>	<b>(392,436)</b>
Change in fair value reserve	215,714	293,709
Comprehensive income at period-end	<b>110,249</b>	<b>(98,727)</b>
 <b><u>Basic and Short value per share of the period profit / loss</u></b>		
Shares' weighted lose within the period	(0.009)	(0.009)
<b>Shares' weighted average</b>	<b>11,158,447</b>	<b>11,158,447</b>

The accompanying notes are an integral part of these financial statements.

**South Electronic Co.**  
**A Public Limited Company**  
 Amman – The Hashemite Kingdom of Jordan  
**Statement of Progressive and Separated Changes in Equity**  
**For the three months ended March 31<sup>st</sup>, 2021**

**(Un-Audited Review)**

	<u>Capital</u>	<u>Disbursement</u>	<u>Compulsory</u>	<u>Voluntary</u>	<u>Reserve in fair</u>	<u>Accumulative</u>	<u>Net</u>
	<u>Deduct</u>	<u>reserve</u>	<u>reserve</u>	<u>value</u>	<u>losses</u>		
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
<b>For the three months ended March 31, 2021</b>							
Balance as at January 01 <sup>st</sup> , 2021	11,158,447	(500,000)	297,734	55,087	(583,690)	(8,543,237)	1,884,341
Period loss	-	-	-	-	293,709	(392,436)	(98,727)
Balance as at March 31 <sup>st</sup> , 2021	11,158,447	(500,000)	297,734	55,087	(289,981)	(8,935,673)	1,785,614
<b>For the three months ended March 31, 2020</b>							
Balance as at January 01 <sup>st</sup> , 2020	11,158,447	(500,000)	297,734	55,087	(601,528)	(8,519,168)	1,890,572
Period loss	-	-	-	-	215,714	(105,465)	110,249
Balance as at March 31 <sup>st</sup> , 2020	11,158,447	(500,000)	297,734	55,087	(385,814)	(8,624,633)	2,000,821

The accompanying notes are an integral part of these financial statements.

**South Electronic Co.**  
**A Public Limited Company**  
Amman – The Hashemite Kingdom of Jordan  
**Progressive, Concise and Separated Cash Flows Statement**  
For the three months end March 31<sup>st</sup>, 2021

(Un-Audited Review)

	<u>31 March 2020</u> JOD <u>(Reviewed)</u>	<u>31 March 2021</u> JOD <u>(Reviewed)</u>
<b><u>Cash flows from operating activities</u></b>		
Period loss	(105,465)	(82,890)
<b>Amendments:</b>		
Depreciations and Amortizations	15,692	15,695
<b><u>Change in operating capital articles</u></b>		
Accounts receivable	12,655	2,556
Accounts receivable of Related Parties	0	0
Goods in Warehouses	(208,855)	119,312
Other Debit Balances	(24,135)	(3,762)
Accounts payable	110,413	(270,791)
Related Third Parties Accounts payable	24,393	24,393
Other Accounts payable	30,115	81,732
<b>Net Cash Flow from Operating Activities</b>	<b><u>(169,577)</u></b>	<b><u>(113,755)</u></b>
<b><u>Cash flows from investing activities</u></b>		
Properties and Equipment	-	(135)
Financial assets at fair value through statement of comprehensive income	-	69,619
<b>Net Cash flows from investing activities</b>	<b><u>0</u></b>	<b><u>69,484</u></b>
<b><u>Cash flows from financing activities</u></b>		
Deferred checks	(4,599)	(64,477)
Loans	195,945	119,670
Financing lease contracts liabilities	(15,336)	(16,026)
<b>Net Cash flows from financing activities</b>	<b><u>176,010</u></b>	<b><u>39,167</u></b>
Change in cash balance and cash equivalent	6,433	(5,104)
Cash and cash equivalent as at the beginning of the period	21,393	67,327
<b>Cash and cash equivalent as at the end of the period</b>	<b><u>27,826</u></b>	<b><u>62,223</u></b>

The accompanying notes are an integral part of these financial statements

**South Electronic Co.**  
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**Amman – The Hashemite Kingdom of Jordan**

**Explanatory Notes on the Progressive, Concise & Separated Financial Statements**

**(Un-Audited Review)**

**1. Legal Entity and Activity**

South Electronic Company was established on 14 August 1993 as a limited liability company. It was registered in the limited liability companies' register under number (3275) on 1 July 2005. It was approved to transform the company into a public shareholding company and it was registered under number (368) in the public shareholding companies' register.

The most important purposes of the company include the following:

- Wholesale and retail in electronics and electrical appliances.
- Buy and sell lands after developing and organizing the same in accordance with the laws in force.
- Provision of financial and technical consultation services.
- Conducting feasibility studies for all economic and commercial projects.
- Acquire moveable and immoveable properties in line with the purposes of the company.
- Invest the company's funds in real estates.
- Management of third parties properties.
- Trading in electrical equipment.
- Borrow necessary funds from banks.

\* The financial statements were approved by the board of directors in its session held on 28 April 2021, and the financial statements do not need the approval of the shareholders general assembly.

**2. Basis of preparing the progressive and concise financial statements**

- The progressive and concise financial statements of the company were prepared as at March 31 2021 in accordance with the standards of the International Accounting Standards Board (IASB) No. 34 (Progressive financial Statements).
- The Jordanian Dinar is the currency of presenting the financial statements; amounts are approximated to the nearest integral number (Dinar) and the functional currency of the company.
- The progressive and concise financial statements were prepared in accordance with the historical cost principle except the financial assets and liabilities which are reflected at the fair value.
- The progressive financial statements do not include all information and explanations required for the annual financial statements, which are prepared in accordance with international standards.

**South Electronic Co.**  
**A Public Limited Company**  
**Amman – The Hashemite Kingdom of Jordan**

**Explanatory Notes on the Progressive, Concise & Separated Financial Statements**

**(Un-Audited Review)**

- In order to prepare financial statements, you must read it along with the annual report as at December 31, 2020 as the results of the business for the three months ended March 31 2021 do not necessarily present an indicator of predicted results for the year ended as at December 31, 2021, as well as the allocation on the period profits were not concluded, which were concluded at the end of the year.

**\*Comparative Figures**

Many comparative figures have been re-categorized and indexed to match the categorization and indexing of the current fiscal year's figures.

**3. Significant Accounting Policies**

- The preparing of the progressive and concise Financial Statements, for the three months ended March 31, 2021 in correspondence with the International Accounting Standards Board (IASB) No. 34, requires to use significant, important and identified Accounting Estimations, as it also requires from the management to use its special estimations in the process of applying Accounting Policies of the company.
- It was announced on the general estimations and assumptions used in preparing financial statements included in demonstration No. (4).
- The preparing of the progressive and concise Financial Statements was prepared in accordance with accounting policies applied in the last annual financial statements issued for the ended year as at 31<sup>st</sup> December 2020.

**4. Significant Accounting Estimations and Assumptions**

There were no material amendments on the nature and changes value in the listed amounts of the annual Financial Statements for 2020.

**5. Reply of Company Advocate**

- There are lawsuits filed against the South Electronic Co. in the amount of 216,666 Jordanian Dinars as a Defendant.
- There are no lawsuits filed by the South Electronic Co. as a Plaintiff.

**6 - Future Plan and the Impact of Covid-19 on the Company's Position**

Based on the economic and financial conditions resulting from the Corona virus pandemic, and due to the embargo that has been imposed on companies and the partial suspension of activities, the Board of Directors of South Electronic Co. has taken several courageous decisions

and plans aimed at mitigating the impact of this global crisis on the financial, administrative and marketing position of the company. As a result of applying and implementing these plans and decisions, it is expected that South Electronic Co. at the end of 2020 will have a much stronger financial position than it was before the pandemic and the embargo, as we clarify these decisions and plans as follows:

1 - The Board of Directors took a decision to restructure all the bank facilities granted to the company by the Arab Jordan Investment Bank, where a grace period was taken for one year starting on 31/5/2020, and the repayment shall start on 31/05/2021, for a period of (3) years for new loans and (9) years regarding old loans. This restructuring was formally implemented and signed with the bank on 25/5/2020.

2 - Through the implementation of this scheduling, on 31/5/2020 the company provided cash to fulfill its operational plans, purchases and expenses, at an amount of about (815) thousand dinars.

3 - Based on this scheduling, the company will provide cash of at least (1,720) million dinars at the end of 2020.

4 - The company purchased a variety of (SEC) brand goods within an initial plan in the amount of (600) thousand dinars and it was paid in cash, and therefore the company stands a strong ground by providing diverse goods to implement its plans for future sales.

5 - The company has achieved the expected sales target for the first months of 2020 according to the expected cash flow plan (with the embargo being imposed as well as the difficult current economic conditions).

6 - The company agreed with several agencies to provide an exclusive distribution of the products of those companies for the benefit of South Electronics Co. for sale to the Military Retired Institution and the Military, which is expected to increase the percentage of the company's sales in this area and achieve the sales target set by the Board of Directors.

7 - The company has drawn up a plan to restructure the company's staff, which shall positively affect the company's operational activities, and this plan shall provide (25 %) compared to the previous annual salary account.

8 - The company has established a business plan to reduce the company's general and administrative expenses by at least (25 %) compared to the expenses of 2019 provided that it does not affect the company's operational activities.

9 - The company made an agreement with Tamleek Electric Appliances Trading Co. (a company that is planned to be subsidiary to South Electronics Co. in the future, and it specializes in selling electrical appliances in cash to the Military), provided that all the purchases activities of the company shall be limited to buying only from South Electronics Co. It is expected that the volume of commercial activity between the two companies shall be about (500) thousand dinars in 2020, with a satisfactory profit rate for both parties.

## **6 - Future Plan and the Impact of Covid-19 on the Company's Position**

1 - The company has made plans to open the installment sale activity for state employees, banks and investment funds, knowing that all activities are 100% guaranteed of payment. This item was not included in the expected sales of the cash flow statement as this activity is still under study by the Board of Directors.

2 - As you know, the company's Board of Directors in cooperation with the Kuwaiti Investor will restructure the company's capital during the coming months of 2020, according to the agreement signed between all parties on 10/2019.

3 - The Kuwaiti Investor purchased (2) million shares of the company as a first stage, and he will purchase (2) million additional shares during the year 2020. Thus, the share of the Kuwaiti Investor after structuring the new company's capital within the next extraordinary general assembly, will increase by (80%) of its capital, and this is supposed to grant complete stability to the company and the share rate.

4 - By implementing the company's plans above, the expected cash flow statement, expected profit and loss statement, restructuring all the facilities of the company, and implementing the rest of the terms of the partnership agreement between all parties, the company shall achieve complete stability for the principle of the company's continuity and its strong restart to hold its natural position within this activity in Jordan.