

التاريخ: 2019/4/3

الرقم: 8/جنوب/2019

السادة / هيئة الأوراق المالية المحترمين


تحية و بعد ،،،

نرفق لكم طيا القوائم المالية الموحدة وتقرير المحاسب القانوني المستقل لشركة الجنوب
للإلكترونيات كما في 31 كانون الأول لعام 2018 باللغة الانجليزية بالإضافة الى CD باللغة العربية
والانجليزية للقوائم المالية الموحدة وتقرير المحاسب القانوني كما في 31 كانون اول لعام 2018 .

وتفضلوا بقبول فائق الاحترام،،،

المدير العام

محمد بسيسو



م.ع.م. شركة الجنوب للإلكترونيات
SOUTH ELECTRONICS CO. P.L.C.

هيئة الأوراق المالية	
الدائرة الإدارية / الديوان	
٤ نيسان ٢٠١٩	
الرقم التسلسلي	٢٣٠١٤
الجهة المختصة	م.ع.م. شركة الجنوب للإلكترونيات

South Electronic Co.
A Public Limited Company
And its Affiliates (Group)
Amman – The Hashemite Kingdom of Jordan

Consolidated Financial Statements and
Independent Public Auditor's Report
As on December 31, 2018

South Electronic Co.
A Public Limited Company
And its Affiliates(Group)
Amman – The Hashemite Kingdom of Jordan

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Independent Auditor's Report

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To the Shareholders of
South Electronic Co.
Public Shareholding Company
Amman – the Hashemite Kingdom of Jordan

Report on the Consolidated Financial Statements Auditing

Qualified Opinion

We have audited the consolidated financial statements of South Electronic Co. PSC which comprise the consolidated statement of the financial position as at 31 December 2018, consolidated statement of comprehensive income, consolidated statement of changes of shareholders' equity, and consolidated statement of cash flows for the then ended year, Explanatory notes to the consolidated financial statements, and a summary of the significant accounting policies.

In our opinion, and except the potential effects contained in the *Basis of Qualified Opinion Paragraph* in our report, the attached consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, its financial performance and consolidated cash flows for the then ended year in accordance with the International Financial Reporting Standards (IFRS).

Basis of the Qualified Opinion

1. We were not provided on 31 December 2018 with the accounts receivable supports of related third parties retained from previous years to verify this balance on that date amounting JD. 519,923. In addition, these companies suffer from hard financial conditions and necessary allocations were not made to them.
2. On 01 April 2016, the South Electronic Co. closed the liability balance of the Middle East Complex for Engineering, Electronics and Heavy Industries (MECE) amounting JD. 4,195,089 where the South Electronic Co. conducted clearing between the indebtedness due to it from General Amman Industry and Marketing Company which is indebted in a sum of JD. 4,229,201 and the indebtedness due from it to the MECE where the MECE holds 95.4% of the capital of General Amman Industry and Marketing Company.

On 28 January 2018, the General Authority for the Middle East Complex for Engineering, Electronics and Heavy Industries (MECE) consented to settle the financial liabilities between companies (Middle East Complex for Industries Company, Amman Industries & Marketing Company and South Electronics Company).

This is provided that the Middle East Complex for Industries Company assumes the liabilities arising on Amman General Industries Company (a company of the Complex) for the benefit of South Electronics Company through clearance with the liability arising to the Middle East Complex for Industries Company on South Electronics Company. This shall be through the program of financial settlements for the relevant companies.

It shall be observed that there is a lawsuit sued under the number (92/2017) by the Middle East Complex Company against South Electronics Company before Amman West Court of First Instance to claim for a sum of JD.4,195,089 in relation to the abovementioned clearance. The said lawsuit is still pending before judiciary.

And based on the reply of the company's advocate dated on 27 December 2018, this lawsuit is settled under Conciliation Agreement signed by both parties on the amount stated in the Conciliation Agreement.

3. We did not obtain financial statements for Haier Middle East Trading Co. / Aqaba for the year ending 31 December 2018 to reevaluate the investment on that date where the Group invests JD. 668,465 therein, about 18% of the company capital amounting JD. 3,550,000.

We also could not carry out alternative procedures to verify the amount of this investment. Therefore, we could not determine if there is impairment in the value of this investment and the possible effects on the financial statements.

4. The Group accounts contained corporate bond in a sum of JD. 250,000 issued on 1 April 2008 and due on 1 April 2011 where the corporate bond amount and its interests have not been recovered till the date of the independent public auditor's report in spite of its maturity on 1/4/2011 and no impairment was calculated for it as at 31 December 2018.
5. Consolidated financial statements were prepared to the companies owned by the parent company except Haier Middle East Trading Co. / Amman which its capital is 25 Million Dinars in which the parent company holds 92,5%. Its accumulated losses totaled JD. 13,750,630 at the end of 2014 in accordance with the latest financial statements issued by the company and audited by another public accountant who issued a qualified report on 25 March 2015.
Not including the statements of Haier Middle East Trading Co. in the consolidated financial statements may have material impact on the consolidated financial statements for the year 2018 and we cannot determine this impact on these statements.

We conducted our audit in accordance with the international standards on auditing. According to these standards, our responsibility is explained in the *Auditor's Responsibility* paragraph in our report on the financial statements. We are independent of the company in accordance with the ethical requirements related to the auditing of the financial statements in accordance with the International Ethics Standards Board of Accountants (IESBA), in addition to our commitment to the other ethical responsibilities per these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Material Uncertainty About Continuation

Without an amendment to our qualified opinion, we would like to draw your attention that the Group accumulated losses totaled JD. 4,299,706 at the end of 2018, i.e., (38.5%) of the Group paid-up capital which totals JD. 11,158,447 on one hand. On the other hand, the Group losses don't include the business outcomes of Haier Middle East Trading Co. (Affiliated Company) in which the parent company holds 92.5% as a result of not having audited financial statements for this affiliated company.

Auditing Significant Issues

In our professional judgment, the auditing significant issues are paid the highest attention in our audit of the current year consolidated financial statements. Such issues were taken into consideration in our audit of the consolidated financial statements as whole and to express opinion on these financial statements, and not to express a separated opinion on such issues. They were explained in our qualified opinion items.

Other information

The Management is responsible for the other information. The other information includes the information contained in the annual report of the company for 2018 but they don't include the consolidated financial statements and our report about them. Our opinion on the consolidated financial statements doesn't include the other information and we don't give any assurance about them.

Regarding the auditing of the consolidated financial statements, our responsibility is to read the above other information when becomes available where we evaluate the material nonconformance of such information with the consolidated financial statements or the information we concluded during our audit or the other information contains errors. In case the other information contains material errors, and if we conclude based on our work that there is a material error in such other information, we are obligated to report such fact. There is no issues related to this subject that should be reported.

Responsibility of the Management for the Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes developing internal control system the Management deems necessary to prepare and present consolidated financial statements free from material misstatement, whether due to fraud or error.

The Management is responsible in preparing the consolidated financial statements for evaluating the company's ability to continue, disclose - as the case may be - issues related to the continuity of the Group, use of continuity accounting basis, except in case the Management intends to liquidate the company or cease its operations, or if it doesn't have a logic alternative for that.

The Management is responsible for supervising the process of preparing the financial reports.

Auditor's Responsibility for Auditing the Consolidated Financial Statements

We aim to obtain reasonable assurance whether the consolidated financial statements are free of material errors, whether due to fraud or error, and to issue our auditing report including our opinion about the consolidated financial statements.

The reasonable assurance is high level of assurance but it doesn't guarantee that the audit conducted in accordance with the international auditing standards will enable us to constantly discover material errors, if any.

Errors may result from fraud or error. They are considered material if they could individually or together reasonably affect the economic decisions of the users based on these consolidated financial statements.

As part of auditing in accordance with the international auditing standards, we practice the professional discretion and apply the professional doubt principle in our auditing. In addition:

- Defining and evaluating the risks of material errors in the consolidated financial statements, whether due to fraud or error, designing and implementing audit procedures responsive to such risks, and obtaining sufficient and appropriate evidence to provide a basis for our opinion. The risk of not discovering material errors due to fraud is higher than the risk due to error since the fraud may contain collusion, forgery, intentional deletion, misrepresentation, or noncompliance with the internal control systems.
- Understanding the audit-related internal control systems for the purpose of designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control systems.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related Explanatory notes made by Management.
- Concluding the Management's appropriate use of the continuity accounting basis based on the obtained audit evidence whether there is material uncertainty about events or circumstances that may cause material uncertainty about the Group's ability to continue. If we conclude that there is a material uncertainty, we refer in the auditing report to the related Explanatory notes in the consolidated financial statements. If disclosing such information is inappropriate, we amend our opinion. Our conclusions are based on the auditing evidences obtained up to the date of the auditing report. However, future events or circumstances may limit the Group's ability to continue.
- Evaluating the general representation, form, and content of the consolidated financial statements including the disclosures and whether the consolidated financial statements fairly represent the transactions and events.

- We approached the person's in-charge of governance in the company regarding the audit scope, timing and important Explanatory notes including any important weaknesses in the internal control system defined during our audit.
- We also provided the persons in-charge of governance with declaration about our commitment to the professional conduct requirements on independency, and informed them with all other relations and issues that may affect their independency, as well as the preventive procedures, if any.

In discussing these issues with the person in-charge of the governance, we define the most important issues in auditing the consolidated financial statements of the current period where we describe such issues in the auditing report unless there is a law or regulation prohibiting disclosure of such issues or in very seldom cases where we decide not to disclose the issue in our report when we reasonably expect negative consequences rather than general benefit.

Report on the Legal Requirements

The Group maintains properly organized accounting records in conformity in all material aspects with the accompanying financial statements. We recommend the General Assembly to approve them after considering the basis of the qualified opinion.

Al- Abbasi & Partners Co.



Ahmed M. Abbasi
License 710



Amman in
March 26, 2019

South Electronic Co.
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Consolidated Financial Position Statement

	<u>Exp.</u>	<u>2018</u> JOD	<u>2017</u> JOD
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalent		4,300	15,264
Accounts Receivable – Net		1,644,437	1,633,009
Related parties accounts receivable	4	519,923	548,660
Financial Assets by Fair Value through the Income Statement		-	139,450
Loan of Arab Real Estate Development Co.		250,000	250,000
Goods in Warehouses	5	229,716	252,211
Other Accounts Receivable	6	168,284	88,617
Total Current Assets		2,816,660	2,927,211
<u>Non-Current Assets</u>			
Investments in Affiliated Companies	7	10,496,037	10,496,037
Financial Assets by Fair Value through the Comprehensive Income Statement	8	976,166	1,402,343
Properties and Equipment – Net	9	473,769	473,769
Total Non-Current Assets		11,945,972	12,372,149
Total Assets		14,762,632	15,299,360
<u>Liabilities and Equity</u>			
<u>Current Liabilities</u>			
Accounts payable		590,763	627,910
Financing facilities margin		623,079	623,079
Deferred Checks accruable within a year		439,855	464,855
Long Term Loans Premiums accruable within a year	10	243,000	248,400
Other Accounts Payable	11	778,872	707,092
Total Current Liabilities		2,675,569	2,671,336
<u>Long Term Liabilities</u>			
Long Term Loans Premiums accruable within a year	10	5,885,429	5,395,944
Total Non-Current Liabilities		5,885,429	5,395,944
<u>Equity</u>			
Authorized and paid up 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
Accumulative Change at the Fair Value		(509,928)	30,979
Accumulative losses at year-end	12	(4,299,706)	(3,810,167)
Net Equity		6,201,634	7,232,080
Total Liabilities and Equity		14,762,632	15,299,360

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

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Consolidated Comprehensive Income Statement

	<u>Exp.</u>	<u>2018</u> JOD	<u>2017</u> JOD
Net Sales		620,691	611,706
Sales Cost		(467,946)	(455,897)
Year Gross Profit		152,745	155,809
Sales and Distribution Expenses	13	(158,909)	(160,110)
Administrative and General Expenses	14	(164,971)	(183,600)
Depreciations and Amortizations		-	(7,651)
Financing Costs		(271,597)	(253,307)
Doubtful Debt		-	(55,000)
Other revenues		-	5,000
Year loss		(442,732)	(498,859)
<u>Other comprehensive income items :</u>			
Change in fair value reserve		(540,907)	-
Losses of selling financial assets at fair value		-	-
Total comprehensive income		(983,639)	(498,859)
Basic and short value per share of the year loss	15	(0.040)	(0,045)

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

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Consolidated Comprehensive Income Statement

	<u>Capital</u>	<u>Disbursement</u> <u>Deduct</u>	<u>Compulsory</u> <u>reserve</u>	<u>Voluntary</u> <u>reserve</u>	<u>Accumulative</u> <u>change in fair</u> <u>value</u>	<u>Accumulative</u> <u>losses</u>	<u>Net</u>
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
<u>For the year ended</u> <u>December 31, 2018</u>							
Balance as at January 01, 2018	11,158,447	(500,000)	297,734	55,087	30,979	(3,810,167)	7,232,080
Previous years amendments	-	-	-	-	-	(46,807)	(46,807)
Modified opening balance	11,158,447	(500,000)	297,734	55,087	30,979	(3,856,974)	7,185,273
Change in the fair value reserve	-	-	-	-	(540,907)	-	(540,907)
Year loss	-	-	-	-	-	(442,732)	(442,732)
Balance as at December 31, 2018	11,158,447	(500,000)	297,734	55,087	(509,928)	(4,299,706)	6,201,634

<u>For the year ended December</u> <u>31, 2017</u>							
Balance as at January 01, 2017	11,158,447	(500,000)	297,734	55,087	30,979	(3,311,308)	7,730,939
Year loss	-	-	-	-	-	(498,859)	(498,859)
Balance as at December 31, 2017	11,158,447	(500,000)	297,734	55,087	30,979	(3,810,167)	7,232,080

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

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ConsolidatedCash Flows Statement

	<u>2018</u> JOD	<u>2017</u> JOD
<u>Cash flows from operating activities</u>		
Year loss	(442,732)	(498,859)
Amendments:		
Depreciations and Amortizations	-	7,651
Previous years amendments	(46,807)	-
Total profit before change in working capital	(489,539)	(491,208)
<u>Change in working capital items</u>		
Accounts receivable	(11,428)	302,862
Accounts receivable of Related Parties	12,412	(8,241)
Goods in Warehouses	22,495	26,814
Other Debit Balances	(79,667)	8,933
Accounts payable	(37,147)	130,629
Other Accounts payable	71,780	(263,783)
Net Cash Flow from Operating Activities	(511,094)	(293,994)
<u>Cash flows from Investing activities</u>		
Financial assets at fair value	41,047	-
Net cash flows from Investing activities	41,047	-
<u>Cash flows from financing activities</u>		
Loans	484,083	331,692
Deferred checks	(25,000)	(43,433)
Net Cash flows from financing activities	459,083	288,259
Change in cash balance and cash equivalent	(10,964)	(5,735)
Cash and cash equivalent as at beginning of the year	15,264	20,999
Cash and cash equivalent as at the end of the year	4,300	15,264

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

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Explanatory Notes to the Consolidated Financial Statements

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 limited company and it was registered under number (368) in the public limited companies register with an authorized paid-up capital of 50 million Jordanian Dinars divided on 50 million shares.

On 10 May 2014, the general assembly held its extraordinary meeting and decided to reduce the company's capital by JD 40,841,553, to make the company's paid-up capital (9,158,447) Jordanian Dinars / Share.

On 20 Oct 2014, an increase to the company's capital amounting to (2,000,000) Jordanian Dinars / Share was approved and that the company's authorized and paid up capital become (11,158,447) Jordanian Dinars / Share, as the increase was taken place by special subscription.

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.
- Taking loans necessary for the company from banks.

The financial statements were approved by the board of directors in its meeting held on 26 March 2019. These financial statements need the approval of the Shareholders General Assembly.

2. Basis of preparing the consolidated financial statements

- The consolidated financial statements of the company were prepared in accordance of the standards of the International Accounting Standards Board (IASB) and the interpretation issued by IASB International Financial Reporting Interpretations Committee (IFRIC).

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- The consolidated financial statements were prepared in accordance with the historical cost principle except the financial assets at the fair value through the comprehensive income which are reflected at the fair value.
- The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS).
- The accounting policies used in the preparation of the financial statements are in conformity with policies used in the last year.
- The Jordanian Dinar is the currency of presenting the financial statements, and the functional currency of the company.

Basis of consolidating the financial statements

The financial statements of South Electronic Company include the financial statements of the following affiliated companies as at 31 December 2018.

	Affiliated company			Capital	Possession %	Main activity
North Company	Electrical	Appliances	Trading	5,000	100%	Business
Meer Company	Household	Appliances	Trading	5,000	100%	Business

- The financial statements of the affiliated companies were consolidated as of the date of practicing the control till the end of the control.
- The financial statements of the company and the affiliated company were prepared for the same year by using the same accounting policies.
- The transactions, balances, revenues, and expenses between the parent company and the affiliated company were excluded.
- Non-controlling rights represent the part not owned by the company of the shareholders equity in the affiliated company. The non-controlling rights are stated in the consolidated income statement as a separate item, and in the statement of the consolidated financial position as an item separated from the shareholder equity.

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3. Significant Accounting Policies

The accounting policies adopted in preparing Company's financial statements for the year are conformable to those adopted in preparing the financial statements for the fiscal year ended on 31 December 2017excluding the company applyfor the following standards:

During the current period the company has applied the New and amended International Standards of the Financial Reports and refinements on the International Standards of the Financial Reports, applicable for the annual periods as of 01 Jan 2018:-

- Financial Reports' International Standard No. (15) – (Return of Contracts with Customers).
- Financial Reports' International Standard No. (9) – (Financial Instruments).
- Amendments on the Financial Reports' International Standard No. (2) – (categorization and Measurement of paid transactions by shares).
- Amendments on the Financial Reports' International Standard No. (4) – (Applying the Financial Report's International Standard No. (9) – Financial Instruments with the Financial Report's International Standard No. (4) – Insurance Contracts).
- Amendments on the Financial Reports' International Standard No. (40) – (Transfers of Real Estate Investments).
- Annual refinements on the International Standards of the Financial Reports for 2014-2016 term (Amendments on Financial Report's International Standard No. (1) and International Accounting Standard No. 38).
- Interpretation No. (22) Issued by Reports International Standards Interpretations Committee on transactions circulated in foreign currencies and against in advance payments.

There is no material effect on the Financial Statements due to applying the new and amended International Standards of the Financial Statements and refinements thereof except for Financial Report's International Standards No. (9) which lead to an increase in the accounts receivable value decrease provision.

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Financial Report's International Standard No. (9) – (Financial Instruments):

The financial report's international standard No. (9) replaces the International Accounting Standard No. (39)-(Financial Instruments: Recognition and Measurement) as of 01 January 2018 in all accounting aspects consisting of the financial instruments (Classification, measurement, impairment and hedge accounting).

The company applied the first stage of the Financial Report's Standard No. (9) issued in 2009, the initial applying of the standard for the first stage was on 01 January 2011.

Considering that the company has retroactively applied the standard in accordance with the Financial Report's International Standard No. (9) Financial Instruments and the company did not amend the comparison numbers.

The impact of standard application was recognized as of 01 January 2019 through out brought forward earnings stated in the Change of Equity statement, replacement the Financial Report's International Standard No. (9) Financial Instruments, the incurred credited losses sample in accordance with the International Accounting Standard No. (39) Financial Instruments: Recognition and Measurement, which include an overall sample of the mechanism of recognition and expected losses entering, a hedge accounting frame, and classification and measurement requirements.

Financial Report's International Standard No. (15) –Financial Instruments:

The financial report's international standard No.(15) adopted five steps way for recognition of revenues, which establishes a comprehensive framework for determining whether that revenues has been recognized, the amount and timing of recognition. This standard replaces the International Accounting Standard No. (18) revenues and the International Accounting Standard NO. (11) Constructions Contracts and Explanations in relevant thereto.

The Management has reviewed and assessed the Company's current contracts with clients on 01 January 2018 and found that the initial application of Financial Report's International Standard No. (15) have no material impact on the Company's financial position as at 31 December 2018 and comprehensive income statement for the year ended 31 December 2018, then there were no amendments as on 01 January 2018.

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The below section includes the most significant adopted accounting policies:

Cash and cash equivalent

The cash and cash equivalent is represented by the cash at hand and the investments convertible to liquid cash. They become due within a period not exceeding three months where they don't involve risk of change in the value.

Accounts Receivable

They are stated at cost after deducting the accumulated to set off the bad debts. The debts are written off if they are uncollectible by deduction from the accumulated to set off them and the amounts collected from the written off debts are added to the revenues.

Financial assets designated at the fair value through the comprehensive income statement:

The financial assets designated at the fair value through the comprehensive income statement are non-derivative financial assets owned to be kept available for sale not to be traded or preserved until maturity. The change differences in the fair value of the financial assets designated at the fair value can be recorded through the comprehensive income statement.

The fixed-value financial assets appear through the comprehensive income statement that includes market prices in active financial markets at the fair value upon deducing the depreciation losses accumulated in its fair value.

The financial assets designated at the fair value appear through the comprehensive income statement that does not include market prices and whose fair value can not be reliably determined in terms of cost. Any depreciation in their value can be recorded in the comprehensive income statement.

Profits and losses arising from exchange differences of the foreign currency of debit instruments that bear interest among the financial assets designated at the fair value are recorded through the comprehensive income statement. Meanwhile, the exchange differences of the foreign currency of property instruments are recorded in the item of the accumulative change in the fair value among property rights.

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Investment in affiliates:

Investments in affiliates appear when purchasing in case of acquisition at cost and are re-assessed using the property right method. Such investments also limit Company's profit and loss share in the income list.

Property and equipment:

- Property and equipment appear at their cost upon deducting the accumulative depreciation as well as accumulative depreciation losses.
 - The cost shall include the expenses that are directly associated with property and equipment acquisition.
 - When the production ages of property and equipment items differ, they are accounted as separate items.
 - Profits and losses arising from dispensing the property are determined through comparing receivables from exclusion with the listed value of such items and recording the net in the comprehensive income list.
 - The daily costs and expenses assumed by the Company in maintaining and operating the property and equipment are recorded in the comprehensive income list.
 - Depreciation expenses are recognized in the comprehensive income list in the fixed installment method throughout the production age estimated for each item of property and equipment. In addition, the depreciation of the leased assets throughout the lease period or production ages, whichever less, shall be recorded.
- The estimated annual depreciation percentages of property and equipment during the current year are the same of the previous year, and their details are as follows:

<u>Property and equipment</u>	<u>Depreciation percentage (%)</u>
Decorations & furniture	15
Tools & equipment	15
Vehicles	15

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Accounts payable and Accruals

The accounts payable and accruals are stated upon receiving the goods or enjoying the service by the company whether claimed by the suppliers or the service provider or not.

Allocations:

Allocations are recognized when the Company has legal or contractual liabilities on the date of the financial position statement, which arise from previous events, and in case the payment of liabilities may result in outflow of economic benefits whose values can be reliably measured.

Allocations are determined through deducting the expected future cash flows at a rate reflecting the current market assessments of the determining cash and risks of such liabilities.

Clearance:

Clearance is made between the financial assets and the financial liabilities, and the net amount is indicated in the financial statements when necessary legal rights are available and settled on clearance basis or if the achievement of assets and the settlement of liabilities are in the same time.

Fair value:

It represents the closing price on the financial statements' date in the fair financial markets for the current financial assets. In case there are no available prices for many financial assets and liabilities, their values are estimated through comparing them to the current market values of financial instruments that are very similar thereto.

Recognition of returns and expenses:

- The Company concludes a promise-of-sale contract with customers, under which the Company promises and undertakes to transfer the ownership of the sold object to the customer when the value agreed upon under the contract is paid. Agreements provide for explanations on the sold property and payment method. The promise-of-sale value is assumed on the customer and reduced by the value of receivables, while the promise-of-sale account remains fixed. When the payment is completed, the promise-of-sale account is closed in the sold property account and sale returns.

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- The Company transfers the ownership of sold lands and properties when the customer pays all due amounts thereon or in case the customer pays (50%) or more of the amounts due thereon upon a first-degree mortgage of lands and properties for the benefit of the Company.
- The Company recognizes sale returns when the benefits and risks of the sold property are transferred to customers.
- Benefits and risks are transferred to customers when they pay more than (50%) of property value or when the property is registered in customer's name, whichever comes first.
- Other returns are proven based on the eligibility principle.
- Expenses are recognized based on the eligibility principle.

Exchange of foreign currencies:

Foreign currency-processes are exchanged to Jordanian Dinar according to the exchange prices prevailing on process date. In addition, proven assets and liabilities in foreign currencies are exchanged to Jordanian Dinar according to the prevailing exchange prices on the financial position statement date. All differences arising from the exchange of foreign currencies are listed among the annual results in the comprehensive income list.

Income tax provision:

Due tax expenses are estimated on basis of taxable profits according to the Law No. (34) of (2014). Taxable profits differ from the profits declared in the comprehensive income list, because the declared profits include un-taxable returns or non-deductible expenses in the fiscal year, but in subsequent years, taxable accumulative losses or mostly irrelevant items.

Dividends:

Dividends shall be estimated for the main share, reduced share and normal shares. Equity is estimated for the main share through the division of the annual profit or loss for Company's shareholders by the weighted average of the number of normal shares during the year. Equity is estimated for the reduced share through amending the annual profit or loss due to Company's shareholders and the weighted average of the number of normal shares to reflect the impact on the equity with respect to the dividends of all normal shares traded during the year and whose returns are expected to fall.

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4. Transactions with related parties

Relevant parties represent main shareholders, associate companies, subsidiaries, Board Members and the companies wherein those are main owners. Prices and terms related to such transactions are approved by Company's management.

	<u>Nature of relation</u>	<u>2018</u>	<u>2017</u>
<u>Related parties accounts receivable due during the year</u>		JOD	JOD
Haier Middle East Appliances Company	Affiliate	163,553	158,177
General Amman Industry and Marketing Company	Shareholder	-	34,113
Haier Middle East Trading Company	Sister company	356,370	356,370
Total		519,923	548,660

5. Goods in warehouses

	<u>2018</u>	<u>2017</u>
	JOD	JOD
Finished goods	279,716	302,211
Provision for spoilt and slow moving goods	(50,000)	(50,000)
Net	229,716	252,211

6. Other debit balances

	<u>2018</u>	<u>2017</u>
	JOD	JOD
Prepaid expenses	10,712	10,717
Employees receivable	63,631	2,887
Provisions for the income tax	20,464	20,464
Refundable deposits	10,079	10,268
Margins and guarantees	2,300	2,300
Other accounts receivable	61,517	41,981
Total	168,284	88,617

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7. Investments in affiliates

This investment represents 92,5% of the parent company's ownership in Haier Middle East Appliances Company of its capital of JD/Share 25,000,000. This investment was reduced as a result of reducing the parent company capital in 2014 under the general assembly extraordinary decision. The parent company finalized the formalities with the official authorities but such formalities were not finalized by Haier Middle East Appliances Company with the official authorities.

8. Financial assets at fair value through the other comprehensive income

	<u>2018</u> JOD	<u>2017</u> JOD
Financial assets at the fair value through the other comprehensive income included*	307,701	733,878
Financial assets at the fair value through the other comprehensive income not included**	668,465	668,465
Total	976,166	1,402,343

* The financial assets include mortgaged shares as detailed below:

- 4,570,000 shares in United Arab Investors Company mortgaged to the Arab Investment Bank as guarantee for bank facilities granted to the Company in a sum of JD. 137,100.
- 1,300,000 shares in Middle East Complex for Engineering, Electronics and Heavy Industries (MECE) mortgaged to the Housing Bank as guarantee for bank facilities granted to the Company in a sum of JD. 182,000.
- 400,000 shares in Middle East Complex for Engineering, Electronics and Heavy Industries (MECE) mortgaged to the Arab Investment Bank with a fair value of JD. 56,000.

**This item represents the value of investment in Haier Middle East Company at a rate of 18% of the authorized paid-up capital recorded in the books at the cost as their fair value could not reliably measured.

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9. Properties and Equipment – Net

				<u>Lands*</u>	<u>Furniture Decoration</u>	<u>Tools and Equipment</u>	<u>Motor Vehicle</u>	<u>Total</u>
				JOD	JOD	JOD	JOD	JOD
<u>Cost</u>								
Balance as at 01				473,766	738,893	434,068	438,299	2,085,026
January 2018								
Additions				-	-	-	-	-
Balance as at 31				473,766	738,893	434,068	438,299	2,085,026
December 2018								
<u>Depreciation</u>								
Balance as at 01				-	738,892	434,067	438,298	1,611,257
January 2018								
Additions				-	-	-	-	-
Balance as at 31				0	738,892	434,067	438,298	1,611,257
December 2018								
Book Value as at 31				473,766	1	1	1	473,769
December 2018								
Book Value as at 31				473,766	1	1	1	473,769
December 2017								

* The companies' lands are attached before the Attorney General of Anti-Corruption Commission.

10. Bank loans

In December 2007, the Company obtained loan from the Arab Jordan Investment Bank in a sum of fifteen million Jordanian Dinars. A sum of 9,355,656 Jordanian Dinars was settled and the loan balance stood at 5,644,344 Jordanian Dinars as at 31 December 2017.

The loan was restructured in 2017 to be paid over (20) years under flexible installments.

Guarantees:

The Company undertakes to transfer the monthly installments due to it and payable by the Economic & Social Association of Retired Servicemen & Veterans (ESARSV) at the amounts due from the defaulters through the Ministry of Finance to the Company without any other sales and/or collections under a transfer notarized with the notary public.

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The Company also undertakes to serve a letter to the Economic & Social Association of Retired Servicemen & Veterans (ESARSV) requesting them to deposit the collections of ESARSV in favor of the Company with the Housing Bank for Trade and Finance to ensure the continuous transfer at the end of each month to the Company's account with the Arab Investment Bank.

To keep the present guarantees to the Bank without change, in addition to the aforesaid.

The amounts collected from ESARSV or any other amounts deposited in the account will be used to repay and liabilities and/or and due unpaid installments.

11. Other Accounts Payable

	<u>2018</u>	<u>2017</u>
	JOD	JOD
Deposits and Other Provisions	156,121	159,821
Social Security Deposit and taxes	32,924	50,433
Personnel Leaves Provision	54,884	56,150
Accruable Expenses	61,780	27,681
Personnel Debts	76,677	107,730
Jordanian Universities Fees Provisions	17,324	17,324
Subscription Returns Deposits	12,765	12,765
Sales Tax Deposits	11,252	95,454
Other Accounts Payable	355,145	179,734
Total	778,872	707,092

12. Accumulative Losses

	<u>2018</u>	<u>2017</u>
	JOD	JOD
Accumulative losses at the beginning of the year	(3,810,167)	(3,311,308)
Previous years amendments	(46,807)	-
Year losses	(442,732)	(498,859)
Accumulative losses at the end of the year	(4,299,706)	(3,810,167)

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13. Sale and Distribution Expenses

	<u>2018</u>	<u>2017</u>
	JOD	JOD
Salaries, Wages and Accessories	69,312	78,098
Company contribution to the Social Security	9,646	10,939
Rents	39,500	38,170
Operator Expenses & Air Conditions Installation	781	35
Motor Vehicle and Transportations	15,179	12,653
Electricity and Water	3,164	4,116
Post, Telex and Telephone	982	1,507
Insurance expenses	856	804
Fees, licenses and stamps	3,194	2,164
Hospitality and Cleaning	133	185
Maintenance	140	73
Stationery and Printing materials	31	18
Other	15,049	11,348
Visa Card Commission	942	-
Total	158,909	160,110

14. Administrative and General Expenses

	<u>2018</u>	<u>2017</u>
	JOD	JOD
Salaries, Wages and Accessories	71,208	68,904
Company contribution to the Social Security	10,147	9,755
Rents	35,000	35,000
Fees, licenses and stamps	16,764	22,458
Board of Directors transportation allowance	5,250	21,000
Professional charges	9,160	9,250
Electricity and water	3,011	3,799
Motor Vehicle and Transportations	2,081	1,514
Post, Telex and Telephone	1,063	1,587
Hospitality and Cleaning	556	545
Stationery and Printing Materials	203	230
Other	5,168	4,436
Insurance	299	346
Governmental Fines	2,498	3,018
Judicial Expenses	2,213	1,711
Maintenance	350	47
Total	164,971	183,600

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15. Equity main and reduced share out of the loss of the year:

	2018	2017
	JD	JD
Loss of the year	(442,732)	(498,859)
Weighted average of shares number	11,158,447	11,158,447
Total	(0.040)	(0.045)

16. Legal Position:

There are lawsuits brought by third parties against the Company with a sum of (JD 4,646,785) and are still pending before judiciary.

17. Potential obligations:

There are potential obligations on the Company side at the date of executing the Financial Statements as follows:

- Clients ' Commitments in return for warrants issued in the amount of (500) Jordanian Dinars.
- Withdraw accepted LCs for import in the amount of (68,500) Jordanian Dinars

18. Sectorial categorization:

The Company has three strategic sectors represented in the trade activity, investment activity and otherwise. The below section includes information on business sectors:

	2018			
	<u>Trade</u>	<u>Investment</u>	<u>Others</u>	<u>Total</u>
	JD	JD	JD	JD
Net returns	620,691	-	-	620,691
<u>Assets and liabilities</u>				
Assets	2,164,360	11,472,200	1,126,072	14,762,632
Liabilities	7,159,047	623,079	778,872	8,560,998
<u>Information of other sectors</u>				
Finance costs	(271,597)	-	-	(271,597)

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	2017			
	<u>Trade</u>	<u>Investment</u>	<u>Others</u>	<u>Total</u>
	JD	JD	JD	JD
Net returns	611,706	-	-	611,706
<u>Assets and liabilities</u>				
Assets	1,874,436	12,148,380	1,276,544	15,299,360
Liabilities	6,737,109	623,079	707,092	8,067,280
<u>Information of other sectors</u>				
Depreciations and amortizations	(7,651)	-	-	(7,651)
Finance costs	(253,307)	-	-	(253,307)
Doubtful debts	(55,000)	-	-	(55,000)
Other returns	5,000	-	-	5,000

19. Due analysis of assets and liabilities:

The following table shows the analysis of assets and liabilities according to their expected periods of restoration or settlement:

	2018		
	<u>Up to a</u>	<u>More than</u>	<u>Total</u>
	<u>year</u>	<u>a year</u>	
	JD	JD	JD
<u>Assets</u>			
Cash and equivalent cash	4,300	-	4,300
Account receivables – net	1,644,437	-	1,644,437
Account receivables of relevant parties	519,923	-	519,923
Loan of Arab Real Estate Co.	250,000	-	250,000
Goods in warehouses	229,716	-	229,716
Other debit balances	168,284	-	168,284
Investments in affiliated companies	-	10,496,037	10,496,037
Financial assets at fair value (income)	-	976,166	976,166
Properties and equipment – net	-	473,769	473,769
Total assets	2,816,660	11,945,972	14,762,632
<u>Liabilities</u>			
Account payables	590,763	-	590,763
Marginal finance facilities	623,079	-	623,079
Post-dated checks	439,855	-	439,855
Loans	-	5,885,429	5,885,429
Other credit balances	778,872	-	778,872
Total current liabilities	2,432,569	5,885,429	8,317,998

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19. Due analysis of assets and liabilities (Cont.):

The following table shows the analysis of assets and liabilities according to their expected periods of restoration or settlement:

	2017		
	<u>Up to a</u>	<u>More than</u>	<u>Total</u>
	<u>year</u>	<u>a year</u>	
	JD	JD	JD
<u>Assets</u>			
Cash and equivalent cash	15,264	-	15,264
Account receivables – net	1,622,225	-	1,622,225
Account receivables of relevant parties	559,444	-	559,444
Financial assets at fair value (income)	139,450	-	139,450
Loan of Arab Real Estate Co.	250,000	-	250,000
Goods in warehouses	252,211	-	252,211
Other debit balances	88,617	-	88,617
Investments in affiliated companies	-	10,496,037	10,496,037
Financial assets at fair value (Comprehensive)	-	1,402,343	1,402,343
Properties and equipment – net	-	473,769	473,769
Total assets	<u>2,927,211</u>	<u>12,372,149</u>	<u>15,299,360</u>
<u>Liabilities</u>			
Account payables	627,910	-	627,910
Marginal finance facilities	623,079	-	623,079
Post-dated checks	464,855	-	464,855
Short-term Loans	248,400	5,395,944	5,644,344
Other credit balances	707,092	-	707,092
Total current liabilities	<u>2,671,336</u>	<u>5,395,944</u>	<u>8,067,280</u>

20. Financial instruments:

Financial instruments comprise financial assets and financial liabilities. Financial assets include bank balances, cash in funds, receivables and securities. Financial liabilities include bank-granted facilities and payables.

Fair value:

The fair value of financial assets and liabilities does not substantially differ from their book value, where most financial instruments are either originally short term or continuously re-priced.

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Credit risks:

Credit risks are those may arise from the inability of the other party of the financial instrument to fulfill its liabilities towards the Company, which may result in losses represented in Company's credit risks mainly in deposits at banks. The Company works on preventing credit risks through dealing with banks having good reputation.

Interest rate losses:

Interest rate losses arise from the potential that interest rate changes may affect Company's profit or the fair value of financial instruments. As most financial instruments have fixed interest rate and appear in the amortized cost, the sensitivity of Company's profits and property rights towards interest rate change is unsubstantial.

Liquidity risks:

Liquidity risks are represented in Company's inability to provide the required finance to fulfill its obligations in their maturity dates. In order to avoid such risks, the Company varies finance sources, manages assets and liabilities, align their time limits and keeps sufficient balance of cash and the like as well as tradable securities.

21. Capital management:

With respect to the management of Company's capital, the main goal is to ensure keeping appropriate capital percentages in a manner that supports Company's activities and maximizes the property rights.

The Company manages the capital restructuring and makes the required amendments thereto in light of the change in work circumstances. It did not make any amendments to the goals, policies and procedures related to the capital restructuring during the fiscal year.

22. Comparison numbers:

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