

South Electronics Company
(Public Limited Shareholding Company)
Amman- the Hashemite Kingdom of Jordan
Condensed Separate Interim Financial Statements (Unaudited)
and Independent Auditor's Report
for nine-month period ending September 30th 2021

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(Public Limited Shareholding Company)
Amman- the Hashemite Kingdom of Jordan
Interim Condensed Financial Statements (Unaudited) and Independent Auditor's Report
for nine months period ending September 30th 2021

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To, the Chairman and Members of the Board of Directors
South Electronics Company
(Public Limited Shareholding Company)
Amman- the Hashemite Kingdom of Jordan

Greetings,

Introduction

We have reviewed the accompanying interim consolidated condensed statement of financial position of statements of **South Electronics Company ("Company")**, as at September 30, 2021 and the related interim consolidated condensed statements of Profit or Loss the statements of changes in shareholders' equity, and cash flows for the Nine months period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 25.

Management is responsible for the preparation and fair presentation of these interim consolidated condensed financial statements in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as endorsed in the Hashemite Kingdom of Jordan. Our responsibility is to express a conclusion on these interim consolidated condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Hashemite Kingdom of Jordan. A review of interim consolidated condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Hashemite Kingdom of Jordan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Opinion:

- 1 - The Company did not provide us with the audited financial statements of Haier Middle East Appliances Company (subsidiary), whose share capital is 25 million JD, and in which the parent company holds 92.5% of its shares for the purpose of consolidation of the financial statements of material effect on the company, noting that the last audited financial statements of Haier Middle East Appliances Company were for 2014 and no financial statements have been issued to present date.
- 2 - The company did not recognize the impairment loss in the investment value of Haier Middle East Appliances Company (subsidiary), noting that the accumulated losses in the last financial statements of Haier Middle East Appliances Company were in the amount of 13,750,630 Jordanian Dinars, which exceeded half its capital.
- 3 - The provision for expected credit losses in the line item due from related party is less than the required provision by 3,910,871 Jordanian Dinars. If the required provision was created, the same would have resulted in increasing the loss of the period by an equal amount.

Independent Auditor's Report (Continued)

Conclusion

Based on our review, except for the matters mentioned basis of qualified conclusion nothing has come to our attention that causes us to believe that the accompanying interim consolidated condensed financial statements as at September 30, 2021 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Hashemite Kingdom of Jordan.

Other Matters:

Accumulated losses of the company exceeded 75% of its subscribed capital. In accordance with the provisions of Article (266) of the applicable Jordanian Companies Law, the company must be liquidated unless the general assembly thereof resolved on increasing its capital.

Date: October 28th 2021

Abbasi & Partners Company
(Independent member of Moore Global)



Ahmed Mohammed Abbasi
License No. (710)

South Electronics Company
(Public Limited Shareholding Company)
Interim Condensed Statement of Financial Position (Unaudited)
As at September 30th 2021
(Jordanian Dinar)

	Notes	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<u>Assets</u>			
Non-Current Assets:			
Investments in subsidiaries		10,496,037	10,496,037
Net property and equipment	5	476,337	476,327
Financial assets at fair value through other comprehensive income		164,824	231,216
Right of use asset	6	78,477	125,563
Total Non-Current Assets		11,215,675	11,329,143
Current Assets			
Accounts receivable, net	7	1,642,780	1,509,916
Prepaid expenses and other debit balances	8	35,938	23,468
Due from related parties	9	3,979,148	3,909,691
Inventory - net	10	281,304	307,728
Bonds		34,000	34,000
Cash in hand and at bank	11	35,936	67,327
Total Current Assets		6,009,106	5,852,130
Total Assets		17,224,781	17,181,273
<u>Equity and Liabilities</u>			
Equity:			
Paid up capital		11,158,447	11,158,447
Issue discount		(500,000)	(500,000)
Statutory reserve		297,734	297,734
Voluntary reserve		55,087	55,087
Financial asset revaluation at fair value reserve		(270,916)	(583,690)
Accumulated losses		9,174,642	(8,543,237)
Total shareholder equity		1,565,710	1,884,341
Liabilities:			
Non-Current Liabilities:			
Due to related parties	9	5,065,499	5,066,679
Lease liability- non- current portion	6	-	66,985
Loans- non-current portion	13	7,201,510	7,899,016
Total Non-Current Liabilities		12,267,009	13,032,680
Current Liabilities:			
Accounts payable		1,128,544	798,264
Lease liability- current portion	6	83,011	64,102
Loans- current portion	13	1,034,062	-
Accrued expenses and other payables	14	144,710	354,951
Deferred cheques		441,657	486,857
Finance facilities on margin		560,078	560,078
Income tax provision	15	-	-
Total Current Liabilities		3,392,062	2,264,252
Total Liabilities		15,659,071	15,296,932
Total Equity and Liabilities		17,224,781	17,181,273

The enclosed notes from 1 to 22 constitute an integral part of these financial statements

South Electronics Company
(Public Limited Shareholding Company)
Interim Condensed Statement of Profit or loss and Comprehensive Income (Unaudited)
for three and nine months period ending September 30th 2021
(Jordanian Dinar)

	Note	for three months Period		for nine months period	
		July 1- September 30	January 1- September 30	20201	2020
		2021	2020	20201	2020
Net sales		313,687	744,222	612,996	1,018,712
cost of Sales		(226,840)	(544,319)	(419,087)	(727,747)
Gross profit		86,847	199,903	193,909	290,965
General and administrative expenses	17	(70,230)	(24,026)	(131,869)	(90,311)
Selling and distribution expense	16	(30,843)	(45,596)	(90,316)	(106,830)
(Loss)/income from operation		(14,226)	130,281	(28,276)	93,824
Finance expenses		(104,160)	(9,742)	(348,170)	(156,431)
Other income		47,606	7,616	54,587	51,595
Net (loss)/income before tax		(70,780)	128,155	(321,859)	(11,012)
Income tax	15	-	-	-	-
Net (loss)/income of the period		(70,780)	128,155	(321,859)	11,012
Other comprehensive income:					
Items that will not be reclassified profit or loss:					
Loss of sale of financial assets through other comprehensive income:					
		-	-	(4,333)	-
Other comprehensive income carried to accumulated losses		(70,780)	128,155	(326,192)	(11,012)
Change in reserve financial assets carried at fair value					
		(4,976)	-	7,561	17,853
Total comprehensive income of the period		(75,756)	128,155	(318,631)	6,841
Share (loss)/profit:					
Share portion of net (loss)/profit of the period	18	(0.006)	0.011	(0.029)	(0.001)

The enclosed notes from 1 to 22 constitute an integral part of these financial statements

South Electronics Company
(Public Limited Shareholding Company)
Interim Condensed Statement of Changes in Shareholder Equity (Unaudited)
for nine months period ending September 30th 2021
(Jordanian Dinar)

	Share capital	Issue discount	Statutory reserve	Voluntary reserve	Revaluation reserve for financial asset at fair value	Accumulated losses	Total
for nine months period ending September 30th 2020							
Balance as at December 31, 2019 (audited)	11,158,447	(500,000)	297,734	55,087	(601,528)	(8,519,168)	1,890,572
Net loss of the period					17,853	(11,012)	6,841
Balance as at September 30 th 2020 (unaudited)	11,158,447	(500,000)	297,734	55,087	(583,675)	(8,530,180)	1,897,413
for nine months period ending September 30th 2021							
Balance as at December 31, 2020 (audited)	11,158,447	(500,000)	297,734	55,087	(583,690)	(8,543,237)	1,884,341
Net loss of the period	-	-	-	-	7,561	(326,192)	(318,631)
Losses of sale of financial assets through other comprehensive income	-	-	-	-	305,213	(35,213)	-
Balance as at September 30th 2021 (unaudited)	11,158,447	(500,000)	297,734	55,087	(270,916)	(9,174,642)	1,565,710

The enclosed notes from 1 to 22 constitute an integral part of these financial statements

South Electronics Company
(Public Limited Shareholding Company)
Interim Condensed Statement of Cash flows (Unaudited)
for nine months period ending September 30th 2021
(Jordanian Dinar)

	September 30, 2021	September 30 2020
	(Unaudited)	(Unaudited)
Cash Flows from Operating Activities:		
Loss of the period before tax	(321,859)	(11,012)
Adjustment to reconcile net income before tax to net cash flow provided by operating activities:		
Depreciation of property and equipment	795	-
Depreciation of right of use assets	47,086	47,086
interest expense on finance lease contract	4,424	6,494
	(269,554)	42,568
Changes to working capital items:		
Accounts receivable	(132,864)	(807,148)
Prepaid expenses and other receivable	(12,470)	(14,604)
Inventory	26,424	(336,590)
Deferred cheques	(45,200)	52,923
Accounts payable	277,780	39,557
Accrued expenses and payables	(210,241)	171,249
Paid income tax	-	-
Net cash flow used in operating activities	(366,125)	(852,045)
Cash Flows from Investment Activities:		
Acquisitions of property, plant and equipment	(805)	-
Financial assets at fair value through other comprehensive income	69,620	-
Net cash flow realized from investment activities	68,815	-
Cash Flows from Finance Activities:		
Net change in related parties' balances	(70,637)	24,393
Net change in loans	336,556	900,916
Finance facilities on margin	-	(63,000)
Cash flow provided by investment activities	265,919	862,309
Net cash (used)/provided in the period	(31,391)	10,264
Cash balances in hand and at bank at the beginning of the period	67,327	21,393
Cash balances in hand and at bank at the end of the period	35,936	31,657
<u>Non- cash operations</u>		
Accrued lease liability in the period	52,500	52,500

The enclosed notes from 1 to 22 constitute an integral part of these financial statements

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021

1- Legal Status and Activity

South Electronics Company ("Company") is a public limited shareholding company practicing its business under Commercial Registration No. 368 issued in Amman on August 14th 1993. On July 1st 2005, approval was given on transforming the company into a public shareholding.

Main activity of the company is retail and wholesale trading in electronic appliances, sale and purchase of lands after developing and zoning the same in accordance with the applicable law, acquisition of movable and immovable properties, and borrowing necessary funds from banks.

At its extraordinary meeting held on 18/08/2020, the general assembly resolved on the following:

- To decrease the current capital of the company from 11,158,447 Dinars/ Shares to 2,120,410 Dinars/ shares by a total amount of 9,038,037 Dinar/ shares as follows:
 - Amortization of the balance of accumulated losses as at 31/12/2019 totaling 8,538,037 Dinars.
 - Amortization of the balance of issue discount as at 31/12/2019 totaling 500,000 Dinars.
- To increase the capital of the company from 2,120,410 Dinars/ shares to 8,000,000 Dinars/ shares as follows:
 - Capitalization of the balance of Middle East Complex for Engineering Electronics and Heavy Industries Company as at 31/12/2019 in the amount of 5,061,679 Dinars and at issue par of one Dinar per share.
 - Capitalization of the amount of 560,000 Dinars of Multaqa Al-Tadawul Company and at issue par of one Dinar per share.

On 09/09/2021, H.E. the minister of Industry, Trade & Supply approved the resolution of the general assembly passed at the meeting referred to hereinabove.

The procedures of executing the resolution of the general assembly referred to hereinabove are still in progress with the other official authorities.

2- Basis of Preparation:

Statement of compliance

These Interim Condensed Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting"

The interim condensed financial statements does not include all the notes that are usually attached with the annual financial statements and therefore should be read in conjunction with the annual financial statements of the company as at 31 December 2020. Additionally, the results of operations for the nine months period ended on September 30, 2021 do not necessarily represent an indication of the results of operations for the year ending on December 31, 2021.

Functional and presentation currency

These interim condensed financial statements are presented in Jordanian Dinars, which is the Company's functional and presentation currency.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021

3- Significant Accounting Estimates and Assumptions:

The preparation of the interim condensed financial statements in accordance with IAS 34 requires the use of judgments, estimates and assumptions that may impact the value of revenues, expenses, assets and liabilities and attached notes besides disclosure of liabilities. The uncertainty in respect of these assumptions and estimates may require material adjustment to the carrying amount of asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company's based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Going concern principle

These interim condensed financial statements were prepared on going concern basis.

Determine the discount rate to calculate the present value

The discount rate represents an assessment of the current market risk to the Company taking into account the term of the agreement and the individual risks of the related assets. The discount rate is based on the Company's surrounding circumstances.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021

4- Significant Accounting Policies

All accounting policies used in the preparation of the interim condensed financial statements are the same as those used in the preparation of the annual financial statements as at 31 December 2020.

Financial Instruments

Classification and Measurement:

The classification of financial assets depends on the business model of the Company to manage its financial assets and contractual terms of cash flows. The Company classifies its financial assets as follows:

- Financial assets measured at amortized cost;
- Financial assets measured at Fair value through profit or loss.
- Financial assets measured at Fair value through other comprehensive income.

Gains or losses on assets measured at fair value are recognized either through profit or loss or through other comprehensive income. Loans and trade receivables held to collect contractual cash flows are expected to result in cash flows that represent only principal and commission repayments, measured at amortized cost.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs as in the case of financial assets not carried at fair value through profit or loss. Transaction costs of financial assets carried at fair value through statement of income are recognized at fair value through profit or loss and Other Comprehensive Income.

Financial assets that include derivatives are fully recognized when determining whether their cash flows meet the requirements of being the principal and commission amount only.

Subsequent measurement:

Debt instruments:

The Company establishes three categories of classification for the subsequent measurement of its debt instruments.

Amortized cost

Financial assets acquired for the collection of contractual cash flows, in which cash flows represent the repayment of principal and return only, are measured at amortized cost. Gains or losses on investment in debt instruments that are subsequently measured at amortized cost and are not part of the hedging instrument are recognized in profit or loss when the asset is derecognized or impaired. The income from these financial assets is recognized as interest income using the effective periodic rate of return method.

Fair value through other comprehensive income

Financial assets acquired for the collection of contractual cash flows and the sale of financial assets, in which the cash flows of the asset represent the principal and commission only, are measured at fair value through other comprehensive income. Changes in carrying amount are recognized through other comprehensive income, except for impairment gains or losses, commission income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other profit / loss. Commission income from these financial assets is included in financing income using the effective commission rate method. Foreign exchange gains and losses are recognized in other income / expenses.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021

4- Significant Accounting Policies (continued):

Financial Instruments (continued):

Fair value through profit or loss

Financial assets that do not meet the criteria for subsequent recognition at amortized cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss. Gains and losses on investment in debt instruments that are subsequently measured at fair value through profit or loss and are not part of the hedging instrument are recognized in the statement of profit or loss in the period in which they arise.

Property, plant and equipment

A- Recognition and measurement

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Branch depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is de-recognized.

B- Subsequent capital expenditure

Replacement cost of a part of an item in properties, plants and equipment and any other subsequent capital expenditure is recognized at the book value if:

- It is probable that the future economic benefits will flow to the Branch due to the added part, expense or cost incurred.
- Its cost can be measured reliably. The book value of the asset that was replaced shall be written off.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021

4- Most Important Accounting Policies (continued)

Property, Plant and Equipment

A. Recognition and Measurement

Property, plant and equipment are presented at cost less the accumulated depreciation and any other accumulated losses for value impairment, if any. Cost of acquisition of assets include all costs that are directly relating to the acquisition transaction. Cost of assets includes the cost of materials and direct labor, and all direct costs rendering the assets ready for the purposes of their intended use, in addition to the costs of disassembly, installation and transport of the assets, and the cost of commissioning the location in which they will be placed, along with the costs of borrowing allocated for assets qualified for capitalization.

Purchased software which is not part of the related device functions are also capitalized as part of such devices. If a substantial part of the components of the assets within such property, plant and equipment has a useful life different from that asset, it shall be deemed as an element separate from the property, plant and equipment.

Any revenues or losses sustained as a result of retiring any item of property, plant and equipment are accounted for in the profit or loss and other comprehensive income. The cost of replacing any part of the property, plant and equipment and any other subsequent expenses is capitalized on the book value when the same result in increasing future production benefits to the company, and when their cost is can be reliably measured. The book value of the replaced asset is written off, and the day-to-day maintenance expenses of property, plant and equipment is accounted in the statement of profit or loss.

B. Subsequent Capital Expenditure

Cost of replacement of part of the property, plant and equipment and any other subsequent capital expenses are accounted for within the book value of the item, if:

- There is possibility of flow of future economic benefits to the company from such added part or expense.
- Their cost can be reliably measured. And the book value of the replaced asset shall be then written off.

C. Depreciation

Depreciation is calculated at cost less the residual value by adopting straight-line method over the useful life of the assets in accordance with the following table:

- Devices and equipment	15%
- Cars	15%
- Decoration and furniture	15%

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021

4- Significant Accounting Policies (continued):

Cash in hand and at banks

Cash in hand and at banks are cash in hand and current account balances at banks.

Statutory reserve

In accordance with the company's articles of association and the requirements of the companies' law, the company is required to set aside 10% of the net profit before tax to a mandatory reserve until this reserve equals 25% of the company's capital. This reserve is not available for distribution.

Voluntary reserve

In accordance with the decision of the company's board of directors, the company is required to set aside 20% of the net profit before tax to a voluntary reserve. This reserve is available for distribution.

Revenue Recognition

The Company recognizes revenue from contracts with customer based on five step model as set out in IFRS 15 – Revenue from contracts with customer. As follows:

- **Step 1:** Identify contracts or contracts with customers
- **Step 2:** Defining performance obligations (duties) in the contract;
- **Step 3:** Determine the transaction price
- **Step 4:** Allocate the transaction price to the performance obligation in the contract
- **Step 5:** Revenue recognition when the entity performs performance requirements.

In accordance with IFRS 15, revenue is recognized by the entity when the obligation is performed, that is, when the control of the good or services mentioned in the performance obligation of the contract is fulfilled.

General and administrative expenses

General and administrative expenses include expenses related to management, and not related to cost of revenues or selling and marketing. Allocations between cost of revenues, general and administrative expenses, when required, are made on consistent basis.

Tax provision

The Company takes a provision for income tax in accordance with Income Tax Law No. (34) of 2014, and in accordance with IAS (12), where this standard provides for recording deferred tax resulting from the difference between the accounting and tax of assets and liabilities.

Accrued taxes are calculated on the basis of taxable profits. The taxable profits differ from the profits declared in the interim condensed financial statements (unaudited) because the declared profits include non-taxable revenues or non-deductible expenses in the current financial period, but in subsequent years. or accumulated losses or financials areas that are not subject to or deductible for tax purposes.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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. The amount recognized as a provision is the best estimate of the current obligations to be settled at the end of the period covered by the interim condensed financial statements. Taking into account the risks and uncertainties that may surround these obligations.

South Electronics Company
(Public Limited Shareholding Company)

Notes to the Interim Condensed Financial Statements for nine months period ending September 30th 2021 (Unaudited)
(Jordanian Dinars)

5- Property and Equipment

Cost	Lands *	Decorations and Furniture	Electronics and Equipment	Vehicles *	Total
Balance as at December 31, 2020	473,766	1,000,690	172,668	422,752	2,069,876
Additions	-	-	805	-	805
Disposal	-	-	-	-	-
Balance as at December 31, 2021	473,766	1,000,690	173,473	422,752	2,070,681
Accumulated Depreciation					
Balance as at December 31, 2020	0	1,000,689	170,109	422,751	1,593,549
Change for the period	-	-	795	-	795
Disposal	-	-	-	-	-
Balance as at December 31, 2021		1,000,689	170,904	422,751	1,594,344
Book Value					
As at September 30th 2021	473,766	1	2,569	1	476,337
As at December 31, 2020	473,766	1	2,559	1	476,327

* Lands and cars of the company are confiscated by the public prosecutor of Anti-Corruption Commission.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021
(Jordanian Dinars)

6- Right of Use Assets

The company has two leases of four years term.

A. Right of Use Assets

	<u>Amount</u>
Costs:	
Balance as at December 31, 2020	251,127
Additions	-
Balance as at September 30, 2021	<u>251,127</u>
Accumulated Depreciation	
Balance as at December 31, 2020	125,563
Carried to the period	47,087
Balance as at September 30, 2021	<u>172,650</u>
Net Book Value:	
Balance at September 30, 2021	<u>78,477</u>
Balance at December 31, 2020	<u>125,564</u>

B. Lease Liability

	<u>Amount</u>
Liabilities:	
Balance as at December 31, 2020	131,087
Finance costs	4,424
Accrued during the period	(52,500)
Balance as at September 30, 2021	<u>83,011</u>
Lease liability is divided over the lease term as follows:	
Less than one year	83,011
One to five years	-
Lease liability- net	<u>83,011</u>

7- Accounts Receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	3,853,552	3,720,688
Less: provision for expected credit loss	<u>(2,210,772)</u>	<u>(2,210,772)</u>
	<u>1,642,780</u>	<u>1,509,916</u>

* The movement of expected credit loss provision is as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the period	2,210,772	2,210,772
Created during the period	-	-
	<u>2,210,772</u>	<u>2,210,772</u>

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021
(Jordanian Dinars)

8- Prepaid Expenses and Other Debit Balances

	September 30, 2021	December 31, 2020
Employee receivables	15,448	7,865
Refundable deposits	10,079	10,079
Prepaid expenses	316	3,224
other	10,095	2,300
	35,938	23,468

9- Related Party Transactions

	Relationship	Transaction Type	September 30, 2021	December 31, 2020
a- Due from related parties				
Haier Middle East Appliances Company	Subsidiary	Finance	5,233,559	5,233,559
Haier Middle East Trading Company	Affiliate	Finance	352,650	352,650
Middle East Complex for Engineering Electronics and Heavy Industries Company/trade	Affiliate	Finance	68,277	-
North For Electrical Appliances Trading Company	Subsidiary	Finance	2,142	962
Total payable by related parties			5,656,628	5,587,171
Less: provision for related party liability impairment			(1,677,480)	(1,677,480)
			3,979,148	3,909,691
b- Due to related parties				
Middle East Complex for Engineering Electronics and Heavy Industries Company/trade	Affiliate	Finance	5,061,679	5,061,679
Mir For Appliances Trading Company	Subsidiary	Finance	3,820	5,000
			5,065,499	5,066,679

During the year, the company made transactions with the above related parties, which were finance transactions. These transactions were concluded on an arm length basis with the approval of the board of directors. The balances above are not subject to commission and there are no specific terms on repayment.

South Electronics Company
(Public Limited Shareholding Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
for nine months period ending September 30th 2021
(Jordanian Dinars)

10- Inventory

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Inventory	391,304	417,728
Less: slow moving goods	(110,000)	(110,000)
	<u>281,304</u>	<u>307,728</u>

Below is the transaction of provision for slow moving goods:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the period	110,000	110,000
Created during the period	-	-
	<u>110,000</u>	<u>110,000</u>

11- Cash in hand and at banks

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Cash at bank	33,479	59,189
Cash in hand	2,457	8,138
	<u>35,936</u>	<u>67,327</u>

12- Capital

Authorized and paid-up capital of the company is in the amount of 11,158,447 Jordanian Dinars composed of 11,158,447 shares at a par value of 1 Jordanian Dinar per share.

13- Loans

The company procured bank loans from a local bank. Loans are classified as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Total loans	8,235,572	7,899,016
Less non- current portion	(7,201,510)	(7,899,016)
Current portion	<u>1,034,062</u>	<u>-</u>

14- Accrued expenses and other credit balances

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Accrued expenses	23,502	14,051
Employee liabilities	45,647	42,806
Provision for leave and severance pay	27,509	44,686
Deposits	15,592	19,129
Accrued loan interests	-	192,521
Other	32,460	41,758
	<u>144,710</u>	<u>354,951</u>

South Electronics Company
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(Jordanian Dinars)

Note 15- Provision for Tax

A. Summary on Provision for tax during the period

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the period/ year	-	-
Created during the year	-	-
Balance at the end of the period/ year	-	-

B. Tax Status

The financial statements of the company till 2016 have been reviewed, while the financial statements of the company of 2017 to 2020 have not been reviewed by the Income and Sales Tax Department.

16- Selling and distribution expenses

	<u>September 30, 2021</u>	<u>September 30 2020</u>
Employee salaries and benefits	34,353	45,663
Right of use asset depreciation	31,391	31,391
Governmental fees and stamps	10,563	3,000
Car expenses	5,997	6,646
Social security expenses	4,099	6,075
Water and electricity	2,423	2,949
Other	1,490	11,106
	<u>90,316</u>	<u>106,830</u>

17- General and Administrative Expenses

	<u>September 30, 2021</u>	<u>September 30 2020</u>
Employee salaries and benefits	24,885	39,526
Governmental fees and licenses	46,048	10,974
Right of use asset depreciation	15,695	15,695
Board member transports	12,500	0
Professional and consultancy fees	10,533	4,760
Social security expenses	4,362	5,632
Post, telegraph and phone	2,566	525
Water and electricity	2,469	2,954
Other	12,811	10,245
	<u>131,869</u>	<u>90,311</u>

18- Share Profit/ (Loss)

Share profit/ (loss) is accounted for from the net income/ (loss) of the period by dividing the net income/ (loss) of the period by the weighted average of number of existing shares in the period. Existing shares total 11,158,447 million shares as at September 30th 2021. (11,158,447 million shares: September 30th 2020)

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19- Uncertain Important Accounting Estimates and Assumptions

Estimated useful lives of intangible assets, property, plant and equipment:

Cost of intangible assets, property, plant and equipment is regularly depreciated over the estimated useful lives of these assets. Management reviews the useful lives and method of depreciation on an annual basis to ensure that the same reflect the anticipated benefit. The useful lives are determined based on the following factors:

- Expected useful of the assets.
- Expected natural corrosion depending on operating and environmental factors.
- Legal and similar restrictions on use of the assets.

20- Financial Instruments- Risk Management

Fair Value:

Fair value is the amount in which an asset is exchanged or a liability is settled between informed and transaction accepting parties on arms- length basis. Financial instruments of the company are classified by historical cost method. Differences between the book values and estimates of fair value can arise. The management believes that the fair value of the financial assets and liabilities of the company do not materially vary from their book values.

Credit Risks:

Credit risks are inability of a party to satisfy its obligations, which result in financial loss to the other party. The company has no material concentration for credit risks. Liabilities of the customers are reviewed on an ongoing basis and the ages of such liabilities are analyzed, where necessary provisions are made to account for any doubtful debts. The balance of accounts receivable is presented after deducting credit losses. The company keeps cash funds with local bank of good credit rating.

Currency Risks:

Risks arising from change in the value of financial instruments as a result of fluctuation of foreign currency exchange rates. Most transactions of the company are in Jordanian dinar and US dollars. Jordanian Dinar is effectively associated to the US Dollar, and thus exchange risks are also efficiently managed.

Liquidity Risks:

Liquidity risks are risks of having the entity face a difficulty in procuring funds to meet its commitments relating to the financial instruments. Liquidity risks may arise from the inability to swiftly sell a financial asset for an amount of approximately equal to its fair value.

21- Comparative Figures

Some comparative figures of the previous period have been classified so to become consistent with the presentation used in the present period.

22- Endorsement of Condensed Separate Interim Statements

The preliminary separate interim financial statements have been endorsed by the board of directors on October 28th 2021.