South Electronics Co. P.L.C — شركة الجنوب للالكترونيات م.ع.م

التاريخ : 2020/7/1

الرقم : 5/ الجنوب/ ماليه /2020

الساده / هيئة الأوراق الماليه المحترمين

تحيه طيبه وبعد ،،،

نرفـــق لكـم طيا القوائم الماليه الموحده وتقرير المحاسب القانوني المستقل كما في 31كانون الأول لعام 2019 باللغه الانجليزيه .

للايضاح
* بورصة عمان
* السيد محمد
السيد عبدالله
السيد خالد

٧/١

وتفضلوا بقبول فائق الإحترام والتقدير ،،،

المفوضـــون بالتوقيـــع

ضياءالدين ابراهيم أمين — اسامه أبو صباح

هيئـة الأوراق الماليـة
الدائـرة الإداريـة / الديـوان
١ تمـوز ٢٠٢٠
الرقم المتسلسل C ٩١٥
الجهة المختصة ١١٢/١ فصل

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المعرض الرئيسي- شارع مكة

South Electronic Co.
A Public Limited Shareholding Company
And its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan

The Consolidated Financial Statements and
Independent Chartered Accountant's Report
As on 31 December 2019

South Electronics Co.
Public Limited Shareholding Company and its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan
The consolidated financial statements and the Independent Chartered Accountant's report
As on 31 December 2019

Contents Index

The Independent Chartered Accountant'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 Electronics Public Limited Company, which consists of a consolidated statement of financial position as on 31 December 2019, a consolidated statement of comprehensive income, a consolidated statement of changes in property rights, a consolidated statement of cash flows for the ended year for that date, and the Clarifications on the financial statements including a summary of the important accounting policies.

In our opinion, with the exception of the possible implications of what is contained in the paragraph of the qualified opinion basis in our report, the consolidated financial statements attached are fairly in all fundamental respects, the consolidated financial position of the group as on 31 December 2019, and its financial performance and consolidated cash flows for the ended year on that date meet the international financial standards reports.

The basis of qualified opinion

1. **Accounts receivable parties** - on 31 December 2019, we were not provided with the receivables balances of related parties companies to verify the authenticity of these balances on that date which amounted to 352,650 JD, Haier Middle East Trading Co. – Aqaba, check clarification No.6
2. **Provision for accounts receivable parties** - The level of the allowance for impairment of accounts receivable parties is reduced to 3,901,189 JD according to the requirements of the international financial reporting standards No. 9 - financial instruments, which reduced the loss of the year by the same amount, didn't show the balance of the level of the impairment accounts receivable parties in his right amount in the statement of financial position as on 31 December 2019, and didn't show the balance of receivables as parties who have a relation with net-worth collected in the Financial Position statement on 31 December 2019, however, on 05/03/2020, the Company's Directors decided to allocate additional allocations to meet the remaining balance of these accounts within a period that is less than five years after the date of the preparation of the company's financial statements and that commensurate with the company's operational activity and the results of the company's business.

3. **The group's investment in Haier Middle East Limited Liability for Equipment's Company** – Amman, the group invests in the aforementioned company as a subsidiary in accordance with the International Accounting Standard No. 27 (Consolidated and Separate Financial Statements) and the International Financial Reporting Standard No. 10 with a capital of 25 million JD and a 92.5% ownership of the parent company We did not confirm validity of the value of this investment as on 31 December 2019 for the following reasons:

   A. The financial statements of the subsidiary are not audited by us, and the last audited financial statements of this subsidiary were in 2014.
   B. The losses of this subsidiary amounted to 13,750,630 JD at the end of 2014 according to the latest financial statements that was issued by this company and audited by another chartered accountant who issued a "Qualified" report on 15 March 2015.
   C. We have not received from the group's management financial statements for this subsidiary for the years 2015 to 2019.

4. **Consolidated Financial Statements** - consolidated financial statements have been prepared for the companies owned by the parent company, except for Haier Middle East Limited Liability for Equipment's Company, Amman from 2015 to 2019 and we have not receive financial statements from the group management for this subsidiary for the above mentioned period.
   The non-inclusion of the consolidated financial statements of Haier Middle East Limited Liability for Equipment's Company will have a substantial impact on the consolidated financial statements for the year of 2019, taking into the consideration what is mentioned in the basis of the qualified opinion No. 3.
   We did our audit in accordance with the International Standards on Auditing. Our responsibilities in accordance with these standards are described later in our report within the auditor's responsibility paragraph on auditing financial statements. We are independent of the company in accordance with the requirements of the International Ethical Standards Board of Accountants "Code of Ethics for Professional Accountants" and the ethical requirements related to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements and the requirements of the International Ethical Standards Board of Accountants "Code of Ethics for Professional Accountants".
   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Another Matter:

The group's accumulated losses exceeded 75% of its paid capital, which requires the management of the group to reconcile its situation in accordance with the provisions of article No.266 of the Jordanian Companies applicable Act.

Clarification Paragraph:

A. **Accounts receivable parties, Haier Middle East Limited Liability for Equipment's Company** – Amman is a subsidiary of South Electronics Public Shareholding Company (parent company) and payables Parties - Middle East Complex for Engineering Industries, these accounts were made in the records of the South Electronics Public Shareholding Company by an agreement signed between the board of directors of the South Electronics Public Limited Company and the board of directors of the Middle East Complex for Engineering Industries Public Shareholding Company where the parties agreed under this agreement to prove this accounts in the records of The South Electronics Public Shareholding Company and remove them from the records of the subsidiary of The South Electronics Public Shareholding Company (Haier Middle East for Equipment's Company- Amman) as follows:

1. Accounts receivable of 5,061,679 JD owned by Haier Middle East for Equipment's Company – Amman, a subsidiary of The South Electronics Public Shareholding Company.
2. Accounts payables 5,061,679 JD for the Middle East Complex for Engineering Industries Public Shareholding Company.

These accounts are not a result of commercial transactions between the parties, but are a result of an agreement signed between these parties.

B. **The Group's Investment in Hair Middle East Trading Company — Limited Liability — Aqaba**, the Group's management has not evaluated its investment in the aforementioned company within the requirements of international financial reporting standards that have emerged of the non-current assets paragraph (financial assets with the fair value in the other comprehensive income statement) that is recorded in the books at a cost of 668,465 JD. Also, we were unable to determine whether there was a decrease in the value of this investment and its impact on the consolidated financial statements, where the management of the group did not provide us with financial statements for this company, and we were unable to perform alternative audits to verify the value of the investment as on 31 December 2019, however, the Group's management has made a complete reduction provision for this investment, see Clarification No. 10.

C. **Group continuity**, We believe that there is a suspicion that the group is able to continue its work for the following reasons:

1. Due to the loss of the accumulated group of 8,538,037 JD by the end of 2019, which is equivalent to (76.5%) from the group's paid-up capital of JD 11,158,447.
2. Because the accumulated losses of 13,750,630 JD of the subsidiary were not included until the end of 2014, according to the latest financial statements issued by this company and audited by another chartered accountant (Haier Middle East Limited Liability Company).

3. Because the group losses have not included the result of Haier Middle East Limited Liability Company (a subsidiary) – Amman for the period from 1 January 2015 to 31 December 2019 because there are no audited financial statements issued by that subsidiary for the above mentioned period.
4. The deficit of current assets in facing the current liabilities taking into the consideration that they didn't take the sufficient allocations from the group's management.

However, the group's management has developed a future plan to deal with the above-mentioned effects regarding the company's ability to continue its activities, check Clarification No.20

Important audit matters

The most important audit matters are those matters that, according to our professional judgment, were the most important during the audit of the consolidated financial statements for the current year, these matters have been studied within the overall framework of auditing the consolidated financial statements to express our opinion on these financial statements and we do not express a separate opinion on the important audit matters, and it was clarified in the clauses of our qualified opinion.

Other Information

The management is responsible for the other information; the other information includes the Company's 2019 annual report information but it does not include the consolidated financial statements and our report on them, our opinion on consolidated financial statements does not include the other information and we do not give any kind of assurance about them.
With regard to the audit of the consolidated financial statements, our responsibility is to read the other information if it's available, where we take into consideration whether the other information is fundamentally inconsistent with the consolidated financial statements or with the information reached through our audit, or if it appears that these other information have fundamental mistakes. And if we conclude, based on the work we've done, that there's fundamental mistakes in these other information, we have to report that fact, and there are no specific matters related to this subject that must be reported.

Management responsibility for consolidated financial statements

The Management is responsible for preparing and fairly presenting these consolidated financial statements in accordance with international financial reporting standards, and has the responsibility for the internal control, which they deem necessary to prepare consolidated financial statements free of fundamental mistakes, whether it is resultant by a fraud or a mistake.

Also the management responsibility includes preparing consolidated financial statements that assess the group's continuity capacity, and disclosure, as appropriate, of the issues that are related to the continuity of the group, and use the principle of continuity in accounting unless the administration intends to liquidate the group or suspend its operations, or has no logical alternative to that.
The persons responsible for the governance are the responsible for overseeing financial reporting procedures.

The responsibility of the chartered accountant for auditing the consolidated financial statements

Our goal is to get reasonable confirmation about the consolidated financial statements as a whole are free of fundamental mistakes, whether it is resultant by a fraud or a mistake and to issue the audit report, which includes our opinion. Reasonable confirmation is of a high level of certainty, our auditing procedures, in accordance with the international auditing standards; do not always ensure that the fundamental mistakes will be reached even if they exist.
Mistakes can be made by fraud or mistake; it is considered fundamental mistakes if it's individually or collectively may reasonably affect the decisions of users of the consolidated economic financial statements.

As a part of the auditing process in accordance with International Standards on Auditing, we practice the professional judgment and maintain to apply the principle of professional uncertainty in all aspects of the audit in addition to:

- Identify and assess the risks of fundamental mistakes in the consolidated financial statements as well as design and implement the audit procedures that respond to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting any fundamental mistakes that were resulted by fraud is higher than that were resulted by mistake; fraud may also include collusion, forgery, intentional deletion and misrepresentation, or abuse of internal control systems.
- Gain an understanding of the internal control systems that is related to audit work for the purposes of designing appropriate audit procedures according to the circumstances and not for the purpose of expressing an opinion on the effectiveness of the internal control systems in the group.
- Evaluating the appropriateness of the used accounting policies and the reasonableness of accounting estimates and related clarifications prepared by management
- Come up with a conclusion on the appropriateness of management's use of the principle of continuity in accounting, and based on the audit evidence obtained, whether there is a fundamental uncertainty related to events or circumstances that may raise serious doubts about the group's ability to continue as a continuing establishment. Our conclusions are based on the audit evidence obtained, up to the date of our audit report. However, future events or circumstances could stop the group of being a continuing establishment.

- Evaluating the general presentation, the structure and the content of the consolidated financial regulations, including the clarifications, and whether the consolidated financial statements represent transactions and events in a manner that achieves a fair presentation.
- We communicated with those who are responsible for governance (in addition to other orders) regarding the scope and timing of the planned audit and important audit notes, including any significant deficiencies in the internal control system that were identified during our audit.
- Also we have been provided by the governance officials with things that help us to ensure that we comply with the requirements of professional conduct that is related to the independence, and inform us of all relationships and other things that might be reasonable to think that they might effect on our independence, and according to the nature of the situation and the relevant preventive measures
- One of those things that have been communicated with governance officials for, we define the most important things in the audit of the consolidated financial statements for the current period, which are therefore the important audit matters. Where we describe these matters with an audit report, unless there is a law or legislation that prevents public disclosure or in very rare cases in which we decide not to disclose the matter in our report, that's when it's reasonable to expect that the adverse consequences of disclosure might be more than the public interest.

Report on legal requirements

The Group maintains duly organized accounting records, and they are consistent with the attached financial statements in all fundamental aspects, we recommend the General Authority to certify it after taking into consideration what is mentioned in the basis of qualified opinion, other matter and clarification paragraph.

Al- Abbasi & Partners Co.

Ahmed M. Abbasi
License 710

AL-ABBASI & PARTNERS CO.
PUBLIC ACCOUNTANTS
Member of Moore Stephens International Limited

Amman in
March 5, 2020

South Electronics Co
Public Limited Shareholding Company and its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan
Consolidated Financial Position Statement

	Clarification	2019 JD	2018 JD
Assets			
Current assets			
Cash and cash equivalents		21,647	4,300
Receivables – net	4	442,512	1,704,087
Loan attribution – net	5	34,000	250,000
Accounts Receivable parties	6	3,909,189	519,923
Goods in warehouses	7	63,253	229,716
Other debit balances	8	32,019	47,117
Total current assets		**4,502,620**	**2,755,143**
Noncurrent assets			
Investments in subsidiaries	9	10,496,037	10,496,037
Financial assets with fair value in the statement of comprehensive income	10	213,468	976,166
Property and equipment – net	11	473,769	473,769
Right of use asset		188,345	-
Total noncurrent assets		**11,371,619**	**11,945,972**
Total assets		**15,874,239**	**14,701,115**
Liabilities and equity			
Current liabilities			
Accounts payable		879,773	888,631
Margin financing facilities		623,079	623,079
Deferred cheques due within a year		377,279	439,855
Long term loan due within a year	12	0	243,000
Finance lease obligations due within a year		61,340	-
Other accounts payable	13	343,289	419,487
Total current liabilities		**2,284,760**	**2,614,052**

South Electronics Co.
Public Limited Shareholding Company and its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan
Consolidated Financial Position Statement

Long-term liabilities			
Long-term finance lease obligations		131,088	-
Accounts payable parties	6	5,061,679	-
Long-term loan due within more than year	12	6,525,009	5,885,429
Total noncurrent liabilities		**11,717,776**	**5,885,429**
Equity			
Authorized and paid-up capital		11,158,447	11,158,447
Bonds discount		(500,000)	(500,000)
Compulsory reserve		297,734	297,734
Optional reserves		55,087	55,087
Cumulative change in fair value		601,528))	509,928))
Accumulated losses at the end of the year	14	(8,538,037)	(4,299,706)
Net equity		**1,871,703**	**6,201,634**
Total Liabilities and equity		**15,874,239**	**14,701,115**

South Electronics Co.

Public Limited Shareholding Company and its Subsidiaries (The group)

Amman – The Hashemite Kingdom of Jordan

Consolidated statement of comprehensive income

	Clarification	2019 JD	2018 JD
net sales		143,426	620,691
Cost of sales		(112,569)	(467,946)
gross profit of the year		**30,857**	**152,745**
Sales and distribution expenses	15	(151,045)	(158,909)
General and administrative expenses	16	(245,429)	(164,971)
Finance costs		(340,641)	(271,597)
allowance for impairment of receivable parties		(2,565,185)	-
Financial assets impairment		(668,465)	-
Impairment of loan attribution		(216,000)	-
Allowance for damaged and slow-moving goods		(60,000)	-
Loss of the year		**(4,215,908)**	**(442,732)**
Other comprehensive income items			
Change in fair value reserve		(91,600)	(540,907)
Total comprehensive income		**(4,307,508)**	**(983,639)**
Basic and low share of the year's loss	16	**(0.378)**	**(0.040)**

South Electronics Co.
Public Limited Shareholding Company and its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan
The statement of changes in the consolidated equity

	Capital	Bonds discount	Compulsory reserve	Optional reserves	Fair value reserve	Accumulated losses	Net
	Jordanian Dinar	Jordanian Dinar	Jordanian Dinar	Jordanian Dinar	Jordanian Dinar	Jordanian Dinar	Jordanian Dinar
For the ended year 31 December 2019							
Balance on 1 January 2019	11,158,447	(500,000)	297,734	55,087	(509,928)	(4,299,706)	6,201,634
Modifications of previous years						(22,423)	(22,423)
Adjusted opening balance	11,158,447	(500,000)	297,734	55,087	(509,928)	(4,322,129)	6,179,211
Change in fair value reserves	-	-	-	-	(91,600)	-	(91,600)
The losses of the year					-	(4,215,908)	(4,215,908)
Balance as of 1 January 2019	11,158,447	(500,000)	297,734	55,087	(601,528)	(8,538,037)	1,871,703
For the ended year 31 December 2018							
Balance on 1 January 2018	11,158,447	(500,000)	297,734	55,087	30,979	(3,810,167)	7,232,080
Modifications of previous years	-	-	-	-	-	(46,807)	(46,807)
Adjusted opening balance	11,158,447	(500,000)	297,734	55,087	30,979	(3,856,974)	7,185,273
Change in fair value reserves	-	-	-	-	(540,907)	-	(540,907)
The losses of the year				-	-	(442,732)	(442,732)
Balance as of 1 January 2018	11,158,447	(500,000)	297,734	55,087	(509,928)	(4,299,706)	6,201,634

South Electronics Co.
Public Limited Shareholding Company and its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan
Consolidated statement of cash flows

	2019 JD	2018 JD
Cash flows from operating activities		
Losses of the year	(4,215,908)	(442,732)
Modifications:		
allowance of parties impairment	2,565,185	-
Financial assets impairment	668,465	-
Impairment of loan attribution	216,000	-
Allowance for damaged and slow-moving goods	60,000	-
Amortization the right of using an asset	4,083	-
Modifications of previous years	(22,423)	(46,807)
Total profit before the change in working capital	**(724,598)**	**(489,539)**
Change in working capital clauses		
Accounts receivable	373,870	(11,428)
Accounts receivable parties	(5,067)	12,412
Goods in warehouses	106,463	22,495
Other accounts receivable	15,098	(79,667)
Accounts payable	(8,858)	(37,147)
Other accounts payable	(76,198)	71,780
Net cash flow from operating activities	**(319,290)**	**(511,094)**
Cash flows from investing activities		
Financial assets in the fair value	2,633	41,047
Net cash flow from investing activities	**2,633**	**41,047**
Cash flow from financing activities		
Loans	396,580	484,083
Deferred cheques	(62,576)	(25,000)
Net cash flow from financing activities	**334,004**	**459,083**
Change in cash and cash equivalents	17,347	(10,964)
Cash and cash equivalents at the beginning of the year	4,300	15,264
Cash and cash equivalents at the end of the year	**21,647**	**4,300**

South Electronics Co.
Public Limited Shareholding Company and its Subsidiaries (The group)
Amman – The Hashemite Kingdom of Jordan
Clarifications on the financial statements

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1. Legal entity and activity

South Electronics was established on 14 August 1993, as a limited shareholding company, and was registered in the Register of Limited Liability Companies
under the number (3275) then on 1 July 2005, the company was approved to become a public joint stock company and it was registered under the number (368) in the register of public joint stock companies with an authorized and paid up capital of 50 million Jordanian dinars divided into 50 million shares.
On 10 May 2014, the General Assembly held an unusual meeting and decided to reduce its capital by 40,841,553 JD to make the company's paid-up capital (9,158,447 JD/shares).
On 20 October 2014, it was approved to increase the company's capital by JD 2,000,000 to make the company's authorized and paid-up capital (11,158,447) JD/share, which was done by a private subscription.

The most important purposes of the company:

- Wholesale and retail trade in the electronic and electrical devices.
- Buying and selling lands after being developed and regulated in accordance with legal law.
- Providing financial and technical consultancy services.
- Preparing feasibility studies for all economic projects and business projects.
- Owns movable and immovable funds to implement the company's objectives.
- Investing company funds in real estate fields.
- Managing others' property.
- Electrical equipment trade.
- Borrowing the necessary funds from banks.

***The consolidated financial laws were approved by the Board of Directors at its meeting on 5 March 2020 and these statements require the approval of the General Authority of Shareholders.**

2- The bases of preparing the consolidated financial statements

- The company's financial statements are prepared in accordance with the standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretation Committee that is emanated from the International Accounting Standards Board.
- The financial statements are prepared in accordance with the historical cost principle, excluding the financial assets identified at fair value through the comprehensive income that appear at fair value.
- The financial statements are prepared in accordance with international financial reporting standards.
- The accounting policies that are used in preparing the financial statements are identical to those policies that were adopted in the previous year.
- The Jordanian Dinar is the currency of the financial statements, which is the main currency of the company.

Bases of consolidation of the financial statements

South Electronics' financial statements include the financial statements of the following subsidiaries as on 31 December 2019:-

Name of the subsidiary	Capital	Ownership Ratio	The main activity
Alshamal Electric Devices Trading Co.	5,000	100%	Commercial
Mir Home Appliance Trading Co.	5,000	100%	Commercial

- The financial statements of subsidiaries were consolidated from the date of gaining the control until it stopped.
-The financial statements of the company and subsidiaries were prepared for the same year using the same accounting policies.
- Transactions, balances, income and expenses between the parent company and subsidiaries were excluded.
- Non-controlling interest represents that portion of the subsidiary's equity that is not owned by the company, the rights of non-controllers are shown in the consolidated statement of income as a separate item, and in the consolidated statement of financial position as a separate item from the shareholders' equity.

3. **Important accounting policies**

Here are the important accounting policies when preparing these financial statements, these accounting policies have been applied to all years shown in the financial statements unless otherwise indicated, and these accounting policies are consistent with the accounting policies that were followed in the previous year.

Changes in accounting policies

The accounting policies used in preparing the financial statements are consistent with those followed in preparing the financial statements for the ended year on 31 December 2018, except that the Company has implemented the following adjustments as on 1 January 2019:

International Financial Reporting Standard No. 16 Rents

The International Financial Reporting Standard No (16) Leases take the place of the International Accounting Standard No. (17) Lease contracts and an interpretation of the International Financial Reporting Standards Interpretation Committee No. (4) Renewal of whether the arrangement contains a lease and interpretations of the International Accounting Standards Interpretation Committee No. (15) Operating leases – incentives and No. (27) Evaluate the content of processes that include the legal version of the leases.

The standard defines principles relating to recognition, measurement, presentation and disclosure of rents and the standard requires the tenants to confess most lease contracts within a standard form in the statement of financial position.

The confession of lease contracts by the lessors under the International Financial Reporting Standard No. (16) Has not changed significantly in comparison with the requirements of the International Accounting Standard No. (17) Where the lessor will continue to classify leases as either operating or financing contracts using principles similar to those in the International Accounting Standard No. (17) Consequently, the usage of International Financial Reporting Standard No. (16) Did not affect the lease contracts in which the company is the lessor.

3. **Important accounting policies, second part:**

Changes in accounting policies second part

Interpretation No. (23) of the International Financial Reporting Standards Interpretation Committee, uncertainty over the treatment of income tax

This interpretation explains the accounting treatment of income tax that there is an uncertainty in the tax that effects on applying the International Accounting Standard No. (12), the interpretation does not apply to taxes and fees that are not included in the scope of the International Accounting Standard No. (12) And it does not include special requirements for fees and fines related to uncertainty over tax treatments, the entity must determine whether each certain tax treatment should be considered separately or considered with other tax treatments.

There was no effect of applying these amendments on the company's financial statements.

Amendments to International Financial Reporting Standards No. (10) And International Accounting Standard No. (28): Sale or transfer of assets between the investor and his allied companies or joint ventures.

The amendments focus on the discrepancy between International Financial Reporting Standard No. (10) And International Accounting Standard No. (28) Regarding the loss of control over the subsidiary company as a result of selling or transferring of the investment in the subsidiary company to investment in an allied company or joint ventures, the amendments clarify that the full profits or losses resulting from the sale or transfer of assets which meets with the definition of entity - In accordance with the International Financial Reporting Standard No. (3) Between the investor and the allied company or joint ventures, while profits or losses resulting from the sale or transfer of assets that do not meet the definition of entity between the investor and the allied company or joint ventures are recognized to the extent of the investor's share in the allied company or joint ventures.

There was no effect of applying these amendments on the company's financial statements.

Amendments to International Accounting Standard No.28: Long-Term Investments in Allied Companies and Joint Ventures

The amendments clarify that the company must apply the requirements of International Financial Reporting Standards No. (9) On long-term investments in the allied company and joint ventures that are not recognized in accordance with the equity method but constitute in essence part of the net investment in allied companies and joint ventures in the long term, and this amendment is considered appropriate as the expected credit loss model in International Financial Reporting Standards No. (9) Applies on these long-term investments. The amendments also clarify that when the applying of the International Financial Reporting Standard No. (9), the company does not record any losses for allied companies and joint ventures or any losses of a decrease in the net investment value as the amendments to the net investment in the allied company or joint venture that may be created as a result of applying the International Accounting Standard No. (28) Investments in allied companies and joint ventures.

There was no effect of applying these amendments on the company's financial statements.

3. **Important accounting policies, third part:**

Changes in accounting policies third part

Here is a summary of the most important accounting policies:

Cash and cash equivalents:

Cash and cash equivalent represent the cash in the Fund, banks and investments that are able to convert into specific cash and are due within a period of not more than three months so that it does not involve risks in value change

Accounts receivable:

Accounts receivable appear at cost, after specify the net of accumulated amounts, to compare the balances of doubtful receivables, and the debts will be deleted if it is confirmed that they cannot be collected by deducting it from the accumulated deduction and the amounts collected from the deleted debts are added to the income.

Financial assets identified at fair value through the comprehensive income statement

The financial assets identified at fair value through the comprehensive income statement are non-derivative financial assets that its purpose is to keep them as available for sale, not to trade or hold them until maturity; differences in the fair value of financial assets identified at fair value are also recorded through the comprehensive income statement.

Financial assets identified show the cost in the statement of comprehensive income for which market prices are available in active financial markets at fair value, after deduct the accumulated impairment losses at their fair value.

Financial assets identified at fair value are also shown through the statement of comprehensive income that does not have market prices and whose fair value cannot be determined in a way that it can be used and any decrease in its value is recorded in the statement of comprehensive income.

Profits and losses resulting from foreign currency exchange differences are recorded as debt instruments that are interest bearing in the financial assets identified at fair value through the comprehensive income statement, whereas, the differences in foreign currency exchange are recorded as an equity instrument in the accumulated change in the fair value clause in the equities.

Investing in allied companies

Investments in allied companies appear at cost estimate and are revalued using the equity method and the company's share of profits and losses is restricted in the income statement.

Property and equipment

- Property and equipment appear at it cost after discounting accumulated depreciation and impairment losses
- The cost includes expenses related directly to the acquisition of property and equipment
- When the useful life of property and equipment items differs, they are accounted for as separate items
- Profits and loss resulting from the disposal of property are determined by comparing receipts from the exclusion with the value listed for those items and record them in the comprehensive income statement.
- The company's daily costs and expenses for the maintenance and operation of property and equipment are recorded in the comprehensive income statement
- Recognition of the depreciation expense in the statement of comprehensive income in the way of constant payment over the estimated useful life of each item of property and equipment, as well as the depreciation of the leased assets on the rental period or the useful lives of the assets, whichever is less.

3. **Important accounting policies, forth part:**

Changes in accounting policies forth part

- The estimated annual depreciation rates of property and equipment during the current year are the same for the previous year and their details are as follows:

property and equipment	depreciation rates %
Decorations and furniture	15%
Instruments and equipment	15%
Cars	15%

Accounts payable and accruals

Accounts payable and accruals are proved upon receiving a service or goods by the company, whether they are demanded by the supplier or not.

Allocations

Allocations are recognized when the company has obligations (legal or contractual) at the date of the financial position statement arising from previous events and the payment of obligations is probably will result a flow out of economic benefits and their value can be measured reliably. Allocations are determined by discounting expected future cash flows at a rate that reflects current market time assessments of the money and the risks identified for that commitment.

Clearing

Clearing is made between financial assets and financial liabilities and the net amount is reported in the financial statements when the necessary legal rights to do so are available, also when it is settled on a clearing basis, or the assets are verified and liabilities are settled at the same time.

Fair value

The closing price on the date of financial statements in the financial markets represents the fair value of the current financial assets, in case of absence some financial assets and liabilities prices, their value will be estimated by comparing them with the current market value of a financial instrument that is very similar.

Revenues and expenses recognition

- The company concludes a promise of sale contract with the customers, under which the company is obliged to transfer the ownership of the sale to the customer when the payment of the agreed value of the contract is completed where the agreements provide explanations about the property sold and the payment method, the value of the promise of sale contract is fully repaid by the customer and it is reduced by the received payments, and the account of the promise of sale remains constant and when the payment is completed, the account of the promise of sale will be closed in the account of the property sold and the sales revenue.
- The company also transfers the ownership of lands and real estate that are sold if the customer pays all the amounts that he owed or it transfers the ownership of the lands and real estate to the client in case the client has paid an amount of (50%) or more and that is after a first-degree mortgage of the lands and the real estate for the company benefit
- The company also recognizes the sales revenue when the benefits and risks related to the sold property are transferred to customers.
- Benefits and risks are transferred to the clients when they pay more than (50%) of the property's value or when the property is registered in the customer's name, whichever is closer.

3. Important accounting policies, fifth part:

- Other income is recognized in accordance with the accrual principle
- Expenses are recognized in accordance with the accrual principle

Foreign currency exchange

Foreign currency exchange are converted into Jordanian dinars according to the prevailing exchange rates on the date of the transaction, assets and liabilities fixed in foreign currencies are also converted to the Jordanian dinar and according to the prevailing exchange rates on the date of the financial position, all differences resulting from foreign currency conversion are included in the year's results in the comprehensive income statement.

Income tax allowance

The expenses of the due taxes are calculated on the basis of taxable profits in accordance with Law No. 38 of 2018, and the taxable profits differ from the profits announced in the comprehensive income statement because declared profits include non-taxable revenues or expenses that are unable to insert in the financial year but in subsequent years, or accumulated losses that are tax-acceptable, or items that it is not for it pretty much.

Profit per share

Profit is calculated for the basic and diluted earnings share and the common stock, where the profit per share is calculated by dividing the profit or loss for the year attributable to the company's shareholders of the weighted average number of ordinary shares during the year, the diluted share's profit is calculated by adjusting the profit or loss for the year attributable to the company's shareholders and the weighted average number of common shares, this will show the impact on the share of the earnings of all ordinary shares traded during the year and the possibly decline.

4. Receivables – net

	2019	2018
	JD	JD
Accounts receivable	2,653,284	3,027,154
allowance for impairment of receivable	(2,210,772)	(1,323,067)
Net	**442,512**	**1,704,087**

- **Allowance for impairment for receivable parties**

	2019	2018
	JD	JD
Balance at the beginning of the year	1,323,067	1,323,067
Deducted during the year	887,705	-
Balance at the end of the year	**2,210,772**	**1,323,067**

5. Loan attribution

	2019	2018
	JD	JD
Loan attribution of Al Arab Real Estate Development Company / due on 1 April 2011	216,000	216,000
Loan Attribution benefits	34,000	34,000
Allowance of loan impairment	(216,000)	-
Net	**34,000**	**250,000**

6. Transactions with related parties

A. This item consists of the following:

B. Receivables

	Nature of relationship	2019 JD	2018 JD
Haier Middle East for Equipments Company- Amman	Subsidiary	5,234,019	163,553
Haier Middle East Trading Co. – Aqaba	Affiliated company	352,650	356,370
Allowance for impairment of receivable parties		(1,677,480)	-
Total		**3,909,189**	**519,923**

C. Payables

	Nature of relationship	2019 JD	2018 JD
Middle East Engineering Complex Co.	Affiliated company	5,061,679	-
Total		**5,061,679**	-

7. Goods in warehouse

	2019 JD	2018 JD
Ready-made goods	173,253	279,716
Allowance for impairment of damaged and slow-moving goods	(110,000)	(50,000)
Net	**63,253**	**229,716**

- **Impairment of damaged and slow-moving goods**

	2019 JD	2018 JD
Balance at the beginning of the year	50,000	50,000
Adds during the year	60,000	-
Balance at the end of the year	**110,000**	**50,000**

8. Other accounts receivable

	2019 JD	2018 JD
Prepaid expenses	14,008	10,712
Staff accounts	5,632	3,981
Income tax returns	-	20,045
Insurance recoveries	10,079	10,079
Cash insurance and guarantees	2,300	2,300
Total	**32,019**	**47,117**

9. Investments in subsidiary companies

This investment represents (92.5%) of the ownership of the parent company in Haier Middle East Limited Liability for Equipment's Company – Amman for the responsibility of its capital (25,000,000) JD / per share, the value of this investment has been reduced due to the reduction in the parent company capital in 2014 by the extraordinary decision of the General Authority, the procedures have been completed in the parent company with the official authorities, but they have not completed in Haier Middle East For Equipment's - Amman at the official authorities until the date of the report of the independent chartered accountant.

10. Financial assets defined at fair value through other comprehensive income

	2019 JD	2018 JD
Included financial assets at fair value through other comprehensive income	213,468	307,701
Not included financial assets at fair value through other comprehensive income	668,465	668,465
Allowance for impairment of financial assets by cost	(668,465)	-
Total	**213,468**	**976,166**

- **Financial assets include mortgaged shares, detail as follows:**

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

- This item represents the value of the investment in The Middle East Haier Co. - Aqaba (18%) of the authorized, paid and recorded capital \ in the cost because the fair value cannot be measured with sufficient reliability.

11. Property and equipment – net

	Lands JD	Decorations and furniture JD	Devices and equipment JD	Cars JD	Total JD
Cost					
Balance as on 1 January 2019	473,766	1,000,690	434,068	438,299	2,346,823
Adds	-	-	-	-	-
Balance as on 31 December 2019	473,766	1,000,690	434,068	438,299	2,346,823
Depreciation					
Balance as on 1 January 2019	-	1,000,689	434,067	438,298	1,873,054
Adds	-	-	-	-	-
Balance as on 31 December 2019	-	1,000,689	434,067	438,298	1,873,054
Book value as on 31 December 2019	473,766	1	1	1	473,769
Book value as at 31 December 2018	473,766	1	1	1	473,769

- **The company's land and cars are held by the anti-corruption prosecutor.**

12. Bank loans

- In December 2007, the Group received a loan from The Arab Investment Bank of Jordan for 15,000,000 JD (fifteen million)
- The loan was restructured in 2017 to be repaid during a period of 20 years in concessional installments.

Guarantees:

- The Group undertakes to transfer the value of the monthly installments by the collected money of the Military Retired Institution; the amounts owed by the defaulters, to be paid by the Ministry of Finance for the benefit of the company without any sales and/or other collections, in accordance with a right transfer regulated by the notary.
- The group also undertakes to write a letter to the Military Retirees Institution in which they demand to make the collections of the company deposit in the Housing Bank for Trade and Finance to ensure the continuity of its transfer at the end of each month to the company's account with the Arab Investment Bank.
- Maintaining the bank's existing guarantees unchanged in addition to the above.
- The amounts collected from the Military Retirees Foundation or any other amounts deposited in the account will also be used to pay any obligations or any outstanding and unpaid installments.

13. Other accounts payable

	2019 JD	2018 JD
Other secretariats and allowances	127,674	156,121
Secretariat for Social Security and taxes	73,308	32,924
Employee vacations allowance	50,234	54,884
Accrued expenses	40,326	57,540
Employee accounts	19,124	76,677
Jordanian universities fees allowance	17,324	17,324
Returned subscription secretariat	12,765	12,765
Sales tax secretariats	2,534	11,252
Total	**343,289**	**419,487**

14. Accumulated losses

	2019 JD	2018 JD
Accumulated losses at the beginning of the year	(4,299,706)	(3,810,167)
Modifications of previous years	(22,423)	(46,807)
Loss of the year	(4,215,908)	(442,732)
Accumulated losses at the end of the year	**(8,538,037)**	**(4,299,706)**

15. Sales and distribution expenses

	2019 JD	2018 JD
Salaries, wages and it links	67,813	69,312
The company's contribution to social security	9,340	9,646
Rentals	3,500	39,500
Operator expenses and installation of air conditioners	404	781
Cars and transportation	5,719	15,179
Electricity and water	4,135	3,164
Mail, telegrams and phone	1,050	982
Insurance expenses	469	856
Fees, licenses and stamps	18,198	3,194
Hospitality and cleanliness	198	133
Maintenance	50	140
Stationary and prints	215	31
Others	8,550	15,049
Visa commissions	13	942
Amortization the right of using an asset	31,391	-
Total	**151,045**	**158,909**

3. Administrative and general expenses

	2019	2018
	JD	JD
Salaries, wages and it links	79,531	71,208
The company's contribution to social security	10,147	10,147
Amortization the right of using an asset	31,391	35,000
Fees, licenses and stamps	54,901	16,764
Board members transportation allowance	-	5,250
Professional fees	44,620	9,160
Electricity and water	4,155	3,011
Cars and transportation	2,476	2,081
Mail, telegrams and phone	1,626	1,063
Hospitality and cleanliness	370	556
Stationery and prints	221	203
Others	1,110	5,168
Insurance expenses	100	299
Government fines	9,691	2,498
Judicial expenses	4,840	2,213
General maintenance	250	350
Total	**245,429**	**164,971**

4. Basic and diluted earnings per share of the year's loss

	2019	2018
	JD	JD
Loss of the year	(4,215,908)	(442.732)
Weighted average of the share numbers	(11.158.447)	(11.158.447)
The basic share of the year's loss	**(0,378)**	(0.040)

5. legal status

There are lawsuits against the company by a third party with an amount of JD 4,301,873 that are still pending before the courts, according to the company's lawyer' response.

6. Possible obligations

In the financial position history, there are the following possible obligations:

- Customer pledges in exchange for guarantees issued in the amount of (500) dinars, and their insurance of (500) JD.

7. The future plan and the impact of the Corona virus on the status of the company

Based on the economic and financial circumstances caused by Corona Virus and due to the ban imposed on companies and the partial suspension of activities, the Board of Directors of South Electronics Company has adopted several decisions and bold plans which aim to mitigate the impact of this global problem on the company's financial, administrative and marketing situation, and as a result of applying and implementing these plans and decisions, it is expected that the South Electronics Company at the end of 2020 will have a much stronger financial position than it was before the pandemic and the ban, where these decisions and plans are shown as follows:

1. The Board of Directors of the company has taken the decision to restructure all the banking facilities that it was granted by the Arab Investment Bank of Jordan, where a grace period was taken for a year starting in 31/05/2020, where the repayment will start on 31/05/2021 and for a period of (3) years for the new loans and (9) years for the old loans, this structure was officially implemented and signed with the bank on 25/05/2020.
2. Through the implementation of this scheduling, the company has made a cash flow on 31/05/2020 to meet its operational plans, purchases and expenses with an amount of about (815) thousand dinars.
3. Based on this schedule, the company will have at least 1.720 million JD in cash by the end of 2020.
4. The company has purchased various goods from the brand (SEC) within a preliminary plan of (600) thousand JD and it was paid in cash, and therefore the company has achieved a strong ground of available various goods to meet its plans in future sales.
5. The company achieved the expected sales target for the first months of 2020 according to the expected cash flow plan (with the ban and the difficult economic conditions that currently exist)
6. The company agreed with several agencies to give an exclusive distribution of the products of those companies to the south electronics company to sell to the military retirees and the military establishment, this will increase the percentage of the company's sales in this field and achieve the sales target specified by the Board of Directors.
7. The company has developed a restructuring plan for the company's staff, which will have a positive impact on the company's operational history, as it will save (25%) of the previous annual salary item.
8. The company has developed a business plan to reduce the company's administrative and public expenses by at least 25% of the 2019 expenses provided that it does not affect the company's operational activities.
9. The company agreed with Tamlik Electrical Devices Trading Company (It is a company that will be a subsidiary of The South Electronics Company in the future, which is dedicated to selling electrical devices in cash to the military institution) provided that all purchases of Tamlik company are limited and only from the South Electronics Company, it is expected that the level of the commercial activity between the two companies will be about (500) thousand JD for the year 2020, with a satisfactory profit rate for both parties.

20-The future plan and the impact of the Corona virus on the status of the company – Second part

1. The company has developed plans to open a retail activity for state employees, banks, investment funds and all activities that its' payment is 100% secured, this item was not included in the expected sales to reveal the cash flow as it is an activity under study by the Board of Directors.
2. As you know, the Company's Board of Directors, in partnership with the Kuwaiti investor, will restructure the company's capital in the coming months of 2020, according to the agreement signed between all parties in 10/2019.
3. The Kuwaiti investor has purchased (2) million shares of the company's shares as a first step, and will buy (2) million additional shares during 2020, thus, the ownership of the Kuwaiti investor and after structuring of the company's new capital within the next extraordinary general authority will exceed (80%) of its capital and this will give full stability to the company and to the share price.
4. Through the company's plans mentioned above, revealing the expected cash flow, calculating the expected profits and loss, restructuring all the company's facilities and implementing the remaining terms of the partnership agreement between all parties, the company has achieved complete stability to the principle of the continuity of the company and its strong start again as it will take its natural position within this activity in Jordan.

8. Sector classification

The company has three strategic sectors: Commercial activity, Investment activity and other and here is information on the business sectors:

2019	Commercial JD	Investments JD	Others JD	Total JD
Net revenues	143,426	-	-	143,426
Assets and liabilities				
Assets				0
Liabilities				0
Other sectors information				
Finance costs	(340.641)			(340.641)
Allowances impairment				

2018	Commercial JD	Investments JD	Others JD	Total JD
Net revenues	620,691	-	-	620,691
Assets and liabilities				
Assets	2,164,360	11,472,200	1,126,072	14,762,632
Liabilities	7,159,047	623,079	778,872	8,560,998
Other sectors information				
Finance costs	(271,597)			(271,597)
doubtful debts Account	-	-	-	-

9. Analysis of asset and liability maturity

The following table shows the analysis of assets and liabilities according to the expected period of recovery or adjustment

	2019		
	Up to one year	More than one year	Total
	JD	JD	**JD**
Assets			
Cash and cash equivalent	21,647	-	21,647
Receivables – Net	442,512	-	442,512
Accounts receivable parties	3,909,189	-	3,909,189
Loan attribution from Arab Real Estate Company	34,000	-	34,000
Goods in warehouses	63,253	-	63,253
Other receivables	32,019	-	32,019
Investments in subsidiaries	-	10,496,037	10,496,037
Financial assets at fair value, comprehensive	-	213,468	213,468
Property and equipment - net	-	473,769	473,769
Total assets	**4,502,620**	**11,183,274**	**15,685,894**
Liabilities			
Payables	879,773	-	879,773
Margin financing facility	623,079	-	623,079
Deferred cheques	377,279	-	377,279
Loans	-	6,525,009	6,525,009
Other payables	343,289	-	343,289
Total liabilities	**2,223,420**	**6,525,009**	**8,748,429**

22.Analysis of asset and liability maturity, second part

The following table shows the analysis of assets and liabilities according to the expected period of recovery or adjustment:

	2018		
	Up to one year	More than one year	Total
	JD	JD	JD
Assets			
Cash and cash equivalent	4,300	-	4,300
Receivables – Net	1,644,437	-	1,644,437
Accounts receivable parties	519,923	-	519,923
Loan attribution from Arab Real Estate Company	250,000	-	250,000
Goods in warehouses	229,716	-	229,716
Other receivables	168,284	-	168,284
Investments in subsidiaries	-	10,496,037	10,496,037
Financial assets at fair value, comprehensive	-	976,166	976,166
Property and equipment - net	-	473,769	473,769
Total assets	**2,816,660**	**11,945,972**	**14,762,632**
Liabilities			
Payables	888,631	-	888,631
Margin financing facility	623,079	-	623,079
Deferred cheques	439,855	-	439,855
Short-term loans	243,000	5,885,429	6,128,429
Other payables	778,872	-	778,872
Total liabilities	**2,973,437**	**5,885,429**	**8,858,866**

10. Financial instruments

Financial instruments consist of financial assets and financial liabilities, the financial assets include bank balances, cash in hand, receivables and securities, where the financial liabilities include facilities provided by banks and payables.

The fair value

The fair value of financial assets and liabilities is not fundamentally different from their book value as most financial instruments are either short-term in nature or are constantly re-priced.

Credit risk

Credit risk is the risk that may arise from the inability or failure of the other party of the financial instrument to fulfill its obligations to the company, which may lead to losses of the company's credit risk mainly in deposits with banks as the company works to reduce credit risk by dealing with banks that have a good reputation.

Interest rate risk

Interest rate risk rustles from the possibility that changes in interest rates will affect the company's profit or the fair value of the financial instruments and since most of the financial instruments carry a fixed interest rate and appear at the amortized cost, the reaction of the company's profits and equity to change in interest rates is considered immaterial.

Liquidity risk

Liquidity risk is the company's inability to provide the necessary financing to meet its obligations on due dates, to avoid these risks, the company diversifies the financing sources, manages assets and liabilities, and make them adapt with their limited periods and keeps a sufficient balance of cash and the equivalent of negotiable securities.

11. Capital management

The main objective of the company's capital management is certainly to maintain appropriate capital ratios in a way that supports the company's activity and maximizes the equity of ownership.

The company manages the structuring of capital and makes the necessary adjustments to it in light of the changes in working conditions; the Company did not make any changes to the objectives, policies and procedures related to capital structure during the fiscal year.

12. Comparative figures

Certain comparative figures have been reclassified and tabulated to confirm the current financial year classification and figures.